MEDIOBANCA

Annual Accounts and Report
as at 30 June 2012

MEDIOBANCA

LIMITED COMPANY
SHARE CAPITAL € 430,564,606
HEAD OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY

REGISTERED AS A BANK
PARENT COMPANY OF THE MEDIOBANCA BANKING GROUP

Annual General Meeting
27 October 2012

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translation from the Italian original which remains the definitive version

BOARD OF DIRECTORS

		Term expires
* Renato Pagliaro	Chairman	2014
Dieter Rampl	Deputy Chairman	2014
Marco Tronchetti Provera	»	2014
* Alberto Nagel	Chief Executive Officer	2014
* Francesco Saverio Vinci	General Manager	2014
Tarak Ben Ammar	Director	2014
Gilberto Benetton	»	2014
Pier Silvio Berlusconi	»	2012
Roberto Bertazzoni	»	2014
* Angelo Casò	»	2014
* Maurizio Cereda	»	2014
Christian Collin		2012
Alessandro Decio		2012
* Massimo Di Carlo	»	2014
Bruno Ermolli	»	2012
Anne Marie Idrac	»	2014
* Vanessa Labérenne	»	2012
Elisabetta Magistretti	»	2014
Carlo Pesenti	»	2014
Fabio Roversi Monaco		2014
* Eric Strutz	»	2014

* Member of Executive Committee

STATUTORY AUDIT COMMITTEE

Natale Freddi	Chairman	2014
Maurizia Angelo Comneno	Standing Auditor	2014
Gabriele Villa	» »	2014
Mario Busso	Alternate Auditor	2014
Guido Croci	» »	2014

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Massimo Bertolini	Head of Company Financial Reporting and Secretary to the Board of Directors

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REVIEW OF
GROUP OPERATIONS

The twelve months under review were marked by the sovereign debt crisis which affected the countries of southern Europe, causing sharp price reductions in all related asset classes and securities, and making it impossible for banks to refinance their liabilities normally on reasonable terms. Taking place against a weak economic backdrop, these events caused the economies themselves to slow further, which impacted negatively on both households' and corporates' credit quality as well as on business volumes (in corporate and investment banking particularly).

In such difficult operating conditions, the increased diversification of the Group's income sources, each of which shows a different correlation to market trends, allowed Mediobanca to achieve a creditable result in terms of profit from banking activities, which totalled €562.8m (30/6/11: €531.8m), reflecting good contributions from both components: corporate and investment banking (profit up from €472.7m to €466.3m) and retail and private banking (€119.2m, compared with €79.9m last year). However, the overall result was strongly affected by losses on the securities and equity investment portfolios, which more than doubled from €275.2m to €604m, and compounded by a reduced contribution from the equity-accounted companies (€169.5m, compared with €203m last year). Other items worthy of note include one-off gains on disposals of a non-core property owned by Compagnie Monégasque de Banque (yielding proceeds of €44.3m) and of an 8.47% stake in Autostrade Sud America (€91m). The net profit of €80.9m thus reflects a substantial reduction on the €368.6m posted last year.

The main income items performed as follows:

– net interest income was flat at €1,069.8m (€1,070.3m), coming on the back of 16.7% growth last year and despite the rise in the cost of funding being only partly offset by the 6% growth in volumes due to the ECB long-term financing (€7.5bn);

– net trading income increased from €189.2m to €266.8m, despite the high volatility in spreads on Italian government securities;

– net fee and commission income fell slightly, from €520.3m to €483.5m, due to the slowdown in Corporate and Investment Banking activity;
– the amount contributed by the equity-accounted companies fell from €203m to €169.5m, due to lower earnings posted by Assicurazioni Generali (€145.9m, compared with €201.6m last year).

Operating costs fell by 4.2%, from €823.9m to €789m, helped by the reduction in labour costs (down 6.1%) linked to the reduction in the variable remuneration component and effective control of other administrative expense items (down 2.3%), despite the increase in operations (in retail and consumer banking especially).

In a recession scenario, loan loss provisions were up 34.1%, from €349.1m to €468.3m; this reduces to 10.4% excluding the single, one-off reversal in an amount of €75m made last year. The €10.6m rise in provisioning for households, from €323.5m to €334.1m, also reflects the increase to cover growth in volumes of personal loans.

Provisions for other financial assets totalled €604m, and include: €141.1m in adjustments for Greek government securities as a result of the related debt restructuring agreements; impairment charges of €113.3m for the Telco investment (corresponding to a net present value for the Telecom Italia shares owned by Telco of €1.5 per share) and of €77.7m for the RCS MediaGroup investment (corresponding to a net present value of €1 per share); €269.6m in writedowns to AFS shares, €132.7m of which in respect of the UniCredit cashes, €34m of Delmi (in connection with the Edison stake being swapped for the holding in Edipower), €28.8m for 9.92% of Santé and €10.8m of the Ferretti holding, the value of which is now zero. During the twelve months under review the movements in the AFS portfolio generated net gains of €32.4m, including €91m on disposal of the 8.47% stake in Autostrade Sud America.

Turning now to the individual areas of the Group's activities:

– Corporate and investment banking (CIB) saw revenues up 2.3%, from €912.4m to €933.3m, on higher net trading income (up from €169.2m to €256.4m), only in part offset by the reduction in net interest income (down from €429.3m to €381.6m) and fee income (down from €315.1m to €275.6m). A net profit of €19.7m (€242.2m) reflects the higher provisions for loan losses (up from €25.3m to €134.2m) and securities (up from €150.4m to €405.5m), as well as gains on disposals of AFS securities totalling €23.8m (€0.2m);

- Retail and private banking (RPB) saw its profit increase, from €77.8m to €121.2m, boosted by the €44.3m real estate gain booked by CMB and a 4.8% increase in revenues, from €919.5m to €963.5m, which offset the 3% growth in provisions (up from €323.5m to €333.3m) plus the lower gains realized on disposals (€1.5m, compared with €36m). The individual divisions' results were basically flat: consumer credit (net profit up from €91.1m to €92.8m), CheBanca! (net loss up from €38.8m to €42.1m), and private banking (normalized net profit up from €25.5m to €26.2m);
- Principal investing (PI) showed a loss of €63.5m for the twelve months under review, compared with a €69.3m profit last year, as a result of the writedowns charged to the Telco and RCS MediaGroup investments (€113.3m and €77.7m respectively) and to other holdings in AFS securities (€6.8m), as well as the contribution from equity consolidation (€147.8m, compared with €203.6m).

On the balance-sheet side, there was growth in funding (from €51.7bn to €55.8bn) as a result of the three-year, European Central Bank financing (€7.5bn), plus growth in CheBanca! retail deposits (up 16%, from €10bn to €11.6bn), which compensates for the reduction in debt securities (down from €34.5bn to €30bn), and funded the increases in the AFS bond portfolio (up from €6.1bn to €9.4bn) and in treasury assets (up from €8.6bn to €9.3bn). Loans and advances to customers were flat at €36.3bn (€36.2bn), as were holdings in fixed financial assets (€2.3bn), while equity investments fell from €4.8bn to €4.3bn. Assets under management in private banking remained more or less stable at €12.7bn (€12.6bn).

The Group's main capital ratios remain at high levels, with the core Tier 1 ratio moving from 11.19% to 11.49%, and the total capital ratio from 14.36% to 14.16%.

* * *

Significant events that have taken place during the twelve months under review include:

- approval of changes to the company's Articles of Association by shareholders at a general meeting held on 28 October 2011, which include an increase in the minimum number of independent directors from two to four, increased flexibility in the composition of the committees set up by the Board of Directors, the introduction of age limits for holding company office, and renewal of the Board's existing authorization to increase the company's share capital by an amount of up to €100m (nominal value);
- approval by the Board of Directors on 27 June 2012 of the new procedure in respect of transactions with related parties and their associates, and the policy in respect of investments in non-financial companies;
- approval of a partial demerger by Compass to Mediobanca involving its investments in CheBanca! and SelmaBipiemme, its stake in Assicurazioni Generali (equal to 0.91% of the company's share capital), and the property located in Foro Buonaparte, Milan. The rationale for the demerger, completed under a deed executed on 23 March 2012 and which took legal effect as from 1 April 2012 (with accounting effects active as from 1 July 2011), is to streamline the Group's structure, with the consumer credit businesses being concentrated in Compass (which include Futuro, Cofactor, Creditech and Compass RE);
- issuance of a €1.5bn covered bond with CheBanca! mortgage receivables as the underlying asset, and two bonds worth €3.5bn guaranteed by the Republic of Italy, entirely subscribed for by Mediobanca S.p.A. and eligible for refinancing by the European Central Bank;
- early redemption (in October 2011) of the €700m, Lower Tier II bond issued in October 2006, partly offset by a new issue with similar characteristics expiring in 2021, currently subscribed as to approx. €430m;
- approval of the internal capital adequacy assessment procedure (ICAAP) required by regulations in force, and disclosure of the information required under Pillar 3 of the Basel II agreements, to provide a more accurate valuation of the Group's capital solidity and exposure to risks;
- the decision by Standard & Poor's, following the downgrade of the rating for the Republic of Italy, to revise Mediobanca's long-term credit rating from A+ to A and again on 10 February 2012 to BBB+ with negative outlook (confirmed on 3 August 2012);

– the disposal by Compagnie Monégasque de Banque of its Swiss branch CMB Banque Privée (Suisse), with headquarters in Lugano;

– Teleleasing (80%-owned by SelmaBipiemme and 20%-owned by the Telecom Italia group) being placed in liquidation as a result of the failure to renew the agreement with Telecom Italia.

* * *

In July 2012, the Chief Executive Officer of Mediobanca, Alberto Nagel, received notice from the public prosecutor's office of Milan that he was under investigation for the alleged crime of "obstructing the public supervisory authorities in the exercise of their duties" (under Article 2638 of the Italian Civil Code) in connection with the Unipol/Fondiaria-SAI merger, followed by questioning on 1 August 2012. The Board of Directors of Mediobanca then met on 5 September 2012 to hear the Chief Executive Officer's report on these events. At the end of the meeting the following press release was issued: "At a Board meeting held today, the Directors of Mediobanca expressed their satisfaction at the state of progress of the Unipol/Fondiaria-SAI merger project and the related recapitalization. In this connection, the Board also noted the report by the Chief Executive Officer on the events relating to the inquest being conducted by the Milan public prosecutor's office. Based on the information available, the Board unanimously agreed that it could wait for the outcome of the enquiries with confidence."

Developments in capital markets

In the year ended 30 June 2012, transactions by companies on the risk capital market generated €6.9bn in funds transferred to the market, as compared with €5.5bn in the previous year. The reduction in fund flows to companies in the form of issues and placements of shares and convertible and *cum* warrant bonds (from €13.8bn to €8.9bn) was in part mitigated by the lower dividends distributed (down from €16.3bn to €13.8bn) and the contraction of public tender offers which totalled just €1.9bn (€3.1bn):

(€m)

	12 mths to 30/6/10		12 mths to 30/6/11		12 mths to 30/6/12	
Issues and placements of°:						
convertible ordinary and savings shares		6,881		13,404		8,887
non-convertible preference and savings shares		121		85		–
convertible and cum warrant bonds		2,339		355		–
Total		9,341		13,844		8,887
of which, for rights issues:*						
par value	*2,674*		*7,465*		*8,438*	
share premium	*4,290*	*6,964*	*3,616*	*11,081*	*260*	*8,698*
Dividends distributed		15,169		16,316		13,809
Public tender offers		415		3,053		1,930
Balance		(6,243)		(5,525)		(6,852)

° Excluding placements restricted to professional investors.

* Excluding IPOs and other public offers, which raised €27m in 2009/2010, while no such offers were made in 2010/11 or 2011/12, offers restricted to employees, and offers without option rights.

As in 2010/11, the capital increases were mostly implemented by banks (which accounted for nine-tenths of the total) with the objective of strengthening their capital base in the new regulatory scenario introduced by the Basel regulations. Retail public offerings were at negligible levels (just €69m, as against €2.2bn the previous year), equal indeed to the share accounted for by share premium reserves, which fell from 33% to their record low of 3%. Share issues restricted to staff, chiefly through exercise of stock options, remained relatively insignificant and involved 18 companies for a total amount of €105m (as opposed to 21 companies and €104m last year). No convertible bonds were issued.

Following the trend reversal in 2010-11, dividends resumed the decline which set in during the financial crisis period, reducing from €16.3bn to €13.8bn, with the payout ratio stable at 49%. The reduction in dividends was largely attributable to banks (down €1.1bn) and industrial companies (down €0.9bn, €0.7bn of which in respect of energy companies and utilities), with insurances also retreating by €0.4bn. In percentage terms the industrial companies, which now account for 86% of the aggregate dividends distributed, in posting a 7% increase absorbed the reductions by the banks and insurances (from 15% to 10% and from 5% to 3% respectively). Around half the companies listed on the stock market failed to pay dividends, but by market capitalization these companies accounted for barely 13% of the aggregate (as against 8% for the preceding period). Public tender offers resulted in three companies being delisted (five in 2010/11).

The net aggregate results for the 2011 financial year posted by Italian companies listed as at 30 June 2012 show a strong deterioration in results, with losses of €20.4bn recorded, compared to the €26.4bn profits posted in 2010. The hefty, €26bn losses incurred by banks were only in part mitigated by the positive results delivered by the industrial companies (€4.9bn) and insurances (€0.6bn).

The banks reported a slight, €0.7bn reduction in net revenues, largely due to lower fee income and dividends collected (€1bn in the aggregate), partly offset by the €0.7bn growth in net interest income. This negative result was impacted significantly by the substantial goodwill impairment charges taken (which were €28bn higher than in 2010), along with the higher net writedowns (up €3bn) and depreciation and amortization (up €1.7bn). In 2011 regulatory capital levels increased by 6%; while risk-weighted assets were largely unchanged, leading to an increase in the solvency margin from 12.3% to 13%. The leverage ratio, measured by comparing total assets with tangible net equity (excluding the instruments known as “Tremonti bonds”) also remained unchanged, at around 23 times (compared to an average of approx. 29 times for the leading European banking groups).

Insurance companies saw a sharp fall in their profits, from €1.8bn in 2010 to just €0.6bn, with the return on equity (ROE) declining from 8.1% to 3.1%. Growth in underwriting profits of €7.2bn) was swallowed up entirely by higher net claims (€8.6bn) and higher operating costs (€1.1bn); while the reduction in tax charges (€0.9bn) was in turn largely offset by the lower gross profit on other managements (€0.8bn).

Industrial groups showed a sharp reduction in their operating profit (from €18.1bn to €4.9bn, with ROE declining from 9.5% to 2.5%). The growth in value added (€5.8bn) was absorbed by higher staff costs (€2.5bn), depreciation and amortization (€1bn) and net interest charges (€0.4bn). The substantial net writedowns (which were €11bn higher than in 2010), net of the lower tax burden (€3.3bn), were the chief cause of the deterioration in net profit, which was down €3.2bn. The reduction in profits recorded by companies listed on the STAR segment was far lower, down from €0.8bn to €0.7bn (with ROE declining from 8.9% to 7.6%). Aggregate net equity for industrial companies fell by 3%, against an 8% increase in net debt; as a consequence, the debt/equity ratio increased from 103% to 111%.

The Mediobanca share price index retreated by 28% (25% in the total return version), a performance comparable to those seen in the years most affected by the financial crisis (2007/08 and 2008/09). The deterioration in prices was most keenly felt by banks, whose stocks shed 50%, mitigated slightly by the less adverse performance of the industrial companies (which lost 20%, as did the STAR segment), while insurances were basically in line with the market average (down 29%). The average daily value of stocks traded on the MTA for the twelve months ended 30 June 2012 was down 26% on the previous year (from €2.9bn to €2.3bn per session). Both the free float (56%) and turnover ratio (22%) were stable, while volatility was up sharply at 2.6% (against 1.7% last year), the second highest level recorded in the whole of the past decade (after the 3.4% recorded in 2008/2009). Since the reporting date share prices have shown a recovery (up 14% until 5 September 2012), chiefly due to the rally by the banking index.

In the twelve months ended 2 April 2012, those of the western stock markets reporting reductions in share prices generally also showed higher dividend yields and price/earnings ratios; while the increase in share prices in the United States was accompanied by stable ratios.

The data for the leading western stock markets was as follows:

	Price/dividend (%)		Price/earnings (%)	
	2011	2012	2011	2012
Benelux **	3.1	3.5	7.0	8.3
France *	2.7	3.0	5.9	6.8
Germany *	2.0	2.4	5.9	6.4
Italy *	2.9	3.0	6.5	8.0
United Kingdom *	3.2	3.1	7.7	6.1
United States *	2.2	2.2	6.0	6.0
Switzerland **	2.5	3.0	5.7	5.8

* Top 50 profitable, dividend-paying companies by market capitalization.

** Top 20 profitable, dividend-paying companies by market capitalization.

NB: Median indicators based on share prices at 1 April 2012. The changes in prices on the principal stock markets between 1 April 2011 and 2 April 2012 were as follows (indexes used are in brackets): Italy down 25.2% (Mediobanca MTA), Switzerland down 2.2% (SMI), Netherlands down 11.7% (AEX), Germany down 5.1% (CDAX), United States up 6.5% (S&P 500), Belgium down 6.2% (BAS), France down 12.6% (SBF 250), United Kingdom down 2% (FTSE All-Share).

Assets managed by mutual funds incorporated under Italian law (including funds of funds, closed and hedge funds) again shrank considerably compared to the previous year, from €178.4bn at 30 June 2011 to €152.5bn at end-March 2012. The operating performance for the nine months, which reflects a loss of €0.7bn, compounded the negative trend produced by the large-scale net redemptions (€25.2bn). With regard to portfolio composition, the situation at the reporting date showed a further reduction in the share accounted for by Italian government securities (amounting to 14 percentage points) and cash and cash equivalents (4 points), with the share of non-Italian securities also decreasing (by 2 points). This reshuffling of portfolios benefited the other non-Italian stocks (bonds up 4 points, government securities up 2 points), and in particular net other financial assets and liabilities (up 14 points).

Roundtrip funds promoted by Italian brokers also performed poorly, hit by net outflows of €4.4bn only in part offset by operating profits earned (approx. €2.5bn); as at end-March 2012 assets managed by such funds had fallen to €173.5bn, from the €175.4bn posted nine months earlier.

The market capitalization of listed companies fell during the twelve months, from €436bn to €326bn, with the free float declining from €246bn to €184bn; this €110bn reduction, which includes rights issues and changes to the stock market composition, is due to the fluctuations in market prices.

* * *

The Italian consumer credit market reported a negative performance for the third year running in 2011, with volumes 14.7% lower than the levels seen in 2008.

The trend continued in the first six months of 2012, with an 11.3% contraction reported. The largest reductions in the six months include those recorded by the vehicle credit segment, down 18.7% due to the reduction in new car manufactures; salary-backed finance (down 20.8%), personal loans (down 12.7%) and special-purpose loans (non-automotive; down 5.7%). Conversely, the credit card segment remained stable, up 0.5%.

	2008		2009		2010		2011		1H 2012	
	€m	%	€m	%	€m	%	€m	%	€m	%
Vehicle credit	18,642	30.7	15,501	28.0	13,671	26.1	12,217	23.6	5,393	21.2
Personal loans	21,718	35.8	19,431	35.1	19,232	36.7	19,882	38.4	9,607	37.9
Specific-purpose loans	5,054	8.3	4,236	7.6	4,222	8.1	3,980	7.7	1,906	7.5
Credit cards	9,928	16.4	10,605	19.2	10,350	19.7	11,152	21.6	6,327	24.9
Salary-backed finance	5,315	8.8	5,617	10.1	4,920	9.4	4,507	8.7	2,145	8.5
	60,657	100.0	55,390	100.0	52,395	100.0	51,738	100.0	25,378	100.0

Source: Assofin

The Italian real estate market saw the number of residential properties bought and sold decline by 2.3% in 2011, while the reduction in the value of the residential mortgage lending market was even more pronounced, at 13.7%, with new loans totalling €49bn (€56bn). The decline also continued in the first three months of the new year (down 16.2%).

After the moderate recovery in 2010, which saw growth of 4.7%, the Italian leasing industry recorded a broad slowdown in activity during 2011 (down 10%). The reduction was yet more marked during the first six months of 2012 (down 35.1%).

	2008		2009		2010		2011		1H 2012	
	€m	%	€m	%	€m	%	€m	%	€m	%
Vehicles	8,465	21.8	5,704	21.9	5,777	21.1	5,679	23.1	2,432	28.7
Core goods	12,233	31.6	8,539	40.5	11,584	42.4	11,120	45.2	4,116	48.6
Property	15,061	38.8	10,586	32.7	8,898	32.6	7,024	28.5	1,635	19.3
Yachts	3,018	7.8	1,288	4.9	1,077	3.9	783	3.2	292	3.4
	38,777	100.0	26,117	100.0	27,336	100.0	24,606	100.0	8,475	100.0

Source: Assilea

Consolidated financial statements *

The consolidated profit and loss account and balance sheet have been restated – including by business area – in the usual way, in order to provide the most accurate reflection of the Group's operations. The results are also presented in the format recommended by the Bank of Italy as an annex, along with further details on how the various items have been restated.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(€m)

	12 mths to 30/6/11	12 mths to 30/6/12	Y.o.Y. chg. (%)
Profit-and-loss data			
Net interest income	1,070.3	1,069.8	n.m.
Net trading income	189.2	266.8	+41.0
Net fee and commission income	520.3	483.5	-7.1
Equity-accounted companies	203.0	169.5	-16.5
Total income	**1,982.8**	**1,989.6**	**+0.3**
Labour costs	(418.8)	(393.3)	-6.1
Administrative expenses	(405.1)	(395.7)	-2.3
Operating costs	**(823.9)**	**(789.0)**	**-4.2**
Gains (losses) on AFS, HTM and L&R [1]	19.5	32.4	+66.2
Loan loss provisions	(349.1)	(468.3)	+34.1
Provisions for financial assets	(275.2)	(604.0)	n.m.
Other profits (losses)	0.1	45.2	n.m.
Profit before tax [2]	**554.2**	**205.9**	**-62.8**
Income tax for the period	(180.6)	(125.5)	-30.5
Minority interest	(5.0)	0.5	n.m.
Net profit	**368.6**	**80.9**	**-78.1**

[1] Item restated, having previously been accounted for under *Net trading income*.

[2] Consisting of €562.8m from banking operations (30/6/11: €531.8m) minus losses of €356.9m on principal investing, securities and other items (€22.4m profit).

* For a description of the methods by which the data has been restated, see also the section entitled "Significant accounting policies".

RESTATED BALANCE SHEET

		(€m)
	30/6/11	**30/6/12**
Assets		
Treasury funds	8,608.0	9,330.4
AFS securities	7,749.9	10,552.1
of which: fixed-income	*6,092.3*	*9,447.1*
equities	*1,643.6*	*1,090.8*
Fixed financial assets (HTM & LR)	2,308.1	2,328.1
Loans and advances to customers	36,225.6	36,309.5
Equity investments	3,156.1	3,165.5
Tangible and intangible assets	757.8	718.1
Other assets	1,376.7	1,355.6
of which: tax assets	967.0	1,036.1
Total assets	60,182.2	63,759.3
Liabilities and net equity		
Funding	51,712.9	55,788.0
of which: debt securities in issue	*34,460.5*	*30,004.2*
retail deposits	*9,960.3*	*11,634.1*
Other liabilities	1,258.9	1,177.2
of which: tax liabilities	*565.8*	*494.1*
Provisions	182.6	185.1
Net equity	6,659.2	6,528.1
of which: share capital	*430.6*	*430.6*
reserves	*6,113.9*	*5,988.1*
minority interest	*114.7*	*109.4*
Profit for the period	368.6	80.9
Total liabilities and net equity	60,182.2	63,759.3
Tier 1 capital	*6,156.1*	*6,338.9*
Regulatory capital	*7,899.1*	*7,810.0*
Tier 1 capital/risk-weighted assets	*11.19%*	*11.49%*
Regulatory capital/risk-weighted assets	*14.36%*	*14.16%*
No. of shares in issue (millions)	*861.1*	*861.1*

BALANCE-SHEET/PROFIT-AND-LOSS DATA BY DIVISION

(€m)

30 June 2012	Corporate & Investment Banking	Principal Investing	Retail & Private Banking	Group
Profit-and-loss data				
Net interest income	381.6	(8.8)	707.2	1,069.8
Net trading income	256.4	—	9.9	266.8
Net fee and commission income	275.6	—	246.4	483.5
Equity-accounted companies	19.7	147.8	—	169.5
Total income	**933.3**	**139.0**	**963.5**	**1,989.6**
Labour costs	(202.2)	(5.6)	(199.4)	(393.3)
Administrative expenses	(110.9)	(2.8)	(311.6)	(395.7)
Operating costs	**(313.1)**	**(8.4)**	**(511.0)**	**(789.0)**
Gains (losses) on AFS, HTM and L&R	23.8	—	1.5	32.4
Loan loss provisions	(134.2)	—	(333.3)	(468.3)
Provisions for financial assets	(405.5)	(197.8)	(0.7)	(604.0)
Other profits (losses)	—	—	47.5	45.2
Profit before tax [1]	**104.3**	**(67.2)**	**167.5**	**205.9**
Income tax for the period	(85.1)	3.7	(46.3)	(125.5)
Minority interest	0.5	—	—	0.5
Net profit	**19.7**	**(63.5)**	**121.2**	**80.9**
Cost/income ratio (%)	33.5	6.0	53.0	39.7
Balance-sheet data				
Treasury funds	10,641.7	—	8,816.5	9,330.4
AFS securities	9,210.3	146.3	1,694.6	10,552.1
Fixed financial assets (HTM & LR)	4,013.4	—	2,731.4	2,328.1
Equity investments	385.8	2,696.4	—	3,165.5
Loans and advances to customers	30,519.7	—	14,661.0	36,309.5
of which: to Group companies	*8,493.3*	—	—	—
Funding	(52,552.8)	(259.8)	(26,574.1)	(55,788.0)
Risk-weighted assets	39,939.6	3,093.7	12,103.7	55,164.0
No. of staff	973	—	2,665 *	3,506

* Includes 132 staff employed by Banca Esperia pro-forma, not included in the Group total.

[1] Consisting of €562.8m from Group banking operations (CIB €466.3m; PI minus €17.2m; RPB €119.2m), minus losses for the Group of €356.9m on principal investing, securities and other items (CIB €362m; PI minus €50m; RPB €48.3m).

Notes:

1) Divisions comprise:
- *CIB (Corporate and Investment Banking):* comprises corporate and investment banking, including leasing, plus the Group's trading investments. The companies which form part of this division are Mediobanca, Mediobanca International, MB Securities USA, Consortium, Prominvestment, SelmaBipiemme Leasing, Palladio Leasing and Teleleasing;
- *Principal Investing:* comprises the Group's shareholdings in Assicurazioni Generali, RCS MediaGroup and Telco, plus stakes acquired as part of merchant banking activity and investments in private equity funds;
- *Retail and Private Banking:* businesses targeting retail customers via consumer credit products, mortgages, deposit accounts, private banking and fiduciary activities. The companies which make up this division are: Compass, CheBanca!, Cofactor, Futuro, Compass RE and Creditech (consumer credit); and Compagnie Monégasque de Banque, Spafid and Prudentia Fiduciaria, plus 50% of Banca Esperia pro-forma (private banking).

2) Sum of divisional data differs from Group total due to:
- Banca Esperia being consolidated pro-rata (50%) rather than equity-accounted;
- adjustments/differences arising on consolidation between business areas (€20.8m as at 30 June 2011, and €3.5m as at 30 June 2012).

(€m)

30 June 2011	Corporate & Investment Banking	Principal Investing	Retail & Private Banking	Group
Profit-and-loss data				
Net interest income	429.3	(7.5)	660.5	1,070.3
Net trading income	169.2	—	13.5	189.2
Net fee and commission income	315.1	—	245.5	520.3
Equity-accounted companies	(1.2)	203.6	—	203.0
Total income	**912.4**	**196.1**	**919.5**	**1,982.8**
Labour costs	(234.4)	(5.5)	(192.0)	(418.8)
Administrative expenses	(106.2)	(2.5)	(324.1)	(405.1)
Operating costs	**(340.6)**	**(8.0)**	**(516.1)**	**(823.9)**
Gains (losses) on AFS, HTM and L&R	0.2	—	36.0	19.5
Loan loss provisions	(25.3)	—	(323.5)	(349.1)
Provisions for financial assets	(150.4)	(124.6)	(0.5)	(275.2)
Other profits (losses)	—	—	—	0.1
Profit before tax [1]	**396.3**	**63.5**	**115.4**	**554.2**
Income tax for the period	(149.1)	5.8	(37.6)	(180.6)
Minority interest	(5.0)	—	—	(5.0)
Net profit	**242.2**	**69.3**	**77.8**	**368.6**
Cost/income ratio (%)	37.3	4.1	56.1	41.6
Balance-sheet data				
Treasury funds	9,469.5	—	4,000.7	8,608.0
AFS securities	6,550.5	134.1	1,762.0	7,749.9
Fixed financial assets (HTM & LR)	4,001.1	—	3,191.7	2,308.1
Equity investments	385.6	2,712.5	—	3,156.1
Loans and advances to customers	27,623.9	—	13,751.9	36,225.6
of which: to Group companies	*5,144.2*	—	—	—
Funding	(44,908.2)	(259.8)	(22,082.7)	(51,712.9)
Risk-weighted assets	40,349.1	3,162.3	11,498.5	55,025.5
No. of staff	964	—	2,619 *	3,452

* Includes 131 staff employed by Banca Esperia pro-forma, not included in the Group total.

[1] Consisting of €531.8m from Group banking operations (CIB €472.7m; PI minus €15.5m; RPB €79.9m), plus profits for the Group of €22.4m on principal investing, securities and other items (CIB minus €76.4m; PI €79m; RPB €35.5m).

Balance sheet

The main balance-sheet items, to which Mediobanca contributes almost 60%, showed the following trends for the twelve months under review (comparative data as at 30 June 2011):

Funding – this item increased by 7.9%, from €51,712.9m to €55.788m, boosted by the three-year, €7.5bn European Central Bank loan, which offset the reduction in debt securities (from €34,460.5m to €30,004.2m) and bank debt (from €4,729.2m to €3,284.8m). The CheBanca! retail component increased, from €9,960.3m to €11,634.1m, with a positive contribution made in all four quarters. Debt securities in issue fell by more than €4bn (from €34,460.5bn to €30,004.2m) after redemptions totalling €4.9bn, market repurchases of €1.5bn (with gains of €33.4m), other downward adjustments (exchange rates, amortized cost and hedges) amounting to €151.1m, and new issues worth €2.1bn.

Loans and advances to customers – these remained stable at €36,309.5m (€36,225.6m), with the slowdown in corporate and investment banking (down 2%, from €22,479.7m to €22,028.3m) offset by growth in the other areas: consumer credit was up 3% (from €8,926.9m to €9,197.7m), mortgage lending to households up 5.1% (from €4,102.6m to €4,310.8m), and private banking up 7.9% (from €716.4m to €772.7m).

(€m)

	30/6/11	30/6/12	Change
Corporate and investment banking	22,479.7	22,028.3	-2.0
– *of which: leasing*	*4,417.6*	*4,119.1*	*–6.8*
Retail and private banking	13,745.9	14,281.2	+3.9
– *of which: consumer credit*	*8,926.9*	*9,197.7*	*+3.0*
mortgage lending	*4,102.6*	*4,310.8*	*+5.1*
private banking	*716.4*	*772.7*	*+7.9*
TOTAL LOANS AND ADVANCES TO CUSTOMERS	36,225.6	36,309.5	+0.2

The share of the loan book accounted for by the retail segment rose from 38% to 39%, at the expense of corporate and investment banking, the share of which fell from 62% to 61%, reflecting the slowdown in leasing activity (down from 12% to 11%); while the contributions from corporate lending/structured finance and consumer credit were stable, at 50% and 25% of the loan book respectively.

Impaired assets (i.e. non-performing, sub-standard, restructured and overdue items) grew by 27.4%, from €709.9m to €904.4m, as a result of the new regulatory classification which has meant that since 1 January 2012 this category has included items overdue by more than 90 days (as opposed to 180 days); on a like-for-like basis the increase would have been 0.7% (from €898.4m to €904.4m). Coverage ratios remain high: 46% (53%) for consumer finance, 47% (45%) for mortgage lending, and 35% (34%) for corporate lendings. Asset quality, too, continues to be satisfactory, with impaired assets as a percentage of total assets virtually unchanged in all three segments (restated as at 30 June 2012 on a like-for-like basis): 1.11% (1.01%) in the large corporate segment, 5.12% (5.37%) in leasing, 3.58% (3.7%) in consumer credit, and 2.42% (2.41%) in mortgage lending. The slight increase in non-performing items continued, which now account for 0.67% of total loans (compared with 0.60%), and are concentrated in the real estate segment (mortgage lending and leasing).

At the reporting date there were a total of nine significant exposures to groups of customers (including market risk and equity investments), i.e. above 10% of regulatory capital (one fewer than at 30 June 2011), corresponding to a gross exposure of €12,579.3m (€13,767.4m).

Equity investments – these show a slight increase, from €3,156.1m to €3,165.5m, after writedowns totalling €191m (€113.3m in respect of Telco and €77.7m RCS MediaGroup), increases in the equity-accounted companies totalling €154.4m (€169.5m of which in profits for the period), writebacks of dividends collected totalling €47.1m, and €94.7m in capital increases (€25m for Banca Esperia and €69.7m for Telco). The value of the Assicurazioni Generali investment increased from €2,241.5m to €2,356.3m, due to: profits for the period totalling €145.9m, €31.1m in reductions to the valuation reserve (which, however, rose considerably in the fourth quarter, by €262.6m), and the writeback of the dividend distributed (€41.2m); the book value of the Pirelli investment rose from €107.1m to €117.5m due to a €22.1m profit for the period net of the €5.9m dividend. Conversely, the book values of all the other investments fell due to losses for the period being recorded, in particular RCS MediaGroup (from €191.8m to €109.4m), Gemina (from €196.4m to €194.1m), Telco (from €252.6m to €205.9m) and Burgo (from €82.2m to €74.1m). During the twelve months the RCS MediaGroup investment was written down to reflect a net present value of €1 per share (previously €1.75), reflecting the impairment charges taken by the company. The Telco investment was written down pro rata to the share in net equity, which reflects the adjustment to the Telecom Italia share price with a net present value of €1.5 per share (formerly €1.8); this generated a charge of €113.3m which was taken through the profit and loss account. All the other investments passed the impairment test.

Based on share prices for the listed investments as at 30 June 2012, a shortfall of €229.3m was recorded on market over book value, compared with a €680.9m surplus last year (current prices reflect a surplus of €320m). The valuations made in the course of the impairment tests are described in part B, section 10 of the notes to the accounts (see p. 109).

	Percentage share holding *	Book value	Market value at 30.06.2012	Gain (Loss)
LISTED EQUITY INVESTMENTS				
Assicurazioni Generali	13.24	2,356.3	2,197.0	(159.3)
RCS MediaGroup, *ordinary*	14.36	109.4	57.3	(52.1)
Pirelli & C., *ordinary*	4.61 — 4.49	117.6	181.8	64.2
Gemina *ordinary*	12.56 — 12.53	194.1	112.0	(82.1)
		2,777.4	2,548.1	(229.3)
OTHER INVESTMENTS				
Telco	11.62	205.9		
Banca Esperia	50,0	83.2		
Burgo Group	22.13	74.1		
Athena Private Equity	24.27	24,0		
Fidia	25,0	0.9		
Other minor investments		—		
		388.1		
Total Investments		3,165.5		

* Percentage of entire share capital.

Fixed financial assets – this portfolio brings together the Group's holdings in securities held to maturity totalling €1,723.3m (€1,643.6m) and unlisted debt securities (recognized at cost) worth €604.8m (€664.5m). The held-to-maturity portfolio grew by approx. €80m during the year, following new purchases totalling €154.3m, redemptions (including early redemptions) amounting to €68.5m, and other downward adjustments of €6.1m (€1.5m of which by way of impairment charges taken through the profit and loss account). The reduction in other securities is due to the redemption of certain positions, yielding proceeds of €61.8m. Based on prices and holdings at the reporting date, the portfolio reflected an implicit loss of €42.4m (30/6/11: €19.6m), reflecting the deterioration in country risk for Italy. Some 15% of the portfolio consists of Italian government bonds, 54% of bank, insurance and financial bonds, and 31% of corporate bonds.

AFS securities – this portfolio is made up of debt securities totalling €9,447.1m (€6,092.3m), equities worth €1,090.8m (€1,643.6m), and stock units in funds held by Compagnie Monégasque de Banque amounting to €14.2m (€14m). Some 73% of the bond portfolio consists of government securities, 22% bonds issued by banks, insurances and financial companies, and the remainder of corporate bonds. Movements during the twelve months included purchases totalling €6,958.1m (almost all of which in respect of Italian government securities), disposals and redemptions amounting to €3,276.2m (with losses of €6.5m, €15.6m of which in connection with the Greek bond swap), and other downward adjustments totalling €320.6m (representing the balance between upward adjustments of €38.5m to reflect amortized cost on the one hand, and downward adjustments respectively of €218m and €141.1m to reflect fair value and impairment to holdings Greek sovereign bonds based on prices current at the reporting date on the other). Movements on the equity side consisted of purchases totalling €66.4m, disposals of €317.7m (yielding net gains of €29.5m, a result boosted by €91m in profit on disposal of the 8.47% stake in Autostrade Sud America), and downward adjustments to reflect fair value totalling €317.5m, €269.7m of which taken directly through the profit and loss account. This last item in particular consists of adjustments to: the UniCredit cashes (€132.7m), Delmi (€34m, after the Edison stake was swapped for the Edipower shares), Santé (€28.8m), Ferretti (written off entirely, entailing a €10.8m adjustments), other listed equities (€36.5m), and unlisted equities (€26.9m).

	Percentage shareholding *	Book value as at 30/6/12	Adjustments to fair value	Impairment to P&L	Total AFS reserve
Sintonia S.p.A.	6.23	336.3	–	–	–
UCI cashes		135.2	–	(132.7)	–
Delmi S.p.A., ordinary	6.0	60.2	–	(34.0)	–
Santé S.A.	9.92	54.4	–	(28.8)	–
Italmobiliare	9.5 – 5.47	25.9	(27.2)	–	(8.7)
Other listed shares		234.1	(26.9)	(36.5)	(15.0)
Other unlisted shares		244.7	6.3	(37.7)	17.5
TOTAL SHARES		1,090.8	(47.8)	(269.7)	(6.2)

* First figure refers to percentage of shares held in respective category; second figure refers to percentage of total share capital held.

The valuation reserve for the whole portfolio deteriorated, from minus €51.1m to minus €349.5m, with the contribution from both components negative: equity minus €5.1m (as against a positive value of €52.8m), and bonds minus €344.4m (minus €105.7m). The latter in particular was impacted by the widening in the spread on Italian government securities (minus €249.6m, as against minus €64m) and Italian banks' paper (minus €86.3m as against minus €34.5m). Based on current prices the negative reserve reduces by over €330m, over two-thirds of which due to the significant improvement in spreads on Italian government securities.

Treasury funds – this item increased from €8,608m to €9,330.4m. The heading comprises €615.1m (€469.6m) in cash and cash equivalents, €3,992m (€4,599.5m) in fixed-income securities, €833.6m (€2,141.6m) in equities, €922.4m (€541m) in negative value adjustments to derivatives contracts, and €4,812.1m (€1,938.3m) in net applications of treasury funds, such as repos, interbank deposits, etc. Movements during the twelve months under review and marking the portfolio, including derivatives, to market as at 30 June 2012 generated gains of €249.1m (€170.5m). Some 48% of the fixed-income portfolio consists of government securities, 37% of bank, insurance and financial bonds, and the remainder of corporate bonds.

Tangible and intangible assets – these declined from €757.8m to €718.1m after depreciation and amortization charges for the period totalling €44.7m; investments for the period chiefly involved the upgrade to the Group's IT systems (€13.5m), acquisition of an office block in Luxembourg (€4.1m); collection of a leased property in Lecce, after the leasing contract was converted (€29.6m); and costs incurred in refurbishing and expanding the Seteci property (€14m, including systems and equipment); during the period under review the sale of a property located in the Principality of Monaco carried at a value of €64.5m (and sold for €109m) was also booked to the accounts. Goodwill and brands continue to be carried at €365.9m and €6.3m respectively, and have both passed the impairment test.

An updated list of the core properties owned by the Group is provided below:

(€'000)

	Squ.m	Book value	Book value per squ.m
Milan:			
– Piazzetta Enrico Cuccia 1	6,874	17,640.6	2.6
– Via Filodrammatici 3, 5, 7 - Piazzetta Bossi 1	11,093	62,358.0	5.6
– Piazza Paolo Ferrari 6	1,967	4,647.7	2.4
– Foro Buonaparte 10	3,918	7,820.6	2.0
– Via Siusi 1-7 under construction	n.m.	19,842.2	n.m.
Rome:			
– Piazza di Spagna 15 *	8,228	27,024.9	3.3
– Via Nomentana 146	1,790	8,811.6	4.9
Vicenza:			
– Via Btg. Framarin 4, 14	4,239	5,881.0	1.4
Luxembourg	442	4,413.0	10.0
Principality of Monaco	4,576	60,908.4	13.3
Other, minor properties	5,608	1,987.0	0.3
	48,735	221,335.0	

* Property only 10% occupied by Mediobanca.

Provisions – this comprises the provision for liabilities and charges, which stood at €160.4m (€156.5m) and the staff severance indemnity provision, amounting to €24.7m (€26m); the latter reflects €2.9m in withdrawals, while the former reflects transfers totalling €4m. The provision for risks also covers possible charges connected with the claims pending against Mediobanca for its failure to launch a takeover bid for La Fondiaria in 2002 (cf. p. 257).

Net equity – net equity fell by €125.8m, from €6,544.5m to €6,418.7m, due to the reduction in the valuation reserves referred to above (totalling €348.8m), partly offset by the provision of undistributed earnings from the previous financial year (€225.6m); application of the equity method of accounting generated downward adjustments of €15.1m (of which €5m of which were booked to the valuation reserves). The AFS securities valuation reserve deteriorated from minus €22 to minus €236m, and the cash flow hedge returned to negative territory at minus €121m (compared with a positive value of €9.8m), while the share of the valuation reserves attributable to the equity-accounted investments increased from €1.5m to €6.5m. In further detail, the AFS securities valuation reserve reflects net withdrawals of €57.5m (linked to the sale for the period) and downward adjustments to fair value at the reporting date totalling €188.4m, but at the same time was boosted by the reversal of negative impairment reserves in an amount of €33m; of the overall balance, minus €231.2m (minus €71.4m) involves the bond component and minus €6m (positive €48.2m) the equity component, while the reserve for other securities was positive at €1.1m (€1.2m).

Profit and loss account

Net interest income – this item remained substantially unchanged at €1,069.8m (30/6/10: €1,070.3m, itself 16.7% higher than the figure reported one year previously), reflecting the positive trend in retail and private banking, up 7.1% (from €660.5m to €707.2m) which saw growth in all three segments: consumer credit up 3.7%, CheBanca! up 18.5%, and private banking up 20.6%. Net interest income earned from corporate banking operations was down 11.1%, hit by the cost of funding and the downturn in leasing business.

Net trading income – income from trading activity totalled €249.1m, up €78.6m on the €170.5m posted last year, with positive contributions in all four quarters, the second (€107.9m) and third (€130.5m) quarters in particular. Overall fixed-income trading generated €239.3m of the revenues and equity trading €9.8m. The heading also includes dividends on AFS shares totalling €17.6m (€18.7m).

Net fee and commission income – this item fell 7.1% (from €520.3m to €483.5m, due to a reduced contribution from corporate and investment banking (down from €315.7m to €274.1m); fee income from retail and private banking was virtually stable, at €208.5m (€204m).

Operating costs – these were down 4.2%, from €823.9m to €789m, and consist of:

– labour costs amounting to €393.3m (€418.8m), down 6.1% due chiefly to the decrease in the variable remuneration component. This item includes €8.2m (€9.1m) in emoluments paid to directors, and €12.8m (€13.5m) in implicit expenses linked to performance share and stock option schemes;

– operating costs and sundry expenses amounting to €395.7m (€405.1m) including €44.7m (€42m) in depreciation and amortization, and administrative expenses totalling €348.5m (€362.1m) made up as follows:

(€m)

	12 mths to 30/6/11	12 mths to 30/6/12
Legal, tax and other professional services	48.5	40.8
Bad debt recovery	27.3	31.7
Marketing and communications	73.3	60.6
Rent and property maintenance charges	39.6	40.2
EDP	33.3	34.7
Financial information subscriptions	24.4	25.6
Banking services, collection and payment charges	20.9	19.6
Operating expenses	51.6	49.0
Other labour costs	22.5	21.7
Other costs	11.5	10.9
Direct and indirect taxes (net of amounts withheld)	9.2	13.7
TOTAL	362.1	348.5

Loan loss provisions – these grew from €349.1m to €468.3m: the increase, which net of a single, non-recurring writeback totalling €75m (made in respect of the single corporate loan last year) would be 10.4% lower at €44.2m, involves consumer credit (up from €302.3m to €311m3m) and wholesale banking (€107.1m compared with €75.8m, including the writeback referred to above). Provisions for retail banking and leasing were virtually stable, the former declining from €20.8m to €19.5m, and the latter edging up from €26.1m to €27.1m.

Provisions for financial assets – this item covers the equity investments in Telco (€113.3m) and RCS (€77.7m), the AFS portfolio (€411.5m) and securities held to maturity (€1.6m). The provisions for AFS assets refer to Greek government bonds (€141.1m), the UniCredit cashes (€132.7m), and the holdings in Delmi (€34m), Santé (€28.8m), Ferretti (€10.8m), listed equities (€36.5m) and unlisted equities (€26.9m).

Income tax for the period – this item totalled €125.5m as against €180.6m last year. Mediobanca (as consolidating entity) has adopted tax consolidation, which includes Compass, SelmaBipiemme Leasing, Palladio Leasing, CheBanca!, Cofactor and Futuro. Relations between the consolidating and consolidated entities are governed by bilateral agreements regulating cash flows, exchanges of information and the individual companies' responsibilities versus the revenue authorities.

Balance-sheet/profit-and-loss data by division

A review of the Group's performance in its main areas of operation is provided below, according to the customary segmentation.

CORPORATE AND INVESTMENT BANKING (WHOLESALE BANKING AND LEASING)

(€m)

	12 months to 30/6/11	12 months to 30/6/12	Y.o.Y. chg. (%)
Profit-and-loss data			
Net interest income	429.3	381.6	-11.1
Net trading income	169.2	256.4	+51.5
Net fee and commission income	315.1	275.6	-12.5
Equity-accounted companies	(1.2)	19.7	n.m.
Total Income	**912.4**	**933.3**	**+2.3**
Labour costs	(234.4)	(202.2)	-13.7
Administrative expenses	(106.2)	(110.9)	+4.4
Operating costs	**(340.6)**	**(313.1)**	**-8.1**
Gains (losses) on AFS, HTM and L&R	0.2	23.8	n.m.
Loan loss provisions	(25.3)	(134.2)	n.m.
Provisions for financial assets	(150.4)	(405.5)	n.m.
Other profits (losses)	—	—	n.m.
Profit before tax	**396.3**	**104.3**	**-73.7**
Income tax for the period	(149.1)	(85.1)	-42.9
Minority interest	(5.0)	0.5	n.m.
Net profit	**242.2**	**19.7**	**n.m.**
Cost/income ratio (%)	37.3	33.5	

	30/6/11	30/6/12
Balnnce-sheet data		
Treasury funds	9,469.5	10,641.7
AFS securities	6,550.5	9,210.3
Fixed financial assets (HTM & LR)	4,001.1	4,013.4
Equity investments	385.6	385.8
Loans and advances to customers	27,623.9	30,519.7
of which: to Group companies	*5,144.2*	*8,493.3*
Funding	(44,908.2)	(52,552.8)

(€m)

Corporate and Investment Banking 30 June 2012	Wholesale	Leasing	Total
Net interest income	324.2	57.4	381.6
Net trading income	256.6	(0.2)	256.4
Net fee and commission income	270.1	5.5	275.6
Equity-accounted companies	19.7	—	19.7
Total income	**870.6**	**62.7**	**933.3**
Labour costs	(181.2)	(21.0)	(202.2)
Administrative expenses	(98.5)	(12.4)	(110.9)
Operating costs	**(279.7)**	**(33.4)**	**(313.1)**
Gains (losses) on AFS, HTM and L&R	23.8	—	23.8
Loan loss provisions	(107.1)	(27.1)	(134.2)
Provisions for financial assets	(405.5)	—	(405.5)
Other profits (losses)	—	—	—
Profit before tax	**102.1**	**2.2**	**104.3**
Income tax for the period	(81.3)	(3.8)	(85.1)
Minority interest	—	0.5	0.5
Net profit	**20.8**	**(1.1)**	**19.7**
Cost/income ratio (%)	32.1	53.3	33.5
Other assets	24,093.8	157.4	24,251.2
Loans and advances to customers	26,400.5	4,119.2	30,519.7
of which: to Group companies	*8,493.3*	—	*8,493.3*
New loans	—	800.9	800.9
No. of staff	788	185	973

(€m)

Corporate and Investment Banking 30 June 2011	Wholesale	Leasing	Total
Net interest income	356.0	73.3	429.3
Net trading income	169.2	—	169.2
Net fee and commission income	311.1	4.0	315.1
Equity-accounted companies	(1.2)	—	(1.2)
Total income	**835.1**	**77.3**	**912.4**
Labour costs	(214.2)	(20.2)	(234.4)
Administrative expenses	(94.4)	(11.8)	(106.2)
Operating costs	**(308.6)**	**(32.0)**	**(340.6)**
Gains (losses) on AFS, HTM and L&R	0.2	—	0.2
Loan loss provisions	0.8	(26.1)	(25.3)
Provisions for financial assets	(150.4)	—	(150.4)
Other profits (losses)	—	—	—
Profit before tax	**377.1**	**19.2**	**396.3**
Income tax for the period	(140.1)	(9.0)	(149.1)
Minority interest	—	(5.0)	(5.0)
Net profit	**237.0**	**5.2**	**242.2**
Cost/income ratio (%)	36.9	41.4	37.3
Other assets	20,354.8	51.9	20,406.7
Loans and advances to customers	23,206.3	4,417.6	27,623.9
of which: to Group companies	*5,144.2*	—	*5,144.2*
New loans	—	1,121.7	1,121.7
No. of staff	757	207	964

This division reported profit from ordinary activities up 8.5%, from €571.8m to €620.2m, on higher revenues (up 2.3%, from €912.4m to €933.3m) and lower costs (down 8.1%, from €340.6m to €313.1m). The net profit of €19.7m, well below the figure reported last year (€242.2m), reflects higher provisions for loan losses (up from €25.3m to €134.2m) and securities (up from €150.4m to €405.5m). The main items performed as follows:

- net interest income fell from €429.3m to €381.6m, due to the widespread increase in the cost of funding plus the slowdown in leasing business (the contribution from which fell from €73.3m to €57.4m);
- net trading income increased from €169.2m to €256.4m, due to the good performance by the fixed-income segment in the second and third quarters especially (€103.6m and €129.6m earned respectively);
- net fee and commission income fell from €315.1m to €275.6m, a reduction which was felt in all segments;
- labour costs were down from €234.4m to €202.2m, due to the reduction in the variable remuneration component already referred to;

– administrative expenses increased from €106.2m to €110.9m, due to higher IT and financial information subscription charges.

Loan loss provisions of €134.2m were up on the €100.3m set aside last year (not including the €75m reversal), due to higher provisions on the wholesale side, chiefly in respect of performing loans for which the internal ratings had deteriorated.

Provisions for financial assets totalled €381.7m (€150.2m) and involve: €156.3m in respect of Greek sovereign debt following completion of the restructuring agreements and writing down the new securities to reflect current market prices; €39.1m in net disposals (chiefly shares); €36.5m in “automatic” adjustments to listed equities, and €228m in adjustments to unlisted investments (€132.7m in respect of the UniCredit cashes, €34m of Delmi, €28.8m Santé and €10.8m Ferretti).

Lending and structured finance – lending to corporates, excluding Group companies, remained virtually stable at €22,026.4m (€22,479.7m). The Group’s total exposure to non-Italian companies reached 40% (39%), in particular those based in Germany (10.8%), France (10.6%) and Spain (7.3%). At the reporting date impaired loans (non-performing, sub-standard, restructured and overdue items) amounted to €198.5m (€183m), after adjustments totalling €107.9m (€93.1m); impaired assets represent 1.11% (1.01%) of the total loan book. During the twelve months the single non-performing item outstanding was repaid (in an amount of €127,000), while a new position totalling €28.7m was recorded, the unpaid amount on which (some €3m) was collected in early September. The area generated approximately 40% of the wholesale banking division’s revenues.

Funding and treasury assets – funding, up from €44,908.2m to €52,552.8m, comprises: €33,090.5m (€38,307m) in debt securities in issue; €9,289.3m in deposits and current accounts, including €7.5bn (€3,946.1m) represented by the European Central Bank financing and €2,641.5m (€2,655.1m) in other forms of funding. Treasury assets consist of €262.5m (€199.3m) in cash and cash equivalents, €3,578.3m (€4,031.6m) in debt securities, €553.9m (€1,860.9m) in equities, €772.9m (€576.1m) in downward adjustments to derivative contracts, and €7,019.9m (€3,953.8m) in net short-term applications of funds, €2,401.2m (€2,090.9m) of which to other Group companies. The area generated approximately 40% of the wholesale banking division’s revenues. Some 45% of the fixed-income portfolio consists of Italian government bonds, 32% of bank, insurance and financial bonds, and the balance of corporate bonds.

Fixed assets and AFS bonds – these include in financial assets held to maturity totalling €1,716.1m (€1,642.9m), unlisted debt securities recognized at cost amounting to €2,297.3m (€2,358.2m), and AFS bonds worth €8,281.6m (€5,053.5m). During the period under review, there were purchases totalling €6,798.5m (over 90% of which in Italian government securities held in the AFS segment), disposals and redemptions worth €3,264.5m, impairment charges of €142.6m (€141.1m of which in respect of the Greek sovereign debt), upward adjustments of €14.5m and to reflect amortized cost, and downward adjustments to reflect fair value totalling €158.8m. Overall the implicit loss on this portfolio at the reporting date came to €328.9m, €270.1m of which is recognized in the net equity valuation reserves (with over 60% attributable to Italian government securities).

Equity investments and AFS shares – for operating purposes this portfolio brings together the Group's holdings in equities and convertible bonds held as available for sale, plus its investments in Gemina, Pirelli & C. and Burgo Group. As at 30 June 2012 the portfolio was worth €1,314.5m (€1,882.6m) following purchases of €50m, disposals worth €306.4m (yielding losses of €14.1m), impairment charges on AFS equities totalling €262.9m (€132.7m of which in respect of UniCredit cashes, €34m of which Delmi, €28.8m Santé, €10.8m for Ferretti, €36.5m listed equities and €20.1m unlisted investments), downward adjustments to reflect fair value at the reporting date of €55m, and pro-rata adjustments to net equity amounting to €0.2m (representing the difference between €19.7m in gains taken through the profit and loss account, €13.6m in negative reserves in net equity, and €5.9m in dividends collected). The net equity reserve for AFS shares remained in negative territory, at minus €20.4m (minus €100.4m as at 30 June 2011).

As for the equity-accounted companies:

Gemina: the 12.53% stake owned in this company is recognized in consolidated net equity at €194.1m, after booking losses for the period totalling €1.8m and negative asset adjustments of €0.5m.

Pirelli & C.: the 4.49% stake owned in this company is recognized at €117.6m, after profits for the period totalling €22.1m, €5.9m in dividends reversed, and writedowns to assets totalling €5.7m.

Burgo Group: the 22.13% stake in this company is recognized pro-rata to the Group's share in its net equity at €74.1m, after losses for the period totalling €0.6m and €7.5m in asset adjustments, linked to the negative performance of the valuation reserves (AFS holdings and cash flow hedges).

Investment banking – the results for the twelve months in this area were hit by the sharp contraction in activity affecting the European market, leading to a reduction in the volumes of the advisory mandates executed by Mediobanca from €13.8bn to €8.8bn; net fee and commission income decreased accordingly, from €89m to €73m. Capital market activity also slowed, both by mandates (worth €16.3bn, compared with €25.4bn) and fees (down from €92m to €74m). Overall the area generated approximately 20% of the wholesale banking division's revenues.

Leasing – a loss of €1.1m was made from this business during the year, compared to the €5.2m profit earned last year, on account of the higher cost of funding and reduced volumes, which took 21.7% off net interest income, down from €73.3m to €57.4m; operating costs were largely stable at €33.4m (€32m), as were loan loss provisions (€27.1m, compared with €26.1m). During the twelve months loans and advances to customers fell from €4,417.6m to €4,119.2m, pursuing a policy to streamline this portfolio, with an approx. 30% reduction in loans for the period (from €1,121.7m to €800.9m). Net impaired assets (non-performing, sub-standard, restructured and overdue items) fell from €237.3m to €210.8m, or from 5.4% to 5.1% of total loans.

Turning now to the results of the individual Group companies:

– *Mediobanca International (Luxembourg) S.A.,* Luxembourg *(wholesale bank; 99%-owned by Mediobanca; 1%-owned by Compass)*: This company's financial statements for the twelve months ended 30 June 2012 show a net profit totalling €28.4m (€36.1m), reflecting lower net interest income (down from €34.9m to €30.3m) and net fee and commission income (down from €15.8m to €11m), and an increase in operating costs (up from €7.3m to €8.7m). Loans and advances to customers were virtually stable at €3,839.7m (€4,081m), and are financed by intercompany funding (down from €2,797.7m to €2,070.7m), debt securities (up from €1,354.8m to €1,679.5m), and CDs and Euro commercial paper (which halved, from €282.2m to €108.6m). The company's net equity stood at €202.6m (€166.5m).

  Mediobanca International (Luxembourg) SA employs 8 staff at its offices in Luxembourg, two of whom are seconded from Mediobanca S.p.A.

– *Prominvestment in liquidation,* Rome *(100%-owned by Mediobanca):* Prominvestment reported a net loss of €670,000 (€738,000), after net fee and commission income of €258,000 (€351,000).

  The company employs 6 staff.

– *MB Securities USA LLC.,* New York *(securities brokerage; 100%-owned by Mediobanca):* the company, which collects orders from customers, reported a profit of $182,000, compared with $946,000 last year, given the slowdown in fee income (which declined from $2.7m to $2m), with operating costs virtually stable at $1.9m ($1.7m).

  The company employs 4 staff.

– *SelmaBipiemme Leasing S.p.A.,* Milan *(leasing; 60%-owned by Mediobanca):* this company made a loss of €8.3m, compared with the slight, €462,000 profit earned last year. Given the lack of dividends collected (which totalled €2.7m last year), the result also reflects a sharp reduction in net interest income (from €32.4m to €25m); loan loss provisions were stable at €16.8m (€16.7m) albeit still at high levels.

  During the period under review, the company executed 5,381 leases for goods worth a total of €399.6m, compared with 6,729 leases worth €496.6m last year. At the reporting date, amounts leased to customers totalled €2,270.8m, down 4.1% on the figure recorded last year (€2,368.2m).

  The company employs a total of 111 staff.

– *Palladio Leasing S.p.A.,* Vicenza *(leasing; 95%-owned via SelmaBipiemme Leasing, the other shares being held by Palladio itself):* Palladio Leasing's accounts for the twelve months ended 30 June 2012 show a net profit of €3.2m, barely half the €6m recorded last year, reflecting a reduction in net interest income (from €23.8m to €21.4m) and higher adjustments to receivables (up from €7.6m to €8.9m).

  Palladio executed 1,490 leases during the period worth a total of €223.3m, compared with 2,326 leases worth €448.7m the previous year. At the reporting date, amounts leased to customers were down 2.4% on the figure recorded one year previously, at €1,620m (from €1,659.8m).

  The company employs a total of 58 staff.

– *Teleleasing in liquidation S.p.A.*, Milan *(leasing; 80% SelmaBipiemme):* the first set of accounts for the company in liquidation as at 30 June 2012, show a profit totalling €2.9m which also reflects ordinary business conducted in the period from July 2011 to February 2012. A surplus on liquidation was booked at the reporting date in an amount of €2.1m, corresponding to the highest estimated realizable value for the company's assets and the estimates of expenditure for the liquidation period which is expected to last four years (with the company being wound up on 30 June 2016).

  Teleleasing executed 3,649 leases during the period worth a total of €168m, compared with 4,511 leases worth €176.4m the previous year, most of which refer to the pre-liquidation period. At the reporting date, amounts leased to customers were down 12.3% on the figure recorded the previous year, from €452m to €396.4m.

  The company employs a total of 27 staff.

PRINCIPAL INVESTING

(€m)

	12 months to 30/6/11	12 months to 30/6/12	Y.o.Y. chg. (%)
Profit-and-loss data			
Net interest income	(7.5)	(8.8)	+17.3
Equity-accounted companies	203.6	147.8	-27.4
Total income	**196.1**	**139.0**	**-29.1**
Labour costs	(5.5)	(5.6)	n.m.
Administrative expenses	(2.5)	(2.8)	+12.0
Operating costs	**(8.0)**	**(8.4)**	**+5.0**
Provisions for financial assets	(124.6)	(197.8)	+58.7
Other profits (losses)	—	—	n.m.
Profit before tax	**63.5**	**(67.2)**	**n.m.**
Income tax for the period	5.8	3.7	-36.2
Net profit	**69.3**	**(63.5)**	**n.m.**

	30/06/11	30/06/12
AFS securities	134.1	146.3
Equity investments	2,712.5	2,696.4

This division's results for the twelve months reflect a loss of €63.5m, due to writedowns to the investments in Telco (€113.3m) and RCS MediaGroup (€77.7m). The contribution from equity consolidation was down too, from €203.6m to €147.8m, due to a reduced contribution from Assicurazioni Generali.

The value of the equity investments (€2,696.5m, compared with €2,712.5m) reflects the writedowns referred to above, the rights issue implemented by Telco (€69.7m), the positive contribution from application of the equity method (€147.8m) and reversal of the dividend paid by Assicurazioni Generali (€41.2m). The remainder of the portfolio, which consists of investments made as part of merchant banking activity and in private equity funds recognized in the AFS segment, was worth €146.3m (€134.1m), following capital calls totalling €16.3m, adjustments taken through the profit and loss account worth €6.8m, and upward adjustments to reflect fair value totalling €2.9m.

With respect to the individual shareholdings:

– *Assicurazioni Generali:* at 30 June 2012, this investment, stable at 13.24% of the company's share capital is carried at €2,356.3m (€2,241.5m), reflecting the Group's pro-rata share in the profits for the period (€145.9m), asset adjustments totalling €10.1m, and reversal of the dividend collected in an amount of €41.2m.

– *Telco:* this investment, which represents 11.62% of Telco's share capital, is carried at €205.9m following losses on equity consolidation of €109.9m. This value corresponds to the Group's pro-rata share in the company's net equity, as Telco has written down its investment in Telecom Italia (22.4% of the ordinary share capital) which now has a book value of €1.5 per share (previously €1.8) and reflects the capital increase implemented in May 2012 (€69.7m).

– *RCS MediaGroup:* the Group holds an interest of 14.94% in the ordinary share capital of this company, and 14.36% of its total share capital, which is carried at €109.4m, after the €77.7m reduced the book value of this investment from €1.75 to €1 per share.

– *Athena Private Equity:* the Group holds an interest of 24.27% in the fund, which is carried at €24m, after redemptions totalling €1.5m and a €0.4m loss was recorded (pro rata to the operating fees).

RETAIL AND PRIVATE BANKING

(€m)

	12 months to 30/6/11	12 months to 30/6/12	Y.o.Y. chg. (%)
Profit-and-loss data			
Net interest income	660.5	707.2	+7.1
Net trading income	13.5	9.9	-26.7
Net fee and commission income	245.5	246.4	+0.4
Total income	**919.5**	**963.5**	**+4.8**
Labour costs	(192.0)	(199.4)	+3.9
Administrative expenses	(324.1)	(311.6)	-3.9
Operating costs	**(516.1)**	**(511.0)**	**-1.0**
Gains (losses) on AFS, HTM and L&R	36.0	1.5	n.m.
Loan loss provisions	(323.5)	(333.3)	+3.0
Provisions for financial assets	(0.5)	(0.7)	+40.0
Other profits (losses)	—	47.5	n.m.
Profit before tax	**115.4**	**167.5**	**+45.2**
Income tax for the period	(37.6)	(46.3)	+23.1
Minority interest	—	—	n.m.
Net profit	**77.8**	**121.2**	**+55.9**

	30/6/11	30/6/12
Balance-sheet data		
Treasury funds	4,000.7	8,816.5
AFS securities	1,762.0	1,694.6
Fixed financial assets (HTM & LR)	3,191.7	2,731.4
Loans and advances to customers	13,751.9	14,661.0
Funding	(22,082.7)	(26,574.1)

This division reported a profit for the twelve months of €121.2m (30/6/11: €77.8m), reflecting the gain realized on disposal of the property owned by CMB mentioned above (€44.3m), as well as healthy results delivered in consumer credit (where a net profit of €92.8m was posted, compared with €91.1m last year) and by CheBanca! (which made a net loss of €42.1m, as opposed to €38.8m twelve months previously).

Total revenues were up 4.8% (from €919.5m to €963.5m), driven by higher net interest income (up 7.1%, from €660.5m to €707.2m), with healthy contributions from all three business areas and with fee income resilient at €246.4m (€245.5m).

Operating costs were down slightly by 1%, from €516.1m to €511m, despite the growth in consumer finance (up from €249.8m to €260.3m) driven by higher business volumes, as a result of lower costs incurred by CheBanca! (down from €184m to €168.3m).

The slight, 3% increase in loan loss provisions, from €323.5m to €333.3m, was attributable to Compass, for which provisioning was up €10m.

Loans and advances to customers, virtually all of which are to consumer finance and residential mortgage lending activities, rose 6.6% from €13.8bn to €14.7bn.

Funding, up from €22.1bn to €26.6bn, comprises CheBanca! retail deposits totalling over €11.6bn (€10bn), €334.8m (€277.5m) of which consists of current accounts and prepaid cards, with the remainder held on deposit accounts tied for no more than twelve months.

A breakdown of this division's results by business segment is provided below:

(€m)

Retail & Private Banking 30 June 2012	Consumer Credit	Retail Banking	Private Banking	Total
Net interest income	540.4	132.8	34.0	707.2
Net trading income	0.4	—	9.5	9.9
Net fee and commission income	171.9	8.1	66.4	246.4
Equity-accounted companies	—	—	—	—
Total income	**712.7**	**140.9**	**109.9**	**963.5**
Labour costs	(86.2)	(61.6)	(51.6)	(199.4)
Administrative expenses	(174.1)	(106.7)	(30.8)	(311.6)
Operating costs	**(260.3)**	**(168.3)**	**(82.4)**	**(511.0)**
Gains (losses) on AFS, HTM and L&R	—	0.4	1.1	1.5
Loan loss provisions	(311.3)	(19.5)	(2.5)	(333.3)
Provisions for financial assets	—	—	(0.7)	(0.7)
Other profits (losses)	—	—	47.5	47.5
Profit before tax	**141.1**	**(46.5)**	**72.9**	**167.5**
Income tax for the period	(48.3)	4.4	(2.4)	(46.3)
Minority interest	—	—	—	—
Net profit	**92.8**	**(42.1)**	**70.5**	**121.2**
Cost/income ratio (%)	36.5	119.4	75.0	53.0
Other assets	490.9	11,135.2	1,616.4	13,242.5
Loans and advances to customers	9,197.7	4,310.8	1,152.5	14,661.0
New loans	4,918.0	561.8	—	5,479.8
No. of branches	158	44	—	202
No. of staff	1,396	927	342	2,665

(€m)

Retail & Private Banking 30 June 2011	Consumer Credit	Retail Banking	Private Banking	Total
Net interest income	520.2	112.1	28.2	660.5
Net trading income	0.3	4.1	9.1	13.5
Net fee and commission income	166.8	7.1	71.6	245.5
Equity-accounted companies	—	—	—	—
Total income	**687.3**	**123.3**	**108.9**	**919.5**
Labour costs	(84.1)	(54.8)	(53.1)	(192.0)
Administrative expenses	(165.7)	(129.2)	(29.2)	(324.1)
Operating costs	**(249.8)**	**(184.0)**	**(82.3)**	**(516.1)**
Gains (losses) on AFS, HTM and L&R	—	34.2	1.8	36.0
Loan loss provisions	(302.3)	(20.8)	(0.4)	(323.5)
Provisions for financial assets	—	—	(0.5)	(0.5)
Other profits (losses)	—	—	—	—
Profit before tax	**135.2**	**(47.3)**	**27.5**	**115.4**
Income tax for the period	(44.1)	8.5	(2.0)	(37.6)
Net profit	**91.1**	**(38.8)**	**25.5**	**77.8**
Cost/income ratio (%)	36.3	n.m.	75.6	56.1
Other assets	448.1	6,707.6	1,798.8	8,954.5
Loans and advances to customers	8,926.9	4,102.6	722.4	13,751.9
New loans	4,827.7	1,019.8	—	5,847.5
No. of branches	146	44	—	190
No. of staff	1.341	923	355	2.619

Turning to the individual business segments, consumer credit showed total income up 3.7%, from €687.3m to €712.7m, on the back of higher net interest income (up from €520.2m to €540.4m) and fee income (from €166.8m to €171.9m). The increase in costs, from €249.8m to €260.3m, is attributable to expansion in the branch network (with twelve new branches opened during the year) and higher credit recovery costs (up €2.3m). Net profit increased from €91.1m to €92.8m despite the higher loan loss provisions (up from €302.3m to €311.3m). New loans for the twelve months totalled €4,918m, up 1.9% on the €4,827.7m posted one year previously; loans and advances to customers outstanding at 30 June 2012 were up 3%, from €8,926.9m to €9,197.7m. Net impaired assets (i.e. non-performing, sub-standard, restructured and items more than 90 days' overdue) were basically flat at €328.3m (€328.6m), and account for 3.6% (3.7%) of the total loan book.

Retail banking showed a net loss of €42.1m, similar to the result posted last year (€38.8m), despite gains on disposals of AFS securities being virtually wiped out at €0.4m (€34.2m). The good performance was due to higher revenues (up from €123.3m to €140.9m) driven by an increase in net interest income, which climbed from €112.1m to €132.8m. Operating costs fell from €184m to €168.3m, due to reduced advertising expenses, while the cost of risk remained stable at €19.5m (€20.8m). Mortgage lending saw 5.1% growth, from €4,102.6m to €4,310.8m, despite a 45% reduction in new loans, from €1,019.8m to €561.8m; net impaired assets (i.e. non-performing, sub-standard, restructured and items more than 90 days' overdue) increased from €98.7m to €104.4m, or 2.4% (2.4%) of the total loan book. Retail deposits stood at €11,634.1m, up 17% on the €9,960.3m reported at 30 June 2011.

Private banking recorded a profit of €70.5m, boosted by the real estate gain booked by CMB (€44.3m) and other asset disposals by Banca Esperia (€3.1m). Revenues were virtually unchanged at €109.9m (€108.9m), the decline in fees (from €71.6m to €66.4m) being absorbed by the rise in net interest income (from €28.2m to €34m). Operating costs were stable at €82.4m (€82.3m), with labour costs slowing (from €53.1m to €51.6m), against rises in provisions for loan losses and securities (from €0.9m to €3.2m) attributable to CMB. Assets under management at the year-end amounted to €12.6bn (€12.7bn), €6bn (€5.8bn) of which for CMB and €6.6bn (€6.9bn) for Banca Esperia.

(€m)

Private Banking 30 June 2012	CMB	Banca Esperia 50%	Others	Total
Net interest income	28.1	5.3	0.6	34.0
Net trading income	9.6	(0.1)	—	9.5
Net fee and commission income	32.9	27.8	5.7	66.4
Equity-accounted companies	—	—	—	—
Total income	**70.6**	**33.0**	**6.3**	**109.9**
Labour costs	(27.2)	(21.0)	(3.4)	(51.6)
Administrative expenses	(18.5)	(11.0)	(1.3)	(30.8)
Operating costs	**(45.7)**	**(32.0)**	**(4.7)**	**(82.4)**
Gains (losses) on AFS, HTM and L&R	0.1	1.0	—	1.1
Loan loss provisions	(3.2)	0.7	—	(2.5)
Provisions for financial assets	(0.8)	—	0.1	(0.7)
Other profits (losses)	45.3	2.1	0.1	47.5
Profit before tax	**66.3**	**4.8**	**1.8**	**72.9**
Income tax for the period	—	(2.8)	0.4	(2.4)
Minority interest	—	—	—	—
Net profit	**66.3**	**2.0**	**2.2**	**70.5**
Cost/income ratio (%)	64.7	97.0	74.6	75.0
Asset under management	6,028.0	6,612.5	—	12,640.5
Securities held on a trus tee basis	n.m.	n.m.	1,383.5	1,383.5

(€m)

Private Banking 30 June 2011	CMB	Banca Esperia 50%	Others	Total PB
Net interest income	25.7	2.3	0.2	28.2
Net trading income	8.4	0.6	0.1	9.1
Net fee and commission income	35.1	30.5	6.0	71.6
Equity-accounted companies	—	—	—	—
Total income	**69.2**	**33.4**	**6.3**	**108.9**
Labour costs	(28.2)	(21.2)	(3.7)	(53.1)
Administrative expenses	(18.6)	(9.7)	(0.9)	(29.2)
Operating Costs	**(46.8)**	**(30.9)**	**(4.6)**	**(82.3)**
Gains (losses) on AFS, HTM and L&R	2.4	(0.6)	—	1.8
Loan loss provisions	(0.4)	—	—	(0.4)
Provisions for financial assets	(0.5)	—	—	(0.5)
Other profits (losses)	—	—	—	—
Profit Before Tax	**23.9**	**1.9**	**1.7**	**27.5**
Income tax for the period	—	(1.3)	(0.7)	(2.0)
Net Profit	**23.9**	**0.6**	**1.0**	**25.5**
Cost/income ratio (%)	67.6	92.5	73.0	75.6
Asset under management	5,784.0	6,874.1	—	12,658.1
Securities held on a trus tee basis	n.m.	n.m.	1,462.6	1,462.6

Turning now to the results of the individual companies:

– *Compass S.p.A.,* Milan *(consumer credit; 100%-owned by Mediobanca):* this company's accounts for the period ended 30 June 2012 show a net profit of €76.5m (€85.1m), after revenues totalling €654.8m (€643.9m), costs of €234.8m (€225.9m), and loan loss provisions amounting to €304.5m (€296m).

  During the period under review Compass disbursed 1,146,435 new loans worth a total of €4,660m, down 2.5% in terms of number but up 1.4% in terms of value compared to the previous year (when 1,175,356 new loans worth €4,597m were executed). Loans and advances to customers outstanding at the reporting date were up 1.2% compared to one year previously, at €8,507.7m (€8,409.4m).

  The demerger from Compass to Mediobanca of a business unit consisting of the property located in Foro Buonaparte in Milan and the investments in CheBanca!, SelmaBipiemme Leasing and Assicurazioni Generali was completed during the twelve months under review; an asset surplus of €41.5m was recorded on the demerger, representing the difference between the book value of the assets demerged (€708.5m) and the amounts payable to Mediobanca S.p.A. transferred at the same time (€667m).

The company employs a total of 1,213 staff, between head office and the regional network which consists now of 158 branches, with twelve having been opened during the year under review.

– *Futuro S.p.A.,* Milan *(salary-backed finance; 100%-owned by Compass):* this company posted a net profit for the twelve months of €7.2m (€4.7m), on revenues of €22.6m (€18.1m), costs totalling €9.2m (€9m) and value adjustments amounting to €2m (€1.6m).

  During the period under review, the company granted 16,038 loans worth a total of €257.9m (versus 13,499 worth €231.3m the previous year). Business was almost entirely channelled via financial advisors and brokers as defined under Article 106 of the Italian consolidated banking act; business from the banking channel was marginal, but increased nonetheless from €13.5bn to €24.1m. Loans and advances to customers outstanding at the reporting date were up 14.1% on the total recorded one year previously, from €720.8m to €822.2m.

  The company employs a total of 66 staff.

– *CheBanca! S.p.A.,* Milan *(retail banking; 100%-owned by Mediobanca):* the company's accounts for the twelve months ended 30 June 2012 show a net loss of €42.8m, only slightly higher than the €39.2m loss posted last year despite the almost entire lack of gains on securities disposals (€0.4m, compared with €34.2m last year). The loss at the operating level more than halved, from €61m to €28m, driven by higher revenues (up from €123.2m to €140.6m) and lower operating costs (down from €184.2m to €168.6m). Loan loss provisions were stable at €19.6m (€20.8m).

  Retail deposits totalled €11,651m at the reporting date, up 17% on the €9,966.4m recorded twelve months previously, and indirect funding deriving from the launch of operations in investment services totalled €227m. In mortgage lending, a total of 3,692 contracts worth €561.8m were executed during the twelve months, as opposted to 6,515 mortgages worth €1,019.8m last year. However, commercial activity has reduced gradually, with new business for the first six months totalling €411.2m and for the second six months €150.6m, a reduction of some 63%, due both to the strict policies adopted for granting credit and the continual repricing measures necessary to cover the increased cost of funding.

  At 30 June 2012 the company's headcount numbered 929 staff, distributed between headquarters and the 44 branch offices.

– *Cofactor S.p.A.*, Milan *(non-recourse factoring; 100%-owned by Compass):* this company recorded a net profit for the twelve months ended 30 June 2012 of €614,000 (€511,000), on revenues of €7m (€7.7m) and income tax totalling €472,000 (€548,000).

  At the reporting date the nominal value of Cofactor's loan book was €2,466.7m and its book value €98.7m.

  The company employs a total of 55 staff.

– *Creditech S.p.A.*, Milan *(credit management; 100%-owned by Compass):* Creditech delivered a net profit of €4m (€3.6m), on fees of €23.3m (€21.5m), the increase in which was due to higher orders from outside the Group (which were up 25%, from €8.1m to €10.1m).

  The company employs a total of 65 staff.

– *Compass RE S.A.* Luxembourg *(reinsurance; 100%-owned by Compass):* this year the company reinsured a total of €63m in premiums (compared with €48.4m last year), corresponding to net premiums (including movements in the technical reserves) of €22.1m (€9.5m). The company recorded an even balance for the twelve months, having set aside €12.8m (€4.7m) to the reserves.

– *Compagnie Monégasque de Banque,* Monaco *(private banking; 100% Mediobanca):* CMB's consolidated accounts for the year ended 31 December 2011 show a profit of €82.1m, boosted by the €84m gain realized on disposal of a non-core property, itself partly offset by a €20m one-off charge taken to the provision for general banking risks. Normalized profit declined from €24.7m to €18.1m, solely as a result of reduced trading income (down from €17.8m to €14m), with net interest and fee income both basically flat (the former down from €17.9m to €17m and the latter up from €34.1m to €34.5m). Lendings totalled €795.3m (€706.6m) and funding €1,519m (€1,211.7m). Assets under management on a discretionary/non-discretionary basis totalled €6.2bn (€5.7bn), up 8.6%.

  In the six months ended 30 June 2012, CMB posted a net profit of €21.8m (€15.3m), reflecting withdrawals from provision for general banking risks (€4m), higher net interest income (up from €12.7m to €18m) and management and brokerage fees declining slightly (from €18m to €17m); assets under management/administration totalled €6bn despite the sale of the Swiss-based subsidiary.

  At 30 June 2012, the employee headcount comprised 182 staff.

- *Banca Esperia S.p.A.,* Milan *(private banking; 50%-owned by Mediobanca):* in the year ended 31 December 2011, the Esperia group recorded a net profit of €1.6m, basically in line with the €1.4m posted last year, with revenues flat at €64m (€64.6m), operating costs up slightly (from €61.6m to €63.6m), plus a gain on disposal of a business unit consisting of two Duemme hedge funds for €3.2m which was completely offset by the increase in the tax burden (up from €1.2m to €3.5m).

  In the six months ended 30 June 2012, the Esperia group posted a net profit of €3.8m (€1.2m), which reflects the growth in revenues (up from €33.4m to €38.1m) driven by net interest income of €7.5m (€2.2m) and gains on securities (€3.2m).

  At 30 June 2012 assets under management totalled €13,225m, higher than the €12,817m reported at end-December 2011 as a result of the improved performance of financial markets.

  The employee headcount comprises 264 staff.

- *Spafid - Società per Amministrazioni Fiduciarie S.p.A.,* Milan *(fiduciary business; 100%-owned by Mediobanca):* in the twelve months ended 30 June 2012, Spafid made a loss of €9.4m, due to an €11.5m writedown to the investment in Assicurazioni Generali (from €29.5m to €18m). Net of this item the result from ordinary operations was largely in line with that posted last year, showing a net profit of €0.9m (€1.1m) with net fee and commission income and costs virtually unchanged (at €3.5m and €3.1m respectively). Securities and value items held on a fiduciary basis at the reporting date were worth €1,989.2m (€2,014.1m).

  The company employs a total of 20 staff.

- *Prudentia Fiduciaria S.p.A.,* Milan *(fiduciary business; 100%-owned by Mediobanca):* in the twelve months ended 30 June 2012, this company earned a profit of €521,000 (€579,000), on net fees of €3.3m (€3.5m) and costs unchanged at €2.6m. Securities held on a fiduciary basis at the reporting date were worth €66.8m (€66.9m).

  The company employs a total of 18 staff.

Other information

Related party disclosure

Financial accounts outstanding as at 30 June 2012 between companies forming part of the Mediobanca Group and related parties, and transactions undertaken between such parties during the financial year, are illustrated in Part H of the notes to the accounts, along with all the information required in respect of transparency pursuant to Consob resolution 17221 issued on 12 March 2010.

All such accounts form part of Group companies' ordinary operations, are maintained on an arm's length basis, and are entered into solely in the interests of the companies concerned. No atypical or irregular transactions have been entered into with such counterparties.

Article 36 of Consob's market regulations

With reference to Article 36 of Consob resolution 16191/07 (Market Regulations) on the subject of prerequisites for listing in respect of parent companies incorporated or regulated by the laws of EU member states and relevant to the preparation of the consolidated accounts, Compagnie Monégasque de Banque is covered by this regulatory provision, and adequate procedures have been adopted to ensure full compliance with the foregoing regulation.

Principal risks facing the Group

In addition to the customary information on financial risks (credit, market, liquidity and operating risks), the notes to the accounts contain an indication of the other risks to which the Group is exposed in the course of its business, as they emerged from the ICAAP process now required by the regulations in force.

In particular, this involves concentration risk in the Group's corporate finance activities towards the leading Italian industrial groups, its presence in the retail banking and consumer finance business on the domestic market, and its exposure to market volatility in respect of its securities portfolio in the wholesale banking and principal investing divisions.

Tax litigation

In December 2011, the Lombard regional tax office issued notice of investigation to Mediobanca Group companies, in respect of the following:

- Compass: having deducted part of the losses on non-recourse disposal of receivables; if confirmed, this would lead to higher tax for the 2006/07 financial year in an amount of €25.8m, plus interest and penalties;
- SelmaBipiemme: VAT receivables for 2005/06 and 2006/07 amounting to €22m (plus interest and penalties), and undue deduction of amortization (€1.6m more in taxes).

The companies are convinced that their actions were correct and have challenged the rulings accordingly.

Outlook

Estimates for the current financial year continue to be impacted by the tensions affecting the Eurozone as a whole (with market instability and spreads on peripheral EU member states' sovereign debt fluctuating) and the recessionary macro-economic scenario. Against this backdrop the Group envisages progressively deleveraging from corporate lending, with retail loans relatively stable. Comfortable liquidity is ensured by all the Group's funding channels being active. The expected contraction in revenues is due to the market scenario and the reduction in business volumes, and will be covered by careful cost control and a selective approach to lending. The valuations of the securities and equity investment portfolios will continue to depend on market performance, as will the contribution from trading activity, with a potentially significant impact on earnings.

Reconciliation of shareholders' equity and net profit

(€'000)

	Shareholders' equity	Net profit
Balance at 31/12 as per Mediobanca S.p.A. accounts	4,621,739	(200,151)
Net surplus over book value for consolidated companies	14,719	178,366
Other adjustments and restatements on consolidation, including the effects of accounting for companies on an equity basis	1,782,188	102,672
Dividends received during the period	–	–
TOTAL	6,418,646	80,887

Milan, 20 September 2012

THE BOARD OF DIRECTORS

DECLARATION BY HEAD OF COMPANY FINANCIAL REPORTING

DECLARATION IN RESPECT OF CONSOLIDATED FINANCIAL STATEMENTS as required by Article 81-ter of Consob resolution no. 11971 issued on 14 May 1999 as amended

1. The undersigned Alberto Nagel and Massimo Bertolini, in their respective capacities as Chief Executive Officer and Head of Company Financial Reporting of Mediobanca, hereby declare and in view *inter alia* of the provisions contained in Article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree 58/98, that the administrative and accounting procedures used in the preparation of the consolidated financial statements:
   - were adequate in view of the company's characteristics; and
   - were effectively applied during the year ended 30 June 2012.
2. Assessment of the adequacy of said administrative and accounting procedures for the preparation of the consolidated financial statements as at 30 June 2012 was based on a model defined by Mediobanca in accordance with benchmark standards for internal control systems which are widely accepted at an international level (i.e. the CoSO and CobiT frameworks).
3. It is further hereby declared that

   3.1 the consolidated financial statements:
   - have been drawn up in accordance with the International Financial Reporting Standards adopted by the European Union pursuant to CE regulation no. 1606/02 issued by the European Parliament and Council on 19 July 2002;
   - correspond to the data recorded in the company's books and accounts ledgers;
   - are adequate for the purpose of providing a truthful and accurate representation of the capital, earnings and financial situation of the issuer and the group of companies included within its area of consolidation.

   3.2 the review of operations contains reliable analysis of the Group's operating performance and results, and of the situation of Mediobanca S.p.A. and the group of companies comprised within its area of consolidation, along with a description of the main risks and uncertainties to which they are exposed.

Milan, 20 September 2012

Chief Executive Officer	Head of Financial Reporting
Alberto Nagel	*Massimo Bertolini*

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT
Pursuant to articles 14 and 16 of Legislative Decree n. 39 of 27 January 2010
(Translation from the original Italian text)

To the Shareholders of
Mediobanca S.p.A.

1. We have audited the consolidated financial statements of Mediobanca S.p.A. and its subsidiaries ("Mediobanca Group") as of and for the year ended 30 June 2012, comprising the balance sheet, the profit and loss account, the comprehensive profit and loss account, the statement of changes to net equity, the cash flow statement and the related notes to the accounts. These financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the standards issued in accordance with article 9 of Legislative Decree n. 38 of 28 February 2005, are the responsibility of Mediobanca S.p.A.'s directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards and procedures recommended by Consob (the Italian Companies and Stock Exchange Commission). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles applied and the reasonableness of the estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

   With respect to the consolidated financial statements of the prior year, presented for comparative purposes, reference should be made to our report dated 30 September 2011.

3. In our opinion, the consolidated financial statements of Mediobanca S.p.A. as of and for the year ended 30 June 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the standards issued in accordance with article 9 of Legislative Decree n. 38 of 28 February 2005; accordingly, they present clearly and give a true and fair view of the consolidated financial position, results of operations and cash flows of Mediobanca Group as of 30 June 2012 and for the year then ended.

4. Mediobanca S.p.A.'s directors are responsible for the preparation of the Review of Group Operations and the Statement on Corporate Governance and Ownership Structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Review of Group Operations and of the Statement on Corporate Governance and Ownership Structure, limited to the information reported therein in compliance with article 123-bis of Legislative Decree n. 58 of 24 February 1998, paragraph 1, letters c), d), f), l) and m) and paragraph 2, letter b), with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion, the Review of Group Operations and the information reported in the Statement on Corporate Governance and Ownership Structure in compliance with article 123-bis of Legislative Decree n. 58 of 24 February 1998, paragraph 1, letters c), d), f), l) and m) and paragraph 2), letter b), are consistent with the consolidated financial statements of Mediobanca Group as of 30 June 2012.

Milan, 28 September 2012

Reconta Ernst & Young S.p.A.
signed by: Davide Lisi, partner

This report has been translated into the English language solely for the convenience of international readers.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet *

(€'000)

Assets		30/6/12		30/6/11
10. Cash and cash equivalents		29,741		31,492
20. Financial assets held for trading		13,838,216		13,716,728
40. Financial assets available for sale		10,552,149		7,749,883
50. Financial assets held to maturity		1,723,279		1,643,580
60. Due from banks		3,962,850		4,054,599
70. Due from customers		41,871,148		39,235,463
80. Hedging derivatives		1,571,778		1,368,114
100. Equity investments		3,165,512		3,156,142
120. Property, plant and equipment		293,680		320,423
130. Intangible assets		424,373		437,379
of which:				
goodwill	*365,934*		*365,934*	
140. Tax assets:		1,037,078		967,048
a) current	*299,590*		*375,597*	
b) advance	*737,488*		*591,451*	
160. Other assets		209,324		253,387
TOTAL ASSETS		**78,679,128**		**72,934,238**

* Securities lending transactions have been reallocated compared to the financial statements for the twelve months ended 30 June 2011; whereas previously these were accounted for under asset headings 60 and 70 and liability headings 10 and 20, here they are treated as off-balance-sheet transactions.

(€'000)

Liabilities and net equity		30/6/12		30/6/11
10. Due to banks		12,000,012		7,372,610
20. Due to customers		17,149,027		13,667,048
30. Debt securities in issue		31,300,331		35,270,692
40. Trading liabilities		9,935,010		7,516,595
60. Hedging derivatives		364,954		647,704
80. Tax liabilities:		494,093		565,834
a) current	*197,975*		*252,773*	
b) deferred	*296,118*		*313,061*	
100. Other liabilities		542,371		628,549
110. Staff severance indemnity provision		24,652		26,036
120. Provisions:		160,471		156,522
b) other provisions	*160,471*		*156,522*	
130. Insurance reserve		99,282		54,828
140. Revaluation reserves		(337,118)		6,676
170. Reserves		4,418,901		4,200,943
180. Share premium reserve		2,120,143		2,120,143
190. Share capital		430,565		430,565
200. Treasury shares		(213,844)		(213,844)
210. Minority interest		109,391		114,745
220. Profit for the period		80,887		368,592
TOTAL LIABILITIES AND NET EQUITY		**78,679,128**		**72,934,238**

Consolidated profit and loss account

(€'000)

	Item		12 mths to 30/6/12		12 mths to 30/6/11
10.	Interest and similar income		3,037,190		2,787,546
20.	Interest expense and similar charges		(1,949,111)		(1,655,954)
30.	**Net interest income**		**1,088,079**		**1,131,592**
40.	Fee and commission income		438,596		485,635
50.	Fee and commission expense		(47,288)		(48,643)
60.	**Net fee and commission income**		**391,308**		**436,992**
70.	Dividends and similar income		90,819		115,977
80.	Net trading income		116,798		(32,748)
90.	Net hedging income (expense)		4,065		80
100.	Gain (loss) on disposal/repurchase of:		69,939		64,056
	a) loans and advances	*(5)*		*586*	
	b) AFS securities	*34,368*		*22,194*	
	c) financial assets held to maturity	*(1,946)*		*(3,320)*	
	d) financial liabilities	*37,522*		*44,596*	
120.	**Total income**		**1,761,008**		**1,715,949**
130.	Adjustments for impairment to:		(881,333)		(504,701)
	a) loans and advances	*(429,130)*		*(343,098)*	
	b) AFS securities	*(411,515)*		*(145,096)*	
	c) financial assets held to maturity	*(1,320)*		*(10,456)*	
	d) financial liabilities	*(39,368)*		*(6,051)*	
140.	**Net income from financial operations**		**879,675**		**1,211,248**
150.	Premiums earned (net)		22,094		9,488
160.	Other income (net) from insurance activities		(9,698)		(4,653)
170.	**Net profit from financial and insurance activities**		**892,071**		**1,216,083**
180.	Administrative expenses:		(784,283)		(833,196)
	a) personnel costs	*(393,312)*		*(418,778)*	
	b) other administrative expenses	*(390,971)*		*(414,418)*	
190.	Net transfers to provisions		(4,014)		(1,012)
200.	Net adjustments to tangible assets		(18,866)		(17,444)
210.	Net adjustments to intangible assets		(25,801)		(24,506)
220.	Other operating income (expense)		123,033		130,804
230.	**Operating costs**		**(709,931)**		**(745,354)**
240.	Gain (loss) on equity investments		(21,491)		83,383
270.	Gain (loss) on disposal of investments in:		45,214		87
	a) property	*44,295*		—	
	b) other assets	*919*		*87*	
280.	**Profit (loss) on ordinary activities before tax**		**205,863**		**554,199**
290.	Income tax for the year on ordinary activities		(125,504)		(180,632)
300.	**Profit (loss) on ordinary activities after tax**		**80,359**		**373,567**
320.	**Net profit (loss) for the period**		**80,359**		**373,567**
330.	Net profit (loss) for the period attributable to minorities		528		(4,975)
340.	**Net profit (loss) for the period attributable to Mediobanca**		**80,887**		**368,592**

Consolidated comprehensive profit and loss account

(€'000)

	Headings	30/6/12	30/6/11
10.	Gain (loss) for the period	80,359	373,567
	Other income items net of tax		
20.	AFS securities	(214,129)	605
30.	Property, plant and equipment	—	—
40.	Intangible assets	—	—
50.	Foreign investment hedges	—	—
60.	Cash flow hedges	(135,575)	116,490
70.	Exchange rate differences	(3,909)	2,065
80.	Non-current assets being sold	—	—
90.	Actuarial gains (losses) on defined-benefit pension schemes	—	—
100.	Share of valuation reserves for equity-accounted companies	4,993	(160,620)
110.	Total other income items net of tax	(348,620)	(41,460)
120.	Aggregate profit (Heading 10 + Heading 110)	(268,261)	332,107
130.	Overall consolidated profit attrubutable to minorities	(5,354)	12,150
140.	Overall consolidated profit attributable to Mediobanca	(262,907)	319,957

Statement of changes to net equity

(€'000)

	Previously reported balance at 30/6/11	Allocation of profit for previous period		Changes during the reference period							Overall consolidated profit 2012	Total net equity at 30/6/2012	Net equity attributable to the group at 30/6/2012	Net equity attributable to the minorities at 30/6/2012
		Reserves	Dividends and other fund applications	Changes to reserves	Transactions involving net equity									
					New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury shares derivates	Stock options [1]				
Share capital:	455,513	—	—	—	—	—	—	—	—	—	—	455,513	430,565	24,948
a) ordinary shares	455,513	—	—	—	—	—	—	—	—	—	—	455,513	430,565	24,948
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,127,359	—	—	—	—	—	—	—	—	—	—	2,127,359	2,120,143	7,216
Reserves:	4,279,846	246,191	(16,123)	(19,951)	—	—	—	—	—	12,816	—	4,502,779	4,418,901	83,878
a) retained earnings	4,223,740	246,191	(16,123)	(19,951)	—	—	—	—	—	—	—	4,433,857	4,349,979	83,878
b) others	56,106	—	—	—	—	—	—	—	—	12,816	—	68,922	68,922	—
Valuation reserves	5,379	—	—	—	—	—	—	—	—	—	(348,620)	(343,241)	(337,118)	(6,123)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(213,844)	—	—	—	—	—	—	—	—	—	—	(213,844)	(213,844)	—
Profit (loss) for the period	373,567	(246,191)	(127,376)	—	—	—	—	—	—	—	80,359	80,359	80,887	(528)
Total net equity	7,027,820	—	(143,499)	(19,951)	—	—	—	—	—	12,816	(268,261)	6,608,925		
Net equity attributable to the group	6,913,075	—	(143,499)	(19,951)	—	—	—	—	—	12,816	(262,907)		6,499,534	
Net equity attributable to minorities	114,745	—	—	—	—	—	—	—	—	—	(5,354)			109,391

[1] Represents the effect on the stock options and performance shares related to the ESOP schemes.

Statement of changes to net equity from 1/7/10 to 30/6/11

(€'000)

	Previously reported balance at 30/6/10	Allocation of profit for previous period		Changes during the reference period							Overall consolidated profit 2011	Total net equity at 30/6/2011	Net equity attributable to the group at 30/6/2011	Net equity attributable to the minorities at 30/6/2011
		Reserves	Dividends and other fund applications	Changes to reserves	Transactions involving net equity									
					New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury shares derivates	Stock options [1]				
Share capital:	455,680	—	—	—	(167)	—	—	—	—	—	—	455,513	430,565	24,948
a) ordinary shares	455,680	—	—	—	(167)	—	—	—	—	—	—	455,513	430,565	24,948
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,127,129	—	—	—	230	—	—	—	—	—	—	2,127,359	2,120,143	7,216
Reserves:	4,017,343	258,625	—	(9,618)	—	—	—	—	—	13,496	—	4,279,846	4,200,943	78,903
a) retained earnings	3,974,733	258,625	—	(9,618)	—	—	—	—	—	—	—	4,223,740	4,144,837	78,903
b) others	42,610	—	—	—	—	—	—	—	—	13,496	—	56,106	56,106	—
Valuation reserves	46,839	—	—	—	—	—	—	—	—	—	(41,460)	5,379	6,676	(1,297)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(213,844)	—	—	—	—	—	—	—	—	—	—	(213,844)	(213,844)	—
Profit (loss) for the period	402,121	(258,625)	(143,496)	—	—	—	—	—	—	—	373,567	373,567	368,592	4,975
Total net equity	6,835,268	—	(143,496)	(9,618)	63	—	—	—	—	13,496	332,107	7,027,820		
Net equity attributable to the group	6,731,995	—	(142,812)	(9,624)	63	—	—	—	—	13,496	319,957		6,913,075	
Net equity attributable to minorities	103,273	—	(684)	6	—	—	—	—	—	—	12,150			114,745

[1] Represents the effect on the stock options and performance shares related to the ESOP schemes.

Consolidated cash flow statement direct method

(€'000)

	Amounts 30/6/12	30/6/11
A. CASH FLOW FROM OPERATING ACTIVITIES		
1. Operating activities	**321,886**	**2,135,599**
- interest received	5,694,789	5,226,188
- interest paid	(4,716,862)	(3,601,175)
- dividends and similar income	120,570	115,977
- net fees and commission income	271,021	273,757
- cash payments to employees	(313,913)	(300,343)
- net premium income	66,556	44,698
- other premium from insurance activities	(94,234)	(94,816)
- other expenses paid	(1,650,788)	(2,107,159)
- other income received	1,025,408	2,669,269
- income taxes paid	(80,661)	(90,797)
- net expense/income from groups of assets being sold	—	—
2. Cash generated/absorbed by financial assets	**(2,293,652)**	**(1,041,531)**
- financial assets held for trading	2,194,694	2,714,179
- financial assets recognized at fair value	—	—
- AFS securities	(3,432,578)	(1,612,029)
- due from customers	(2,471,413)	(1,736,816)
- due from banks: on demand	2,170,685	854,611
- due from banks: other	(691,208)	(957,531)
- other assets	(63,832)	(303,945)
3. Cash generated/absorbed by financial liabilities	**2,207,143**	**(606,363)**
- due to banks: on demand	(456,589)	1,597,730
- due to banks: other	5,283,829	(1,674,065)
- due to customers	3,166,176	215,459
- debt securities	(6,026,074)	(1,163,646)
- trading liabilities	231,496	567,401
- financial liabilities assets recognized at fair value	—	—
- other liabilities	8,305	(149,242)
Net cash flow (outflow) from operating activities	**235,377**	**487,705**
B. INVESTMENT ACTIVITIES		
1. Cash generated from	**232,210**	**180,746**
- disposals of shareholdings	—	—
- dividends received in respect of equity investments	47,688	105,867
- disposals/redemptions of financial assets held to maturity	73,616	74,659
- disposals of tangible assets	110,232	204
- disposals of intangible assets	674	16
- disposals of subsidiaries or business units	—	—
2. Cash absorbed by	**(325,838)**	**(519,825)**
- acquisitions of shareholdings	(94,727)	—
- acquisitions of held- to- maturity investments	(160,311)	(483,127)
- acquisitions of tangible assets	(57,336)	(17,366)
- acquisitions of intangible assets	(13,464)	(19,332)
- acquisitions of subsidiaries or business units	—	—
Net cash flow (outflow) from investment/servicing of finance	**(93,628)**	**(339,079)**
C. FUNDING ACTIVITIES		
- issuance/acquisition of treasury shares	—	244
- issuance/acquisitions of equity instruments	—	—
- dividends payout and other applications of funds	(143,500)	(144,180)
Net cash flow (outflow) from funding activities	**(143,500)**	**(143,936)**
NET CASH FLOW (OUTFLOW) DURING PERIOD	**(1,751)**	**4,690**

Reconciliation of movements in cash flow during period

(€'000)

Headings	Amounts	
	30/6/12	30/6/11
Cash and cash equivalents: balance at start of period	31,492	26,802
Total cash flow (ouflow) during period	(1,751)	4,690
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at end of period	29,741	31,492

NOTES TO THE CONSOLIDATED ACCOUNTS

NOTES TO THE CONSOLIDATED ACCOUNTS

Part A - Accounting policies

A.1 - General part

SECTION 1

Statement of conformity with IAS/IFRS

The Mediobanca Group's consolidated financial statements for the period ended 30 June 2012 have, as required by Italian Legislative Decree 38/05, been drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), which were adopted by the European Commission in accordance with the procedure laid down in Article 6 of regulation CE 1606/02 issued by the European Parliament and Council on 19 July 2002. Adoption of the new accounting standards with respect to financial reporting by banks is governed by Bank of Italy circular no. 262 issued on 22 December 2005 (as amended on 18 November 2009).

SECTION 2

General principles

These consolidated financial statements comprise:
- balance sheet;
- profit and loss account;
- comprehensive profit and loss account;
- statement of changes to net equity;
- cash flow statement (direct method);
- notes to the accounts.

All the statements have been drawn up in conformity with the general principles provided for under IAS and the accounting policies illustrated in section 4, and show data for the period under review compared with that for the previous financial year in the case of balance-sheet figures or the corresponding period of the previous financial year for profit-and-loss data.

SECTION 3

Area and methods of consolidation

Subsidiaries are consolidated on the line-by-line basis, whereas investments in associates and jointly-controlled operations are consolidated and accounted for using the equity method.

When a subsidiary is fully consolidated, the carrying amount of the parent's investment and its share of the subsidiary's equity are eliminated against the addition of that company's assets and liabilities, income and expenses to the parent company's totals. Any surplus arising following allocation of asset and liability items to the subsidiary is recorded as goodwill. Intra-group balances, transactions, income and expenses are eliminated upon consolidation.

For equity-accounted companies, any differences in the carrying amount of the investment and investee company's net equity are reflected in the book value of the investment, the fairness of which is tested at the reporting date or when evidence emerges of possible impairment. The profit made or loss incurred by the investee company is recorded pro-rata in the profit and loss account under a specific heading.

During the period under review control was acquired of MI Immobilière, a company which owns a property located in Luxembourg, by Mediobanca International, and CMB Banque Privée (Suisse) S.A., a company owned by Compagnie Monégasque de Banque, was sold. The partial demerger of certain assets by Compass to Mediobanca S.p.A. was also completed, with the latter now having direct control of SelmaBipiemme Leasing and CheBanca!.

1. Subsidiaries and jointly-controlled companies (consolidated pro-rata)

Name	Registered office	Type of relation-ship [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 liquidation	Milan	1	A.1.1	100.0	100.0
3. PRUDENTIA FIDUCIARIA S.p.A.	Milan	1	A.1.1	100.0	100.0
4. SETECI - Società Consortile per l'Elaborazione, Trasmissione dati, *Engineering* e Consulenza Informatica S.c.p.A.	Milan	1	A.1.1	100.0	100.0
5. SPAFID S.p.A.	Milan	1	A.1.1	100.0	100.0
6. COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A.M.	Montecarlo	1	A.1.1	100.0	100.0
7. C.M.I. COMPAGNIE MONEGASQUE IMMOBILIERE SCI	Montecarlo	1	A.1.6	99.94	99.94
			A.1.8	0.06	0.06
8. C.M.G. COMPAGNIE MONEGASQUE DE GESTION S.A.M.	Montecarlo	1	A.1.6	99.89	99.89
9. SMEF SOCIETE MONEGASQUE DES ETUDES FINANCIERE S.A.M.	Montecarlo	1	A.1.6	99.96	99.96
10. CMB ASSET MANAGEMENT S.A.M.	Montecarlo	1	A.1.6	99.50	99.50
11. MONOECI SOCIETE CIVILE IMMOBILIERE	Montecarlo	1	A.1.6	99.0	99.0
			A.1.8	1.0	1.0
12. MOULINS 700 S.A.M.	Montecarlo	1	A.1.7	99.90	99.90
13. MEDIOBANCA INTERNATIONAL (Luxembourg) S.A.	Luxembourg	1	A.1.1	99.0	99.0
		1	A.1.14	1.0	1.0
14. COMPASS S.p.A.	Milan	1	A.1.1	100.0	100.0
15. CHEBANCA! S.p.A.	Milan	1	A.1.1	100.0	100.0
16. COFACTOR S.p.A.	Milan	1	A.1.14	100.0	100.0
17. SELMABIPIEMME LEASING S.p.A.	Milan	1	A.1.1	60.0	60.0
18. PALLADIO LEASING S.p.A.	Vicenza	1	A.1.17	95.0	100.0
			A.1.18	5.0	
19. TELELEASING S.p.A. - in liquidation	Milan	1	A.1.17	80.0	80.0
20. SADE FINANZIARIA - INTERSOMER S.r.l.	Milan	1	A.1.1	100.0	100.0
21. RICERCHE E STUDI S.p.A.	Milan	1	A.1.1	100.0	100.0
22. CREDITECH S.p.A.	Milan	1	A.1.14	100.0	100.0
23. MEDIOBANCA SECURITIES USA LLC	New York	1	A.1.1	100.0	100.0
24. CONSORTIUM S.r.l.	Milan	1	A.1.1	100.0	100.0
25. QUARZO S.r.l.	Milan	1	A.1.14	90.0	90.0
26. QUARZO LEASE S.r.l.	Milan	1	A.1.17	90.0	90.0
27. FUTURO S.p.A	Milan	1	A.1.14	100.0	100.0
28. JUMP S.r.l.	Milan	4	A.1.14	—	—
29. MEDIOBANCA COVERED BOND S.r.l.	Milan	1	A.1.15	90.0	90.0
30. COMPASS RE (Luxembourg) S.A.	Luxembourg	1	A.1.14	100.0	100.0
31. MEDIOBANCA INTERNATIONAL IMMOBILIERE S.A.r.l.	Luxembourg	1	A.1.13	100.0	100.0

Legend

[1] Type of relationship:
- 1 = majority of voting rights in ordinary AGMs
- 2 = dominant influence in ordinary AGMs
- 3 = agreements with other shareholders
- 4 = other forms of control
- 5 = unity of direction as defined in Article 26, paragraph 1 of Italian Legislative Decree 87/92
- 6 = unity of direction as defined in Article 26, paragraph 2 of Italian Legislative Decree 87/92
- 7 = joint control

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

A.2 - Significant accounting policies

Financial assets held for trading

This category comprises debt securities, equities, and the positive value of derivatives held for trading including those embedded in complex instruments such as structured bonds (recorded separately).

At the settlement date for securities and subscription date for derivatives, such assets are recognized at fair value not including any transaction expenses or income directly attributable to the asset concerned, which are taken through the profit and loss account.

After initial recognition they continue to be measured at fair value, which for listed instruments is calculated on the basis of market prices ruling at the reporting date (Level 1 assets). If no market prices are available, other valuation models are used (Level 2 assets) based on market-derived data, e.g. valuations of listed instruments with similar features, discounted cash flow analysis [1], option price calculation methods, or valuations used in comparable transactions, or alternatively valuations based on internal estimates (Level 3 assets). Equities and linked derivatives for which it is not possible to reliably determine fair value using the methods described above are stated at cost (these too qualify as Level 3 assets). If the assets suffer impairment, they are written down to their current value.

Gains and losses upon disposal and/or redemption and the positive and negative effects of changes in fair value over time are reflected in the profit and loss account under the heading *Net trading income*.

AFS securities

This category includes all financial assets apart from derivatives not booked under the headings Financial assets held for trading, *Financial assets held to maturity or Loans and receivables.*

[1] From 30/6/12 the new benchmark for the risk-free rate for treasury operations with collateralized counterparties has changed from Euribor to Eonia.

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. Fair value is measured on the same principles as described for trading instruments. Equities for which it is not possible to reliably determine fair value are stated at cost. For debt securities included in this category the value of amortized cost is also recognized against the corresponding item in the profit and loss account.

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, this is recognized in the profit and loss account on the basis of market prices in the case of listed instruments, and of estimated future cash flows discounted according to the original effective interest rate in the case of unlisted securities. For shares, in particular, the criteria used to determine impairment are a reduction in fair value of over one half or for longer than twenty-four months, compared to the initial recognition value. If the reasons for which the loss was recorded subsequently cease to apply, the impairment is written back to the profit and loss account for debt securities to and net equity for shares.

Financial assets held to maturity

These comprise debt securities with fixed or otherwise determinable payments and fixed maturities which the Group's management has the positive intention and ability to hold to maturity.

Such assets are initially recognized at fair value, which is calculated as at the settlement date and includes any transaction costs or income directly attributable to them. Following their initial recognition they are measured at amortized cost using the effective interest method. Differences between the initial recognition value and the amount receivable at maturity are booked to the profit and loss account pro-rata.

Assets are tested for impairment at annual and interim reporting dates. If there is evidence of a long-term reduction in the value of the asset concerned, this is recognized in the profit and loss account on the basis of market prices in the case of listed instruments, and of estimated future cash flows discounted according to the original effective interest rate in the case of unlisted securities. If the reasons which brought about the loss of value subsequently cease to apply, the impairment is written back to the profit and loss account up to the value of amortized cost.

Loans and receivables

These comprise loans to customers and banks which provide for fixed or otherwise determinable payments that are not quoted in an active market and which cannot therefore be classified as available for sale. Repos and receivables due in respect of finance leasing transactions are also included, as are illiquid and/or unlisted fixed securities.

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. The latter 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.

Leasing

IAS 17 defines finance leases as transactions whereby risks and benefits involved in owning the asset concerned are transferred to the lessee, and stipulates the criteria for identifying whether or not a lease is a finance or operating lease. All leases entered into by the Group qualify as finance leases under the terms of IAS 17. Accordingly, a receivable is booked at an amount equal to the net outlay involved in the finance lease transaction, plus any costs directly incurred in respect of negotiating and/or performing the contract.

Hedges

There are two types of hedge:

– fair value hedges, which are intended to offset the exposure of recognized assets and liabilities to changes in their fair value;
– cash flow hedges, which are intended to offset the exposure of recognized assets and liabilities to changes in future cash flows attributable to specific risks relating to the items concerned.

For the process to be effective, the item must be hedged with a counterparty from outside the Group.

Hedge derivatives are recognized at fair value as follows:

– changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset, where a difference between the two emerges as a result of the partial ineffectiveness of the hedge;
– the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in net equity, while the gain or loss deriving from the ineffective portion is recognized through the profit and loss account only as and when, with reference to the hedged item, the change in cash flow to be offset crystallizes.

Hedge accounting is permitted for derivatives where the hedging relationship is formally designated and documented and provided that the hedge is effective at its inception and is expected to be so for its entire life.

A hedge is considered to be effective when the changes in fair value or cash flow of the hedging instrument offset those of the hedged item within a range of 80-125%. The effectiveness of a hedge is assessed both *prospectively* and *retrospectively* at annual and interim reporting dates, the former to show expectations regarding effectiveness, the latter to show the degree of effectiveness actually achieved by the hedge during the period concerned. If an instrument proves to be ineffective, hedge accounting is discontinued and the derivative concerned is accounted for under trading securities.

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.

Property, plant and equipment

This heading comprises land, core and investment properties, plant, furniture, fittings, equipment and assets used under the terms of finance leases, despite the fact that such assets remain the legal property of the lessor rather than the lessee.

Assets held for investment purposes refer to investments in real estate, if any (whether owned or acquired under leases), which are not core to the Group's main activities and/or are chiefly leased out to third parties.

These are stated at historical cost, which in addition to the purchase price, includes any ancillary charges directly resulting from their acquisition and/or usage. Extraordinary maintenance charges are reflected by increasing the asset's value, while ordinary maintenance charges are recorded in the profit and loss account.

Fixed assets are depreciated over the length of their useful life on a straight-line basis, with the exception of land, which is not depreciated on the grounds that it has unlimited useful life. Properties built on land owned by the Group are recorded separately, on the basis of valuations prepared by independent experts.

At annual and interim reporting dates, where there is objective evidence that the value of an asset may be impaired, its carrying amount is compared to its current value, which is defined as the higher of its fair value net of any sales costs and its related value of use, and adjustments, if any, are recognized through the profit and loss account. If the reasons which gave rise to the loss in value cease to apply, the adjustment is written back to earnings with the proviso that the amount credited may not exceed the value which the asset would have had net of depreciation, which is calculated assuming no impairment took place.

Intangible assets

These chiefly comprise goodwill and long-term computer software applications.

Goodwill may be recognized where this is representative of the investee company's ability to generate future income. At annual and interim reporting dates assets are tested for impairment, which is calculated as the difference between the initial recognition value of the goodwill and its realizable value, the latter being equal to the higher of the fair value of the cash-generating unit concerned net of any sales costs and its assumed value of use. Any adjustments are taken through the profit and loss account.

Other intangible assets are recognized at cost, adjusted to reflect ancillary charges only where it is likely that future earnings will derive from the asset and the cost of the asset itself may be reliably determined. Otherwise the cost of the asset is booked to the profit and loss account in the year in which the expense was incurred.

The cost of intangible assets is amortized on the straight-line basis over the useful life of the asset concerned. If useful life is not determinable the cost of the asset is not amortized, but the value at which it is initially recognized is tested for impairment on a regular basis.

At annual and interim reporting dates, where there is evidence of impairment the realizable value of the asset is estimated, and the impairment is recognized in the profit and loss account as the difference between the carrying amount and the recoverable value of the asset concerned.

Derecognition of assets

Financial assets are derecognized as and when the Group is no longer entitled to receive cash flows deriving from them, or when they are sold and the related risks and benefits are transferred accordingly. Tangible and intangible assets are derecognized upon disposal, or when an asset is permanently retired from use and no further earnings are expected to derive from it.

Assets or groups of assets which are sold continue to be recognized if the risks and benefits associated with them (in the relevant technical form) continue to be attributable to the Group. A corresponding amount is then entered as a liability to offset any amounts received *(*as *Other amounts receivable* or *Repos).*

The main forms of activity currently carried out by the Group which do not require underlying assets to be derecognized are the securitization of receivables, repo trading and securities lending.

Conversely, items received as part of deposit bank activity, the return on which is collected in the form of a commission, are not recorded, as the related risks and benefits continue to accrue entirely to the end-investor.

Payables, debt securities in issue and subordinated liabilities

These include the items *Due to banks*, *Due to customers and Debt securities in issue* less any shares bought back. Amounts payable by the lessee under the terms of finance leasing transactions are also included.

Initial recognition takes place when funds raised are collected or debt securities are issued, and occurs at fair value, which is equal to the amount collected net of transaction costs incurred directly or indirectly in connection with the liability concerned. Thereafter liabilities are stated at amortized cost on the basis of the original effective interest rate, with the exception of short-term liabilities which continue to be stated at the original amount collected.

Derivatives embedded in structured bonds are stripped out from the underlying contract and recognized at fair value. Subsequent changes in fair value are recognized through the profit and loss account.

Financial liabilities are derecognized upon expiry or repayment, even if buybacks of previously issued bonds are involved. The difference between the liabilities' carrying value and the amount paid to repurchase them is recorded through the profit and loss account.

The sale of treasury shares over the market following a buyback (even in the form of repos and securities lending transactions) is treated as a new issue. The new sale price is recorded as a liability without passing through the profit and loss account.

Trading liabilities

This item includes the negative value of trading derivatives and any derivatives embedded in complex instruments. Liabilities in respect of technical shortfalls deriving from securities trading activity are also included. All trading liabilities are recognized at fair value.

Staff severance indemnity provision

This is stated to reflect the actuarial value of the provision as calculated in line with regulations used for defined benefit schemes. Future obligations are estimated on the basis of historical statistical analysis (e.g. staff turnover, retirements, etc.) and demographic trends. These are then discounted to obtain their present value on the basis of market interest rates. The values thus obtain are booked under labour costs as the net amount of contributions paid, prior years' contributions not yet capitalized, interest accrued, and actuarial gains and losses.

All actuarial profits and/or losses are included under labour costs.

Units accruing as from 1 January 2007 paid into complementary pension schemes or the Italian national insurance system are recorded on the basis of contributions accrued during the period.

Provisions for liabilities and charges

These regard risks linked with the Group's operations but not necessarily associated with failure to repay loans, and which could lead to expenses in the future. If the time effect is material, provisions are discounted using current market rates. Provisions are recognized in the profit and loss account.

Provisions are reviewed on a regular basis, and where the charges that gave rise to them are deemed unlikely to crystallize, the amounts involved are written back to the profit and loss account in part or in full.

Withdrawals are only made from provisions to cover the expenses for which the provision was originally made.

Foreign currency transactions

Transactions in foreign currencies are recorded by applying the exchange rates as at the date of the transaction to the amount in the foreign currency concerned.

Assets and liabilities denominated in currencies other than the Euro are translated into Euros using exchange rates ruling at the dates of the transactions. Differences on cash items due to translation are recorded through the profit and loss account, whereas those on non-cash items are recorded according to the valuation criteria used in respect of the category they belong to (i.e. at cost, through the profit and loss account or on an equity basis).

Tax assets and liabilities

Income taxes are recorded in the profit and loss account, with the exception of tax payable on items debited or credited directly to net equity. Provisions for income tax are calculated on the basis of current, advance and deferred obligations. Advance and deferred tax is calculated on the basis of temporary differences – without time limits – between the carrying amount of an asset or liability and its tax base, according to statutory criteria and the corresponding values used for tax purposes.

Advance tax assets are recognized in the balance sheet based on the likelihood of their being recovered.

Deferred tax liabilities are recognized in the balance sheet with the exception of tax-suspended reserves, if the size of the reserves available already subjected to taxation is such that it may be reasonably assumed that no transactions will be carried out on the Group's own initiative that might lead to their being taxed.

Deferred tax arising upon business combinations is recognized when this is likely to result in a charge for one of the companies concerned.

Tax assets and liabilities are adjusted as and when changes occur in the regulatory framework or in applicable tax rates, *inter alia* to cover charges that might arise in connection with inspections by or disputes with the tax revenue authorities.

Stock options and performance shares

The stock option and performance share schemes operated on behalf of Group staff members and collaborators are treated as a component of labour costs. The fair value of the instruments is measured and recognized in net equity at the grant date using a share/option pricing method adjusted to reflect historical series for previous financial years. The value thus determined is taken to the profit and loss account pro-rata to the vesting period for the individual awards.

Treasury shares

These are deducted from net equity, and any gains/losses realized on disposal are recognized in net equity.

Dividends and commissions

These are recognized as and when they are realized, provided there is reasonable likelihood that future benefits will accrue.

Fees included in amortized cost for purposes of calculating the effective interest rate are not included, but are recorded under *Net interest income*.

Related parties (IAS 24)

In accordance with IAS 24, related parties are defined as:

a) individuals or entities which directly or indirectly:
   1. are subject to joint control by Mediobanca;
   2. hold an interest in Mediobanca which allows them to exert a significant influence over Mediobanca; the scope of this definition includes parties to the Mediobanca shareholders' agreement with interests of over 5% of the company's share capital, along with the entitlement to appoint at least one member of the Board of Directors;

b) associate companies, joint ventures and entities controlled by them;

c) management with strategic responsibilities, that is, individuals with powers and responsibilities, directly or indirectly, for the planning, direction and control of the parent company's activities, including the members of the Board of Directors and Statutory Audit Committee;

d) entities controlled or jointly controlled by one or more of the individuals listed under the foregoing letter c);

e) close family members of the individuals referred to in letter c) above, that is, individuals who may be expected to influence them or be influenced by them in their relations with Mediobanca (this category includes partners, children, partners' children, dependents and partners' dependents) as well as any entities controlled, jointly controlled or subject to significant influence by such individuals;

f) pension funds for employees of the parent company or any other entity related to it.

A.3 - Information on fair value

A.3.1 Transfers between portfolios

A.3.1.1 Reclassified financial assets: book value, fair value and effects on overall profitability

(€'000)

Type of instrument	Transferred from	Transferred to	Book value at 30/6/12	Fair value at 30/6/12	Additions to P&L if assets not transferred (pre-tax)		Additions to P&L made during the year (pre-tax)	
					Valuation	Other	Valuation	Other
Debt securities[1] (ABS)	Financial assets held for trading	Due from customers	150,719	125,460	(14,846)	4,651	—	4,651
Debt securities[1] (ABS)	AFS securities	Due from customers	58,725	53,214	(3,216)	1,854	—	1,854
Debt securities[2]	AFS securities	Financial assets held to maturity	485,666	483,104	10,426	23,256	—	23,256
Total			695,110	661,778	(7,636)	29,761	—	29,761

[1] Made during FY 08/09.

[2] Made during FY 10/11.

A.3.2 Fair value ranking

A.3.2.1 Asset portfolios by fair value ranking

(€'000)

Financial assets/liabilities measured at fair value	30/6/12				30/6/11			
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
1. Financial assets held for trading	7,253,842	5,643,274	941,100	[1]	8,029,394	4,333,956	1,353,378	[1]
2. Financial assets recognized at fair value	—	—	—		—	—	—	
3. AFS securities	8,800,953	906,415	844,781	[2]	5,932,006	717,718	1,100,159	[2]
4. Hedge derivatives	—	1,571,778	—		—	1,368,114	—	
Total	16,054,795	8,121,467	1,785,881		13,961,400	6,419,788	2,453,537	
1. Financial liabilities held for trading	(3,826,564)	(4,955,828)	(1,152,618)	[1]	(3,177,725)	(3,061,992)	(1,276,878)	[1]
2. Financial liabilities recognized at fair value	—	—	—		—	—	—	
3. Hedge derivatives	—	(364,954)	—		—	(647,704)	—	
Total	(3,826,564)	(5,320,782)	(1,152,618)		(3,177,725)	(3,709,696)	(1,276,878)	

[1] Includes market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€208m at 30/6/12 and €394m at 30/6/11) as well as options traded (€679m and €670m respectively), the values of which are recorded as both assets and liabilities for the same amount.

[2] Includes investments in unlisted companies valued on the basis of internal models.

Level 2 financial assets held for trading include bonds covered by credit derivatives and specific funding of the same duration. The difference between the mark-to-market on the various instruments (negative basis) is taken through the profit and loss account pro rata for the duration of the transaction.

A.3.2.2 Annual changes in financial assets recognized at fair value (level 3 assets)

(€'000)

	FINANCIAL ASSETS			
	Held for trading [1]	**Recognized at fair value**	**AFS [2]**	**Hedges**
1. Balance at start of period	288,518	—	1,100,159	—
2. Additions	54,186	—	63,346	—
2.1 Purchases	19,760	—	12,195	—
2.2 Profits recognized in:	33,229	—	50,884	—
2.2.1 profit and loss	33,229	—	42,529	—
- of which, gains	1,139	—	—	—
2.2.2 net equity	X	X	8,355	—
2.3 Transfers from other levels	—	—	—	—
2.4 Other additions	1,197	—	267	—
3. Reductions	289,240	—	318,724	—
3.1 Disposals	125,039	—	107,188	—
3.2 Redemptions	116,326	—	—	—
3.3 Losses recognized in:	46,872	—	208,720	—
3.3.1 profit and loss	46,872	—	204,466	—
- of which, losses	14,205	—	204,459	—
3.3.2 net equity	X	X	4,254	—
3.4 Transfers to other levels	—	—	—	—
3.5 Other reductions	1,003	—	2,816	—
4. Balance at end of period	53,464	—	844,781	—

[1] Includes market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€208m at 30/6/12 and €394m at 30/6/11) as well as options traded (€679m and €670m respectively), the values of which are recorded as both assets and liabilities for the same amount.

[2] Includes investments in unlisted companies valued on the basis of internal models.

For more complex Level 3 instruments, the valuation models reflect a fine-tuning in the parameters used ("model reserve") which allows the initial mark-to-market to be reduced to zero and released pro rata for the duration of the contract. This technique has only been applied to three contracts, with an aggregate residual impact of €2.9m (€6m), after €3.1m already charged to the profit and loss account which includes the value of one contract being reduced to zero.

A.3.2.3 Annual changes in financial liabilities recognized at fair value (level 3 liabilities)

(€'000)

	FINANCIAL LIABILITIES		
	Held for trading [1 2]	**Recognized at fair value**	**Hedges**
1. Balance at start of period	212,018	—	—
2. Additions	153,556	—	—
2.1 Issues	46,750	—	—
2.2 Losses recognized in:	106,806	—	—
2.2.1 profit and loss	106,806	—	—
- of which, losses	106,806	—	—
2.2.2 net equity	X	X	—
2.3 Transfers from other levels	—	—	—
2.4 Other additions	—	—	—
3. Reductions	100,594	—	—
3.1 Redemptions	42,982	—	—
3.2 Buybacks	—	—	—
3.3 Profits recognized in:	57,612	—	—
3.3.1 profit and loss	57,612	—	—
- of which, gains	57,612	—	—
3.3.2 net equity	X	X	—
3.4 Transfers to other levels	—	—	—
3.5 Other reductions	—	—	—
4. Balance at end of period	264,980	—	—

[1] Includes market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€208m at 30/6/12 and €394m at 30/6/11) as well as options traded (€679m and €670m respectively), the values of which are recorded as both assets and liabilities for the same amount.

[2] The amount of the redemptions is entirely due to trading involving options on listed securities forming part of delta hedging strategies, the values of which are recorded as both assets and liabilities in the accounts for the same amount.

Part B - Notes to the consolidated balance sheet *

Assets

SECTION 1

Heading 10: Cash and cash equivalents

1.1 Cash and cash equivalents

	30/6/12	30/6/11
a) Cash	26,307	29,285
b) Demand deposits held at central banks	3,434	2,207
Total	29,741	31,492

* Figures in €'000, save in footnotes, where figures are provided in full.

SECTION 2

Heading 20: Financial assets held for trading

2.1 Financial assets held for trading: composition

Item/value	30/6/12			30/6/11		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	3,831,088	1,197,361	1	4,052,746	1,421,919	1
1.1 Structured	160,079	67,992	—	238,502	176,581	—
1.2 Other debt securities	3,671,009	1,129,369	1	3,814,244	1,245,338	1
2. Equities [1]	536,817	—	26,800	1,557,899	—	164,296
3. UCITS units	215,943	292,206	20,006	332,870	287,597	36,018
4. Loans and advances	—	5,180	—	—	—	—
4.1 Repos	—	—	—	—	—	—
4.2 Others [2]	—	5,180	—	—	—	—
Total A	4,583,848	1,494,747	46,807	5,943,515	1,709,516	200,315
B. Derivative products						
1. Financial derivatives	1,104,548	3,925,776	894,293	564,179	2,387,536	1,153,063
1.1 Trading	1,104,548	3,745,183	685,476 [3]	564,179	2,323,469	758,642 [3]
1.2 Linked to fair value options	—	—	—	—	—	—
1.3 Others	—	180,593	208,817 [4]	—	64,067	394,421 [4]
2. Credit derivatives	1,565,446	222,751	—	1,521,700	236,904	—
2.1 Trading	1,565,446	222,751	—	1,521,700	236,904	—
2.2 Linked to fair value options	—	—	—	—	—	—
2.3 Others	—	—	—	—	—	—
Total B	2,669,994	4,148,527	894,293	2,085,879	2,624,440	1,153,063
Total (A+B)	7,253,842	5,643,274	941,100	8,029,394	4,333,956	1,353,378

[1] Equities as at 30/6/12 include shares committed in securities lending transactions worth €145,435,000.

[2] Trades sold in their entirety in July 2012.

[3] Respectively €679,392,000 and €670,439,000 in respect of options traded, with the equivalent amount being recorded as trading liabilities.

[4] Market value of options covering options implicit in bonds issued by Mediobanca S.p.A. and Mediobanca International, with the equivalent amount being recorded as trading liabilities.

2.2 Financial assets held for trading: by borrower/issuer

Item/value	30/6/12	30/6/11
A. CASH ASSETS		
1. Debt securities	5,028,450	5,474,666
a. Governments and central banks	2,915,493	2,139,506
b. Other public agencies	85,057	57,857
c. Banks	572,383	1,014,265
d. Other issuers	1,455,517	2,263,038
2. Equities	563,617	1,722,195
a. Banks	68,525	221,127
b. Other issuers	495,092	1,501,068
- insurances	41,046	48,815
- financial companies	17,915	60,930
- non-financial companies	432,577	1,385,421
- others	3,554	5,902
3. UCITS units	528,155	656,485
4. Loans and advances	5,180	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	5,180	—
Total A	6,125,402	7,853,346
B. DERIVATIVE PRODUCTS		
a. Banks	5,680,659	4,311,417
- fair value	5,680,659	4,311,417
b. Customers	2,032,155	1,551,965
- fair value	2,032,155	1,551,965
Total B	7,712,814	5,863,382
Total A+B	13,838,216	13,716,728

2.3 Financial assets held for trading: movements during the period

	Debt securities	Equities	UCITS units	Loans and advances	Total
A. Balance at start of period	5,474,666	1,722,195	656,485	—	7,853,346
B. Additions	36,515,647	7,542,411	892,539	24,665	44,975,262
B.1 Acquisitions	35,912,676	7,333,426	864,220	18,293	44,128,615
B.2 Increases in fair value	73,983	18,923	4,152	139	97,197
B.3 Other additions	528,988	190,062	24,167	6,233	749,450
C. Reductions	36,961,863	8,700,989	1,020,869	19,485	46,703,206
C.1 Disposals	34,929,083	8,269,528	1,017,954	13,366	44,229,931
C.2 Redemptions	1,815,125	—	—	—	1,815,125
C.3 Reductions in fair value	103,638	88,073	1,518	—	193,229
C.4 Transfers to other portfolios	—	—	—	—	—
C.5 Other reductions	114,017	343,388	1,397	6,119	464,921
D. Balance at end of period	5,028,450	563,617	528,155	5,180	6,125,402

SECTION 4

Heading 40: Available for sale (AFS) securities

4.1 AFS securities: composition

Item/value	30/6/12			30/6/11		
	Level 1	Level 2	Level 3 *	Level 1	Level 2	Level 3 *
1. Debt securities	8,540,602	896,810	9,713	5,373,466	707,456	11,383
1.1 Structured	—	—	—	—	—	—
1.2 Other debt securities	8,540,602	896,810	9,713	5,373,466	707,456	11,383
2. Equities	260,002	643	737,357	558,185	643	994,889
2.1 Recognized at fair value	260,002	643	737,305	558,185	643	994,837
2.2 Recognized at cost	—	—	52	—	—	52
3. UCITS units	349	8,962	97,711	355	9,619	93,887
4. Loans and advances	—	—	—	—	—	—
Total	8,800,953	906,415	844,781	5,932,006	717,718	1,100,159

* Includes shares in non-listed companies based on internal rating models.

4.2 AFS securities: by borrower/issuer

Item/value	**30/6/12**	**30/6/11**
1. Debt securities	9,447,125	6,092,305
a. Governments and central banks	6,794,826	3,660,775
b. Other public agencies	—	—
c. Banks	1,609,372	1,317,369
d. Other issuers	1,042,927	1,114,161
2. Equities	998,002	1,553,717
a. Banks	189,883	378,101
b. Other issuers	808,119	1,175,616
- insurances	—	—
- financial companies	423,805	475,035
- non-financial undertakings	368,523	699,938
- others	15,791	643
3. UCITS units	107,022	103,861
4. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
Total	10,552,149	7,749,883

4.3 AFS securities: assets subject to specific hedging

Item/value	**30/6/12**	**30/6/11**
1. Financial assets subject to specific fair value hedges:	343,519	438,121
a. interest rate risk	343,519	383,868
b. price risk	—	54,253
c. exchange rate risk	—	—
d. credit risk	—	—
e. more than one risk	—	—
2. Financial assets subject to specific cash flow hedges:	—	—
a. interest rate risk	—	—
b. exchange rate risk	—	—
c. other	—	—
Total	343,519	438,121

4.4 AFS securities: movements during the period

	Debt securities	Equities	UCITS units	Loans and advances	Total
A. Balance at start of period	6,092,305	1,553,717	103,861	—	7,749,883
B. Additions	7,083,719	133,640	21,994	—	7,239,353
B.1 Acquisitions	6,958,040	58,703	18,524	—	7,035,267
B.2 Increases in fair value	62,898	20,853	3,260	—	87,011
B.3 Writebacks	—	—	—	—	—
- recognized in profit and loss account	—	X	—	—	—
- recognized in net equity	—	—	—	—	—
B.4 Transfers from other asset classes	—	—	—	—	—
B.5 Other additions	62,781	54,084	210	—	117,075
C. Reductions	3,728,899	689,355	18,833	—	4,437,087
C.1 Disposals	1,369,564	326,118	374	—	1,696,056
C.2 Redemptions	1,906,633	—	—	—	1,906,633
C.3 Reductions in fair value	280,909	68,218	3,035	—	352,162
C.4 Writedowns due to impairment	141,060	236,508	2,399	—	379,967
- taken to profit and loss account	141,060	232,235	2,399	—	375,694
- taken to net equity	—	4,273	—	—	4,273
C.5 Transfers to other asset classes	—	—	—	—	—
C.6 Other reductions	30,733	58,511	13,025	—	102,269
D. Balance at end of period	9,447,125	998,002	107,022	—	10,552,149

SECTION 5

Heading 50: Financial assets held to maturity

5.1 Financial assets held to maturity: composition

Type of transactions/ group components	30/6/12				30/6/11			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	1,723,279	1,472,810	218,713	22,305	1,643,580	1,412,652	202,471	22,203
1.1 Structured	—	—	—	—	—	—	—	—
1.2 Other debt securities	1,723,279	1,472,810	218,713	22,305	1,643,580	1,412,652	202,471	22,203
2. Loans and advances	—	—	—	—	—	—	—	—
Total	1,723,279	1,472,810	218,713	22,305	1,643,580	1,412,652	202,471	22,203

5.2 Assets held to maturity: by borrower/issuer

Type of transactions/value	30/6/12	30/6/11
1. Debt securities	1,723,279	1,643,580
a. Governments and central banks	352,297	246,847
b. Other public agencies	—	—
c. Banks	399,133	399,917
d. Other entities	971,849	996,816
2. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
Total	1,723,279	1,643,580
Total fair value	1,713,828	1,637,326

5.4 Assets held to maturity: movements during the period

	Debt securities	Loans and advances	Total
A. Balance at start of period	1,643,580	—	1,643,580
B. Additions	161,827	—	161,827
B.1 Acquisitions	160,311	—	160,311
B.2 Writebacks	512	—	512
B.3 Transfers from other asset classes	—	—	—
B.4 Other additions	1,004	—	1,004
C. Reductions	82,128	—	82,128
C.1 Disposal	58,503	—	58,503
C.2 Redemptions	15,113	—	15,113
C.3 Value adjustments	1,832	—	1,832
C.4 Transfers to other asset classes	—	—	—
C.5 Other reductions	6,680	—	6,680
D. Balance at end of period	1,723,279	—	1,723,279

SECTION 6

Heading 60: Due from banks

6.1 Due from banks: composition

Type of transactions/value	30/6/12	30/6/11
A. Due from central banks	133,774	46,191
1. Term deposits	—	—
2. Compulsory reserves	133,774	46,191
3. Amounts due under repo agreements	—	—
4. Other amounts due	—	—
B. Due from banks	3,829,076	4,008,408
1. Current accounts and demand deposits	2,229,732	1,537,698
2. Term deposits	121,538	76,191
3. Other receivables:	1,477,806	2,394,516
3.1 amounts due under repo agreements	177,119	1,039,707
3.2 amounts due under finance leases	8,604	9,281
3.3 other amounts due	1,292,083	1,345,528
4. Debt securities	—	3
4.1 structured	—	—
4.2 other debt securities	—	3
Total book value	3,962,850	4,054,599
Total fair value	3,959,793	4,050,842

6.3 Due under finance leases

Loan term *	Total 30/6/12					
	Impaired Exposures	Minimum payments			Gross investment	
		Equity share		Interest share		
			of which outstanding amount guaranteed			of which outstanding amount not guaranteed
Up to 3 months	—	1,047	—	254	1,301	16
Between 3 months and 1 year	—	2,061	—	286	2,347	6
Between 1 year and 5 years	—	5,534	—	455	5,989	92
Over 5 years	—	171	—	5	176	2
Unspecified	—	—	—	—	—	—
Total	—	8,813	—	1,000	9,813	116

* This table, based on the "Instructions for financial intermediaries registered in the special list of electronic money institutions, fund managers and securities brokerages" published by the Bank of Italy, shows the book value of impaired exposures, the current value of minimum payments (before value adjustments, if any) and gross investments, broken down by time horizon.

SECTION 7

Heading 70: Due from customers

7.1 Due from customers: composition

Type of transactions/amounts	30/6/12		30/6/11	
	Performing	Non-performing	Performing	Non-performing
1. Current accounts	69,478	55	34,807	—
2. Amounts due under repo agreements	4,585,819	—	1,812,430	—
3. Mortgages	20,772,946	302,766	20,764,900	281,519
4. Credit cards, personal loans and salary-guaranteed finance	8,840,762	361,227	8,718,365	208,145
5. Amounts due under finance leasing	3,898,907	208,537	4,204,672	200,234
6. Factoring	—	—	—	—
7. Other transactions	2,194,010	31,789	2,325,921	19,905
8. Debt securities	604,852	—	664,565	—
8.1 structured	—	—	—	—
8.2 other debt securities	604,852	—	664,565	—
Total (book value)	40,966,774	904,374	38,525,660	709,803
Total (fair value)	40,583,672		39,844,139	

7.2 Due from customers: by borrower/issuer

Type of transactions/value	30/6/12		30/6/11	
	Performing	Non-performing	Performing	Non-performing
1. Debt securities:	604,852	—	664,565	—
a) Governments	—	—	—	—
b) Other public agencies	—	—	—	—
c) Other issuers	604,852	—	664,565	—
- non-financial undertakings	—	—	—	—
- financial companies	604,852	—	617,097	—
- insurances	—	—	47,468	—
- other entities	—	—	—	—
2. Loans and advances to:	40,361,922	904,374	37,861,095	709,803
a) Governments	22,380	—	40,243	—
b) Other public agencies	96,115	1	107,509	29,270
c) Other issuers	40,243,427	904,373	37,713,343	680,533
- non-financial undertakings	16,269,501	350,078	15,641,297	310,612
- financial companies	8,085,268	55,394	6,335,228	36,905
- insurances	1,993,542	—	2,002,811	—
- other entities	13,895,116	498,901	13,734,007	333,016
Total	40,966,774	904,374	38,525,660	709,803

7.3 Due from customers: assets subject to specific hedging

Type of transactions/value	30/6/12	30/6/11
1. Items subject to specific fair value hedges for:	491,396	608,419
a) interest rate risk	491,396	608,419
b) exchange rate risk	—	—
c) credit risk	—	—
d) more than one risk	—	—
2. Items subject to specific cash flow hedges:	—	—
a) interest rate risk	—	—
b) exchange rate risk	—	—
c) other	—	—
Total	491,396	608,419

7.4 Due under finance leases

Loan term *	Total 30/6/12					
	Impaired Exposures	Minimum payments			Gross investment	
		Equity share		Interest share		
			of which outstanding amount guaranteed			of which outstanding amount not guaranteed
Up to 3 months	22,509	250,378	—	41,361	313,015	8,279
Between 3 months and 1 year	22,953	579,329	366	99,616	697,870	25,221
Between 1 year and 5 years	155,098	1,731,324	312	298,645	2,114,352	121,420
Over 5 years	7,977	1,240,028	—	221,866	1,469,872	296,511
Unspecified	—	—	—	—	—	—
Total	208,537	3,801,059	678	661,488	4,595,109	451,431

* This table, based on the "Instructions for financial intermediaries registered in the special list of electronic money institutions, fund managers and securities brokerages" published by the Bank of Italy, shows the book value of impaired exposures, the current value of minimum payments (before value adjustments, if any) and gross investments, broken down by time horizon.

SECTION 8

Heading 80: Hedging derivatives

8.1 Hedging derivatives: by hedge type and level

	30/6/12			Notional value	30/6/11			Notional value
	Fair value				Fair value			
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivates	—	1,571,778	—	22,071,789	—	1,368,114	—	17,827,652
1) Fair value	—	1,571,778	—	22,071,789	—	1,366,854	—	17,522,652
2) Cash flow	—	—	—	—	—	1,260	—	305,000
3) Non-Italian investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	1,571,778	—	22,071,789	—	1,368,114	—	17,827,652

8.2 Hedging derivatives: by portfolio hedged and hedge type (book value)

Operations/type of hedging	Fair value hedges						Cash flow hedges		Non-Italian investments
	Specific					General	Specific	General	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. AFS securities	4,556	—	—	—	—	X	—	X	X
2. Loans and advances	—	—	—	X	—	X	—	X	X
3. Financial assets held to maturity	X	—	—	X	—	X	—	X	X
4. Portfolio	X	X	X	X	X	—	X	—	X
5. Non-Italian investments	—	—	—	—	—	X	—	X	—
Total assets	4,556	—	—	—	—	—	—	—	—
1. Financial liabilities	1,565,603	1,619	—	X	—	X	—	X	X
2. Portfolio	X	X	X	X	X	—	X	—	X
Total liabilities	1,565,603	1,619	—	X	—	—	—	—	X
1. Estimated transactions	X	X	X	X	X	X	—	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	—	X	—	—

SECTION 10

Heading 100: Equity investments

10.1 Investments in subsidiaries, jointly-controlled companies and companies subject to significant influence: disclosures on shareholding

Name	Registered office	Type of relation ship	Shareholding		% of voting rights
			Investor company	% interest	
COMPANIES					
1. Banca Esperia S.p.A.	Milan	1	Mediobanca	50.0	50.0
2. Fidia SGR S.p.A.	Milan	2	Mediobanca	25.0	25.0
3. Athena Private Equity S.A.	Luxembourg	2	Mediobanca	24.27	24.27
4. Burgo Group S.p.A.	Altavilla Vicentina (VI)	2	Mediobanca	22.13	22.13
5. RCS MediaGroup S.p.A.	Milan	2	Mediobanca	14.36	14.94
6. Assicurazioni Generali S.p.A.	Trieste	2	Mediobanca	13.15	13.15
			Spafid	0.09	0.09
7. Gemina S.p.A.	Fiumicino (RM)	2	Mediobanca	12.53	12.56
8. Telco S.p.A.	Milan	2	Mediobanca	11.62	11.62
9. Pirelli & C. S.p.A.	Milan	2	Mediobanca	4.49	4.61

Legend:
1 Joint control.
2 Subject to significant influence.
3 Exclusively controlled and not consolidated.

10.2 Investments in subsidiaries, jointly-controlled companies and companies subject to significant influence: financial information

Name	Key financial data [1]		Data for consolidation [2]				Fair value
	Total assets (€m)	Total income (€m)	Net equity	Of which: net profit (loss)	Book value		
A. EQUITY-ACCOUNTED COMPANIES							
A.1 JOINTLY-CONTROLLED COMPANIES (IAS 31)							
1. Banca Esperia S.p.A.	1,120,245	86,031	126,762	4,031	83,214	3	—
A.2 COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE (IAS 28)							
1. Burgo Group S.p.A.	2,265,711	2,563,730	355,021	(2,819)	74,140		—
2. Assicurazioni Generali S.p.A.	423,057,200	81,000,700	17,615,307	1,090,910	2,356,284		2,196,974
3. RCS MediaGroup S.p.A.	2,864,600	2,075,000	620,345	(6,597)	109,431	4	57,287
4. Fidia SGR S.p.A.	5,807	504	3,636	(864)	909		—
5. Athena Private Equity S.A.	109,433	2,821	97,578	(1,832)	23,877		—
6. Pirelli & C. S.p.A.	6,995,806	5,862,800	2,072,845	491,723	117,536	5	181,845
7. Gemina S.p.A.	3,925,882	625,291	1,548,380	(14,032)	194,125		112,010
8. Telco S.p.A. [6]	4,640,934	135,963	1,172,248	(945,496)	205,933		—
Other minor investments	—	—	—	—	62		—
Total					3,165,512		

[1] Based on most recent approved individual or consolidated financial statements, as the case may be.

[2] Calculated pro-forma based on financial situation as at 31/3/12 or 30/6/12.

[3] Includes goodwill of €1,833,000.

[4] Includes goodwill of €19,807,000.

[5] Includes goodwill of €24,272,000.

[6] Calculated based on financial situation as at 30/4/12 (before the capital increase).

The value of the investment in Gemina, €194.1m, has been aligned pro rata to its net asset value. The difference between this figure and the value based on stock market prices as at 29 June 2012, reflecting an implicit loss of €82.1m (which reduces to €54.3m based on current prices), is justified by the decision to align the value of the shareholding to figures contained in audited financial statements, the size of the shareholding concerned, and the growth potential reflected in the airport system headed up by Aeroporti Di Roma, which is the main asset owned by Gemina. Approval of the new convention/programme contract remains an essential prerequisite for development of the hub at Fiumicino and for launch of the infrastructure projects.

The investment in Assicurazioni Generali is carried at a value of €2,356.3m, equal to the corresponding net asset value which at the reporting date was slightly higher than the pre-existing market value (€2,197m). Stock market prices since that date have in any case returned to levels above this (€2,600m at current prices).

The book value of the investment in Telco fell from €252.6m to €205.9m, representing the difference between the capital increase completed in May (€69.7m) and the pro rata share of the company's net equity shown in the accounts for the period ended 30 April 2012 (IAS-compliant), and also reflecting the writedown charged by the company in respect of its Telecom Italia investment, the value of which was written down from €1.8 to €1.5 per share. This book value is not considered to be higher than its net present value as defined in paragraph 33 of IAS 28, in view of the following considerations:

– with a share of 22.4% in Telecom Italia, Telco is the main shareholder in the Telecom Italia group;
– the time horizon of the investment is medium-/long-term;
– the value assigned to the Telecom Italia share price is consistent with the results of applying a discounted cash flow model based on recent strategic guidance and targets for the 2012-2014 period presented to the market by Telecom Italia on 24 February 2012.

  Based on stock market prices as at 29 June 2012, Telco's net asset value would be nil.

As for the Group's shareholding in RCS MediaGroup, this investment has been aligned to reflect a net present value of €1 per share, generating a charge of €77.7m. The net present value has been calculated based on a discounted cash flow model that takes into account the negative earnings prospects of the publishing industry, on the Spanish market in particular, which led the company to write down part of the goodwill it booked in the 2011 financial year and the first half of 2012. An implicit loss of €52.1m versus market prices continues to be reflected as at the reporting date, which at current prices had been recovered entirely. The goodwill on the investment continues to be justified by the unique nature of some of the company's assets.

10.3 Equity investments: movements during the period

Type of transactions/value	30/6/12	30/6/11
A. Balance at start of period	3,156,142	3,347,983
B. Additions	278,669	225,708
B.1 Acquisitions	94,727	—
B.2 Value adjustments	—	—
B.3 Revaluations	—	—
B.4 Other adjustments	183,942	225,708
C. Reductions	269,299	417,549
C.1 Disposals	—	—
C.2 Value adjustments for impairment	191,037	119,648
C.3 Other reductions	78,262	297,901
D. Balance at end of period	3,165,512	3,156,142
E. Total revaluations	—	—
F. Total adjustments	574,941	383,904

SECTION 12

Heading 120: Property, plant and equipment

12.1 Tangible assets stated at cost

Assets/value	30/6/12	30/6/11
A. Core assets		
1.1 owned by the Group	238,191	292,973
a) land	84,883	83,636
b) buildings	109,428	169,433
c) furniture	17,686	20,377
d) electronic equipment	11,119	5,764
e) other assets	15,075	13,763
1.2 acquired under finance leases:	—	—
a) land	—	—
b) buildings	—	—
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	—	—
Total A	238,191	292,973
B. Assets held for investment purposes		
2.1 owned by the Group:	55,489	27,450
a) land	23,038	20,350
b) buildings	32,451	7,100
2.2 acquired under finance leases:	—	—
a) land	—	—
b) buildings	—	—
Total B	55,489	27,450
Total (A+B)	293,680	320,423

12.3 Core tangible assets: movements during the period

	Land	Buildings	Furniture	Electronic equipment	Other assets	Total
A. Gross opening balance	83,636	197,987	48,767	27,178	56,651	414,219
A.1 Total net value reductions	—	(28,554)	(28,390)	(21,414)	(42,888)	(121,246)
A.2 Net opening balance	83,636	169,433	20,377	5,764	13,763	292,973
B. Additions:	1,247	58,155	2,742	8,990	8,464	79,598
B.1 Purchases	1,247	10,730	2,152	5,145	7,105	26,379
B.2 Improvement expenses, capitalized	—	1,389	—	—	—	1,389
B.3 Writebacks	—	1,740	—	—	—	1,740
B.4 Increases in fair value recognized in:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
B.5 Increases arising due to exchange rates	—	—	—	1	4	5
B.6 Transfers from properties held for investment purposes	—	—	—	—	—	—
B.7 Other additions	—	44,296	590	3,844	1,355	50,085
C. Reductions:	—	118,160	5,433	3,635	7,152	134,380
C.1 Disposals	—	109,000	1	243	982	110,226
C.2 Depreciation charges	—	3,376	4,366	3,305	6,090	17,137
C.3 Value adjustments for impairment taken to:	—	1,940	—	—	—	1,940
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	1,940	—	—	—	1,940
C.4 Reductions in fair value charged to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
C.5 Reductions due to exchange rates	—	—	—	—	—	—
C.6 Transfers to:	—	6	—	—	—	6
a) assets held for investment purposes	—	6	—	—	—	6
b) assets being sold	—	—	—	—	—	—
C.7 Other reductions	—	3,838	1,066	87	80	5,071
D. Net closing balance	84,883	109,428	17,686	11,119	15,075	238,191
D.1 Total net value reductions	—	(30,061)	(27,607)	(22,085)	(42,250)	(122,003)
D.2 Gross closing balance	84,883	139,489	45,293	33,204	57,325	360,194
E. Stated at cost	—	—	—	—	—	—

12.4 Tangible assets held for investment purposes: movements during the period

	Total	
	Land	Buildings
A. Opening balance	20,350	7,100
B. Additions	2,688	26,886
B.1 Purchases	2,688	26,880
B.2 Improvement expenses, capitalized	—	—
B.3 Net increases in fair value	—	—
B.4 Writebacks	—	—
B.5 Increases arising due to exchange rates	—	—
B.6 Transfers from core assets	—	6
B.7 Other additions	—	—
C. Reductions	—	1,535
C.1 Disposals	—	6
C.2 Depreciation charges	—	1,529
C.3 Reductions in fair value	—	—
C.4 Value adjustments for impairment	—	—
C.5 Reductions arising due to exchange rates	—	—
C.6 Transfers to other asset portfolios	—	—
a) core assets	—	—
b) non-current assets being sold	—	—
C.7 Other reductions	—	—
D. Closing balance	23,038	32,451
E. Stated at fair value	90,013	63,111

SECTION 13

Heading 130: Intangible assets

13.1 Intangible assets

Assets/ amounts	30/6/12		30/6/11	
	Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life
A.1 Goodwill	X	365,934	X	365,934
A.1.1 attributable to the Group	X	365,934	X	365,934
A.1.2 attributable to third parties	X	—	X	—
A.2 Other intangible assets	52,139	6,300	65,145	6,300
A.2.1 Recognized at cost:	52,139	6,300	65,145	6,300
a) intangible assets generated internally	—	—	—	—
b) other assets	52,139	6,300	65,145	6,300
A.2.2 Recognized at fair value:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
Total	52,139	372,234	65,145	372,234

13.2 Intangible assets: movements during the period

		Other intangible assets: generated internally		Other intangible assets: other		
	Goodwill	**Limited useful life**	**Unlimited useful life**	**Limited useful life**	**Unlimited useful life**	**Total**
A. Balance at start of period	365,934	—	—	126,676	6,300	498,910
A.1 Total net value reductions	—	—	—	(61,531)	—	(61,531)
A.2 Net opening balance	365,934	—	—	65,145	6,300	437,379
B. Additions	—	—	—	13,469	—	13,469
B.1 Purchases	—	—	—	13,464	—	13,464
B.2 Increases in internally generated assets	X	—	—	—	—	—
B.3 Revaluations	X	—	—	—	—	—
B.4 Increases in fair value taken to:	X	—	—	—	—	—
– net equity	X	—	—	—	—	—
– profit and loss account	X	—	—	—	—	—
B.5 Increases arising on exchange rates	—	—	—	5	—	5
B.6 Other additions	—	—	—	—	—	—
C. Reductions	—	—	—	26,475	—	26,475
C.1 Disposals	—	—	—	674	—	674
C.2 Value adjustments	—	—	—	25,801	—	25,801
– amortization	X	—	—	25,801	—	25,801
– writedowns	—	—	—	—	—	—
+ net equity	X	—	—	—	—	—
+ profit and loss account	—	—	—	—	—	—
C.3 Reductions in fair value charged to:	—	—	—	—	—	—
– net equity	X	—	—	—	—	—
– profit and loss account	X	—	—	—	—	—
C.4 Transfers to non-current assets being sold	—	—	—	—	—	—
C.5 Reductions due to exchange rate differences	—	—	—	—	—	—
C.6 Other reductions	—	—	—	—	—	—
D. Balance at end of period	365,934	—	—	52,139	6,300	424,373
D.1 Total net value adjustments	—	—	—	(82,413)	—	(82,413)
E. Gross closing balance	365,934	—	—	134,552	6,300	506,786
F. Stated at cost	—	—	—	—	—	—

SECTION 14

Asset heading 140 and Liability heading 80: Tax assets and liabilities

14.1 Advance tax assets

	30/6/12	30/6/11
Corporate income tax (IRES)	662,943	546,500
Regional production tax (IRAP)	74,545	44,951
Total	737,488	591,451

14.2 Deferred tax liabilities

	30/6/12	30/6/11
Corporate income tax (IRES)	289,557	298,343
Regional production tax (IRAP)	6,561	14,718
Total	296,118	313,061

14.3 Changes in advance tax during the period

	30/6/12	30/6/11
1. Opening balance	522,367	512,720
2. Additions	69,113	59,245
2.1 Advance tax originating during the period	69,113	54,657
a) for previous years	5	—
b) due to changes in accounting policies	—	—
c) amounts written back	99	51
d) other additions	69,009	54,606
2.2 New taxes or increases in tax rates	—	3,822
2.3 Other additions	—	766
3. Reductions	63,098	49,598
3.1 Advance tax reversed during the period	49,992	41,750
a) reclassifications	48,409	40,534
b) amounts written off as unrecoverable	—	—
c) due to changes in accounting policies	—	—
d) other	1,583	1,216
3.2 Reductions in tax rates	—	—
3.3 Other reductions	13,106	7,848
4. Balance at end of period	528,382	522,367

14.4 Changes in deferred tax during the period

	30/6/12	30/6/11
1. Opening balance	270,701	282,662
2. Additions	6,548	2,571
2.1 Deferred tax originating during period	6,523	2,571
a) relating to previous years	—	864
b) due to changes in accounting policies	—	—
c) others	6,523	1,707
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	25	—
3. Reductions	2,435	14,532
3.1 Deferred tax reversed during period	2,432	5,377
a) reclassifications	2,377	5,274
b) due to changes in accounting policies	—	—
c) others	55	103
3.2 Reductions in tax rates	—	—
3.3 Other reductions	3	9,155
4. Balance at end of period	274,814	270,701

14.5 Changes in advance tax during the period [1]

	30/6/12	30/6/11
1. Opening balance	69,084	110,650
2. Additions	195,722	64,658
2.1 Advance tax originating during period	195,722	61,943
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	195,722	61,943
2.2 New taxes or increases in tax rates	—	2,473
2.3 Other additions	—	242
3. Reductions	55,700	106,224
3.1 Advance tax reversed during period	55,661	106,224
a) reclassifications	55,410	91,526
b) writedowns of non-recoverable items	—	—
c) due to changes in accounting policies	—	—
d) others	251	14,698
3.2 Reductions in tax rates	—	—
3.3 Other reductions	39	—
4. Balance at end of period	209,106	69,084

[1] Taxes on cash flow hedges and AFS securities valuations.

14.6 Changes in deferred tax during the period [1]

	30/6/12	30/6/11
1. Opening balance	42,360	32,098
2. Additions	21,288	41,430
2.1 Deferred tax originating during period	21,288	39,662
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	21,288	39,662
2.2 New taxes or increases in tax rates	—	1,750
2.3 Other additions	—	18
3. Reductions	42,344	31,168
3.1 Advance tax reversed during the period	42,310	30,311
a) reclassifications	39,235	28,332
b) due to changes in accounting policies	—	—
c) others	3,075	1,979
3.2 Reductions in tax rates	—	—
3.3 Other reductions	34	857
4. Balance at end of period	21,304	42,360

[1] Taxes on cash flow hedges and AFS securities valuations.

SECTION 16

Heading 160: Other assets

16.1 Other asset: composition

	30/6/12	30/6/11
1. Gold, silver and precious metals	695	695
2. Accrued income other than capitalized income from financial assets	8,223	9,620
3. Trade receivables or invoices to be issued	53,023	84,979
4. Amounts due from tax revenue authorities (not recorded under Heading 140)	58,457	72,213
5. Other items	88,924	85,880
- bills for collection	16,648	15,218
- bmounts due in respect of premiums, grants, indemnities and other items in respect of lending transactions	51,444	46,615
- futures and other securities transactions	1,058	1,720
- advance payments on deposit commissions	6,728	6,603
- other items in transit	7,795	6,779
- sundry other items	5,251	8,945
6. Adjustment arising on consolidation	2	—
Total	209,324	253,387

Liabilities

SECTION 1

Heading 10: Due to banks

1.1 Due to banks: composition

Type of transaction/amounts	30/6/12	30/6/11
1. Due to central banks	7,531,506	200,007
2. Due to banks	4,468,506	7,172,603
2.1 Current accounts and demand deposits	1,731,667	2,210,014
2.2 Term deposits	4,405	469,523
2.3 Borrowings	2,637,259	4,336,233
2.3.1 Reverse repos	8,492	321,608
2.3.2 Others	2,628,767	4,014,625
2.4 Liabilities in respect of assets sold but not derecognized	—	—
2.5 Other amounts due	95,175	156,833
Total book value	12,000,012	7,372,610
Total fair value	11,972,463	7,372,610

Subordinated liabilities included under the heading *Due to banks* amount to €43,574,000 and refer to amounts payable by Linea to its former shareholders.

1.4 Due to banks: items subject to specific hedges

	30/6/12	30/6/11
1. Items subject to specific fair value hedges for:	237,488	155,727
a) interest rate risk	237,488	155,727
b) exchange rate risk	—	—
c) more than one risk	—	—
2. Items subject to specific cash flow hedges for:	843,500	1,371,500
a) interest rate risk	843,500	1,371,500
b) exchange rate risk	—	—
c) other	—	—
Total	1,080,988	1,527,227

SECTION 2

Heading 20: Due to customers

2.1 Due to customers: composition

Type of transaction/amounts	30/6/12	30/6/11
1. Current accounts and demand deposits	3,050,765	2,552,079
2. Term deposits	10,680,682	7,359,144
3. Borrowings	3,417,479	3,755,825
3.1 Reverse repos *	1,501,521	2,544,227
3.2 others	1,915,958	1,211,598
4. Liabilities in respect of assets sold but not derecognized	—	—
5. Other amounts due	101	—
Total book value	17,149,027	13,667,048
Total fair value	17,149,027	13,667,048

* Includes reverse repos with securities issued by Group companies as the underlying instruments in an amount totalling €344,299,000.

2.4 Due to customers: items subject to specific hedges

	30/6/12	30/6/11
1. Items subject to specific fair value hedges for:	97,011	59,124
a) interest rate risk	97,011	59,124
b) exchange rate risk	—	—
c) more than one risk	—	—
2. Items subject to specific cash flow hedges for:	103,373	328,267
a) interest rate risk	103,373	328,267
b) exchange rate risk	—	—
c) other	—	—
Total	200,384	387,391

SECTION 3

Heading 30: Debt securities in issue

3.1 Debt securities in issue: composition

Type of transaction/ amounts	30/6/12				30/6/11			
	Book value	Fair value *			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Listed securities								
1. bonds	31,279,519	3,297,251	28,354,327	—	34,952,193	4,968,645	30,487,084	—
1.1 structured	14,199,132	1,209,423	13,142,904	—	14,660,847	1,996,268	12,746,718	—
1.2 others	17,080,387	2,087,828	15,211,423	—	20,291,346	2,972,377	17,740,366	—
2. other securities	20,812	—	—	20,812	318,499	—	282,169	36,330
2.1 structured	—	—	—	—	—	—	—	—
2.2 others	20,812	—	—	20,812	318,499	—	282,169	36,330
Total	31,300,331	3,297,251	28,354,327	20,812	35,270,692	4,968,645	30,769,253	36,330

* The fair values are shown net of Mediobanca issuer risk which would show a capital gain of €959m at 30 June 2012.

Subordinated liabilities included under the heading Debt securities in issue total €1,536,276,000.

3.3 Debt securities: items subject to specific hedging

	30/6/12	30/6/11
1. Securities subject to specific fair value hedges	25,099,096	27,986,440
a) interest rate risk	25,099,096	27,986,440
b) exchange rate risk	—	—
c) other	—	—
2. Securities subject to specific cash flow hedges	4,606,407	4,989,554
a) interest rate risk	4,606,407	4,989,554
b) exchange rate risk	—	—
c) other	—	—
Total	29,705,503	32,975,994

SECTION 4

Heading 40: Trading liabilities

4.1 Trading liabilities: composition

Type of transaction/amounts	30/6/12					30/6/11				
	Nominal value	Fair value			Fair Value *	Nominal value	Fair value			Fair Value *
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Cash liabilities										
1. Due to banks	71	43,927	—	—	43,927	89,271	85,058	264	—	85,322
2. Due to customers	1,272,774	1,255,861	—	—	1,255,861	1,025,850	1,025,593	1,296	—	1,026,889
3. Debt securities	—	—	—	—	X	—	—	—	—	X
3.1 Bonds	—	—	—	—	X	—	—	—	—	X
3.1.1 Structured	—	—	—	—	X	—	—	—	—	X
3.1.2 Other	—	—	—	—	X	—	—	—	—	X
3.2 Other securities	—	—	—	—	X	—	—	—	—	X
3.2.1 Structured	—	—	—	—	X	—	—	—	—	X
3.2.2 Other	—	—	—	—	X	—	—	—	—	X
Total A	1,272,845	1,299,788	—	—	1,299,788	1,115,121	1,110,651	1,560	—	1,112,211
B. Derivative products										
1. Financial derivatives	X	1,048,006	4,374,554	1,152,221	X	X	527,127	2,563,041	1,276,578	X
1.1 Trading	X	1,048,006	4,195,419	940,567 (1)	X	X	527,127	2,499,198	879,216 (1)	X
1.2 Linked to fair value options	X	—	—	—	X	X	—	—	—	X
1.3 Other	X	—	179,135	211,654 (2)	X	X	—	63,843	397,362 (2)	X
2. Credit derivatives	X	1,478,769	581,275	397	X	X	1,539,947	497,391	300	X
2.1 Trading	X	1,478,769	581,275	397	X	X	1,539,947	497,391	300	X
2.2 Linked to fair value options	X	—	—	—	X	X	—	—	—	X
2.3 Other	X	—	—	—	X	X	—	—	—	X
Total B	X	2,526,775	4,955,829	1,152,618	X	X	2,067,074	3,060,432	1,276,878	X
Total (A+B)	X	3,826,563	4,955,829	1,152,618	X	X	3,177,725	3,061,992	1,276,878	X

* Fair value calculated excluding variations in value due to changes in the issuer's credit standing.

[1] Respectively €679,392,000 and €670,439,000 in respect of options traded, matching the amount recorded among assets held for trading.

[2] Market value of options covering options matched with bonds issued by Mediobanca and Mediobanca International, against the same amount recorded among assets held for trading.

SECTION 6

Heading 60: Hedging derivatives

6.1 Hedging derivatives: by type of product/underlying asset

Items/amounts	30/6/12 Fair value			Nominal value	30/6/11 Fair value			Nominal value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	364,954	—	9,896,258	—	647,704	—	16,701,674
1) Fair value	—	318,737	—	9,118,258	—	614,981	—	15,371,174
2) Cash flow	—	46,217	—	778,000	—	32,723	—	1,330,500
3) Non-Italian investments	—	—	—	—	—	—	—	—
B. Financial derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	364,954	—	9,896,258	—	647,704	—	16,701,674

6.2 Hedging derivatives: by portfolio hedged/hedge type

Operations/type of hedging	Fair value hedges						Cash flow hedges		Non-Italian investments
	Specific					General	Specific	General	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. AFS securities	7,079	—	—	—	—	X	—	X	X
2. Loans and advances	32,146	—	—	X	—	X	—	X	X
3. Financial assets held to maturity	X	—	—	X	—	X	—	X	X
4. Portfolio	X	X	X	X	X	—	X	—	X
5. Other operations	—	—	—	—	—	X	—	X	—
Total assets	39,225	—	—	—	—	—	—	—	—
1. Financial liabilities	276,985	2,527	—	X	—	X	46,217	X	X
2. Portfolio	X	X	X	X	X	—	X	—	X
Total liabilities	276,985	2,527	—	X	—	—	46,217	—	X
1. Expected transactions	X	X	X	X	X	X	—	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	—	X	—	—

SECTION 8

Heading 80: Tax liabilities

Please see asset section 14.

SECTION 10

Heading 100: Other liabilities

10.1 Other liabilities: composition

	30/6/12	30/6/11
1. Payment agreements (IFRS 2)	9	75
2. Impaired endorsements	16,969	45,012
3. Working capital payables and invoices pending receipt	191,826	226,908
4. Amounts due to revenue authorities	87,805	71,130
5. Amounts due to staff	131,338	168,798
6. Other items:	114,424	116,626
- bills for collection	27,908	29,561
- coupons and dividends pending collection	2,212	2,196
- available sums payable to third parties	36,474	42,232
- premiums, grants and other items in respect of lending transactions	27,528	26,158
- credit notes to be issued	13,948	13,146
- other	6,354	3,333
7. Adjustments upon consolidation	—	—
Total	542,371	628,549

SECTION 11

Heading 110: Staff severance indemnity provision

11.1 Staff severance indemnity provision: changes during the period

	30/6/12	30/6/11
A. Balance at start of period	26,036	27,282
B. Additions	12,951	12,098
B.1 Transfers during period	12,030	11,565
B.2 Other additions	921	533
C. Reductions	14,335	13,344
C.1 Indemnities paid out	2,910	1,833
C.2 Other reductions[1]	11,425	11,511
D. Balance at end of period	24,652	26,036

[1] Includes €9,067,000 in transfers to external, defined contribution pension schemes (€8,833,000 at 30/6/11).

SECTION 12

Heading 120: Provisions

12.1 Provisions: composition

Item/amounts	30/6/12	30/6/11
1. Company post-employment benefit provision	—	—
2. Other provisions	160,471	156,522
2.1 litigation	2,546	1,015
2.2 staff-related	468	—
2.3 other	157,457	155,507
Total	160,471	156,522

12.2 Provisions: movements during the period

Item/amounts	Post-employment benefit provision	Litigation	Staff-related provisions	Other provisions	Total
A. Balance at start of period	—	1,015	—	155,507	156,522
B. Additions	—	1,647	468	2,961	5,076
B.1 Transfers during period	—	1,634	—	2,380	4,014
B.2 Changes due to passing of time	—	13	—	—	13
B.3 Additions due to changes in discount rate	—	—	—	—	—
B.4 Other additions	—	—	468	581	1,049
C. Reductions	—	116	—	1,011	1,127
C.1 Transfers during period	—	112	—	1,011	1,123
C.2 Reductions due to changes in discount rate	—	4	—	—	4
C.3 Other reductions	—	—	—	—	—
D. Balance at end of period	—	2,546	468	157,457	160,471

SECTION 13

Heading 130: Technical reserves

13.1 Technical reserves: composition

	Direct business	Indirect business	30/6/12	30/6/11
A. Non-life business				
A1. Reserves for premiums	—	93,042	93,042	38,838
A2. Reserves for claims	—	6,240	6,240	1,771
A3. Other reserves	—	—	—	—
B. Life business				
B.1 Mathematical reserves	—	—	—	14,219
B.2 Reserves for sums to be paid out	—	—	—	—
B.3 Other reserves	—	—	—	—
C. Technical reserves where risk of investment is borne by insured parties				
C1. Reserves for contracts in which performance is related to investment funds and market indexes	—	—	—	—
C2. Reserves deriving from pension fund management	—	—	—	—
D. Total technical reserves	—	99,282	99,282	54,828

13.2 Technical reserves: movements during the year

	30/6/12	30/6/11
A. Non-life business		
Balance at start of period	54,828	8,671
Combinations involving group companies	—	—
Changes to reserves (+/-)	30,235	—
Other additions	14,219	31,938
Balance at end of period	99,282	40,609
B. Life business and other reserves		
Balance at start of period	14,219	5,242
Combinations involving group companies	—	—
Changes due to premiums	—	8,977
Changes due to sums to be paid out	—	—
Changes due to payments	—	—
Changes due to incomes and other bonuses recognized to insured parties (+/-)	—	—
Changes to other technical reserves (+/-)	—	—
Other reductions	(14,219)	—
Balance at end of period	—	14,219
C. Total technical reserves	99,282	54,828

SECTION 15

Headings 140, 160, 170, 180, 190, 200 and 220: Net equity

15.1 "Capital" and "treasury shares": composition

For the composition of the Group's capital, please see part F of the notes to the accounts.

15.2 Share capital: changes in no. of shares in issue during period

Item/type	Ordinary
A. Shares in issue at start of period	861,129,212
– entirely unrestricted	861,129,212
– with restrictions	—
A.1 Treasury shares (-)	(17,010,000)
A.2 Shares in issue: balance at start of period	844,119,212
B. Additions	—
B.1 New share issuance as a result of:	—
– rights issues	—
- business combinations	—
- bond conversions	—
- exercise of warrants	—
- others	—
– bonus issues	—
- to staff members	—
- to Board members	—
- others	—
B.2 Treasury share disposals	—
B.3 Other additions	—
C. Reductions	—
C.1 Cancellations	—
C.2 Treasury share buybacks	—
C.3 Disposals of businesses	—
C.4 Other reductions	—
D. Shares in issue: balance at end of period	844,119,212
D.1 Add: treasury shares	(17,010,000)
D.2 Shares in issue at end of period	861,129,212
– entirely unrestricted	861,129,212
– with restrictions	—

15.4 *Profit reserves: other information*

Item	30/6/12	30/6/11
1. Legal reserve	86,113	86,110
2. Statutory reserves	1,077,282	1,093,409
3. Treasury shares	213,844	213,844
4. Others	3,041,662	2,807,580
Total	4,418,901	4,200,943

SECTION 16

Heading 210: Net equity attributable to minorities

16.1 *Net equity attributable to minorities: composition*

Item/amounts	30/6/12	30/6/11
1. Share capital	24,948	24,948
2. Share premium reserve	7,216	7,216
3. Reserves	83,878	78,903
4. Treasury shares	—	—
5. Valuation reserves[1]	(6,123)	(1,297)
6. Equity instruments	—	—
7. Profit (loss) for the period attributable to minorities	(528)	4,975
Total	109,391	114,745

[1] Relates to cash flow hedges.

Other information

1. Guarantees and commitments

Transactions	30/6/12	30/6/11
1. Financial guarantees given to:	259,912	371,461
a) Banks	29,631	39,364
b) Customers	230,281	332,097
2. Commercial guarantees given to:	—	—
a) Banks	—	—
b) Customers	—	—
3. Irrevocable commitments to lend funds to:	14,571,200	16,259,270
a) Banks	65,699	2,883,245
i) specific	65,699	589,448
ii) standby basis	—	2,293,797
b) Customers	14,505,501	13,376,025
i) specific	10,351,135	8,682,848
ii) standby basis	4,154,366	4,693,177
4. Commitments underlying credit derivatives: hedge sales [1]	82,916,472	77,105,255
5. Assets pledged as collateral for customer obligations	—	—
6. Other commitments	6,243,498	4,142,757
Total	103,994,990	97,878,743

[1] The balance as at 30/6/12 includes €72,496,783,000 in deals matched 100% by hedge buys (€63,884,898,000 at 30/6/11).

2. Assets pledged as collateral for own liabilities and commitments *

Portfolios	30/6/12	30/6/11
1. Financial assets held for trading	267,389	192,200
2. Financial assets recognized at fair value	—	—
3. AFS securities	2,793,960	710,965
4. Financial assets held to maturity	988,201	83,561
5. Due from banks	1,671,151	—
6. Due from customers	5,047,990	506,401
7. Property, plant and equipment	—	—

* As at 30/6/12 includes assets on deposit with the Bank of Italy in respect of the ECB long-term financing operation, some €3.5bn of which are free.

5. Assets managed and traded on behalf of customers:

Type of service	30/6/12	30/6/11
1. Securities traded on behalf of customers	16,964,927	27,712,307
a) Purchases	8,268,052	12,167,261
1. settled	8,219,503	12,058,180
2. pending settlement	48,549	109,081
b) Disposals	8,696,875	15,545,046
1. settled	8,648,326	15,435,965
2. pending settlement	48,549	109,081
2. Asset management [1]	3,038,000	2,978,000
a) individuals	809,000	924,000
b) groups	2,229,000	2,054,000
3. Securities under custody/managed on a non-discretionary basis	58,585,764	39,942,756
a) customers' securities held on deposit: in connection with the Bank's activity as deposit bank (not including asset management) [2]	9,751,031	5,014,839
1. securities issued by bank drawing up consolidated financial statements	3,109,620	352,750
2. other securities	6,641,411	4,662,089
b) other customers' securities held on deposit (not including asset management): others	6,151,229	4,926,601
1. securities issued by bank drawing up consolidated financial statements	34	34
2. other securities	6,151,195	4,926,567
c) customers' securities held on deposit with customers	12,330,553	7,288,472
d) own securities held on deposit with customers	30,352,951	22,712,844
4. Other transactions	—	—

[1] The Esperia group has assets under management totalling €6,840,000 (30/6/11: €7,837,000).

[2] The Esperia group manages assets on a non-discretionary basis worth €5,995,000 (30/6/11: €5,475,000).

Part C - Notes to consolidated profit and loss account

SECTION 1

Headings 10 and 20: Net interest income

1.1 Interest and similar income: composition

Line items/technical forms	Debt securities	Loans and advances	Other transactions	12 mths ended 30/6/12	12 mths ended 30/6/11
1. Financial assets held for trading	182,966	123	—	183,089	229,792
2. Financial assets recognized at fair value	—	—	—	—	—
3. AFS securities	284,593	—	—	284,593	235,651
4. Financial assets held to maturity	76,148	—	—	76,148	52,374
5. Due from banks	112,360	70,556	—	182,916	104,861
6. Due from customers	22,788	1,758,339	—	1,781,127	1,628,490
7. Hedge derivatives	X	X	525,358	525,358	532,083
8. Other assets	X	X	3,959	3,959	4,295
Total	678,855	1,829,018	529,317	3,037,190	2,787,546

1.2 Interest and similar income: differences arising on hedging transactions

Items/sectors	12 mths ended 30/6/12	12 mths ended 30/6/11
A. Positive differences on transactions	1,147,913	1,043,574
B. Negative differences on transactions	(622,555)	(511,491)
C. Balance of differences arising on hedges	525,358	532,083

1.3 Interest and similar income: other information

Items/sectors	12 mths ended 30/6/12	12 mths ended 30/6/11
1.3.1 Interest receivable on financial assets denominated in currencies other than the Euro	186,300	200,383
1.3.2 Interest receivable in respect of finance leasing transactions	167,474	161,326
1.3.3 Interest income on receivables involving customers' funds held on a non-discretionary basis	—	—
Total	353,774	361,709

1.4 Interest expense and similar charges: composition

Line items/technical forms	Accounts payable	Securities	Other liabilities	12 mths ended 30/6/12	12 mths ended 30/6/11
1. Due to central banks	(37,451)	X	—	(37,451)	(31)
2. Due to banks	(97,302)	X	—	(97,302)	(95,106)
3. Due to customers	(364,120)	X	—	(364,120)	(244,693)
4. Debt securities in issue	—	(1,450,232)	—	(1,450,232)	(1,316,099)
5. Trading liabilities	X	—	—	—	—
6. Financial liabilities recognized at fair value	—	—	—	—	—
7. Other liabilities	X	X	(6)	(6)	(25)
8. Hedging derivatives	X	X	—	—	—
Total	(498,873)	(1,450,232)	(6)	(1,949,111)	(1,655,954)

1.6 Interest expense and similar charges: other information

Items/sectors	12 mths ended 30/6/12	12 mths ended 30/6/11
1.6.1 Interest payable on liabilities denominated in currencies other than the Euro	(54,902)	(33,647)
1.6.2 Interest payable on liabilities in respect of finance leasing transactions	—	(1)
1.6.3 Interest payable on customers' funds held on a non-discretionary basis	—	—
Total	(54,902)	(33,648)

SECTION 2

Headings 40 and 50: Net fee and commission income

2.1 Net fee and commission income: composition

Type of service/sectors	12 mths ended 30/6/12	12 mths ended 30/6/11
a) guarantees given	2,703	2,763
b) credit derivatives	—	—
c) management, trading and advisory services:	192,842	223,746
1. securities trading	7,379	10,277
2. foreign currency trading	—	23
3. asset management	5,978	7,774
3.1 individuals	5,978	7,774
3.2 groups	—	—
4. securities under custody and non-discretionary management	6,030	5,271
5. deposit bank services	8,739	8,715
6. securities placement	57,805	67,823
7. procurement of orders	6,181	10,145
8. advisory services	—	—
8.1 investment advisory services	—	—
8.2 structured finance advisory services	—	—
9. agency fees	100,730	113,718
9.1 asset management	17,419	17,535
9.1.1 individuals	17,419	17,535
9.1.2 groups	—	—
9.2 insurance products	83,311	96,183
9.3 other products	—	—
d) collection and payment services	5,086	3,680
e) securitization services	—	—
f) factoring services	—	—
g) tax collection and receipt services	—	—
h) multilateral trading systems activity	—	—
i) current account keeping and management	743	390
j) other services	237,222	255,056
Total	438,596	485,635

2.2 Fee and commission expense: composition

Services/amounts	12 mths ended 30/6/12	12 mths ended 30/6/11
a) guarantees received	—	—
b) credit derivatives	—	—
c) management and trading services:	(10,862)	(14,659)
1. securities trading	(3,296)	(3,085)
2. foreign currency trading	—	—
3. asset management:	—	—
3.1 proprietary	—	—
3.2 on behalf of customers	—	—
4. securities under custody/held on a non-discretionary basis	(2,784)	(2,688)
5. securities placement	(4,782)	(8,886)
6. door-to-door sales of securities, products and services	—	—
d) collection and payment services	(5,347)	(4,674)
e) other services	(31,079)	(29,310)
Total	(47,288)	(48,643)

SECTION 3

Heading 70: Dividends and similar income

3.1 Dividends and similar income: composition

Line items/income	12 mths ended 30/6/12		12 mths ended 30/6/11	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	73,181	—	97,280	—
B. AFS securities	17,638	—	18,697	—
C. Financial assets recognized at fair value	—	—	—	—
D. Equity investments	—	X	—	X
Total	90,819	—	115,977	—

SECTION 4

Heading 80: Net trading income

4.1 Net trading income: composition

Transactions/income elements	Gains (A)	Dealing profits (B)	Value reductions (C)	Dealing losses (D)	Net trading income [(A+B)-(C+D)]
1. Trading assets	93,312	447,005	(196,170)	(493,789)	(149,642)
1.1 Debt securities	73,001	260,636	(122,210)	(166,479)	44,948
1.2 Equities	18,214	185,752	(72,511)	(325,811)	(194,356)
1.3 UCITS units	1,958	363	(1,449)	(1,386)	(514)
1.4 Loans and advances	139	254	—	(113)	280
1.5 Others	—	—	—	—	—
2. Trading liabities	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—
2.2 Debts	—	—	—	—	—
2.3 Others	—	—	—	—	—
3. Other assets and liabilities: differences arising on exchange rates	X	X	X	X	120,327
4. Derivative products	6,589,766	4,260,617	(6,442,203)	(4,111,448)	146,113
4.1 Financial derivatives:	4,806,503	2,366,546	(4,807,988)	(2,239,673)	(25,231)
– debt securities and interest rates [1]	2,977,702	601,699	(2,872,159)	(791,896)	(84,654)
– equities and stock market indexes	1,752,104	1,646,771	(1,765,140)	(1,444,158)	189,577
– foreign currency and gold	X	X	X	X	(150,619)
– others	76,697	118,076	(170,689)	(3,619)	20,465
4.2 Credit derivatives	1,783,263	1,894,071	(1,634,215)	(1,871,775)	171,344
Total	6,683,078	4,707,622	(6,638,373)	(4,605,237)	116,798

[1] Of which €62,618 000 in negative margins on interest rate derivatives (30/6/11: €60,430,000).

SECTION 5

Heading 90: Net hedging income (expense)

5.1 Net hedging income (expense): composition

Income elements/amounts	12 mths ended 30/6/12	12 mths ended 30/6/11
A. Income from:		
A.1 Fair value hedge derivatives	1,255,873	72,966
A.2 Financial assets hedged (fair value)	139,665	9,710
A.3 Financial liabilities hedged (fair value)	110,225	746,474
A.4 Cash flow hedge derivatives	29	14
A.5 Assets and liabilities in foreign currencies	—	—
Total hedging income (A)	1,505,792	829,164
B. Expense related to:		
B.1 Fair value hedge derivatives	(143,263)	(709,484)
B.2 Financial assets hedged (fair value)	(20,344)	(29,269)
B.3 Financial liabilities hedged (fair value)	(1,338,084)	(90,320)
B.4 Cash flow hedge derivatives	(36)	(11)
B.5 Assets and liabilities in foreign currencies	—	—
Total hedging expense (B)	(1,501,727)	(829,084)
C. Net hedging income (A–B)	4,065	80

SECTION 6

Heading 100: Net gains (losses) on disposals/repurchases

6.1 Gains (losses) on disposals/repurchases: composition

Line items/income elements	12 mths ended 30/6/12			12 mths ended 30/6/11		
	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
Financial assets						
1. Due from banks	—	—	—	—	—	—
2. Due from customers	1,186	(1,191)	(5)	586	—	586
3. AFS securities	141,191	(106,823)	34,368	31,396	(9,202)	22,194
3.1 Debt securities	35,270	(30,639)	4,631	20,272	(8,277)	11,995
3.2 Equities	105,916	(76,176)	29,740	10,301	(138)	10,163
3.3 UCITS units	5	(8)	(3)	823	(787)	36
3.4 Loans and advances	—	—	—	—	—	—
4. Financial assets held to maturity	989	(2,935)	(1,946)	—	(3,320)	(3,320)
Total assets	143,366	(110,949)	32,417	31,982	(12,522)	19,460
Financial liabilities						
1. Due to banks	3,875	—	3,875	—	—	—
2. Due to customers	229	—	229	487	—	487
3. Debt securities in issue	34,021	(603)	33,418	44,109	—	44,109
Total liabilities	38,125	(603)	37,522	44,596	—	44,596

SECTION 8

Heading 130: Adjustments for impairment

8.1 Adjustments for impairment: composition

Transactions/income elements	Value adjustments			Amounts recovered				12 mths ended 30/6/12	12 mths ended 30/6/11
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Due from banks	—	—	(12,979)	—	—	—	—	(12,979)	(2,406)
- Loans	—	—	(12,979)	—	—	—	—	(12,979)	(2,406)
- Debt securities	—	—	—	—	—	—	—	—	—
B. Due from customers	(214,834)	(254,051)	(47,127)	4,733	83,236	—	11,892	(416,151)	(340,692)
- Loans	(214,834)	(254,051)	(47,127)	4,733	83,236	—	11,892	(416,151)	(340,692)
- Debt securities	—	—	—	—	—	—	—	—	—
C. Total	(214,834)	(254,051)	(60,106)	4,733	83,236	—	11,892	(429,130)	(343,098)

Legend

A = interest

B = other amounts recovered

8.2 Net value adjustments for impairment to AFS securities: composition

Transactions/income elements	Value adjustments		Amounts recovered		12 mths ended 30/6/12	12 mths ended 30/6/11
	Specific		Specific			
	Writeoffs	Others	A	B		
A. Debt securities	—	(141,060)	—	—	(141,060)	(108,903)
B. Equities	—	(267,262)	X	X	(267,262)	(35,636)
C. UCITS units	—	(3,193)	X	—	(3,193)	(557)
D. Loans and advances to banks	—	—	—	—	—	—
E. Loans and advances to customers	—	—	—	—	—	—
F. Total	—	(411,515)	—	—	(411,515)	(145,096)

Legend

A = interest

B = other amounts recovered

8.3 Adjustments for impairment to financial assets held to maturity: composition

Transactions/income elements	Value adjustments			Amounts recovered				12 mths ended 30/6/12	12 mths ended 30/6/11
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Debt securities	—	(1,832)	—	251	261	—	—	(1,320)	(10,456)
B. Loans and advances to banks	—	—	—	—	—	—	—	—	—
C. Loans and advances to customers	—	—	—	—	—	—	—	—	—
D. Total	—	(1,832)	—	251	261	—	—	(1,320)	(10,456)

Legend

A = interest

B = other amounts recovered

8.4 Adjustments for impairment to other financial transactions: composition

Transactions/income-linked components	Value adjustments			Amounts recovered				12 mths ended 30/6/12	12 mths ended 30/6/11
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Guarantees given	—	(31,450)	(19,328)	—	10,313	—	7	(40,458)	(26,206)
B. Credit derivatives	—	—	—	—	—	—	—	—	—
C. Commitments	—	(550)	(198)	—	240	—	1,598	1,090	20,155
D. Other transactions	—	—	—	—	—	—	—	—	—
E. Total	—	(32,000)	(19,526)	—	10,553	—	1,605	(39,368)	(6,051)

Legend

A = interest

B = other amounts recovered

SECTION 9

Heading 150: Net premium income

9.1 Net premium income: composition

Premium income from insurance operations	Direct business	Indirect business	12 mths ended 30/6/12	12 mths ended 30/6/11
A. Life business				
A1. Gross premiums written (+)	—	—	—	2,170
A.2 Premiums ceded to reinsurers (-)	—	X	—	(56)
A.3 Total	—	—	—	2,114
B. Non-life business				
B.1 Gross premiums written (+)	—	62,698	62,698	35,882
B.2 Premiums ceded to reinsurers (-)	—	X	—	(164)
B.3 Changes in gross amount of reserve for premiums (+/-)	—	(40,604)	(40,604)	(28,344)
B.4 Changes in reserve for premiums payable by reinsurers (- /+)	—	—	—	—
B.5 Total	—	22,094	22,094	7,374
D. Total net premium income	—	22,094	22,094	9,488

SECTION 10

Heading 160: Income less expense from insurance operations

10.1 Income less expense from insurance operations: composition

Items	12 mths ended 30/6/12	12 mths ended 30/6/11
1. Net change in technical reserves	—	(504)
2. Claims paid out during the year	(5,969)	(2,155)
3. Other income (expenses) from insurance operations	(3,729)	(1,994)
Total	(9,698)	(4,653)

10.2 Breakdown of sub-heading "Net changes in technical reserves"

Net changes in technical reserves	12 mths ended 30/6/12	12 mths ended 30/6/11
1. Life business		
A. Mathematical reserves	—	(504)
A.1 Gross annual amount	—	(504)
A.2 (-) Share payable by reinsurers	—	—
B. Orther technical reserves	—	—
B.1 Gross annual amount	—	—
B.2 (-) Share payable by reinsurers	—	—
C. Technical reserves where the insurance risk is borne by the insured parties	—	—
C.1 Gross annual amount	—	—
C.2 (-) Share payable by reinsurers	—	—
Total life business reserves	—	(504)
2. Non-life business		
Changes in technical reserves in non-life business other than reserves for claims net of accounts ceded to reinsurers	—	—

10.3 Breakdown of sub-heading "Claims paid out during the year"

Claims expenses	12 mths ended 30/6/12	12 mths ended 30/6/11
Life business: expenses for claims net of amounts ceded to reinsurers		
A. Amounts paid	—	—
A.1 Gross annual amount	—	—
A.2 (-) Share payable by reinsurers	—	—
B. Changes to reserve due to sums to be paid	—	—
B.1 Gross annual amount	—	—
B.2 (-) Share payable by reinsurers	—	—
Total claims life business	—	—
Non-life business: expenses for claims net of amounts recovered and ceded to reinsurers		
C. Amounts paid	(2,120)	(399)
C.1 Gross annual amount	(2,120)	(399)
C.2 (-) Share payable by reinsurers	—	—
D. Changes to amounts recovered net of shares payable by reinsurers	—	—
E. Changes to reserve for claims	(3,849)	(1,756)
E.1 Gross annual amount	(3,849)	(1,756)
E.2 (-) Share payable by reinsurers	—	—
Total claims non-life business	(5,969)	(2,155)

SECTION 11

Heading 180: Administrative expenses

11.1 Personnel costs: composition

Type of expense/sectors	12 mths ended 30/6/12	12 mths ended 30/6/11
1. Employees	(372,309)	(399,169)
a) wages and salaries	(262,850)	(287,846)
b) social security contributions	(60,737)	(61,749)
c) severance indemnities	—	—
d) pension contributions	—	—
e) transfers to severance indemnity provisions	(11,673)	(11,155)
f) transfers to post-employment and similar benefits provisions:	—	—
– defined benefit	—	—
– defined contribution	—	—
g) amounts paid to external complementary pension schemes:	(11,525)	(12,598)
– defined benefit	(11,525)	(12,598)
– defined contribution	—	—
h) expenses incurred in connection with share payment schemes	(12,844)	(13,508)
– stock options	(5,572)	(9,159)
– performance shares	(7,272)	(4,349)
i) other staff benefits	(12,680)	(12,313)
2. Other staff	(8,278)	(7,888)
3. Board members	(8,180)	(8,098)
4. Expenses incurred in connection with staff retiring	(4,545)	(3,623)
Total	(393,312)	(418,778)

11.2 Average number of staff by category

	12 mths ended 30/6/12	12 mths ended 30/6/11
Employees:		
a) Senior executives	185	177
b) Excutives	1,157	1,089
c) Other employees	2,097	2,094
Other staff	213	211
Total	3,652	3,571

11.5 Other administrative expenses: composition

	12 mths ended 30/6/12	12 mths ended 30/6/11
OTHER ADMINISTRATIVE EXPENSES		
– legal, tax and professional services	(42,214)	(51,800)
– loan recovery activity	(45,453)	(47,865)
– marketing and communications	(60,606)	(76,290)
– property	(40,220)	(39,624)
– EDP	(34,656)	(33,271)
– info-provider	(25,588)	(24,390)
– bank charges, collection and payment fees	(19,612)	(20,883)
– operating expenses	(48,961)	(51,648)
– other staff expenses	(21,669)	(19,717)
– other costs	(8,838)	(9,681)
– indirect and other taxes	(43,154)	(39,249)
Total other administrative expenses	(390,971)	(414,418)

SECTION 12

Heading 190: Net transfers to provisions

12.1 Net transfers to provisions: composition

	12 mths ended 30/6/12	12 mths ended 30/6/11
TRANSFERS MADE TO COVER:		
– litigation	—	—
– advertising expenses	—	—
– certain or probable exposures or commitments [1]	(4,014)	(1,012)
Total net transfers to provisions	(4,014)	(1,012)

[1] Includes the effect of discounting such items.

SECTION 13

Heading 200: Net adjustments to tangible assets

13.1 Net adjustments to tangible assets: composition

Assets/income elements	Depreciation (a)	Value adjustments for impairment (b)	Amounts recovered (c)	Net result (a+b-c)
A. Tangible assets				
A.1 Owned	(18,666)	(1,940)	1,740	(18,866)
– core	(17,137)	(1,940)	1,740	(17,337)
– for investment purposes	(1,529)	—	—	(1,529)
A.2 Acquired under finance leases	—	—	—	—
– core	—	—	—	—
– for investment purposes	—	—	—	—
Total	(18,666)	(1,940)	1,740	(18,866)

SECTION 14

Heading 210: Net adjustments to intangible assets

14.1 Net adjustments to intangible assets

Assets/income elements	Amortization (a)	Value adjustments for impairment (b)	Amounts recovered (c)	Net result (a+b-c)
A. Intangible assets				
A.1 Owned	(25,801)	—	—	(25,801)
– software	(16,766)	—	—	(16,766)
– other	(9,035)	—	—	(9,035)
A.2 Acquired under finance leases	—	—	—	—
Total	(25,801)	—	—	(25,801)

SECTION 15

Heading 220: Other operating income (expense)

15.1 Other operating expense: composition

Income-based components/values	12 mths ended 30/6/12	12 mths ended 30/6/11
a) Leasing activity	(22,966)	(23,427)
b) Sundry costs and expenses	(4,510)	(3,668)
Total	(27,476)	(27,095)

15.2 Other operating income: composition

Income-based components/values	12 mths ended 30/6/12	12 mths ended 30/6/11
a) Amounts recovered from customers	45,980	55,025
b) Leasing activity	26,274	28,618
c) Other income	78,255	74,256
Total	150,509	157,899

SECTION 16

Heading 240: Gains (losses) on equity investments

16.1 Gains (losses) on equity investments: composition

Income-based components/values	12 mths ended 30/6/12	12 mths ended 30/6/11
1) Jointly-controlled companies		
A. Income	—	—
1. Revaluations	—	—
2. Gains on disposals	—	—
3. Amounts recovered	—	—
4. Other increases	—	—
B. Expenses	—	—
1. Writedowns	—	—
2. Adjustments for impairment	—	—
3. Losses from disposals	—	—
4. Other reductions	—	—
Net income	—	—
2) Companies subject to significant influence		
A. Income	173,546	208,616
1. Revaluations	173,546	208,616
2. Gains on disposals	—	—
3. Amounts recovered	—	—
4. Other increases	—	—
B. Expenses	(195,037)	(125,233)
1. Writedowns	(4,000)	(125,233)
2. Adjustments for impairment	(191,037)	—
3. Losses from disposals	—	—
4. Other reductions	—	—
Net income	(21,491)	83,383
Total	(21,491)	83,383

SECTION 19

Heading 270: Net gain (loss) upon disposal of investments

19.1 Net gain (loss) upon disposal of investments: composition

Income elements/sectors	12 mths ended 30/6/12	12 mths ended 30/6/11
A. Properties	44,295	—
– gains on disposals	44,295	—
– losses on disposals	—	—
B. Other assets	919	87
– gains on disposals	1,046	94
– losses on disposals	(127)	(7)
Net gain (loss)	45,214	87

SECTION 20

Heading 290: Income tax on ordinary activities

20.1 Income tax on ordinary activities: composition

Income elements/sectors	12 mths ended 30/6/12	12 mths ended 30/6/11
1. Current taxes	(141,525)	(199,850)
2. Changes in current taxes for previous financial years	(723)	(546)
3. Reductions in current tax for the period	317	215
4. Changes in advance tax	19,050	5,184
5. Changes in deferred tax	(2,623)	14,365
6. Income tax for the year	(125,504)	(180,632)

20.2 Reconciliation between theoretical and effective tax burden

	12 mths ended 30/6/12	
	Amounts %	Absolute values
Total profit or loss before tax from current operations	100.00%	205,863
Theoretical tax rate	27.50%	X
Theoretical computed taxes on income	27.50%	56,612
Dividends (–)	-8.29%	(17,064)
Gains on disposals of equity investments (PEX) (–)	-1.50%	(3,090)
Gains on equity-accounted investments (–)	-13.13%	(27,021)
Changes in deferred tax for previous years (–)	-15.57%	(32,044)
Non-taxable income 10 % IRAP (–)	-0.53%	(1,086)
Tax losses (–)	-0.25%	(522)
Tax sparing credit	-0.86%	(1,775)
Non-deductible interest expense 3 % (+)	13.15%	27,063
Benefit from tax consolidation (–)	-3.00%	(6,167)
Impairment (+/–)	45.36%	93,382
Extraordinary items (rate adjustments, etc…)	0.75%	1,545
Other differences	4.39%	9,039
TOTAL IRES	48.02%	98,872
IRAP	12.94%	26,632
TOTAL FOR HEADING [1]	60.96%	125,504

[1] Compared with a tax rate of 32.59% in the previous financial year.

SECTION 22

Heading 330: Net profit (loss) attributable to minorities

22.1 and 22.2 Breakdown of profit (loss) for the year attributable to minorities

	12 mths ended 30/6/12	12 mths ended 30/6/11
Palladio Leasing S.p.A.	1,278	2,415
SelmaBipiemme Leasing S.p.A.	(3,306)	185
Teleleasing S.p.A.	1,500	3,471
Other companies	—	(2)
Adjustments on consolidation	—	(1,094)
Total	(528)	4,975

SECTION 24

Earnings per share

24.1 Average number of ordinary shares on a diluted basis

	12 mths ended 30/6/12	12 mths ended 30/6/11
Net profit	80,887	368,592
Avg. no. of shares in issue	844,119,212	844,099,719
Avg. no. of potentially diluted shares	48,997,918	42,896,940
Avg. no. of diluted shares	893,165,380	886,996,659
Earnings per share	0.10	0.43
Earnings per share, diluted	0.09	0.41

Part D - Consolidated comprehensive profit and loss account

Breakdown of consolidated comprehensive profit and loss constituents

	Items	Before tax effect	Tax effect	After tax effect
10.	Net profit (loss)	X	X	80.359
	Other comprehensive income			
20.	AFS securities:	(298,390)	(84,261)	(214,129)
	a) changes in fair value:	(275,191)	(78,848)	(196,343)
	b) reclassifications through profit or loss account	(23,199)	(5,413)	(17,786)
	- due to impairment	30,754	1,679	29,075
	- gain/losses on disposals	(53,953)	(7,092)	(46,861)
	c) other variations	—	—	—
30.	Property, plant and equipment	—	—	—
40.	Intangible assets	—	—	—
50.	Hedges of non-Italian investments:	—	—	—
	a) changes in fair value:	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
60.	Cash flow hedges:	(201,503)	(65,928)	(135,575)
	a) changes in fair value:	(201,503)	(65,928)	(135,575)
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
70.	Exchange differences:	(3,909)	—	(3,909)
	a) changes in fair value:	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	(3,909)	—	(3,909)
80.	Non-current assets classified as held for sale:	—	—	—
	a) changes in fair value:	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
90.	Actuarial gains (losses) on defined benefits schemes	—	—	—
100.	Valuation reserves from equity-accounted investments:	4,993	—	4,993
110.	Total other comprehensive income after tax	(498,809)	(150,189)	(348,620)
120.	Comprehensive income after tax (10 + 110)	X	X	(268,261)
130.	Consolidated comprehensive income attributable to minorities	X	X	(5,354)
140.	Consolidated comprehensive income attributable to parent company	X	X	(262,907)

Part E - Information on risks and related hedging policies

SECTION 1

Banking Group risks

1.1 CREDIT RISK

QUALITATIVE INFORMATION

Basel II project

In compliance with the Basel II New Capital Accord transposed into the Italian regulatory framework under Bank of Italy circular no. 263 issued on 27 December 2006 (“New regulations on capital requirements for banks”), the Mediobanca Group has set itself the objective of measuring credit risk using internal ratings.

A specific project has therefore been launched with a view to obtaining ratification by the Bank of Italy of the internal rating models to be used in calculating the capital requirements for credit risk. The internal rating models regard the following customer segments: Banks, Insurances, Large corporate, and Holding companies (customers mostly targeted by Mediobanca S.p.A.), Mid corporate and Small businesses (customers targeted mostly by the leasing companies) and Private individuals (targeted by Compass for consumer credit and CheBanca! for mortgage lending).

Given the above, the timeframe for submitting the application for the IRB system to be validated to the Bank of Italy is still being reviewed; and until the system has been validated, the Mediobanca Group will continue to use the standardized methodology it has adopted since 1 January 2008.

Corporate banking (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 adequate and often extensive knowledge of the borrower's business, assets and management, as well as the macro-economic framework in which it operates. Where possible, covenants are incorporated into the terms and conditions of the loan (having regard *inter alia* to the maturity and average size of the facilities concerned) in order to provide for protection against impairment. Applications for finance are processed through the different operating levels, and, if successful, are submitted for approval to the relevant bodies, i.e. the Risks Committee and Executive Committee, depending on the amount required and the credit rating of the counterparty involved, including both internal and external ratings. Once the finance has been disbursed the account is monitored on an ongoing basis, via analysis of published financial statements and a series of other controls to ensure that the covenants have not been breached. Any deterioration in the risk profile of a loan is brought swiftly to the attention of the Bank's operating unit's management.

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. At SelmaBipiemme and Teleleasing, applications for assets worth less than €75,000 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, sub-standard and restructured accounts plus impaired, overdue exposures are tested analytically to establish the relative estimated loss against the value of the security provided and/or any other form of real or personal guarantees issued. Other performing accounts are measured individually on the basis of statistics.

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 Board 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, etc. After six rate overdue instalments (or four in particular cases, such as credit cards), accounts are held to be officially in default, and the client is deemed to have lapsed from the time benefit allowed under Article 1186 of the Italian Civil Code. Between the ninth and the twelfth overdue instalment such accounts are usually sold to Cofactor or to other factoring companies for a percentage of the value of the principal outstanding, which reflects their estimated realizable value.

Mortgage lending (CheBanca!)

Mortgage applications are processed and approved centrally at head office. Approval depends partly on the outcome of a credit scoring system, 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 in view of a wide range of indicators, such as amount, sales channel, loan-to-value, etc.

Irregular accounts are managed through monthly reports analysing the commercial, personal and financial aspects of the accounts in order to flag up promptly any potential problem areas using advanced early warning systems linked to public and private databases. Procedurally mortgage loans with four or more unpaid instalments are designated as sub-standard accounts, and generally after the eighth or ninth unpaid instalment become non-performing. Impaired 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.

QUANTITATIVE INFORMATION

Credit Quality

A.1 Impaired and performing accounts: amounts, adjustments, trends, segmentation by performance and geography

A.1.1 Financial assets by portfolio and credit quality (book value)

Portfolio/quality	Banking Group [1]					Other [2]		Total
	Non-performing	Potential problem	Restructured	Overdue	Other assets	Overdue	Other assets	
1. Financial assets held for trading	—	—	—	—	12,806,866	—	—	12,806,866
2. AFS securities	—	—	18,668	—	9,519,784	—	60,870	9,599,322
3. Financial assets held to maturity	—	—	175	—	1,723,104	—	—	1,723,279
4. Due from banks	—	—	—	—	3,893,356	—	33,245	3,926,601
5. Due from customers	241,982	271,847	184,265	206,280	41,328,202	—	18,031	42,250,607
6. Financial assets recognized at fair value	—	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	1,571,778	—	—	1,571,778
Total at 30/6/12	241,982	271,847	203,108	206,280	70,843,090	—	112,146	71,878,453
Total at 30/6/11	214,684	233,083	425,650	73,108	65,665,828	—	68,382	66,680,735

[1] Includes pro-rata consolidation of Banca Esperia.

[2] Includes Compass RE (reinsurance company), Creditech, R&S and Sade (other companies).

A.1.2 Financial assets by portfolio/credit quality (gross/net values)

Portfolio/quality	Impaired assets			Performing			Total
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
A. Banking group							
1. Financial assets held for trading	—	—	—	X	X	12,806,866	12,806,866
2. AFS securities	45,238	(26,570)	18,668	9,519,784	—	9,519,784	9,538,452
3. Financial assets held to maturity	5,055	(4,880)	175	1,734,572	(11,468)	1,723,104	1,723,279
4. Due from banks [1]	—	—	—	3,900,045	(6,689)	3,893,356	3,893,356
5. Due from customers [2]	1,417,661	(513,287)	904,374	41,643,604	(315,402)	41,328,202	42,232,576
6. Financial assets recognized at fair value	—	—	—	X	X	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	X	X	1,571,778	1,571,778
Total A	1,467,954	(544,737)	923,217	56,798,005	(333,559)	70,843,090	71,766,307
B. Others							
1. Financial assets held for trading	—	—	—	X	X	—	—
2. AFS securities	—	—	—	60,870	—	60,870	60,870
3. Financial assets held to maturity	—	—	—	—	—	—	—
4. Due from banks	—	—	—	33,245	—	33,245	33,245
5. Due from customers	—	—	—	18,031	—	18,031	18,031
6. Financial assets recognized at fair value	—	—	—	X	X	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	X	X	—	—
Total B	—	—	—	112,146	—	112,146	112,146
Total at 30/6/12	1,467,954	(544,737)	923,217	56,910,151	(333,559)	70,955,236	71,878,453
Total at 30/6/11	1,622,397	(675,872)	946,525	53,210,317	(256,677)	65,734,210	66,680,735

[1] The gross exposures include €36.6m towards Iranian counterparties, with unpaid instalments amounting to €7.7m.

[2] The performing assets include €45.2m in unpaid instalments, corresponding to a gross exposure (including the share not yet overdue) of 853.1m (equal to 2% of the performing assets), €444.4m of which is attributable to leasing (or 11% of the performing assets in this segment), €252.6m to consumer credit (3%), and €110.5m in CheBanca! mortgage (3%). Gross exposures being renegotiated under the terms of collective agreements amount to €66.8m, 75% of which is attributable to consumer credit, 15% to leasing and 10% to mortgages granted by CheBanca!.

Information on sovereign debt exposures

*A.1.2.a Exposures to sovereign debt securities by state, counterparty and portfolio**

Asset portfolio/ quality	Impaired assets [1]				Performing assets			Total (net exposure) [2]
	Gross exposure	Specific adjustments	Collective adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	—	—	—	1,967,302	1,967,302
Italy	—	—	—	—	—	—	806,345	806,345
Germany	—	—	—	—	—	—	1,041,837	1,041,837
France	—	—	—	—	—	—	30,868	30,868
Brazil	—	—	—	—	—	—	54,957	54,957
Others	—	—	—	—	—	—	33,295	33,295
2. AFS securities	45,238	(26,570)	—	18,668	6,990,410	—	6,990,410	7,009,078
Italy	—	—	—	—	6,524,673	—	6,524,673	6,524,673
Greece	45,238	(26,570)	—	18,668	—	—	—	18,668
Germany	—	—	—	—	302,035	—	302,035	302,035
France	—	—	—	—	23,849	—	23,849	23,849
EU	—	—	—	—	84,131	—	84,131	84,131
Others	—	—	—	—	55,722	—	55,722	55,722
3. Financial assets held to maturity	—	—	—	—	352,297	—	352,297	352,297
Italy	—	—	—	—	351,556	—	351,556	351,556
Others	—	—	—	—	741	—	741	741
Total at 30/6/12	45,238	(26,570)	—	18,668	7,342,707	—	9,310,009	9,328,677

* Does not include financial and credit derivatives.

[1] The impaired assets only include the Greek government securities held in the AFS portfolio as a result of the restructuring agreement.

[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 €7.2m.

A.1.2.b Exposures to sovereign debt securities by portfolio

Asset portfolio/quality	Trading book [1]			Banking book			
	Nominal value	Book value	Duration	Nominal value	Book value	Fair value	Duration
Italy	885,780	806,345	3,75	7,142,122	6,876,229	6,867,101	2,74
Germany	1,006,167	1,041,837	2,50	270,000	302,035	302,035	3,73
France	28,587	30,868	0,03	24,595	23,849	23,849	1,75
Greece	—	—	—	254,927	18,668	18,668	25,30
EU	—	—	—	83,255	84,131	84,131	1,32
Brazil	49,936	54,957	0,70	—	—	—	—
Others	30,874	33,295	—	70,178	56,463	72,826	—
Total at 30/6/12	2,001,344	1,967,302	—	7,845,077	7,361,375	7,368,610	—

[1] This item does not include sales of the following futures: Bund/Schatz (Germany); BTP (Italy) and Oat (France), amounting to €0.7m, €0.5m and €0.3bn respectively (with respective fair values of €3.7m, minus €8.2m and minus €1.1m), or the €0.2bn in purchases of the T-note future (U.S.) with a fair value of minus €0.7m; net hedge buys of €201m with a positive fair value of €11m were also not included.

A.1.3 Banking Group: cash and off-balance-sheet exposure to banks – gross/net values

Type of exposure/amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing	—	—	X	—
b) Potential problem	—	—	X	—
c) Restructured	—	—	X	—
d) Overdue	—	—	X	—
e) Other assets	6,563,359	X	(6,689)	6,556,670
Total A	6,563,359	—	(6,689)	6,556,670
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	—	—	X	—
b) Other assets [1]	105,052,616	X	(21)	105,052,595
Total B	105,052,616	—	(21)	105,052,595
Total (A + B)	111,615,975	—	(6,710)	111,609,265

[1] The balance as at 30/6/12 includes €72,496,783,000 in deals matched 100% by hedge buys.

A.1.4 Banking Group: cash and off-balance-sheet exposure to banks – trends in gross impaired positions

Description/category	Non-performing	Potential problem	Restructured	Overdue
A. Gross exposure at start of period	127	—	—	—
of which: accounts sold but not derecognized	—	—	—	—
B. Additions	—	—	—	—
B.1 transfers from performing loans	—	—	—	—
B.2 transfers from other categories of impaired assets	—	—	—	—
B.3 other additions	—	—	—	—
C. Reductions	(127)	—	—	—
C.1 transfers to performing loans	—	—	—	—
C.2 amounts written off	—	—	—	—
C.3 amounts collected	(127)	—	—	—
C.4 gains realized on disposals	—	—	—	—
C.5 transfers to other categories of impaired assets	—	—	—	—
C.6 other reductions	—	—	—	—
D. Gross exposure at end of period	—	—	—	—
of which: accounts sold but not derecognized	—	—	—	—

A.1.6 Banking Group: cash and off-balance-sheet exposures to customers – gross/net values

Type of exposure/amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing [1]	463,406	(221,424)	X	241,982
b) Potential problem	445,637	(173,790)	X	271,847
c) Restructured	294,658	(91,550)	X	203,108
d) Overdue	264,255	(57,975)	X	206,280
e) Other assets	55,328,330	X	(326,870)	55,001,460
Total A	56,796,286	(544,739)	(326,870)	55,924,677
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	25,665	(1,065)	X	24,600
b) Other assets	19,442,076	X	(15,884)	19,426,192
Total B	19,467,741	(1,065)	(15,884)	19,450,792
Total (A+B)	76,264,027	(545,804)	(342,754)	75,375,469

[1] Includes accounts acquired from third parties as part of Cofactor's business.

A.1.7 Banking Group: cash exposures to customers – trends in gross impaired positions

Description/category	Non-performing	Potential problem	Restructured	Overdue
A. Gross exposure at start of period	540,480	407,271	585,773	88,747
of which: accounts sold but not derecognized	22,891	17,570	2,120	3,511
B. Additions	231,732	452,739	88,543	272,207
B.1 transfers from performing loans	56,198	386,635	18,498	263,449
B.2 transfers from other categories of impaired assets	91,628	34,760	5,227	5,668
B.3 other additions	83,906	31,344	64,818	3,090
C. Reductions	(308,806)	(414,373)	(379,658)	(96,699)
C.1 transfers to performing loans	(10,622)	(43,691)	(167)	(16,526)
C.2 amounts written off	(180,025)	(184,334)	(343,711)	(3,241)
C.3 amounts collected	(48,714)	(47,797)	(13,255)	(17,204)
C.4 gains realized on disposals	(53,361)	(33,863)	(10,192)	(619)
C.5 transfers to other categories of impaired assets	(9,530)	(94,443)	(3,765)	(29,545)
C.6 other reductions	(6,554)	(10,245)	(8,568)	(29,564)
D. Gross exposure at end of period	463,406	445,637	294,658	264,255
of which: accounts sold but not derecognized	*20,400*	*9,306*	*10,945*	*11,083*

A.1.8 Banking Group: cash exposures to customers – trends in collective value adjustments

Description/category	Non-performing	Potential problem	Restructured	Overdue
A. Adjustments at start of period	(325,923)	(174,188)	(160,123)	(15,639)
of which: accounts sold but not derecognized	*(20,022)*	*(5,417)*	*—*	*(391)*
B. Additions	(106,235)	(121,369)	(57,796)	(54,939)
B.1 value adjustments	(86,320)	(102,365)	(57,394)	(52,551)
B.2 transfers from other categories of impaired assets	(19,504)	(18,691)	(376)	(2,192)
B.3 other additions	(411)	(313)	(26)	(196)
C. Reductions	210,734	121,767	126,369	12,603
C.1 writebacks based on valuations	9,830	11,905	1,530	1,968
C.2 writebacks due to amounts collected	16,727	16,165	10,297	567
C.3 amounts written off	169,889	72,020	114,520	1,558
C.4 transfers to other categories of impaired assets	11,682	20,786	21	8,274
C.5 other reductions	2,606	891	1	236
D. Adjustments at end of period	(221,424)	(173,790)	(91,550)	(57,975)
of which: accounts sold but not derecognized	*(4,208)*	*(1,315)*	*(1,836)*	*(3,740)*

A.2 Exposures by internal and external ratings

A.2.1 Banking Group – cash and off-balance-sheet exposures by external rating category

Exposures	External rating category						Unrated	Total
	AAA / AA-	A+ / A-	BBB+ / BBB-	BB+ / BB-	B+ / B-	Lower than B-		
A. Cash exposures	2,244,937	14,227,008	4,847,109	906,190	1,412,494	59,267	38,784,342	62,481,347
B. Derivatives	244,727	86,045,451	14,813,927	290,116	461,961	—	8,015,738	109,871,920
B.1 financial derivatives	210,927	6,280,727	13,785,527	290,116	461,961	—	7,167,460	28,196,718
B.2 credit derivatives [1]	33,800	79,764,724	1,028,400	—	—	—	848,278	81,675,202
C. Guarantees	2,727	—	49,999	13,540	530	—	206,863	273,659
D. Commitments to lend funds	156,864	4,815,091	2,894,337	899,262	52,743	2,278	5,750,563	14,571,138
Total at 30/6/12	2,649,255	105,087,550	22,605,372	2,109,108	1,927,728	61,545	52,757,506	187,198,064
Total at 30/6/11	24,432,893	83,163,871	6,112,299	2,819,829	298,243	322,182	47,075,854	164,225,171

[1] The balance as at 30/6/12 includes €72,496,783 in deals matched 100% by hedge buys.

A.3 Secured exposures by type of security

A.3.1 Banking Group – secured cash exposures to banks

	Amount	Real guarantees (1)			Personal guarantees (2)									Total (1+2)
					Credit derivatives					Endorsements				
		Properties	Securities	Other assets	CLN	Other credit derivatives				Governments	Other public agencies	Banks	Others	
						Governments	Other public agencies	Banks	Others					
1. Secured balance sheet credit exposures:														
1.1 completely secured	1,130,795	—	1,154,947	—	—	—	—	—	—	—	121,750	137	45,086	1,321,920
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1.2 partly secured	1,024,480	—	839,651	—	—	—	—	—	—	—	—	—	45,344	884,995
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Secured off balance sheet credit exposures:														
2.1 completely secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.2 partly secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—

A.3.2 Banking Group – secured cash exposures to customers

	Amount	Real guarantees (1)			Personal guarantees (2)									Total (1+2)
		Properties	Securities	Other assets	Credit derivatives					Endorsements				
					CLN	Other credit derivatives				Governments	Other public agencies	Banks	Others	
						Governments	Other public agencies	Banks	Others					
1. Secured balance sheet credit exposures:														
1.1 completely secured	14,600,863	9,413,549	7,066,042	380,716	—	—	—	—	—	37,997	102,299	1,589,265	4,093,173	22,683,041
- of which impaired	344,430	412,529	10,635	8,714	—	—	—	—	—	—	—	56,114	74,787	562,779
1.2 partly secured	7,270,885	429,324	2,817,061	333,444	—	—	—	—	—	3,034	115	1,112,752	1,141,478	5,837,208
- of which impaired	106,152	38,083	—	—	—	—	—	—	—	—	—	—	72,720	110,803
2. Secured off balance sheet credit exposures:														
2.1 completely secured	984,988	51,544	—	—	—	—	—	—	—	—	99,993	832,846	11,684	996,067
- of which impaired	3,356	361	—	—	—	—	—	—	—	—	—	3,125	42	3,528
2.2 partly secured	425,761	31,830	—	11,123	—	—	—	—	—	—	—	288,056	—	331,009
- of which impaired	44	42	—	—	—	—	—	—	—	—	—	—	—	42

B. Exposures: distribution and concentration

B.1 Banking Group – cash and off-balance sheet exposure to customers by sector (book value)

Exposures/counterparts	Governments	Other public agencies	Financial companies	Insurances	Non-financial undertakings	Other entities
A. Cash exposures						
A.1 Non-performing						
Net exposure	—	—	—	—	62,006	179,976
Value adjustments to gross exposure	—	—	(11,472)	—	(46,681)	(163,269)
Value adjustments to portfolio	X	X	X	X	X	X
A.2 Potential problem						
Net exposure	—	1	322	—	78,608	192,916
Value adjustments to gross exposure	—	—	(13)	—	(54,675)	(119,103)
Value adjustments to portfolio	X	X	X	X	X	X
A.3 Restructured						
Net exposure	18,668	—	55,247	—	126,252	2,941
Value adjustments to gross exposure	(26,570)	—	(11,632)	—	(53,311)	(37)
Value adjustments to portfolio	X	X	X	X	X	X
A.4 Overdue						
Net exposure	—	—	—	—	83,211	123,069
Value adjustments to gross exposure	—	(79)	—	—	(10,009)	(47,886)
Value adjustments to portfolio	X	X	X	X	X	X
A.5 Other exposures						
Net exposure	10,166,485	181,172	9,994,320	2,617,672	17,634,076	14,407,735
Value adjustments to gross exposure	X	X	X	X	X	X
Value adjustments to portfolio	(4,031)	(827)	(36,371)	(4,759)	(243,573)	(36,406)
Total A						
Net exposure	10,185,153	181,173	10,049,889	2,617,672	17,984,153	14,906,637
Value adjustments to gross exposure	(26,570)	(79)	(23,117)	—	(164,676)	(330,295)
Value adjustments to portfolio	(4,031)	(827)	(36,371)	(4,759)	(243,573)	(36,406)
B. Off-balance sheet exposures						
B.1 Non-performing						
Net exposure	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	X	X	X	X	X	X
B.2 Potential problem						
Net exposure	—	—	—	—	54	84
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	X	X	X	X	X	X
B.3 Other impaired assets						
Net exposure	—	—	—	—	24,345	117
Value adjustments to gross exposure	—	—	—	—	(1,065)	—
Value adjustments to portfolio	X	X	X	X	X	X
B.4 Other exposures						
Net exposure	3,872,791	227	3,902,341	448,759	8,764,800	2,650,694
Value adjustments to gross exposure	X	X	X	X	X	X
Value adjustments to portfolio	—	—	(2,117)	—	(13,767)	—
Total B						
Net exposure	3,872,791	227	3,902,341	448,759	8,789,199	2,650,895
Value adjustments to gross exposure	—	—	—	—	(1,065)	—
Value adjustments to portfolio	—	—	(2,117)	—	(13,767)	—
Total at 30/6/12						
Net exposure	14,057,944	181,400	13,952,230	3,066,431	26,773,352	17,557,532
Value adjustments to gross exposure	(26,570)	(79)	(23,117)	—	(165,741)	(330,295)
Value adjustments to portfolio	(4,031)	(827)	(38,488)	(4,759)	(257,340)	(36,406)
Total at 30/6/11	7,047,641	194,637	13,481,191	2,965,091	27,256,768	17,306,242

B.2 Banking Group – cash and off-balance sheet exposures to customers by geography (book value)

Exposure/geographical areas	Italy		Other European countries		United States		Asia		Rest of world	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A) Cash exposures										
A.1 Non-performing	225,062	(195,216)	8,308	(22,200)	4,048	(437)	—	—	4,564	(3,571)
A.2 Potential problem	249,926	(163,656)	6,834	(6,242)	8,098	(3,812)	—	—	6,989	(80)
A.3 Restructured	124,383	(28,304)	78,671	(63,244)	54	(2)	—	—	—	—
A.4 Overdue	198,848	(57,487)	7,432	(488)	—	—	—	—	—	—
A.5 Other exposures	41,942,768	(212,323)	11,296,895	(112,197)	1,472,210	(2,203)	53,969	(48)	235,618	(99)
Total A	42,740,987	(656,986)	11,398,140	(204,371)	1,484,410	(6,454)	53,969	(48)	247,171	(3,750)
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	130	—	8	—	—	—	—	—	—	—
B.3 Other impaired assets	21,337	(615)	3,125	(450)	—	—	—	—	—	—
B.4 Other exposures	13,397,310	(7,395)	5,723,283	(7,695)	273,986	(794)	141,552	—	103,481	—
Total B	13,418,777	(8,010)	5,726,416	(8,145)	273,986	(794)	141,552	—	103,481	—
Total at 30/6/12	56,159,764	(664,996)	17,124,556	(212,516)	1,758,396	(7,248)	195,521	(48)	350,652	(3,750)
Total at 30/6/11	44,922,808	(702,196)	20,608,064	(268,587)	1,979,663	(2,893)	529,405	(92)	211,630	(202)

B.3 Banking Group – cash and off-balance-sheet exposures to banks by geography (book value)

Exposure/geographical area	Italy		Other European countries		United States		Asia		Rest of world	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A) Cash exposures										
A.1 Non-performing	—	—	—	—	—	—	—	—	—	—
A.2 Potential problem	—	—	—	—	—	—	—	—	—	—
A.3 Restructured	—	—	—	—	—	—	—	—	—	—
A.4 Overdue	—	—	—	—	—	—	—	—	—	—
A.5 Other exposures	2,928,090	(604)	3,262,648	(5,281)	221,011	—	40,848	(804)	104,073	—
Total A	2,928,090	(604)	3,262,648	(5,281)	221,011	—	40,848	(804)	104,073	—
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—	—
B.4 Other exposures [1]	2,794,950	—	99,106,304	—	3,150,202	—	1,040	(21)	99	—
Total B	2,794,950	—	99,106,304	—	3,150,202	—	1,040	(21)	99	—
Total at 30/6/12	5,723,040	(604)	102,368,952	(5,281)	3,371,213	—	41,888	(825)	104,172	—
Total at 30/6/11	8,588,081	(1,096)	84,347,991	(2,558)	2,912,814	—	66,218	(745)	13,485	—

[1] The balance as at 30/6/12 includes €72,496,783 in deals matched 100% by hedge buys.

B.4a Credit risk indicators

	30/6/12	30/6/11
a) Gross NPLs/total loans	0.95%	1.21%
b) Irregular items/cash exposures	2.47%	3.03%
c) Net NPLs/regulatory capital	3.10%	2.72%

B.4b Large risks

	30/6/12	30/6/11
a) Book value	12,579,265	13,767,406
b) Weighted value	12,364,283	12,816,243
c) No. of exposures	9	10
d) Large risks/regulatory capital	1.6	1.6

Leveraged finance transactions

As part of its corporate lending activity, the Mediobanca Group takes an active part in buyout transactions promoted or sponsored almost entirely by private equity funds in order to take over companies with promising growth prospects, low debt levels and stable cash flow over time. Such transactions have a sub-investment grade rating, a non-recourse contractual structure, and borrowing is commensurate with future cash flow levels. The purpose of such transactions is never for Mediobanca to acquire target companies, as the majority stakes are held directly by the private equity funds.

As at 30 June 2012, commitments to deals of this nature amounted to €2,023.9m, down markedly on the figure reported one year previously (€2,421.2m). Such deals represented 11% of the corporate portfolio, around 20% of which in relation to domestic transactions and the remainder for deals within the confines of the Eurozone. Movements during the period under review included the winding up of three transactions (worth €150.7m, generating a loss of €23.5m) and partial repayments totalling €271.8m, against increases in outstanding deals (due to drawdowns on credit lines and capitalization of interest) amounting to €25.2m. No new deals were executed during the period.

The portfolio contains two contracts (worth a total of €217.2m) in respect of which a restructuring agreement has been reached (covered by provisions totalling €53.8m).

C. Securitizations and asset disposals

C.1 Securitizations

Qualitative information

During the year the Group issued a covered bond worth €1.5bn with CheBanca! mortgage receivables as the underlying instrument, subscribed for entirely by Mediobanca S.p.A. and eligible for refinancing with the European Central Bank.

The Group has a portfolio of securities deriving from securitizations by other issuers which is worth €330.7m (30/6/11: €360.3m), after acquisitions of €30.7m (exclusively collateralized loan obligations (CLOs) with investment-grade ratings and held as part of the trading portfolio), disposals and repayments totalling €58.6m (generating gains of €0.9m), and other reductions totalling €2.6m, €5m of which in adjustments to fair value (split equally between those taken to net equity and those taken through the profit and loss account); the implicit loss on the fixed portfolio amounts to €42.4m. During the period under review trading involving a total of €75m took place, generating a profit of €1.3m.

These balance-sheet valuations are made based on prices supplied by the leading financial information providers, i.e. Reuters, Bloomberg and Mark-it, giving priority to marked-to-market data rather than fair value models (which have been used only for certain unlisted positions), and for the most part made using a pricing model supplied by the main rating agencies.

The portfolio is still concentrated on securities with domestic underlying assets (mortgage receivables, state-owned properties and leasing receivables). The other deals involve CLOs, two synthetic securities (Entasi and ELM) and European mortgage loans (UK and German). The junior and mezzanine tranches have reduced to under 10% of the portfolio. Some 85% of the portfolio has a rating consistent with securities of high credit standing attributed by at least one of the main credit rating agencies (Standard & Poor's, Moody's and Fitch) and around two-thirds of the portfolio are eligible for refinancing with the European Central Bank. The only positions which are unrated involve deals where Mediobanca has played an active role in the securitization process, e.g. as sponsor, manager, etc.

Mediobanca does not have on its books, and indeed never has had, any credit exposures backed by US subprime or Alt-A mortgages (Alternative – A, i.e. positions with underlying mortgages featuring incomplete documentation that does not allow them to be classified). Neither does it have any exposures to monoline insurers, i.e. insurance companies specializing in covering default risk on public and corporate bond issues, with the exception of one credit default swap worth a nominal USD 10m entered into with MBIA (Municipal Bond Insurance Association), with a positive fair value of €0.6m (€0.7m at 30 June 2011).

Turning now to analysis of the trends in the main sectors of activity underlying the securities held by the Group, there has been a generalized downturn in market conditions, due to the developments in Italian sovereign risk, which affects not just the performance of the underlying asset, but also the support of the originator banks which also act as servicer and/or counterparty for interest rate hedges; by contrast, the relaxation of the criteria for eligibility by the ECB, along with the recent LTRO transactions, have helped support issues with limited outstanding maturities:

– Italian mortgage loans: despite the crisis worsening, collateral has proved to be resilient; however, the gap has widened, both in terms of delinquency and default, between the vintage deals and/or securitizations by more solid banks, and more recent deals and/or those by weaker financial institutions whose ratings have been downgraded;
– Italian state-owned and commercial properties: the disappointing sales performance by FIP led to the early redemption of the class A2 securities being triggered (with proceeds of €5m collected); for IMSER the redemption plan remains stable despite the originator Telecom Italia's spread widening;
– leasing receivables: the short duration and increased diversification of deals in this sector allowed it to weather the crisis more effectively, including as a result of the constant repayment mechanism and excess spread accumulated, for vintage deals in particular.

Quantitative information

C.1.1 Banking Group – exposures deriving from securitizations by underlying asset

Type of underlying asset/ exposures	Cash exposure [1]					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Using own underlying assets	—	—	—	—	—	—
a) Impaired	—	—	—	—	—	—
b) Other	—	—	—	—	—	—
B) Using customers' underlying assets	297,297	297,297	24,778	24,778	4,596	4,596
a) Impaired	85,670	85,670	—	—	—	—
b) Other	211,627	211,627	24,778	24,778	4,596	4,596

[1] No off-balance-sheet exposure.

C.1.3 Banking Group – Exposures deriving from main customer securitizations by asset type/exposure

Type of underlyng asset/exposure	Cash exposures [1]					
	Senior		Mezzanine		Junior	
	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks
A. Mortgage loans on Italian properties						
A.1 Argo Mortgage srl 1 A IT0003246276	88	(1)	—	—	—	—
A.2 Mantegna-37 A2 ind IT0003443527	191	(4)	—	—	—	—
A.3 CASAFORTE srl 30/06 IT0004644677	—	—	—	—	2,403	—
A.4 Velah 4 A2 IT0004102007	26,739	—	—	—	—	—
A.5 Cordusio 3 A2 06-42 TV IT0004144892	89	(16)	—	—	—	—
A.6 BPM Securitisation Srl 06-43 IT0004083033	—	—	3,169	(631)	—	—
A.7 Zeus F07-25 A FRN IT0004306186	32,207	—	—	—	—	—
A.8 BP MORTG-43 A2 ind IT0004215320	6,720	(561)	—	—	—	—
A.9 Island Ref-25 A FRN IT0004293558	12,185	—	—	—	—	—
A.10 E-MAC XS0475282322	4,079	(308)	—	—	—	—
A.11 DOMOS 2001-1 A 31/1 FR0000487589	163	—	—	—	—	—
A.12 RMAC PLC 12/12/2043 XS0235778106	—	—	3,455	(919)	—	—
A.13 IMSER21(ST18) 5.830 IT0003382972	—	—	18,154	—	—	—
A.14 MSER-2A2B MTG IT0004082746	2,737	35	—	—	—	—
A.15 BCC Mrtg-38 A FRN XS0256813048	6,630	(275)	—	—	—	—
A.16 BCCM1B 0 Mar38 XS0256815688	—	—	—	—	1,102	(430)
A.17 LOGGI 2001-1 SUB FR0000488470	—	—	—	—	1,091	(75)
TOTAL A MORTGAGE LOANS ON PROPERTIES	91,828	(1,130)	24,778	(1,550)	4,596	(505)
B. State-owned properties						
B.1 Fip Fund-23 A2 FRN IT0003872774	97,036	—	—	—	—	—
TOTAL B STATE-OWNED PROPERTIES	97,036	—	—	—	—	—
C. Leasing receivables						
C.1 Locat 12/12/2028 A2 IT0004153679	357	(6)	—	—	—	—
C.2 Quarzo-13 CL1 FRN IT0003487011	15,002	13	—	—	—	—
TOTAL C LEASING RECEIVABLES	15,359	7	—	—	—	—
D. Other receivables						
D.1 ELM BB.V. FL XS0247902587	22,305	—	—	—	—	—
D.2 ENTASI 16/08/2016 IT0003142996	50,991	(1,884)	—	—	—	—
D.3 ROMULUS 20/02/2013 XS0161620439	973	—	—	—	—	—
TOTAL D OTHER RECEIVABLES	74,269	(1,884)	—	—	—	—
E. Collateralized loan obligations						
E.1 ASTREA SRL 17/01/2013 IT0003331292	44	—	—	—	—	—
E.2 BACCHUS AUG22 MTG XS0260552962	5,003	(37)	—	—	—	—
E.3 HAMLET MAG20 XS0213748147	2,449	—	—	—	—	—
E.4 HIGHLANDER SET22 MTG XS0261916026	4,972	—	—	—	—	—
E.5 NWESTII-XA SET19 MTG XS0198546987	2,948	8	—	—	—	—
E.6 SILV CLO FEB20 XS0225957090	3,389	(20)	—	—	—	—
TOTAL E COLLATERALIZED LOAN OBLIGATIONS	18,805	(49)				
Total as at 30/6/12	297,297	(3,056)	24,778	(1,550)	4,596	(505)
Total as at 30/6/11	328,249	(2,093)	26,716	535	5,343	230

[1] No off-balance-sheet exposure.

C.1.4 Banking Group – Exposures to securitizations by asset/portfolio type

Exposure/portfolio	Held for trading	Recognized at fair value	Available for sale	Held to maturity	Loans and advances	30/6/12	30/6/11
1. Cash exposures	52,970	—	22,825	41,432	209,444	326,671	360,308
- Senior	44,153	—	20,422	23,278	209,444	297,297	328,249
- Mezzanine	6,624	—	—	18,154	—	24,778	26,716
- Junior	2,193	—	2,403	—	—	4,596	5,343
2. Off-balance-sheet exposures	—	—	—	—	—	—	—
- Senior	—	—	—	—	—	—	—
- Mezzanine	—	—	—	—	—	—	—
- Junior	—	—	—	—	—	—	—

C.1.5 Banking Group – total amount of securitized assets underlying junior securities or other forms of financing

Assets/amounts	Traditional securitizations	Synthetic securitizations
A. Own underlying assets:		
A.1 Fully derecognized	—	X
1. Non-performing	—	X
2. Potential problem	—	X
3. Restructured	—	X
4. Overdue	—	X
5. Other assets	—	X
A.2 Partly derecognized	—	X
1. Non-performing	—	X
2. Potential problem	—	X
3. Restructured	—	X
4. Overdue	—	X
5. Other assets	—	—
A.3 Not derecognized	—	—
1. Non-performing	—	—
2. Potential problem	—	—
3. Restructured	—	—
4. Overdue	—	—
5. Other assets	—	—
B. Customer underlying assets:		
B.1 Non-performing	—	—
B.2 Potential problem	—	—
B.3 Restructured	—	—
B.4 Overdue	—	—
B.5 Other assets	4,596	—

C.1.6 Banking Group – Interests in vehicle companies

Name	Registered office	Percentage shareholding
Quarzo S.r.l.	Milan	90%
Quarzo Lease S.r.l.	Milan	90%
Jump S.r.l.	Milan	n.m.

C.1.7 Banking Group: servicing – collecting securitized receivables and redeeming securities issued by vehicle companies

Servicer	Vehicle company	Securitized assets 30/6/12		Receivables collected during the year		Percentage share of securities repaid 30/6/12					
		Impaired	Performing	Impaired	Performing	Senior		Mezzanine		Junior	
						Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
SelmaBipiemme S.p.A.	Quarzo Lease S.r.l.	—	380,136	3,257	113,478	—	—	—	—	—	—
SelmaBipiemme S.p.A.	Quarzo Lease S.r.l.	—	380,345	4,819	138,565	—	—	—	—	—	—
SelmaBipiemme S.p.A.	Quarzo Lease S.r.l.	—	316,273	481	90,425	—	—	—	—	—	—
Compass S.p.A.	Jump S.r.l.	6,472	219,505	2,082	176,801	—	61.0%	—	—	—	—
Compass S.p.A.	Quarzo S.r.l.	55,176	2,159,080	6,858	1,024,216	—	—	—	—	—	—

C.1.8 Banking Group – SPVs owned

Quarzo Lease S.r.l. (SelmaBipiemme Leasing)

This special purpose vehicle company currently has three securitizations outstanding, both with SelmaBipiemme as the underlying instruments, with the junior tranches underwritten by SelmaBipiemme itself and the senior tranches by the EIB:

– the first involved the issue of 350 million senior securities and 36.9 million junior securities against €386.9m in performing receivables; the securitization, which was completed on 25 July 2007, has a revolving period until July 2016; at 30 June 2012 a further €545m in securities was sold;

– the second deal involved the issue of 350 million senior securities and 100 million junior securities, against performing leases worth €450m; the securitization, completed on 19 May 2009, had a revolving period until July 2013, which closed early on 25 June this year; at 30 June 2012 a further €357m in receivables was sold;

– the third deal involved the issue of 202 million senior and 123.1 million junior securities, against performing leases worth €325m; the securitization, completed on 18 July 2011, had a revolving period until July 2014; at 30 June 2012 a further €92m in receivables was sold.

Accounts between SelmaBipiemme and vehicle company Quarzo Lease for the year were as follows:

2007 securitization:	
Amounts collected on behalf of Quarzo Lease	€ 135m
Servicing fee	€ 0.08m
Interest accruing on junior notes	€ 10.55m
May 2009 securitization:	
Amounts collected on behalf of Quarzo Lease	€ 165m
Servicing fee	€ 0.1m
Interest accruing on junior notes	€ 11.63m
July 2011 securitization:	
Amounts collected on behalf of Quarzo Lease	€ 107m
Servicing fee	€ 0.07m
Interest accruing on junior notes	€ 9.88m

Quarzo S.r.l. (Compass)

This vehicle company currently has two deals outstanding, both of which are subscribed for directly by Group companies. The rationale for the deals is to widen the Group's sources of funding, leveraging on the possibility of refinancing the senior notes with the European Central Bank:

– the first deal involved the issue of 1 billion senior and 250 million junior securities, against performing receivables worth a total of €1,250m; the deal was launched in August 2008, with a revolving period now extended until February 2013, which during the year under review led to receivables worth €625m being sold;

– the second deal involved the issue of 690 million senior and 210 million junior securities, against performing receivables worth a total of €900m; the deal was launched in February 2009, with a revolving period now extended until February 2013, which during the year under review led to receivables worth €472m being sold.

Accounts between Compass and vehicle company Quarzo for the year were as follows:

Amounts collected on behalf of Quarzo:	€ 1,031.1m
Servicing fee (net of VAT):	€ 10.8m
Interest accruing on class B notes:	€ 20.1m
Additional return:	€ 79.1m

Jump S.r.l. (formerly Linea)

This special purpose vehicle issued two series of notes against two disposals of performing receivables by Linea:

– the first deal (launched in April 2005) involved class A securities worth €526.8m, class B securities worth €40.1m, and junior notes worth €5.7m (subscribed for by Linea), all maturing on 27 April 2026, against the disposal of 102,696 receivables worth €572.6m (equal to par value); the revolving period ended in April 2009 and the repayment stage commenced, which by 30 June 2012 had reached over 95% of the securities in circulation (€550m);

– the second deal (launched in October 2006) involved class A securities worth €368.6m, class B securities worth €30.6m, and junior notes worth €0.8m, subscribed for by Linea and maturing on 27 April 2026, against the disposal of 61,751 receivables worth €400m (equal to par value); the revolving period ended in October 2010 and the repayment stage commenced, which by 30 June 2012 had reached around 70% of the securities in circulation (€279m). During the year class B securities equal to €5.2m of the nominal value were acquired, generated a gain of €0.2m.

Under the terms of the sale contract Compass (previously Linea) has an option to buy back the receivables sold to Jump as part of the programme.

Accounts between Linea and Jump for the year were as follows:

Amounts collected on behalf of Jump:	€ 178.9m
Servicing fee:	€ 1.2m
Interest accruing on notes subscribed for by Compass:	€ 0.6m
Additional return:	€ 8.1m

C.2 Asset disposals

C.2.1 Banking Group – Financial assets sold but not derecognized

Type/portfolio	Financial assets held for trading	Financial assets at fair value through profit and loss account	AFS securities	Financial assets held to maturity	Due from banks	Due from customers	Total	
							30/6/12	30/6/11
A. Cash assets								
1. Debt securities								
a) financial assets sold and fully recognized (book value)	126,499	—	902,953	—	—	—	1,029,452	1,212,089
2. Equities	—	—	—	X	X	X	—	—
3. UCITS units	—	—	—	X	X	X	—	—
4. Loans and advances								
a) financial assets sold and fully recognized (book value)	—	—	—	—	—	135,662	135,662	—
B. Derivative products	—	X	X	X	X	X	—	—
Total 30/6/12	126,499	—	902,953	—	—	135,662	1,165,114	X
a) financial assets sold and fully recognized (book value)	126,499	—	902,953	—	—	135,662	1,165,114	X
- of which impaired	—	—	—	—	—	84	84	X
Total 30/6/11	192,200	—	710,965	83,561	—	316,725	X	1,212,089
a) financial assets sold and fully recognized (book value)	192,200	—	710,965	83,561	—	316,725	X	1,212,089
- of which impaired	—	—	—	—	—	—	X	—

C.2.2 Banking Group – financial liabilities in respect of financial assets sold but not derecognized

Liabilities/asset portfolios	Financial assets held for trading	Financial assets measured at fair value	AFS securities	Financial assets held to maturity	Due from banks	Due from customers	Total
1. Cash assets	119,174	—	885,834	—	—	—	1,005,008
a) in respect of fully recognized assets	119,174	—	885,834	—	—	—	1,005,008
b) in respect of partly recognized assets	—	—	—	—	—	—	—
2. Due to banks	5,019	—	3,473	—	—	115,025	123,517
a) in respect of fully recognized assets	5,019	—	3,473	—	—	115,025	123,517
b) in respect of partly recognized assets	—	—	—	—	—	—	—
3. Debt securities in issue	—	—	—	—	—	—	—
a) in respect of fully recognized assets	—	—	—	—	—	—	—
b) in respect of partly recognized assets	—	—	—	—	—	—	—
Total at 30/6/12	124,193	—	889,307	—	—	115,025	1,128,525
Total at 30/6/11	192,200	—	710,965	83,561	—	316,725	1,212,089

C.3 Banking Group – covered bond issues

On 30 November 2012, the Group issued its first covered bond (as permitted by Italian law 130/99), in a ten-year programme with a maximum amount of €5bn. The deal involved the non-recourse sale of €1.7bn in CheBanca! residential mortgage receivables, against the issue of €1.5bn in Mediobanca covered bonds with four-year duration for value date 14 December. The bond was subscribed for entirely by Mediobanca for use as collateral with the European Central Bank.

Under the terms of the programme, Mediobanca will issue the covered bonds and act as swap counterparty, while CheBanca! sells the assets to the SPV which in turn will grant them as collateral for the bond-holders (first-ranking guarantee, unconditional and irrevocable). When the receivables are sold, CheBanca! issues a subordinated loan to the SPV, ensuring the necessary funds to acquire the assets. The amount of the subordinated loan granted by CheBanca! to the SPV is usually higher than the covered bond issued, in order to ensure it is equipped with sufficient funds to allow it to acquire a sufficient amount of assets to meet the over-collateralization requirement that might be set by the rating agencies or alternatively to establish suitable cash reserves. CheBanca! will also service the securitization. For each issuance of covered bonds, Mediobanca will assess, in the context of managing the Group's liquidity, whether to credit the issue proceeds back to CheBanca! in the form of an intercompany loan.

To implement the programme, Mediobanca has appointed an external auditor to act as independent asset monitor, responsible for checking that operations are being conducted properly and the integrity of the collateral established by the SPV in favour of the covered bond subscribers. As required by the regulations, in order for the programme to be initiated properly, the objectives of the transaction have been identified and assessed in advance along with the related risks and the relevant control procedures.

1.2 BANKING GROUP – MARKET RISK

1.2.1 INTEREST RATE RISK AND PRICE RISK – TRADING BOOK

QUALITATIVE INFORMATION

Mediobanca monitors interest rate risk on its trading book on a daily basis, by calculating two main indicators:

– sensitivity to 1 basis-point changes in the interest rate curve;

– the share of the value-at-risk[1] linked to interest rates as part of the global measurement of market risks.

Such analysis regards not just the trading book but the Bank's entire asset structure, i.e. banking book as well, and is not limited to the measurement of risks deriving from changes in market interest rates but factors in exposures to loan spreads as well.

In order to regulate the various business units' operations, limits have been introduced on sensitivities (known as the "Greeks") to movements of different factors (1 basis point for interest rates and loan spreads, 1 percentage points for shares, exchange rates and volatility).

VaR is still calculated based on expected volatility and the correlation between risk factors concerned, assuming a disposal period of a single trading day and based on a 99% confidence level. The indicator used to check the limits is calculated by using Monte Carlo simulations, along with historical simulations for indicative purposes.[2] This measurement is also used to calculate the expected shortfall, which measures average loss in 1% of the most unfavourable scenarios.

In addition to these indicators, stress tests are also carried out weekly on the main risk factors, to show the impact which significant movements in the main market data (such as share prices and interest or exchange rates) and historical crisis scenarios being repeated might have.

[1] VaR: maximum potential loss over to specified time horizon and to given confidence level.

[2] Determines portfolio values based on random and historical variations in risk factors respectively.

This year has been characterized by persistent uncertainty on financial markets, which has generated sharp swings in prices of bond and equities, especially in the second half of the year, and in government securities also. After the highs recorded in November 2011, the long-term refinancing operation by the European Central Bank, along with hopes of political intervention to resolve the crisis, had helped support the prices of peripheral EU member states' paper, causing spreads to reduce. However, the lack of concrete and effective measures in the following weeks allowed uncertainty to increase once again, bringing spreads up to record levels (in Italy's case above 500 bps on its ten-year bonds). The above scenario impacted on Mediobanca's operations primarily in the area of the available-for-sale portfolios, the size of which increased basically with a view to reinvesting the funds obtained from the ECB in short-term government securities.

Over the twelve months the trend in VaR saw a widening of the gap between the trading book and the asset structure as a whole (net of the strategic investments), due chiefly to the increase in positions in available-for-sale bonds. The average VaR reading for the trading book alone was €17.4m, below the €20m reported last year with a high of €30m, whereas the aggregate figure was €77.7m, virtually double last year's average (€34.7m) with a high of €114.1m.

Both portfolios, however, reflect the same trend: growth to begin with, starting in August 2011 and reaching its highs in November and December, when the yields on Italian BTPs exceeded 7%, then declining until the end of March (the lowest point), followed by a period of stability which lasted three months before flaring up again until June, chiefly due to the rise in the share of Italian government bonds in the Bank's banking book.

The average value at risk for the aggregate was thus double that recorded last year, with the contribution from interest rates three times higher (up from €18.9m to €60m) driven by the specific risk component (which climbed from €14.3m to €33.9m), but especially due to the increase in generic risk (which includes sovereign debt securities). The contribution from equities was largely unchanged, edging down from €22.2m to €21.3m, as a result of the high volatility in share prices having begun as early as last year. The contributions from the other risk factors also increased, albeit to a lesser degree: exchange rates and inflation, due to the increased volatility in prices and to directional positions being taken for use in a macro-hedging perspective; volatility due to substantial positions taken in options reduced partly during the twelve months under review. The reading at 30 June 2012 reflected an interest rate component in line with the average data, with equities and volatility below their averages; exchanges rates and inflation, conversely, were above the average readings at the reporting date.

Table 1 - Value at risk and expected shortfall of asset structure

Risk factors (€'000)	12 mths to 30/6/12				12 mths to 30/6/11
	30/6	Min	Max	Avg.	Avg.
Interest rates	61,746	28,956	91,492	60,038	18,926
- of which: specific risk	*21,439*	*17,417*	*59,218*	*33,879*	*14,335*
Share prices	16,678	9,284	40,409	21,293	22,176
Exchange rates	5,027	1,608	7,807	3,816	3,366
Inflation	1,395	226	1,696	942	436
Volatility	3,795	1,892	8,029	4,334	2,528
*Diversification effect**	*(15,804)*	*(4,575)*	*(19,813)*	*(12,697)*	*(12,306)*
TOTAL	90,691	48,063	114,150	77,739	34,691
Expected shortfall	*128,148*	*78,433*	*140,150*	*108,962*	*78,270*

* Due to mismatches between risk factors.

The ratio between VaR and expected shortfall[3] fell to 150%, continuing the trend seen in recent six-month periods and confirming how difficult it is for historical indicators to adequately represent the risks deriving from the outbreak of new crises which are largely without precedents.

On the trading portfolio, the average reading for VaR shows a reduction, from €20.1m to €17.4m, due in particular to the contribution from equities halving. It should also be noted that the highs and the lows occurred in virtually the same points of the respective years, that is, early December and end-March.

The contribution from interest rates also declined, due to holdings in Italian government securities being trimmed (these were accounted for in the AFS portfolio), along with a reduced contribution from other debt securities (corporate and financial), in the second half of the year especially. A similar trend was recorded for volatility: after the high levels seen in the first part of the year (with a peak of €8.4m), driven by the major fluctuations on stock markets, the subsequent reduction in positions in options brought the figure for volatility back to the levels seen at the start of the year. Meanwhile, the exchange rates and inflation components bucked this trend, chiefly as a result of directional positions having taken to facilitate increased portfolio diversification.

[3] Average of losses recorded in 1% of the most unfavourable scenarios.

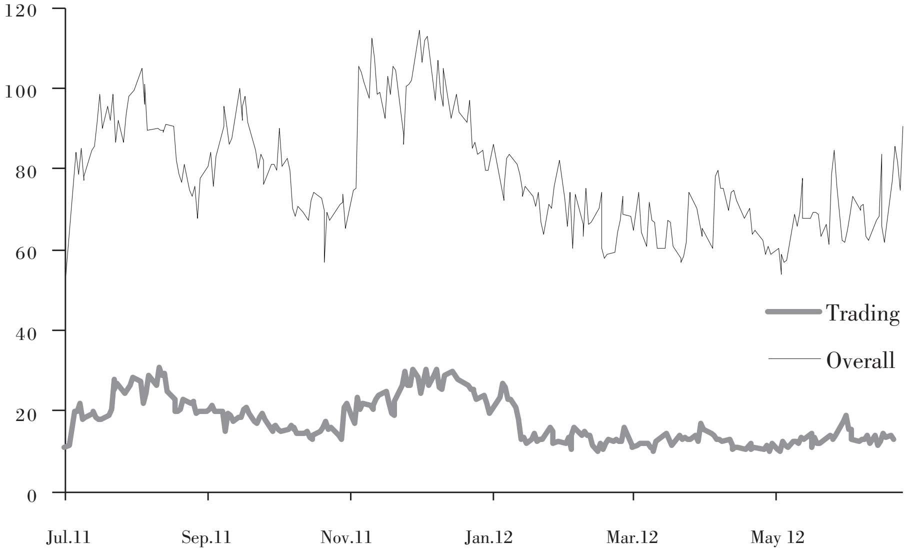
Table 2: Value at risk and expected shortfall: trading book

Risk factors (€'000)	**12 mths to 30/6/12**				**12 mths to 30/6/11**
	30/6	**Min**	**Max**	**Avg.**	**Avg.**
Interest rates	11,840	5,903	29,568	14,780	15,588
- of which: specific risk	*6,172*	*5,506*	*27,048*	*13,184*	*10,653*
Share prices	4,455	2,483	9,117	4,561	9,114
Exchange rates	7,260	1,290	9,486	4,240	2,494
Inflation	1,757	600	2,173	1,209	436
Volatility	3,795	1,892	8,414	4,289	2,528
*Diversification effect**	*(16,065)*	*(3,693)*	*(19,284)*	*(11,664)*	*(9,637)*
TOTAL	13,043	9,788	30,883	17,415	20,088
Expected shortfall	*21,842*	*13,923*	*42,235*	*25,499*	*45,941*

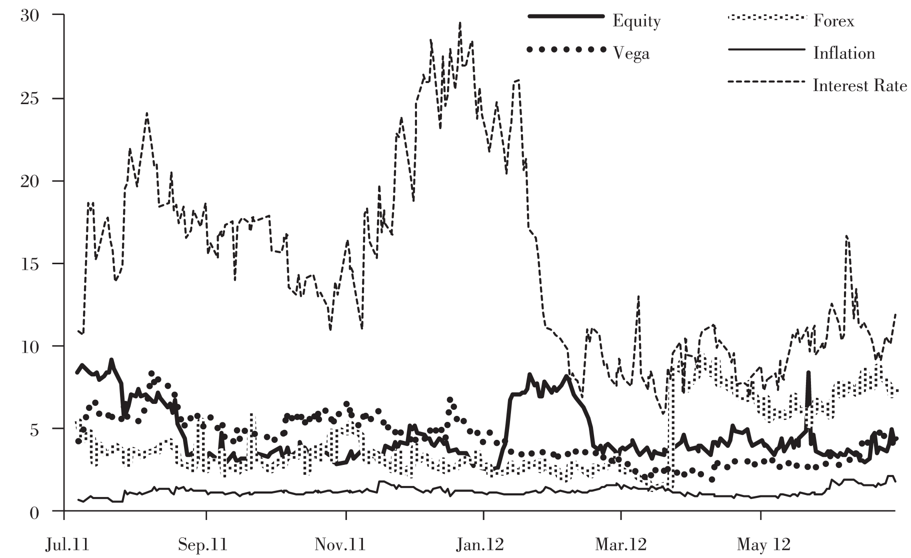
* Due to mismatches between risk factors.

The expected shortfall on the trading book reduced too, with the average figure halving from €45.9m last year to reach €25.5m, having touched €13.9m at end-February, the lowest level seen in the last three years, confirming the reduction in the overall riskiness of the trading positions in a market scenario that continues to be marked by high volatility.

Trends in VaR



Trends in VaR constituents



The trading portfolios of the other Group companies continue to be negligible. The most significant contributor after Mediobanca S.p.A. is Compagnie Monégasque de Banque, whose average VaR reading for the year, again based on a 99% confidence level, was €209,000 (compared with €114,000 last year), with highs which, with just one exception, never exceeded €370,000.

Despite the strong instability seen on the financial markets, the effectiveness of VaR as a risk management instrument is confirmed by the results of the daily back-testing, which is based on the calculation of implied profits and losses.[4] The VaR limit for losses was breached on only four occasions with reference to the aggregate portfolio (which includes the available-for-sale positions); this was in line with the implied level of 1% of the data recorded. Even if we limit our analysis to the trading book only, the same number of reductions was recorded, concentrated again at the start and end of the financial year, in a scenario of high volatility due to the market uncertainties.

As for the sensitivity of net interest income, the trading book (represented exclusively by Mediobanca S.p.A.) showed a gain of €62m at the reporting date based on a 100 bps increase in interest rates (virtually unchanged from last year). Meanwhile the loss in the opposite scenario (100 bps reduction) declined, from €60.6m to €31m; such asymmetry is due to the sharp reduction in market rates towards levels near zero for the short-term maturities.

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

QUANTITATIVE INFORMATION

1. Regulatory trading book by outstanding maturity (repricing date) of cash assets and liabilities and financial derivative products

Currency of denomination: EURO

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	186,268	601,345	1,136,596	195,359	1,827,605	361,829	198,807	—
1.1 Debt securities	186,268	598,846	1,134,195	195,079	1,827,605	361,829	198,807	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	186,268	598,846	1,134,195	195,079	1,827,605	361,829	198,807	—
1.2 Other assets	—	2,499	2,401	280	—	—	—	—
2. Cash liabilities	—	178,456	109,160	23,591	331,236	308,450	90,709	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	178,456	109,160	23,591	331,236	308,450	90,709	—
3. Financial derivatives	40,000	86,158,064	30,903,549	21,555,521	66,694,997	21,706,951	7,529,824	—
3.1 With underlying securities	—	4,361,108	100	—	876	100	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	4,361,108	100	—	876	100	—	—
+ long positions	—	2,180,554	50	—	438	50	—	—
+ short positions	—	2,180,554	50	—	438	50	—	—
3.2 Without underlying securities	40,000	81,796,956	30,903,449	21,555,521	66,694,121	21,706,851	7,529,824	—
– Options	—	10,275,212	51,778	2,802,330	11,428,002	1,380,000	1,520,000	—
+ long positions	—	5,137,606	25,889	1,401,165	5,714,001	690,000	760,000	—
+ short positions	—	5,137,606	25,889	1,401,165	5,714,001	690,000	760,000	—
– Others	40,000	71,521,744	30,851,671	18,753,191	55,266,119	20,326,851	6,009,824	—
+ long positions	—	38,709,298	16,771,096	7,572,035	25,033,016	10,211,485	3,087,770	—
+ short positions	40,000	32,812,446	14,080,575	11,181,156	30,233,103	10,115,366	2,922,054	—

Currency of denomination: US DOLLAR

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	24,413	49,019	20,928	58,957	131,710	105,858	13,992	—
1.1 Debt securities	24,413	49,019	20,928	58,957	131,710	105,858	13,992	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	24,413	49,019	20,928	58,957	131,710	105,858	13,992	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	—	—	—	—	—	—	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivatives	—	5,445,608	1,583,107	144,003	4,990,677	2,069,085	—	—
3.1 With underlying securities	—	356,992	—	—	158	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	356,992	—	—	158	—	—	—
+ long positions	—	178,496	—	—	79	—	—	—
+ short positions	—	178,496	—	—	79	—	—	—
3.2 Without underlying securities	—	5,088,616	1,583,107	144,003	4,990,519	2,069,085	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	5,088,616	1,583,107	144,003	4,990,519	2,069,085	—	—
+ long positions	—	2,526,818	782,989	36,060	2,506,904	1,084,894	—	—
+ short positions	—	2,561,798	800,118	107,943	2,483,615	984,191	—	—

Currency of denomination: OTHER

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	—	133,743	45,216	—	2,038	—	—	—
1.1 Debt securities	—	133,743	45,216	—	2,038	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	—	133,743	45,216	—	2,038	—	—	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	—	—	—	—	—	—	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivatives	—	6,158,580	108,348	6,018,508	4,045,138	—	177,656	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	6,158,580	108,348	6,018,508	4,045,138	—	177,656	—
– Options	—	—	—	665,004	—	—	—	—
+ long positions	—	—	—	332,502	—	—	—	—
+ short positions	—	—	—	332,502	—	—	—	—
– Others	—	6,158,580	108,348	5,353,504	4,045,138	—	177,656	—
+ long positions	—	3,035,173	47,969	2,738,725	2,010,918	—	88,828	—
+ short positions	—	3,123,407	60,379	2,614,779	2,034,220	—	88,828	—

2. Regulatory trading book: cash exposures of equities and UCITS units

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities [1]			
A.1 Shares	278,630	—	—
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	—	26,800
B. UCITS units			
B.1 Italian	4	—	18,310
- harmonized open	4	—	—
- non-harmonized open	—	—	—
- closed	—	—	—
- reserved	—	—	—
- speculative	—	—	18,310
B.2 Other EU states	215,938	292,206	1,696
- harmonized	215,938	14,324	—
- non-harmonized open	—	277,882	1,696
- non-harmonized closed	—	—	—
B.3 Non-EU states	—	—	—
- open	—	—	—
- closed	—	—	—
Total	494,572	292,206	46,806

[1] Net mismatch between trading assets and technical shortfalls booked as trading liabilities; over 90% of the next exposure regards other European countries (excluding Italy, for which the net balance is negative).

1.2.2 INTEREST RATE RISK AND PRICE RISK - BANKING BOOK

QUALITATIVE INFORMATION

The Mediobanca Group monitors and manages interest rate risk by analysing the sensitivity of net interest income and cash flow to interest rate changes. The first type of sensitivity analysis quantifies the impact of a parallel, instantaneous 100 basis point change in the interest rate curve, over a time horizon of twelve months. The second type of sensitivity is calculated by comparing the discounted value of estimated cash flows obtained with the return curve at the current date and the value obtained using a return curve increased or reduced by 100 basis points ("parallel shock"); the difference is then compared with the Group's net equity to assess the degree of capital absorption, as required by the Bank of Italy's supervisory provisions (circular no. 263, title III, annex C, standard methodology).

In the event of such an increase in interest rates, there would be an increase of around €15m on the positions held in the banking book of Mediobanca S.p.A. as at 30 June 2012, indicating that the positions have become more balanced over time (last year the impact was equivalent to an €85m reduction), with a gradual increase in the proportion indexed to variable interest rates. However, the effect at the parent company level is entirely absorbed by the performance of Compass (€21m reduction) and CheBanca! (€9m reduction), which historically have tended to show a greater exposure to fixed-rate assets. Conversely, a reduction in interest rates would generate a loss for Mediobanca of €24m, virtually wiped out by the profits that would crystallize for (€15m) and CheBanca! (€6m).

A positive, 100 basis-point shock on the discounted value of future cash flows from Mediobanca's banking book would generate a €28m reduction, reflecting the longer duration of the loan and bond stock, with Compass and CheBanca! reflecting the same trend, with reductions of €111m and €175m respectively. An equivalent rise in interest rates, by contrast, would generate increases in all three segments, of €36m, €138m and €130m respectively, an effect which is amplified by the very low levels of short-term interest rates. Both scenarios entail limited capital absorption for the Group, well within the limits set by the Bank of Italy.

The data described above are summarized in numerical form in the table below:

Data at 30/6/12 (€m)		Banking book		
		Mediobanca SpA	CheBanca!	Compass
	+ 100 bps	15.08	(8.90)	(21.20)
Net interest income sensitivity	— 100 bps	(24.37)	6	15.30
	+ 100 bps	(27.90)	(175.00)	(111.33)
Discounted value of future cash flows sensivity	— 100 bps	35.62	138.00	130.24

Hedging

Fair value hedges

Fair value hedges are used to neutralize exposure to interest rate or credit risk for particular asset or liability positions, via derivative contracts entered into with leading counterparties. All structured bond issues are fair-value hedged as to the interest rate component, while index-linked issues are accounted for as part of the trading book. 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 the Compass group's operations. 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 by correlating the relevant cash flows. Mediobanca S.p.A. implemented some cash flow hedges of future transaction flows during the period under review (AFS securities disposals hedged through forward contracts).

Counterparty risk

This is measured in terms of expected potential market value, thus doing away with the need to set arbitrary weightings for each type of fund employed. 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 (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.

QUANTITATIVE INFORMATION

1. Banking book by outstanding maturity (repricing date) of cash assets and liabilities - Currency of denomination: EURO

Type	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	4,210,278	27,508,178	5,982,884	3,137,951	11,989,692	2,458,871	428,767	303,789
1.1 Debt securities	298,236	2,985,564	913,131	1,332,899	4,700,735	1,379,754	171,435	—
– with early repayment option	—	6,630	9,714	—	—	—	—	—
– others	298,236	2,978,934	903,417	1,332,899	4,700,735	1,379,754	171,435	—
1.2 Loans to banks	2,084,434	842,217	668,726	11,805	45,177	2,081	—	77,011
1.3 Loans to customers	1,827,608	23,680,397	4,401,027	1,793,247	7,243,780	1,077,036	257,332	226,778
– current accounts	403,288	—	—	—	1	—	—	—
– other loans	1,424,320	23,680,397	4,401,027	1,793,247	7,243,779	1,077,036	257,332	226,778
– with early repayment option	38,242	3,905,312	38,079	63,572	249,093	91,273	211,310	—
– others	1,386,078	19,775,085	4,362,948	1,729,675	6,994,686	985,763	46,022	226,778
2. Cash liabilities	4,495,789	23,452,980	6,860,052	12,194,381	8,728,497	1,903,092	221,024	271,484
2.1 Due to customers	2,799,798	5,701,310	3,444,182	4,552,400	49,432	3,044	15,150	213,409
– current accounts	1,606,901	196,090	—	—	—	—	—	—
– other amounts due	1,192,897	5,505,220	3,444,182	4,552,400	49,432	3,044	15,150	213,409
– with early repayment option	—	901,999	—	—	—	—	—	—
– others	1,192,897	4,603,221	3,444,182	4,552,400	49,432	3,044	15,150	213,409
2.2 Due to banks	1,684,226	9,765,512	186,200	446	75,795	1,018	86,465	58,024
– current accounts	1,581,033	—	—	—	—	—	—	—
– other amounts due	103,193	9,765,512	186,200	446	75,795	1,018	86,465	58,024
2.3 Debt securities	11,765	7,986,158	3,229,670	7,641,535	8,603,270	1,899,030	119,409	51
– with early repayment option	—	—	—	—	—	—	—	—
– others	11,765	7,986,158	3,229,670	7,641,535	8,603,270	1,899,030	119,409	51
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products	—	32,690,283	6,352,568	9,326,683	9,627,290	2,932,944	524,496	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	32,690,283	6,352,568	9,326,683	9,627,290	2,932,944	524,496	—
– Options	—	—	—	—	—	—	360,000	—
+ long positions	—	—	—	—	—	—	180,000	—
+ short positions	—	—	—	—	—	—	180,000	—
– Others	—	32,690,283	6,352,568	9,326,683	9,627,290	2,932,944	164,496	—
+ long positions	—	8,731,755	2,262,070	9,286,033	7,627,834	2,474,944	164,496	—
+ short positions	—	23,958,528	4,090,498	40,650	1,999,456	458,000	—	—

Currency of denomination: US DOLLAR

Type	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	70,920	621,102	100,651	41,436	2,622	313	152	22,820
1.1 Debt securities	—	75,084	13,101	38,268	221	313	152	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	75,084	13,101	38,268	221	313	152	—
1.2 Loans to banks	53,584	4,349	1,083	281	2,247	—	—	22,602
1.3 Loans to customers	17,336	541,669	86,467	2,887	154	—	—	218
– current accounts	214	—	—	—	—	—	—	—
– other loans	17,122	541,669	86,467	2,887	154	—	—	218
– with early repayment option	—	—	—	—	—	—	—	—
– others	17,122	541,669	86,467	2,887	154	—	—	218
2. Cash liabilities	330,991	379,266	25,936	7,955	33,996	—	—	308
2.1 Due to customers	326,997	171,895	25,426	7,955	—	—	—	256
– current accounts	326,984	37,104	—	—	—	—	—	—
– other amounts due	13	134,791	25,426	7,955	—	—	—	256
– with early repayment option	—	—	—	—	—	—	—	—
– others	13	134,791	25,426	7,955	—	—	—	256
2.2 Due to banks	3,990	—	—	—	—	—	—	52
– current accounts	3,990	—	—	—	—	—	—	—
– other amounts due	—	—	—	—	—	—	—	52
2.3 Debt securities	4	207,371	510	—	33,996	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	4	207,371	510	—	33,996	—	—	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products	—	40,827	—	19,857	13,026	—	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	40,827	—	19,857	13,026	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	40,827	—	19,857	13,026	—	—	—
+ long positions	—	3,972	—	19,857	13,026	—	—	—
+ short positions	—	36,855	—	—	—	—	—	—

Currency of denomination: OTHER

Type	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	73,985	454,012	69,358	—	323	—	—	—
1.1 Debt securities	—	18,559	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	18,559	—	—	—	—	—	—
1.2 Loans to banks	71,691	39,707	—	—	—	—	—	—
1.3 Loans to customers	2,294	395,746	69,358	—	323	—	—	—
– current accounts	25	—	—	—	—	—	—	—
– other loans	2,269	395,746	69,358	—	323	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	2,269	395,746	69,358	—	323	—	—	—
2. Cash liabilities	185,137	39,679	264,375	41,031	—	—	—	114
2.1 Due to customers	101,825	25,455	14,171	3,104	—	—	—	—
– current accounts	101,824	580	—	—	—	—	—	—
– other amounts due	1	24,875	14,171	3,104	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	1	24,875	14,171	3,104	—	—	—	—
2.2 Due to banks	83,312	14,224	—	—	—	—	—	114
– current accounts	83,312	—	—	—	—	—	—	—
– other amounts due	—	14,224	—	—	—	—	—	114
2.3 Debt securities	—	—	250,204	37,927	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	250,204	37,927	—	—	—	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products	—	268,406	—	20,513	247,893	—	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	268,406	—	20,513	247,893	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	268,406	—	20,513	247,893	—	—	—
+ long positions	—	—	—	20,513	247,893	—	—	—
+ short positions	—	268,406	—	—	—	—	—	—

2. Regulatory trading book: cash exposures of equities and UCITS units

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities [1]			
A.1 Shares	260,002	643	602,099
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	—	135,206
B. UCITS units			
B.1 Italian	—	—	83,048
- harmonized open	—	—	—
- non-harmonized open	—	—	—
- closed	—	—	68,676
- reserved	—	—	9,598
- speculative	—	—	4,774
B.2 Other EU states	—	—	14,179
- harmonized	—	—	14,179
- non-harmonized open	—	—	—
- non-harmonized closed	—	—	—
B.3 Non-EU states	—	—	9,795
- open	—	—	1,924
- closed	—	—	7,871
Total	260,002	643	844,327

[1] Of which 84% Italian.

1.2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

A. General aspects, operating processes and measurement techniques

B. Hedging activity

Risks deriving from movements in exchange rates for all the Bank's positions (trading and banking books), are managed by the Financial Markets division. The degree of risk in this area is thus effectively represented by the respective VaR component as shown on p. 177. Compared to last year the exposure in this area has increased, not just as a result of the higher volatility but also due to the presence of directional positions used to macro-hedge the other positions (securities and loans) held in the portfolio. The average VaR reading thus rose from €3.4m to €3.8m, with a high of almost €8m recorded in April 2012, and a reading at the reporting date of approx. €5m.

QUANTITATIVE INFORMATION

1. Assets, liabilities and derivatives by currency

Line items	Currency				
	US dollars	Pounds sterling	Japanese yen	Swiss francs	Other
A. Financial assets	1,545,629	541,451	64,075	124,350	128,296
A.1 Debt securities	597,823	44,293	59,101	38,723	58,301
A.2 Equities	100,983	52,551	—	21,131	1,041
A.3 Loans and advances to banks	41,221	44,678	200	32,243	45,433
A.4 Loans and advances to customers	631,697	399,929	4,774	32,253	23,521
A.5 Other financial assets	173,905	—	—	—	—
B. Other assets	—	—	—	—	—
C. Financial liabilities	(797,221)	(316,684)	(5,513)	(113,965)	(92,342)
C.1 Due to banks	(3,988)	—	(5,238)	(49)	(23,547)
C.2 Due to customers	(532,271)	(42,453)	(275)	(62,008)	(51,104)
C.3 Debt securities	(260,962)	(274,231)	—	(51,908)	(17,691)
C.4 Other financial liabiilities	—	—	—	—	—
D. Other liabilities	—	—	—	—	—
E. Financial derivative products	(291,609)	(243,421)	(58,649)	(52,901)	31,533
- Options	—	—	—	—	—
+ Long positions	—	—	—	—	—
+ Short positions	—	—	—	—	—
- Other derivatives	(291,609)	(243,421)	(58,649)	(52,901)	31,533
+ Long positions	1,001,332	1,091,890	39,965	226,634	773,155
+ Short positions	(1,292,941)	(1,335,311)	(98,614)	(279,535)	(741,622)
Total assets	2,546,961	1,633,341	104,040	350,984	901,451
Total liabilities	(2,090,162)	(1,651,995)	(104,127)	(393,500)	(833,964)
Difference (+/-)	456,799	(18,654)	(87)	(42,516)	67,487

1.2.4 FINANCIAL DERIVATIVE PRODUCTS

A. FINANCIAL DERIVATIVES

A.1 Regulatory trading book: average and reporting-date notional values

Type of transaction	30/6/12		30/6/11	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	109,668,791	13,473,584	116,053,317	44,342,682
a) Options	—	4,225,500	—	33,748,302
b) Swaps	99,892,289	—	105,797,667	—
c) Forwards	—	—	—	—
d) Futures	—	9,248,084	—	10,594,380
e) Others	9,776,502	—	10,255,650	—
2. Equities and share indexes	43,946,742	31,844,057	40,936,388	16,526,519
a) Options	40,775,779	31,649,118	39,179,172	16,296,837
b) Swaps	3,170,842	—	1,757,216	—
c) Forwards	121	—	—	—
d) Futures	—	194,939	—	229,682
e) Others	—	—	—	—
3. Exchange rates and gold	9,522,300	132	7,084,716	—
a) Options	59,161	—	2,225,356	—
b) Swaps	1,498,372	—	1,844,250	—
c) Forwards	7,964,767	—	3,015,110	—
d) Futures	—	132	—	—
e) Others	—	—	—	—
4. Commodities	—	1,264	—	—
5. Other assets	—	—	—	—
Total	163,137,833	45,319,037	164,074,421	60,869,201
Average values	163,236,379	53,094,119	150,765,265	64,833,458

A.2. Banking book: average and reporting-date notional values

A.2.1 Hedge derivatives

Type of transaction	30/6/12		30/6/11	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	30,998,853	—	34,665,139	—
a) Options	—	—	—	—
b) Swaps	30,807,897	—	34,465,139	—
c) Forwards	10,956	—	—	—
d) Futures	—	—	—	—
e) Others	180,000	—	200,000	—
2. Equities and share indexes	2,560	—	28,868	—
a) Options	183	—	20	—
b) Swaps	—	—	26,471	—
c) Forwards	2,377	—	2,377	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and gold	33,539	—	29,684	—
a) Options	—	—	—	—
b) Swaps	33,539	—	29,684	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	31,034,952	—	34,723,691	—
Average values	32,744,916	—	34,201,138	2,198

A.2.2 Other derivatives

Type of transaction	30/6/12		30/6/11	
	Over the counter	**Central counterparties**	**Over the counter**	**Central counterparties**
1. Debt securities and interest rates	12,251	—	12,251	—
a) Options	—	—	—	—
b) Swaps	12,251	—	12,251	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equities and share indexes	8,240,895	—	9,255,369	—
a) Options	8,240,895	—	9,255,369	—
b) Swaps	—	—	—	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and gold	10,613	—	43,489	—
a) Options	10,613	—	43,489	—
b) Swaps	—	—	—	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	8,263,759	—	9,311,109	—
Average values	8,783,947	—	9,630,028	—

A.3 Financial derivatives: gross positive fair value by product

Type of transactions	Positive fair value			
	30/6/12		30/6/11	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	4,412,338	1,096,518	3,341,307	557,639
a) Options	1,302,514	1,082,876	1,312,267	544,815
b) Interest rate swaps	2,939,169	—	1,768,448	—
c) Cross currency swaps	52,725	—	76,720	—
d) Equity swaps	41,738	—	91,032	—
e) Forwards	76,192	—	92,839	—
f) Futures	—	13,642	—	12,824
g) Others	—	—	1	—
B. Banking book: hedge derivatives	1,735,298	—	1,481,246	—
a) Options	—	—	—	—
b) Interest rate swaps	1,586,718	—	1,418,580	—
c) Cross currency swaps	1,619	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	146,961	—	62,666	—
C. Banking book: other derivatives	131,863	—	117,586	—
a) Options	127,912	—	113,565	—
b) Interest rate swaps	3,951	—	4,021	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	6,279,499	1,096,518	4,940,139	557,639

A.4 Financial derivatives: gross negative fair value by product

Type of transactions	Negative fair value			
	30/6/12		30/6/11	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	(5,136,695)	(1,044,228)	(3,484,830)	(518,937)
a) Options	(1,408,537)	(1,025,783)	(1,230,067)	(511,173)
b) Interest rate swaps	(3,273,728)	—	(1,916,078)	—
c) Cross currency swaps	(108,589)	—	(62,475)	—
d) Equity swaps	(264,259)	—	(218,086)	—
e) Forwards	(81,582)	—	(58,123)	—
f) Futures	—	(18,445)	—	(7,764)
g) Others	—	—	(1)	—
B. Banking book: hedge derivatives	(507,544)	—	(707,717)	—
a) Options	(147,056)	—	(62,669)	—
b) Interest rate swaps	(357,861)	—	(639,630)	—
c) Cross currency swaps	(2,526)	—	(5,296)	—
d) Equity swaps	—	—	(122)	—
e) Forwards	(101)	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
C. Banking book: other derivatives	(119,069)	—	(291,137)	—
a) Options	(119,069)	—	(291,137)	—
b) Interest rate swaps	—	—	—	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	(5,763,308)	(1,044,228)	(4,483,684)	(518,937)

A.5 OTC financial derivatives: trading book – notional values, 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
1. Debt securities and interest rates							
- notional value	—	—	1,858,378	4,413,552	948,117	7,462,843	—
- positive fair value	—	—	30,557	84,850	85,028	353,650	—
- negative fair value	—	—	(30,303)	(20,307)	(28,293)	(72,489)	—
- future exposure	—	—	8,599	11,378	13,875	51,377	—
2. Equities and share indexes							
- notional value	—	—	22,295	417,171	16,300	312,123	—
- positive fair value	—	—	988	16,761	—	19,168	—
- negative fair value	—	—	(7)	(7,798)	—	(40,321)	—
- future exposure	—	—	1,535	25,551	1,630	18,720	—
3. Exchange rates and gold							
- notional value	—	—	86,098	123,525	—	480,004	123
- positive fair value	—	—	367	19	—	27,250	—
- negative fair value	—	—	(184)	(1,021)	—	(51,672)	(3)
- future exposure	—	—	581	4,560	—	27,397	1
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

A.6 OTC financial derivatives: trading book – notional values, positive and negative fair values by counterparty, contracts forming part of netting arrangements

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	77,366,115	16,719,661	900,000	125	—
- positive fair value	—	—	2,213,689	323,539	87,521	—	—
- negative fair value	—	—	(2,853,342)	(362,596)	—	(1,564)	—
2. Equities and share indexes							
- notional value	—	—	13,957,161	28,898,557	323,136	—	—
- positive fair value	—	—	258,066	795,107	14,493	—	—
- negative fair value	—	—	(479,914)	(1,026,840)	(22,752)	—	—
3. Exchange rates and gold							
- notional value	—	—	8,620,845	211,705	—	—	—
- positive fair value	—	—	74,608	26,677	—	—	—
- negative fair value	—	—	(132,751)	(4,538)	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

A.7 OTC financial derivatives: banking book – notional value, 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
1. Debt securities and interest rates							
- notional value	—	—	718,831	10,047	—	1,012	—
- positive fair value	—	—	153,151	—	—	—	—
- negative fair value	—	—	(18,301)	(25)	—	(2)	—
- future exposure	—	—	2,741	—	—	—	—
2. Equities and share indexes							
- notional value	—	—	—	—	—	2,377	183
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	(96)
- future exposure	—	—	—	—	—	—	15
3. Exchange rates and gold							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

A.8 OTC financial derivatives: banking book – notional values, positive and negative fair values by counterparty, contracts forming part of netting arrangements

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	28,683,991	1,584,971	—	—	—
- positive fair value	—	—	1,521,102	59,425	—	—	—
- negative fair value	—	—	(461,483)	(25,112)	—	—	—
2. Equities and share indexes							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
3. Exchange rates and gold							
- notional value	—	—	33,539	—	—	—	—
- positive fair value	—	—	1,619	—	—	—	—
- negative fair value	—	—	(2,526)	—	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

A.9 OTC financial derivatives by maturity: notional values

Underlying/residual maturity	Up to 1 year	From 1 to 5 years	Over 5 years	Total
A. Regulatory trading book				
A.1 Financial derivatives on debt securities and interest rates	26,695,567	55,462,105	27,511,118	109,668,790
A.2 Financial derivatives on equities and share indexes	13,966,744	24,972,899	5,007,099	43,946,742
A.3 Financial derivatives on foreign currency and gold	7,615,949	1,434,396	471,955	9,522,300
A.4 Financial derivatives on other assets	—	—	—	—
B. Banking book:				
B.1 Financial derivatives on debt securities and interest rates	5,076,555	22,564,516	3,370,032	31,011,103
B.2 Financial derivatives on equities and share indexes	1,738,324	6,417,969	87,162	8,243,455
B.3 Financial derivatives on foreign currency and gold	31,126	13,026	—	44,152
B.4 Financial derivatives on other assets	—	—	—	—
Total at 30/6/12	55,124,265	110,864,911	36,447,366	202,436,542
Total at 30/6/11	44,130,466	124,756,762	39,221,993	208,109,221

B. CREDIT DERIVATIVES

B.1 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	1,439,830	79,058,450	446,498	40,525
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total A at 30/6/12	1,439,830	79,058,450	446,498	40,525
Average values	1,609,098	76,248,526	408,922	27,075
Total A at 30/ 6/ 11	1,876,220	73,177,102	401,904	11,500
2. Hedge sales				
a) Credit default	1,485,945	79,485,412	110,114	1,835,000
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total B at 30/6/12	1,485,945	79,485,412	110,114	1,835,000
Average values	1,442,418	76,152,074	215,464	1,725,401
Total B at 30/6/11	1,360,305	73,527,535	438,114	1,779,300

B.2 OTC credit derivatives: gross positive fair value – breakdown by product

Portfolio/derivatives instrument type	**Positive fair value**	
	30/6/12	**30/6/11**
A. Regulatory trading book	1,717,268	1,631,291
a) Credit default products	1,717,268	1,631,291
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
B. Banking book	70,901	126,905
a) Credit default products	70,901	126,905
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
Total	1,788,169	1,758,196

B.3 OTC credit derivatives: gross negative fair value – breakdown by product

Portfolios/derivative instruments type	Negative fair value	
	30/6/12	30/6/11
A. Regulatory trading book	(1,723,332)	(1,678,680)
a) Credit default products	(1,723,332)	(1,678,680)
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
B. Banking book	(34,915)	(125,277)
a) Credit default products	(34,915)	(125,277)
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
Total	(1,758,247)	(1,803,957)

B.4 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	—	—	—	50,000	—	—	—
- positive fair value	—	—	—	3,359	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	2,500	—	—	—
2. Hedge sales							
- notional value	—	—	—	16,250	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	(2,745)	—	—	—
- 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	—	—	—	—	—	—	—

* Derivatives embedded in bonds issued not included.

B.5 OTC credit derivatives: gross positive and negative fair values by counterparty – contracts forming part of netting arrangements

Contracts 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	—	—	79,339,585	1,108,696	—	—	—
- positive fair value	—	—	1,201,402	18,448	—	—	—
- negative fair value	—	—	(517,189)	(5,259)	—	—	—
2. Hedge sales							
- notional value	—	—	79,836,123	1,118,985	—	—	—
- positive fair value	—	—	489,953	4,106	—	—	—
- negative fair value	—	—	(1,171,430)	(26,709)	—	—	—
Banking book *							
1. Hedge buys							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
2. Hedge sales							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

* Derivatives embedded in bonds issued not included.

B.6 Credit derivatives: outstanding life – notional values

Underlying/residual maturity	Up to 1 year	From 1 year to 5 years	Over 5 years	Total
A. Regulatory trading book	47,802,552	95,908,986	17,758,102	161,469,640
A.1 Credit derivatives with “qualified” reference obligation	620,561	1,870,824	172,000	2,663,385
A.2 Credit derivatives with “unqualified” reference obligation	47,181,991	94,038,162	17,586,102	158,806,255
B. Banking book	641,200	1,217,937	573,000	2,432,137
B.1 Credit derivatives with “qualified” reference obligation	89,500	203,612	53,000	346,112
B.2 Credit derivatives with “unqualified” reference obligation	551,700	1,014,325	520,000	2,086,025
Total at 30/6/12	48,443,752	97,126,923	18,331,102	163,901,777
Total at 30/6/11	14,951,739	116,041,264	21,578,978	152,571,981

C. CREDIT AND FINANCIAL DERIVATIVES

C.1 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	—	—	735,046	43,510	149,596	47,047	—
- negative fair value	—	—	(576,979)	(287,933)	(8,003)	(10,610)	—
- future exposure	—	—	912,675	136,019	26,711	10,170	—
- net counterparty risk	—	—	975,652	176,747	164,717	57,577	—

* Represents sum of positive fair value and future exposure. Net of €686,160,000 in cash collateral received, €671,790,000 in respect of banks, €2,780,000 of financial companies and €11,590,000 non-financial companies; conversely, in respect of negative fair values cash collateral of €729,287,000 was paid in, €593,753,000 of which in respect of banks, €123,054,000 of financial companies, 10,450,000 of insurances and €2,030,000 of non-financial companies.

1.3 BANKING GROUP: LIQUIDITY RISK

QUALITATIVE INFORMATION

In December 2011 the Board of Directors of Mediobanca S.p.A. approved its liquidity risk management policy and contingency funding plan (CLP); in this way the Group has equipped itself with a methodological apparatus to improve the monitoring and coverage of liquidity risk and also with procedures for activating a plan of action in the event of specific tensions at either the Group itself or system-wide.

The Group's objective, in complying with the regulatory provisions issued by both central and national authorities, is to maintain a level of liquidity which allows it to meet the payment obligations it has entered into.

Specifically, the liquidity indicators monitor the events which impact on the Group's liquidity position in the short term (over a time horizon which ranges from one day to six months) and the long term (over six months). The first indicator (operating liquidity) checks that the counterbalance capacity is at all times higher than the net outflows, calculated also in situations of stress; the second indicator (structural liquidity) checks that inflows cover 100% of the outflows with maturities of more than one year and at least 90% of the maturities of more than five years.

These indicators are complemented by a model for governing events, to be activated effectively in the event of a crisis by following an approved procedure that identifies parties, responsibilities, communication procedures and the related criteria for reporting, in an attempt to increase the likelihood of overcoming the emergency situation successfully: the contingency liquidity funding plan. A series of early warning indicators (EWI) has been provided which, combined with the result of the stress test analysis, constitute an effective tool for early definition and evaluation of the most appropriate measures with which to tackle a specific crisis scenario. The contingency indicators are notified regularly to the Bank's governing bodies and management by the ALM and Risk management units.

The above procedures are supported by operational monitoring, which summarizes daily the timing profile of future cash requirements for both certain and estimated outflows (assumptions regarding renewals/early redemptions).

The liquidity balances thus obtained are compared with the amount of the counterbalance capacity defined narrowly as cash and cash equivalents plus the aggregate of securities held which are eligible for refinancing with the monetary authorities, and more broadly with the inclusion of less liquid assets (undeliverable bonds, deliverable shares, deliverable receivables) to which major haircuts are applied.

Stress testing is carried out weekly assuming extraordinary factors such as drawdowns on committed lines granted to customers, reductions in funding (in the interbank and debt security channels, and also partial failure to renew CheBanca! deposits when the restrictions end), plus the possibility of certain instruments being wound up early (in particular callable/puttable bonds).

During the year under review, the retention of a substantial portfolio of securities has ensured that the balance of estimated net outflows has always been far below the counterbalance capacity, even in situations of stress. All the supervisory limits/thresholds set down in the liquidity risk management policy have also been complied with.

A steering committee monitors fortnightly both the Bank's liquidity and the sustainability of the business development on the Bank's asset structure.

During the twelve months under review, the Group has taken part in the Quantitative Impact Study carried out six-monthly by the European Banking Authority (EBA) through the Bank of Italy in respect of the new liquidity requisites, the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), introduced by the Basel Committee as part of the new Basel III supervisory regulations for banks.

QUANTITATIVE INFORMATION

1. Financial assets and liabilities by outstanding life - Currency of denomination: EURO

Items/maturities	On demand	From 1 days 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	Over 5 years	Not specified
Cash assets	3,825,117	4,268,837	338,271	1,883,010	2,964,446	3,537,801	5,168,629	26,156,793	12,657,048	303,790
A.1 Government securities	184,133	—	—	—	183,832	554,977	769,595	5,555,824	1,244,298	—
A.2 Listed debtsecurities	58	24,774	3,705	24,252	132,408	200,576	860,052	4,057,546	2,270,042	—
A.3 Other debt securities	—	—	—	—	—	—	—	—	—	—
A.4 UCITS units	3,640,926	4,244,063	334,566	1,858,758	2,648,206	2,782,248	3,538,982	16,543,423	9,142,708	303,790
– to banks	2,083,643	198,383	38	36,634	154,013	312,125	26,366	678,165	192,774	77,012
– to customers	1,557,283	4,045,680	334,528	1,822,124	2,494,193	2,470,123	3,512,616	15,865,258	8,949,934	226,778
Cash liabilities	4,524,458	1,956,135	282,761	879,640	2,615,422	5,347,450	7,898,181	30,819,083	4,660,199	271,484
B.1 Deposits and currentaccounts	4,488,726	1,954,795	259,282	783,535	1,934,433	3,645,163	5,730,009	8,891,702	802,319	271,433
– to banks	1,678,939	260,536	20,107	387,066	145,445	108,080	890,767	7,919,644	355,434	58,024
– to customers	2,809,787	1,694,259	239,175	396,469	1,788,988	3,537,083	4,839,242	972,058	446,885	213,409
B.2 Debt securities	35,732	1,073	23,479	96,105	673,971	1,695,676	2,138,300	21,319,400	3,432,198	51
B.3 Other liabilities	—	267	—	—	7,018	6,611	29,872	607,981	425,682	—
Off-balance-sheet transactions	11,334,840	13,289,674	21,060	954,878	5,773,172	18,209,212	13,171,821	38,741,035	9,364,672	550
C.1 Financial derivatives with exchange of principal	—	21,898	1,873	284,472	2,698,348	1,209,961	458,918	370,329	180,000	—
– long positions	—	18,341	1,798	18,214	648,047	434,595	333,922	181,148	—	—
– short positions	—	3,557	75	266,258	2,050,301	775,366	124,996	189,181	180,000	—
C.2 Financial derivatives without principal exchange of	8,580,898	18,153	4,499	39,121	236,051	271,713	562,799	18,224	—	—
– long positions	4,164,828	4,889	2,807	18,760	136,049	144,963	354,207	5,644	—	—
– short positions	4,416,070	13,264	1,692	20,361	100,002	126,750	208,592	12,580	—	—
C.3 Deposits and loans for collection	—	8,067,044	—	285,368	1,843,734	1,651,550	546,051	5,130,021	3,123,214	—
– long positions	—	8,067,044	—	138,512	955,896	229,960	—	932,079	—	—
– short positions	—	—	—	146,856	887,838	1,421,590	546,051	4,197,942	3,123,214	—
C.4 Irrevocable commitments to disburse funds *	2,724,310	5,182,579	14,688	345,917	995,039	15,075,988	11,604,053	33,222,461	6,061,458	550
– long positions	234,634	—	7,344	342,331	773,815	7,612,077	6,086,745	17,200,093	4,131,096	275
– short positions	2,489,676	5,182,579	7,344	3,586	221,224	7,463,911	5,517,308	16,022,368	1,930,362	275
C.5 Financed guarantees issued	29,632	—	—	—	—	—	—	—	—	—

* This item Includes hedge sales fully matched by purchases for the same amount.

Currency of denomination: US DOLLARS

Items/maturities	On demand	From 1 days 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	Over 5 years	Not specified
Cash assets	70,661	3,975	15,382	35,499	49,380	85,357	190,742	556,441	181,714	22,820
A.1 Government securities	—	—	—	—	27	—	28	221	465	—
A.2 Listed debtsecurities	—	—	12,867	84	22,123	37,629	109,062	144,660	116,976	—
A.3 Other debt securities	—	—	—	—	—	—	—	—	—	—
A.4 UCITS units	70,661	3,975	2,515	35,415	27,230	47,728	81,652	411,560	64,273	22,820
– to banks	53,539	3,975	—	350	—	567	884	2,248	—	22,602
– to customers	17,122	—	2,515	35,065	27,230	47,161	80,768	409,312	64,273	218
Cash liabilities	330,990	67,293	24,952	23,230	57,900	27,660	50,319	204,102	—	308
B.1 Deposits and currentaccounts	330,986	67,194	24,952	23,210	56,540	25,426	7,955	—	—	308
– to banks	3,990	—	—	—	—	—	—	—	—	52
– to customers	326,996	67,194	24,952	23,210	56,540	25,426	7,955	—	—	256
B.2 Debt securities	4	99	—	20	1,360	2,234	42,364	204,102	—	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	692,191	731,964	45,667	7,401	451,884	22,878,546	1,983,735	62,463,602	15,702,086	—
C.1 Financial derivatives with exchange of principal	—	731,964	45,667	7,054	225,484	1,037,172	—	194,626	282,111	—
– long positions	—	518,167	43,882	5,553	197,643	358,362	—	13,026	—	—
– short positions	—	213,797	1,785	1,501	27,841	678,810	—	181,600	282,111	—
C.2 Financial derivatives without principal exchange of	453,907	—	—	347	30	1,506	1,072	—	—	—
– long positions	172,751	—	—	270	30	459	768	—	—	—
– short positions	281,156	—	—	77	—	1,047	304	—	—	—
C.3 Deposits and loans for collection	158,856	—	—	—	158,856	—	—	—	—	—
– long positions	158,856	—	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	158,856	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds *	79,428	—	—	—	67,514	21,839,868	1,982,663	62,268,976	15,419,975	—
– long positions	39,714	—	—	—	39,714	10,919,934	987,360	31,125,612	7,715,923	—
– short positions	39,714	—	—	—	27,800	10,919,934	995,303	31,143,364	7,704,052	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—

[1] This item Includes hedge sales fully matched by purchases for the same amount.

Currency of denomination: OTHER

Items/maturities	On demand	From 1 days 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	Over 5 years	Not specified
Cash assets	73,872	42,921	43,000	82,297	32,204	133,925	64,349	235,022	27,660	—
A.1 Government securities	—	—	—	—	—	—	—	—	—	—
A.2 Listed debtsecurities	—	—	37,329	—	7,342	86,197	46	2,039	4,370	—
A.3 Other debt securities	—	—	—	—	—	—	—	—	—	—
A.4 UCITS units	73,872	42,921	5,671	82,297	24,862	47,728	64,303	232,983	23,290	—
– to banks	71,691	39,142	—	1	565	—	—	1	—	—
– to customers	2,181	3,779	5,671	82,296	24,297	47,728	64,303	232,982	23,290	—
Cash liabilities	183,688	6,748	8,812	18,395	5,724	27,495	23,480	17,551	240,442	113
B.1 Deposits and currentaccounts	183,688	6,748	8,812	18,395	5,724	14,171	3,104	—	—	113
– to banks	83,294	—	4,406	9,818	—	—	—	—	—	113
– to customers	100,394	6,748	4,406	8,577	5,724	14,171	3,104	—	—	—
B.2 Debt securities	—	—	—	—	—	13,324	20,376	17,551	240,442	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	620,777	372,205	651,490	1,595,674	435,792	71,851	2,645,445	4,398,681	191,447	—
C.1 Financial derivatives with exchange of principal	—	348,159	650,980	1,595,674	435,792	61,371	2,644,588	1,232,797	191,447	—
– long positions	—	198,848	307,509	809,580	221,812	30,535	1,313,339	401,767	—	—
– short positions	—	149,311	343,471	786,094	213,980	30,836	1,331,249	831,030	191,447	—
C.2 Financial derivatives without principal exchange of	596,731	—	510	—	—	10,480	857	—	—	—
– long positions	282,961	—	—	—	—	10,046	—	—	—	—
– short positions	313,770	—	510	—	—	434	857	—	—	—
C.3 Deposits and loans for collection	24,046	24,046	—	—	—	—	—	—	—	—
– long positions	24,046	—	—	—	—	—	—	—	—	—
– short positions	—	24,046	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds *	—	—	—	—	—	—	—	3,165,884	—	—
– long positions	—	—	—	—	—	—	—	1,582,942	—	—
– short positions	—	—	—	—	—	—	—	1,582,942	—	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—

* This item Includes hedge sales fully matched by purchases for the same amount.

1.4 BANKING GROUP – OPERATIONAL RISK

QUALITATIVE INFORMATION

Definition

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.

Capital requirements for operating risk

Mediobanca has decided to adopt the Basic Indicator Approach (BIA) in order to calculate the capital requirement for covering operational risk, applying a margin of 15% to the average of the last three years' readings of total income. Based on this method of calculation, the capital requirement as at 30 June 2012 was €265.3m (30/6/11: €262.7m).

Risk mitigation

During the twelve months under review, an Operational risk management team has been instituted at the parent company level.

The processes of identifying, assessing and mitigating operational risks involve liaising with the other bodies and persons responsible for controls, such as the head of company financial reporting and the Compliance and Group audit unit, in accordance with their respective duties and responsibilities.

With reference to the possibility of losses caused by interruptions in operations or systems being unavailable, the Group has drawn up operating continuity and disaster recovery plans to ensure that activity can continue and to limit operating losses in the event of prolonged interruptions. The Group reviews the operating continuity and emergency plans regularly, to ensure that these are consistent with its activities and current operating strategies.

Insurance policies have been taken out to cover the most valuable staff members and assets and as protection for management of cash.

As for the possibility of risks deriving from outsourcing activities, the Group has implemented a continuous monitoring and regular review system to assess the continuity and level of the service provided by outsourcers.

Legal risk: risks deriving from litigation pending

Apart from the claim pending against Mediobanca for the alleged failure to launch a full takeover bid for La Fondiaria in 2002 (cf. p. 241), the Group faces no legal risk worthy of note.

1.5 BANKING GROUP – OTHER RISKS

QUALITATIVE INFORMATION

As part of the Internal Capital Adequacy Assessment Process (ICAAP) required by the regulations in force, the Group has identified the following types of risk as relevant (in addition to those discussed previously, i.e. credit risk, market risk, liquidity and operating risk):

– interest rate risk on the banking book, deriving from possible changes in interest rates;

– 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);

– 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);

– 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.

Risks are monitored and managed via the respective internal units (risk management, planning and control, compliance and internal audit units) and by specific committees (risks and ALM committees).

Part F - Information on consolidated capital

SECTION 1

Consolidated capital

B. Quantitative information

*B.1 Consolidated net equity: breakdown by type of company **

Net equity constituents	Banking group	Insurance companies	Other companies	Elisions/ adjustments upon-consolidation	Total	Of which: minorities
Share capital	455,513	—	—	—	455,513	24,948
Share premium	2,127,359	—	—	—	2,127,359	7,216
Reserves	4,502,779	15,000	310	(15,310)	4,502,779	83,878
Equity instruments	—	—	—	—	—	—
Treasury shares	(213,844)	—	—	—	(213,844)	—
Valaution reserves:	(343,241)	(279)	—	279	(343,241)	(6,123)
- AFS securities	(239,531)	(279)	—	3,699	(236,111)	—
- Property, plant and equipment	—	—	—	—	—	—
- Intangible assets	—	—	—	—	—	—
- Foreign investment hedges	—	—	—	—	—	—
- Cash flow hedges	(128,677)	—	—	—	(128,677)	(7,715)
- Exchange rate differences	—	—	—	—	—	—
- Non-current assets being sold	—	—	—	—	—	—
- Actuarial gains (losses) on defined-benefit pension schemes	—	—	—	—	—	—
- Share of valuation reserves represented by equity accounted companies	9,905	—	—	(3,420)	6,485	—
- Special valuation laws	15,062	—	—	—	15,062	1,592
Gain (loss) for the period attributable to the Group/minorities	81,813	9,314	4,001	(14,769)	80,359	(528)
Total	6,610,379	24,035	4,311	(29,800)	6,608,925	109,391

* Includes Banca Esperia, consolidated pro rata, plus Compass RE (insurance), Creditech, R&S and Sade (other companies), equity-consolidated.

B.2 AFS valuation reserves: composition

Assets/amounts	Banking group		Insurance companies		Other companies		Elisions/adjustments up on consolidation		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	27,683	(260,100)	735	(1,014)	—	—	279	1,175	28,697	(259,939)
2. Equities	38,562	(53,745)	—	—	—	—	—	—	38,562	(53,745)
3. OICR units	14,752	(6,962)	—	—	—	—	—	2,524	14,752	(4,438)
4. Loans and advances	—	—	—	—	—	—	—	—	—	—
Total at 30/6/12	80,997	(320,807)	735	(1,014)	—	—	279	3,699	82,011	(318,122)
Total at 30/6/11	178,496	(202,371)	—	—	—	—	—	1,893	178,496	(200,478)

B.3 AFS valuation reserves: movements during the period

	Debt securities	Equities	UCITS units	Loans	Total
1. Opening balance	(71,380)	39,907	9,491	—	(21,982)
2. Additions	43,675	94,107	3,866	—	141,648
2.1 Increases in fair value	42,277	20,132	3,072	—	65,481
2.2 Negative reserves charged back to profit and loss as a result of	1,398	73,864	794	—	76,056
- impairment	—	33,076	794	—	33,870
- disposals	1,398	40,788	—	—	42,186
2.3 Other additions	—	111	—	—	111
3. Reductions	203,537	149,197	3,043	—	355,777
3.1 Reductions in fair value	195,097	63,932	2,895	—	261,924
3.2 Adjustments for impairment	—	4,009	—	—	4,009
3.3 Positive reserves credited back to profit and loss as a result of: disposals	8,440	81,256	—	—	89,696
3.4 Other reductions	—	—	148	—	148
4. Balance at end of period	(231,242)	(15,183)	10,314	—	(236,111)

SECTION 2

Regulatory and supervisory capital requirements for banks

Capital is the first and most important safeguard of a bank's stability. For this reason, the international and domestic supervisory bodies have established rigorous rules for calculating regulatory capital and the minimum capital requirements with which banks are bound to comply. Once a year the supervisory authorities carry out a supervisory review and evaluation process (SREP) which includes risk profiles and the systems and controls for governing them, setting the target capitalization for the Group and its international banking subsidiaries.

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 the information disclosed to the public as required under Pillar III of Basel II, with the latter document published on the Bank's website at www.mediobanca.it. Based on the valuations carried out in 2011, the authorities considered the capital of the Group and its non-Italian banking subsidiary to be adequate to cover the risks contemplated under Pillar I and Pillar II.

2.1 Scope of application of regulations

Regulatory capital has been calculated on the basis of Bank of Italy circulars no. 263 issued on 27 December 2006 (thirteenth update 29 May 2012) and no. 155 (fourteenth update 21 December 2011), which transpose the new prudential guidelines for banks and banking groups introduced by the New Basel Capital Accord (Basel II) into the Italian regulatory framework.

The Bank has opted for the "full neutralization" permitted by the Bank of Italy in its guidance issued on 18 May 2010, whereby the valuation reserves for sovereign debt issued by EU member states and held as AFS financial assets can be neutralized for the purpose of calculating regulatory capital.

The regulations on banks' capital and corporate governance known as the Capital Requirements Directive ("CRD IV") are currently in the process of being approved by the European Council and Parliament, based on the proposals made by the European Commission. This document incorporates the new prudential guidelines for banks known as Basel III, which involve a general strengthening of the quality of regulatory capital. The definitive version of the new regulations should be ready by end-2012 and applied gradually starting from January 2013, becoming fully operative as from 2019.

2.2 Regulatory capital requirements for banks

A. Qualitative information

1. Tier 1 and tier 2 capital

Tier 1 capital consists of the share attributable to the Group and to minority shareholders of capital paid up, reserves, and profit for the period net of treasury shares (€213.8m), intangible assets (€51m), goodwill (€411.8m), the negative share in the bond valuation reserve (€39.6m) including associated companies pro rata (€13.4m) and net of the prudential filter for EU states' government securities (€163,7m), plus 50% of the book value of the Bank's investments in banks and financial services companies (equal to €55.3m).

Tier 2 capital includes 50% of the positive reserves for AFS securities (€3.6m), reserves for property valuations (€15.1m), Tier 2 subordinated liabilities (€1,457.9m) – down as a result of the early redemption of the 2006 issue (€634.8m), only partly replaced by a new, ten-year issue (€425.8m) – positive exchange rate differences (€84.8m) less unrealized losses on investments (€35m) e and the remaining share of the book value of investments in banks and financial companies (€55.3m).

B. Quantitative information

	30/6/12	30/6/11
A. Tier 1 capital prior to application of prudential filters	6,230,439	6,147,181
B. Tier 1 prudential filters:		
B.1 IAS/IFRS positive filters	163,750	60,590
B.2 IAS/IFRS negative filters	—	—
C. Tier 1 capital gross of items to be deducted	6,394,189	6,207,771
D. Items for deduction from Tier 1 capital	(55,275)	(51,683)
E. Total Tier 1 capital	6,338,914	6,156,088
F. Tier 2 capital prior to application of prudential filters	1,529,984	1,914,398
G. Tier 2 prudential filters:		
G.1 IAS/IFRS positive filters	—	—
G.2 IAS/IFRS negative filters	(3,594)	(119,722)
H. Tier 2 capital gross of items to be deducted	1,526,390	1,794,676
I. Items for deduction from Tier 2 capital	(55,275)	(51,683)
L. Total Tier 2 capital	1,471,115	1,742,993
M. Items for deduction from Total Tier 1 and Tier 2 capital	—	—
N. Regulatory capital	7,810,028	7,899,081
O. Total Tier 3 capital	—	—
P. Total regulatory capital including Tier 3	7,810,028	7,899,081

2.3 Capital adequacy

A. Qualitative information

As at 30 June 2012, the Group's Tier 1 ratio, calculated as Tier 1 capital as a percentage of risk-weighted assets, amounted to 11.49%, up slightly compared to the figure posted at 30 June 2011 (11.19%), chiefly due to a reduction in negative items in connection with the improvement in the AFS reserves, with risk-weighted assets stable at €55.2bn (€55bn) despite the downgrade of Italian sovereign risk (which led to an increase in the weighting of credit exposures) the deterioration in equities held for trading purposes. The decrease in the total capital ratio from 14.36% to 14.16%, meanwhile, reflects the reduction in regulatory capital (€209m) due to the failure to renew the subordinated issues already referred to.

B. Quantitative information

Categories/amounts	Unweighted amounts		Weighted amounts/ requirements	
	30/6/12	30/6/11	30/6/12	30/6/11
A. RISK ASSETS				
A.1 Credit and counterpart risk	70,554,508	70,797,922	44,937,731	44,406,949
1. Standard methodology	70,282,306	70,485,596	44,612,976	44,194,534
2. Internal rating methodology	—	—	—	—
2.1 Basic	—	—	—	—
2.2 Advanced	—	—	—	—
3. Securitization	272,202	312,326	324,755	212,415
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterpart risk			3,595,018	3,552,555
B.2 Market risk			552,853	586,797
1. Standard methodology			533,792	567,082
2. Internal models			—	—
3. Concentration risk			19,061	19,715
B.3 Operational risk			265,251	262,685
1. Basic Indicator Approach (BIA)			265,251	262,685
2. Standard methodology			—	—
3. Advanced methodology			—	—
B.4 Other prudential requirements			—	—
B.5 Other calculation elements			—	—
B.6 Total prudential requirements			4,413,122	4,402,037
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			55,164,025	55,025,457
C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			11.49%	11.19%
C.3 Regulatory capital/risk-weighted assets (total capital ratio)			14.16%	14.36%

Part G - Combinations involving Group companies or business units

SECTION 1

Transactions completed during the year

The partial demerger by Compass to Mediobanca approved by the two companies' respective Boards of Directors was completed on 23 March 2012. The deed filed with the Milan companies' register on 26 March 2012 took legal effect as from 1 April 2012, while in accounting terms the transaction is effective as from 1 July 2011.

As a result of the demerger the following assets have been assigned to Mediobanca: Compass's shareholdings in CheBanca! (100%), SelmaBipiemme Leasing (60%) and Assicurazioni Generali (0.91%), the property located at Foro Buonaparte 10, Milan, and amounts payable to Mediobanca S.p.A. totalling €667m.

A list of the assets and the book values at which they were carried in Compass's accounts is provided below:

Asset (company name/registered office)	No. of shares	%	Book value
CheBanca! S.p.A. – Via Manuzio 7, Milan	420,000,000	100.00	408,188,484
Assicurazioni Generali S.p.A. – Piazza Duca degli Abruzzi, Trieste	14,194,210	0.91	259,748,615
SelmaBipiemme Leasing S.p.A. – Via Battistotti Sassi 11/A, Milan	49,564,777	60.00	32,689,986
Property located in Foro Buonaparte 10, Milan			7,874,288
Total			**708,501,373**

The difference between the book value of the assets assigned to Mediobanca (€708,501,373, equivalent to 6% of Compass's total assets) and the amount of the bank debt payable (€667,000,000) generates a surplus arising on demerger totalling €41,501,373.

As a result of the demerger, the net equity of Compass has therefore been reduced by €41.5m, the amounts being taken from the profit reserves. The surplus on demerger has been stated in Mediobanca's assets as a reduction in the original book value of the holding in Compass, having recognized the values of the individual assets received and cancelled the bank debts. As a result, Mediobanca's net equity is unchanged following the transaction.

* * *

At the end of the 2008 financial year, Compass acquired 100% of Linea for a consideration of €405m. Linea, a leading operator in consumer credit, had the following, fully-owned subsidiaries: Futuro (salary-backed finance) and Equilon (internet banking). It also had a 50:50 joint venture with Ducati to provide finance for purchasing motorcycles, and exercised *de facto* control over securitization vehicle company Jump.

Completion of the purchase price allocation procedure required under IFRS 3, resulted in goodwill of €365.9m and specific intangible assets, recorded separately and not recognized in the accounts of the acquired companies, worth €50.5m. The following values in particular were established:

		(€'000)
Intangible assets with defined life		44,200
of which: – commercial agreements	*19,300*	
– customer relationships	*24,900*	
Brands		6,300
Difference between other assets/liabilities		2,729
Tax effects		(12,155)
Goodwill		365,934
Consideration paid		407,008
of which: ancillary charges	*2,008*	

The intangible assets with defined lives have an average duration of 7.8 years (up to a maximum of ten years), and have been amortized over the four years as to approx. €23.3m; at 30 June 2012 they were valued at €20.9m. All brands have been considered as having indefinite lives, and involve consumer credit as to €3.6m and credit cards as to €2.7m. The goodwill has been allocated to the following cash generating units:

	(€m)
Consumer credit	280.6
Credit cards	73.4
Salary-backed finance	11.9
Goodwill	*365.9*

The impairment test was passed successfully for all three segments, as the value in use (calculated using a dividend discount model) was higher than the carrying value, including goodwill and the share of associated brands. The calculation was based on the most up-to-date financial flows projected over a time horizon of five years, while reflecting base assumptions consistent with the most recent market scenarios (healthy performance in consumer credit, and slowdown in the credit cards segment) and the company's competitive potential:

	CAGR			
		Total loans		
Cash generating units	**New loans**	**30/6/12**	**Avg.**	**Cost of borrowing**
Consumer credit	1.9%	3.4%	3.3%	3.5%
Credit cards	4.9%	3.0%	3.1%	2.0%
Salary-backed finance	-1.2%	5.8%	5.8%	4.3%

The terminal value has been calculated assuming a constant growth rate:

– cost of capital (Ke): 12.2% (higher than the 11.5% used last year) deriving from a risk premium of 5.6%, a risk-free rate of 5.7% and levered beta of 1.17;

– growth rate (g): 2%.

These values have been borne out even in a stressed scenario for both cost of capital and growth rates (+/–0.5%).

Part H - Related party disclosure

1. Related party disclosure

In January 2011 the Group adopted its own related parties procedure, in pursuance of Consob resolution no. 17221 issued on 12 March 2010. The purpose of the procedure is to ensure that transactions with related parties executed directly by Mediobanca or via subsidiaries are managed transparently and fairly. The full document is published on the Bank's website at www.mediobanca.it.

At a Board meeting held on 27 June 2012, the directors of Mediobanca, having received favourable opinions from the Related parties committee and Statutory Audit Committee, incorporated the Bank of Italy's instructions on this subject to the procedure, which introduce prudential limits for risk activities versus related parties. The updated version of the procedure comes into force on 31 December 2012.

For the definition of related parties adopted, please see part A (Accounting policies) of the notes to the accounts.

Accounts with related parties fall within the ordinary operations of the Group companies, are maintained on an arm's length basis, and are entered into in the interests of the individual companies concerned. Details of Directors' and strategic management compensation are provided in a footnote to the table.

1.1 Regular financial disclosure: most significant transactions

During the period under review, the following most significant transactions were reported to Consob, which were exempt from the related parties procedure under the regulations in force because of their ordinary nature and because they were completed on an arm's length basis; no other transactions with related parties took place that impacted significantly on the Group's financial situation or earnings results.

FY 2011/12:

Name of counterparty	Type of relationship	No. of transactions	Transaction type	Amount (€m)	Exempt
UNICREDIT	Significant influence over Mediobanca (>5% with entitlement to appoint BoD member)	1	Rights issue underwriting	850 [1]	✓
TELCO	Investment subject to significant influence	1	Participation in syndicated loan secured by Telecom Italia shares; maximum duration 18 months	390	✓

[1] Maximum risk assumed by Mediobanca as part of an underwriting commitment entered into by the Group in conjunction with other financial institutions in respect of a rights issue by Unicredit S.p.A; the transaction was completed in an amount of €752.8m without Mediobanca taking on any commitment.

During the year ended 30 June 2011, a single transaction was executed which qualified as significant under Consob regulations, but was exempt from the related party procedure because of its ordinary nature and because it was completed on an arm's length basis.

FY 2010/11:

Name of counterparty	Type of relationship	No. of transactions	Transaction type	Amount (€m)	Exempt
MEDIASET	Company controlled by close relation of BoD member	1	Cash loan, maximum duration 8 years	450	✓

1.2 Quantitative information

The exposure (representing the sum of assets plus guarantees and commitments) increased from €3.9bn to €4.3bn, on account of the broader definition used in IAS 24, whereby related parties include Group companies and associates (€0.5bn). The other increases in the period totalled €0.9bn, and were chiefly connected with treasury operations which were offset in their entirety by Premafin and Fondiaria-Sai exiting the scope of consideration after Jonella Ligresti resigned as a director in June 2012 (€1.1bn). Overall, accounts with related parties represent some 5.3% of the total asset aggregates and 4.7% of interest income (in line with last year).

Situation at 30 June 2012

(€m)

	Directors, statutory auditors and strategic management	Associates	Other related parties	Total
Assets	0.3	2,306.0	1,045.7	3,352.0
of which: other assets	—	*1.027.5*	*315.8*	*1,343.3*
loans and advances	*0.3*	*1,278.5*	*729.9*	*2,008.7*
Liabilities	28.1	26.5	68.6	123.2
Guarantees and commitments	—	152.7	772.1	924.8
Interest income	—	96.5	45.2	141.7
Interest expense	(0.8)	(4.5)	(3.3)	(8.6)
Net fee income	—	31.8	42.1	73.9
Other income (costs)	(30.6) [1]	82.8	(11.7)	40.5

[1] Of which: short-term benefits amounting to €28.7m, stock options worth €0.9m and performance shares worth €0.7m. The figure includes those staff comprised in the aggregate "Strategic management" during the year.

Situation at 30 June 2011

(€m)

	Directors, statutory auditors and strategic management	Associates	Other related parties	Total
Assets	0.4	1,594.5	1,564.9	3,159.8
of which: other assets	—	*236.8*	*227.2*	*464.0*
loans and advances	*0.4*	*1,357.7*	*1,337.7*	*2,695.8*
Liabilities	17.9	102.9	911.8	1,032.6
Guarantees and commitments	—	106.2	669.6	775.8
Interest income	—	82.0	69.5	151.5
Interest expense	(0.5)	(0.3)	(13.0)	(13.8)
Net fee income	—	(2.7)	23.0	20.3
Other income (costs)	(41.2) [1]	(47.7)	(31.1)	(120.0)

[1] Of which: short-term benefits amounting to €38.5m, stock options worth €1.8m and performance shares worth €0.4m. The figure includes those staff comprised in the aggregate "Strategic management" during the year.

Part I - Share-based payment schemes

A. QUALITATIVE INFORMATION

1. Information on capital increases for use in share-based payment schemes using the Bank's own equity instruments

The increases in the Bank's share capital for use in connection with the stock option and performance share schemes approved reflect the following situation:

Extraordinary general meeting held on	No. of shares approved	Awards expire on	Deadline for exercising options	No. of shares awarded
29 March 1999	3,130,000	30 July 2006	31 December 2011	3,130,000
30 July 2001	50,000,000	30 July 2006	1 July 2015	49,500,250
28 October 2004	11,000,000	28 October 2009	1 July 2020	10,665,000
of which to directors [1]	*4,000,000*	*28 October 2009*	*1 July 2020*	*3,375,000* [2]
27 June 2007	40,000,000	27 June 2012	1 July 2022	16,921,000
TOTAL STOCK OPTIONS	**108,130,000**	**X**	**X**	**83,591,250**
28 October 2010	20,000,000	X	X	2,494,424
TOTAL PERFORMANCE SHARES	**20,000,000**	**X**	**X**	**2,494,424**

[1] At a general meeting held on 27 June 2007, shareholders approved a proposal to grant stock options to Board members.

[2] 2,000,000 of which granted to one former director.

2. Description of stock option schemes

The stock option schemes approved pursuant to Article 2441, paragraphs 8 and 5, of the Italian Civil Code, provide for a maximum duration of ten years and a vesting period of thirty-six months.

The schemes were launched with the dual purpose of encouraging loyalty retention among key staff members, i.e. persuading employees with essential and/or critical roles within the Group to stay with Mediobanca, and making the remuneration package offered to them more diversified and flexible.

The choice of beneficiaries and decisions as to the number of options to be allotted are taken in view of the role performed by the person concerned with the company's organization and their importance in terms of creating value.

A total of 650,000 options were awarded during the period as part of the variable staff remuneration for 2011, all from the amount approved by shareholders at a general meeting held on 27 June 2007, at a price of €6.430

per share, vesting for three years (subject to the performance conditions for each of the three years being met) and exercisable in eight years.

Mediobanca, along with Mediolanum, also participates in the stock option scheme operated by Banca Esperia for its staff, reserving a portion of its investment in the company for use in connection with this scheme.

3. Description of performance share scheme

As part of its use of equity instruments for staff remuneration purposes, Mediobanca has chosen to adopt a performance share scheme, which was approved by the Bank's shareholders at the annual general meeting held on 28 October 2010. Under the terms of the scheme, in certain conditions Mediobanca shares may be awarded to staff free of charge at the end of a vesting period. The rationale for the scheme is to:

– bring the Bank's remuneration structure into line with guidance issued by regulatory authorities requiring that significant percentages of the variable remuneration component annually assigned be paid in the form of equity instruments, making it consistent with results sustainable over time;
– encourage the involvement of key staff in a mechanism for co-investing in the share capital of Mediobanca;
– introduce a new instrument alongside the stock options, with a limited number of newly-issued shares and by using the treasury shares owned by the Bank, in order to limit the dilutive impact on the ownership structure.

In connection with this proposal, a resolution to increase the company's share capital was adopted by shareholders at the annual general meeting referred to above, with up to 20 million new Mediobanca shares being issued, and treasury shares owned by the Bank used for this purpose.

On 27 July 2011, as part of staff variable remuneration for the 2011 financial year, a total of 2,521,697 performance shares were awarded; the shares, which are conditional upon certain performance targets being met over a three-year time horizon, will be made available in tranches in November 2013 (up to 1,194,889), November 2014 (up to 663,404) and November 2015 (up to 663,404), considering the additional holding period of one year. A part of the overall notional cost, out of a total of €15.7m, has been charged to the accounts for the year.

Since the reporting date, as part of staff variable remuneration for the 2012 financial year, on 20 September 2012 a total of 5,861,494 performance shares were awarded; the shares, which are conditional upon certain performance targets being met over a three-year time horizon, will be made available in tranches in November 2014 (up to 1,941,206), November 2015 (up to 3,347,604) and November 2016 (up to 572,684) considering the additional holding period of one year. A part of the overall notional cost, out of a total of €19.5m, has been charged to the accounts for the year.

B. QUANTITATIVE INFORMATION

1. Changes to stock option scheme during the period

Headings / No. of options and strike prices	30/6/12			30/6/11		
	No. of options	Avg. price	Avg. expiry	No. of options	Avg. price	Avg. expiry
A. Balance at start of period	40,355,750	9.90	September 2016	24,365,750	12.21	June 2015
B. Additions						
B.1 New issues	650,000	6.43	August 2019	16,330,000	6.54	August 2018
B.2 Other additions	—	—	X	—	—	X
C. Reductions						
C.1 Options cancelled	103,750	12.16	X	340,000	6.67	X
C.2 Options exercised	—	—	X	—	—	X
C.3 Options expired	—	—	X	—	—	X
C.4 Other reductions	260,000	6.56	X	—	—	X
D. Balance at end of period	40,642,000	9.86	October 2016	40,355,750	9.90	September 2016
E. Options exercisable as at reporting date	23,642,000	12.24	X	13,569,750	13.69	X

2, Changes to performance share scheme during the period

Headings / No. of performance shares	30/6/12		30/6/11	
	No. of performance shares	Avg. price	No. of performance shares	Avg. price
A. Balance at start of period	—	—	—	—
B. Additions				
B.1 New issues	2,521,697	6.23	—	—
B.2 Other additions	—	—	—	—
C. Reductions				
C.1 Options cancelled	—	—	—	—
C.2 Options exercised	—	—	—	—
C.3 Options expired	—	—	—	—
C.4 Other reductions	27,273	6.21	—	—
D. Balance at end of period	2,494,424	6.23	—	—
E. Performance shares exercisable as at reporting date	—	—	—	—

Part L - Segment reporting

A. PRIMARY SEGMENT REPORTING

A.1 Profit-and-loss figures by business segment (net contributions)

(€m)

Profit-and-loss figures	Corporate & Investment Banking	Principal Investing	Retail & Private banking	Others Companies	Writeoffs [1]	Group
Net interest income	381.6	(8.8)	707.2	(0.3)	(9.9)	1.069.8
Net trading income	256.4	—	9.9	—	0.5	266.8
Net fee and commission income	275.6	—	246.4	18.1	(56.6)	483.5
Share in profits earned by equity-accounted companies	19.7	147.8	—	—	2.0	169.5
Total income	**933.3**	**139.0**	**963.5**	**17.8**	**(64.0)**	**1.989.6**
Personnel costs	(202.2)	(5.6)	(199.4)	(5.1)	19.0	(393.3)
Administrative expenses	(110.9)	(2.8)	(311.6)	(12.4)	42.0	(395.7)
Operating costs	**(313.1)**	**(8.4)**	**(511.0)**	**(17.5)**	**61.0**	**(789.0)**
Gain (losses) on AFS, HTM and L&R securities	23.8	—	1.5	—	7.1	32.4
Gain (loss) on disposal of AFS securities	(134.2)	—	(333.3)	—	(0.8)	(468.3)
Gain (loss) on disposal of other securities	(405.5)	(197.8)	(0.7)	—	—	(604.0)
Others	—	—	47.5	(0.1)	(2.2)	45.2
Profit before tax	**104.3**	**(67.2)**	**167.5**	**0.2**	**1.1**	**205.9**
Income tax for the period	(85.1)	3.7	(46.3)	(0.2)	2.4	(125.5)
Minority interest	0.5	—	—	—	—	0.5
Net profit	**19.7**	**(63.5)**	**121.2**	**—**	**3.5**	**80.9**
Cost/income ratio (%)	*33.5%*	*6.0%*	*53.0%*	*n.m.*	*n.m.*	*39.7%*

Divisions comprise:

– *CIB (Corporate and investment banking):* comprises corporate and investment banking, including leasing, plus the Group's trading investments. The companies which form part of this division are Mediobanca, Mediobanca International, MB Securities USA, Consortium, Prominvestment, SelmaBipiemme Leasing, Palladio Leasing and Teleleasing;

– *Principal investing:* comprises the Group's shareholdings in Assicurazioni Generali, RCS MediaGroup and Telco, plus stakes acquired as part of merchant banking activity and investments in private equity funds;

– *Retail and private banking:* businesses targeting retail customers via consumer credit products, mortgages, deposit accounts, private banking and fiduciary activities. The companies which make up this division are: Compass, CheBanca!, Cofactor, Futuro, Compass RE and Creditech (consumer credit); and Compagnie Monégasque de Banque, Spafid and Prudentia Fiduciaria, plus 50% of Banca Esperia pro-forma (private banking).

[1] The column headed "Writeoffs" includes the contribution of Banca Esperia, which for operating reasons is consolidated pro rata, along with any other items recorded on consolidation (including intercompany eliminations) between the different business areas.

A.2 Balance-sheet data by business segment (net contributions)

(€m)

Balance-sheet data	Corporate & Investment Banking	Principal Investing	Retail & Private banking	Others Companies	Writeoffs [1]	Group
Treasury funds	10,641.7	—	8,816.5	0.5	(10,128.3)	9,330.4
AFS securities	9,210.3	146.3	1,694.6	—	(499.1)	10,552.1
Financial assets held to maturity (HTM & LR)	4,013.4	—	2,731.4	—	(4,416.7)	2,328.1
Equity investments	385.8	2,696.4	—	—	83.3	3,165.5
Loans and advances to customers	30,519.7	—	14,661.0	—	(8,871.2)	36,309.5
Funding	(52,552.8)	(259.8)	(26,574.1)	(31.6)	23,630.3	(55,788.0)

[1] The column headed "Writeoffs" includes the contribution of Banca Esperia, which for operating reasons is consolidated pro rata, along with any other items recorded on consolidation (including intercompany eliminations) between the different business areas.

B. SECONDARY SEGMENT REPORTING

B.1 Profit-and-loss figures by geographical region (net contributions)

(€m)

Profit-and-loss figures	Italy	Europe [1]	Group
Net interest income	1,009.8	60.0	1,069.8
Net trading income	254.1	12.7	266.8
Net fee and commission income	394.8	88.7	483.5
Share in profits earned by equity-accounted companies	169.5	—	169.5
Total income	**1,828.2**	**161.4**	**1,989.6**
Personnel costs	(300.6)	(92.7)	(393.3)
Administrative expensives	(348.9)	(46.8)	(395.7)
Operating costs	**(649.5)**	**(139.5)**	**(789.0)**
Gain (losses) on AFS, HTM and L&R securities	32.4	—	32.4
Gain (loss) on disposal of AFS securities	(464.8)	(3.5)	(468.3)
Gain (loss) on disposal of other securities	(603.2)	(0.8)	(604.0)
Others	(0.1)	45.3	45.2
Profit before tax	**143.0**	**62.9**	**205.9**
Income tax for the period	(114.0)	(11.5)	(125.5)
Minority interest	0.5	—	0.5
Net profit	**29.5**	**51.4**	**80.9**
Cost/income ratio (%)	*35.5%*	*86.4%*	*39.7%*

[1] This heading includes Mediobanca International, Compagnie Monégasque de Banque, Compass RE plus the non-Italian branches of Mediobanca (Paris, Frankfurt, Madrid and London).

B.2 Balance-sheet data by geographical region (net contributions)

(€m)

Balance-sheet data	**Italy**	**Europe [1]**	**Group**
Treasury funds	8,449.3	881.1	9,330.4
AFS securities	10,168.6	383.5	10,552.1
Financial assets held to maturity (HTM & LR)	2,328.1	—	2,328.1
Equity investments	3,165.5	—	3,165.5
Loans and advances to customers	32,403.0	3,906.5	36,309.5
Funding	(51,794.5)	(3,993.5)	(55,788.0)

[1] This heading includes Mediobanca International, Compagnie Monégasque de Banque, Compass RE plus the non-Italian branches of Mediobanca (Paris, Frankfurt, Madrid and London).

ANNUAL GENERAL MEETING,
27 OCTOBER 2012

AGENDA

Ordinary business

1) Financial statements for the year ended 30 June 2012, the Board of Directors' Review of Operations, the external auditors' report and the Statutory Audit Committee's report; associated resolutions.
2) Formalities required under Article 15 of the company's Articles of Association: appointment of Directors.
3) Appointment of external legal auditors for the 2013-2021 period.
4) Staff remuneration policies.

Extraordinary business

1) Authorization to the Board of Directors under Article 2443 of the Italian Civil Code, to increase the company's share capital by means of rights issues in a nominal amount of up to €40m, including via warrants, to be set aside for subscription by Italian and non-Italian professional investors with option rights excluded under and pursuant to the provisions of Article 2441, paragraph four, second sentence, of the Italian Civil Code; amendment to Article 4 of the company's Articles of Association and related resolutions. Further amendments to the Articles of Association.

Ordinary business

ACCOUNTS OF THE BANK

REVIEW OF OPERATIONS

REVIEW OF OPERATIONS

Overview

In the twelve months ended 30 June 2012, Mediobanca made a net loss of €200.2m (compared with a €127.4m net profit last year), as a result of the exceptionally difficult operating conditions which required hefty adjustments to the securities and equity investment portfolios. Indeed, at the operating level the Bank earned a profit of €398.4m, albeit lower than the €460.8m posted last year, on revenues down 4.1% (from €877.2m to €841.6m) and costs down 9.1% (from €317.8m to €289m). The main income items performed as follows:

- net interest income fell 10.6%, from €309.1m to €276.3m, due to the increased cost of funding linked to the widening spreads on government securities;
- net trading income (trading profits plus dividends) rose from €171.5m to €253.1m, despite the high market volatility;
- net fee and commission income fell 11.1%, from €297.7m to €264.8m, reflecting the reduced contribution from advisory business during the first half year in particular;
- dividends on equity investments halved, from €98.9m to €47.4m, due to reduced contributions from Assicurazioni Generali of €40.9m (€85.8m) and Pirelli & C. of €5.9m (€13.1m);
- labour costs fell by 14.9%, from €221.8m to €188.7m, due in particular to the reduction in the variable remuneration component;
- other administrative expenses rose 4.5%, from €96m to €100.3m, due to higher EDP and financial subscription charges.

Loan loss provisions reflect the widespread deterioration in the macro-economic scenario, totalling €106.8m, up on the €0.3m reported last year which, however, was boosted by a €75m one-off writeback.

Provisions for financial assets increased from €155.3m to €412.4m, €142.7m of which in respect of bonds (in particular Greek government securities) and €269.7m equities (€132.7m of which in respect of the UniCredit cashes, €34m Delmi, €28.8m Santé, €17.9m InvAG and €10.8m Ferretti). Conversely, the AFS portfolio reflects net gains on disposals of €32.5m (€8.6m), boosted by the sale of an 8.5% stake in Autostrade Sud America (yielding gains of €91m).

This year too the result was penalized by substantial writedowns to equity investments (which rose from €158.6m to €198.4m), chiefly due to the impairment charges on Telco (€115.7m) and RCS MediaGroup (€82.3m).

The main balance-sheet headings show rises in loans and advances to Group companies (from €8.8bn to €12.4bn) and AFS bonds (from €5.1bn to €8.3bn), against increases in funding (from €41.8bn to €50.1bn, which was boosted by the three-year, €7.5bn European Central Bank financing), and CheBanca! funding deposited with Mediobanca (up from €3.6bn to €8.7bn).

Financial highlights

The profit and loss account and balance sheet have been restated to provide the most accurate reflection of the Bank's operations. The results are also presented in the format recommended by the Bank of Italy in the annex, along with further details on how the various items have been restated.

RESTATED PROFIT AND LOSS ACCOUNT

(€m)

	12 mths to 30/6/11	12 mths to 30/6/12	Y.o.Y. chg.
Net interest income	309.1	276.3	-10.6
Net trading income	171.5	253.1	47.5
Net fee and commission income	297.7	264.8	-11.1
Equity-accounted companies	98.9	47.4	-52.1
Total income	**877.2**	**841.6**	**-4.1**
Labour costs	(221.8)	(188.7)	-14.9
Administrative expenses	(96.0)	(100.3)	4.5
Operating costs	**(317.8)**	**(289.0)**	**-9.1**
Gains (losses) on AFS, HTM and L&R 1	8.6	32.3	n.m.
Loan loss provisions	0.3	(106.8)	n.m.
Provisions for financial assets	(155.3)	(412.4)	n.m.
Impairment to equity investment	(158.6)	(198.4)	n.m.
Profit before tax	**254.4**	**(132.7)**	**n.m.**
Income tax for the period	(127.0)	(67.5)	-46.8
Net profit	127.4	(200.2)	n.m.
Net profit	**127.4**	**(200.2)**	**n.m.**

RESTATED BALANCE SHEET

(€m)

	30/6/11	30/6/12
Assets		
Treasury funds	10,660.8	10.760.6
AFS securities	6,684.7	9.356.7
Fixed financial assets (HTM & LR)	4,001.1	4.013.4
Loans and advances to customers	22,891.8	27.219.5
Equity investments	2,671.0	3.214.4
Tangible and intangible assets	132.8	138.1
Other assets	660.9	538.1
Total assets	47,703.1	55.240.8
Liabilities and net equity		
Funding	41,843.9	50,056.4
Other liabilities	760.5	602.8
Provisions	160.0	160.1
Net equity	4,811.3	4,621.7
Profit for the period	127.4	(200.2)
Total liabilities and net equity	47,703.1	55,240.8
Key indices and ratios for the period are as follows:		
Regulatory capital (€m)	6,362.0	5,754.5
Solvency margin (%)	16.46	14.88
Market capitalization (€ m)	5,962.6	2,928.5
No. of shares in issue (millions)	861.1	861.1
Avarage no. of staff in year	683	706

Review of key items

Loans and advances to customers – The Bank's loan book has shown the following trends in the past three years:

	2009-10		2010-11		2011-12	
	(€m)	%	(€m)	%	(€m)	%
Balance disbursed at start of period	23,283	100.0	20,195	100.0	22,892	100.0
Movements during the twelve months:						
– net new loans	(2,976)	(12.8)	2,670	13.2	4,302	18.8
– adjustments to amortized cost	(112)	(0.5)	27	0.2	26	0.1
Balance disbursed at end of period	20,195	86.7	22,892	113.4	27,220	118.9

Loans and advances to customers show an increase of 19%, from €22,891.8m to €27,219.5m, largely attributable to Group companies (€3.6bn, in particular CheBanca!) including as a result of the Group's treasury operations having been centralized. Growth in amounts lent to corporate clients was limited to around 5% (from €14,053.8m to €14,771.3m); while the share accounted for by non-Italian customers stood at 31.5%, concentrated primarily in countries where Mediobanca has offices, namely France, Spain and Germany.

Loans and advances to Group companies were as follows:

(€m)

	30/6/11	30/6/12
Compass	4,382.1	4,332.0
CheBanca!	215.7	3,439.0
Mediobanca International	1,690.8	1,987.3
Palladio Leasing	1,027.9	996.5
SelmaBipiemme Leasing	702.4	694.4
Futuro	474.9	630.8
Teleleasing	271.3	277.0
Cofactor	54.9	58.0
Seteci	16.6	31.6
MB Securities USA (subordinated)	1.4	1.6
	8,838.0	12,448.2

Impaired assets (i.e. non-performing, sub-standard, restructured and overdue accounts) involved five positions (two fewer than last year), corresponding to a total cash exposure of €143.7m plus a further €77.6m in endorsements, down from the figures recorded last year (€264.7m, €127.5m of which in cash); provisions of over €100m have been set aside in respect of these positions.

Since the reporting date the only non-performing position has now been repaid in full (€127,000), and one new position more than 90 days' overdue has been added (worth €35.1m gross and €28.7m net), the unpaid instalment on which (€3m), however, was repaid in full at the start of September.

As at 30 June 2012, there were seventeen significant exposures, i.e. above 10% of the Bank's regulatory capital (including market risks and equity investments), two more than at end-June 2011, worth a nominal amount of €16,738.9m (€15,788.4m) and a weighted amount of €15,002.9m (€14,547.2m).

Funding

(€m)

	30/6/11	30/6/12
Deposits and current accounts	4,311.8	17,250.2
Bonds and other debt securities	36,747.6	31,541.0
Other funds	784.5	1,265.2
	41,843.9	50,056.4

Deposits and current accounts rose from €4,311.8m to €17,250.2m, due to the €7.5bn, European Central Bank long-term financing and liquidity provided to Mediobanca by the Group companies after treasury operations were centralized at the parent company level.

Bonds and other debt securities fell from €36,747.6m to €31,541m, following new issuance worth €2,517.1m, redemptions, buybacks and repayments of €7,872.4m, (yielding gains of €33.7m) and other upward adjustments (to reflect amortized cost, exchange rates and hedging effects) totalling €148.7m.

Other funds include EIB funding, and were virtually stable at €423.5m (€485.2m).

Treasury accounts

		(€m)
	30/6/11	**30/6/12**
Cash and bank balances	170.8	247.6
Fixed-income securities	3,940.0	3,614.4
Equities	1,845.5	534.5
Other treasury items	4,704.5	6,364.1
	10,660.8	10,760.6

Cash and bank balances include €131.5m in current account balances held at banks, plus €116.1m held in compulsory reserves.

Fixed-income securities declined from €3,940m to €3,614.4m; around 21% of the portfolio consists of Italian government securities, 28% of other nations' sovereign debt (principally *Bund*), 35% of bonds issued by banks, insurances and financial companies, and the remainder bonds issued by corporates.

Equities totalled €534.5m, down sharply on the €1,845.5m reported last year due to substantial reductions in arbitrage and client trading.

Other treasury items include: repo trades (including securities lending) worth €6,170.4m (€6,795.9m) and reverse repos totalling €1,575.1m (€3,195.1m); deposits amounting to €4,445.1m (€4,645.3m) and shortfalls of €1,907.2m (€2,393.8m); and negative valuations of derivatives contracts totalling €769.1m (€1,147.8m); the repos include €1,406.7m (€3,678.9m) with Group companies.

Treasury management and adjustments to prices at the reporting date generated profits of €235.5m, up on the €152.9m reported last year due largely to the results posted in the second and third quarters (in which profits of €96.6m and €128m respectively were added).

Equity investments

	Percentage share *	Book value	Market value at 30.06.2012	Gain (Loss)
LISTED EQUITY INVESTMENTS				
Assicurazioni Generali	13.15	1,095.9	2,182.2	1,086.3
RCS MediaGroup, *ordinary*	14.36	109.4	57.3	(52.1)
Gemina, *ordinary*	12.53	196.1	112.0	(84.1)
Pirelli & C., *ordinary*	4.49	115.7	181.8	66.1
		1,517.1	2,533.3	1,016.2
OTHER INVESTMENTS				
Telco	11.62	206.7		
Banca Esperia	50.0	54.1		
Burgo Group	22.13	54.6		
Athena Private Equity	24.27	22.2		
Fidia	25.0	0.9		
		338.5		
Total investments in associates		1,855.6		
Total investments in subsidiaries		1,358.8		
Total investments		3,214.4		

* Of entire share capital.

The main movements involved: the increases for Assicurazioni Generali (€259.7m) and subsidiaries (€399.4m) following completion of the demerger by Compass of its business unit consisting of CheBanca!, SelmaBipiemme plus its holding in Assicurazioni Generali to Mediobanca S.p.A.; the capital increases by Telco (€69.7m) and Banca Esperia (€25m), subscribed for pro rata, plus the value adjustments to bring the investments in Telco (€115.7m, due to the book value of the Telecom Italia stake being written down from €1.8 to €1.5 per share), RCS MediaGroup (€82.3m, reflecting a book value of €1 per share) and Gemina (€0.3m) in line with their net asset values. The share capital of Consortium also reduced during the period, with proceeds of €10.2m collected and a €0.3m value adjustment made.

Comparison of the book value and fair value of the listed securities (Assicurazioni Generali, RCS MediaGroup, Gemina and Pirelli & C.) as at the reporting date shows a net surplus of €1,016.2m (€1,563.1m based on current prices). Further explanation of the criteria adopted for the valuations and impairment tests is provided in section 10, part B of the notes to the accounts.

Fixed financial assets

(€m)

	30/6/11	30/6/12
Financial assets held to maturity	1,642.9	1,716.1
Unlisted debt securities (recognized at cost)	2,358.2	2,297.3
	4,001.1	4,013.4

Movements during the period under review include market acquisitions worth €149.7m, redemptions and disposals of €130.3m (yielding gains of €1.5m), and other negative changes amounting to €5.7m (€1.6m of which by way of value adjustments). Based on prices and holdings at the reporting date, the portfolio reflected an implicit loss of €58.5m (€34.6m). Some 9% of the portfolio consists of Italian government securities, 74% of bank, insurance and financial bonds (including €1.7bn in Quarzo securities, following a securitization of Compass receivables which was subscribed for entirely by Mediobanca), and the remainder in corporate bonds.

AFS securities

(€m)

	30/6/11	30/6/12
Fixed-income securities	5,053.5	8,281.7
Equities	1,631.2	1,075.0
	6,684.7	9,356.7

Holdings in bonds rose from €5,053.5m to €8,281.7m following purchases worth €6,648.8m, disposals and redemptions of €3,134.3m (yielding net losses of €5m) and other downward adjustments (to reflect amortized cost and/or fair value plus writedowns) totalling €279.7m (€141.1m of which involving writedowns to Greek government securities and €158.8m in adjustments to fair value). Overall, the valuation reserve was in negative territory, at minus €270.1m, €178.4m of which in respect of Italian government securities. Some two-thirds of the portfolio is made up of such securities, 21% of banking, insurance and financial bonds, and the remainder of corporate bonds and other nations' sovereign debt (€18.7m of which Greek and €47.8m Irish).

Conversely investments in equities decreased, from €1,631.2m to €1,075m, following net divestments of €251.3m (yielding gains of €29.5m), writedowns of €269.7m and downward adjustments totalling €52.8m. Of the writedowns, €132.7m involved the UniCredit cashes, €34m Delmi, €28.8m Santé, €17.8m InvAG, €10.8m Ferretti, €36.5m the automatic adjustments for listed investments, and €9.1m the unlisted equities. The reserve remained in negative territory at minus €15m (compared with a positive reserve of €48.1m last year).

Accordingly, the AFS securities portfolio as at 30 June 2012 was made up as follows:

	Percentage shareholding *	Book value at 30/6/12	Adjustments to fair value	Impairment recognized in P&L	Aggregate AFS reserve
Sintonia S.p.A.	6.23	336.3	—	—	—
UCI cashes		135.2	—	(132.7)	—
Delmi S.p.A., ordinary	6.0	60.2	—	(34.0)	—
Santé S.A.	9.92	54.4	—	(28.8)	—
Italmobiliare	9.5 – 5.47	25.9	(27.2)	—	(8.7)
Other listed securities		234.1	(26.9)	(36.5)	(15.0)
Other unlisted securities		228.9	2.9	(37.7)	8.7
TOTAL		1,075.0	(51.2)	(269.7)	(15.0)

* First figure refers to percentage of shares held in respective category; second figure refers to percentage of entire share capital held.

Fixed assets – These consist of:

– *Properties*, carried at €119.5m, including the value of land owned (€112.1m) after the Foro Buonaparte property deriving from the Compass demerger was booked for €7.9m; depreciation charges for the year totalled €1.6m;

– *Furniture and intangible assets*, consisting of furniture, office equipment, computers and software owned by the Bank worth a total of €18.6m, amortized as to €13.2m over the period.

Other liabilities and provisions – These comprise:

– provision for taxation, current and deferred, amounting to €389.1m, including €36.9m in amounts payable on behalf of Group companies involved in the tax consolidation;

– staff severance indemnity provision, totalling €8.1m;

– provision for liabilities and charges totalling €152m, up slightly on the €150.8m recorded last year, and also covering the claims pending against Mediobanca for its alleged failure to launch a full takeover bid for La Fondiaria in 2002 (cf. p. 257).

Net equity, subordinated liabilities, regulatory capital and solvency margin – The Bank's net equity of €4,621.7m (30/6/11: €4,811.3m), includes:

– share capital amounting to €430.6m;

– reserves and retained earnings of €4,191.2m, down €189.5m; these consist of the following items:

  – *Legal reserve*, €86.1m;

  – *Share premium reserve*, €2,120.1m;

  – *Other reserves*, €2,181.7m, down €5.4m due to distribution of reserves last year (€16.1m) and increases relating to the cost of stock options (including the share payable to other Group companies' employees) and of performance shares of (€5.5m and €7.3m respectively);

  – *Valuation reserves*, minus €196.8m, down sharply compared to last year (€12.6m), due to adjustments of AFS securities to fair value (€177.9m) and cash flow hedges (€8.4m).

The number of treasury shares held by Mediobanca was 17.01 million, equal to 1.98% of the company's share capital, carried in the accounts at €213.4m.

Regulatory capital stood at €5,754.5m (€6,362m), the reduction being due to the loss for the year, and also to redemption of a subordinated, lower tier 2 bond issue in an amount of €634.8m which was only partly refinanced on the market; the solvency margin decreased from 16.46% to 14.88%.

Assets subject to revaluation included in the financial statements submitted to your approval are listed in table A.

Net interest income

(€m)

	12 mths to 30/6/11	12 mths to 30/6/12
Interest income	1,759.7	2,006.8
(Interest expense)	(1,450.6)	(1,730.5)
Net interest income	309.1	276.3

The reduction in this item reflects the decrease in interest rates and rise in credit spreads, which impacted negatively on returns on loans and the cost of funding.

Net trading income

	30/6/11	30/6/12
		(€m)
AFS dividends	18.7	17.6
Gains on trading	152.8	235.5
Net trading income	171.5	253.1

Net trading income was boosted by good performances in the second and third quarters of the year especially, with both segments contributing positively: the fixed-income side contributed €226m (€57.8m) and the equity side €9.8m (€95.1m).

Net fee and commission income – This heading includes €246.6m (€284.2m) in corporate and investment banking fees, down due to the weak European market conditions. Other items include €4.3m (€4m) in renting income and €13.9m (€9.5m) in sundry other income, €8.3m (€5m) of which from Group companies.

Operating costs – The reduction in operating costs, from €317.8m to €289m, is mostly due to lower labour costs, which fell from €221.8m to €188.7m as a result of the reduction in the variable remuneration component and despite growth in the employee headcount (from 652 to 672 staff). Fees paid to directors were also down, from €4.6m to €3.8m, as were costs in respect of stock option and performance share schemes (from €13.1m to €12.7m).

Sundry costs and expenses increased, from €96m to €100.3m, and include €14.8m (€13.2m) in depreciation and amortization, plus €85.5m (€82.8m) in administrative expenses net of amounts recovered, made up as follows:

	12 mths ended 30/6/11	12 mths ended 30/6/12
		(€m)
Legal, tax and professional services	15.6	16.3
Marketing and communications	1.5	1.5
Rent and property maintenance	8.0	8.5
EDP	13.8	16.2
Financial information subscriptions	13.2	14.3
Bank services, collection and payment commissions	3.8	2.2
Operating expenses	4.6	4.3
Other labour costs	9.2	9.0
Other expenses	11.2	11.1
Direct and indirect taxes	1.9	2.1
Total	82.8	85.5

Loan loss provisions – Loan loss provisions totalled €106.8m, compared with a net reversal of €0.3m last year (which included a one-off writeback in an amount of €75m involving a single position), reflecting the widespread deterioration in the macro-economic scenario; over 60% of the provisions were set aside in respect of performing loans.

Provisions for other financial assets – This item regards Greek government securities (€141.1m) and equity investments (€269.7m) held as part of the AFS portfolio; the latter include the following adjustments already referred to, namely: UniCredit cashes (€132.7m), Delmi (€34m), Santé (€28.8m), InvAG (€17.8m) and Ferretti (€10.8m).

Income tax for the period – Income tax for the period amounted to €67.5m, reflecting the fact that the provisions for equity investments and AFS shares are not tax-deductible and that interest payable can only be deducted for tax purposes in part. For the fourth year running Mediobanca is the head company for the Group's tax consolidation, which includes Compass, SelmaBipiemme Leasing, Palladio Leasing, CheBanca!, Cofactor and Futuro; the existing agreement has recently been renewed for the next three financial years.

* * *

Significant events this year include:

– approval of changes to the company's Articles of Association by shareholders at a general meeting held on 28 October 2011, which include an increase in the minimum number of independent directors from two to four, increased flexibility in the composition of the committees set up by the Board of Directors, the introduction of age limits for holding company office, and renewal of the Board's existing authorization to increase the company's share capital by an amount of up to €100m (nominal value);

– partial demerger by Compass to Mediobanca of its investments in CheBanca! and SelmaBipiemme, its stake in Assicurazioni Generali (equal to 0.91% of the company's share capital), and the property located in Foro Buonaparte, Milan. The rationale for the demerger, completed under a deed executed on 23 March 2012 and which took legal effect as from 1 April 2012 (with accounting effects active as from 1 July 2011), is to streamline the Group's structure, with Compass retaining only the core consumer credit businesses (which include Futuro, Cofactor, Creditech and Compass RE);

- issuance of a €1.5bn covered bond with CheBanca! mortgage receivables as the underlying asset, and two bonds worth €3.5bn guaranteed by the Republic of Italy, entirely subscribed for by Mediobanca S.p.A. and eligible for refinancing by the European Central Bank;
- early redemption (in October 2011) of the €700m, lower tier II bond issued in October 2006, partly offset by a new issue with similar characteristics expiring in 2021, currently subscribed as to approx. €430m;
- approval of the internal capital adequacy assessment procedure (ICAAP) required by regulations in force, and disclosure of the information required under Pillar 3 of the Basel II agreements, to provide a more accurate valuation of the Group's capital solidity and exposure to risks.

* * *

In July 2012, the Chief Executive Officer of Mediobanca, Alberto Nagel, received notice from the public prosecutor's office of Milan that he was under investigation for the alleged crime of "obstructing the public supervisory authorities in the exercise of their duties" (under Article 2638 of the Italian Civil Code) in connection with the Unipol/Fondiaria-SAI merger, followed by questioning on 1st August 2012. The Board of Directors of Mediobanca then met on 5 September 2012 to hear the Chief Executive Officer's report on these events. At the end of the meeting the following press release was issued: "At a Board meeting held today, the Directors of Mediobanca expressed their satisfaction at the state of progress of the Unipol/Fondiaria-SAI merger project and the related recapitalization. In this connection, the Board also noted the report by the Chief Executive Officer on the events relating to the inquest being conducted by the Milan public prosecutor's office. Based on the information available, the Board unanimously agreed that it could wait for the outcome of the enquiries with confidence."

Litigation pending – A total of thirteen claims against Mediobanca, jointly with the other parties in their alleged failure to launch a full takeover bid for La Fondiaria in 2002, are still pending for damages amounting to approx. €100m. The present status of the trials in respect of these claims is as follows:

- the court of cassation has ruled against Mediobanca on three claims, which have now reverted to the court of appeals for the rulings to be prosecuted;

– two claims, in which the court of appeals has ruled in favour of Mediobanca, are pending at the court of cassation; for a further three claims where again the ruling has gone in favour of Mediobanca, the term for presenting appeals to the court of cassation is now pending;
– three claims, in which the ruling went against Mediobanca, are pending before the court of appeals in Milan;
– one claim, in which the court of Florence ruled in favour of Mediobanca, has been appealed by the plaintiff;
– a new claim has been submitted to the court of Milan.

Credit rating – The rating assigned by Standard & Poor's to Mediobanca was downgraded during the twelve months under review to BBB+ with negative outlook for medium-/long-term debt, and to A-2 for short-term debt, as part of a general revision of the ratings for Italian banks following the downgrade of the Republic of Italy's sovereign debt.

Research – R&S has continued its analysis of companies and capital markets as in the past. R&S produced the thirty-sixth edition of its Annual Directory, which includes analysis of leading Italian listed companies, and published the profiles of over a hundred other industrial and financial groups online. A new edition of its survey of the world's leading industrial multinationals was completed (the sixteenth), as were two updates of its survey of European banks based on interim and annual data (the fourth and tenth editions respectively). Furthermore, in conjunction with Italian daily newspaper *Il Sole 24 Ore*, the company continued its publication of the quarterly survey of blue chip companies' results. The company's accounts for the twelve months ended 30 June 2012 show an even balance, after charging Mediobanca €1.7m (€1.6m) for services and expenses. R&S employs 12 staff.

Related party disclosure – Financial accounts outstanding as at 30 June 2012 between companies forming part of the Mediobanca Group and related parties, and transactions undertaken between such parties during the financial year, are illustrated in Part H of the notes to the accounts, along with all the information required in respect of transparency pursuant to Consob resolution 17221 issued on 12 March 2010.

All such accounts fall within the Bank's ordinary operations, are maintained on an arm's length basis, and are entered into in the interests of the Bank itself, including in its capacity as parent company to the Mediobanca Banking Group. In this connection, certain services provided by Group companies, such as EDP, share and bond administration, and research, are paid for at cost. No atypical or unusual transactions have been entered into with these counterparties.

There are no shareholders in the Bank in a controlling position.

Other information – With regard to securities trading, a total of 49 million Mediobanca shares were traded on behalf of customers, worth a total of €251m.

The security planning document required under Italian Legislative Decree 196/03 was updated during the year, as was the Bank's organizational model instituted pursuant to Italian Legislative Decree 231/01.

Information regarding the Bank's ownership structure as required under Article 123-bis of Italian Legislative Decree 58/98 is contained in the annual report on corporate governance attached hereto and available on the Bank's website under Investor Relations.

Outlook – Estimates for the current financial year continue to be impacted by difficult macro-economic scenario for the Eurozone as a whole, the market instability and the ongoing tension in spreads on peripheral EU member states' sovereign debt. Against this backdrop the Bank continues to focus on banking activity, maintaining its customary rigour in risk selection with the objective of reducing overall exposure. The impact on earnings of the valuations of the securities and equity investment portfolios will continue to depend on market performance, as will the contribution from trading activity.

Proposal to cover loss and distribution of reserves for the year ended 30 June 2012

Dear Shareholders,

The net loss for the year was €200,150,833.76.

We therefore propose:

– to cover the loss entirely by withdrawing the same amount from the *Other reserves*;

– pay a dividend of €0.05 on each of the 844,119,212 shares granting entitlement, given the redistribution of amounts due in respect of treasury shares; the overall dividend amount of €42,205,960.60 will be withdrawn from the *Other reserves*, which consist of retained earnings from previous years.

If the above proposals are approved by you, the Bank's net equity will total €4,379.4m.

Accordingly, you are invited to approve the following proposal:

Net loss for the year	€	(200,150,833.76)
Withdrawal from *Other reserves*	€	200,150,833.76
Residual amount	€	0.00
From *Other reserves*	€	42,205,960.60
Dividend of €0.05 on 844,119,212 shares	€	42,205,960.60

The dividend of €0.05 per share will be paid on 22 November 2012, with the shares going ex-rights on 19 November 2012, and will be subject to the same tax treatment as the distribution of dividends.

Milan, 20 September 2012

THE BOARD OF DIRECTORS

DECLARATION BY HEAD OF COMPANY FINANCIAL REPORTING

DECLARATION IN RESPECT OF INDIVIDUAL FINANCIAL STATEMENTS as required by Article 81-ter of Consob resolution no. 11971 issued on 14 May 1999 as amended

1. The undersigned Alberto Nagel and Massimo Bertolini, in their respective capacities as Chief Executive Officer and Head of Company Financial Reporting of Mediobanca, hereby declare and in view *inter alia* of the provisions contained in Article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree 58/98, that the administrative and accounting procedures used in the preparation of the individual financial statements:
   - were adequate in view of the company's characteristics; and
   - were effectively applied during the year ended 30 June 2012.
2. Assessment of the adequacy of said administrative and accounting procedures for the preparation of the individual financial statements as at 30 June 2012 was based on a model defined by Mediobanca in accordance with benchmark standards for internal control systems which are widely accepted at an international level (i.e. the CoSO and CobiT frameworks).
3. It is further hereby declared that

   3.1 the individual financial statements:
   - have been drawn up in accordance with the International Financial Reporting Standards adopted by the European Union pursuant to CE regulation no. 1606/02 issued by the European Parliament and Council on 19 July 2002;
   - correspond to the data recorded in the company's books and accounts ledgers;
   - are adequate for the purpose of providing a truthful and accurate representation of the capital, earnings and financial situation of the issuer and the group of companies included within its area of consolidation.

   3.2 the review of operations contains reliable analysis of the Mediobanca's operating performance and results, and of its situation, along with a description of the main risks and uncertainties to which the bank is exposed.

Milan, 20 September 2012

Chief Executive Officer	Head of Financial Reporting
Alberto Nagel	*Massimo Bertolini*

STATUTORY AUDITORS' REPORT

STATUTORY AUDIT COMMITTEE'S REPORT
as required under Article 153 of Italian Legislative Decree 58/98

Dear Shareholders,

This report, which has been prepared as required under Article 153 of Italian Legislative Decree 58/98 (the "Italian Consolidated Finance Act"), refers to the activities carried out by the Statutory Audit Committee of Mediobanca S.p.A. ("Mediobanca", the "Bank" or the "Company") during the financial year ended 30 June 2012.

1. In performing its duties of supervision and control, the Statutory Audit Committee has:

   a) monitored compliance with the provisions of the law, the company's Articles of Association and deed of incorporation;

   b) received regular information from the directors, inter alia through participating in Board and Executive Committee meetings, on the activities carried out and the most significant transactions in earnings, financial and capital terms approved and executed by the Bank and the other Group companies, including in compliance with Article 150, paragraph 1 of the Italian Consolidated Finance Act. In particular the following should be noted:

      - partial demerger by Compass to Mediobanca of the business unit chiefly consisting of its investments in CheBanca! and SelmaBipiemme, its stake in Assicurazioni Generali, and a property located in Foro Buonaparte, Milan;
      - issuance of a €1.5bn covered bond with CheBanca! mortgage receivables as the underlying asset, and two bonds worth €3.5bn guaranteed by the Republic of Italy, entirely subscribed for by Mediobanca S.p.A. and eligible for refinancing by the European Central Bank.

   Based on the information available, the Statutory Audit Committee can provide reasonable assurance that these transactions have been carried out in compliance with the provisions of the law and the company's Articles of Association, and are not manifestly imprudent or risky or such as may compromise the integrity of the Company's assets. Furthermore, all transactions giving rise to potential conflicts of interest have been approved in compliance with the provisions of the law, the regulations in force and the company's Articles of Association;

c) noted that no atypical or unusual transactions with Group companies, third parties or related parties have taken place;

d) monitored compliance with the Procedure in respect of transactions with related parties as required by the regulations in force and the correct application of said Procedure including with reference to market rates being applied. The Procedure in respect of related parties was amended under a resolution adopted by the Board of Directors on 27 June 2012 in order to incorporate the new "Regulations in respect of risk assets and conflicts of interest with related parties" issued by the Bank of Italy on 15 December 2011. The Statutory Audit Committee has examined the new procedure and expressed a favourable opinion on it. The Statutory Audit Committee, taking account also the results of the activities performed by the various units affected by the Procedure in respect of related parties, believes that transactions with related parties are adequately covered;

e) taken part in the Related Parties Committee, instituted pursuant to the Procedure in respect of related parties, and received regular information regarding the transactions executed. The Statutory Audit Committee also noted that no intra-group transactions or transactions with related parties have been entered into that are in contrast with the company's own interests;

f) considered that the Board of Directors, in its review of operations and notes to the accounts, has provided an exhaustive illustration of the effects of the most significant ordinary transactions executed with Group companies and related parties on normal market rates, and aggregate quantitative financial and earnings information regarding transactions with related parties;

g) been informed regarding, and has monitored the adequacy of, the Bank's organizational structure, its compliance with the principles of proper management, and the adequacy of the instructions given by the company to its subsidiaries, as required by Article 114, paragraph 2 of Italian Legislative Decree 58/98, by acquiring information from the heads of the relevant company divisions and meetings with the External Auditors involving the mutual exchange of relevant data and information. No critical issues emerged from our review of the annual reports by the Statutory Audit Committees of the Group companies;

h) monitored the adequacy of the internal control and administrative/accounting systems in place, and the reliability of the latter in particular with respect to its ability to accurately represent operations, by:

i) holding meetings during the financial year with the Chairman, Chief Executive Officer and General Manager to examine the internal control system;

ii) holding regular meetings with the Group Audit, Compliance and Risk Management units to evaluate the methods used for planning activities based on an identification and assessment of the principal risks involved in the various processes and organizational units;

iii) review of the Group Audit, Compliance and Risk Management units' 2012 reports and regular information on the outcome of monitoring activity and the status of corrective action highlighted;

iv) receiving information from the heads of the various divisions of the company;

v) meetings with the heads of the supervisory bodies of the Group companies, in accordance with the provisions of Article 151, paragraphs 1 and 2 of the Italian Consolidated Finance Act, in the course of which the Statutory Audit Committee received information on developments involving the Group companies considered to be significant;

vi) discussion of the results of the work performed by the External Auditors;

vii) taking part in meetings of the Internal Control Committee, and dealing with issues in conjunction with it where necessary.

From a review of the reports by the Group Audit, Compliance and Risk Management units and other checks and balances carried out, it emerged that the structure of controls has been consistently strengthened, with the following points in particular worthy of note:

- the Group Audit unit has been centralized at Mediobanca S.p.A., the Risk Management unit restructured and strengthened with the addition of a new Chief Risk Officer in place since the start of 2011;
- revision of the powers granted to the Risks and Delegated Risks Committees, and introduction of diversified control limits, for the Financial Markets area especially;
- definition and application of a specific self-assessment methodology for operation al risks;
- changes to the approvals process and increased efficiency in management of the liabilities cycle;

- improvement in the process for adopting new products, which involves the Products Committee for technical and economic review of proposals.

No irregularities emerged from our activity such as may be considered to be indicative of major inadequacies in the internal control system;

i) met regularly with the Head of Company Financial Reporting for exchanges of information, and reviewed the report prepared by the Group Audit unit for the Head of Company Financial Reporting, which contains an analytical indication of the tests of controls carried out and the main problems detected in the course of applying Italian Law 262/05. The Statutory Audit Committee also examined the declarations made by the Chief Executive Officer and Head of Company Financial Reporting as required by the regulations contained in Article 154-*bis* of the Italian Consolidated Finance Act. The Statutory Audit Committee has found no evidence of shortcomings that might affect its judgement that the Bank's administrative/accounting procedures are adequate.

   Moreover, the heads of the External Auditors too, in their regular meetings with the Statutory Audit Committee, reported no critical issues that might jeopardize the internal control system regarding the administrative and accounting procedures.

   The Statutory Audit Committee, in the light of the information obtained and the meetings it has held, considers the Bank's financial reporting process to be adequate;

j) monitored the methods utilized in complying with the Code of Conduct issued by Borsa Italiana and adopted by Mediobanca as illustrated in the Annual Report on Corporate Governance.

   This assessment was conducted on the basis of the Code of Conduct in force at the balance-sheet date. In view of the changes made to the same Code of Conduct, the version of which was approved in December 2011 for adoption by June 2013, the independence of the members of the Board of Directors will be assessed again;

k) viewed and obtained information regarding the organizational and procedural activity implemented in compliance with Italian Legislative Decree 231/01 regarding corporate administrative liability. The supervisory body reported on the activities performed by it during the year ended 30 June 2012, without highlighting any critical issues worthy of note, revealing a situation which on the whole was satisfactory and in line with the provisions set forth in the Organizational, management and control model;

l) ascertained that the flows provided by the Group's non-EU companies are sufficient to carry out supervision of the annual and interim accounting situations, as required by Article 36 of the Regulations for Markets;

m) followed the action taken following the inspection carried out by the Bank of Italy the previous year to assess the activities performed in order to implement a credit risk management system based on internal ratings, and check that the measures taken in response to the previous inspection were adequate. The Statutory Audit Committee has systematically monitoring the activities implemented, which were notified by the company to the Bank of Italy in two reports dated 24 January 2012 and 24 July 2012.

n) approved the resolution to co-opt new Directors to the Board as required under Article 2386 of the Italian Civil Code, and confirmed the fairness opinion it issued in 2009 regarding an issue of bank bonds with CheBanca! mortgage receivables as the underlying instrument.

   It also expressed its opinion regarding the appointment of the head of the Anti-money-laundering and Compliance units, and performed monitoring activity regarding the correct application of the rules on remuneration and incentivization criteria for the heads of the control units and the head of Company Financial Reporting.

The Statutory Audit Committee met on a total of 31 occasions, 10 of which in conjunction with the Internal Control Committee. It has also taken part in 9 meetings of the Board of Directors and 12 Executive Committee meetings, and has met with the Statutory Audit Committees of the other Group companies and the supervisory body established pursuant to Italian Legislative Decree 231/01. The Chairman of the Statutory Audit Committee has also taken part in the Remunerations Committee meetings.

With regard to the information it has received, the Statutory Audit Committee considers that the Group's activities have been conducted in compliance with the principles of proper management, and that its organizational structure, its internal control system and accounting/administrative procedures as a whole are adequate for the company's requirements.

2. In accordance with the provisions of Article 19 of Italian Legislative Decree 39/10, the Statutory Audit Committee, identified therein as the "Committee for internal control and auditing", duly carried out the required activity in terms of monitoring the External Auditor's operations.

The Statutory Audit Committee met on several occasions over the course of the year with External Auditor Reconta Ernst & Young S.p.A. as appointed pursuant to Article 150 of the Italian Consolidated Finance Act in order to exchange information regarding the latter's activity. In such meetings the External Auditor has at no stage shown evidence of facts considered to be censurable or other irregularities such as would warrant reporting as required by Article 155, comma 2 of the Italian Consolidated Finance Act.

On 28 September 2012 the External Auditors, charged with the duties of legal audit for the company's individual and consolidated financial statements pursuant to a resolution adopted by shareholders at an ordinary general meeting held on 28 October 2003, issued the reports required by Article 14 of the Italian Legislative Decree 39/10, stating that the individual and consolidated financial statements for the financial year ended 30 June 2012 have been drawn up transparently and constitute a truthful and proper reflection of the company's and Group's capital and financial situation, their earnings results, changes to their net equity and cash flows during the year under review.

On the same date the External Auditors also submitted their report prepared in accordance with Article 19 of Italian Legislative Decree 39/10 to the Statutory Audit Committee, which revealed no shortcomings or irregularities worthy of note.

The External Auditor submitted its report on the independence of the auditor to the Statutory Audit Committee as required by Article 17 of Italian Legislative Decree 39/10, from which no situations emerged that could compromise independence or constitute grounds for incompatibility under the terms of the aforementioned decree.

In addition to the duties prescribed by regulations for listed companies, the External Auditors and the other companies forming part of its network have received other mandates, the fees paid in respect of which have been recognized in the consolidated profit and loss as follows:

Type of service	Reconta Ernst & Young	Reconta Ernst & Young network €m
Statements	95	4
Other services	71	51
Total	166	55

Given the mandates conferred on Reconta Ernst & Young S.p.A. and its network by Mediobanca S.p.A. and the other Group companies, the Statutory Audit Committee does not consider that there are any critical issues arising with respect to the external auditor's independence.

The Statutory Audit Committee met with the External Auditor during the year under review during the preparation of the company's interim financial statements for the period ended 31 December 2011. On this occasion, the External Auditor submitted a document summarizing its activities, with reference in particular to the most significant valuation items. On 23 February 2012 the External Auditor issued a report on the auditing of the accounts limited to only the consolidated interim financial statements, without noting any exceptions.

The External Auditors have also confirmed to us that no external opinions have been expressed by them as required by law in the course of the financial year under review, in the absence of any grounds for such opinions.

3. In relation to the activity performed, the Statutory Audit Committee also noted the following circumstances.

   a) Article 36 of Italian Decree Law 201/11, converted into Italian Law 214/11, instituted a ban on representatives of banks, insurances or financial companies holding equivalent positions in companies or groups of companies operating in the same markets. Accordingly, the Bank asked its representatives to notify it of any situations of incompatibility and the reasons supporting any choices made. The Statutory Audit Committee examined the situation based on the opinions and notifications received from its representatives, and requested clarifications for certain positions. The Statutory Audit Committee feels that the current composition of the Board of Directors, based on the information available, meets the regulatory provisions in force in this area.

   b) With the approval of the financial statements for the period ended 30 June 2012, the mandate granted by Mediobanca S.p.A. to External Auditors Reconta Ernst & Young S.p.A. will expire. This mandate cannot be renewed, for the nine-year period stipulated by Article 17 of Italian Legislative Decree 39/10 also expires on this occasion. Under Article 13 of the same Decree, shareholders in general meeting, based on the reasoned proposal by the Statutory Audit Committee, are responsible for granting the mandate to the auditors and determine their remuneration for the entire duration of the mandate, along with any other criteria for adapting such compensation during the performance of the mandate.

      In view of the foregoing, on 20 April 2012 Mediobanca, at the specific request of the Statutory Audit Committee (the "Committee"), Mediobanca asked auditors *PricewaterhouseCoopers S.p.A., KPMG S.p.A. and Deloitte &*

Touche S.p.A. to formulate applications for the role of advisor to Mediobanca for the 2013-2021 period.

The Statutory Audit Committee analysed the offers received in detail, and unanimously resolved to propose to the shareholders in general meeting, in the form of a specific report to which you are referred, that *PricewaterhouseCoopers* be mandated to serve as the Bank's External Auditor.

c) The Statutory Audit Committee checked the corporate processes leading to finalization of the Bank's remunerations policies, concluding that they were substantially in conformity with the regulations in force.

d) The Statutory Audit Committee noted that the financial authorities have sent two Group companies notice that they are under investigation concerning substantial amounts; the companies concerned have challenged these allegations in the conviction that their actions were correct. Adequate disclosure of these events has been made in the Review of Operations.

e) In July 2012, the Chief Executive Officer of Mediobanca, Alberto Nagel, received notice from the public prosecutor's office of Milan that he was under investigation for the alleged crime of obstructing the public supervisory authorities in the exercise of their duties.

Having become aware of the investigation launched by the magistrates' office, the Statutory Audit Committee liaised with the supervisory body and the Bank's Group Audit and Compliance units, which made inquiries into the events concerned. Following the checks and analyses carried out, with reference in particular to the role played by the Bank in the Premafin debt restructuring and the Fondiaria-SAI and Unipol underwriting syndicates, the above units confirmed that the resolutions adopted by the various bodies were consistent with the relevant documentation and correspondence.

The market was informed promptly and consistently with the documentation held by the Bank, via press releases issued on 27 July 2012 and 1 August 2012, in the name of the Chief Executive Offer himself, and on 5 September 2012, in this latter case issued at the end of the Board of Directors' meeting held on the same date.

4. The agenda for the ordinary and extraordinary general meetings to be held on 27 October 2012 includes the following resolutions:
   - approval of the Staff remuneration policies;
   - formalities required under Article 15 of the company's Articles of Association: appointment of directors;
   - authorization to the Board of Directors under Article 2443 of the Italian Civil Code, to increase the company's share capital by means of rights issues in a nominal amount of up to €40m, including via warrants, to be set aside for subscription by Italian and non-Italian professional investors with option rights excluded under and pursuant to the provisions of Article 2441, paragraph four, second sentence, of the Italian Civil Code; amendment to Article 4 of the company's Articles of Association and related resolutions. Further amendments to the Articles of Association;
   - appointment of external legal auditors for the 2013-2021 period.

5. The Statutory Audit Committee is not aware of any facts or complaints, other than those referred to above, to be reported on to shareholders in general meeting. The Statutory Audit Committee has not received any complaints from shareholders during the year pursuant to Article 2408 of the Italian Civil Code. No omissions, censurable facts, irregularities or other significant circumstances such as would require the supervisory authorities to be notified or as would warrant inclusion in this report have come to the Statutory Audit Committee's attention in the course of its activities or on the basis of the information it has received.

6. Lastly, in view of the specific duties assigned to the External Auditors in terms of auditing the Group's accounts and appraising the reliability of its financial statements, the Statutory Audit Committee has no observations to make to shareholders in general meeting, pursuant to Article 153 of the Italian Consolidated Finance Act, regarding approval of the financial statements for the year ended 30 June 2012 and the Review of Operations as presented by the Board of Directors, and the proposal to cover the loss incurred in its entirety by withdrawing the same amount from the Other reserves and to distribute a dividend in an amount of €42,205,960.60, withdrawing said amount from the Other reserves, which consist of retained earnings from previous years.

Milan, 1 October 2012

THE STATUTORY AUDIT COMMITTEE

INDEPENDENT AUDITORS' REPORT

Ernst & Young

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INDEPENDENT AUDITORS' REPORT
Pursuant to articles 14 and 16 of Legislative Decree n. 39 of 27 January 2010
(Translation from the original Italian text)

To the Shareholders of
Mediobanca S.p.A.

1. We have audited the financial statements of Mediobanca S.p.A. as of and for the year ended 30 June 2012, comprising the balance sheet, the profit and loss account, the comprehensive profit and loss account, the statement of changes to net equity, the cash flow statement and the related notes to the accounts. These financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the standards issued in accordance with article 9 of Legislative Decree n. 38 of 28 February 2005, are the responsibility of Mediobanca S.p.A.'s directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards and procedures recommended by Consob (the Italian Companies and Stock Exchange Commission). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles applied and the reasonableness of the estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

   With respect to the financial statements of the prior year, presented for comparative purposes, reference should be made to our report dated 30 September 2011.

3. In our opinion, the financial statements of Mediobanca S.p.A. as of and for the year ended 30 June 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the standards issued in accordance with article 9 of Legislative Decree n. 38 of 28 February 2005; accordingly, they present clearly and give a true and fair view of the financial position, results of operations and cash flows of Mediobanca S.p.A. as of 30 June 2012 and for the year then ended.

4. Mediobanca S.p.A.'s directors are responsible for the preparation of the Review of Operations and the Statement on Corporate Governance and Ownership Structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Review of Operations and of the Statement on Corporate Governance and Ownership Structure, limited to the information reported therein in compliance with article 123-bis of Legislative Decree n. 58 of 24 February 1998, paragraph 1, letters c), d), f), l) and m) and paragraph 2, letter b), with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion, the Review of Operations and the information reported in the Statement on Corporate Governance and Ownership Structure in compliance with article 123-bis of Legislative Decree n. 58 of 24 February 1998, paragraph 1, letters c), d), f), l) and m) and paragraph 2), letter b), are consistent with the financial statements of Mediobanca S.p.A. as of 30 June 2012.

Milan, 28 September 2012

Reconta Ernst & Young S.p.A.
signed by: Davide Lisi, partner

This report has been translated into the English language solely for the convenience of international readers.

Reconta Ernst & Young S.p.A.
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INDIVIDUAL FINANCIAL STATEMENTS *

* Figures in Euros.

Mediobanca S.p.A. balance sheet *

Assets		30/6/12		30/6/11
10. Cash and cash equivalents		2,117,416		643,450
20. Financial assets held for trading		13,311,580,004		12,725,808,070
40. Financial assets available for sale		9,356,652,571		6,684,673,918
50. Financial assets held to maturity		1,716,144,920		1,642,883,595
60. Due from banks		10,601,193,603		8,298,983,966
70. Due from customers		30,026,432,282		26,571,286,024
80. Hedging derivatives		1,683,830,141		1,386,423,418
100. Equity investments		3,214,440,375		2,670,985,322
110. Property, plant and equipment		126,860,993		119,048,322
120. Intangible assets		11,197,514		13,772,669
130. Tax assets:		405,157,957		428,427,514
a) current	*182,283,110*		*277,277,467*	
b) advance	*222,874,847*		*151,150,047*	
150. Other assets		22,159,761		26,523,180
TOTAL ASSETS		**70,477,767,537**		**60,569,459,448**

* Securities lending transactions have been reclassified since the financial statements as at 30 June 2011, when they were included among the off-balance-sheet transactions recorded under asset headings 60 and 70 and liability headings 10 and 20.

Liabilities and net equity		30/6/12		30/6/11
10. Due to banks		19,649,458,409		7,438,107,054
20. Due to customers		2,390,348,471		972,534,183
30. Debt securities in issue		32,731,011,013		37,514,330,145
40. Trading liabilities		9,931,782,841		8,088,139,056
60. Hedging derivatives		572,729,904		725,390,425
80. Tax liabilities:		389,085,827		453,670,355
a) current	*136,025,683*		*195,548,837*	
b) deferred	*253,060,144*		*258,121,518*	
100. Other liabilities		231,687,554		278,627,633
110. Staff severance indemnity provision		8,111,456		9,215,080
120. Provisions:		151,963,986		150,776,000
b) other provisions	*151,963,986*		*150,776,000*	
130. Revaluation reserves		(196,767,344)		(12,566,516)
160. Reserves		2,481,208,616		2,486,562,854
170. Share premium reserve		2,120,143,393		2,120,143,393
180. Share capital		430,564,606		430,564,606
190. Treasury shares		(213,410,361)		(213,410,361)
200. Profit for the period		(200,150,834)		127,375,541
TOTAL LIABILITIES AND NET EQUITY		**70,477,767,537**		**60,569,459,448**

Mediobanca S.p.A. profit and loss account

	Item		12 mths to 30/6/12		12 mths to 30/6/11
10.	Interest and similar income		1,999,519,185		1,765,376,499
20.	Interest expense and similar charges		(1,736,687,658)		(1,453,720,140)
30.	**Net interest income**		**262,831,527**		**311,656,359**
40.	Fee and commission income		265,430,103		300,309,381
50.	Fee and commission expense		(18,533,859)		(16,116,964)
60.	**Net fee and commission income**		**246,896,244**		**284,192,417**
70.	Dividends and similar income		138,221,870		214,826,700
80.	Net trading income		135,430,044		33,291,254
90.	Net hedging income (expense)		3,901,073		(977,387)
100.	Gain (loss) on disposal/repurchase of:		70,131,402		29,295,047
	a) loans and advances	*(5,439)*		*585,591*	
	b) AFS securities	*34,494,395*		*11,328,205*	
	c) financial assets held to maturity	*(1,945,609)*		*(3,320,498)*	
	d) financial liabilities	*37,588,055*		*20,701,749*	
120.	**Total income**		**857,412,160**		**872,284,390**
130.	Adjustments for impairment to:		(519,074,981)		(154,951,418)
	a) loans and advances	*(67,506,020)*		*6,433,299*	
	b) AFS securities	*(410,721,746)*		*(144,538,751)*	
	c) financial assets held to maturity	*(1,564,083)*		*(10,754,494)*	
	d) financial liabilities	*(39,283,132)*		*(6,091,472)*	
140.	**Net income from financial operations**		**338,337,179**		**717,332,972**
150.	Administrative expenses:		(275,673,628)		(309,714,067)
	a) personnel costs	*(188,716,304)*		*(221,764,495)*	
	b) other administrative expenses	*(86,957,324)*		*(87,949,572)*	
160.	Net transfers to provisions		(1,500,000)		—
170.	Net adjustments to tangible assets		(3,413,554)		(3,047,558)
180.	Net adjustments to intangible assets		(11,346,109)		(10,125,291)
190.	Other operating income (expense)		19,629,736		18,546,048
200.	**Operating costs**		**(272,303,555)**		**(304,340,868)**
210.	Gain (loss) on equity investments		(198,684,018)		(158,647,205)
240.	Gain (loss) on disposal of investments in:		(440)		30,642
250.	**Profit (loss) on ordinary activities before tax**		**(132,650,834)**		**254,375,541**
260.	Income tax for the year on ordinary activities		(67,500,000)		(127,000,000)
270.	**Profit (loss) on ordinary activities after tax**		**(200,150,834)**		**127,375,541**
290.	**Net profit (loss) for the period**		**(200,150,834)**		**127,375,541**

Comprehensive profit and loss account

	Headings	30/6/12	30/6/11
10.	Gain (loss) for the period	(200,150,834)	127,375,541
	Other income items net of tax		
20.	AFS securities	(177,887,022)	14,493,498
30.	Property, plant and equipment	—	—
40.	Intangible assets	—	—
50.	Foreign investment hedges	—	—
60.	Cash flow hedges	(8,358,976)	6,912,113
70.	Exchange rate differences	—	—
80.	Non-current assets being sold	—	—
90.	Actuarial gains (losses) on defined-benefit pension schemes	—	—
100.	Share of valuation reserves for equity-accounted companies	—	—
110.	Total other income items net of tax	(186,245,998)	21,405,611
120.	Aggregate profit (Heading 10 + Heading 110)	(386,396,832)	148,781,152

Statement of changes to Mediobanca net equity

	Previously reported balance at 30/6/11	Allocation of profit for previous period		Changes during the reference period							Overall consolidated profit 2012	Balance at 30/6/12
		Reserves	Dividends and other fund applications	Changes to reserves	Transactions involving net equity							
					New shares issued	Treasury shares acquired	Extra ordinary dividend payouts	Changes to equity instruments	Treasury shares derivatives	Stock options [1]		
Share capital:	430,564,606	—	—	—	—	—	—	—	—	—	—	430,564,606
a) ordinary shares	430,564,606	—	—	—	—	—	—	—	—	—	—	430,564,606
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,120,143,393	—	—	—	—	—	—	—	—	—	—	2,120,143,393
Reserves:	2,486,562,854	(16,124,725)	—	(2,045,169)	—	—	—	—	—	12,815,656	—	2,481,208,616
a) retained earnings	2,430,456,878	(16,124,725)	—	(2,045,169)	—	—	—	—	—	—	—	2,412,286,984
b) others	56,105,976	—	—	—	—	—	—	—	—	12,815,656	—	68,921,632
Valuation reserves	(12,566,516)	—	—	2,045,169	—	—	—	—	—	—	(186,245,998)	(196,767,345)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(213,410,361)	—	—	—	—	—	—	—	—	—	—	(213,410,361)
Profit (loss) for the period	127,375,541	16,124,725	(143,500,266)	—	—	—	—	—	—	—	(200,150,834)	(200,150,834)
Net equity	4,938,669,517	—	(143,500,266)	—	—	—	—	—	—	12,815,656	(386,396,832)	4,421,588,075

[1] Represents the effect on the stock options and performance shores related to the ESOP schemes.

Statement of changes to net equity from 1/7/10 to 30/6/11

	Previously reported balance at 30/6/10	Allocation of profit for previous period		Changes during the reference period							Overall consolidated profit 2011	Balance at 30/6/11
		Reserves	Dividends and other fund applications	Changes to reserves	Transactions involving net equity							
					New shares issued	Treasury shares acquired	Extra ordinary dividend payouts	Changes to equity instruments	Treasury shares derivatives	Stock options [1]		
Share capital:	430,551,039	—	—	—	13,567	—	—	—	—	—	—	430,564,606
a) ordinary shares	430,551,039	—	—	—	13,567	—	—	—	—	—	—	430,564,606
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,119,912,746	—	—	—	230,647	—	—	—	—	—	—	2,120,143,393
Reserves:	2,372,423,708	100,643,084	—	—	—	—	—	—	—	13,496,062	—	2,486,562,854
a) retained earnings	2,329,813,794	100,643,084	—	—	—	—	—	—	—	—	—	2,430,456,878
b) others	42,609,914	—	—	—	—	—	—	—	—	13,496,062	—	56,105,976
Valuation reserves	(33,972,127)	—	—	—	—	—	—	—	—	—	21,405,611	(12,566,516)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(213,410,361)	—	—	—	—	—	—	—	—	—	—	(213,410,361)
Profit (loss) for the period	244,138,866	(100,643,084)	(143,495,782)	—	—	—	—	—	—	—	127,375,541	127,375,541
Net equity	4,919,643,871	—	(143,495,782)	—	244,214	—	—	—	—	13,496,062	148,781,152	4,938,669,517

[1] Represents the effect on the stock options and performance shores related to the ESOP schemes.

Mediobanca cash flow statement direct method

	Amounts	
	30/6/12	30/6/11
A. CASH FLOW FROM OPERATING ACTIVITIES		
1. Operating activities	**279,095,565**	**1,920,687,012**
- interest received	5,124,679,335	3,770,191,647
- interest paid	(4,651,773,221)	(2,867,179,170)
- dividends and similar income	121,062,215	115,969,377
- net fees and commission income	212,243,964	226,876,215
- cash payments to employees	(118,785,585)	(121,898,061)
- net premium income	—	—
- other premium from insurance activities	—	—
- other expenses paid	(1,904,611,717)	(1,754,547,942)
- other income received	1,496,788,800	2,551,832,812
- income taxes paid	(508,226)	(557,866)
- net expense/income from groups of assets being sold	—	—
2. Cash generated/absorbed by financial assets	**(7,540,206,686)**	**(2,975,389,796)**
- financial assets held for trading	1,377,849,113	2,848,927,121
- financial assets recognized at fair value	—	—
- AFS securities	(3,263,162,921)	(2,094,421,116)
- due from customers	(3,384,091,546)	(1,358,013,370)
- due from banks: on demand	(66,394,108)	744,128,007
- due from banks: other	(2,092,362,958)	(2,867,224,418)
- other assets	(112,044,266)	(248,786,020)
3. Cash generated/absorbed by financial liabilities	**7,546,754,181**	**1,523,439,828**
- due to banks: on demand	4,107,309,196	1,142,366,318
- due to banks: other	7,564,349,499	(500,218,768)
- due to customers	808,667,612	(192,827,545)
- debt securities	(5,203,811,815)	484,348,590
- trading liabilities	261,023,089	700,043,201
- financial liabilities assets recognized at fair value	—	—
- other liabilities	9,216,600	(110,271,968)
Net cash flow (outflow) from operating activities	**285,643,060**	**468,737,044**
B. INVESTMENT ACTIVITIES		
1. Cash generated from	**116,103,172**	**173,394,856**
- disposals of shareholdings	—	72,000
- dividends received in respect of equity investments	47,411,172	98,857,323
- disposals/redemptions of financial assets held to maturity	68,503,000	74,342,533
- disposals of tangible assets	189,000	107,000
- disposals of intangible assets	—	16,000
- disposals of subsidiaries or business units	—	—
2. Cash absorbed by	**(256,772,000)**	**(498,277,759)**
- acquisitions of shareholdings	(94,727,000)	—
- acquisitions of held-to-maturity investments	(149,744,000)	(483,127,000)
- acquisitions of tangible assets	(3,530,000)	(2,920,000)
- acquisitions of intangible assets	(8,771,000)	(12,230,759)
- acquisitions of subsidiaries or business units	—	—
Net cash flow (outflow) from investment/servicing of finance	**(140,668,828)**	**(324,882,903)**
C. FUNDING ACTIVITIES		
- issuance/acquisition of treasury shares	—	244,215
- issuance/acquisitions of equity instruments	—	—
- dividends payout and other applications of funds	(143,500,266)	(143,495,781)
Net cash flow (outflow) from funding activities	**(143,500,266)**	**(143,251,566)**
NET CASH FLOW (OUTFLOW) DURING PERIOD	**1,473,966**	**602,575**

Reconciliation of movements in cash flow during period

Headings	Amounts	
	30/6/12	30/6/11
Cash and cash equivalents: balance at start of period	643,450	40,875
Total cash flow (ouflow) during period	1,473,966	602,575
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at end of period	2,117,416	643,450

NOTES TO THE ACCOUNTS

NOTES TO THE ACCOUNTS

Part A - Accounting policies

A.1 - General part

SECTION 1

Statement of conformity with IAS/IFRS

The financial statements of Mediobanca S.p.A. for the period ended 30 June 2012 have, as required by Italian Legislative Decree 38/05, been drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), which were adopted by the European Commission in accordance with the procedure laid down in Article 6 of regulation CE 1606/02 issued by the European Council and Commission on 19 July 2002. Adoption of the new accounting standards with respect to financial reporting by banks was governed by Bank of Italy circular no. 262 issued on 22 December 2005.

SECTION 2

General principles

These consolidated financial statements comprise:

- balance sheet;
- profit and loss account;
- comprehensive profit and loss account;
- statement of changes in net equity;
- cash flow statement (direct method);
- notes to the accounts.

All the statements have been drawn up in conformity with the general principles provided for under IAS and the accounting policies illustrated in section 3, and show data for the period under review compared with that for the previous financial year.

A.2 - Significant accounting policies

Financial assets held for trading

This category comprises debt securities, equities, loans traded and the positive value of derivatives held for trading including those embedded in complex instruments such as structured bonds (recorded separately).

At the settlement date for securities and subscription date for derivatives, such assets are recognized at fair value not including any transaction expenses or income directly attributable to the asset concerned, which are taken through the profit and loss account.

After initial recognition they continue to be measured at fair value, which for listed instruments is calculated on the basis of market prices ruling at the reporting date (Level 1 assets). If no market prices are available, other valuation models are used (Level 2 assets) based on market-derived data, e.g. valuations of listed instruments with similar features, discounted cash flow analysis [1], option price calculation methods, or valuations used in comparable transactions, or alternatively valuations based on internal estimates (Level 3 assets). Equities and linked derivatives for which it is not possible to reliably determine fair value using the methods described above are stated at cost (these too qualify as Level 3 assets). If the assets suffer impairment, they are written down to their current value.

Gains and losses upon disposal and/or redemption and the positive and negative effects of changes in fair value over time are reflected in the profit and loss account under the heading *Net trading income*.

AFS securities

This category includes all financial assets apart from derivatives not booked under the headings *Financial assets held for trading, Financial assets held to maturity or Loans and receivables.*

AFS assets are initially recognized at fair value, which includes transaction costs and income directly attributable to them. Thereafter they continue to be

[1] From 30/6/12 the new benchmark for the risk-free rate for treasury operations with collateralized counterparties has changed from Euribor to Eonia.

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. Fair value is measured on the same principles as described for trading instruments. Equities for which it is not possible to reliably determine fair value are stated at cost. For debt securities included in this category the value of amortized cost is also recognized against the corresponding item in the profit and loss account.

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, this is recognized in the profit and loss account on the basis of market prices in the case of listed instruments, and of estimated future cash flows discounted according to the original effective interest rate in the case of unlisted securities. For shares, in particular, the criteria used to determine impairment are a reduction in fair value of over one half or for longer than twenty-four months, compared to the initial recognition value. If the reasons for which the loss was recorded subsequently cease to apply, the impairment is written back to the profit and loss account for debt securities to and net equity for shares.

Financial assets held to maturity

These comprise debt securities with fixed or otherwise determinable payments and fixed maturities which the Group's management has the positive intention and ability to hold to maturity.

Such assets are initially recognized at fair value, which is calculated as at the settlement date and includes any transaction costs or income directly attributable to them. Following their initial recognition they are measured at amortized cost using the effective interest method. Differences between the initial recognition value and the amount receivable at maturity are booked to the profit and loss account pro-rata.

Assets are tested for impairment at annual and interim reporting dates. If there is evidence of a long-term reduction in the value of the asset concerned, this is recognized in the profit and loss account on the basis of market prices in the case of listed instruments, and of estimated future cash flows discounted according to the original effective interest rate in the case of unlisted securities.

If the reasons which brought about the loss of value subsequently cease to apply, the impairment is written back to the profit and loss account up to the value of amortized cost.

Loans and receivables

These comprise loans to customers and banks which provide for fixed or otherwise determinable payments that are not quoted in an active market and which cannot therefore be classified as available for sale. Repos and receivables due in respect of finance leasing transactions are also included, as are illiquid and/or unlisted fixed securities.

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. The latter 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.

Leasing

IAS 17 defines finance leases as transactions whereby risks and benefits involved in owning the asset concerned are transferred to the lessee, and stipulates the criteria for identifying whether or not a lease is a finance or operating lease. All leases entered into by the Group qualify as finance leases under the terms of IAS 17. Accordingly, a receivable is booked at an amount equal to the net outlay involved in the finance lease transaction, plus any costs directly incurred in respect of negotiating and/or performing the contract.

Hedges

There are two types of hedge:

– fair value hedges, which are intended to offset the exposure of recognized assets and liabilities to changes in their fair value;

– cash flow hedges, which are intended to offset the exposure of recognized assets and liabilities to changes in future cash flows attributable to specific risks relating to the items concerned.

For the process to be effective, the item must be hedged with a counterparty from outside the Group.

Hedge derivatives are recognized at fair value as follows:

– changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset, where a difference between the two emerges as a result of the partial ineffectiveness of the hedge;

– the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in net equity, while the gain or loss deriving from the ineffective portion is recognized through the profit and loss account only as and when, with reference to the hedged item, the change in cash flow to be offset crystallizes.

Hedge accounting is permitted for derivatives where the hedging relationship is formally designated and documented and provided that the hedge is effective at its inception and is expected to be so for its entire life.

A hedge is considered to be effective when the changes in fair value or cash flow of the hedging instrument offset those of the hedged item within a range of 80-125%. The effectiveness of a hedge is assessed both *prospectively* and *retrospectively* at annual and interim reporting dates, the former to show expectations regarding effectiveness, the latter to show the degree of effectiveness actually achieved by the hedge during the period concerned. If an instrument proves to be ineffective, hedge accounting is discontinued and the derivative concerned is accounted for under trading securities.

Equity investments

This heading consists of investments in:

– subsidiaries;

– associates, 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;

– other investments of negligible value.

All of these categories are stated 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.

Property, plant and equipment

This heading comprises land, core and investment properties, plant, furniture, fittings, equipment and assets used under the terms of finance leases, despite the fact that such assets remain the legal property of the lessor rather than the lessee.

Assets held for investment purposes refer to investments in real estate, if any (whether owned or acquired under leases), which are not core to the Bank's main activities and/or are chiefly leased out to third parties.

These are stated at historical cost, which in addition to the purchase price, includes any ancillary charges directly resulting from their acquisition and/or usage. Extraordinary maintenance charges are reflected by increasing the asset's value, while ordinary maintenance charges are recorded in the profit and loss account.

Fixed assets are depreciated over the length of their useful life on a straight-line basis, with the exception of land, which is not depreciated on the grounds that it has unlimited useful life. Properties built on land owned by the Bank are recorded separately, on the basis of valuations prepared by independent experts.

At annual and interim reporting dates, where there is objective evidence that the value of an asset may be impaired, its carrying amount is compared to its current value, which is defined as the higher of its fair value net of any sales costs and its related value of use, and adjustments, if any, are recognized through the profit and loss account. If the reasons which gave rise to the loss in value cease to apply, the adjustment is written back to earnings with the proviso that the amount credited may not exceed the value which the asset would have had net of depreciation, which is calculated assuming no impairment took place.

Intangible assets

These chiefly comprise goodwill and long-term computer software applications.

Goodwill may be recognized where this is representative of the investee company's ability to generate future income. At annual and interim reporting dates assets are tested for impairment, which is calculated as the difference between the initial recognition value of the goodwill and its realizable value, the latter being equal to the higher of the fair value of the cash-generating unit concerned net of any sales costs and its assumed value of use. Any adjustments are taken through the profit and loss account.

Other intangible assets are recognized at cost, adjusted to reflect ancillary charges only where it is likely that future earnings will derive from the asset and the cost of the asset itself may be reliably determined. Otherwise the cost of the asset is booked to the profit and loss account in the year in which the expense was incurred.

The cost of intangible assets is amortized on the straight-line basis over the useful life of the asset concerned. If useful life is not determinable the cost of the asset is not amortized, but the value at which it is initially recognized is tested for impairment on a regular basis.

At annual and interim reporting dates, where there is evidence of impairment the realizable value of the asset is estimated, and the impairment is recognized in the profit and loss account as the difference between the carrying amount and the recoverable value of the asset concerned.

Derecognition of assets

Financial assets are derecognized as and when the Bank is no longer entitled to receive cash flows deriving from them, or when they are sold and the related risks and benefits are transferred accordingly. Tangible and intangible assets are derecognized upon disposal, or when an asset is permanently retired from use and no further earnings are expected to derive from it.

Assets or groups of assets which are sold continue to be recognized if the risks and benefits associated with them (in the relevant technical form) continue to be attributable to Mediobanca. A corresponding amount is then entered as a liability to offset any amounts received (as *Other amounts receivable* or *Repos).*

The main forms of activity currently carried out by the Group which do not require underlying assets to be derecognized are the securitization of receivables, repo trading and securities lending.

Conversely, items received as part of deposit bank activity, the return on which is collected in the form of a commission, are not recorded, as the related risks and benefits continue to accrue entirely to the end-investor.

Payables, debt securities in issue and subordinated liabilities

These include the items *Due to banks, Due to customers and Debt securities in issue* less any shares bought back. Amounts payable by the lessee under the terms of finance leasing transactions are also included.

Initial recognition takes place when funds raised are collected or debt securities are issued, and occurs at fair value, which is equal to the amount collected net of transaction costs incurred directly or indirectly in connection with the liability concerned. Thereafter liabilities are stated at amortized cost on the basis of the original effective interest rate, with the exception of short-term liabilities which continue to be stated at the original amount collected.

Derivatives embedded in structured bonds are stripped out from the underlying contract and recognized at fair value. Subsequent changes in fair value are recognized through the profit and loss account.

Financial liabilities are derecognized upon expiry or repayment, even if buybacks of previously issued bonds are involved. The difference between the liabilities' carrying value and the amount paid to repurchase them is recorded through the profit and loss account.

The sale of treasury shares over the market following a buyback is treated as a new issue. The new sale price is recorded as a liability without passing through the profit and loss account.

Trading liabilities

This item includes the negative value of trading derivatives and any derivatives embedded in complex instruments. Liabilities in respect of technical shortfalls deriving from securities trading activity are also included. All trading liabilities are recognized at fair value.

Staff severance indemnity provision

This is stated to reflect the actuarial value of the provision as calculated in line with regulations used for defined benefit schemes. Future obligations are estimated on the basis of historical statistical analysis (e.g. staff turnover, retirements, etc.) and demographic trends. These are then discounted to obtain their present value on the basis of market interest rates. The values thus obtain are booked under labour costs as the net amount of contributions paid, prior years' contributions not yet capitalized, interest accrued, and actuarial gains and losses.

All actuarial profits and/or losses are included under labour costs.

Units accruing as from 1 January 2007 paid into complementary pension schemes or the Italian national insurance system are recorded on the basis of contributions accrued during the period.

Provisions for liabilities and charges

These regard risks linked with the Group's operations but not necessarily associated with failure to repay loans, and which could lead to expenses in the future. If the time effect is material, provisions are discounted using current market rates. Provisions are recognized in the profit and loss account.

Provisions are reviewed on a regular basis, and where the charges that gave rise to them are deemed unlikely to crystallize, the amounts involved are written back to the profit and loss account in part or in full.

Withdrawals are only made from provisions to cover the expenses for which the provision was originally made.

Foreign currency transactions

Transactions in foreign currencies are recorded by applying the exchange rates as at the date of the transaction to the amount in the foreign currency concerned.

Assets and liabilities denominated in currencies other than the Euro are translated into Euros using exchange rates ruling at the dates of the transactions. Differences on cash items due to translation are recorded through the profit and loss account, whereas those on non-cash items are recorded according to the valuation criteria used in respect of the category they belong to (i.e. at cost, through the profit and loss account or on an equity basis).

Tax assets and liabilities

Income taxes are recorded in the profit and loss account, with the exception of tax payable on items debited or credited directly to net equity. Provisions for income tax are calculated on the basis of current, advance and deferred obligations. Advance and deferred tax is calculated on the basis of temporary differences – without time limits – between the carrying amount of an asset or liability and its tax base, according to statutory criteria and the corresponding values used for tax purposes.

Advance tax assets are recognized in the balance sheet based on the likelihood of their being recovered.

Deferred tax liabilities are recognized in the balance sheet with the exception of tax-suspended reserves, if the size of the reserves available already subjected to taxation is such that it may be reasonably assumed that no transactions will be carried out on the Group's own initiative that might lead to their being taxed.

Deferred tax arising upon business combinations is recognized when this is likely to result in a charge for one of the companies concerned.

Tax assets and liabilities are adjusted as and when changes occur in the regulatory framework or in applicable tax rates, *inter alia* to cover charges that might arise in connection with inspections by or disputes with the tax revenue authorities.

Stock options and performance shares

The stock option and performance share schemes operated on behalf of Group staff members and collaborators are treated as a component of labour costs. The fair value of the instruments is measured and recognized in net equity at the grant date using a share/option pricing method adjusted to reflect historical series for previous financial years. The value thus determined is taken to the profit and loss account pro-rata to the vesting period for the individual awards.

Treasury shares

These are deducted from net equity, and any gains/losses realized on disposal are recognized in net equity.

Dividends and commissions

These are recognized as and when they are realized, provided there is reasonable likelihood that future benefits will accrue.

Fees included in amortized cost for purposes of calculating the effective interest rate are not included, but are recorded under *net interest income*.

Related parties (IAS 24)

In accordance with IAS 24, related parties are defined as:

a) individuals or entities which directly or indirectly:
   1. are subject to joint control by Mediobanca;
   2. hold an interest in Mediobanca which allows them to exert a significant influence over Mediobanca: significant influence is presumed to exist in cases where an individual or entity holds an interest of more than 5% in the share capital of Mediobanca, along with the entitlement to appoint at least one member of the Board of Directors;

b) associate companies;

c) management with strategic responsibilities, that is, individuals with powers and responsibilities, directly or indirectly, for the planning, direction and control of the parent company's activities, including the members of the Board of Directors and Statutory Audit Committee;

d) subsidiaries, jointly-controlled companies and companies subject to significant influence by one of the individuals referred to in letter c) above, or in which they themselves hold, directly or indirectly, a significant share of the voting rights or are shareholders and hold strategic roles (Chairman or Chief Executive Officer);

e) close family members of the individuals referred to in letter c) above, that is, individuals who may be expected to influence them or be influenced by them in their relations with Mediobanca (this category includes partners, children, partners' children, dependents and partners' dependents) as well as any entities controlled, jointly controlled or subject to significant influence by such individuals, or in which such individuals hold, directly or directly, a significant share of the voting rights;

f) pension funds for employees of the parent company or any other entity related to it.

A.3 - Information on fair value

A.3.1 Transfers between portfolios

A.3.1.1 Reclassified financial assets: book value, fair value and effects on overall profitability

Type of instrument	Transferred from	Transferred to	Book value at 30/6/12	Fair value at 30/6/12	Additions to P&L if assets not transferred (pre-tax)		Additions to P&L made during the year (pre-tax)	
					Valuation	Other	Valuation	Other
Debt securities [1] (ABS)	Financial assets held for trading	Due from customers	150,719	125,460	(14,846)	4,651	—	4,651
Debt securities [1] (ABS)	AFS securities	Due from customers	58,725	53,214	(3,216)	1,854	—	1,854
Debt securities [2]	AFS securities	Financial assets held to maturity	485,666	483,104	10,426	23,256	—	23,256
Total			695,110	661,778	(7,636)	29,761	—	29,761

[1] Made during FY 08/09.

[2] Made during FY 10/11.

A.3.2 Fair value ranking

A.3.2.1 Asset portfolios by fair value ranking

Financial assets/liabilities measured at fair value	30/6/12				30/6/11			
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
1. Financial assets held for trading	7,278,106	5,094,070	939,404	[1]	7,907,377	3,465,553	1,352,878	[1]
2. Financial assets recognized at fair value	—	—	—		—	—	—	
3. AFS securities	7,993,754	547,899	815,000	[2]	5,149,361	462,333	1,072,980	[2]
4. Hedge derivatives	—	1,683,830	—		—	1,386,423	—	
Total	15,271,860	7,325,799	1,754,404		13,056,738	5,314,309	2,425,858	
1. Financial liabilities held for trading	(3,826,564)	(4,952,602)	(1,152,617)	[1]	(3,177,725)	(3,633,535)	(1,276,879)	[1]
2. Financial liabilities recognized at fair value	—	—	—		—	—	—	
3. Hedge derivatives	—	(572,730)	—		—	(725,390)	—	
Total	(3,826,564)	(5,525,332)	(1,152,617)		(3,177,725)	(4,358,925)	(1,276,879)	

[1] Includes market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€208m at 30/6/12 and €395m at 30/6/11) as well as options traded (€679m and €670m respectively), the values of which are recorded as both assets and liabilities for the same amount.

[2] Includes investments in unlisted companies valued on the basis of internal models.

Level 2 financial assets held for trading include bonds covered by credit derivatives and specific funding of the same duration. The difference between the mark-to-market on the various instruments (negative basis) is taken through the profit and loss account pro rata for the duration of the transaction.

A.3.2.2 Annual changes in financial assets recognized at fair value (level 3 assets)

	FINANCIAL ASSETS			
	Held for trading [1 3]	**Recognized at fair value**	**AFS** [2]	**Hedges**
1. Balance at start of period	288,018	—	1,072,980	—
2. Additions	52,989	—	55,798	—
2.1 Purchases	19,760	—	8,409	—
2.2 Profits recognized in:	33,229	—	47,389	—
2.2.1 profit and loss account	33,229	—	42,270	—
- of which, gains	1,139	—	—	—
2.2.2 net equity	X	X	5,119	—
2.3 Transfers from other levels	—	—	—	—
2.4 Other additions	—	—	—	—
3. Reductions	289,240	—	313,778	—
3.1 Disposals	125,039	—	105,478	—
3.2 Redemptions	116,326	—	—	—
3.3 Losses recognized in:	46,872	—	206,723	—
3.3.1 profit and loss account	46,872	—	204,466	—
- of which, losses	14,205	—	204,459	—
3.3.2 net equity	X	X	2,257	—
3.4 Transfers to other levels	—	—	—	—
3.5 Other reductions	1,003	—	1,577	—
4. Balance at end of period	51,767	—	815,000	—

[1] Includes market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€208m at 30/6/12 and €395m at 30/6/11) as well as options traded (€679m and €670m respectively), the values of which are recorded as both assets and liabilities for the same amount.

[2] Includes investments in unlisted companies valued on the basis of internal models.

[3] The amount of the redemptions is almost entirely due to trading involving options on listed securities forming part of delta hedging strategies, the values of which are recorded as both assets and liabilities in the accounts in the same amount.

For more complex Level 3 instruments, the valuation models reflect a fine-tuning in the parameters used (“model reserve”) which allows the initial mark-to-market to be reduced to zero and released pro rata for the duration of the contract. This technique has only been applied to three contracts, with an aggregate residual impact of €2.9m (€6m), after €3.1m already charged to the profit and loss account which includes the value of one contract being reduced to zero.

A.3.2.3 Annual changes in financial liabilities recognized at fair value (level 3 liabilities)

	FINANCIAL LIABILITIES		
	Held for trading [1 2]	**Recognized at fair value**	**Hedges**
1. Balance at start of period	212,018	—	—
2. Additions	153,556	—	—
2.1 Issues	46,750	—	—
2.2 Losses recognized in:	106,806	—	—
2.2.1 profit and loss account	106,806	—	—
- of which, losses	106,806	—	—
2.2.2 net equity	X	X	—
2.3 Transfers from other levels	—	—	—
2.4 Other additions	—	—	—
3. Reductions	100,594	—	—
3.1 Redemptions	42,982	—	—
3.2 Buybacks	—	—	—
3.3 Profits recignized in:	57,612	—	—
3.3.1 profit and loss account	57,612	—	—
- of which, gains	57,612	—	—
3.3.2 net equity	X	X	—
3.4 Transfers to other levels	—	—	—
3.5 Other reductions	—	—	—
4. Balance at end of period	264,980	—	—

[1] Includes market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€208m at 30/6/12 and €395m at 30/6/11) as well as options traded (€679m and €670m respectively), the values of which are recorded as both assets and liabilities for the same amount.

[2] The amount of the redemptions is almost entirely due to trading involving options on listed securities forming part of delta hedging strategies, the values of which are recorded as both assets and liabilities in the accounts in the same amount.

Part B - Notes to balance sheet *

Assets

SECTION 1

Heading 10: Cash and cash equivalent

1.1 Cash and cash equivalents

	30/6/12	30/6/11
a) Cash	62	82
b) Demand deposits held at central banks	2,055	561
Total	2,117	643

* Figures in €'000 save in footnotes, where figures are provided in full.

SECTION 2

Heading 20: Financial assets held for trading

2.1 Financial assets held for trading: composition

Item	30/6/12			30/6/11		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	3,860,608	795,439	1	3,938,730	876,142	1
1.1 Structured	189,889	89,327	—	244,838	196,129	—
1.2 Other debt securities	3,670,719	706,112	1	3,693,892	680,013	1
2. Equities [1]	531,561	—	26,800	1,549,923	—	164,296
3. UCITS units	215,943	—	18,310	332,845	—	35,518
4. Loans and advances	—	—	—	—	—	—
4.1 Repos	—	—	—	—	—	—
4.2 Others	—	—	—	—	—	—
Total A	4,608,112	795,439	45,111	5,821,498	876,142	199,815
B. Derivative products						
1. Financial derivatives	1,104,548	4,081,335	894,293	564,179	2,399,568	1,153,063
1.1 Trading	1,104,548	3,902,168	685,476 [2]	564,179	2,335,833	758,642 [2]
1.2 Linked to fair value options	—	—	—	—	—	—
1.3 Others	—	179,167	208,817 [3]	—	63,735	394,421 [3]
2. Credit derivatives	1,565,446	217,296	—	1,521,700	189,843	—
2.1 Trading	1,565,446	217,296	—	1,521,700	189,843	—
2.2 Linked to fair value options	—	—	—	—	—	—
2.3 Others	—	—	—	—	—	—
Total B	2,669,994	4,298,631	894,293	2,085,879	2,589,411	1,153,063
Total (A+B)	7,278,106	5,094,070	939,404	7,907,377	3,465,553	1,352,878

[1] Equities as at 30/6/12 include shares committed in securities lending transactions worth €145,435,000.

[2] Respectively €679,392,000 and €670,439,000 in respect of options traded, with the equivalent amount being recorded as trading liabilities.

[3] Market value of options covering options implicit in bonds issued by Mediobanca S.p.A. and Mediobanca International, with the equivalent amount being recorded as trading liabilities.

2.2 Financial assets held for trading: by borrower/issuer

Item/value	30/6/12	30/6/11
A. CASH ASSETS		
1. Debt securities	4,656,048	4,814,873
a. Governments and central banks	2,674,948	1,922,496
b. Other public agencies	85,057	57,857
c. Banks	425,456	694,284
d. Other issuers	1,470,587	2,140,236
2. Equities	558,361	1,714,219
a. Banks	66,823	219,053
b. Other issuers	491,538	1,495,166
- insurances	41,046	48,815
- financial companies	17,915	60,930
- non-financial companies	432,577	1,385,421
- others	—	—
3. UCITS units	234,253	368,363
4. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
Total A	5,448,662	6,897,455
B. DERIVATIVE PRODUCTS		
a. Banks	5,675,569	4,268,056
- fair value	5,675,569	4,268,056
b. Customers	2,187,349	1,560,297
- fair value	2,187,349	1,560,297
Total B	7,862,918	5,828,353
Total A+B	13,311,580	12,725,808

2.3 Financial assets held for trading: derivative products

	Debt securities	Equities	UCITS units	Loans and advances	Total
A. Balance at start of period	4,814,873	1,714,219	368,363	—	6,897,455
B. Additions	24,739,415	7,517,629	226,071	—	32,483,115
B.1 Acquisitions	24,164,782	7,310,018	223,748	—	31,698,548
B.2 Increases in fair value	67,584	18,214	1,958	—	87,756
B.3 Other additions	507,049	189,397	365	—	696,811
C. Reductions	24,898,240	8,673,487	360,181	—	33,931,908
C.1 Disposals	22,869,104	8,243,283	358,439	—	31,470,826
C.2 Redemptions	1,819,972	—	—	—	1,819,972
C.3 Reductions in fair value	103,588	86,816	345	—	190,749
C.4 Transfers to other portfolios	—	—	—	—	—
C.5 Other reductions	105,576	343,388	1,397	—	450,361
D. Balance at end of period	4,656,048	558,361	234,253	—	5,448,662

SECTION 4

Heading 40: Available for sale (AFS) securities

4.1 AFS securities: composition

Item/value	30/6/12			30/6/11		
	Level 1	Level 2	Level 3 *	Level 1	Level 2	Level 3 *
1. Debt securities	7,733,752	547,899	—	4,591,176	462,333	1
1.1 Structured	—	—	—	—	—	—
1.2 Other debt securities	7,733,752	547,899	—	4,591,176	462,333	1
2. Equities	260,002	—	722,157	558,185	—	994,837
2.1 Recognized at fair value	260,002	—	722,157	558,185	—	994,837
2.2 Recognized at cost	—	—	—	—	—	—
3. UCITS units	—	—	92,843	—	—	78,142
4. Loans and advances	—	—	—	—	—	—
Total	7,993,754	547,899	815,000	5,149,361	462,333	1,072,980

* Includes shares in non-listed companies based on internal rating models.

4.2 AFS securities: by borrower/issuer

Item/value	30/6/12	30/6/11
1. Debt securities	8,281,651	5,053,510
a. Governments and central banks	5,980,893	2,858,143
b. Other public agencies	—	—
c. Banks	1,298,773	1,127,867
d. Other issuers	1,001,985	1,067,500
2. Equities	982,159	1,553,022
a. Banks	189,883	378,101
b. Other issuers	792,276	1,174,921
- insurances	—	—
- financial companies	423,805	475,035
- non-financial undertakings	368,471	699,886
- others	—	—
3. UCITS units	92,843	78,142
4. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other issuers	—	—
Total	9,356,653	6,684,674

4.3 AFS securities: assets subject to specific hedging

Item/value	30/6/12	30/6/11
1. Financial assets subject to specific fair value hedges:	343,519	438,121
a. interest rate risk	343,519	383,868
b. price risk	—	54,253
c. exchange rate risk	—	—
d. credit risk	—	—
e. more than one risk	—	—
2. Financial assets subject to specific cash flow hedges:	—	—
a. interest rate risk	—	—
b. exchange rate risk	—	—
c. other	—	—
Total	343,519	438,121

4.4 AFS securities: movements during the period

	Debt securities	Equities	UCITS units	Loans and advances	Total
A. Balance at start of period	5,053,510	1,553,022	78,142	—	6,684,674
B. Additions	6,751,455	116,101	19,739	—	6,887,295
B.1 Acquisitions	6,648,770	56,972	16,470	—	6,722,212
B.2 Increases in fair value	58,684	16,822	3,259	—	78,765
B.3 Writebacks	—	—	—	—	—
- recognized in profit and loss account	—	X	—	—	—
- recognized in net equity	—	—	—	—	—
B.4 Transfers from other asset classes	—	—	—	—	—
B.5 Other additions	44,001	42,307	10	—	86,318
C. Reductions	3,523,314	686,964	5,038	—	4,215,316
C.1 Disposals	1,233,796	324,409	374	—	1,558,579
C.2 Redemptions	1,900,470	—	—	—	1,900,470
C.3 Reductions in fair value	217,474	68,218	2,257	—	287,949
C.4 Writedowns due to impairment	141,060	236,508	2,399	—	379,967
- taken to profit and loss account	141,060	232,235	2,399	—	375,694
- taken to net equity	—	4,273	—	—	4,273
C.5 Transfers to other asset classes	—	—	—	—	—
C.6 Other reductions	30,514	57,829	8	—	88,351
D. Balance at end of period	8,281,651	982,159	92,843	—	9,356,653

SECTION 5

Heading 50: Financial assets held to maturity

5.1 Financial assets held to maturity

Type of transactions/ group components	30/6/12				30/6/11			
		Fair value				Fair value		
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Debt securities	1,716,145	1,449,313	218,713	22,305	1,642,884	1,396,883	202,471	22,203
1.1 Structured	—	—	—	—	—	—	—	—
1.2 Other debt securities	1,716,145	1,449,313	218,713	22,305	1,642,884	1,396,883	202,471	22,203
2. Loans and advances	—	—	—	—	—	—	—	—
Total	1,716,145	1,449,313	218,713	22,305	1,642,884	1,396,883	202,471	22,203

5.2 Financial assets held to maturity: by borrower/issuer

Type of transactions/value	30/6/12	30/6/11
1. Debt securities	1,716,145	1,642,884
a. Governments and central banks	345,163	246,151
b. Other public agencies	—	—
c. Banks	399,133	399,917
d. Other entities	971,849	996,816
2. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
Total	1,716,145	1,642,884

5.4 Assets held to maturity: movements during the period

	Debt securities	Loans and advances	Total
A. Balance at start of period	1,642,884	—	1,642,884
B. Additions	149,744	—	149,744
B.1 Acquisitions	149,744	—	149,744
B.2 Writebacks	—	—	—
B.3 Transfers from other asset classes	—	—	—
B.4 Other additions	—	—	—
C. Reductions	76,483	—	76,483
C.1 Disposal	58,503	—	58,503
C.2 Redemptions	10,000	—	10,000
C.3 Value adjustments	1,564	—	1,564
C.4 Transfers to other asset classes	—	—	—
C.5 Other reductions	6,416	—	6,416
D. Balance at end of period	1,716,145	—	1,716,145

SECTION 6

Heading 60: Due from banks

6.1 Due from banks

Type of transactions/value	30/6/12	30/6/11
A. Due from central banks	116,138	116
1. Term deposits	—	—
2. Compulsory reserves	116,138	116
3. Amounts due under repo agreements	—	—
4. Other amounts due	—	—
B. Due from banks	10,485,056	8,298,868
1. Current accounts and demand deposits	1,976,821	1,350,453
2. Term deposits	113,825	1,184,081
3. Other receivables:	8,394,410	5,764,334
3.1 amounts due under repo agreements	1,583,791	2,620,874
3.2 amounts due under finance leases	—	—
3.3 other amounts due	6,810,619	3,143,460
4. Debt securities	—	—
4.1 structured	—	—
4.2 other debt securities	—	—
Total book value	10,601,194	8,298,984
Total fair value	10,598,044	9,817,870

SECTION 7

Heading 70: Due from customers

7.1 Due from customers: composition

Type of transactions/amounts	30/6/12		30/6/11	
	Performing	Non-performing	Performing	Non-performing
1. Current accounts	293,190	—	179,204	—
2. Amounts due under repo agreements	4,585,819	—	1,812,430	—
3. Mortgages	20,218,344	143,674	19,762,314	127,326
4. Credit cards, personal loans and salary-guaranteed finance	—	—	—	—
5. Amounts due under finance leasing	—	—	—	—
6. Factoring	—	—	—	—
7. Other transactions	2,488,142	—	2,331,794	—
8. Debt securities	2,297,263	—	2,358,218	—
8.1 structured	—	—	—	—
8.2 other debt securities	2,297,263	—	2,358,218	—
Total (book value)	29,882,758	143,674	26,443,960	127,326
Total (fair value)	28,843,844		27,268,738	

[1] Of which €1.692.411 in securities issued by Quarzo as part of a securitization of Compass receivables.

7.2 Due from customers: by borrower/issuer

Type of transactions/value	30/6/12		30/6/11	
	Performing	**Non-performing**	**Performing**	**Non-performing**
1. Debt securities:	2,297,263	—	2,358,218	—
a) Governments	—	—	—	—
b) Other public agencies	—	—	—	—
c) Other issuers	2,297,263	—	2,358,218	—
- non-financial undertakings	—	—	—	—
- financial companies	2,297,263	—	2,310,750	—
- insurances	—	—	47,468	—
- other entities	—	—	—	—
2. Loans and advances to:	27,585,495	143,674	24,085,742	127,326
a) Governments	22,380	—	40,243	—
b) Other public agencies	—	—	—	—
c) Other issuers	27,563,115	143,674	24,045,499	127,326
- non-financial undertakings	10,358,178	138,623	9,019,011	122,655
- financial companies	15,210,132	5,051	12,983,794	4,671
- insurances	1,978,735	—	1,986,161	—
- other entities	16,070	—	56,533	—
Total	29,882,758	143,674	26,443,960	127,326

7.3 Due from customers: assets subject to specific hedging

Type of transactions/value	30/6/12	30/6/11
1. Items subject to specific fair value hedges for:	108,599	237,173
a) interest rate risk	108,599	237,173
b) exchange rate risk	—	—
c) credit risk	—	—
d) more than one risk	—	—
2. Items subject to specific cash flow hedges:	—	—
a) interest rate risk	—	—
b) exchange rate risk	—	—
c) other	—	—
Total	108,599	237,173

SECTION 8

Heading 80: Hedging derivatives

8.1 Hedging derivatives by type of contract and underlying asset

	30/6/12 Fair value			Notional value	30/6/11 Fair value			Notional value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivates	—	1,683,830	—	23,417,966	—	1,386,423	—	18,608,442
1) Fair value	—	1,683,830	—	23,417,966	—	1,386,423	—	18,608,442
2) Cash flow	—	—	—	—	—	—	—	—
3) Non-Italian investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	1,683,830	—	23,417,966	—	1,386,423	—	18,608,442

8.2 Hedging derivatives: by portfolio hedged and hedge type

Operations/type of hedging	Fair value						Cash flow hedges		Non-Italian investments
	Specific					General	Specific	General	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. AFS securities	4,556	—	—	—	—	X	—	X	X
2. Loans and advances	13,376	—	—	X	—	X	—	X	X
3. Financial assets held to maturity	X	—	—	X	—	X	—	X	X
4. Portfolio	X	X	X	X	X	—	X	—	X
5. Non-Italian investments	—	—	—	—	—	X	—	X	—
Total assets	17,932	—	—	—	—	—	—	—	—
1. Financial liabilities	1,663,911	1,987	—	X	—	X	—	X	X
2. Portfolio	X	X	X	X	X	—	X	—	X
Total liabilities	1,663,911	1,987	—	X	—	—	—	—	X
1. Estimated transactions	X	X	X	X	X	X	—	X	X
2. Portfolio of financial assets and liabilities passività finanziarie	X	X	X	X	X	—	X	—	—

SECTION 10

Heading 100: Equity investments

10.1 Investments in subsidiaries, jointly-controlled companies and companies subject to significant influence: disclosures on shareholdings

Name	Registered office	Percentage shareholding	Percentage voting rights
A. SUBSIDIARIES			
Directly held investments			
1. CheBanca! S.p.A. Share capital €210m, in par value €0.50 shares	Milan	100.0	100.0
2. Compass S.p.A. Share capital €587.5m, in par value €5 shares	Milan	100.0	100.0
3. Prominvestment S.p.A. (in liquidation) Share capital €743,000, in par value €0.52 shares	Milan	100.0	100.0
4. Prudentia Fiduciaria S.p.A. Share capital €100,000, in par value €5 shares	Milan	100.0	100.0
5. Ricerche e Studi S.p.A. Share capital €100,000, in par value €5 shares	Milan	100.0	100.0
6. Sade Finanziaria - Intersomer S.r.l. Share capital €25,000	Milan	100.0	100.0
7. SelmaBipiemme Leasing S.p.A. Share capital €41.3m, in par value €0.50 shares	Milan	60.0	60.0
8. Seteci - Società Consortile per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.c.p.A. Share capital €500,000, in par value €5 shares	Milan	99.99	99.99
9. Spafid S.p.A. Share capital €100,000, in par value €10 shares	Milan	100.0	100.0
10. Compagnie Monégasque de Banque - CMB S.A.M. Share capital €111.1m, in par value € 200 shares	Monte Carlo	100.0	100.0
11. Mediobanca International (Luxembourg) S.A. Share capital €10m, in par value €10 shares	Luxembourg	99.0	99.0
12. MB Securities USA LLC Share capital $ 2.25 m	New York	100.0	100.0
13. Consortium S.r.l. Share capital €100,000	Milan	100.0	100.0
B. JOINTLY-CONTROLLED COMPANIES			
1. Banca Esperia S.p.A. Share capital €63m, in par value €0.52 shares	Milan	50.0	50.0
C. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE			
1. Athena Private Equity S.A. Share capital €151.1m, in par value €2 shares	Luxembourg	24.27	24.27
2. Burgo Group S.p.A. Share capital €205.4m, in par value €0.52 shares	Altavilla Vicentina (VI)	22.13	22.13
3. Fidia - Fondo Interbancario d'Investimento Azionario SGR S.p.A. Share capital €4.9m, in par value €520 shares	Milan	25.0	25.0
4. Assicurazioni Generali S.p.A. Share capital €1,556.9m, in par value €1 shares	Trieste	13.15	13.15
5. RCS MediaGroup S.p.A. Share capital €762m, in par value €1 shares	Milan	14.36	14.94
6. Pirelli & C. S.p.A. Share capital €1,556.7m, in par value €0.29 shares	Milan	4.49	4.61
7. Gemina S.p.A. Share capital €1,473m, in par value €1 shares	Fiumicino (RM)	12.53	12.56
8. Telco S.p.A. Share capital €1,784.6m	Milan	11.62	11.62

10.2 Investments in subsidiaries, jointly-controlled companies and companies subject to significant influence: financial information

Name	Total assets	Total income	Net equity (€/000) (For. Curr. '000)	Net profit (loss) (€/000) (For. Curr. '000)	Book value (€/000)
A. Subsidiaries (IAS 27)					
Directly owned					
1. CheBanca! S.p.A.	17,029,993	525,730	106,826	(42,762)	183,116
Share capital €210m, in par value € 0.50 shares					
2. Compass S.p.A.	9,666,479	940,710	971,886	76,514	764,018
Share capital €587.5m, in par value €5 shares					
3. Prominvestment S.p.A. (in liquidation)	4,478	506	(1,258)	(670)	—
Share capital €743,000, in par value €0.52 shares					
4. Prudentia Fiduciaria S.p.A.	3,421	3,403	1,587	521	103
Share capital €100,000, in par value €5 shares					
5. Ricerche e Studi S.p.A.	931	1,846	119	22	103
Share capital €100,000, in par value €5 shares					
6. Sade Finanziaria - Intersomer S.r.l.	16	—	18	(2)	25
Share capital €25,000					
7. SelmaBipiemme Leasing S.p.A.	2,464,361	91,362	94,412	(8,264)	32,909
Share capital €41.3m, in par value €0.50 shares					
8. Seteci - Società Consortile per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.c.p.A.	41,235	16,308	3,183	1	523
Share capital €500,000, in par value €5 shares					
9. Spafid S.p.A.	38,781	7,368	42,302	(9,437)	198
Share capital €100,000, in par value €10 shares					
10. Compagnie Monégasque de Banque - CMB S.A.M.	2,200,599	165,561	453,266	106,285	371,513
Share capital €111.1m, in par value €200 shares					
11. Mediobanca International (Luxembourg) S.A.	5,510,611	166,035	202,623	28,429	5,942
Share capital €10m, in par value €10 shares					
12. MB Securities USA L.L.C.	3,969	2,044	1,013	182	186
Share capital $2.25m					
13. Consortium S.r.l.	260	52	248	(15)	123
Share capital €8.6m					
Total subsidiaries					1,358,759

Name	Significant data [1]				Book value	Fair value
	Total assets	Total income	Net profit (loss)	Net equity		
A. EQUITY-ACCOUNTED COMPANIES						
1. Banca Esperia S.p.A.	1,120,245	86,031	1,585	157,870	54,138	—
A.1 JOINTLY-CONTROLLED COMPANIES (IAS 31)						
1. Burgo Group S.p.A.	2,265,711	2,563,730	10,072	336,929	54,628	—
2. Assicurazioni Generali S.p.A.	423,057,200	81,000,700	856,100	14,629,500	1,095,900	2,182,218
3. RCS MediaGroup S.p.A.	2,864,600	2,075,000	(322,000)	971,100	109,431	57,287
4. Fidia SGR S.p.A.	5,807	504	(433)	4,495	1,013	—
5. Athena Private Equity S.A.	109,433	2,821	(1,673)	100,414	22,161	—
6. Gemina S.p.A.	3,925,882	625,291	(14,787)	1,580,152	196,108	112,010
7. Pirelli & C. S.p.A.	6,995,806	5,862,800	451,608	1,694,491	115,749	181,845
8. Telco S.p.A.	4,640,934	135,963	(903,154)	2,185,531	206,553	—
Total					1,855,681	

[1] From most recent approved consolidated financial statements.

During the year the individual book values of the Bank's investments (previously recognized at cost) have been aligned with the values calculated using the equity method based on the new net present values: this generated impairment charges to the investments in Telco (€115.7m), RCS MediaGroup (€82.3m) and Gemina (€0.3m). In further detail:

- the book value of the investment in Telco fell from €252.6m to €206.6m, representing the difference between the capital increase completed in May (€69.7m) and the pro rata share of the company's net equity shown in the accounts for the period ended 30 April 2012 (IAS-compliant), and also reflecting the writedown charged by the company in respect of its Telecom Italia investment, the value of which was written down from €1.8 to €1.5 per share. This book value is not considered to be higher than its net present value as defined in paragraph 33 of IAS 28, in view of the following considerations:

  - with a share of 22.4% in Telecom Italia, Telco is the main shareholder in the Telecom Italia group;

  - the time horizon of the investment is medium-/long-term;

  - the value assigned to the Telecom Italia share price is consistent with the results of applying a discounted cash flow model based on recent strategic guidance and targets for the 2012-2014 period presented to the market by Telecom Italia on 24 February 2012.

  Based on stock market prices as at 29 June 2012, Telco's net asset value would be nil.

- the Group's shareholding in RCS MediaGroup has been aligned to reflect a net present value of €1 per share; this value has been calculated based on a discounted cash flow model that takes into account the negative earnings prospects of the publishing industry, on the Spanish market in particular, which led the company to write down part of the goodwill it booked in the 2011 financial year and the first half of 2012. An implicit loss of €52.1m versus market prices continues to be reflected as at the reporting date, which at current prices had been absorbed entirely.

- the investment in Gemina has been adjusted to reflect its net asset value at 31 December (€196.1m); the difference between this figure and the value based on stock market prices as at 29 June 2012, reflecting an implicit loss of €84.1m (which reduces to €54.9m based on current prices), is justified by the decision to align the value of the shareholding to figures contained in audited financial statements, the size of the shareholding and the growth potential reflected in the airport system headed up by Aeroporti Di Roma, which is the main asset owned by Gemina. Approval of the new convention/programme contract remains an essential prerequisite for development of the hub at Fiumicino and for launch of the infrastructure projects.

10.3 Equity investments: movements during the period

Type of transactions/value	30/6/12	30/6/11
A. Balance at start of period	2,670,985	2,828,287
B. Additions	753,712	404
B.1 Acquisitions	94,727	—
B.2 Value adjustments	—	—
B.3 Revaluations	—	—
B.4 Other adjustments	658,985	404
C. Reductions	210,257	157,706
C.1 Disposals	—	72
C.2 Value adjustments for impairment	198,684	157,634
C.3 Other reductions	11,573	—
D. Balance at end of period	3,214,440	2,670,985
E. Total revaluations	—	—
F. Total adjustments	610,581	411,897

SECTION 11

Heading 110: Property plant and equipment

11.1 Tangible assets stated at cost

Assets/value	30/6/12	30/6/11
A. Core assets		
1.1 owned by the Group	99,836	91,626
a) land	67,897	60,858
b) buildings	24,572	23,857
c) furniture	1,614	1,644
d) electronic equipment	1,584	1,662
e) other assets	4,169	3,605
1.2 acquired under finance leases:	—	—
a) land	—	—
b) buildings	—	—
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	—	—
Total A	99,836	91,626
B. Assets held for investment purposes		
2.1 owned by the Group:	27,025	27,422
a) land	20,350	20,350
b) buildings	6,675	7,072
2.2 acquired under finance leases:	—	—
a) land	—	—
b) buildings	—	—
Total B	27,025	27,422
Total (A+B)	126,861	119,048

11.3 Core tangible assets: movements during the period

	Land	Buildings	Furniture	Electronic equipment	Other assets	Total
A. Gross opening balance	60,858	36,761	4,237	5,691	16,009	123,556
A.1 Total net value reductions	—	(12,904)	(2,593)	(4,029)	(12,404)	(31,930)
A.2 Net opening balance	60,858	23,857	1,644	1,662	3,605	91,626
B. Additions:	7,039	1,888	241	507	1,741	11,416
B.1 Purchases	—	—	241	499	1,741	2,481
B.2 Improvement expenses, capitalized	—	1,049	—	—	—	1,049
B.3 Writebacks	—	—	—	—	—	—
B.4 Increases in fair value recognized in:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
B.5 Increases arising due to exchange rates	—	—	—	—	—	—
B.6 Transfers from properties held for investment purposes	—	—	—	—	—	—
B.7 Other additions	7,039	839	—	8	—	7,886
C. Reductions:	—	1,173	271	585	1,177	3,206
C.1 Disposals	—	—	—	166	23	189
C.2 Depreciation charges	—	1,173	271	419	1,154	3,017
C.3 Value adjustments for impairment taken to:	—	—	—	—	—	—
a) net equity						
b) profit and loss account						
C.4 Reductions in fair value charged to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
C.5 Reductions due to exchange rates	—	—	—	—	—	—
C.6 Transfers to:	—	—	—	—	—	—
a) assets held for investment purposes	—	—	—	—	—	—
b) assets being sold	—	—	—	—	—	—
C.7 Other reductions	—	—	—	—	—	—
D. Net closing balance	67,897	24,572	1,614	1,584	4,169	99,836
D.1 Total net value reductions	—	(15,030)	(2,925)	(4,478)	(13,232)	(35,665)
D.2 Gross closing balance	67,897	39,602	4,539	6,062	17,401	135,501
E. Stated at cost	—	—	—	—	—	—

11.4 Tangible assets held for investment purposes: movements during the period

	Total	
	Land	Buildings
A. Opening balance	20,350	7,072
B. Additions	—	—
B.1 Purchases	—	—
B.2 Improvement expenses, capitalized	—	—
B.3 Net increases in fair value	—	—
B.4 Writebacks	—	—
B.5 Increases arising due to exchange rates	—	—
B.6 Transfers from core assets	—	—
B.7 Other additions	—	—
C. Reductions	—	397
C.1 Disposals	—	—
C.2 Depreciation charges	—	397
C.3 Reductions in fair value	—	—
C.4 Value adjustments for impairment	—	—
C.5 Reductions arising due to exchange rates	—	—
C.6 Transfers to other asset portfolios	—	—
a) core assets	—	—
b) non-current assets being sold	—	—
C.7 Other reductions	—	—
D. Closing balance	20,350	6,675
E. Stated at fair value	87,325	37,361

SECTION 12

Heading 120: Intangible assets

12.1 Intangible assets stated at cost

Assets/ amounts	30/6/12		30/6/11	
	Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life
A.1 Goodwill	X	—	X	—
A.2 Other intangible assets	11,198	—	13,773	—
A.2.1 Recognized at cost:	11,198	—	13,773	—
a) intangible assets generated internally	—	—	—	—
b) other assets	11,198	—	13,773	—
A.2.2 Recognized at fair value:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
Total	11,198	—	13,773	—

12.2 Core intangible assets: movements during the period

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life	
A. Balance at start of period	—	—	—	36,387	—	36,387
A.1 Total net value reductions	—	—	—	(22,614)	—	(22,614)
A.2 Net opening balance	—	—	—	13,773	—	13,773
B. Additions	—	—	—	8,771	—	8,771
B.1 Purchases	—	—	—	8,771	—	8,771
B.2 Increases in internally generated assets	X	—	—	—	—	—
B.3 Revaluations	X	—	—	—	—	—
B.4 Increases in fair value taken to:	X	—	—	—	—	—
– net equity	X	—	—	—	—	—
– profit and loss account	X	—	—	—	—	—
B.5 Increases arising on exchange rates	—	—	—	—	—	—
B.6 Other additions	—	—	—	—	—	—
C. Reductions	—	—	—	11,346	—	11,346
C.1 Disposals	—	—	—	—	—	—
C.2 Value adjustments	—	—	—	11,346	—	11,346
– amortization	X	—	—	11,346	—	11,346
– writedowns	—	—	—	—	—	—
+ net equity	X	—	—	—	—	—
+ profit and loss account	—	—	—	—	—	—
C.3 Reductions in fair value charged to:	—	—	—	—	—	—
– net equity	X	—	—	—	—	—
– profit and loss account	X	—	—	—	—	—
C.4 Transfers to non-current assets being sold	—	—	—	—	—	—
C.5 Reductions due to exchange rate differences	—	—	—	—	—	—
C.6 Other reductions	—	—	—	—	—	—
D. Balance at end of period	—	—	—	11,198	—	11,198
D.1 Total net value adjustments	—	—	—	(33,960)	—	(33,960)
E. Gross closing balance	—	—	—	45,158	—	45,158
F. Stated at cost	—	—	—	—	—	—

SECTION 13

Asset heading 130 and Liability heading 80: Tax assets and liabilities

13.1 Advance tax assets

	30/6/12	30/6/11
Corporate income tax (IRES)	166,846	112,875
Regional production tax (IRAP)	56,029	38,275
Total	222,875	151,150

13.2 Deferred tax liabilities

	30/6/12	30/6/11
Corporate income tax (IRES)	247,555	246,408
Regional production tax (IRAP)	5,505	11,714
Total	253,060	258,122

13.3 Changes in advance tax during the period

	30/6/12	30/6/11
1. Opening balance	98,883	92,390
2. Additions	18,127	12,481
2.1 Advance tax originating during the period	18,127	8,921
a) for previous years	5	—
b) due to changes in accounting policies	—	—
c) amounts written back	—	—
d) other additions	18,122	8,921
2.2 New taxes or increases in tax rates	—	3,560
2.3 Other additions	—	—
3. Reductions	10,069	5,988
3.1 Advance tax reversed during the period	10,069	5,988
a) reclassifications	10,069	5,988
b) amounts written off as unrecoverable	—	—
c) due to changes in accounting policies	—	—
d) other	—	—
3.2 Reductions in tax rates	—	—
3.3 Other reductions	—	—
4. Balance at end of period	106,941	98,883

13.4 Changes in deferred tax during the period

	30/6/12	30/6/11
1. Opening balance	231,804	234,371
2. Additions	315	—
2.1 Deferred tax originating during period	315	—
a) relating to previous years	—	—
b) due to changes in accounting policies	—	—
c) others	315	—
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	100	2,567
3.1 Deferred tax reversed during period	100	2,567
a) reclassifications	100	2,567
b) due to changes in accounting policies	—	—
c) others	—	—
3.2 Reductions in tax rates	—	—
3.3 Other reductions	—	—
4. Balance at end of period	232,019	231,804

13.5 Changes in advance tax during the period [1]

	30/6/12	30/6/11
1. Opening balance	52,267	60,389
2. Additions	115,934	52,267
2.1 Advance tax originating during period	115,934	50,204
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	115,934	50,204
2.2 New taxes or increases in tax rates	—	2,063
2.3 Other additions	—	—
3. Reductions	52,267	60,389
3.1 Advance tax reversed during period	52,267	60,389
a) reclassifications	52,267	60,389
b) writedowns of non-recoverable items	—	—
c) due to changes in accounting policies	—	—
d) others	—	—
3.2 Reductions in tax rates	—	—
3.3 Other reductions	—	—
4. Balance at end of period	115,934	52,267

[1] Taxes relating to cash flow hedges and AFS securities valuations.

13.6 Changes in deferred tax during the period [1]

	30/6/12	30/6/11
1. Opening balance	26,318	28,332
2. Additions	21,041	26,318
2.1 Deferred tax originating during period	21,041	24,598
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	21,041	24,598
2.2 New taxes or increases in tax rates	—	1,720
2.3 Other additions	—	—
3. Reductions	26,318	28,332
3.1 Advance tax reversed during the period	26,318	28,332
a) reclassifications	26,318	28,332
b) due to changes in accounting policies	—	—
c) others	—	—
3.2 Reductions in tax rates	—	—
3.3 Other reductions	—	—
4. Balance at end of period	21,041	26,318

[1] Taxes relating to cash flow hedges and AFS securities valuations.

SECTION 15

Heading 150: Other assets

15.1 Other assets

	30/6/12	30/6/11
1. Gold, silver and precious metals	—	—
2. Accrued income other than capitalized income from financial assets	4,800	5,644
3. Trade receivables or invoices to be issued	17,021	19,763
4. Amounts due from tax revenue authorities (not recorded under Heading 140)	99	164
5. Other items	240	952
- futures and other securities transactions	157	858
- sundry other items	83	94
Total	22,160	26,523

Liabilities

SECTION 1

Heading 10: Due to banks

1.1 Due to banks: composition

Type of transaction/amounts	30/6/12	30/6/11
1. Due to central banks	7,531,506	200,007
2. Due to banks	12,117,952	7,238,100
2.1 Current accounts and demand deposits	10,335,686	5,606,807
2.2 Term deposits	113,051	513,410
2.3 Borrowings	1,574,335	1,062,233
2.3.1 Reverse repos	417,751	321,608
2.3.2 Others	1,156,584	740,625
2.4 Liabilities in respect of assets sold but not derecognized	—	—
2.5 Other amounts due	94,880	55,650
Total book value	19,649,458	7,438,107
Total fair value	19,589,771	7,438,107

SECTION 2

Heading 20: Due to customers

2.1 Due to customers: composition

Type of transaction/amounts	30/6/12	30/6/11
1. Current accounts and demand deposits	841,395	285,238
2. Term deposits	16,162	23,193
3. Borrowings	1,532,690	664,103
3.1 Reverse repos	1,157,222	510,826
3.2 others	375,468	153,277
4. Liabilities in respect of assets sold but not derecognized	—	—
5. Other amounts due	101	—
Total book value	2,390,348	972,534
Total fair value	2,390,348	972,534

SECTION 3

Heading 30: Debt securities in issue

3.1 Debt securities in issue: composition

Type of transaction/ amounts	30/6/12				30/6/11			
	Book value	Fair value *			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Listed securities								
1. bonds	32,710,199	1,936,578	31,266,224	—	37,478,000	4,354,935	33,746,592	—
1.1 structured	13,132,428	338,508	12,948,398	—	13,563,590	1,096,874	12,506,693	—
1.2 others	19,577,771	1,598,070	18,317,826	—	23,914,410	3,258,061	21,239,899	—
2. other securities	20,812	—	—	20,812	36,330	—	—	36,330
2.1 structured	—	—	—	—	—	—	—	—
2.2 others	20,812	—	—	20,812	36,330	—	—	36,330
Total	32,731,011	1,936,578	31,266,224	20,812	37,514,330	4,354,935	33,746,592	36,330

* The fair values are shown net of Mediobanca issuer risk which would show a capital gain of €959m at 30 june 2012.

Subordinated liabilities included under the heading *Debt securities in issue* total €1,536,276,000.

3.3 Debt securities: items subject to specific hedging

	30/6/12	30/6/11
1. Securities subject to specific fair value hedges	24,583,104	28,698,205
a) interest rate risk	24,583,104	28,698,205
b) exchange rate risk	—	—
c) other	—	—
2. Securities subject to specific cash flow hedges	246,407	637,513
a) interest rate risk	246,407	637,513
b) exchange rate risk	—	—
c) other	—	—
Total	24,829,511	29,335,718

SECTION 4

Heading 40: Trading liabilities

4.1 Trading liabilities: composition

Type of transaction/ amounts	30/6/12					30/6/11				
	Nominal value	Fair value			Fair value *	Nominal value	Fair value			Fair value *
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Cash liabilities										
1. Due to banks	71	43,927	—	—	43,927	88,962	85,058	—	—	85,058
2. Due to customers	1,272,774	1,255,862	—	—	1,255,862	1,025,850	1,025,593	1,296	—	1,026,889
3. Debt securities	—	—	—	—	X	—	—	—	—	X
3.1 Bonds	—	—	—	—	X	—	—	—	—	X
3.1.1 Structured	—	—	—	—	X	—	—	—	—	X
3.1.2 Other	—	—	—	—	X	—	—	—	—	X
3.2 Other securities	—	—	—	—	X	—	—	—	—	X
3.2.1 Structured	—	—	—	—	X	—	—	—	—	X
3.2.2 Other	—	—	—	—	X	—	—	—	—	X
Total A	1,272,845	1,299,789	—	—	1,299,789	1,114,812	1,110,651	1,296	—	1,111,947
B. Derivative products										
1. Financial derivatives	X	1,048,006	4,370,970	1,152,219	X	X	527,127	2,878,594	1,276,579	X
1.1 Trading	X	1,048,006	4,191,836	941,976 [1]	X	X	527,127	2,814,859	880,818 [1]	X
1.2 Linked to fair value options	X	—	—	—	X	X	—	—	—	X
1.3 Other	X	—	179,134	210,243 [2]	X	X	—	63,735	395,761 [2]	X
2. Credit derivatives	X	1,478,769	581,632	398	X	X	1,539,947	753,645	300	X
2.1 Trading	X	1,478,769	581,632	398	X	X	1,539,947	753,645	300	X
2.2 Linked to fair value options	X	—	—	—	X	X	—	—	—	X
2.3 Other	X	—	—	—	X	X	—	—	—	X
Total B	X	2,526,775	4,952,602	1,152,617	X	X	2,067,074	3,632,239	1,276,879	X
Total (A+B)	X	3,826,564	4,952,602	1,152,617	X	X	3,177,725	3,633,535	1,276,879	X

* Fair value calculated excluding variations in value due to changes in the issuer's credit standing.

[1] Respectively €679,392,000 and €670,439,000 in respect of options traded, matching the amount recorded as a trading liability.

[2] Market value of options covering options matched with bonds issued by Mediobanca and Mediobanca International, against the same amount recorded as a trading liability.

SECTION 6

Heading 60: Hedging derivatives

6.1 Hedging derivatives: by type of product/underlying asset

Items/amounts	30/6/12 Fair value			Nominal value	30/6/11 Fair value			Nominal value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	572,730	—	8,807,683	—	725,390	—	16,537,602
1) Fair value	—	545,819	—	8,577,683	—	711,041	—	16,307,602
2) Cash flow	—	26,911	—	230,000	—	14,349	—	230,000
3) Non-Italian investments	—	—	—	—	—	—	—	—
B. Financial derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	572,730	—	8,807,683	—	725,390	—	16,537,602

6.2 Hedging derivatives: by portfolio hedged/hedge type

Operations/type of hedging	Fair value hedges						Cash flow hedges		Non-Italian investments
	Specific					General	Specific	General	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. AFS securities	7,079	—	—	—	—	X	—	X	X
2. Loans and advances	32,146	—	—	X	—	X	—	X	X
3. Financial assets held to maturity	X	—	—	X	—	X	—	X	X
4. Portfolio	X	X	X	X	X	—	X	—	X
5. Other operations	—	—	—	—	—	X	—	X	—
Total assets	39,225	—	—	—	—	—	—	—	—
1. Financial liabilities	504,067	2,527	—	X	—	X	26,911	X	X
2. Portfolio	X	X	X	X	X	—	X	—	X
Total liabilities	504,067	2,527	—	X	—	—	26,911	—	X
1. Expected transactions	X	X	X	X	X	X	—	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	—	X	—	—

SECTION 8

Heading 80: Tax liabilities

See Assets, section 13.

SECTION 10

Heading 100: Other liabilities

10.1 Other liabilities

	30/6/12	30/6/11
1. Payment agreements (IFRS 2)	9	75
2. Impaired endorsements	107,885	110,198
3. Working capital payables and invoices pending receipt	17,900	18,878
4. Prepaid expenses other than capitalized expenses on related financial assets	251	310
5. Amounts due to revenue authorities	1,181	543
6. Amounts due to staff	92,267	132,708
7. Other items:	12,195	15,916
- coupons and dividends pending collection	2,212	2,196
- underwriting syndicate commissions payable	26	11
- available sums payable to third parties	9,957	13,709
Total	231,688	278,628

SECTION 11

Heading 110: Staff severance indemnity provision

11.1 Staff severance indemnity provision

	30/6/12	30/6/11
A. Balance at start of period	9,215	9,874
B. Additions	5,759	5,137
B.1 Transfers during period	5,258	5,137
B.2 Other additions	501	—
C. Reductions	6,863	5,796
C.1 Indemnities paid out	1,554	603
C.2 Other reductions [1]	5,309	5,193
D. Balance at end of period	8,111	9,215

[1] Includes €5,223,000 in transfers to external, defined contribution pension schemes (€5,118,000 at 30 June 2011).

11.2 Other information

The staff severance indemnity provision, calculated according to the provisions of the Italian Civil Code, amounts to €11,301,000. Following regulatory changes, new interest accrued during the year has not been included (service cost).

In order to calculate the staff severance indemnity provision's actuarial value, the provision was revalued at a rate of 2% for the current year and discounted using IBOXX Eurozone Corporate A index (for a panel of similar companies) as at 30 June 2012 with an interest cost effect of €310,000.

SECTION 12

Heading 120: Provisions

12.1 Provisions

Item/value	30/6/12	30/6/11
1. Company post-employment benefit provision	—	—
2. Other provisions	151,964	150,776
2.1 litigation	—	—
2.2 staff-related	—	—
2.3 other	151,964	150,776
Total	151,964	150,776

12.2 Provisions - other provisions: movements during the period

	Post-employment benefit provision	Litigation	Other provisions	Total
A. Balance at start of period	—	—	150,776	150,776
B. Additions	—	—	2,081	2,081
B.1 Transfers during period	—	—	1,500	1,500
B.2 Changes due to passing of time	—	—	—	—
B.3 Additions due to changes in discount rate	—	—	—	—
B.4 Other additions	—	—	581	581
C. Reductions	—	—	893	893
C.1 Transfers during period	—	—	893	893
C.2 Reductions due to changes in discount rate	—	—	—	—
C.3 Other reductions	—	—	—	—
D. Balance at end of period	—	—	151,964	151,964

SECTION 14

Headings 130, 150, 160, 170, 180, 190 and 200: Net equity

14.1 Net equity

See part F for the composition of net equity.

14.2 Share capital: changes in no. of shares in issue during period

Item/type	Ordinary
A. Shares in issue at start of period	861,129,212
– entirely unrestricted	861,129,212
– with restrictions	—
A.1 Treasury shares (-)	(17,010,000)
A.2 Shares in issue: balance at start of period	844,119,212
B. Additions	—
B.1 New share issuance as a result of:	—
– rights issues	—
- business combinations	—
- bond conversions	—
- exercise of warrants	—
- others	—
– bonus issues	—
- to staff members	—
- to Board members	—
- others	—
B.2 Treasury share disposals	—
B.3 Other additions	—
C. Reductions	—
C.1 Cancellations	—
C.2 Treasury share buybacks	—
C.3 Disposals of businesses	—
C.4 Other reductions	—
D. Shares in issue: balance at end of period	844,119,212
D.1 Add: treasury shares	(17,010,000)
D.2 Shares in issue at end of period	861,129,212
– entirely unrestricted	861,129,212
– with restrictions	—

14.3 Regulatory capital requirements for banks (pursuant to Article 2427, paragraph 7-bis of the Italian Civil Code)

	Amount	Possible uses	Portion available	Summary of uses over three previous years	
				To cover losses	Other
Share capital	430,565	—	—	—	—
Share premium reserve	2,120,143	A – B – C	2,120,143	—	—
Reserves:					
- Legal reserve	86,113	B	86,113	—	—
- Statutory reserve	1,077,282	A – B – C	1,077,282	—	16,127
- Treasury share reserve	213,410	A – B – C	213,410	—	—
- Other reserves	1,104,404	A – B – C	1,104,404	—	—
Valuation reserves:					
- AFS securities	(188,681)	—	—	—	—
- Cash flow hedges	(17,718)	—	—	—	—
- Special laws	9,632	A – B – C	9,632	—	—
- Treasury shares	(213,410)	—	—	—	—
Total	4,621,740	—	4,610,984	—	16,127
Portion unavailable	—	—	299,523	—	—
Remainder distributable	—	—	4,311,461	—	—

Legend:
A: due to rights issues
B: to cover losses
C: due to distribution to shareholders

Other information

1. Guarantees and commitments

Transactions	30/6/12	30/6/11
1. Financial guarantees given to:	5,207,573	5,565,414
a) Banks	4,456,380	4,958,876
b) Customers	751,193	606,538
2. Commercial guarantees given to:	18,428	11,147
a) Banks	8,413	470
b) Customers	10,015	10,677
3. Irrevocable commitments to lend funds to:	22,377,526	25,763,709
a) Banks	11,241,414	16,624,344
i) specific	3,422,360	6,265,442
ii) standby basis	7,819,054	10,358,902
b) Customers	11,136,112	9,139,365
i) specific	9,620,059	7,570,094
ii) standby basis	1,516,053	1,569,271
4. Commitments underlying credit derivatives: hedge sales [1]	82,931,872	76,529,340
5. Assets pledged as collateral for customer obligations	—	—
6. Other commitments	6,243,498	4,142,757
Total	116,778,897	112,012,367

[1] The balance as at 30/6/12 includes €72,496,783,000 in deals matched 100% by hedge buys (€63,884,898,000 at 30/6/11).

2. Assets pledged as collateral for own liabilities and commitments *

Portfolios	30/6/12	30/6/11
1. Financial assets held for trading	267,389	192,200
2. Financial assets recognized at fair value	—	—
3. AFS securities	1,791,150	201,371
4. Financial assets held to maturity	988,201	83,561
5. Due from banks	755,000	—
6. Due from customers	4,927,353	506,401
7. Property, plant and equipment	—	—

* As at 30/6/12 includes assets on deposit with the Bank of Italy in respect of the ECB long-term financing operation, some €3.5bn of which are free.

4. Assets managed and traded on behalf of customers

Type of service	30/6/12	30/6/11
1. Securities traded on behalf of customers	16,964,927	27,712,307
a) Purchases	8,268,052	12,167,261
1. settled	8,219,503	12,058,180
2. pending settlement	48,549	109,081
b) Disposals	8,696,875	15,545,046
1. settled	8,648,326	15,435,965
2. pending settlement	48,549	109,081
2. Asset management	—	—
a) individuals	—	—
b) groups	—	—
3. Securities under custody/managed on a non-discretionary basis	52,103,116	32,671,783
a) customers' securities held on deposit: in connection with the Bank's activity as deposit bank (not including asset management)	9,751,031	5,014,839
1. securities issued by bank drawing up financial statements	3,109,620	352,750
2. other securities	6,641,411	4,662,089
b) other customers' securities held on deposit (not including asset management): others	—	—
1. securities issued by bank drawing up financial statements	—	—
2. other securities	—	—
c) customers' securities held on deposit with customers	10,362,159	5,262,740
d) own securities held on deposit with customers	31,989,926	22,394,204
4. Other transactions	—	—

Part C - Notes to profit and loss account

SECTION 1

Headings 10 and 20: Net interest income

1.1 Interest and similar income

Line items/technical forms	Debt securities	Loans and advances	Other transactions	12 mths ended 30/6/12	12 mths ended 30/6/11
1. Financial assets held for trading	171,300	—	—	171,300	203,819
2. AFS securities	234,885	—	—	234,885	176,927
3. Financial assets held to maturity	73,951	—	—	73,951	50,635
4. Due from banks	—	193,844	—	193,844	117,761
5. Due from customers	56,979	721,268	—	778,247	607,383
6. Financial assets recognized at fair value	—	—	—	—	—
7. Hedge derivatives	X	X	547,292	547,292	608,851
8. Other assets	X	X	—	—	—
Total	537,115	915,112	547,292	1,999,519	1,765,376

1.2 Interest and similar income: differences arising on hedging transactions

Items/sectors	12 mths ended 30/6/12	12 mths ended 30/6/11
A. Positive differences on transactions	1,223,860	1,155,450
B. Negative differences on transactions	(676,568)	(546,599)
C. Balance of differences arising on hedges	547,292	608,851

1.3 Interest and similar income: other information

Items/sectors	12 mths ended 30/6/12	12 mths ended 30/6/11
1.3.1 Interest receivable on financial assets denominated in currencies other than the Euro	95,712	113,848
1.3.2 Interest receivable in respect of finance leasing transactions	—	—
1.3.3 Interest income on receivables involving customers' funds held on a non-discretionary basis	—	—
Total	95,712	113,848

1.4 Interest expense and similar charges

Line items/technical forms	Accounts payable	Securities	Other liabilities	12 mths ended 30/6/12	12 mths ended 30/6/11
1. Due to central banks	(37,451)	X	—	(37,451)	(31)
2. Due to banks	(282,716)	X	—	(282,716)	(153,915)
3. Due to customers	(11,293)	X	—	(11,293)	(7,396)
4. Debt securities in issue	—	(1,405,228)	—	(1,405,228)	(1,292,378)
5. Trading liabilities	X	—	—	—	—
6. Financial liabilities recognized at fair value	—	—	—	—	—
7. Other liabilities	X	X	—	—	—
8. Hedging derivatives	X	X	—	—	—
Total	(331,460)	(1,405,228)	—	(1,736,688)	(1,453,720)

1.6 Interest expense and similar charges: other information

Items/sectors	12 mths ended 30/6/12	12 mths ended 30/6/11
1.6.1 Interest payable on liabilities denominated in currencies other than the Euro	(22,903)	(16,562)
1.6.2 Interest payable on liabilities in respect of finance leasing transactions	—	—
1.6.3 Interest payable on customers' funds held on a non-discretionary basis	—	—
Total	(22,903)	(16,562)

SECTION 2

Headings 40 and 50: Net fee and commission income

2.1 Net fee and commission income

Type of service/sectors	12 mths ended 30/6/12	12 mths ended 30/6/11
a) guarantees given	5,606	4,402
b) credit derivatives	—	—
c) management, trading and advisory services:	72,856	89,930
1. securities trading	6,940	10,278
2. foreign currency trading	—	—
3. asset management	—	—
3.1 individuals	—	—
3.2 groups	—	—
4. securities under custody and non-discretionary management	—	—
5. deposit bank services	7,458	7,458
6. securities placement	57,669	67,725
7. procurement of orders	789	4,469
8. advisory services	—	—
8.1 investment advisory services	—	—
8.2 structured finance advisory services	—	—
9. agency fees	—	—
9.1 asset management	—	—
9.1.1 individuals	—	—
9.1.2 groups	—	—
9.2 insurance products	—	—
9.3 other products	—	—
d) collection and payment services	—	—
e) securitization services	—	—
f) factoring services	—	—
g) tax collection and receipt services	—	—
h) multilateral trading systems activity	—	—
i) current account keeping and management	—	—
j) other services	186,968	205,977
Total	265,430	300,309

2.2 Fee and commission income: by product/service distribution channel

Channels/Sectors	12 mths ended 30/6/12	12 mths ended 30/6/11
a) on the Bank's own premises:	57,669	67,725
1. asset management	—	—
2. securities placement	57,669	67,725
3. agency fees	—	—
b) elsewhere:	—	—
1. asset management	—	—
2. securities placement	—	—
3. agency fees	—	—
c) other distribution channels:	—	—
1. asset management	—	—
2. securities placement	—	—
3. agency fees	—	—
Total	57,669	67,725

2.3 Fee and commission expense

Services/amounts	12 mths ended 30/6/12	12 mths ended 30/6/11
a) guarantees received	—	—
b) credit derivatives	—	—
c) management and trading services:	(8,365)	(12,739)
1. securities trading	(1,912)	(2,273)
2. foreign currency trading	—	—
3. asset management:	—	—
3.1 proprietary	—	—
3.2 on behalf of customers	—	—
4. securities under custody/held on a non-discretionary basis	(1,346)	(1,469)
5. securities placement	(5,107)	(8,997)
6. door-to-door sales of securities, products and services	—	—
d) collection and payment services	(2,493)	(2,863)
e) other services	(7,676)	(515)
Total	(18,534)	(16,117)

SECTION 3

Heading 70: Dividends and similar income

3.1 Dividends and similar income

Line items/income	12 mths ended 30/6/12		12 mths ended 30/6/11	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	73,181	—	97,280	—
B. AFS securities	17,630	—	18,690	—
C. Financial assets recognized at fair value	—	—	—	—
D. Equity investments	47,411	X	98,857	X
Total	138,222	—	214,827	—

SECTION 4

Heading 80: Net trading income

4.1 Net trading income

Transactions/income elements	Gains (A)	Dealing profits (B)	Value reductions (C)	Dealing losses (D)	Net trading income [(A+B)-(C+D)]
1. Trading assets	93,187	439,207	(196,178)	(487,471)	(151,255)
1.1 Debt securities	73,015	253,092	(123,322)	(160,274)	42,511
1.2 Equities	18,214	185,752	(72,511)	(325,811)	(194,356)
1.3 UCITS units	1,958	363	(345)	(1,386)	590
1.4 Loans and advances	—	—	—	—	—
1.5 Others	—	—	—	—	—
2. Trading liabilities	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—
2.2 Debts	—	—	—	—	—
2.3 Others	—	—	—	—	—
3. Other assets and liabilities: differences arising on exchange rates	X	X	X	X	118,451
4. Derivative products	7,088,059	4,329,417	(6,398,021)	(4,700,107)	168,234
4.1 Financial derivatives:	5,051,889	2,401,892	(4,821,663)	(2,533,859)	(52,855)
– debt securities and interest rates [1]	3,224,193	637,030	(2,885,553)	(1,086,076)	(110,406)
– equities and stock market indexes	1,751,000	1,646,786	(1,765,085)	(1,444,178)	188,523
– foreign currency and gold	X	X	X	X	(151,114)
– others	76,696	118,076	(171,025)	(3,605)	20,142
4.2 Credit derivatives	2,036,170	1,927,525	(1,576,358)	(2,166,248)	221,089
Total	7,181,246	4,768,624	(6,594,199)	(5,187,578)	135,430

[1] Of which €9,247,000 in positive margins on interest rate derivatives (30/6/11: €2,157,000).

SECTION 5

Heading 90: Net hedging income

5.1 Net hedging income

Income elements/amounts	12 mths ended 30/6/12	12 mths ended 30/6/11
A. Income from:		
A.1 Fair value hedge derivatives	1,318,632	130,788
A.2 Financial assets hedged (fair value)	—	99
A.3 Financial liabilities hedged (fair value)	107,027	665,614
A.4 Cash flow hedge derivatives	—	—
A.5 Assets and liabilities in foreign currencies	—	—
Total hedging income (A)	1,425,659	796,501
B. Expense related to:		
B.1 Fair value hedge derivatives	(271,161)	(731,997)
B.2 Financial assets hedged (fair value)	(20,344)	(9,254)
B.3 Financial liabilities hedged (fair value)	(1,130,253)	(56,227)
B.4 Cash flow hedge derivatives	—	—
B.5 Assets and liabilities in foreign currencies	—	—
Total hedging expense (B)	(1,421,758)	(797,478)
Net hedging income (A–B)	3,901	(977)

SECTION 6

Heading 100: Gains (losses) on disposals/repurchases

6.1 Gains (losses) on disposals/repurchases

Line items/income elements	12 mths ended 30/6/12			12 mths ended 30/6/11		
	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
Financial assets						
1. Due from banks	—	—	—	—	—	—
2. Due from customers	1,186	(1,191)	(5)	586	—	586
3. AFS securities	140,294	(105,800)	34,494	19,724	(8,396)	11,328
3.1 Debt securities	35,167	(30,151)	5,016	9,423	(8,258)	1,165
3.2 Equities	105,122	(75,641)	29,481	10,301	(138)	10,163
3.3 UCITS units	5	(8)	(3)	—	—	—
3.4 Loans and advances	—	—	—	—	—	—
4. Financial assets held to maturity	989	(2,935)	(1,946)	—	(3,320)	(3,320)
Total assets	142,469	(109,926)	32,543	20,310	(11,716)	8,594
Financial liabilities						
1. Due to banks	3,875	—	3,875	—	—	—
2. Due to customers	—	—	—	—	—	—
3. Debt securities in issue	33,713	—	33,713	20,701	—	20,701
Total liabilities	37,588	—	37,588	20,701	—	20,701

SECTION 8

Heading 130: Adjustments for impairment

8.1 Adjustments for impairment

Transactions/income elements	Value adjustments			Amounts recovered				12 mths ended 30/6/12	12 mths ended 30/6/11
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Due from banks	—	—	(12,979)	—	—	—	—	(12,979)	(2,406)
- Loans	—	—	(12,979)	—	—	—	—	(12,979)	(2,406)
- Debt securities	—	—	—	—	—	—	—	—	—
B. Due from customers	—	(27,186)	(27,623)	—	282	—	—	(54,527)	8,839
- Loans	—	(27,186)	(27,623)	—	282	—	—	(54,527)	8,839
- Debt securities	—	—	—	—	—	—	—	—	—
C. Total	—	(27,186)	(40,602)	—	282	—	—	(67,506)	6,433

Legend

A = interest

B = other amounts recovered

8.2 Net adjustments for impairment to AFS securities

Transactions/income elements	Value adjustments		Amounts recovered		12 mths ended 30/6/12	12 mths ended 30/6/11
	Specific		Specific			
	Writeoffs	Others	A	B		
A. Debt securities	—	(141,060)	—	—	(141,060)	(108,903)
B. Equities	—	(267,262)	X	X	(267,262)	(35,636)
C. UCITS units	—	(2,400)	X	—	(2,400)	—
D. Loans and advances to banks	—	—	—	—	—	—
E. Loans and advances to customers	—	—	—	—	—	—
F. Total	—	(410,722)	—	—	(410,722)	(144,539)

Legend

A= interest

B = other amounts recovered

8.3 Adjustments for impairment to financial assets held to maturity: composition

Transactions/income elements	Value adjustments			Amounts recovered				12 mths ended 30/6/12	12 mths ended 30/6/11
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Debt securities	—	(1,564)	—	—	—	—	—	(1,564)	(10,754)
B. Loans and advances to banks	—	—	—	—	—	—	—	—	—
C. Loans and advances to customers	—	—	—	—	—	—	—	—	—
D. Total	—	(1,564)	—	—	—	—	—	(1,564)	(10,754)

Legend

A= interest

B = other amounts recovered

8.4 Adjustments for impairment to other financial transactions: composition

Transactions/income-linked components	Value adjustments			Amounts recovered				12 mths ended 30/6/12	12 mths ended 30/6/11
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Guarantees given	—	(31,450)	(19,323)	—	10,313	—	—	(40,460)	(26,188)
B. Credit derivatives	—	—	—	—	—	—	—	—	—
C. Commitments	—	(550)	—	—	240	—	1,487	1,177	20,097
D. Other transactions	—	—	—	—	—	—	—	—	—
E. Total	—	(32,000)	(19,323)	—	10,553	—	1,487	(39,283)	(6,091)

Legend

A= interest

B = other amounts recovered

SECTION 9

Heading 150: Administrative expenses

9.1 Personnel costs

Type of expense/sectors	12 months ended 30/6/12	12 months ended 30/6/11
1. Employees	(175,032)	(208,335)
a) wages and salaries	(124,570)	(153,430)
b) social security contributions	(24,548)	(28,098)
c) severance indemnities	—	—
d) pension contributions	—	—
e) transfers to severance indemnity provisions	(5,000)	(5,153)
f) transfers to post-employment and similar benefits provisions:	—	—
– defined benefit	—	—
– defined contribution	—	—
g) amounts paid to external complementary pension schemes:	(5,816)	(6,563)
– defined benefit	(5,816)	(6,563)
– defined contribution	—	—
h) expenses incurred in connection with share payment schemes	(12,747)	(13,103)
– *stock options*	(5,475)	(8,754)
– *performance shares*	(7,272)	(4,349)
i) other staff benefits	(2,351)	(1,988)
2. Other staff	(6,946)	(6,780)
3. Board members	(3,828)	(4,583)
4. Expenses incurred in connection with staff retiring	(3,224)	(2,619)
5. Expenses recovered in respect of staff seconded to other companies	314	553
6. Refunds of expenses for other companies' staff seconded to Mediobanca	—	—
Total	(188,716)	(221,764)

9.2 Average number of staff by category

	12 mths ended 30/6/12	12 mths ended 30/6/11
Employees:		
a) Senior executives	128	118
b) Excutives	425	377
c) Other employees	138	144
Other staff	79	73
Total	770	712

9.5 Other administrative expenses

	12 mths ended 30/6/12	12 mths ended 30/6/11
OTHER ADMINISTRATIVE EXPENSES		
– legal, tax and professional services	(16,597)	(18,895)
– loan recovery activity	—	—
– marketing and communications	(1,465)	(1,471)
– property	(8,499)	(7,966)
– EDP	(16,183)	(13,773)
– info-provider	(14,345)	(13,241)
– bank charges, collection and payment fees	(2,243)	(3,759)
– operating expenses	(4,267)	(4,592)
– other staff expenses	(9,026)	(9,108)
– other costs	(9,767)	(10,603)
– indirect and other taxes	(4,566)	(4,542)
Total other administrative expenses	(86,958)	(87,950)

SECTION 10

Heading 160: Net transfers to provisions

10.1 Net transfers to provisions: composition

	12 mths ended 30/6/12	12 mths ended 30/6/11
TRANSFERS MADE TO COVER:		
– litigation	—	—
– advertising expenses	—	—
– certain or probable exposures or commitments	(1,500)	—
Total net transfers to provisions	(1,500)	—

SECTION 11

Heading 170: Net adjustments to tangible assets

11.1 Net adjustments to tangible assets

Assets/income elements	Depreciation (a)	Value adjustments for impairment (b)	Amounts recovered (c)	Net result (a+b-c)
A. Tangible assets				
A.1 Owned	(3,414)	—	—	(3,414)
– core	(3,017)	—	—	(3,017)
– for investment purposes	(397)	—	—	(397)
A.2 Acquired under finance leases	—	—	—	—
– core	—	—	—	—
– for investment purposes	—	—	—	—
Total	(3,414)	—	—	(3,414)

SECTION 12

Heading 180: Net adjustments to intangible assets

12.1 Net adjustments to intangible assets

Assets/income elements	Amortization (a)	Value adjustments for impairment (b)	Amounts recovered (c)	Net result (a+b-c)
A. Intangible assets				
A.1 Owned	(11,346)	—	—	(11,346)
– software	(11,346)	—	—	(11,346)
– other	—	—	—	—
A.2 Acquired under finance leases	—	—	—	—
Total	(11,346)	—	—	(11,346)

SECTION 13

Heading 130: Other operating income (expense)

13.1 Other operating expense: composition

Income-based components/values	12 mths ended 30/6/12	12 mths ended 30/6/11
a) Leasing activity	—	—
b) Sundry costs and expenses	(1,398)	(801)
Total	(1,398)	(801)

13.2 Other operating income: composition

Income-based components/values	12 mths ended 30/6/12	12 mths ended 30/6/11
a) Amounts recovered from customers	2,807	5,876
b) Other income	18,221	13,471
Total	21,028	19,347

SECTION 14

Heading 210: Gains (losses) on equity investments

14.1 Gains (losses) on equity investments: composition

Income-based components/values	12 mths ended 30/6/12	12 mths ended 30/6/11
A. Income	—	—
1. Revaluations	—	—
2. Gains on disposals	—	—
3. Amounts recovered	—	—
4. Other increases	—	—
B. Expenses	(198,684)	(158,647)
1. Writedowns	—	—
2. Adjustments for impairment	(198,684)	(158,647)
3. Losses from disposals	—	—
4. Other reductions	—	—
Net income	(198,684)	(158,647)

SECTION 17

Heading 240: Net gain (loss) upon disposal of investments

17.1 Net gain (loss) upon disposal of investments

Income elements/sectors	12 mths ended 30/6/12	12 mths ended 30/6/11
A. Properties	—	—
– gains on disposals	—	—
– losses on disposals	—	—
B. Other assets	—	31
– gains on disposals	1	38
– losses on disposals	(1)	(7)
Net gain (loss)	—	31

SECTION 18

Heading 260: Income tax on ordinary activities

18.1 Income tax on ordinary activities

Income elements/sectors	12 mths ended 30/6/12	12 mths ended 30/6/11
1. Current taxes	(75,342)	(136,061)
2. Changes in current taxes for previous financial years	—	—
3. Reductions in current tax for the period	—	—
4. Changes in advance tax	8,057	6,494
5. Changes in deferred tax	(215)	2,567
Income tax for the year	(67,500)	(127,000)

18.2 Reconciliation between theoretical and effective tax burden

	12 mths ended 30/6/12	
	Amounts %	**Absolute values**
Total profit or loss before tax from current operations	100.00%	(132,651)
Theoretical tax rate	27.50%	X
Theoretical computed taxes on income	27.50%	(36,479)
Dividends (–)	12.81%	(16,992)
Gains on disposals of equity investments (PEX) (–)	2.33%	(3,090)
Non-taxable income 10 % IRAP (–)	0.69%	(916)
Interest on exempt securities (–)	0.39%	(522)
Tax sparing credit	1.34%	(1,775)
Non-deductible interest expense 3 % (+)	-14.40%	19,104
Benefit from tax consolidation (–)	1.85%	(2,460)
Impairment (+/–)	-69.08%	91,639
Extraordinary items (rate adjustments, …)	-1.17%	1,545
Other differences (+/-)	-2.95%	3,910
TOTAL IRES	-40.69%	53,964
IRAP	-10.20%	13,536
TOTAL FOR HEADING [1]	-50.89%	67,500

[1] The tax rate is negative, i.e. tax is paid on losses incurred; last year the tax rate was 49.93%.

SECTION 21

Earnings per share

21.1 Average number of ordinary shares on a diluted basis

	12 mths ended 30/6/12	12 mths ended 30/6/11
Net profit	(200,151)	127,376
Avg. no. of shares in issue	844,119,212	844,099,719
Avg. no. of potentially diluted shares	48,997,918	42,896,940
Avg. no. of diluted shares	893,165,380	886,996,659
Earnings per share	(0.24)	0.15
Earnings per share, diluted	(0.22)	0.14

Part D - Comprehensive profit and loss account

Breakdown of comprehensive profit and loss constituents

	Items	Before tax effect	Tax effect	After tax effect
10.	Net profit (loss)	X	X	(200,151)
	Other comprehensive income			
20.	AFS securities:	(242,718)	(64,831)	(177,887)
	a) changes in fair value	(219,333)	(59,285)	(160,048)
	b) reclassifications through profit or loss account	(23,385)	(5,545)	(17,840)
	- due to impairment	30,754	1,679	29,075
	- gain/losses on disposals	(54,139)	(7,224)	(46,915)
	c) other variations	—	—	—
30.	Property, plant and equipment	—	—	—
40.	Intangible assets	—	—	—
50.	Hedges of non-Italian investments:	—	—	—
	a) changes in fair value	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
60.	Cash flow hedges:	(12,472)	(4,113)	(8,359)
	a) changes in fair value:	(12,472)	(4,113)	(8,359)
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
70.	Exchange differences:	—	—	—
	a) changes in fair value	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
80.	Non-current assets classified as held for sale:	—	—	—
	a) changes in fair value	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
90.	Actuarial gains (losses) on defined benefits plans	—	—	—
100.	Valuation reserves from equity-accounted investments	—	—	—
110.	Total other comprehensive income after tax	(255,190)	(68,944)	(186,246)
120.	Comprehensive income after tax (10 + 110)	X	X	(386,397)

Part E - Information on risks and related hedging policies

SECTION 1

Credit risk

QUALITATIVE INFORMATION

Basel II project

In compliance with the Basel II New Capital Accord transposed into the Italian regulatory framework under Bank of Italy circular no. 263 issued on 27 December 2006 (“New regulations on capital requirements for banks”), Mediobanca has set itself the objective of measuring credit risk using internal models.

A specific project has therefore been launched with a view to obtaining ratification by the Bank of Italy of the internal rating models to be used in calculating the capital requirements for credit risk. The internal rating models regard the following customer segments: Banks, Insurances, Large corporates and Holding companies.

Given the above, the timeframe for submitting the application for the IRB system to be validated to the Bank of Italy is still being reviewed; and until the system has been validated, Mediobanca will continue to use the standardized methodology it has adopted since 1 January 2008.

1. General aspects

The Bank’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 adequate and often extensive knowledge of the borrower’s business, assets and management, as well as the macro-economic framework in which it operates. Where possible, covenants are incorporated into the terms and conditions of the loan (having regard *inter alia* to the maturity and average size of the facilities concerned) in order to provide for protection against impairment. Applications for finance are processed through the different operating levels, and, if successful, are submitted for approval to the relevant bodies, i.e. the Risks Committee and Executive Committee, depending on the amount required and the credit rating of the counterparty involved, including both internal and external ratings. Once the finance has been disbursed the account is monitored on an ongoing basis, via analysis of published financial statements and a series of other controls to ensure that the covenants have not been breached. Any deterioration in the risk profile of a loan is brought swiftly to the attention of the Bank's operating unit's management.

QUANTITATIVE INFORMATION

A. Credit quality

A.1 Impaired and performing accounts: amounts, value adjustments, trends, segmentation by performance and geography

A.1.1 Financial assets by portfolio/credit quality (book value)

Portfolio/quality	Non-performing	Potential problem	Restructured	Overdue	Other assets	Total
1. Financial assets held for trading	—	—	—	—	12,518,966	12,518,966
2. AFS securities	—	—	18,668	—	8,262,983	8,281,651
3. Financial assets held to maturity	—	—	175	—	1,715,970	1,716,145
4. Due from banks	—	—	—	—	10,601,194	10,601,194
5. Due from customers	—	5,093	109,914	28,667	29,882,758	30,026,432
6. Financial assets recognized at fair value	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	1,683,830	1,683,830
Total at 30/6/12	—	5,093	128,757	28,667	64,665,701	64,828,218
Total at 30/6/11	127	12,968	350,942	—	55,232,276	53,596,313

A.1.2 Financial assets by portfolio/credit quality (gross/net values) *

Portfolio/quality	Impaired assets			Performing			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	X	X	12,518,966	12,518,966
2. AFS securities	45,238	(26,570)	18,668	8,262,983	—	8,262,983	8,281,651
3. Financial assets held to maturity	5,055	(4,880)	175	1,723,408	(7,438)	1,715,970	1,716,145
4. Due from banks [1]	—	—	—	10,607,568	(6,374)	10,601,194	10,601,194
5. Due from customers [1]	219,901	(76,227)	143,674	30,068,169	(185,411)	29,882,758	30,026,432
6. Financial assets recognized at fair value	—	—	—	X	X	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	X	X	1,683,830	1,683,830
Total at 30/6/12	270,194	(107,677)	162,517	50,662,128	(199,223)	64,665,701	64,828,218
Total at 30/6/11	535,771	(171,734)	364,037	41,361,248	(158,621)	53,232,276	53,596,313

* No exposures are subject to renegotiation under collective agreements.

[1] Gross exposure includes €36.6m towards Iranian banks, the unpaid instalments on which amount to €7.7m.

Information on sovereign debt exposures

A.1.2.a Exposures to sovereign debt securities by state, counterparty and portfolio *

Asset portfolio/ quality	Impaired assets [1]				Performing assets			Total (net exposure) [2]
	Gross exposure	Specific adjustments	Collective adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	—	—	—	1,776,953	1,776,953
Italy	—	—	—	—	—	—	759,170	759,170
Germany	—	—	—	—	—	—	962,697	962,697
Brazil	—	—	—	—	—	—	54,957	54,957
Others	—	—	—	—	—	—	129	129
2. AFS securities	45,238	(26,570)	—	18,668	6,046,357	—	6,046,357	6,065,025
Italy	—	—	—	—	5,612,420	—	5,612,420	5,612,420
Greece	45,238	(26,570)	—	18,668	—	—	—	18,668
Germany	—	—	—	—	302,035	—	302,035	302,035
EU	—	—	—	—	84,131	—	84,131	84,131
Others	—	—	—	—	47,771	—	47,771	47,771
3. Financial assets held to maturity	—	—	—	—	345,163	—	345,163	345,163
Italy	—	—	—	—	345,163	—	345,163	345,163
Total at 30/6/12	45,238	(26,570)	—	18,668	6,391,520	—	8,168,473	8,187,141

* Does not include financial or credit derivatives.

[1] Impaired assets include on the Greek government securities held in the AFS portfolio following the restructuring agreements.

[2] Net exposure includes positions (long and short) in securities recognized at their fair value (including outstanding accruals) except for assets held to maturity which are recognized at amortized cost, the implicit fair value of which is equal to €9.2m.

A.1.2.b Exposures to sovereign debt securities by portfolio

Asset portfolio/quality	Trading book [1]			Banking book			
	Nominal value	Book value	Duration	Nominal value	Book value	Fair value	Duration
Italy	838,078	759,170	3,93	6,138,171	5,957,583	5,948,394	2.57
Germany	930,716	962,697	2,71	270,000	302,035	302,035	3.73
Brazil	49,936	54,957	0,70	—	—	—	—
Greece	—	—	—	254,927	18,668	18,668	25.30
EU	—	—	—	83,255	84,131	84,131	1.32
Others	3,615	129	—	52,500	47,771	47,771	—
Total at 30/6/12	1,822,345	1,776,953		6,798,853	6,410,188	6,400,999	

[1] This item does not include sales of the following futures: Bund/Schatz (Germany); BTP (Italy) and Oat (France), amounting to €0.7m, €0.5m and €0.3bn respectively (with respective fair values of €3.7m, minus €8.2m and minus €1.1m), or the €0.2bn in purchases of the T-note future (U.S.) with a fair value of minus €0.7m; net hedge buys of €201m with a positive fair value of €11m were also not included.

A.1.3 Cash and off-balance-sheet exposures: gross/net values

Type of exposure/amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing	—	—	X	—
b) Potential problem	—	—	X	—
c) Restructured	—	—	X	—
d) Overdue	—	—	X	—
e) Other assets	12,727,033	X	(6,374)	12,720,659
Total A	12,727,033	—	(6,374)	12,720,659
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	88,496	(32,118)	X	56,378
b) Other assets [1]	122,794,869	X	(63,228)	122,731,641
Total B	122,883,365	(32,118)	(63,228)	122,788,019
Total (A + B)	135,610,398	(32,118)	(69,602)	135,508,678

[1] The balance as at 30/6/12 includes €72,496,783,000 in deals matched 100% by hedge buys.

A.1.4 Cash exposures to banks: trends in gross impaired positions and accounts subject to country risk

Description/category	Non-performing	Potential problem	Restructured	Overdue
A. Gross exposure at start of period	127	—	—	—
of which: accounts sold but not derecognized	—	—	—	—
B. Additions	—	—	—	—
B.1 transfers from performing loans	—	—	—	—
B.2 transfers from other categories of impaired assets	—	—	—	—
B.3 other additions	—	—	—	—
C. Reductions	(127)	—	—	—
C.1 transfers to performing loans	—	—	—	—
C.2 amounts written off	—	—	—	—
C.3 amounts collected	(127)	—	—	—
C.4 gains realized on disposals	—	—	—	—
C.5 transfers to other categories of impaired assets	—	—	—	—
C.6 other reductions	—	—	—	—
D. Gross exposure at end of period	—	—	—	—
of which: accounts sold but not derecognized	—	—	—	—

A.1.6 Cash and off-balance-sheet exposures to customers: gross/net values

Type of exposure/amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing	11,472	(11,472)	X	—
b) Potential problem	40,638	(35,545)	X	5,093
c) Restructured	182,977	(54,220)	X	128,757
d) Overdue	35,107	(6,440)	X	28,667
e) Other assets	42,591,143	X	(192,849)	42,398,294
Total A	42,861,337	(107,677)	(192,849)	42,560,811
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	21,815	(615)	X	21,200
b) Other assets	20,194,841	X	(11,925)	20,182,916
Total B	20,216,656	(615)	(11,925)	20,204,116
Total (A+B)	63,077,993	(108,292)	(204,774)	62,764,927

A.1.7 Cash exposures to customers: trends in gross impaired positions/accounts subject to country risk

Description/category	Non-performing	Potential problem	Restructured	Overdue
A. Gross exposure at start of period	11,472	43,255	480,917	—
of which: accounts sold but not derecognized	—	—	—	—
B. Additions	—	246	56,000	35,107
B.1 transfers from performing loans	—	—	10,192	35,107
B.2 transfers from other categories of impaired assets	—	—	—	—
B.3 other additions	—	246	45,808	—
C. Reductions	—	(2,863)	(353,940)	—
C.1 transfers to performing loans	—	—	—	—
C.2 amounts written off	—	—	(343,681)	—
C.3 amounts collected	—	—	—	—
C.4 gains realized on disposals	—	—	(10,192)	—
C.5 transfers to other categories of impaired assets	—	—	—	—
C.6 other reductions	—	(2,863)	(67)	—
D. Gross exposure at end of period	11,472	40,638	182,977	35,107
of which: accounts sold but not derecognized	—	—	—	—

A.1.8 Cash exposures to customers: trends in value adjustments

Description/category	Non-performing	Potential problem	Restructured	Overdue
A. Adjustments at start of period	(11,472)	(30,287)	(129,975)	—
of which: accounts sold but not derecognized	—	—	—	—
B. Additions	—	(5,543)	(48,927)	(6,440)
B.1 value adjustments	—	(5,543)	(48,927)	(6,440)
B.2 transfers from other categories of impaired assets	—	—	—	—
B.3 other additions	—	—	—	—
C. Reductions	—	285	124,682	—
C.1 writebacks based on valuations	—	285	—	—
C.2 writebacks due to amounts collected	—	—	10,192	—
C.3 amounts written off	—	—	114,490	—
C.4 transfers to other categories of impaired assets	—	—	—	—
C.5 other reductions	—	—	—	—
D. Adjustments at end of period	(11,472)	(35,545)	(54,220)	(6,440)
of which: accounts sold but not derecognized	—	—	—	—

A.2 Exposures by internal and external ratings

A.2.1 Cash and off-balance-sheet exposures by external rating category

Exposures	External rating category						Unrated	Total
	AAA / AA-	A+ / A-	BBB+ / BBB-	BB+ / BB-	B+ / B-	Lower than B-		
A. Cash exposures	1,800,331	13,161,112	21,883,457	746,925	1,319,976	52,681	16,316,988	55,281,470
B. Derivatives	244,727	86,045,451	20,330,145	290,116	461,961	—	8,016,208	115,388,608
B.1 financial derivatives	210,927	6,280,727	18,018,731	290,116	461,961	—	7,167,930	32,430,392
B.2 credit derivatives [1]	33,800	79,764,724	2,311,414	—	—	—	848,278	82,958,216
C. Guarantees	—	—	5,181,875	—	—	—	44,126	5,226,001
D. Commitments to lend funds	156,864	4,519,561	14,633,587	637,700	26	—	2,429,788	22,377,526
Total at 30/6/12	2,201,922	103,726,124	62,029,064	1,674,741	1,781,963	52,681	26,807,110	198,273,605
Total at 30/6/11	22,982,052	120,147,280	5,179,121	2,289,275	167,391	309,536	20,586,185	171,660,840

[1] The balance as at 30/6/12 includes €72,496,783,000 in deals matched 100% by hedge buys.

A.3 Secured exposures by type of security

A.3.1 Secured cash exposures to banks and customers

	Amount	Real guarantees 1			Personal guarantees 2									Total (1) + (2)
		Properties	Securities	Other assets	Credit derivatives					Endorsements				
					CLN	Other credit derivatives				Governments	Other public agencies	Banks	Others	
						Governments	Other public agencies	Banks	Others					
1. Secured balance sheet credit exposures:														
1.1 completely secured	2,054,390	—	2,156,917	—	—	—	—	—	—	—	121,750	—	45,086	2,323,753
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1.2 partly secured	1,539,289	—	1,360,650	—	—	—	—	—	—	—	—	—	40,388	1,401,038
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Secured off balance sheet credit exposures:														
2.1 completely secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.2 partly secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—

A.3.2 Secured impaired cash exposures to banks and customers

	Amount	Real guarantees 1			Personal guarantees 2									Total (1) + (2)
		Properties	Securities	Other assets	Credit derivatives					Endorsements				
					CLN	Other credit derivatives				Governments	Other public agencies	Banks	Others	
						Governments	Other public agencies	Banks	Others					
1. Secured balance sheet credit exposures:														
1.1 completely secured	7,059,765	1,805,741	7,060,832	61,515	—	—	—	—	—	37,997	—	1,523	2,574,372	11,541,980
- of which impaired	111,343	128,928	8,780	4	—	—	—	—	—	—	—	—	16,275	153,987
1.2 partly secured	3,755,881	—	2,817,061	22,055	—	—	—	—	—	—	—	23,690	2,250	2,865,056
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	2,250	2,250
2. Secured off balance sheet credit exposures:														
2.1 completely secured	41,065	23,604	—	—	—	—	—	—	—	—	—	8,040	10,075	41,719
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.2 partly secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—

B. Loan distribution and concentration

B.1 Cash and off-balance-sheet exposure to customers by sector

Exposures/counterparts	Governments	Other public agencies	Financial companies	Insurances	Non-financial undertakings	Other entities
A. Cash exposures						
A.1 Non-performing						
Net exposure	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	(11,472)	—	—	—
Value adjustments to portfolio	X	X	X	X	X	X
A.2 Potential problem						
Net exposure	—	—	—	—	5,093	—
Value adjustments to gross exposure	—	—	—	—	(35,545)	—
Value adjustments to portfolio	X	X	X	X	X	X
A.3 Restructured						
Net exposure	18,668	—	5,226	—	104,863	—
Value adjustments to gross exposure	(26,570)	—	(5,020)	—	(22,630)	—
Value adjustments to portfolio	X	X	X	X	X	X
A.4 Overdue						
Net exposure	—	—	—	—	28,667	—
Value adjustments to gross exposure	—	—	—	—	(6,440)	—
Value adjustments to portfolio	X	X	X	X	X	X
A.5 Other exposures						
Net exposure	9,023,382	85,057	18,845,749	2,617,611	11,615,388	211,107
Value adjustments to gross exposure	X	X	X	X	X	X
Value adjustments to portfolio	(1)	—	(15,531)	(4,759)	(172,541)	(17)
Total A						
Net exposure	9,042,050	85,057	18,850,975	2,617,611	11,754,011	211,107
Value adjustments to gross exposure	(26,570)	—	(16,492)	—	(64,615)	—
Value adjustments to portfolio	(1)	—	(15,531)	(4,759)	(172,541)	(17)
B. Off-balance sheet exposures						
B.1 Non-performing						
Net exposure	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	X	X	X	X	X	X
B.2 Potential problem						
Net exposure	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	X	X	X	X	X	X
B.3 Other impaired assets						
Net exposure	—	—	—	—	21,200	—
Value adjustments to gross exposure	—	—	—	—	(615)	—
Value adjustments to portfolio	X	X	X	X	X	X
B.4 Other exposures						
Net exposure	3,872,791	227	8,462,300	448,759	7,398,656	183
Value adjustments to gross exposure	X	X	X	X	X	X
Value adjustments to portfolio	—	—	(1,629)	—	(10,296)	—
Total B						
Net exposure	3,872,791	227	8,462,300	448,759	7,419,856	183
Value adjustments to gross exposure	—	—	—	—	(615)	—
Value adjustments to portfolio	—	—	(1,629)	—	(10,296)	—
Total at 30/6/12						
Net exposure	12,914,841	85,284	27,313,275	3,066,370	19,173,867	211,290
Value adjustments to gross exposure	(26,570)	—	(16,492)	—	(65,230)	—
Value adjustments to portfolio	(1)	—	(17,160)	(4,759)	(182,837)	(17)
Total at 30/6/11	6,032,097	57,857	26,134,355	2,965,000	18,207,411	230,668

B.2 Cash and off-balance-sheet exposures to customers by geography (book value)

Exposure/geographical areas	Italy		Other European countries		United States		Asia		Rest of world	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A) Cash exposures										
A.1 Non-performing	—	—	—	(11,472)	—	—	—	—	—	—
A.2 Potential problem	3,352	(28,619)	1,432	(4,593)	309	(2,333)	—	—	—	—
A.3 Restructured	104,864	(22,630)	23,893	(31,590)	—	—	—	—	—	—
A.4 Overdue	28,667	(6,440)	—	—	—	—	—	—	—	—
A.5 Other exposures	33,647,444	(145,856)	7,752,592	(46,585)	866,714	(370)	52,584	(38)	78,960	—
Total A	33,784,327	(203,545)	7,777,917	(94,240)	867,023	(2,703)	52,584	(38)	78,960	—
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	21,200	(615)	—	—	—	—	—	—	—	—
B.4 Other exposures	15,460,321	(7,389)	4,573,829	(4,479)	7,116	(57)	141,552	—	98	—
Total B	15,481,521	(8,004)	4,573,829	(4,479)	7,116	(57)	141,552	—	98	—
Total at 30/6/12	49,265,848	(211,549)	12,351,746	(98,719)	874,139	(2,760)	194,136	(38)	79,058	—
Total at 30/6/11	37,559,653	(187,890)	14,110,474	(177,718)	1,355,355	(479)	527,987	(83)	73,919	—

B.3 Cash and off-balance-sheet exposures to banks by geography (book value)

Exposure/geographical areas	Italy		Other European countries		United States		Asia		Rest of world	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A) Cash exposures										
A.1 Non-performing	—	—	—	—	—	—	—	—	—	—
A.2 Potential problem	—	—	—	—	—	—	—	—	—	—
A.3 Restructured	—	—	—	—	—	—	—	—	—	—
A.4 Overdue	—	—	—	—	—	—	—	—	—	—
A.5 Other exposures	7,574,976	(289)	4,950,834	(5,281)	154,200	—	40,648	(804)	1	—
Total A	7,574,976	(289)	4,950,834	(5,281)	154,200	—	40,648	(804)	1	—
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	56,378	(32,118)	—	—	—	—	—	—
B.4 Other exposures [1]	2,902,477	—	116,677,823	(63,207)	3,150,202	—	1,040	(21)	99	—
Total B	2,902,477	—	116,734,201	(95,325)	3,150,202	—	1,040	(21)	99	—
Total at 30/6/12	10,477,453	(289)	121,685,035	(100,606)	3,304,402	—	41,688	(825)	100	—
Total at 30/6/11	10,394,106	(514)	106,141,495	(2,341)	2,915,466	—	65,622	(732)	1	—

[1] The balance as at 30/6/12 includes €72,496,783 in deals matched 100% by hedge buys.

B.4 Large risks

	30/6/12	30/6/11
a) Book value	16,738,853	15,788,398
b) Weighted value	15,002,827	14,547,226
c) No. of exposures	17	15

Leveraged finance transactions

As part of its corporate lending activity, the Mediobanca Group takes an active part in buyout transactions promoted or sponsored almost entirely by private equity funds in order to take over companies with promising growth prospects, low debt levels and stable cash flow over time. Such transactions have a sub-investment grade rating, a non-recourse contractual structure, and borrowing is commensurate with future cash flow levels. The purpose of such transactions is never for Mediobanca to acquire target companies, as the majority stakes are held directly by the private equity funds.

As at 30 June 2012, commitments to deals of this nature amounted to €1,888.4m, down markedly on the figure reported one year previously (€2,239.9m). Such deals represented 10% of the corporate portfolio, around 20% of which in relation to domestic transactions and the remainder for deals within the confines of the Eurozone. Movements during the period under review included the winding up of three transactions (worth €117.6m, generating a loss of €23.5m) and partial repayments totalling €269.9m, against increases in outstanding deals (due to drawdowns on credit lines and capitalization of interest) amounting to €35.7m. No new deals were executed during the period.

The portfolio contains two contracts (worth a total of €217.2m) in respect of which a restructuring agreement has been reached (covered by provisions totalling €53.8m).

C. Securitizations and asset disposals

C.1 Securitizations

Qualitative information

In addition to its €1,707.5m investment in the Quarzo securitization of Compass receivables, Mediobanca S.p.A. has a portfolio of securities deriving from securitizations by other issuers worth €306.2m (30/6/11: €328.1m). The main movements during the period involved acquisitions of €30.7m (exclusively collateralized loan obligations (CLOs) with investment-grade ratings and held as part of the trading portfolio), disposals and repayments totalling €52.8m (generating gains of €0.8m), and other reductions totalling €0.6m, €2.6m of which in adjustments to fair value taken through the profit and loss account; the implicit loss on the fixed portfolio amounts to €42.4m. During the period under review trading involving a total of €73m took place, generating a profit of €1.3m.

These balance-sheet valuations are made based on prices supplied by the leading financial information providers, i.e. Reuters, Bloomberg and Mark-it, giving priority to marked-to-market data rather than fair value models (which have been used only for certain unlisted positions), and for the most part made using a pricing model supplied by the main rating agencies.

The portfolio is still concentrated on securities with domestic underlying assets (mortgage receivables, state-owned properties and leasing receivables). The other deals involve CLOs, two synthetic securities (Entasi and ELM) and European mortgage loans (UK and German). The junior and mezzanine tranches have reduced to under 10% of the portfolio. Just under 85% of the portfolio has a rating consistent with securities of high credit standing attributed by at least one of the main credit rating agencies (Standard & Poor's, Moody's and Fitch) and around two-thirds of the portfolio are eligible for refinancing with the European Central Bank. The only positions which are unrated involve deals where Mediobanca has played an active role in the securitization process, e.g. as sponsor, manager, etc.

Mediobanca does not have on its books, and indeed never has had, any credit exposures backed by US subprime or Alt-A mortgages (Alternative – A, i.e. positions with underlying mortgages featuring incomplete documentation that does not allow them to be classified). Neither does it have any exposures to monoline insurers, i.e. insurance companies specializing in covering default risk on public and corporate bond issues, with the exception of one credit default swap worth a nominal USD 10m entered into with MBIA (Municipal Bond Insurance Association), with a positive fair value of €0.6m (€0.7m at 30 June 2011).

Turning now to analysis of the trends in the main sectors of activity underlying the securities held by the Group, there has been a generalized downturn in market conditions, due to the developments in Italian sovereign risk, which affects not just the performance of the underlying asset, but also the support of the originator banks which also act as servicer and/or counterparty for interest rate hedges; by contrast, the relaxation of the criteria for eligibility by the ECB, along with the recent LTRO transactions, have helped support issues with limited outstanding maturities:

– Italian mortgage loans: despite the crisis worsening, collateral has proved to be resilient; however, the gap has widened, both in terms of delinquency and default, between the vintage deals and/or securitizations by more solid banks, and more recent deals and/or those by weaker financial institutions whose ratings have been downgraded;
– Italian state-owned and commercial properties: the disappointing sales performance by FIP led to the early redemption of the class A2 securities being triggered (with proceeds of €5m collected); for IMSER the redemption plan remains stable despite the originator Telecom Italia's spread widening;
– Leasing receivables: the short duration and increased diversification of deals in this sector allowed it to weather the crisis more effectively, including as a result of the constant repayment mechanism and excess spread accumulated, for vintage deals in particular.

During the period under review Mediobanca issued a €1.5bn covered bond, with CheBanca! mortgage receivables as the underlying instrument, subscribed primarily because the bond is eligible for refinancing with the European Central Bank.

Quantitative information

C.1.1 Exposures deriving from securitizations by underlying asset

Type of underlying asset/ exposures	Cash exposure[1]					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Using own underlying assets	—	—	—	—	—	—
a) Impaired	—	—	—	—	—	—
b) Other	—	—	—	—	—	—
B) Using customers' underlying assets	1,984,356	1,984,356	24,778	24,778	4,596	4,596
a) Impaired	85,670	85,670	—	—	—	—
b) Other	1,898,686	1,898,686	24,778	24,778	4,596	4,596

[1] No off-balance-sheet exposure.

C.1.3 Exposures deriving from main customer securitizations by asset type/exposure

Type of securitized asset/exposure	Cash exposures [1]					
	Senior		Mezzanine		Junior	
	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks
A. Mortgage loans on Italian properties						
A.1 Argo Mortgage srl 1 A IT0003246276	88	(1)	—	—	—	—
A.2 Mantegna-37 A2 ind IT0003443527	191	(4)	—	—	—	—
A.3 CASAFORTE srl 30/06 IT0004644677	—	—	—	—	2,403	—
A.4 Velah 4 A2 IT0004102007	26,739	—	—	—	—	
A.5 Cordusio 3 A2 06-42 TV IT0004144892	89	(16)	—	—	—	—
A.6 BPM Securitisation Srl 06-43 IT0004083033	—	—	3,169	(631)	—	—
A.7 Zeus F07-25 A FRN IT0004306186	32,207	—	—	—	—	—
A.8 BP MORTG-43 A2 ind IT0004215320	6,720	(561)	—	—	—	—
A.9 Island Ref-25 A FRN IT0004293558	12,185	—	—	—	—	—
A.10 DOMOS 2001-1 A 31/1 FR0000487589	163	—	—	—	—	—
A.11 RMAC PLC 12/12/2043 XS0235778106	—	—	3,455	(919)	—	—
A.12 IMSER21(ST18) 5.830 IT0003382972	—	—	18,154	—	—	—
A.13 IMSER-2A2B MTG IT0004082746	2,737	35	—	—	—	—
A.14 BCCM1B 0 Mar38 XS0256815688	—	—	—	—	1,102	(430)
A.15 LOGGI 2001-1 SUB FR0000488470	—	—	—	—	1,091	(75)
TOTAL A MORTGAGE LOANS ON PROPERTIES	81,119	(547)	24,778	(1,550)	4,596	(505)
B. State-owned properties						
B.1 Fip Fund-23 A2 FRN IT0003872774	97,036	—	—	—	—	—
TOTAL B STATE-OWNED PROPERTIES	97,036	—	—	—	—	—
C. Leasing receivables						
C.1 Locat 12/12/2028 A2 IT0004153679	357	(6)	—	—	—	—
C.2 Quarzo-13 CL1 FRN IT0003487011	15,002	13	—	—	—	—
TOTAL C LEASING RECEIVABLES	15,359	7	—	—	—	—
D. Other receivables						
D.1 ELM BB.V. FL XS0247902587	22,305	—	—	—	—	—
D.2 ENTASI 16/08/2016 IT0003142996	41,278	—	—	—	—	—
D.3 ROMULUS 20/02/2013 XS0161620439	973	—	—	—	—	—
TOTAL D OTHER RECEIVABLES	64,556	—	—	—	—	—
E. Collateralized loan obligations						
E.1 ASTREA SRL 17/01/2013 IT0003331292	44	—	—	—	—	—
E.2 BACCHUS AUG22 MTG XS0260552962	5,003	(37)	—	—	—	—
E.3 HAMLET MAG20 XS0213748147	2,449	—	—	—	—	—
E.4 HIGHLANDER SET22 MTG XS0261916026	4,972	—	—	—	—	—
E.5 NWESTII-XA SET19 MTG XS0198546987	2,948	8	—	—	—	—
E.6 SILV CLO FEB20 XS0225957090	3,389	(20)	—	—	—	—
TOTAL E COLLATERALIZED LOAN OBLIGATIONS	18,805	(49)				
F. Consumer credit						
F.1 JUMP2-06A APR26 MTG IT0004125636	15,070	(574)	—	—	—	—
F.2 QUARZO2008-1A MTG IT0004397359	1,001,540	—	—	—	—	—
F.3 QUARZO2009-1A MTG IT0004467442	690,871	—	—	—	—	—
TOTAL F CONSUMER CREDIT	1,707,481	(574)				
Total as at 30/6/12	1,984,356	(1,163)	24,778	(1,550)	4,596	(505)
Total as at 30/6/11	1,989,717	(597)	26,716	535	5,343	230

[1] No off-balance-sheet exposure.

C.1.4 Exposures to securitizations by asset/portfolio type

Exposure/portfolio	Held for trading	Recognized at fair value	Available for sale	Held to maturity	Loans and advances	30/6/12	30/6/11
1. Cash exposures	68,040	—	2,403	41,432	1,901,855	2,013,730	2,021,776
- Senior	59,223	—	—	23,278	1,901,855	1,984,356	1,989,717
- Mezzanine	6,624	—	—	18,154	—	24,778	26,716
- Junior	2,193	—	2,403	—	—	4,596	5,343
2. Off-balance-sheet exposures	—	—	—	—	—	—	—
- Senior	—	—	—	—	—	—	—
- Mezzanine	—	—	—	—	—	—	—
- Junior	—	—	—	—	—	—	—

C.1.5 Total amount of securitized assets underlying junior securities or other forms of financing

Assets/amounts	Traditional securitizations	Synthetic securitizations
A. Own underlying assets:		
A.1 Fully derecognized	—	X
1. Non-performing	—	X
2. Potential problem	—	X
3. Restructured	—	X
4. Overdue	—	X
5. Other assets	—	X
A.2 Partly derecognized	—	X
1. Non-performing	—	X
2. Potential problem	—	X
3. Restructured	—	X
4. Overdue	—	X
5. Other assets	—	—
A.3 Not derecognized	—	—
1. Non-performing	—	—
2. Potential problem	—	—
3. Restructured	—	—
4. Overdue	—	—
5. Other assets	—	—
B. Customer underlying assets:		
B.1 Non-performing	—	—
B.2 Potential problem	—	—
B.3 Restructured	—	—
B.4 Overdue	—	—
B.5 Other assets	4,596	—

C.2 Asset disposals

C.2.1 Financial assets sold but not derecognized

Type/portfolio	Financial assets held for trading	Financial assets at fair value through profit and loss account	AFS securities	Financial assets held to maturity	Due from banks	Due from customers	Total	
							30/6/12	30/6/11
A. Cash assets								
1. Debt securities								
a) Financial assets sold but recorded in full (book value)	254,973	—	1,213,541	173,342	—	—	1,641,856	683,532
2. Equities	—	—	—	X	X	X	—	—
3. UCITS units	—	—	—	X	X	X	—	—
4. Loans and advances								
a) Financial assets sold but recorded in full (book value)	—	—	—	—	—	15,025	15,025	—
B. Derivative products	—	X	X	X	X	X	—	—
Total at 30/6/12	254,973	—	1,213,541	173,342	—	15,025	1,656,881	X
a) Financial assets sold but recorded in full (book value)	254,973	—	1,213,541	173,342	—	15,025	1,656,881	X
- of which impaired	—	—	—	—	—	—	—	X
Total at 30/6/11	192,200	—	201,371	83,561	—	297,762	X	683,532
a) Financial assets sold but recorded in full (book value)	192,200	—	201,371	83,561	—	297,762	X	683,532
- of which impaired	—	—	—	—	—	—	X	—

C.2.2 Financial liabilities in respect of financial assets sold but not derecognized

Liabilities/asset portfolios	Financial assets held for trading	Financial assets at fair value through profit and loss account	AFS securities	Financial assets held to maturity	Due from banks	Due from customers	Total
1. Cash assets	119,174	—	885,834	—	—	—	1,005,008
a) in respect of fully recognized assets	119,174	—	885,834	—	—	—	1,005,008
b) in respect of partly recognized assets	—	—	—	—	—	—	—
2. Due to banks	95,454	—	216,786	121,416	—	15,025	448,681
a) in respect of fully recognized assets	95,454	—	216,786	121,416	—	15,025	448,681
b) in respect of partly recognized assets	—	—	—	—	—	—	—
3. Debt securities in issue	—	—	—	—	—	—	—
a) in respect of fully recognized assets	—	—	—	—	—	—	—
b) in respect of partly recognized assets	—	—	—	—	—	—	—
Total at 30/6/12	214,628	—	1,102,620	121,416	—	15,025	1,453,689
Total at 30/6/11	192,200	—	201,371	83,561	—	297,762	683,532

SECTION 2

Market risk

2.1 INTEREST RATE RISK - TRADING BOOK

QUALITATIVE INFORMATION

Mediobanca monitors interest rate risk on its trading book on a daily basis, by calculating two main indicators:

- sensitivity to 1 basis-point changes in the interest rate curve;
- the share of the value-at-risk[1] linked to interest rates as part of the global measurement of market risks.

Such analysis regards not just the trading book but the Bank's entire asset structure, i.e. banking book as well, and is not limited to the measurement of risks deriving from changes in market interest rates but factors in exposures to loan spreads as well.

In order to regulate the various business units' operations, limits have been introduced on sensitivities (known as the "Greeks") to movements of different factors (1 basis point for interest rates and loan spreads, 1 percentage points for shares, exchange rates and volatility).

VaR is still calculated based on expected volatility and the correlation between risk factors concerned, assuming a disposal period of a single trading day and based on a 99% confidence level. The indicator used to check the limits is calculated by using Monte Carlo simulations, along with historical simulations for indicative purposes.[2] This measurement is also used to calculate the expected shortfall, which measures average loss in 1% of the most unfavourable scenarios.

In addition to these indicators, stress tests are also carried out weekly on the main risk factors, to show the impact which significant movements in the main market data (such as share prices and interest or exchange rates) and historical crisis scenarios being repeated might have.

[1] *VaR*: maximum potential loss over to specified time horizon and to given confidence level.

[2] Determines portfolio values based on random and historical variations in risk factors respectively.

This year has been characterized by persistent uncertainty on financial markets, which has generated sharp swings in prices of bond and equities, especially in the second half of the year, and in government securities also. After the highs recorded in November 2011, the long-term refinancing operation by the European Central Bank, along with hopes of political intervention to resolve the crisis, had helped support the prices of peripheral EU member states' paper, causing spreads to reduce. However, the lack of concrete and effective measures in the following weeks allowed uncertainty to increase once again, bringing spreads up to record levels (in Italy's case above 500 bps on its ten-year bonds). The above scenario impacted on Mediobanca's operations primarily in the area of the available-for-sale portfolios, the size of which increased basically with a view to reinvesting the funds obtained from the ECB in short-term government securities.

Over the twelve months the trend in VaR saw a widening of the gap between the trading book and the asset structure as a whole (net of the strategic investments), due chiefly to the increase in positions in available-for-sale bonds. The average VaR reading for the trading book alone was €17.4m, below the €20m reported last year with a high of €30m, whereas the aggregate figure was €77.7m, virtually double last year's average (€34.7m) with a high of €114.1m.

Both portfolios, however, reflect the same trend: growth to begin with, starting in August 2011 and reaching its highs in November and December, when the yields on Italian BTPs exceeded 7%, then declining until the end of March (the lowest point), followed by a period of stability which lasted three months before flaring up again until June, chiefly due to the rise in the share of Italian government bonds in the Bank's banking book.

The average value at risk for the aggregate was thus double that recorded last year, with the contribution from interest rates three times higher (up from €18.9m to €60m) driven by the specific risk component (which climbed from €14.3m to €33.9m), but especially due to the increase in generic risk (which includes sovereign debt securities). The contribution from equities was largely unchanged, edging down from €22.1m to €21.3m, as a result of the high volatility in share prices having begun as early as last year. The contributions from the other risk factors also increased, albeit to a lesser degree: exchange rates and inflation, due to the increased volatility in prices and to directional positions being taken for use in a macro-hedging perspective; volatility due to substantial positions taken in options reduced partly during the twelve months under review. The reading at 30 June 2012 reflected an interest rate component in line with the average data, with equities and volatility below their averages; exchanges rates and inflation, conversely, were above the average readings at the reporting date.

Table 1 - Value at risk and expected shortfall of asset structure

Risk factors (€'000)	**12 mths to 30/6/12**				**12 mths to 30/6/11**
	30/6	**Min**	**Max**	**Avg**	**Avg.**
Interest rates	61,746	28,956	91,492	60,038	18,926
- of which: specific risk	*21,439*	*17,417*	*59,218*	*33,879*	*14,335*
Share prices	16,678	9,284	40,409	21,293	22,176
Exchange rates	5,027	1,608	7,807	3,816	3,366
Inflation	1,395	226	1,696	942	436
Volatility	3,795	1,892	8,029	4,334	2,528
*Diversification effect **	*(15,804)*	*(4,575)*	*(19,813)*	*(12,697)*	*(12,306)*
TOTAL	90,691	48,063	114,150	77,739	34,691
Expected shortfall	*128,148*	*78,433*	*140,150*	*108,962*	*78,270*

* Due to mismatches between risk factors.

The ratio between VaR and expected shortfall[3] fell to 150%, continuing the trend seen in recent six-month periods and confirming how difficult it is for historical indicators to adequately represent the risks deriving from the outbreak of new crises which are largely without precedents.

On the trading portfolio, the average reading for VaR shows a reduction, from €20m to €17.4m, due in particular to the contribution from equities halving. It should also be noted that the highs and the lows occurred in virtually the same points of the respective years, that is, early December and end-March.

The contribution from interest rates also declined, due to holdings in Italian government securities being trimmed (these were accounted for in the AFS portfolio), along with a reduced contribution from other debt securities (corporate and financial), in the second half of the year especially. A similar trend was recorded for volatility: after the high levels seen in the first part of the year (with a peak of €8.4m), driven by the major fluctuations on stock markets, the subsequent reduction in positions in options brought the figure for volatility back to the levels seen at the start of the year. Meanwhile, the exchange rates and inflation components bucked this trend, chiefly as a result of directional positions having been taken to facilitate increased portfolio diversification.

[3] Average of losses recorded in 1% of the most unfavourable scenarios.

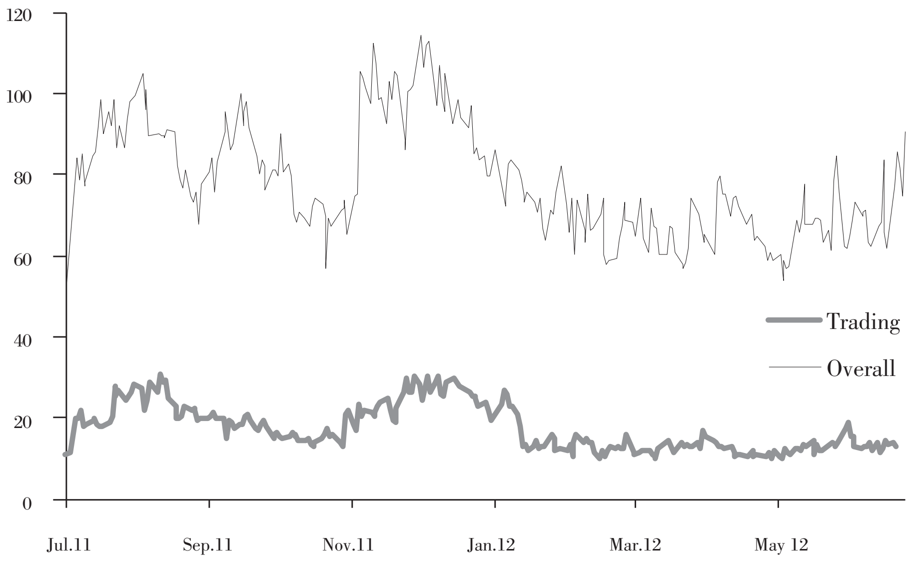
Table 2: Value at risk and expected shortfall: trading book

Risk factors (€'000)	**12 mths to 30/6/12**				**12 mths to 30/6/11**
	30/6	**Min**	**Max**	**Avg**	**Avg.**
Interest rates	11,840	5,903	29,568	14,780	15,588
- of which: specific risk	*6,172*	*5,506*	*27,048*	*13,184*	*10,653*
Share prices	4,455	2,483	9,117	4,561	9,114
Exchange rates	7,260	1,290	9,486	4,240	2,494
Inflation	1,757	600	2,173	1,209	436
Volatility	3,795	1,892	8,414	4,289	2,528
*Diversification effect **	*(16,065)*	*(3,693)*	*(19,284)*	*(11,664)*	*(9,637)*
TOTAL	13,043	9,788	30,883	17,415	20,088
Expected shortfall	*21,842*	*13,923*	*42,235*	*25,499*	*45,941*

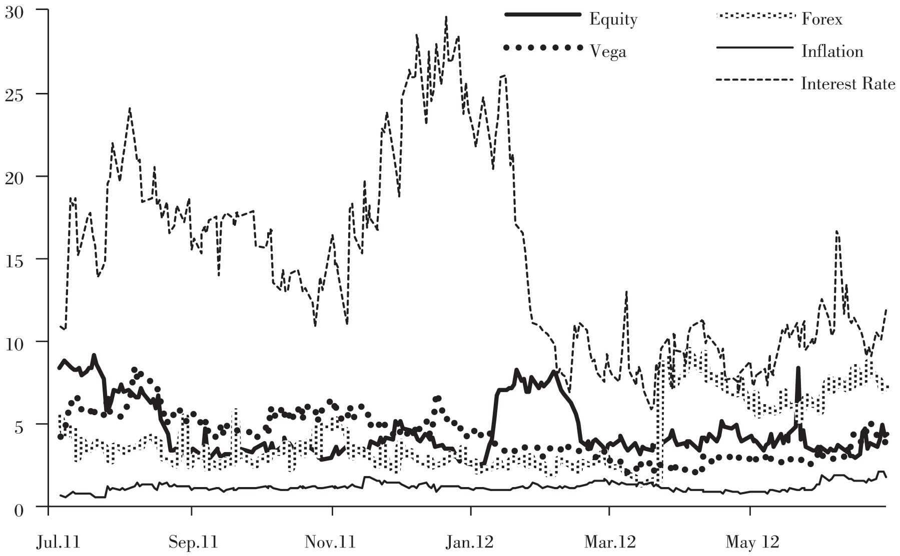
* Due to mismatches between risk factors.

The expected shortfall on the trading book reduced too, with the average figure halving from €45.9m last year to reach €25.5m, having touched €13.9m at end-February, the lowest level seen in the last three years, confirming the reduction in the overall riskiness of the trading positions in a market scenario that continues to be marked by high volatility.

Trend in VaR



Trend in VaR constituents



Despite the strong instability seen on the financial markets, the effectiveness of VaR as a risk management instrument is confirmed by the results of the daily back-testing, which is based on the calculation of implied profits and losses.[4] The VaR limit for losses was breached on just three occasions with reference to the aggregate portfolio (which includes the available-for-sale positions); this was in line with the implied level of 1% of the data recorded. Even if we limit our analysis to the trading book only, the same number of reductions was recorded, concentrated again at the start and end of the financial year, in a scenario of high volatility due to the market uncertainties.

As for the sensitivity of net interest income, the trading book (represented exclusively by Mediobanca S.p.A.) showed a gain of €62m at the reporting date based on a 100 bps increase in interest rates (virtually unchanged from last year). Meanwhile the loss in the opposite scenario (100 bps reduction) declined (from €60.6m to €31m); such asymmetry is due to the sharp reduction in market rates towards levels near zero for the short-term maturities.

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

QUANTITATIVE INFORMATION

1. Regulatory trading book: by outstanding maturity (repricing date) of cash assets and liabilities and financial derivative product
<Currency of denomination: EURO

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	186,268	331,948	1,095,790	180,788	1,832,529	361,138	198,807	—
1.1 Debt securities	186,268	331,948	1,095,790	180,788	1,832,529	361,138	198,807	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	186,268	331,948	1,095,790	180,788	1,832,529	361,138	198,807	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	178,456	109,160	23,591	331,236	308,450	90,709	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	178,456	109,160	23,591	331,236	308,450	90,709	—
3. Financial derivatives	40,000	94,330,222	29,756,424	28,879,324	73,150,325	21,713,651	7,570,824	—
3.1 With underlying securities	—	4,361,108	100	6,760,000	876	100	—	—
– Options	—	—	—	6,760,000	—	—	—	—
+ long positions	—	—	—	3,380,000	—	—	—	—
+ short positions	—	—	—	3,380,000	—	—	—	—
– Others	—	4,361,108	100	—	876	100	—	—
+ long positions	—	2,180,554	50	—	438	50	—	—
+ short positions	—	2,180,554	50	—	438	50	—	—
3.2 Without underlying securities	40,000	89,969,114	29,756,324	22,119,324	73,149,449	21,713,551	7,570,824	—
– Options	—	10,275,212	59,776	2,802,332	11,428,000	1,380,000	1,520,000	—
+ long positions	—	5,137,606	29,888	1,401,166	5,714,000	690,000	760,000	—
+ short positions	—	5,137,606	29,888	1,401,166	5,714,000	690,000	760,000	—
– Others	40,000	79,693,902	29,696,548	19,316,992	61,721,449	20,333,551	6,050,824	—
+ long positions	—	39,190,230	16,315,434	8,122,036	31,461,978	10,218,185	3,118,770	—
+ short positions	40,000	40,503,672	13,381,114	11,194,956	30,259,471	10,115,366	2,932,054	—

Currency of denomination: US DOLLARS

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	—	30,759	20,928	78,569	131,710	105,858	13,992	—
1.1 Debt securities	—	30,759	20,928	78,569	131,710	105,858	13,992	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	—	30,759	20,928	78,569	131,710	105,858	13,992	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	—	—	—	—	—	—	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivatives	—	5,615,071	1,583,107	144,003	4,994,415	2,069,086	—	—
3.1 With underlying securities	—	356,992	—	—	158	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	356,992	—	—	158	—	—	—
+ long positions	—	178,496	—	—	79	—	—	—
+ short positions	—	178,496	—	—	79	—	—	—
3.2 Without underlying securities	—	5,258,079	1,583,107	144,003	4,994,257	2,069,086	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	5,258,079	1,583,107	144,003	4,994,257	2,069,086	—	—
+ long positions	—	2,613,419	782,989	36,060	2,506,904	1,084,894	—	—
+ short positions	—	2,644,660	800,118	107,943	2,487,353	984,192	—	—

Currency of denomination: OTHERS

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	—	39,709	45,216	—	2,038	—	—	—
1.1 Debt securities	—	39,709	45,216	—	2,038	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	—	39,709	45,216	—	2,038	—	—	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	—	—	—	—	—	—	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivatives	—	6,638,944	108,348	6,018,508	4,036,816	—	177,656	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	6,638,944	108,348	6,018,508	4,036,816	—	177,656	—
– Options	—	—	—	665,004	—	—	—	—
+ long positions	—	—	—	332,502	—	—	—	—
+ short positions	—	—	—	332,502	—	—	—	—
– Others	—	6,638,944	108,348	5,353,504	4,036,816	—	177,656	—
+ long positions	—	3,271,194	47,969	2,738,725	2,010,918	—	88,828	—
+ short positions	—	3,367,750	60,379	2,614,779	2,025,898	—	88,828	—

2. Regulatory trading book: cash exposures of equities and UCITS units

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities [1]			
A.1 Shares	273,374	—	—
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	—	26,800
B. UCITS units			
B.1 Italian	4	—	18,310
- harmonized open	4	—	—
- non-harmonized open	—	—	—
- closed	—	—	—
- reserved	—	—	—
- speculative	—	—	18,310
B.2 Other EU states	215,938	—	—
- harmonized	215,938	—	—
- non-harmonized open	—	—	—
- non-harmonized closed	—	—	—
B.3 Non-EU states	—	—	—
- open	—	—	—
- closed	—	—	—
Total	489,316	—	45,110

[1] Represents difference between trading assets and technical shortfalls recorded among trading liabilities; over 88% of the net exposure regards other European countries (excluding Italy, for which the net balance is negative).

2.2 INTEREST RATE AND PRICE RISK - BANKING BOOK

QUALITATIVE INFORMATION

Mediobanca monitors and manages interest rate risk by analysing the sensitivity of net interest income and cash flow to interest rate changes. The first type of sensitivity analysis quantifies the impact of a parallel, instantaneous 100 basis point change in the interest rate curve, over a time horizon of twelve months. The second type of sensitivity is calculated by comparing the discounted value of estimated cash flows obtained with the return curve at the current date and the value obtained using a return curve increased or reduced by 100 basis points ("parallel shock").

In the event of such an increase in interest rates, there would be an increase of around €15m on the positions held in the banking book of Mediobanca S.p.A. as at 30 June 2012 (€52m of which attributable to the available-for-sale category), indicating that the positions have become more balanced over time (last year the impact was equivalent to an €85m reduction), with a gradual increase in the proportion indexed to variable interest rates. Conversely, a reduction in interest rates would generate a loss for Mediobanca of €24m.

A positive, 100 basis-point shock on the discounted value of future cash flows from Mediobanca's banking book would generate a €28m reduction, reflecting the longer duration of the loan and bond stock; an equivalent rise in interest rates, meanwhile, would generate an increase of €36m, an effect which is amplified by the very low levels of short-term interest rates.

The data described above are summarized in numerical form in the table below:

Data at 30/6/12		Banking Book
Net interest income sensitivity	+ 100 bps	15.08
	– 100 bps	(24.37)
Discounted value of future cash flows sensitivity	+ 100 bps	(27.90)
	– 100 bps	35.60

Hedging

Fair value hedges

Fair value hedges are used to neutralize exposure to interest rate or credit risk for particular asset or liability positions, via derivative contracts entered into with leading counterparties. All structured bond issues are fair-value hedged as to the interest rate component, while index-linked issues are accounted for as part of the trading book. 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 the Compass group's operations. 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 by correlating the relevant cash flows. Mediobanca S.p.A. implemented some cash flow hedges of future transaction flows during the period under review (AFS securities disposals hedged through forward contracts).

Counterparty risk

This is measured in terms of expected potential market value, thus doing away with the need to set arbitrary weightings for each type of fund employed. 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 (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.

QUANTITATIVE INFORMATION

1. Banking book by outstanding maturity (repricing date) of cash assets and liabilities: EURO

Type	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	3,104,031	27,538,593	9,700,258	1,522,676	5,650,854	1,465,819	166,426	307,955
1.1 Debt securities	298,233	3,997,567	776,485	1,328,507	4,338,515	1,325,244	166,420	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	298,233	3,997,567	776,485	1,328,507	4,338,515	1,325,244	166,420	—
1.2 Loans to banks	1,883,817	6,683,062	916,491	53,667	43,293	1,919	—	80,659
1.3 Loans to customers	921,981	16,857,964	8,007,282	140,502	1,269,046	138,656	6	227,296
– current accounts	126	—	—	—	293,064	—	—	—
– other loans	921,855	16,857,964	8,007,282	140,502	975,982	138,656	6	227,296
– with early repayment option	—	—	—	—	—	—	—	—
– others	921,855	16,857,964	8,007,282	140,502	975,982	138,656	6	227,296
2. Cash liabilities	11,229,961	17,020,360	3,779,203	7,648,531	10,910,617	1,896,490	119,759	276,636
2.1 Due to customers	921,113	1,157,365	13,514	47,657	—	—	—	213,409
– current accounts	801,936	—	—	—	—	—	—	—
– other amounts due	119,177	1,157,365	13,514	47,657	—	—	—	213,409
– with early repayment option	—	—	—	—	—	—	—	—
– others	119,177	1,157,365	13,514	47,657	—	—	—	213,409
2.2 Due to banks	10,297,083	8,549,876	667,253	5,462	—	—	350	63,176
– current accounts	10,271,423	—	—	—	—	—	—	—
– other amounts due	25,660	8,549,876	667,253	5,462	—	—	350	63,176
2.3 Debt securities	11,765	7,313,119	3,098,436	7,595,412	10,910,617	1,896,490	119,409	51
– with early repayment option	—	—	—	—	—	—	—	—
– others	11,765	7,313,119	3,098,436	7,595,412	10,910,617	1,896,490	119,409	51
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products	—	33,636,977	6,525,759	9,532,933	10,658,109	2,927,094	653,992	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	33,636,977	6,525,759	9,532,933	10,658,109	2,927,094	653,992	—
– Options	—	—	—	—	—	—	360,000	—
+ long positions	—	—	—	—	—	—	180,000	—
+ short positions	—	—	—	—	—	—	180,000	—
– Others	—	33,636,977	6,525,759	9,532,933	10,658,109	2,927,094	293,992	—
+ long positions	—	8,727,289	2,337,761	9,501,433	8,587,359	2,469,094	164,496	—
+ short positions	—	24,909,688	4,187,998	31,500	2,070,750	458,000	129,496	—

Currency of denomination: US DOLLARS

Type	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	63,192	439,675	24,684	40,191	26,271	—	—	22,820
1.1 Debt securities	—	12,746	13,101	38,240	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	12,746	13,101	38,240	—	—	—	—
1.2 Loans to banks	47,812	358,260	1,083	281	26,117	—	—	22,602
1.3 Loans to customers	15,380	68,669	10,500	1,670	154	—	—	218
– current accounts	—	—	—	—	—	—	—	—
– other loans	15,380	68,669	10,500	1,670	154	—	—	218
– with early repayment option	—	—	—	—	—	—	—	—
– others	15,380	68,669	10,500	1,670	154	—	—	218
2. Cash liabilities	37,020	147,619	—	—	11,865	—	—	308
2.1 Due to customers	37,014	—	—	—	—	—	—	256
– current accounts	36,935	—	—	—	—	—	—	—
– other amounts due	79	—	—	—	—	—	—	256
– with early repayment option	—	—	—	—	—	—	—	—
– others	79	—	—	—	—	—	—	256
2.2 Due to banks	2	—	—	—	—	—	—	52
– current accounts	2	—	—	—	—	—	—	—
– other amounts due	—	—	—	—	—	—	—	52
2.3 Debt securities	4	147,619	—	—	11,865	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	4	147,619	—	—	11,865	—	—	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products	—	88,483	—	39,714	32,883	—	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	88,483	—	39,714	32,883	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	88,483	—	39,714	32,883	—	—	—
+ long positions	—	47,657	—	19,857	13,026	—	—	—
+ short positions	—	40,826	—	19,857	19,857	—	—	—

Currency of denomination: OTHERS

Type	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	67,350	258,985	—	—	211,026	—	—	—
1.1 Debt securities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
1.2 Loans to banks	65,380	206,118	—	—	211,026	—	—	—
1.3 Loans to customers	1,970	52,867	—	—	—	—	—	—
– current accounts	—	—	—	—	—	—	—	—
– other loans	1,970	52,867	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	1,970	52,867	—	—	—	—	—	—
2. Cash liabilities	64,348	4,406	250,204	28,631	—	—	—	114
2.1 Due to customers	21	—	—	—	—	—	—	—
– current accounts	20	—	—	—	—	—	—	—
– other amounts due	1	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	1	—	—	—	—	—	—	—
2.2 Due to banks	64,327	4,406	—	—	—	—	—	114
– current accounts	64,327	—	—	—	—	—	—	—
– other amounts due	—	4,406	—	—	—	—	—	114
2.3 Debt securities	—	—	250,204	28,631	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	250,204	28,631	—	—	—	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products	—	277,702	—	29,809	247,893	—	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	277,702	—	29,809	247,893	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	277,702	—	29,809	247,893	—	—	—
+ long positions	—	9,296	—	20,513	247,893	—	—	—
+ short positions	—	268,406	—	9,296	—	—	—	—

2. Banking book: cash exposures of equities and UCITS units

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities [1]			
A.1 Shares	260,002	—	586,951
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	—	135,206
B. UCITS units			
B.1 Italian	—	—	83,048
- harmonized open	—	—	—
- non-harmonized open	—	—	—
- closed	—	—	68,676
- reserved	—	—	9,598
- speculative	—	—	4,774
B.2 Other EU states	—	—	—
- harmonized	—	—	—
- non-harmonized open	—	—	—
- non-harmonized closed	—	—	—
B.3 Non-EU states	—	—	9,795
- open	—	—	1,924
- closed	—	—	7,871
Total	260,002	—	815,000

[1] Of which 84% Italian.

2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

Risks deriving from movements in exchange rates for all the Bank's positions (trading and banking books) are managed by the Financial Markets division. The degree of risk in this area is thus effectively represented by the respective VaR component as shown on p. 379. Compared to last year the exposure in this area has increased, not just as a result of the higher volatility but also due to the presence of directional positions used to macro-hedge the other positions (securities and loans) held in the portfolio. The average VaR reading thus rose from €3.4m to €3.8m, with a high of almost €8m recorded in April 2012, and a reading at the reporting date of approx. €5m.

QUANTITATIVE INFORMATION

1. Assets, liabilities and derivatives by currency

Line items	Currency				
	US dollars	Pounds sterling	Japanese yen	Swiss francs	Other
A. Financial assets	1,095,753	504,479	59,146	85,096	46,240
A.1 Debt securities	512,254	25,734	59,101	2,988	2
A.2 Equities	100,758	52,551	—	20,280	1,041
A.3 Loans and advances to banks	412,209	379,085	45	61,216	39,949
A.4 Loans and advances to customers	70,532	47,109	—	612	5,248
A.5 Other financial assets	—	—	—	—	—
B. Other assets	—	—	—	—	—
C. Financial liabilities	(214,883)	(266,917)	—	(56,314)	(17,724)
C.1 Due to banks	—	—	—	—	(32)
C.2 Due to customers	(36,934)	—	—	(4,406)	(1)
C.3 Debt securities	(177,949)	(266,917)	—	(51,908)	(17,691)
C.4 Other financial liabilities	—	—	—	—	—
D. Other liabilities	—	—	—	—	—
E. Financial derivative products	(414,716)	(252,825)	(58,662)	(61,213)	32,556
- Options	—	—	—	—	—
+ Long positions	—	—	—	—	—
+ Short positions	—	—	—	—	—
- Other derivatives	(414,716)	(252,825)	(58,662)	(61,213)	32,556
+ Long positions	873,438	1,089,828	39,952	218,005	772,902
+ Short positions	(1,288,154)	(1,342,653)	(98,614)	(279,218)	(740,346)
Total assets	1,969,191	1,594,307	99,098	303,101	819,142
Total liabilities	(1,503,037)	(1,609,570)	(98,614)	(335,532)	(758,070)
Difference (+/-)	466,154	(15,263)	484	(32,431)	61,072

2.4 FINANCIAL DERIVATIVE PRODUCTS

A. FINANCIAL DERIVATIVES

A.1 Regulatory trading book: average and reporting-date notional values

Type of transaction	30/6/12		30/6/11	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	120,101,480	13,473,584	126,396,836	44,342,682
a) Options	3,380,000	4,225,500	3,380,000	33,748,302
b) Swaps	106,944,978	—	112,761,186	—
c) Forwards	—	—	—	—
d) Futures	—	9,248,084	—	10,594,380
e) Others	9,776,502	—	10,255,650	—
2. Equities and share indexes	44,303,592	31,844,057	41,286,251	16,526,519
a) Options	41,123,614	31,649,118	39,520,020	16,296,837
b) Swaps	3,179,857	—	1,766,231	—
c) Forwards	121	—	—	—
d) Futures	—	194,939	—	229,682
e) Others	—	—	—	—
3. Exchange rates and gold	9,838,164	132	7,039,433	—
a) Options	63,160	—	2,225,356	—
b) Swaps	1,504,885	—	1,857,932	—
c) Forwards	8,270,119	—	2,956,145	—
d) Futures	—	132	—	—
e) Others	—	—	—	—
4. Commodities	—	1,264	—	—
5. Other assets	—	—	—	—
Total	174,243,236	45,319,037	174,722,520	60,869,201
Average values	174,482,878	53,094,119	161,719,368	64,833,458

A.2 Banking book: average and reporting-date notional values

A.2.1 Hedge derivatives

Type of transaction	30/6/12		30/6/11	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	32,282,838	—	35,258,162	—
a) Options	—	—	—	—
b) Swaps	32,091,882	—	35,058,162	—
c) Forwards	10,956	—	—	—
d) Futures	—	—	—	—
e) Others	180,000	—	200,000	—
2. Equities and share indexes	2,560	—	28,868	—
a) Options	183	—	20	—
b) Swaps	—	—	26,471	—
c) Forwards	2,377	—	2,377	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and gold	42,835	—	37,994	—
a) Options	—	—	—	—
b) Swaps	42,835	—	37,994	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	32,328,233	—	35,325,024	—
Average values	33,826,629	—	34,300,911	2,198

A.2.2 Other derivatives

Type of transaction	30/6/12		30/6/11	
	Over the counter	**Central counterparties**	**Over the counter**	**Central counterparties**
1. Debt securities and interest rates	12,251	—	12,251	—
a) Options	—	—	—	—
b) Swaps	12,251	—	12,251	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equities and share indexes	7,888,903	—	8,902,363	—
a) Options	7,888,903	—	8,902,363	—
b) Swaps	—	—	—	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and gold	10,613	—	43,489	—
a) Options	10,613	—	43,489	—
b) Swaps	—	—	—	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	7,911,767	—	8,958,103	—
Average values	8,434,935	—	9,630,008	—

A.3 Financial derivatives: positive fair value – breakdown by product

Type of transactions	Positive fair value			
	30/6/12		30/6/11	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	4,810,273	1,096,518	3,446,351	557,639
a) Options	1,420,570	1,082,876	1,408,624	544,815
b) Interest rate swaps	3,218,688	—	1,777,010	—
c) Cross currency swaps	53,019	—	76,720	—
d) Equity swaps	41,844	—	91,485	—
e) Forwards	76,152	—	92,512	—
f) Futures	—	13,642	—	12,824
g) Others	—	—	—	—
B. Banking book: hedge derivatives	1,849,296	—	1,499,999	—
a) Options	146,961	—	—	—
b) Interest rate swaps	1,700,348	—	1,435,812	—
c) Cross currency swaps	1,987	—	1,521	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	62,666	—
C. Banking book: other derivatives	12,381	—	20,907	—
a) Options	8,430	—	16,886	—
b) Interest rate swaps	3,951	—	4,021	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	6,671,950	1,096,518	4,967,257	557,639

A.4 Financial derivatives: negative fair value – breakdown by product

Type of transaction	Negative fair value			
	30/6/12		30/6/11	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	(5,256,926)	(1,044,228)	(3,800,477)	(518,937)
a) Options	(1,410,115)	(1,025,783)	(1,232,702)	(511,173)
b) Interest rate swaps	(3,392,447)	—	(2,229,451)	—
c) Cross currency swaps	(108,589)	—	(62,600)	—
d) Equity swaps	(264,259)	—	(218,086)	—
e) Forwards	(81,516)	—	(57,638)	—
f) Futures	—	(18,445)	—	(7,764)
g) Others	—	—	—	—
B. Banking book: hedge derivatives	(717,208)	—	(786,112)	—
a) Options	(147,056)	—	(62,669)	—
b) Interest rate swaps	(567,525)	—	(718,025)	—
c) Cross currency swaps	(2,526)	—	(5,296)	—
d) Equity swaps	—	—	(122)	—
e) Forwards	(101)	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
C. Banking book: other derivatives	(117,491)	—	(288,502)	—
a) Options	(117,491)	—	(288,502)	—
b) Interest rate swaps	—	—	—	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	(6,091,625)	(1,044,228)	(4,875,091)	(518,937)

A.5 OTC financial derivatives: trading book – notional values, 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
1. Debt securities and interest rates							
- notional value	—	—	1,095,550	15,818,552	948,117	7,113,112	—
- positive fair value	—	—	30,945	252,915	85,028	348,356	—
- negative fair value	—	—	(24,882)	(135,048)	(28,293)	(72,489)	—
- future exposure	—	—	18,600	76,894	13,875	51,377	—
2. Equities and share indexes							
- notional value	—	—	22,295	417,171	16,300	312,123	—
- positive fair value	—	—	988	16,761	—	19,168	—
- negative fair value	—	—	(7)	(7,798)	—	(40,321)	—
- future exposure	—	—	1,535	25,551	1,630	18,720	—
3. Exchange rates and gold							
- notional value	—	—	75,937	118,367	—	478,282	—
- positive fair value	—	—	317	294	—	27,250	—
- negative fair value	—	—	(153)	(1,188)	—	(51,458)	—
- future exposure	—	—	479	4,932	—	27,380	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

A.6 OTC financial derivatives: trading book – notional values, positive and negative fair values by counterparty, contracts forming part of netting arrangements

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	77,506,363	16,719,661	900,000	125	—
- positive fair value	—	—	2,214,018	439,570	87,521	—	—
- negative fair value	—	—	(2,855,224)	(370,113)	—	(1,564)	—
2. Equities and share indexes							
- notional value	—	—	14,314,011	28,898,557	323,136	—	—
- positive fair value	—	—	376,228	795,107	14,493	—	—
- negative fair value	—	—	(481,492)	(1,026,840)	(22,752)	—	—
3. Exchange rates and gold							
- notional value	—	—	8,953,873	211,705	—	—	—
- positive fair value	—	—	74,637	26,677	—	—	—
- negative fair value	—	—	(132,766)	(4,538)	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

A.7 OTC financial derivatives: banking book – notional value, positive and negative fair valuesby 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
1. Debt securities and interest rates							
- notional value	—	—	884,506	10,047	—	1,012	—
- positive fair value	—	—	102,263	—	—	—	—
- negative fair value	—	—	(83)	(25)	—	(2)	—
- future exposure	—	—	4,248	—	—	—	—
2. Equities and share indexes							
- notional value	—	—	—	—	—	2,377	183
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	(96)
- future exposure	—	—	—	—	—	—	15
3. Exchange rates and gold							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

A.8 OTC financial derivatives: banking book – notional values, positive and negative fair values by counterparty, contracts forming part of netting arrangements

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	29,802,301	1,584,971	—	—	—
- positive fair value	—	—	1,685,620	59,425	—	—	—
- negative fair value	—	—	(689,365)	(25,112)	—	—	—
2. Equities and share indexes							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
3. Exchange rates and gold							
- notional value	—	—	42,835	—	—	—	—
- positive fair value	—	—	1,987	—	—	—	—
- negative fair value	—	—	(2,526)	—	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

A.9 OTC financial derivatives by maturity: notional values

Underlying/residual maturity	Up to 1 year	From 1 to 5 years	Over 5 years	Total
A. Regulatory trading book				
A.1 Financial derivatives on debt securities and interest rates	30,929,905	62,010,256	27,161,319	120,101,480
A.2 Financial derivatives on equities and share indexes	14,032,697	25,263,796	5,007,099	44,303,592
A.3 Financial derivatives on foreign currency and gold	7,925,301	1,434,396	478,467	9,838,164
A.4 Financial derivatives on other assets	—	—	—	—
B. Banking book:				
B.1 Financial derivatives on debt securities and interest rates	5,174,397	23,627,014	3,493,678	32,295,089
B.2 Financial derivatives on equities and share indexes	1,677,387	6,126,914	87,162	7,891,463
B.3 Financial derivatives on foreign currency and gold	40,422	13,026	—	53,448
B.4 Financial derivatives on other assets	—	—	—	—
Total at 30/6/12	59,780,109	118,475,402	36,227,725	214,483,236
Total at 30/6/11	45,320,402	134,364,858	39,320,388	219,005,648

B. CREDIT DERIVATIVES

B.1 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	1,722,453	79,058,450	180,100	8,900
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total A at 30/6/12	1,722,453	79,058,450	180,100	8,900
Average values	1,891,721	76,248,526	195,075	4,450
Total A at 30/6/11	2,060,988	73,438,602	210,050	—
2. Hedge sales				
a) Credit default	1,560,159	80,694,212	77,500	600,000
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total B at 30/6/12	1,560,159	80,694,212	77,500	600,000
Average values	1,516,632	77,360,874	182,850	670,250
Total B at 30/6/11	1,473,104	74,027,535	288,200	740,500

B.2 OTC credit derivatives: gross positive fair value – breakdown by product

Portfolio/derivative instrument type	**Positive fair value**	
	30/6/12	**30/6/11**
A. Regulatory trading book	1,750,772	1,656,128
a) Credit default products	1,750,772	1,656,128
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
B. Banking book	31,939	55,003
a) Credit default products	31,939	55,003
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
Total	1,782,711	1,711,131

B.3 OTC credit derivatives: gross negative fair value – breakdown by product

Portfolios/derivative instruments type	Negative fair value	
	30/6/12	30/6/11
A. Regulatory trading book	(1,730,801)	(1,939,210)
a) Credit default products	(1,730,801)	(1,939,210)
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
B. Banking book	(27,800)	(121,002)
a) Credit default products	(27,800)	(121,002)
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
Total	(1,758,601)	(2,060,212)

B.4 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	—	—	—	50,000	—	—	—
- positive fair value	—	—	—	3,359	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	2,500	—	—	—
2. Hedge sales							
- notional value	—	—	—	16,250	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	(2,745)	—	—	—
- 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	—	—	—	—	—	—	—

* Does not include implied derivatives of bonds issued.

B.5 OTC credit derivatives: gross positive and negative fair values by counterparty – contracts forming part of netting arrangements

Contracts 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	—	—	79,622,208	1,108,696	—	—	—
- positive fair value	—	—	1,212,122	18,448	—	—	—
- negative fair value	—	—	(517,543)	(5,259)	—	—	—
2. Hedge sales							
- notional value	—	—	81,119,137	1,118,985	—	—	—
- positive fair value	—	—	512,738	4,106	—	—	—
- negative fair value	—	—	(1,178,545)	(26,709)	—	—	—
Banking book *							
1. Hedge buys							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
2. Hedge sales							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

* Does not include implied derivatives of bonds issued.

B.6 Credit derivatives: outstanding life – notional values

Underlying/residual maturity	**Up to 1 year**	**From 1 year to 5 years**	**Over 5 years**	**Total**
A. Regulatory trading book	48,354,251	96,920,423	17,760,602	163,035,276
A.1 Credit derivatives with “qualified” reference obligation	793,460	2,020,155	174,500	2,988,115
A.2 Credit derivatives with “unqualified” reference obligation	47,560,791	94,900,268	17,586,102	160,047,161
B. Banking book	89,500	204,000	573,000	866,500
B.1 Credit derivatives with “qualified” reference obligation	89,500	166,500	53,000	309,000
B.2 Credit derivatives with “unqualified” reference obligation	—	37,500	520,000	557,500
Total at 30/6/12	48,443,751	97,124,423	18,333,602	163,901,776
Total at 30/6/11	14,916,658	115,743,344	21,578,978	152,238,980

C. CREDIT AND FINANCIAL DERIVATIVES

C.1 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	—	—	813,129	152,024	149,596	47,407	—
- negative fair value	—	—	(576,979)	(287,933)	(8,003)	(10,610)	—
- future exposure	—	—	925,016	148,712	26,711	10,170	—
- net counterparty risk	—	—	1,065,795	297,955	164,717	57,577	—

* Represents sum of positive fair value and future exposure. Net of €686,720,000 in cash collateral received, €672,350,000 in respect of banks, €2,780,000 of financial companies and €11,590,000 non-financial companies; conversely, in respect of negative fair values cash collateral of €729,287,000 was paid in, €593,753,000 of which in respect of banks, €123,054,000 of financial companies, €10,450,000 of insurances and €2,030,000 of non-financial companies.

SECTION 3

Liquidity risk

QUALITATIVE INFORMATION

In December 2011 the Board of Directors of Mediobanca S.p.A. approved its liquidity risk management policy and contingency funding plan (CLP); in this way the Group has equipped itself with a methodological apparatus to improve the monitoring and coverage of liquidity risk and also with procedures for activating a plan of action in the event of specific tensions at either the Group itself or system-wide.

The Group's objective, in complying with the regulatory provisions issued by both central and national authorities, is to maintain a level of liquidity which allows it to meet the payment obligations it has entered into.

Specifically, the liquidity indicators monitor the events which impact on the Group's liquidity position in the short term (over a time horizon which ranges from one day to six months) and the long term (over six months). The first indicator (operating liquidity) checks that the counterbalance capacity is at all times higher than the net outflows, calculated also in situations of stress; the second indicator (structural liquidity) checks that inflows cover 100% of the outflows with maturities of more than one year and at least 90% of the maturities of more than five years.

These indicators are complemented by a model for governing events, to be activated effectively in the event of a crisis by following an approved procedure that identifies parties, responsibilities, communication procedures and the related criteria for reporting, in an attempt to increase the likelihood of overcoming the emergency situation successfully: the contingency liquidity funding plan. A series of early warning indicators (EWI) has been provided which, combined with the result of the stress test analysis, constitute an effective tool for early definition and evaluation of the most appropriate measures with which to tackle a specific crisis scenario. The contingency indicators are notified regularly to the Bank's governing bodies and management by the ALM and Risk management units.

The above procedures are supported by operational monitoring, which summarizes daily the timing profile of future cash requirements for both certain and estimated outflows (assumptions regarding renewals/early redemptions). The liquidity balances thus obtained are compared with the amount of the counterbalance capacity defined narrowly as cash and cash equivalents plus the aggregate of securities held which are eligible for refinancing with the monetary authorities, and more broadly with the inclusion of less liquid assets (undeliverable bonds, deliverable shares, deliverable receivables) to which prudential haircuts are applied.

Stress testing is carried out weekly assuming extraordinary factors such as drawdowns on committed lines granted to customers, reductions in funding (in the interbank and debt security channels, and also partial failure to renew CheBanca! deposits when the restrictions end), plus the possibility of certain instruments being wound up early (in particular callable/puttable bonds).

During the year under review, the retention of a substantial portfolio of securities has ensured that the balance of estimated net outflows has always been far below the counterbalance capacity, even in situations of stress. All the supervisory limits/thresholds set down in the liquidity risk management policy have also been complied with.

A steering committee monitors fortnightly both the Bank's liquidity and the sustainability of the business development on the Bank's asset structure.

During the twelve months under review, the Group has taken part in the Quantitative Impact Study carried out six-monthly by the European Banking Authority (EBA) through the Bank of Italy in respect of the new liquidity requisites, the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), introduced by the Basel Committee as part of the new Basel III supervisory regulations for banks.

QUANTITATIVE INFORMATION

1. Financial assets and liabilities by outstanding life – Currency of denomination: EUROS

Type	On demand	From 1 days 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	Over 5 years	Not specified
Cash assets	2,984,733	4,259,511	254,402	2,897,318	4,118,488	3,097,688	4,396,212	23,368,220	8,958,815	307,955
A.1 Government securities	180,058	—	—	—	180,691	552,821	760,740	4,759,659	1,204,296	—
A.2 Other debt securities	58	24,774	3,705	24,398	138,068	207,295	872,478	3,996,934	3,975,660	—
A.3 UCITS units	—	—	—	—	—	—	—	—	—	—
A.4 Loans and advances	2,804,617	4,234,737	250,697	2,872,920	3,799,729	2,337,572	2,762,994	14,611,627	3,778,859	307,955
– to banks	1,883,817	220,992	241	235,208	1,269,824	553,128	780,036	4,499,889	241,704	80,659
– to customers	920,800	4,013,745	250,456	2,637,712	2,529,905	1,784,444	1,982,958	10,111,738	3,537,155	227,296
Cash liabilities	11,253,929	1,172,546	30,150	89,852	775,475	2,165,888	2,240,834	31,728,209	4,112,477	276,637
B.1 Deposits and current accounts	11,218,197	1,165,714	22,244	12,290	213,278	654,386	136,725	8,036,274	148,724	276,586
– to banks	10,297,083	8,492	22,244	12,148	213,278	640,872	89,068	8,036,274	148,724	63,177
– to customers	921,114	1,157,222	—	142	—	13,514	47,657	—	—	213,409
B.2 Debt securities	35,732	6,565	7,906	77,562	555,179	1,504,891	2,074,237	23,083,954	3,538,071	51
B.3 Other liabilities	—	267	—	—	7,018	6,611	29,872	607,981	425,682	—
Off-balance-sheet transactions	8,803,484	13,215,511	34,511	947,784	5,638,107	18,332,549	16,553,376	38,808,604	9,344,382	—
C.1 Financial derivatives with exchange of principal	—	15,185	—	277,596	2,690,005	1,209,961	3,841,065	445,829	180,000	—
– long positions	—	15,185	—	14,776	648,047	434,595	333,922	181,148	90,000	—
– short positions	—	—	—	262,820	2,041,958	775,366	3,507,143	264,681	90,000	—
C.2 Deposits and loans for collection	8,570,184	18,153	4,423	38,903	234,329	270,050	558,465	—	—	—
– long positions	4,159,534	4,889	2,807	18,760	136,009	144,963	353,785	—	—	—
– short positions	4,410,650	13,264	1,616	20,143	98,320	125,087	204,680	—	—	—
C.3 Irrevocable commitments to disburse funds *	—	8,067,044	—	285,368	1,843,734	1,651,550	546,051	5,130,021	3,123,214	—
– long positions	—	8,067,044	—	138,512	955,896	229,960	—	932,079	—	—
– short positions	—	—	—	146,856	887,838	1,421,590	546,051	4,197,942	3,123,214	—
C.4 Irrevocable commitments to disburse funds	233,300	5,115,129	30,088	345,917	870,039	15,200,988	11,607,795	33,232,754	6,041,168	—
– long positions	233,300	—	7,344	342,331	648,815	7,737,077	6,090,487	17,210,384	4,110,806	—
– short positions	—	5,115,129	22,744	3,586	221,224	7,463,911	5,517,308	16,022,370	1,930,362	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—

* Includes hedge sales perfectly matched by purchases for the same amount.

Currency of denomination: US DOLLARS

Voci/Scaglioni temporali	On demand	From 1 days 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	Over 5 years	Not specified
Cash assets	63,192	734	33,362	28,254	23,248	45,109	144,966	544,553	116,976	22,820
A.1 Government securities	—	—	—	—	—	—	—	—	—	—
A.2 Other debt securities	—	—	12,867	84	22,123	37,629	129,511	144,660	116,976	—
A.3 UCITS units	—	—	—	—	—	—	—	—	—	—
A.4 Loans and advances	63,192	734	20,495	28,170	1,125	7,480	15,455	399,893	—	22,820
– to banks	47,812	734	—	350	795	1,854	3,458	383,544	—	22,602
– to customers	15,380	—	20,495	27,820	330	5,626	11,997	16,349	—	218
Cash liabilities	37,019	—	—	—	1,092	1,092	2,184	157,002	—	308
B.1 Deposits and current accounts	37,015	—	—	—	—	—	—	—	—	308
– to banks	2	—	—	—	—	—	—	—	—	52
– to customers	37,013	—	—	—	—	—	—	—	—	256
B.2 Debt securities	4	—	—	—	1,092	1,092	2,184	157,002	—	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	692,191	728,571	43,805	6,107	779,780	22,878,546	1,990,884	62,463,602	15,708,599	—
C.1 Financial derivatives with exchange of principal	—	728,571	43,805	5,760	553,380	1,037,172	7,149	194,626	288,624	—
– long positions	—	516,275	43,805	5,760	361,304	358,362	—	13,026	—	—
– short positions	—	212,296	—	—	192,076	678,810	7,149	181,600	288,624	—
C.2 Deposits and loans for collection	453,907	—	—	347	30	1,506	1,072	—	—	—
– long positions	172,751	—	—	270	30	459	768	—	—	—
– short positions	281,156	—	—	77	—	1,047	304	—	—	—
C.3 Irrevocable commitments to disburse funds	158,856	—	—	—	158,856	—	—	—	—	—
– long positions	158,856	—	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	158,856	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds *	79,428	—	—	—	67,514	21,839,868	1,982,663	62,268,976	15,419,975	—
– long positions	39,714	—	—	—	39,714	10,919,934	987,360	31,125,612	7,715,923	—
– short positions	39,714	—	—	—	27,800	10,919,934	995,303	31,143,364	7,704,052	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—

* Includes hedge sales perfectly matched by purchases for the same amount.

Currency of denomination: OTHERS

Voci/Scaglioni temporali	On demand	From 1 days 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	Over 5 years	Not specified
Cash assets	67,350	289	37,329	27,717	9,255	124,273	1,209	405,411	4,370	—
A.1 Government securities	—	—	—	—	—	—	—	—	—	—
A.2 Other debt securities	—	—	37,329	—	7,342	86,197	46	2,039	4,370	—
A.3 UCITS units	—	—	—	—	—	—	—	—	—	—
A.4 Loans and advances	67,350	289	—	27,717	1,913	38,076	1,163	403,372	—	—
– to banks	65,380	289	—	13,808	377	546	1,094	403,143	—	—
– to customers	1,970	—	—	13,909	1,536	37,530	69	229	—	—
Cash liabilities	64,348	—	4,406	—	—	13,324	11,080	17,551	240,442	113
B.1 Deposits and current accounts	64,348	—	4,406	—	—	—	—	—	—	113
– to banks	64,327	—	4,406	—	—	—	—	—	—	113
– to customers	21	—	—	—	—	—	—	—	—	—
B.2 Debt securities	—	—	—	—	—	13,324	11,080	17,551	240,442	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	620,777	368,918	651,490	1,591,850	426,905	71,851	2,645,445	4,398,680	191,447	—
C.1 Financial derivatives with exchange of principal	—	344,872	650,980	1,591,850	426,905	61,371	2,644,588	1,232,797	191,447	—
– long positions	—	197,198	307,509	807,668	213,499	30,535	1,313,339	401,767	—	—
– short positions	—	147,674	343,471	784,182	213,406	30,836	1,331,249	831,030	191,447	—
C.2 Deposits and loans for collection	596,731	—	510	—	—	10,480	857	—	—	—
– long positions	282,961	—	—	—	—	10,046	—	—	—	—
– short positions	313,770	—	510	—	—	434	857	—	—	—
C.3 Irrevocable commitments to disburse funds	24,046	24,046	—	—	—	—	—	—	—	—
– long positions	24,046	—	—	—	—	—	—	—	—	—
– short positions	—	24,046	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds *	—	—	—	—	—	—	—	3,165,883	—	—
– long positions	—	—	—	—	—	—	—	1,582,942	—	—
– short positions	—	—	—	—	—	—	—	1,582,941	—	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—

* Includes hedge sales perfectly matched by purchases for the same amount.

SECTION 4

Operational risk

QUALITATIVE INFORMATION

Definition

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.

Capital requirements for operating risk

Mediobanca has decided to adopt the Basic Indicator Approach (BIA) in order to calculate the capital requirement for covering operational risk, applying a margin of 15% to the average of the last three years' readings of total income. Based on this method of calculation, the capital requirement as at 30 June 2012 was €100.1m (30/6/11: €104.2m).

Risk mitigation

During the twelve months under review, an Operational risk management team has been instituted as part of the Risk Management unit, reporting to the Chief Risk Officer.

The model for managing operational risks, which has been formalized in the Operational risks policy, sets out the roles and responsibilities involved in the management of operational risks, and describes the processes for identifying, evaluating and monitoring such risks.

In particular, through the self risk assessment process the areas of activity most exposed to operational risk are identified, along with their underlying causes, in order to identify and implement the appropriate mitigation actions.

The processes of managing operational risks involve liaising with the other bodies and persons responsible for controls, such as the head of company financial reporting and the Compliance and Group audit unit, in accordance with their respective duties and responsibilities.

With reference to the possibility of losses caused by interruptions in operations or systems being unavailable, the Group has drawn up operating continuity and disaster recovery plans to ensure that activity can continue and to limit operating losses in the event of prolonged interruptions. The Group reviews the operating continuity and emergency plans regularly, to ensure that these are consistent with its activities and current operating strategies.

Insurance policies have been taken out to cover the most valuable staff members and assets and as protection for management of cash.

As for the possibility of risks deriving from outsourcing activities, the Group has implemented a continuous monitoring and regular review system to assess the continuity and level of the service provided by outsourcers.

Legal risk: risks deriving from litigation pending

The only claims worthy of note are those pending against Mediobanca for the alleged failure to launch a full takeover bid for La Fondiaria in 2002 (cf. p. 257).

Part F - Information on capital

SECTION 1

Capital of the company

B. Quantitative information

B.1 Net equity

Net equity constituents	30/6/12	30/6/11
1. Share capital	430,565	430,565
2. Share premium	2,120,143	2,120,143
3. Reserves	2,481,209	2,486,563
- of gains	2,412,287	2,430,456
a) legal	86,113	86,110
b) statutory	1,077,282	1,093,409
c) treasury shares	213,410	213,410
d) others	1,035,482	1,037,527
- others	68,921	56,107
4. Equity instruments	—	—
5. (Treasury shares)	(213,410)	(213,410)
6. Valuation reserves:	(196,767)	(12,566)
- AFS securities	(188,681)	(10,794)
- Property, plant and equipment	—	—
- Intangible assets	—	—
- Foreign investment hedges	—	—
- Cash flow hedges	(17,718)	(9,359)
- Exchange rate difference	—	—
- Non-current assets being sold	—	—
- Actuarial gains (losses) on defined-benefit pension schemes	—	—
- Share of valuation reserves represented by equity-accounted companies	—	—
- Special valuation laws	9,632	7,587
7. Gain (loss) for the period	(200,151)	127,376
Total	4,421,588	4,938,671

For further information, see section 14 “Capital of the company – Headings 130, 150, 160, 170, 180, 190, and 200”.

B.2 AFS valuation reserves: composition

Assets/amounts	Total at 30/6/12		Total at 30/6/11	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	24,975	(198,871)	15,931	(69,423)
2. Equities	34,419	(52,950)	144,001	(104,094)
3. OICR units	7,258	(3,512)	6,956	(4,165)
4. Loans and advances	—	—	—	—
Total	66,652	(255,333)	166,888	(177,682)

B.3 AFS valuation reserves: movements during the period

	Debt securities	Equities	OICR units	Loans	Total
1. Opening balance	(53,492)	39,907	2,791	—	(10,794)
2. Additions	39,781	89,964	3,072	—	132,817
2.1 Increases in fair value	38,679	16,100	3,072	—	57,851
2.2 Negative reserves charged back to profit and loss as a result of	1,102	73,864	—	—	74,966
– impairment	—	33,076	—	—	33,076
– disposals	1,102	40,788	—	—	41,890
2.3 Other additions	—	—	—	—	—
3. Reductions	160,185	148,402	2,117	—	310,704
3.1 Reductions in fair value	151,818	63,932	2,117	—	217,867
3.2 Adjustments for impairment	—	4,009	—	—	4,009
3.3 Positive reserves credited back to profit and loss as a result of: disposals	8,367	80,461	—	—	88,828
3.4 Other reductions	—	—	—	—	—
4. Balance at end of period	(173,896)	(18,531)	3,746	—	(188,681)

SECTION 2

Regulatory and supervisory capital requirements for banks

Capital is the first and most important safeguard of a bank's stability. For this reason, the international and domestic supervisory bodies have established rigorous rules for calculating regulatory capital and the minimum capital requirements with which banks are bound to comply. In particular, the ratio between risk-weighted assets and regulatory capital must not fall below 8%.

Since its inception a distinguishing feature of Mediobanca 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. Such surplus capital is justified by the nature of the Bank's operations on corporate markets.

2.1 Scope of application of regulations

Regulatory capital has been calculated on the basis of Bank of Italy circulars no. 263 issued on 27 December 2006 (eleventh update on 31 January 2012) and no. 155 (fourteenth update 21 December 2011), which transpose the new prudential guidelines for banks and banking groups introduced by the New Basel Capital Accord (Basel II) into the Italian regulatory framework.

The Bank has opted for the "full neutralization" permitted by the Bank of Italy in its guidance issued on 18 May 2010, whereby the valuation reserves for sovereign debt issued by EU member states and held as AFS financial assets can be neutralized for the purpose of calculating regulatory capital.

The regulations on banks' capital and corporate governance known as the Capital Requirements Directive ("CRD IV") are currently in the process of being approved by the European Council and Parliament, based on the proposals made by the European Commission.

This document incorporates the new prudential guidelines for banks known as Basel III, which involve a general strengthening of the quality of regulatory capital. The definitive version of the new regulations should be ready by end-2012 and applied gradually starting from January 2013, becoming fully operative as from 2019.

A. Qualitative information

Tier 1 capital consists of the share attributable to the Group and to minority shareholders of capital paid up, reserves, and profit for the period net of treasury shares (€213.4m) intangible assets (€11.2m), plus 50% of the book value of the Bank's investments in banks and financial services companies (equal to €86.8m). Tier 2 capital includes the positive valuation reserves (€12.5m), Tier 2 subordinated liabilities (€1,414.9m) net of the implicit losses on investments (€35m) and the remaining share of the book value of investments in banks and financial companies.

B. Quantitative information

	30/6/12	30/6/11
A. Tier 1 capital prior to application of prudential filters	4,564,952	4,793,963
B. Tier 1 prudential filters:		
B.1 IAS/IFRS positive filters	—	—
B.2 IAS/IFRS negative filters	(38,723)	(5,606)
C. Tier 1 capital gross of items to be deducted	4,526,229	4,788,357
D. Items for deduction from Tier 1 capital	(86,833)	(40,529)
E. Total Tier 1 capital	4,439,396	4,747,828
F. Tier 2 capital prior to application of prudential filters	1,304,832	1,671,991
G. Tier 2 prudential filters:		
G.1 IAS/IFRS positive filters	109,593	36,994
G.2 IAS/IFRS negative filters	(12,463)	(54,247)
H. Tier 2 capital gross of items to be deducted	1,401,962	1,654,738
I. Items for deduction from Tier 2 capital	(86,833)	(40,529)
L. Total Tier 2 capital	1,315,129	1,614,209
M. Items for deduction from Total Tier 1 and Tier 2 capital	—	—
N. Regulatory capital	5,754,525	6,362,037
O. Total Tier 3 capital	—	—
P. Total regulatory capital including Tier 3	5,754,525	6,362,037

The following Tier 2 subordinate bonds have also been issued, namely:

– XS50270002669 MB GBP 200,000,000 Lower Tier II Subordinate Fixed/Floating Rate Notes Due 2018

– IT0004645542 EURO 750,000,000 Mediobanca Secondo Atto 5% 2010/2020 Subordinated lower tier 2

– IT0004720436 EURO 500,000,000 Mediobanca Quarto Atto TV MIN 4.5 / MAX 7.5 2011/2021 Subordinated lower tier 2.

The subordinated issue XS0270008864 MB EURO 700,000,000 Lower Tier II was redeemed early during the course of the year.

2.2 Capital adequacy

A. Qualitative information

As at 30 June 2012, the Bank’s total core ratio, calculated as regulatory capital as a percentage of risk-weighted assets, stood at 14.88%, while the core Tier 1 ratio, calculated as Tier 1 capital as a percentage of risk-weighted assets, amounted to 11.48%, slightly below last year’s figures. These ratios, however, bear out the solidity of the Bank’s finances.

B. Quantitative information

Categories/amounts	Unweighted amounts		Weighted amounts/ requirements	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
A. RISK ASSETS				
A.1 Credit and counterpart risk	60,315,709	56,364,865	30,533,279	30,074,513
1. Standard methodology	60,063,929	56,084,722	30,222,370	29,871,948
2. Internal rating methodology	—	—	—	—
2.1 Basic	—	—	—	—
2.2 Advanced	—	—	—	—
3. Securitization	251,780	280,143	310,909	202,565
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterpart risk			1,831,997	1,804,471
B.2 Market risk			388,286	410,294
1. Standard methodology			388,286	410,294
2. Internal models			—	—
3. Concentration risk			—	—
B.3 Operational risk			100,065	104,241
1. Basic Indicator Approach (BIA)			100,065	104,241
2. Standard methodology			—	—
3. Advanced methodology			—	—
B.4 Other prudential requirements			—	—
B.5 Other calculation elements			—	—
B.6 Total prudential requirements			2,320,348	2,319,006
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			38,672,465	38,650,093
C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			11.48%	12.28%
C.3 Regulatory capital/risk-weighted assets (total capital ratio)			14.88%	16.46%

Part G - Combinations involving group companies or business units

SECTION 1

Transactions completed during the year

The partial demerger by Compass to Mediobanca approved by the two companies' respective Boards of Directors was completed on 23 March 2012. The deed filed with the Milan companies' register on 26 March 2012 took legal effect as from 1 April 2012, while in accounting terms the transaction is effective as from 1 July 2011.

As a result of the demerger the following assets have been assigned to Mediobanca: Compass's shareholdings in CheBanca! (100%), SelmaBipiemme Leasing (60%) and Assicurazioni Generali (0.91%), the property located at Foro Buonaparte 10, Milan, and amounts payable to Mediobanca S.p.A. totalling €667m.

A list of the assets and the book values at which they were carried in Compass's accounts is provided below:

Asset (company name/registered office)	No. of shares	%	Book value
CheBanca! S.p.A. – Via Manuzio 7, Milan	420,000,000	100.00	408,188,484
Assicurazioni Generali S.p.A. – Piazza Duca degli Abruzzi, Trieste	14,194,210	0.91	259,748,615
SelmaBipiemme Leasing S.p.A. – Via Battistotti Sassi 11/A, Milan	49,564,777	60.00	32,689,986
Property located in Foro Buonaparte 10, Milan			7,874,288
Total			**708,501,373**

The difference between the book value of the assets assigned to Mediobanca (€708,501,373, equivalent to 6% of Compass's total assets) and the amount of the bank debt payable (€667,000,000) generates a surplus arising on demerger totalling €41,501,373.

As a result of the demerger, the net equity of Compass has therefore been reduced by €41.5m, the amounts being taken from the profit reserves. The surplus on demerger has been stated in Mediobanca's assets as a reduction in the original book value of the holding in Compass, having recognized the values of the individual assets received and cancelled the bank debts. As a result, Mediobanca's net equity is unchanged following the transaction.

Part H - Related party disclosure

1. Board member and senior management remuneration

Remuneration paid to directors, statutory auditors and management with strategic responsibilities

	Remuneration			
	Emoluments for position held	**Non-cash benefits ***	**Bonuses and other incentives**	**Other compensation**
BOARD OF DIRECTORS [1]	3,204.0	1,401.7	—	8,058.0
of which: management	*582.2*	*1,401.7*	—	*8,058.0*
MANAGEMENT with strategic responsibilities [2]		607.3	2,447.0	3,951.1
STATUTORY AUDIT COMMITTEE [3]	300.0	—	—	—

[1] Includes 27 directors who held office during the twelve months ended 30 June 2012.

[2] Includes ten strategic managers (unchanged from last year).

[3] Includes four statutory auditors during the period.

* Includes the value of fringe benefits (according to which items are taxable), including insurance policies and complementary pension schemes, and hence does not include costs in respect of equity payments equal to €1.6m.

2. Related party disclosure

In January 2011 the Group adopted its own related parties procedure, in pursuance of Consob resolution no. 17221 issued on 12 March 2010. The purpose of the procedure is to ensure that transactions with related parties executed directly by Mediobanca or via subsidiaries are managed transparently and fairly. The full document is published on the Bank's website at www.mediobanca.it.

At a Board meeting held on 27 June 2012, the directors of Mediobanca, having received favourable opinions from the Related parties committee and Statutory Audit Committee, incorporated the Bank of Italy's instructions on this subject to the procedure, which introduce prudential limits for risk activities versus related parties. The updated version of the procedure comes into force on 31 December 2012.

For the definition of related parties adopted, please see part A (Accounting policies) of the notes to the accounts.

Accounts with related parties fall within the ordinary operations of the Group companies, are maintained on an arm's length basis, and are entered into in the interests of the individual companies concerned. No transactions were entered into with related parties during the period that could have impacted significantly on the Bank's assets or earnings results.

1.1 Regular financial disclosure: most significant transactions

During the period under review, the following most significant transactions were reported to Consob, which were exempt from the related parties procedure under the regulations in force because of their ordinary nature and because they were completed on an arm's length basis; no other transactions with related parties took place that impacted significantly on the Group's financial situation or earnings results.

FY 2011/12

Name of counterparty	Type of relationship	No. of transactions	Transaction type	Amount (€m)	Exempt
UNICREDIT	Significant influence over Mediobanca (>5% with entitlement to appoint BoD member)	1	Rights issue underwriting	850 [1]	✓
TELCO	Investment subject to significant influence	1	Participation in syndicated loan secured by Telecom Italia shares; maximum duration 18 months	390	✓

[1] Maximum risk assumed by Mediobanca as part of an underwriting commitment entered into by the Group in conjunction with other financial institutions in respect of a rights issue by Unicredit S.p.A; the transaction was completed in January 2012 an amount of €752.8m without Mediobanca taking on any commitment.

During the year ended 30 June 2011, a single transaction was executed which qualified as significant under Consob regulations, but was exempt from the related party procedure because of its ordinary nature and because it was completed on an arm's length basis.

FY 2010/11

Name of counterparty	Type of relationship	Transaction type	Transaction type	Amount (€m)	Exempt
MEDIASET	Company controlled by close relation of BoD member	1	Cash loan, maximum duration 8 years	450	✓

1.2 Quantitative information

The exposure (representing the sum of assets plus guarantees and commitments) increased from €3.9bn to €4.3bn, on account of the broader definition used in IAS 24, whereby related parties include Group companies and associates (€0.5bn). The other increases in the period totalled €0.9bn, and were chiefly connected with treasury operations which were offset in their entirety by Premafin and Fondiaria-SAI exiting the scope of consideration after Jonella Ligresti resigned as a director in June 2012 (€1.1bn).

Overall, accounts with related parties (excluding Group companies) represent some 6% of the total asset aggregates and 2% of interest income.

Situation at 30 June 2012

(€m)

	Group companies	Directors and strategic management	Associates	Other related parties	Total
Assets	17,540.9	—	2,279.9	1,026.0	20,846.8
of which: other assets	*4,997.4*	—	*1,018.0*	*312.3*	*6,327.7*
loans and advances	*12,543.5*	—	*1,261.9*	*713.7*	*14,519.1*
Liabilities	10,630.2	—	24.6	52.4	10,707.2
Guarantees and commitments	18,347.8	—	152.7	772.1	19,272.6
Interest income	409.5	—	96.0	44.3	549.8
Interest expense	(329.2)	—	(0.8)	(0.9)	(330.9)
Net fee income	19.4	—	0.3	41.1	60.8
Other income (costs)	228.9	(21.4) [1]	79.8	4.2	291.5

[1] Of which: short-term benefits amounting to €19.8m, stock options worth €0.9m and performance shares worth €0.7m. The figure includes those staff comprised in the aggregate "Strategic management" during the year.

Situation at 30 June 2011

(€m)

	Group companies	Directors and strategic management	Associates	Other related parties	Total
Assets	14,594.2	—	1,593.9	1,534.9	17,723.0
of which: other assets	*5,685.8*	—	*236.3*	*220.9*	*6,143.0*
loans and advances	*8,908.4*	—	*1,357.6*	*1,314.0*	*11,580.0*
Liabilities	4,839.4	—	102.8	59.1	5,001.3
Guarantees and commitments	20,460.7	—	106.2	669.6	21,236.5
Interest income	314.1	—	82.0	68.3	464.4
Interest expense	(91.7)	—	(0.3)	(0.2)	(92.2)
Net fee income	26.8	—	(3.2)	24.1	47.7
Other income (costs)	(98.5)	(31.9) [1]	(47.3)	(4.0)	(181.7)

[1] Of which: short-term benefits amounting to €29.9m, stock options worth €1.6m and performance shares worth €0.4m. The figure includes those staff comprised in the aggregate "Strategic management" during the year.

Part I - Share-based payment schemes

A. QUALITATIVE INFORMATION

1. Information on capital increases for use in share-based payment schemes using the Bank's own equity instruments

The increases in the Bank's share capital for use in connection with the stock option and performance share schemes approved reflect the following situation:

Extraordinary general meeting held on	No. of shares approved	Awards expire on	Deadline for exercising options	No. of shares awarded
29 March 1999	3,130,000	30 July 2006	31 December 2011	3,130,000
30 July 2001	50,000,000	30 July 2006	1 July 2015	49,500,250
28 October 2004	11,000,000	28 October 2009	1 July 2020	10,665,000
of which to directors [1]	*4,000,000*	*28 October 2009*	*1 July 2020*	3,375,000 [2]
27 October 2007	40,000,000	27 June 2012	1 July 2022	16,921,000
TOTAL STOCK OPTIONS	**108,130,000**	**X**	**X**	**83,591,250**
28 October 2010	20,000,000	X	X	2,494,424
TOTAL PERFORMANCE SHARES	**20,000,000**	**X**	**X**	**2,494,424**

[1] At a general meeting held on 27 June 2007, shareholders approved a proposal to grant stock options to Board members.

[2] 2,000,000 of which granted to one former director.

2. Description of stock option schemes

The stock option schemes approved pursuant to Article 2441, paragraphs 8 and 5, of the Italian Civil Code, provide for a maximum duration of ten years and a vesting period of thirty-six months.

The schemes were launched with the dual purpose of encouraging loyalty retention among key staff members, i.e. persuading employees with essential and/or critical roles within the Group to stay with Mediobanca, and making the remuneration package offered to them more diversified and flexible.

The choice of beneficiaries and decisions as to the number of options to be allotted are taken in view of the role performed by the person concerned with the company's organization and their importance in terms of creating value.

A total of 650,000 options were awarded during the period as part of the variable staff remuneration for 2011, all from the amount approved by shareholders at a general meeting held on 27 June 2007, at a price of €6.430 per share, vesting for three years (subject to the performance conditions for each of the three years being met) and exercisable in eight years.

Mediobanca, along with Mediolanum, also participates in the stock option scheme operated by Banca Esperia for its staff, reserving a portion of its investment in the company for use in connection with this scheme.

2. Description of performance share scheme

As part of its use of equity instruments for staff remuneration purposes, Mediobanca has chosen to adopt a performance share scheme, which was approved by the Bank's shareholders at the annual general meeting held on 28 October 2010. Under the terms of the scheme, in certain conditions Mediobanca shares may be awarded to staff free of charge at the end of a vesting period. The rationale for the scheme is to:

– bring the Bank's remuneration structure into line with guidance issued by regulatory authorities requiring that significant percentages of the variable remuneration component annually assigned be paid in the form of equity instruments, making it consistent with results sustainable over time;
– encourage the involvement of key staff in a mechanism for co-investing in the share capital of Mediobanca;
– introduce a new instrument alongside the stock options, with a limited number of newly-issued shares and by using the treasury shares owned by the Bank, in order to limit the dilutive impact on the ownership structure.

In connection with this proposal, a resolution to increase the company's share capital was adopted by shareholders at the annual general meeting referred to above, with up to 20 million new Mediobanca shares being issued, and treasury shares owned by the Bank used for this purpose.

On 27 July 2011, as part of staff variable remuneration for the 2011 financial year, a total of 2,521,697 performance shares were awarded; the shares, which are conditional upon certain performance targets being met over a three-year time horizon, will be made available in tranches in November 2013 (up to 1,194,889), November 2014 (up to 663,404) and November 2015 (up to

663,404), considering the additional holding period of one year. A part of the overall notional cost, €4.3m out of a total of €15.7m, has been charged to the accounts for the year.

Since the reporting date, as part of staff variable remuneration for the 2012 financial year, on 20 September 2012 a total of 5,861,494 performance shares were awarded; the shares, which are conditional upon certain performance targets being met over a three-year time horizon, will be made available in tranches in November 2014 (up to 1,941,206), November 2015 (up to 3,347,604) and November 2016 (up to 572,684) considering the additional holding period of one year. A part of the overall notional cost, out of a total of €19.5m, has been charged to the accounts for the year.

B. QUANTITATIVE INFORMATION

1. Changes to stock option scheme during the period

Headings / No. of options and strike prices	30/6/12			30/6/11		
	No. of options	Avg. price	Avg. expiry	No. of options	Avg. price	Avg. expiry
A. Balance at start of period	38,252,000	9.81	October 2016	22,472,000	12.21	June 2015
B. Additions						
B.1 New issues	650,000	6.43	August 2019	16,120,000	6.54	August 2018
B.2 Other additions	—	—	X	—	—	X
C. Reductions						
C.1 Options cancelled	103,750	12.16	X	340,000	6.67	X
C.2 Options exercised	—	—	X	—	—	X
C.3 Options expired	—	—	X	—	—	X
C.4 Other reductions	260,000	6.56	X	—	—	X
D. Balance at end of period	38,538,250	9.76	October 2016	38,252,000	9.81	October 2016
E. Options exercisable as at reporting date	21,748,250	12.25	X	12,576,000	13.67	X

2. Changes to performance share scheme during the period

Headings / No. of performance shares	30/6/12		30/6/11	
	No. of performance shares	Avg. price	No. of performance shares	Avg. price
A. Balance at start of period	—	—	—	—
B. Additions				
B.1 New issues	2,521,697	6,23	—	—
B.2 Other additions	—	—	—	—
C. Reductions				
C.1 Options cancelled	—	—	—	—
C.2 Options exercised	—	—	—	—
C.3 Options expired	—	—	—	—
C.4 Other reductions	27,273	6,21	—	—
D. Balance at end of period	2,494,424	6,23	—	—
E. Performance shares exercisable as at reporting date	—	—	—	—

ANNEXES

Consolidated financial statements

Consolidated balance sheet (IAS/IFRS-compliant)

(€m)

	Assets	IAS-compliant 30/6/11	IAS-compliant 30/6/12
10.	Cash and cash equivalents	31.5	29.7
20.	Financial assets held for trading	13,716.7	13,838.2
30.	Financial assets recognized at fair value	—	—
40.	AFS securities	7,749.9	10,552.1
50.	Financial assets held to maturity	1,643.6	1,723.3
60.	Due from banks	4,054.6	3,962.9
	of which:		
	other trading items	*2,714.6*	*2,742.5*
	securities	—	—
	other items	*115.2*	*16.2*
70.	Due from customers	39,235.4	41,871.1
	of which:		
	other trading items	*3,386.3*	*5,998.9*
	securities	*664.6*	*604.9*
	other items	*80.2*	*100.6*
80.	Hedging derivatives	1,368.1	1,571.8
	of which:		
	funding hedge derivatives	*1,367.1*	*1,571.8*
	lending hedge derivatives	*1.0*	—
90.	Value adjustments to financial assets subject to general hedging	—	—
100.	Equity investments	3,156.1	3,165.5
110.	Total reinsurers' share of technical reserves	—	—
120.	Property, plant and equipment	320.4	293.7
130.	Intangible assets	437.4	424.4
	of which:		
	goodwill	*365.9*	*365.9*
140.	Tax assets	967.1	1.037.1
	a) current	*375.6*	*299.6*
	b) advance	*591.5*	*737.5*
150.	Other non-current and Group assets being sold	—	—
160.	Other assets	253.4	209.3
	of which:		
	other trading items	*40.1*	*7.5*
	Total assets	**72,934.2**	**78,679.1**

The balance sheet provided on p. 24 reflects the following restatements:
- *Treasury funds* comprise asset headings 10 and 20 and liability heading 40, plus the "other trading items" shown under asset headings 60, 70 and 160 and liability headings 100, 10 and 20, with the latter chiefly consisting of repos, interbank accounts and margins on derivatives;
- *Funding* comprises the balances shown under liability headings 10, 20 and 30 (excluding amounts restated as trading items in respect of repos and interbank accounts), plus the relevant amounts in respect of hedging derivatives;
- *Loans and advances to customers* comprise asset headings 60 and 70 (excluding amounts restated as Treasury funds) plus the relevant amounts of asset heading 80 and liability heading 60 plus the relevant share of liability heading 100.

(€m)

	Liabilities and net equity	IAS-compliant 30/6/11	IAS-compliant 30/6/12
10.	Due to banks	7,372.6	12,000.0
	of which:		
	other trading items	*2,630.2*	*1,183.3*
	other liabilities	*13.2*	*0.4*
20.	Due to customers	13,667.0	17,149.0
	of which:		
	other trading items	*1,133.6*	*2,168.0*
	other liabilities	*10.2*	*13.4*
30.	Debt securities	35,270.7	31,300.3
40.	Trading liabilities	7,516.6	9,935.0
50.	Liabilities recognized at fair value	—	—
60.	Hedging derivatives	647.7	365.0
	of which:		
	funding hedge derivatives	*557.0*	*275.7*
	lending hedge derivatives	*58.9*	*44.5*
70.	Value adjustments to financial liabilities subject to general hedging	—	—
80.	Tax liabilities	565.9	494.1
	a) current	*252.8*	*198.0*
	b) deferred	*313.1*	*296.1*
90.	Liabilities in respect of Group assets being sold	—	—
100.	Other liabilities	628.6	542.4
	of which:		
	Other trading items	*0.9*	*0.2*
	Adjustments to L & R	*45.0*	*17.0*
110.	Staff severance indemnity provision	26.0	24.7
120.	Provisions	156.5	160.5
	a) post-employment and similar benefits	—	—
	b) other provisions	*156.5*	*160.5*
130.	Technical reserves	54.8	99.3
140.	Valuation reserves	6.7	(337.1)
150.	Shares with right of withdrawal	—	—
160.	Equity instruments	—	—
170.	Reserves	4,200.9	4,418.9
180.	Share premium reserve	2,120.1	2,120.1
190.	Share capital	430.6	430.6
200.	Treasury shares (-)	(213.8)	(213.8)
210.	Net equity attributable to minorities (+/-)	114.7	109.4
220.	Profit (loss) for the year	368.6	80.9
	Total liabilities and net equity	**72,934.2**	**78,679.1**

Consolidated profit and loss accounts (IAS/IFRS-compliant)

(€m)

	Profit and loss account	12 mths to 30/6/11	12 mths to 30/6/12
10.	Interest and similar income	2,787.5	3,037.2
20.	Interest expense and similar charges	(1,655.9)	(1,949.1)
30.	**Net interest income**	**1,131.6**	**1,088.1**
40.	Fee and commission income	485.6	438.6
50.	Fee and commission expense	(48.6)	(47.3)
60.	**Net fee and commission income**	**437.0**	**391.3**
70.	Dividends and similar income	116.0	90.8
80.	Net trading income	(32.8)	116.8
90.	Net hedging income (expense)	0.1	4.1
100.	Gain (loss) on disposal of:	64.1	70.0
	a) loans and receivables	*0.6*	—
	b) AFS securities	*22.2*	*34.4*
	c) financial assets held to maturity	*(3.3)*	*(1.9)*
	d) other financial liabilities	*44.6*	*37.5*
120.	**Total income**	**1,716.0**	**1,761.1**
130.	Adjustments for impairment to:	(504.8)	(881.3)
	a) loans and receivables	*(343.1)*	*(429.1)*
	b) AFS securities	*(145.1)*	*(411.5)*
	c) financial assets held to maturity	*(10.5)*	*(1.3)*
	d) other financial liabilities	(6.1)	(39.4)
140.	**Net income from financial operations**	**1,211.2**	**879.8**
150.	Net premium income	9.5	22.1
160.	Income less expense from insurance operations	(4.7)	(9.7)
170.	**Net income from financial and insurance operations**	**1,216.0**	**892.2**
180.	Administrative expenses:	(833.2)	(784.3)
	a) personnel costs	*(418.8)*	*(393.3)*
	b) other administrative expenses	*(414.4)*	*(391.0)*
190.	Net transfers to provisions for liabilities and charges	(1.0)	(4.0)
200.	Net adjustments to property, plant and equipment	(17.4)	(18.9)
210.	Net adjustments to intangible assets	(24.5)	(25.8)
	of which: goodwill	—	—
220.	Other operating income (expenses)	130.8	123.0
230.	**Operating costs**	**(745.3)**	**(710.0)**
240.	Profit (loss) from equity-accounted companies	83.4	(21.5)
270.	Gain (loss) on disposal of investments	0.1	45.2
280.	**Profit (loss) before tax on ordinary activities**	**554.2**	**205.9**
290.	Income tax on ordinary activities for the year	(180.6)	(125.5)
300.	**Profit (loss) after tax on ordinary activities**	**373.6**	**80.4**
310.	Net gain (loss) on non-current assets being sold	—	—
320.	**Profit (loss) for the year**	**373.6**	**80.4**
330.	Profit (loss) for the year attributable to minorities	(5.0)	0.5
340.	**Net profit (loss) for the year attributable to Mediobanca**	**368.6**	**80.9**

The profit and loss account reported on p. 23 reflects the following restatements:
– *Net interest income* includes the result of funding and lending hedging activity (€1.5m and €4.1m), plus the margins on swaps reported under Heading 80 (amounting to minus €135.6m and minus €60.4m respectively) net of interest expense on securities lending totalling minus €0.6m and€0.3 respectively which is accounted for as *Net trading income;*
– amounts under Heading 220 have been restated as *Net fee and commission income*, save for amounts refunded/recovered totalling €52.3m and €42.5m respectively which net operating costs; the amounts stated under Headings 150 and 160 have been accounted for as Net fee and *commission income*, and the provision for invoices issued under Heading 190 (€1.5m) net of fees payable in respect of securities lending (minus €0.6m) have been represented under heading 80;
– in addition to the items already stated, *Net trading income* also includes dividends and gains (losses) on financial liabilities reported under Heading 100;
– *Provisions for other financial assets* involve AFS securities and financial assets held to maturity comprised under heading 130, along with the net adjustments taken to the RCS (€77.7m) and Telco investments (€113.3m for the year and €119.6m last year) shown under heading 240.

Mediobanca S.p.A. financial statements

Mediobanca S.p.A. balance sheet

(€m)

	Assets	IAS-compliant 30/6/11	IAS-compliant 30/6/12
10.	Cash and cash equivalents	0.6	2.1
20.	Financial assets held for trading	12,725.8	13,311.6
40.	AFS securities	6,684.7	9,356.7
50.	Financial assets held to maturity	1,642.9	1,716.1
60.	Due from banks	8,299.0	10,601.2
	of which:		
	other trading items	*5,170.3*	*3,870.8*
	securities	—	—
	other items	*140.4*	*26.9*
70.	Due from customers	26,571.3	30,026.4
	of which:		
	other trading items	*4,078.8*	*6,990.1*
	securities	*2,358.2*	*2,297.3*
	other items	*65.6*	*84.0*
80.	Hedging derivatives	1,386.4	1,683.8
	of which:		
	funding hedge derivatives	*1,382.8*	*1,670.5*
	lending hedge derivatives	*3.6*	*13.4*
100.	Equity investments	2,671.0	3,214.4
120.	Property, plant and equipment	119.0	126.9
130.	Intangible assets	13.8	11.2
140.	Tax assets	428.4	405.2
	a) current	*277.2*	*182.3*
	b) advance	*151.2*	*222.9*
150.	Other assets	26.5	22.2
	of which:		
	other trading items	—	—
	Total assets	**60,569.4**	**70,477.8**

The balance sheet provided on p. 247 reflects the following restatements:
- *Treasury funds* comprise asset headings 10 and 20 and liability heading 40, plus the "other trading items" shown under asset headings 60, 70 and 160 and liability headings 100, 10 and 20, with the latter chiefly consisting of repos, interbank accounts and margins on derivatives;
- *Funding* comprises the balances shown under liability headings 10, 20 and 30 (excluding amounts restated as trading items in respect of repos and interbank accounts), plus the relevant amounts in respect of hedging derivatives;
- *Loans and advances to customers* comprise asset headings 60 and 70 (excluding amounts restated as Treasury funds) plus the relevant amounts of asset heading 80 and liability heading 60, and the relevant share of liability heading 100.

(€m)

	Liabilities and net equity	IAS-compliant 30/6/11	IAS-compliant 30/6/12
10.	Due to banks	7,438.1	19,649.5
	of which:		
	other trading items	*2,562.7*	*1,525.7*
	other liabilities	*16.6*	*5.8*
20.	Due to customers	972.5	2,390.3
	of which:		
	other trading items	*663.1*	*1,956.5*
	other liabilities	*108.3*	*57.2*
30.	Debt securities	37,514.3	32,731.0
40.	Trading liabilities	8,088.1	9,931.8
60.	Hedging derivatives	725.4	572.7
	of which:		
	funding hedge derivatives	*652.4*	*501.3*
	lending hedge derivatives	*58.6*	*44.5*
80.	Tax liabilities	453.7	389.1
	a) current	*195.5*	*136.0*
	b) deferred	*258.2*	*253.1*
100.	Other liabilities	278.6	231.7
	of which:		
	other trading items	*110.1*	*107.9*
	Adjustments to L & R	*1.0*	*0.1*
110.	Staff severance indemnity provision	9.2	8.1
120.	Provisions	150.8	152.0
	a) post-employment and similar benefits	—	—
	b) other provisions	*150.8*	*152.0*
130.	Valuation reserves	(12.6)	(196.8)
160.	Reserves	2,486.6	2,481.2
170.	Share premium reserve	2,120.1	2,120.1
180.	Share capital	430.6	430.6
190.	Treasury shares (–)	(213.4)	(213.4)
200.	Profit (loss) for the period	127.4	(200.2)
	Total liabilities and net equity	**60,569.4**	**70,477.7**

Mediobanca S.p.A. profit and loss account

(€m)

	Profit and loss account	12 mths to 30/6/11	12 mths to 30/6/12
10.	Interest and similar income	1,765.4	1,999.5
20.	Interest expense and similar charges	(1,453.7)	(1,736.7)
30.	**Net interest income**	**311.7**	**262.8**
40.	Fee and commission income	300.3	265.4
50.	Fee and commission expense	(16.1)	(18.5)
60.	**Net fee and commission income**	**284.2**	**246.9**
70.	Dividends and similar income	214.8	138.2
80.	Net trading income	33.3	135.4
90.	Net hedging income (expense)	(1.0)	3.9
100.	Gain (loss) on disposal of:	29.3	70.2
	a) loans and receivables	*0.6*	—
	b) AFS securities	*11.3*	*34.5*
	c) financial assets held to maturity	*(3.3)*	*(1.9)*
	d) other financial liabilities	*20.7*	*37.6*
120.	**Total income**	**872.3**	**857.4**
130.	Adjustments for impairment to:	(155.0)	(519.1)
	a) loans and receivables	*6.4*	*(67.5)*
	b) AFS securities	*(144.5)*	*(410.7)*
	c) financial assets held to maturity	*(10.8)*	*(1.6)*
	d) other financial liabilities	*(6.1)*	*(39.3)*
140.	**Net income from financial operations**	**717.3**	**338.3**
180.	Administrative expenses:	(309.8)	(275.7)
	a) personnel costs	*(221.8)*	*(188.7)*
	b) other administrative expenses	*(88.0)*	*(87.0)*
190.	Net transfers to provisions for liabilities and charges	—	(1.5)
200.	Net adjustments to property, plant and equipment	(3.0)	(3.4)
210.	Net adjustments to intangible assets	(10.1)	(11.3)
	of which: goodwill	—	—
220.	Other operating income (expenses)	18.6	19.6
230.	**Operating costs**	**(304.3)**	**(272.3)**
240.	Profit (loss) from equity investments	(158.6)	(198.7)
270.	Gain (loss) on disposal of investments	—	—
280.	**Profit (loss) before tax on ordinary activities**	**254.4**	**(132.7)**
290.	Income tax on ordinary activities for the year	(127.0)	(67.5)
300.	**Profit (loss) after tax on ordinary activities**	**127.4**	**(200.2)**
330.	**Net profit (loss) for the period**	**127.4**	**(200.2)**

The profit and loss account reported on p. 247 reflects the following restatements:

– *Net interest income* includes the result of funding and lending hedging activity (-€1.1m and +€3.9m respectively), plus the margins on swaps reported under Heading 80 (amounting to minus €2.6m and plus €9.2m respectively), net of interest expense on securities lending totalling minus €1.1m and plus €0.4m, accounted for as *Net trading income;*

– amounts under Heading 220 have been restated as *Net fee and commission income*, save for amounts refunded/recovered totalling €5.1m and €1.4m respectively which net operating costs; the amounts stated under Headings 150 and 160 have been accounted for as *Net fee* and *commission income*, and the provision for invoices issued under Heading 190 (€1.5m) net of fees payable in respect of securities lending (€1.2m) have been represented under heading 80;

– *Net trading income* includes headings 70 (net of the dividends from equity investments) and 80, and the gains (losses) on dispsoals of financial liabilities recognized under heading 100 net of or in addition to the other items already referred to.

Table A

Asset revaluation statement required by article 10 of law no. 72 of 19 March 1983

Revaluations effected under Law 576/75:

		Original revaluation		Decrease due to disposal or writedown		Current revaluation
– Property in Piazzetta Enrico Cuccia 1 (formerly Via Filodrammatici 6-8-10)	€	2,609,651.24	€	—	€	2,609,651.24
– Property in Piazza Paolo Ferrari 6	»	815,743.67	»	—	€	815,743.67
					€	3,425,394.91

Revaluations effected under Law 72/83:

		Original revaluation		Decrease due to disposal or writedown		Current revaluation
– ASSICURAZIONI GENERALI S.p.A., Trieste – 6,375,000 shares	€	21,174,732.86	€	—	€	21,174,732.86
– Property in Piazzetta Enrico Cuccia 1 (formerly Via Filodrammatici 6-8-10)	»	11,620,280.23	»	—	»	11,620,280.23
– Property in Piazza Paolo Ferrari 6	»	4,389,883.64	»	—	»	4,389,883.64
					€	37,184,896.73

Revaluations effected under Law 413/91:

		Original revaluation		Decrease due to disposal or writedown		Current revaluation
– Property in Piazzetta Enrico Cuccia 1 (formerly Via Filodrammatici 6-8-10)	€	4,174,707.04	€	—	€	4,174,707.04

Balance sheets and profit and loss accounts of investments in Group undertakings (including indirect investments)

Banks and financial companies (IAS/IFRS) — Table B

BALANCE SHEETS

	COMPASS (€ '000)	COFACTOR (€ '000)	CREDITECH (€ '000)
Assets			
10. Cash and cash equivalents	1,118	2	1
20. Financial assets held for trading	—	—	—
40. AFS securities	—	—	—
50. Financial assets held to maturity	—	742	—
60. Amounts receivable	8,693,737	98,825	26,105
a) Due from banks	*184,112*	—	*19,667*
b) Due from financial institutions	*1,939*	—	*1,468*
c) Due from customers	*8,507,686*	*98,825*	*4,970*
70. Hedging derivatives	—	—	—
90. Equity investments	93,681	—	—
100. Property, plant and equipment	16,221	139	137
110. Intangible assets	379,173	58	69
120. Tax assets	451,786	412	1,954
a) Current	*36,340*	*412*	*1,905*
b) Advance	*415,446*	—	*49*
140. Other assets	30,763	172	317
Total assets	**9,666,479**	**100,350**	**28,583**
Liabilities			
10. Accounts payable	8,330,658	60,309	8
a) Due to banks	*8,218,242*	*58,011*	*1*
b) Due to finacial institutions	*9,043*	*2,298*	—
c) Due to customers	*103,373*	—	*7*
30. Debt securities in issue	—	—	—
40. Financial liabilities	—	—	—
50. Hedging derivatives	131,058	—	—
70. Tax liabilities	19,819	485	2,292
a) Current	*16,872*	*485*	*2,292*
b) Deferred	*2,947*	—	—
90. Other liabilities	126,864	1,454	3,538
100. Staff severance indemnity provision	8,465	1,395	481
110. Provisions	1,215	565	19
120. Share capital	587,500	32,500	250
160. Reserves	465,287	3,028	18,014
170. Valuation reserves	(80,901)	—	—
180. Profit (loss) for the period	76,514	614	3,981
Total liabilities	**9,666,479**	**100,350**	**28,583**

Banks and financial companies (IAS/IFRS)

Table B (cont.)

PROFIT AND LOSS ACCOUNTS

		COMPASS	COFACTOR	CREDITECH
		(€ '000)	**(€ '000)**	**(€ '000)**
10.	Interest and similar income	740,863	15,080	417
20.	Interest and similar expense	(237,731)	(1,581)	—
	Net interest income	**503,132**	**13,499**	**417**
30.	Fee and commission income	100,499	—	23,330
40.	Fee and commission expense	(11,006)	—	(9,636)
	Net fee and commission income	**89,493**	**—**	**13,694**
50.	Dividends and similar income	—	—	—
60.	Net trading income (expense)	—	121	—
90.	Gain (loss) on disposal/repurchase of:	(160,909)	—	—
	a) financial assets	*(161,138)*	—	—
	b) financial liabilities	*229*	—	—
	Total income	**431,716**	**13,620**	**14,111**
100.	Adjustments for impairments to financial assets	(143,356)	1,765	—
110.	Administrative expenses	(262,394)	(7,516)	(8,007)
	a) labour costs	*(71,729)*	*(3,420)*	*(5,602)*
	b) other administrative expenses	*(190,665)*	*(4,096)*	*(2,405)*
120.	Net adjustments to tangible assets	(2,824)	(55)	(84)
130.	Net adjustments to intangible assets	(5,485)	(145)	(49)
150.	Net transfers to provisions	(1,215)	(12)	—
160.	Other operating income (expense)	99,058	(6,570)	17
	Operating profit (loss)	**115,500**	**1,087**	**5,988**
170.	Profit (loss) on investments	—	(1)	—
	Profit (loss) on ordinary activities before tax	**115,500**	**1,086**	**5,988**
190.	Income tax on ordinary activities for the year	(38,986)	(472)	(2,007)
	Net profit (loss) on ordinary activities	**76,514**	**614**	**3,981**
	Net profit (loss) for the period	**76,514**	**614**	**3,981**

Banks and financial companies (IAS/IFRS)

BALANCE SHEETS

	COMPAGNIE MONEGASQUE DE BANQUE * (€ '000)	CHEBANCA! (€ '000)	MEDIOBANCA INTERNATIONAL (LUXEMBOURG) (€ '000)
Assets			
10. Cash and cash equivalents	2,209	24,278	1,844
20. Financial assets held for trading	828,432	—	340,151
40. AFS securities	334,391	1,110,962	—
50. Financial assets held to maturity	—	—	—
60. Due from banks	191,804	11,260,818	1,711,734
70. Due from customers	796,808	4,455,186	3,217,619
80. Hedging derivatives	1,533	—	227,083
100. Equity investments	48	90	4,150
110. Property, plant and equipment	20,448	9,387	38
120. Intangible assets	14,098	1,765	5
130. Tax assets	—	68,072	38
a) Current	—	*150*	*38*
b) Advance	—	*67,922*	—
140. Other assets	10,828	99,435	7,949
Total assets	**2,200,599**	**17,029,993**	**5,510,611**
Liabilities			
10. Due to banks	43,600	5,052,497	2,415,872
20. Due to customers	1,560,767	11,650,983	717,076
30. Debt securities in issue	—	—	1,788,102
40. Financial liabilities	437	—	311,826
60. Hedging derivatives	—	97,580	17,963
80. Tax liabilities	—	6,958	20,288
a) Current	—	*2,504*	*19,424*
b) Deferred	—	*4,454*	*864*
100. Other liabilities	33,186	156,138	8,432
110. Staff severance indemnity provision	—	1,007	—
120. Provisions	3,058	766	—
130. Valuation reserves	7,491	(75,731)	—
160. Reserves	329,981	(27,443)	192,623
170. Share premium reserve	4,573	—	—
180. Share capital	111,110	210,000	10,000
200. Profit (loss) for the period	106,396	(42,762)	28,429
Total liabilities	**2,200,599**	**17,029,993**	**5,510,611**

* Table required under Article 36 of Consob's Market Regulations and Article 2.6.2, C. 12 of Borsa Italiana's regulations.

Banks and financial companies (IAS/IFRS)

Table B (cont.)

PROFIT AND LOSS ACCOUNTS

	COMPAGNIE MONEGASQUE DE BANQUE *	CHEBANCA!	MEDIOBANCA INTERNATIONAL (LUXEMBOURG)
	(€ '000)	(€ '000)	(€ '000)
10. Interest and similar income	35,133	508,747	156,768
20. Interest and similar expense	(6,898)	(376,263)	(135,270)
30. Net interest income	**28,235**	**132,484**	**21,498**
40. Fee and commission income	34,708	11,791	22,051
50. Fee and commission expense	(3,366)	(3,925)	(10,550)
60. Net fee and commission income	**31,342**	**7,866**	**11,501**
70. Dividends and similar income	8	—	—
80. Net trading income (expense)	9,250	—	11,645
90. Net hedging income (expense)	—	31	(202)
100. Gain (loss) on disposal/repurchase on financial assets	316	422	(272)
a) lonas and advances	—	—	—
b) AFS's Securities	*316*	*422*	—
c) financial liabilities	—	—	*(272)*
110. Net income from financial assets and liabilities	—	—	—
120. Total income	**69,151**	**140,803**	**44,170**
130. Adjustments for impairment	(3,989)	(19,558)	(265)
140. Net income from financial operations	**65,162**	**121,245**	**43,905**
150. Administrative expenses	(38,732)	(165,471)	(8,690)
a) labour costs	*(27,148)*	*(61,610)*	*(889)*
b) ohter administrative expenses	*(11,584)*	*(103,860)*	*(7,801)*
160. Net transfers to provisions	(141)	(407)	—
170. Net adjustments to tangible assets	(2,341)	(4,017)	(5)
180. Net adjustments to intangible assets	(3,203)	(2,546)	(1)
190. Other operating income (expense)	1,589	4,077	16
200. Operating costs	**(42,828)**	**(168,363)**	**(8,680)**
210. Gain (loss) on equity investments	1,044	—	—
240. Gain (loss) on disposal of investments	83,053	—	—
250. Profit (loss) on ordinary activities before tax	**106,431**	**(47,118)**	**35,225**
260. Income tax on ordinary activities for the year	(35)	4,356	(6,796)
270. Profit (loss) on ordinary activities after tax	**106,396**	**(42,762)**	**28,429**
280. Gain (loss) on groups of assets being sold	—	—	—
290. Net profit (loss) for the period	**106,396**	**(42,762)**	**28,429**

* Table required under Article 36 of Consob's Market Regulations and Article 2.6.2, C. 12 of Borsa Italiana's regulations.

Banks and financial companies (IAS/IFRS)

Table B (cont.)

BALANCE SHEETS

	SELMABIPIEMME LEASING (€ '000)	PALLADIO LEASING (€ '000)	TELELEASING (Liquidation accounts) (€ '000)
Assets			
10. Cash and cash equivalents	4	3	—
20. Financial assets held for trading	214	—	—
40. AFS securities	—	—	—
50. Financial assets held to maturity	—	—	—
60. Due from customers	2,284,829	1,624,683	396,960
70. Hedging derivatives	1,022	—	—
90. Equity investments	51,049	—	—
100. Property, plant and equipment	29,745	6,858	—
110. Intangible assets	523	—	—
120. Tax assets	95,800	6,760	4,557
a) Current	*67,331*	*3,514*	*2,267*
b) Advance	*28,469*	*3,246*	*2,290*
140. Other assets	1,176	11,506	2,381
Total assets	**2,464,362**	**1,649,810**	**403,898**
Liabilities			
10. Due to banks	2,325,603	1,498,134	278,231
30. Trading liabilities	508	—	292
50. Hedging derivatives	24,486	—	4,867
70. Tax liabilities	8,896	10,026	8,659
a) Current	*8,828*	*5,126*	*5,062*
b) Deferred	*68*	*4,900*	*3,597*
90. Other liabilities	16,205	33,152	8,918
100. Staff severance indemnity provision	1,873	959	353
110. Provisions	642	121	468
b) Other provisions	*642*	*121*	*468*
120. Share capital	41,305	8,675	9,500
130. Treasury shares	—	(434)	—
150. Share premium reserve	18,040	—	—
160. Reserves	50,296	95,165	90,412
170. Valuation reserves	(15,229)	816	(686)
180. Profit (loss) for the period	(8,263)	3,196	2,884
Total liabilities	**2,464,362**	**1,649,810**	**403,898**

Banks and financial companies (IAS/IFRS)

Table B (cont.)

PROFIT AND LOSS ACCOUNTS

		SELMABIPIEMME LEASING	PALLADIO LEASING	TELELEASING (Liquidation accounts)
		(€ '000)	(€ '000)	(€ '000)
10.	Interest and similar income	86,171	55,327	28,188
20.	Interest and similar expense	(61,122)	(33,930)	(17,400)
	Net interest income	**25,049**	**21,397**	**10,788**
30.	Fee and commission income	412	—	—
40.	Fee and commission expense	(956)	(67)	(72)
	Net fee and commission income	**(544)**	**(67)**	**(72)**
50.	Dividends and similar income	—	—	—
60.	Net trading income (expense)	(21)	(93)	(51)
70.	Net hedging income (expense)	(23)	—	35
	Total income	**24,461**	**21,237**	**10,700**
100.	Adjustments for impairment	(16,737)	(8,867)	(1,516)
	a) Financial assets	*(16,737)*	*(8,867)*	*(1,516)*
110.	Administrative expenses	(18,280)	(7,393)	(6,637)
	a) labour costs	*(11,456)*	*(5,513)*	*(3,745)*
	b) other administrative expenses	*(6,824)*	*(1,880)*	*(2,892)*
120.	Net adjustments to tangible assets	(1,381)	(460)	(2)
130.	Net adjustments to intangible assets	(191)	—	—
150.	Net transfers to provisions	(435)	—	—
160.	Other operating income (expense)	3,418	1,379	2,339
	Profit (loss) on ordinary operations	**(9,145)**	**5,896**	**4,884**
	Profit (loss) on ordinary activities before tax	**(9,145)**	**5,896**	**4,884**
190.	Income tax on ordinary activities for the year	882	(2,700)	(2,000)
	Profit (loss) on ordinary activities after tax	**(8,263)**	**3,196**	**2,884**
	Net profit (loss) for the period	**(8,263)**	**3,196**	**2,884**

Banks and financial companies (IAS/IFRS)

BALANCE SHEETS

		PROMINVESTMENT (in Liquidation) (€ '000)	SADE FINANZIARIA-INTERSOMER (€ '000)
	Assets		
10.	Cash and cash equivalents	—	—
20.	Financial assets held for trading	—	—
30.	Financial assets recognized at fair value	—	—
40.	AFS securities	—	—
50.	Financial assets held to maturity	—	—
60.	Due from banks	4,356	16
70.	Hedging derivatives	—	—
80.	Value adjustments to financial assets subjects to general hedging (+/-)	—	—
90.	Equity investments	—	—
100.	Property, plant and equipment	—	—
110.	Intangible assets	—	—
120.	Tax assets	71	—
	a) Current	*71*	—
	b) Advance	—	—
130.	Non-current assets and groups of assets being sold	—	—
140.	Other assets	51	—
	Total assets	**4,478**	**16**
	Liabilities		
10.	Due to banks	—	—
20.	Debt securities in issue	—	—
30.	Trading liabilities	—	—
40.	Liabilities recognized at fair value	—	—
50.	Hedge derivatives	—	—
60.	Value adjustments fo financial liabilities subject to general hedging (+/-)	—	—
70.	Tax liabilities	251	—
	a) Current	*251*	—
	b) Deferred	—	—
80.	Liabilities in respect of assets being sold	—	—
90.	Other liabilities	5,538	(7)
100.	Staff severance indemnity provision	97	—
110.	Provisions	520	—
	a) Post-retirement benefit and similar obligations	—	—
	b) Other provisions	*520*	—
120.	Share capital	743	25
130.	Treasury shares	—	—
140.	Equity instruments	—	—
150.	Share premium reserve	—	—
160.	Reserves	(2,001)	—
170.	Valuation reserve	—	—
180.	Profit (loss) for the period	(670)	(2)
	Total liabilities	**4,478**	**16**

Banks and financial companies (IAS/IFRS)

Table B (cont.)

PROFIT AND LOSS ACCOUNTS

		PROMINVESTMENT (in Liquidation) (€ '000)	SADE FINANZIARIA-INTERSOMER (€ '000)
10.	Interest and similar income	4	—
20.	Interest and similar expense	—	—
	Net interest income	4	—
30.	Fee and commission income	501	—
40.	Fee and commission expense	(244)	—
	Net fee and commission income	257	—
50.	Dividends and similar income	—	—
60.	Net trading income (expense)	—	—
70.	Net hedging income (expense)	—	—
80.	Net gain (loss) on financial assets and liabilities recognized at fair value	—	—
90.	Gain (loss) on disposal/repurchase of financial assets	—	—
	a) financial assets	—	—
	b) other financial trasactions	—	—
	Total income	**261**	**—**
100.	Value adjustments for impairment to	—	—
	a) financial assets	—	—
	b) other financial trasactions	—	—
110.	Administrative expenses	(928)	(2)
	a) labour costs	*(617)*	—
	b) other administrative expenses	*(311)*	*(2)*
120.	Net adjustments to tangible assets	—	—
130.	Net adjustments to intangible assets	—	—
140.	Net result from recognizing tangible and intangible assets at fair value	—	—
150.	Net transfer to provisions for risks adn charges	—	—
160.	Other operating income (expense)	(3)	—
	Profit (loss) on ordinary activities	**(670)**	**(2)**
170.	Gain (loss) on equity investments	—	—
180.	Gain (loss) on disposal of equity investments	—	—
	Profit (loss) on ordinary activities before tax	**(670)**	**(2)**
190.	Income tax on ordinary activities for the year	—	—
	Profit (loss) on ordinary activities after tax	**(670)**	**(2)**
200.	Gain (loss) on groups of assets being sold	—	—
	Net profit (loss) for the period	**(670)**	**(2)**

BALANCE SHEETS

		COMPAGNIE MONEGASQUE DE BANQUE 31.12.11 (€ '000)	COMPAGNIE MONEGASQUE DE GESTION 31.12.11 (€ '000)
	Assets		
10.	Cash and cash equivalents	41,400	7,792
20.	Due from banks	219,582	—
30.	Due from financial institutions	—	—
40.	Due from customers	794,770	—
50.	Bonds and other debt securities	666,880	404
60.	Shares, stock units and other variable income securities	313,091	—
70.	Equity investments	23,706	8
80.	Investments in Group undertakings	126,285	—
90.	Intangible fixed assets	15,357	—
100.	Tangible fixed assets	1,620	—
120.	Treasury shares and stock units	—	—
130.	Other assets	1,027	3,434
140.	Accrued income and deferred expenses	4,718	49
	Total Assets	**2,208,436**	**11,687**
	Liabilities		
10.	Due to banks	36,542	—
20.	Due to financial institutions	—	—
30.	Due to customers	1,619,024	—
40.	Debt securities	8,676	—
50.	Other liabilities	29,525	1,268
60.	Accrued expenses and deferred income	12,743	—
70.	Staff severance indemnity provision	—	—
80.	Provision for liabilities and charges	3,058	—
90.	Loan loss provisions	20,000	—
110.	Subordinated liabilities	—	—
120.	Share capital	111,110	600
130.	Share premium reserve	4,573	—
140.	Reserves	337,880	60
150.	Valuation reserves	1	—
160.	Retained earnings (accumulated losses)	—	72
170.	Profit (loss) for the period	25,304	9,687
	Total Liabilities	**2,208,436**	**11,687**

PROFIT AND LOSS ACCOUNTS

		COMPAGNIE MONEGASQUE DE BANQUE 31.12.11	COMPAGNIE MONEGASQUE DE GESTION 31.12.11
		(€ '000)	**(€ '000)**
10.	Interest and similar income	27,322	—
20.	Interest and similar expense	(9,197)	—
30.	Dividends and similar income	41,172	—
40.	Fee and commission income	20,991	12,402
50.	Fee and commission expense	(1,758)	—
60.	Gain (loss) on dealing transactions	13,957	—
70.	Other operating income	(1,218)	—
80.	Administrative expenses	(32,019)	(2,720)
90.	Value adjustments to tangible/intangible assets	(12,862)	—
100.	Provisions for liabilities and charges	—	—
110.	Other operating expenses	923	(4)
120.	Value adjustments to receivables and provisions for guarantees and commitments	(2,343)	—
130.	Reversal of receivables and provisions respect of guarantees and commitments	—	—
140.	Transfers to loan loss provision	—	—
170.	**Profit (loss) on ordinary activities**	**44,968**	**9,678**
180.	Extraordinary income	336	9
190.	Extraordinary expense	—	—
200.	Net extraordinary income (expense)	336	—
210.	Changes to provision for general banking risks	(20,000)	—
220.	Income tax for the period	—	—
230.	**Net profit (loss) for the period**	**25,304**	**9,687**

Other Group companies

Table B (cont.)

BALANCE SHEETS

	Compagnie Monégasque Immobilière 31.12.11 (€ '000)	Société Monégasque d'Etudes Financières 31.12.11 (€ '000)	Monoeci Soc. Civile Immobilière 31.12.11 (€ '000)	Moulins 700 S.A.M. 31.12.11 (€ '000)	CMB Asset Management S.A.M. 31.12.11 (€ '000)
Assets					
B) Fixed assets:					
I) Intangible assets	18,241	—	—	—	—
II) Tangible assets	—	1	620	—	1
III) Financial fixed assets	160	—	—	—	—
Total B	18,401	1	620	—	1
C) Current assets:					
I) Inventories	—	—	—	—	—
II) Accounts receivable	37,660	82	—	320	233
III) Financial assets other than fixed assets	—	—	—	—	—
IV) Cash	1,980	2,737	593	109,072	1,379
Total C	39,640	2,819	593	109,392	1,612
D) Accrued income and prepaid expenses	—	—	—	400	—
Total assets	**58,041**	**2,820**	**1,213**	**109,792**	**1,613**
Liabilities					
A) Shareholders' equity:					
I) Share capital	2,440	775	1	160	150
III) Revaluation reserves	—	—	—	—	—
IV) Legal reserve	—	—	—	—	—
VI) Statutory reserve	—	25	—	16	1
VII) Other reserves	—	—	—	—	—
VIII) Retained earnings (accumulated loss)	(36,526)	362	148	(263)	21
IX) Profit (loss) for the year	36,526	5	66	68,438	7
Advance payments on dividends	—	—	—	*(37,302)*	—
Total A	2,440	1,167	215	31,049	179
B) Provisions for liabilities and charges	—	—	—	—	—
C) Provision for staff termination indemnities	—	—	—	—	—
D) Accounts payable:					
3) Amounts due to banks	24,591	—	991	—	—
4) Amounts due to other lenders	—	—	—	—	—
5) Advances	—	—	—	—	—
6) Trade accounts payable	40	—	—	—	—
7) Amounts due to subsidiaries	30,964	1,410	—	78,743	—
9) Amounts due to associated companies	—	—	—	—	—
10) Amounts due to parent companies	—	—	—	—	—
11) Taxable payable	1	—	—	—	21
12) Amounts due to pension and social security institutions	—	—	—	—	—
14) Other accounts payable	5	243	5	—	1,413
Total D	55,601	1,653	996	78,743	1,434
E) Accrued expenses and deferred income	—	—	2	—	—
Total liabilities	**58,041**	**2,820**	**1,213**	**109,792**	**1,613**

Other Group companies

Table B (cont.)

PROFIT AND LOSS ACCOUNTS

	Compagnie Monégasque Immobilière 31.12.11 (€ '000)	Société Monégasque d'Etudes Financières 31.12.11 (€ '000)	Monoeci Soc. Civile Immobilière 31.12.11 (€ '000)	Moulins 700 S.A.M. 31.12.11 (€ '000)	CMB Asset Management S.A.M. 31.12.11 (€ '000)
A) Value of production	1,468	530	121	109,000	930
B) Costs of production:					
6) Raw materials, secondary materials consumables, semi-finished and finished goods	—	—	—	—	—
7) Services	(233)	(242)	(10)	(40,552)	(191)
8) Use of third parties' assets	—	—	—	—	—
9) Personnel	—	—	—	—	(724)
10) Depreciation, amortization and writedowns	(1,549)	(19)	(26)	—	(4)
12) Provision for liabilities	—	—	—	—	—
13) Other provisions	—	—	—	—	—
14) Sundry operating expenses	—	—	—	(14)	—
Total B	(1,782)	(261)	(36)	(40,566)	(919)
A - B	**(314)**	**269**	**85**	**68,434**	**11**
C) Interest income (charges)	36,840	(27)	(19)	(49)	—
D) Value adjustments to financial fixed assets	—	—	—	—	—
E) Extraordinary income (expenses)	—	(234)	—	53	—
Profit (loss) before tax	36,526	8	66	68,438	11
Income taxes for the year	—	(3)	—	—	(4)
Profit (loss) for the year	**36,526**	**5**	**66**	**68,438**	**7**

Other financial companies (IAS/IFRS) Table B (cont.)

BALANCE SHEETS

		CONSORTIUM	SPAFID	PRUDENTIA FIDUCIARIA	MEDIOBANCA SECURITIES LLC
		(€ '000)	(€ '000)	(€ '000)	($/'000)
	Assets				
10.	Cash and cash equivalents	—	3	1	3,409
20.	Financial assets held for trading	—	1,314	498	—
40.	AFS securities	—	—	—	—
50.	Financial assets held to maturity	—	7,855	1,532	—
60.	Due from banks	92	7,983	326	458
70.	Due from customers	—	2,429	967	28
100.	Equity investments	—	17,995	—	—
120.	Property, plant and equipment	—	1	—	17
130.	Intangible assets	—	8	—	19
140.	Tax assets	169	471	96	—
	a) Current	*169*	*33*	*89*	—
	b) Advance	—	*438*	*7*	—
160.	Other assets	—	722	1	38
	Total assets	**261**	**38,781**	**3,421**	**3,969**
	Liabilities				
10.	Due to banks	—	80	—	2,005
20.	Due to customers	—	—	—	—
30.	Debt securities in issue	—	—	—	—
40.	Financial liabilities	—	—	—	—
70.	Tax liabilities	2	2,569	137	—
	a) Current	*2*	*2,543*	*132*	—
	b) Deferred	—	*26*	*5*	—
90.	Other liabilities	26	2,605	707	74
100.	Staff severance indemnity provision	—	662	469	694
110.	Provisions	—	—	—	—
120.	Share capital	100	100	100	2,636
170.	Reserves	148	42,202	1,487	(1,623)
180.	Profit (loss) for the period	(15)	(9,437)	521	183
	Total liabilities	**261**	**38,781**	**3,421**	**3,969**

Other financial companies (IAS/IFRS)

Table B (cont.)

PROFIT AND LOSS ACCOUNTS

		CONSORTIUM	SPAFID	PRUDENTIA FIDUCIARIA	MEDIOBANCA SECURITIES LLC
		(€ '000)	(€ '000)	(€ '000)	($/'000)
10.	Interest and similar income	52	586	118	—
20.	Interest and similar expense	—	—	—	—
	Net interest income	**52**	**586**	**118**	**—**
30.	Fee and commission income	—	6,407	3,280	2,044
40.	Fee and commission expense	—	(2,907)	—	—
	Net fee and commission income	**—**	**3,500**	**3,280**	**2,044**
50.	Dividends and similar income	—	277	—	—
60.	Net trading income (expense)	—	18	(9)	—
70.	Net hedging income (expense)	—	—	—	—
80.	Gain (loss) on disposal/repurchase of financial assets	—	—	—	—
90.	Net income from financial assets and liabilities	—	—	—	—
	Total income	52	4,381	3,389	2,044
100.	Adjustments for impairment	—	(17)	—	—
	Net income from financial operations	**52**	**4,364**	**3,389**	**2,044**
110.	Administrative expenses	(66)	(3,107)	(2,585)	(1,861)
	a) labour costs	*(6)*	*(1,996)*	*(1,309)*	*(1,101)*
	b) other administrative expenses	*(60)*	*(1,111)*	*(1,276)*	*(760)*
120.	Net adjustments to tangible assets	—	(2)	—	—
130.	Net adjustments to intangible assets	—	(13)	—	—
160.	Other operating income (expense)	—	26	5	—
	Operating costs	**(14)**	**1,268**	**809**	**183**
170.	Gain (loss) on equity investments	—	(11,483)	—	—
	Profit (loss) on ordinary activities before tax	**(14)**	**(10,215)**	**809**	**183**
190.	Income tax on ordinary activities for the year	(1)	778	(288)	—
200.	**Profit (loss) on ordinary activities after tax**	**(15)**	**(9,437)**	**521**	**183**
	Net profit (loss) for the period	**(15)**	**(9,437)**	**521**	**183**

Other financial companies (IAS/IFRS)

Table B (cont.)

BALANCE SHEETS

		FUTURO	MEDIOBANCA COVERED BOND	JUMP	QUARZO LEASE	QUARZO
		(€ '000)	(€ '000)	(€ '000)	(€ '000)	(€ '000)
	Assets					
10.	Cash and cash equivalents	—	—	—	—	—
20.	Financial assets held for trading	—	—	—	—	—
40.	AFS securities	—	—	—	—	—
50.	Financial assets held to maturity	—	—	—	—	—
60.	Due from banks	3,521	67	10	27	111
70.	Due from customers	824,835	—	—	—	—
80.	Hedging derivatives	—	—	—	—	—
100.	Equity investments	—	—	—	—	—
120.	Property, plant and equipment	118	—	—	—	—
130.	Intangible assets	4	—	—	—	—
140.	Tax assets	7,767	—	6	1	179
	a) Current	*1,194*	—	*6*	*1*	*179*
	b) Advance	*6,573*	—	—	—	—
160.	Other assets	12,333	41	100	198	420
	Total assets	**848,578**	**108**	**116**	**226**	**710**
	Liabilities					
10.	Due to banks	788,145	—	—	—	—
20.	Due to customers	—	—	—	—	—
30.	Debt securities in issue	—	—	—	—	—
40.	Financial liabilities	—	—	—	—	—
50.	Hedging derivatives	19,091	—	—	—	—
70.	Tax liabilities	1,174	—	26	2	1
	a) Current	*1,174*	—	*26*	*2*	*1*
	b) Deferred	—	—	—	—	—
90.	Other liabilities	11,736	32	80	214	696
100.	Staff severance indemnity provision	131	—	—	—	—
110.	Provisions	1,133	—	—	—	—
120.	Share capital	4,800	100	10	10	10
160.	Reserves	27,318	(24)	—	—	—
170.	Valuation reserves	(12,138)	—	—	—	3
180.	Profit (loss) for the period	7,188	—	—	—	—
	Total liabities	**848,578**	**108**	**116**	**226**	**710**

Other financial companies (IAS/IFRS)

Table B (cont.)

PROFIT AND LOSS ACCOUNT

		FUTURO	MEDIOBANCA COVERED BOND	JUMP	QUARZO LEASE	QUARZO
		(€ '000)	(€ '000)	(€ '000)	(€ '000)	(€ '000)
10.	Interest and similar income	44,537	—	88	—	—
20.	Interest and similar expense	(22,948)	—	—	—	—
	Net interest income	**21,589**	**—**	**88**	**—**	**—**
30.	Fee and commission income	1,901	—	—	—	—
40.	Fee and commission expense	(1,240)	—	(86)	—	—
	Net fee and commission income	**661**	**—**	**(86)**	**—**	**—**
50.	Dividends and similar income	—	—	—	—	—
60.	Net trading income (expense)	—	—	—	—	—
70.	Net hedging income (expense)	—	—	—	—	—
80.	Gain (loss) on disposal/repurchase of financial assets	—	—	—	—	—
90.	Net income from financial assets and liabilities	—	—	—	—	—
	Total income	**22,250**	**—**	**2**	**—**	**—**
100.	Net value adjustment for impairments to financial assets	(2,000)	—	—	—	—
110.	Administrative expenses	(8,910)	(37)	(172)	(70)	(139)
120.	Net transfers to provisions	(50)	—	—	—	—
130.	Net profit (loss) from financial operations	(313)	—	—	—	—
150.	Net adjustments to intangible assets	(305)	—	—	—	—
160.	Other operating income (expense)	690	37	198	72	140
	Operating costs	**11,362**		**26**	**2**	**1**
	Profit (loss) on ordinary activities before tax	**11,362**		**26**	**2**	**1**
190.	Income tax on ordinary activities for the year	(4,174)	—	(26)	(2)	(1)
200.	**Profit (loss) on ordinary activities after tax**	**7,188**	**—**	**—**	**—**	**—**
	Net profit (loss) for the period	**7,188**	**—**	**—**	**—**	**—**

Other non-financial companies (IAS/IFRS) **Table B** (cont.)

BALANCE SHEETS

	RICERCHE E STUDI S.p.A. (€ '000)	SETECI S.c.p.A. (€ '000)
Assets		
Non-current assets		
Intangible assets	2	3,371
Tangible assets	—	—
Property, plant and equipment	—	32,201
Investments in subsidiaries	—	—
Investments in associate companies	—	—
AFS securities	—	—
Real estate assets	—	—
Other non-current assets	—	20
Financial assets in the form of derivative instruments	—	—
Advance tax assets	—	254
Total non-current assets	**2**	**35,846**
Current assets		
Accounts receivable	—	337
Other receivables	—	—
Sundry receivables and other current assets	546	—
Current tax assets	—	—
Current financial receivables	—	—
Financial derivative products	—	—
Other current financial assets	—	4,964
Cash and liquid assets	382	87
Total current assets	**928**	**5,388**
AFS securities	—	—
Total assets	**930**	**41,234**

Other non-financial companies (IAS/IFRS)

Table B (cont.)

	RICERCHE E STUDI S.p.A. 30.06.2011 (€ '000)	SETECI S.c.p.A. 30.06.2011 (€ '000)
Liabilities		
Net equity:		
Share capital	100	500
Other financial instruments representing equity	—	—
Reserves	3	2,683
Revaluation reserves	—	—
Hedge reserves	—	—
Other reserves	—	—
Profit (loss) for previous years	—	—
Profit (loss) for period	—	1
Total net equity	**103**	**3,184**
Non-current liabilities		
Staff benefits	—	—
Provisions for liabilities and charges	—	—
Staff-related provisions	320	509
Deferred tax liabilities	—	929
Borrowings net of current borrowings	—	—
Other non-current liabilities	—	—
Total non-current liabilities	**320**	**1,438**
Current liabilities		
Due to banks	—	—
Accounts payable	—	2,682
Current tax liabilities	—	135
Financial liabilities in the form of derivative products	—	—
Current financial liabilities	—	31,577
Provisions for liabilities and charges	—	682
Other current liabilities	507	—
Sundry payables and other current assets	—	1,536
Total current liabilities	**507**	**36,612**
Liabilities in respect of AFS securities	—	—
Total liabilities	**930**	**41,234**

Other non-financial companies (IAS/IFRS) **Table B** (cont.)

PROFIT AND LOSS ACCOUNT

	RICERCHE E STUDI S.p.A. (€ '000)	SETECI S.c.p.A. (€ '000)
Value of production	1,876	17,708
Consumption of raw materials and services/changes to stocks of semi-finished products	(557)	(5,826)
Personnel costs	(1,192)	(4,931)
Other operating income	—	(1,871)
Sundry operating expenses	(25)	—
Provisions for various risks	—	—
Amortization, other intangible assets	(1)	(1,759)
Depreciation on property, plant and equipment	(1)	(2,864)
Amortization of real estate investments	—	—
Operating profit (loss)	**100**	**457**
Financial income (expense)	—	—
Financial income	2	—
Financial expenses	—	(294)
Other income	—	21
Other expenses	—	(14)
Extraordinary expenses	(32)	—
Net profit before tax	**70**	**170**
Income tax	(70)	(169)
Net profit for the period	**—**	**1**

Other non-financial undertakings (IAS/IFRS) Table B (cont.)

BALANCE SHEETS

	COMPASS RE S.A. (€ '000)
Assets	
3) Deposits with ceding companies	68
4) Investments	76,002
5) Sundry receivables	12,772
Receivables deriving from reinsurance operations	*12,772*
6) Other assets	16,816
Deferred acquisition costs	*15,852*
Other assets	*964*
7) Cash and cash equivalents	26,794
Amounts due from bank	*26,794*
Total asset	**132,452**

	COMPASS RE S.A. (€ '000)
Liabilities	
1) Net equity	15,000
Share capital	*15,000*
2) Provisions	7
3) Technical reserves	117,191
Premium reserves	*93,041*
Claim reserves	*6,240*
Compensation reserves	*17,910*
5) Account payable	208
Payables deriving from reinsurance operations	*165*
Other amounts payable	*43*
6) Other liabilities	46
Total liabilities	**132,452**

Other non-financial undertakings (IAS/IFRS)

Table B (cont.)

PROFIT AND LOSS ACCOUNT

	COMPASS RE S.A. (€ '000)
I) Technical account	
Gross premium written	63,016
Transfers to premim reserves	(40,605)
Reinsured premiums	(318)
Total net premiums written	**22,093**
Income from non-untderwriting investments	737
1) Total income and revenues	**22,830**
Net expense in respect of claims	(2,120)
Amounts paid and charges to claims reserve	(3,849)
Acquisition costs	(9,837)
Future acquisitions costs	6,108
Operating expenses	(281)
2) Total cost and expenses	**(9,979)**
Transfers to compensation reserves	(12,772)
Underwriting profit	**79**
II) Technical account	
Interest income	2,161
Investment expenses	(207)
Adjustments to investments	(1,217)
Investments income/expenses transferred to technical account	(737)
Non-underwrting profit	**—**
Profit (loss) for the period before tax	**79**
Taxation for the period	(79)
Net profit (loss) for the period	**—**

Associated undertakings: balance sheets and profit and loss accounts (as required under Article 2359 of the Italian Civil Code)

Associate companies

Table C

BALANCE SHEET

	ASSICURAZIONI GENERALI 31.12.11 (€ '000)
Assets	
B) Total intangible assets	129,835
C) Investments	
I) Land and buildings (total)	1,466,640
II) Investments in Group and other undertakings (total)	28,566,184
III) Other financial investments	
1) Shares and stock units	1,873,432
2) Mutual fund units	2,151,114
3) Bonds and other fixed-income securities	20,972,304
4) Loans	155,668
6) Deposits with banks	99,587
7) Other financial investments	416
Total other financial investments	25,252,521
IV) Deposits with reinsurers	9,158,183
Total investments (C)	64,443,528
D) Investments for the benefit of life policyholders who carry the risk and deriving from pension fund management (total)	1,116,567
Dbis) Reinsurers' share of technical reserves	
I) General business (total)	1,280,386
II) Life business (total)	194,496
Total reinsurers' share of technical reserves (Dbis)	1,474,882
E) Accounts receivable	
I) Amounts due in respect of primary insurances (total)	1,385,758
II) Amount due in respect of reinsurances (total)	606,094
III) Other accounts receivable	1,467,789
Total accounts receivable (E)	3,459,641
F) Other assets	
I) Tangible assets and inventories (total)	2,084
II) Cash (total)	1,544,053
III) Own shares or stock units	116,340
IV) Other assets (total)	138,163
Total other assets (F)	1,800,640
G) Accruals and prepayments (total)	539,706
Total assets (B+C+D+Dbis+E+F+G)	**72,964,799**

	ASSICURAZIONI GENERALI 31.12.11 (€ '000)
Liabilities and shareholders' equity	
A) Shareholders' equity	
I) Share capital or equivalent fund	1,556,873
II-VII) Reserves (total)	12,702,635
IX) Profit (loss) for year	325,525
Total shareholders' equity (A)	14,585,033
B) Subordinated liabilities	4,862,138
C) Technical reserves	
I) General business (total)	8,252,018
II) Life business (total)	34,003,454
Total technical reserves (C)	42,255,472
D) Technical reserves where investment risk is carried by policyholders and reserves arising from pension fund management (total)	1,112,374
E) Provisions for risks and charges (total)	18,919
F) Deposits received from reinsurers	208,713
G) Accounts payable and other liabilities	
I) Amounts payable in respect of primary insurances	153,326
II) Amounts payable in respect of reinsurance	193,573
III) Bond issues	3,060,000
IV) Amounts payable to banks and financial institutions	13,943
V) Secured debt	—
VI) Loans and other debt	4,845,099
VII) Staff termination indemnity provision	22,684
VIII) Other accounts payable	579,634
IX) Other liabilities	575,485
Total accounts payable and other liabilities (G)	9,443,744
H) Accruals and deferrals (total)	478,406
Total liabilities and shareholders' equity (A+B+C+D+E+F+G+H)	**72,964,799**
Guarantees, commitments and other contra accounts (total)	39,551,358

Associate companies

Table C (cont.)

STATEMENT OF EARNINGS (non-technical accounts)

	ASSICURAZIONI GENERALI 31.12.11
	(€ '000)
1) Underwriting profit (loss) from general business	268,470
2) Underwriting profit (loss) from life business	106,621
3) Investment income in general business	
a) Dividends	416,040
b) Other investment income (total)	172,895
c) Writebacks in book value of investments	59,449
d) Gain on disposal of investments	28,733
Total investment income in general business	677,117
4) (+) Portion of investment income transferred from technical accounts of life business	106,165
5) Operating and financial expenses in general business (3)	
a) Investment management expenses and interest paid	85,799
b) Writedowns to investments	136,731
c) Loss on disposal of investments	26,487
Total operating and financial expenses in general business (5)	249,017
6) Portion of investment income transferred from technical accounts of general business	174,027
7) Other income	459,179
8) Other expenditure	1,154,698
9) Profit (loss) on ordinary operations	**39,810**
10) Extraordinary income	433,479
11) Extraordinary expenditure	205,538
12) Net extraordinary income (expenditure) (10-11)	227,941
13) Earnings before tax	**267,751**
14) Taxation for the year	(57,774)
15) Profit (loss) for the year (13-14)	**325,525**

Associate companies

Table C (cont.)

BALANCE SHEET

	RCS Media Group S.p.A. 31.12.11 (€ '000)
Assets	
Property, plant and equipment	8,196
Real estate investments	97,476
Tangible assets	—
Investments in subsidiaries	1,423,035
- of which to related parties	*1,423,035*
AFS's Securities	6,017
Derivative instruments	144
- of which to related parties	*65*
Other non-currents financial assets	229
Advance tax assets	13,337
Total non-current assets	**1,548,434**
Trade receivables	4,525
- of which to related parties	*4,450*
Other receivables and current assets	1,405
- of which to related parties	*970*
Current tax assets	4,251
- of which to related parties	*3,677*
Derivative instruments	—
- of which to related parties	—
Current financial receivables	697,706
- of which to related parties	*697,492*
Cash and cash equivalents	732
Total current assets	**708,619**
Assets to be sold	—
Total assets	**2,257,053**

Associate companies

Table C (cont.)

	RCS Media Group S.p.A. 31.12.11 (€ '000)
Liabilities and net equity	
Share capital	762,019
Other equity instruments	7,483
- of which to related parties	*6,469*
Reserves	213,762
Treasury shares	(27,150)
Retained earnings (accumulated losses)	208,084
Profit (loss) for the period	(112,772)
Total net equity	**1,051,426**
Non-current borrowings	800,000
- of which to related parties	*350,000*
Non-current amounts payable in respect of derivatives	20,994
- of which to related parties	*17,598*
Staff benefits	1,542
Provisions for losses and charges	900
Deferred tax liabilities	6,996
Total non-current liabilities	**830,432**
Amounts due to banks	36,504
- of which to related parties	*17,379*
Current payables	309,522
- of which to related parties	*309,403*
Financial liabilities in respect of derivative instruments	660
Current tax liabilities	10,606
- of which to related parties	*10,606*
Trade payables	9,515
- of which to related parties	*4,061*
Short-term transfers to provisions	2,120
Other payables and current liabilities	6,268
- of which to related parties	*61*
Total current liabilities	**375,195**
Total liabilities and net equity	**2,257,053**

Associate companies

Table C (cont.)

PROFIT AND LOSS ACCOUNTS

	RCS Media Group S.p.A. 31.12.11
	(€ '000)
Net income	5,072
- of which to related parties	*5,008*
Consumption of raw materials and services/changes in stocks of semi-finished products	(28,587)
- of which to related parties	*(13,308)*
- of which non-recurring	*(453)*
Personnel costs	(14,026)
- of which to related parties	*(3,886)*
- of which non-recurring	*55*
Other operating income	23,030
- of which to related parties	*(22,507)*
Other operating costs	(1,478)
- of which to related parties	*(7)*
Provisions for various risks	(252)
- of which to related parties	*(124)*
Loan writedowns	—
Amortization	—
Depreciation	(1,230)
Amortization of real estate investments	(1,332)
Writedowns to fixed assets	—
Operating profit (loss)	**(18,803)**
Interest income	19,447
- of which to related parties	*16,992*
Interest expense	(25,048)
- of which to related parties	*(13,405)*
Other income (expense) from financial assets and liabilities	(94,415)
- of which to related parties	(94,297)
Profit before tax	**(118,819)**
Income tax/interest income and charges	6,047
Profit (loss) from assets to be retained	**(112,772)**
Profit (loss) from assets to be sold/ sold	—
Net profit (loss) for the period	**(112,772)**

Associate companies

Table C (cont.)

BALANCE SHEET

	GEMINA S.p.A. 31.12.11 (€ '000)
Assets	
Non-current assets	
Intangible assets	—
Tangible assets	2
Inestments in subsidiaries	1,843,283
Inestments in associates and joint ventures	—
Other investments	32
Deferred tax assets	125
Other non-current financial assets	221
- of which to related parties	*63*
Total non-current assets	**1,843,663**
Currents assets	
Trade receivables	432
- of which to related parties	*432*
Other receivables	19,645
- of which to related parties	*16,864*
Current financial assets	3,346
- of which to related parties	*3,266*
Cash and cash equivalents	5,340
- of which to related parties	*14*
Total current assets	28,763
Total assets	**1,872,426**

Associate companies

Table C (cont.)

	GEMINA S.p.A. 31.12.11 (€ '000)
Net equity and liabilities	
A) Net equity	
Share capital	1,472,960
Capital reserves	199,707
Hedge reserves	(130)
Other reserves	83,106
Retaining earnings (accumulated losses)	55,593
Profit (loss) for period	(6,616)
Total net equity	**1,804,620**
Non-current liabilities	
Staff benefits	107
Provisions for losses and charges	9,100
- of which to related parties	*6,700*
Debts net of current share	41,295
- of which to related parties	*11,799*
Total non-current liabilities	**50,502**
Current liabilities	
Trade payables	1,799
- of which to related parties	*320*
Current financial liabilities	605
- of which to related parties	*173*
Provisions for losses and charges	2,037
Derivative financial instruments	174
Current liabilities	10,929
Other current liabilities	1,760
- of which to related parties	*531*
Total current liabilities	**17,304**
Total net equity and liabilities	**1,872,426**

Associate companies

PROFIT AND LOSS ACCOUNTS

	GEMINA S.p.A. 31.12.11
	(€ '000)
Income (expense) from investments	
Dividends from associate companies	—
Other income (expense) from investments	30
Total income (expense) from investments	**30**
Net financial income (expense)	
Financial income	
Interest income	249
- of which to related parties	*100*
Financial expense	
Interest expense	(2,969)
- of which to related parties	*(2,480)*
Other expense	(123)
- of which to related parties	*(54)*
Total net financial income (expense)	**(2,843)**
Labour costs	(2,159)
- of which to related parties	*(25)*
Other operating expenses	(4,413)
- of which to related parties	*(623)*
Net provisions	(112)
Depreciation and amortization	(12)
Revenues	1,004
- of which to related parties	*797*
Total net operating costs	**(5,692)**
Profit (loss) before tax	(8,505)
Total income (expense)	1,889
Profit (loss) for the period	**(6,616)**

Associate companies

Table C (cont.)

BALANCE SHEET

	Burgo Group S.p.A. 31.12.11 (€ '000)
Assets	
Non-current assets	**1,311,518**
Tangible assets	895,908
Property, plant and equipment	894,652
Real estate assets	1,256
Intangible assets	31,768
Goodwill and other long-term intangible assets	26,501
Intangible assets with deferred life	5,267
Other non-current assets	337,668
Investments accounted for on an equity basis	325,604
Inestment in other companies	11
Securities not qualifying as equity investments	3,263
Financial receivables and other non-current financial assets	8,112
Sundry receivables and other non-current assets	678
Advance tax assets	46,174
Tax assets for advance taxation	46,174
Current assets	**800,704**
Inventory stocks	186,481
Trade receivables	390,399
Sundry receivable and other non-current assets	15,749
Equity investments	39,603
Securities not qualifying as equity investments	1
Financial receivables and other non-current financial assets	106,466
Cash and cash equivalents	62,005
Total assets	**2,112,222**
Liabilities	
Net equity	**437,841**
Share capital	205,443
Reserves	66,443
Retained earnings (losses) including profit (loss) for the period	165,955
Non-current liabilities	**822,568**
Non-current financial liabilities	749,421
Staff-related provisions	55,937
Provisions for liabilities and charges	17,210
Current liabilities	**851,813**
Current financial liabilities	319,354
Trade payables	475,740
Current tax liabilities	6,587
Sundry payables and other current liabilities	50,132
Total liabilities	**2,112,222**

Associate companies

Table C (cont.)

PROFIT AND LOSS ACCOUNT

	Burgo Group S.p.A. 31.12.11
	(€ '000)
Revenues	1,937,527
Other revenues and income	82,546
Total revenues and income from operations	**2,020,073**
Cost of materials and external services	(1,682,151)
Labour costs	(179,731)
Other operating costs	(11,570)
Changes to stocks	(24,799)
Capitalized cost of work carried out internally	952
Total operating costs	**(1,897,299)**
Profit before depreciation, amortization and non-recurring expenses	**122,774**
Depreciation and amortization	(80,355)
Gain (loss) on disposal of non-current assets	3,120
Writebacks (writedowns) to non-recurring assets	(3,906)
Non-recurring expenses, net	(2,847)
Restructuring charges, net	(3,259)
Operating profit (loss)	**35,527**
Interest income	(57,236)
Interest expense	29,660
Profit before tax	**7,951**
Taxation for the period	11,309
Profit for the period	**19,260**

Associate companies

Table C (cont.)

BALANCE SHEETS

	Telco S.p.A. 30.04.2012 (€ '000)	LUVE S.p.A. 31.12.11 (€ '000)	GB Holding S.r.l. 31.12.11 (€ '000)
Assets			
B) Fixed assets:			
I) Intangible assets	116	22,419	—
II) Tangible assets	—	36,934	—
III) Financial fixed assets	4,505,380	31,776	13,666
Total B	4,505,496	91,129	13,666
C) Current assets:			
I) Inventories	—	5,573	—
II) Accounts receivable:			
1) from customers	—	10,525	—
2) from group companies	—	7,527	—
3) from associate companies	—	—	—
4) from parent companies	—	—	—
4 bis) from tax authorities	69	1,245	4
4 ter) advance tax	—	1,256	—
5) from others	129,154	444	—
Total accounts receivable	129,223	20,997	4
III) Financial assets other than fixed assets	—	—	—
IV) Cash and cash equivalents	3,093	5,961	—
Total C	132,316	32,531	4
D) Accrued income and prepaid expenses	3,122	642	—
Total assets (b+c+d)	**4,640,934**	**124,302**	**13,670**
Liabilities			
A) Shareholders' equity:			
I) Share capital	2,185,531	9,000	97
II) Share premium reserve	—	9,574	13,539
III) Revaluation reserve	—	273	—
IV) Legal reserve	—	1,305	19
VII) Other reserve	—	10,514	—
VIII) Retained earnings (accumulated loss)	—	—	—
IX) Profit (loss) for the period	(903,154)	1,839	(6)
Total A	1,282,377	32,505	13,649
B) Provisions for liabilities and charges			
For tax (including deferred tax)	—	5,773	—
Other provisions	—	1,289	—
Total B	—	7,062	—
C) Provision for staff termination indemnities	—	1,178	—
D) Accounts payable:			
3) Amounts due to shareholders by way of loans	1,300,000	—	21
4) Amounts due to banks	1,999,500	56,398	—
5) Amounts due to other lenders	—	45	—
7) Amounts due to suppliers	414	16,508	—
9) Amounts due to group companies	—	7,244	—
12) Amounts due to tax authorities	—	378	—
13) Amounts due to pension and social security institutions	—	979	—
14) Other amounts due	225	2,005	—
Total D	3,300,139	83,557	21
E) Accrued expenses and deferred income	58,418	—	—
Total liabilities (A+B+C+D+E)	**4,640,934**	**124,302**	**13,670**

Associate companies

Table C (cont.)

PROFIT AND LOSS ACCOUNTS

	Telco S.p.A. 30.04.2012 (€ '000)	LUVE S.p.A. 31.12.11 (€ '000)	GB Holding S.r.l. 31.12.11 (€ '000)
A) Value of production:			
1) Income from sales and services rendered	—	71,245	—
2) Changes in stocks of products being completed, semi-finished and finished products	—	425	—
3) Increase in fixed assets due to internal work	—	—	—
4) Other revenue and income	—	1,351	—
Total value of production (A)	—	73,021	—
B) Costs of production:			
6) Raw materials, secondary materials, consumables and merchandise	—	(36,837)	—
7) Services	(941)	(14,289)	(5)
8) Use of third parties' assets	—	(1,456)	—
9) Personnel			
a) Salaries and wages	—	(9,076)	—
b) Social security expenses	—	(2,886)	—
c) Staff severance indemnity provision	—	(571)	—
d) Other costs	—	—	—
Total personnel costs	—	(12,533)	—
10) Depreciation, amortization and writedowns			
a) Amortization	(1,367)	(2,200)	—
b) Depreciation	—	(2,969)	—
c) Other writedowns to fixed assets	—	—	—
d) Value adjustments to receivables included in calculation of working capital and cash	—	(99)	—
Total depreciation, amortization and writedowns	(1,367)	(5,268)	—
11) Changes in stocks of raw materials, secondary materials, consumables and merchandise	—	103	—
12) Provisions for liabilities	—	—	—
13) Other provisions	—	—	—
14) Sundry operating expenses	(57)	(247)	(1)
Total costs of production (B)	(2,365)	(70,527)	(6)
Difference between value and cost of production (A–B)	**(2,365)**	**2,494**	**(6)**
C) Financial income (expense)			
15) Income from investments	129,154	2,838	—
16) Other financial income	6,809	90	—
17) Interest and other financial expenses	(135,676)	(2,806)	—
17bis) Gains (losses) on exchange rates	—	150	—
Total C	287	272	—
D) Value adjustments to financial assets:			
18) Writebacks	—	—	—
19) Writedowns	(901,076)	—	—
Total D	(901,076)	—	—
E) Extraordinary income (expenses):			
20) Income	3	21	—
21) Expenses	(3)	(80)	—
Total E	—	(58)	—
Profit (loss) before tax (A-B+C+D+E)	**(903,154)**	**2,707**	**(6)**
22) Income tax for the period			
a) current tax	—	(1,087)	—
b) deferred tax	—	219	—
Total income tax for the period	—	(868)	—
23) Profit (loss) for the period	**(903,154)**	**1,839**	**(6)**

Associate companies

Table C (cont.)

BALANCE SHEETS

	FIDIA SGR S.p.A. 31.12.11 (€ '000)
Assets	
10. Cash and cash equivalents	1
40. AFS securities	638
60. Due from banks	5,163
a) In respect of asset management	—
b) Other amounts receivable	*5,163*
100. Property, plant and equipment	2
120. Tax assets	1
a) Current	*1*
b) Advance	—
140. Other assets	2
Total assets	**5,807**
Liabilities	
10. Due to banks	—
70. Tax liabilities	2
a) Current	*2*
b) Deferred	—
90. Other liabilities	676
100. Staff severance indemnity provision	16
110. Provision for liabilities and charges	1,051
a) post-retirement and similar obligations	—
b) other provisions	*1,051*
120. Share capital	4,861
160. Reserves	(168)
170. Valuation reserves	(198)
180. Profit (loss) for the period	(433)
Total liabilities	**5,807**

Associate companies

Table C (cont.)

PROFIT AND LOSS ACCOUNTS

		FIDIA SGR S.p.A. 31.12.11
		(€ '000)
10.	Fee and commission income	450
20.	Fee and commission expense	—
	Net fee and commission income	**450**
40.	Interest and similar income	54
50.	Interest and similar expense	(10)
60.	Net fee and commission income	—
	Total income	**494**
110.	Administrative expenses	(786)
	a) labour costs	*(553)*
	b) other administrative expenses	*(233)*
130.	Net adjustments to tangible assets	(3)
160.	Other operating income (expense)	(126)
	Operating profit (loss)	**(421)**
	Profit (loss) on ordinary activities before tax	(421)
190.	Income tax on ordinary activities for the period	(12)
	Profit (loss) on ordinary activities after tax	**(433)**
	Net profit (loss) for the period	**(433)**

Associate companies

Table C (cont.)

BALANCE SHEETS

	BANCA ESPERIA S.p.A. 31.12.11 (€ '000)
Assets	
10. Cash and cash equivalents	111
20. Financial assets held for trading	100,160
40. AFS securities	115,800
60. Due from banks	76,034
70. Due from customers	706,179
80. Hedging derivatives	1,243
100. Equity investments	19,772
110. Property, plant and equipment	1,374
120. Intangible assets	2,224
130. Tax assets	15,867
a) Current	*5,324*
b) Advance	*10,543*
150. Other assets	84,506
Total assets	**1,123,270**
Liabilities	
10. Due to banks	119,362
20. Due to customers	750,581
30. Debt securities in issue	87,505
40. Trading financial liabilities	4,659
80. Tax liabilities	979
a) Current	—
b) Deferred	*979*
100. Other liabilities	19,924
110. Staff severance indemnity provision	868
130. Valuation reserves	(6,309)
160. Reserves	39,160
170. Share premium reserve	38,646
180. Share capital	63,000
200. Profit (loss) for the period	4,895
Total liabilities	**1,123,270**

Associate companies

Table C (cont.)

PROFIT AND LOSS ACCOUNTS

	BANCA ESPERIA S.p.A. 31.12.11 (€ '000)
10. Interest and similar income	15,549
20. Interest and similar expense	(10,414)
30. Net interest income	**5,135**
40. Fee and commission income	41,572
50. Fee and commission expense	(3,389)
60. Net fee and commission income	**38,183**
70. Dividends and similar income	7,952
80. Net trading income (expense)	(87)
90. Net hedging income	—
100. Gain (loss) on disposal/repurchase of:	(753)
a) loans and advances	—
b) AFS securities	(722)
c) financial assets held to maturity	—
d) financial liabilities	(31)
120. Total income	**50,430**
130. Adjustments for impairment to:	
a) loans and advances	1,613
b) AFS securities	—
c) financial assets held to maturity	—
d) other financial transactions	—
140. Net income from financial operations	**52,043**
150. Administrative expenses	(47,478)
a) labour costs	*(33,405)*
b) other administrative expenses	*(14,073)*
160. Net transfers to provisions	—
170. Net adjustments to tangible assets	(270)
180. Net adjustments to intangible assets	(463)
190. Other operating income (expense)	3,016
200. Operating costs	**(45,195)**
250. Profit (loss) on ordinary activities before tax	**6,848**
260. Income tax on ordinary activities for the period	(1,953)
270. Profit (loss) on ordinary activities after tax	**4,895**
290. Net profit (loss) for the period	**4,895**

Associate companies

Table C (cont.)

BALANCE SHEETS

	ATHENA PRIVATE EQUITY S.A. 31.12.11 (€ '000)	MB VENTURE CAPITAL S.A. 31.12.11 * (€ '000)
Assets		
10. Cash in hand	2,993	33
20. Amounts due from banks	—	—
30. Amounts due from financial companies	—	—
40. Trade accounts receivable	—	—
50. Bonds and other fixed-income securities	6,889	—
60. Equities, participating interests and other floating rate securities	—	—
70. Equity investments	76,175	750
80. Investments in Group undertakings	—	—
90. Intangible fixed assets	—	—
100. Tangible fixed assets	—	—
110. Unpaid call on capital	—	—
130. Other assets	23,376	3
140. Accrued income and prepaid expenses	—	—
Total assets	**109,433**	**786**
Liabilities		
10. Amounts due to banks	—	—
20. Amounts due to financial companies	—	—
30. Trade accounts payable	—	—
50. Other liabilities	5,483	760
60. Accrued expenses and deferred income	49	—
70. Provision for staff termination indemnities	—	—
80. Provisions for liabilities and charges	5,160	—
90. Loan loss provisions	—	—
120. Share capital	151,138	986
130. Share premium reserve	—	—
140. Reserves	5,034	10
160. Retained earnings (accumulated loss)	(55,758)	38
170. Loss for the year	(1,673)	(1,008)
Total liabilities	**109,433**	**786**

* Company wound up subsequent to 30 June 2012.

Associate companies

Table C (cont.)

PROFIT AND LOSS ACCOUNTS

	ATHENA PRIVATE EQUITY S.A. 31.12.11 (€ '000)	MB VENTURE CAPITAL S.A. 31.12.11 * (€ '000)
Expenses		
10. Interest payable and similar expenses	30	6
20. Commissions payable	—	—
30. Loss on dealing transactions	208	—
40. Administrative expenses	1,070	31
50. Adjustments to intangible and tangible fixed assets	—	—
60. Other operating expenses	—	—
70. Provisions for liabilities and charges	1,587	—
80. Transfer to loan loss provisions commitments	—	—
100. Adjustments to financial fixed assets	1,599	1,105
110. Extraordinary expenses	—	14
130. Net transfers to provisions for liabilities and charges	—	—
140. Profit for the year	—	—
Total expenses	**4,494**	**1,156**
Income		
10. Interest receivable and similar income	104	—
20. Dividends and other income	1,000	—
30. Commissions receivable	—	—
40. Gain on dealing transactions	1,132	—
70. Other operating income	—	—
80. Extraordinary income	585	148
100. Loss for the year	1,673	1,008
Total income	**4,494**	**1,156**

* Company wound up subsequent to 30 June 2012.

Associate companies

Table C (cont.)

BALANCE SHEET

	Pirelli S.p.A. 31.12.11 (€ '000)
Assets	
Non-current assets	
Tangible assets	108,866
Intangible assets	1,318
Invesments in subsidiaries	1,155,511
Investments in associates	92,910
Other financial assets	118,975
Deferred tax assets	128,093
Other receivables	519,773
- of which related parties	*510,000*
Total non-current assets	**2,125,446**
Current assets	
Trade receivables	55,871
- of which related parties	*52,377*
Other receivables	345,585
- of which related parties	*319,792*
Securities held for trading	—
Cash and cash equivalents	9
Current tax receivables	50,047
- of which related parties	*37,394*
Derivative financial instruments	8,065
Total current assets	**459,577**
Total assets	**2,585,023**
Net equity	
Share capital	1,343,285
Other reserves	97,050
Reserves from retained earnings	27,764
Net profit for the period	272,474
Total net equity	**1,740,573**
Liabilities and net equity	
Non-current liabilities	
Amounts due to bancks and other lenders	512,222
Other amounts due	90
Provisions for risks and charges	53,516
Staff provisions	1,916
Total non-current liabilities	**567,744**
Current liabilities	
Amounts due to banks and other lenders	126,455
Trade payables	24,713
- of which related parties	*6,756*
Other amounts due	86,618
- of which related parties	*51,794*
Provisions for risks and charges	18,709
Amounts due in respect of current tax	20,211
- of which related parties	*16,427*
Total current liabilities	**276,706**
Total liabilities and net equity	**2,585,023**

Associate companies

Table C (cont.)

PROFIT AND LOSS ACCOUNT

	Pirelli S.p.A. 31.12.11
	(€ '000)
Revenues from sales and provision of services	9,250
- of which related parties	8,479
Other income	100,030
- of which related parties	87,800
Raw materials and consumables used	(188)
Labour costs	(28,316)
- of which related parties	*(5,279)*
Depreciation and amortization	(4,815)
Other costs	(99,713)
- of which related parties	*(36,120)*
Operating profit (loss)	**(23,752)**
Profit (loss) from investments, of which:	146,293
Gains on investments	7,289
- of which related parties	*5,335*
Losses on investments	(99,232)
Dividends	238,236
- of which related parties	*234,073*
Financial income	38,594
- of which related parties	*32,533*
Financial expense	(34,117)
- of which related parties	—
Profit before tax	**127,018**
Taxation	145,456
- of which related parties	*27,796*
- of which non-recurring events	*128,092*
Net profit from operations	**272,474**
Net profit from discontinued activities	—
Net profit for the period	**272,474**

Table D

SIGNIFICANT EQUITY INVESTMENTS AS DEFINED IN ARTICLE 120/3 OF DECREE LAW 58/98 AND ARTICLE 125 OF CONSOB REGULATION 11971/99

	Share capital €m	Par value per share €	No. of shares held directly	Direct interest* %	No. of shares held indirectly	Indirect interest* %	Shares held by
DIRECTLY CONTROLLED SUBSIDIARIES							
CHEBANCA! S.p.A., Milan	210.0	0.50	420,000,000	100.00	—	—	—
COMPASS S.p.A., Milan	587.5	5	117,500,000	100.00	—	—	—
COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A., Monte Carlo	111.1	200	555,540	100.00	—	—	—
CONSORTIUM S.R.L. , Milan	0.1	—	1	100.00	—	—	—
MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A., Luxembourg	10.0	10	990,000	99.00	10,000	1.00	Compass
MEDIOBANCA SECURITIES USA LLC., New York	$ 2.25	—	1	100.00	—	—	—
PROMINVESTMENT S.p.A., in liquidation, Milan	0.7	0.52	1,428,571	100.00	—	—	—
PRUDENTIA FIDUCIARIA S.p.A., Milan	0.1	5	20,000	100.00	—	—	—
RICERCHE E STUDI S.p.A., Milan	0.1	5	20,000	100.00	—	—	—
SADE FINANZIARIA - INTERSOMER S.r.l., Milan[1]	25	—	1	100.00	—	—	—
SETECI - Società Consortile per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.c.p.A., Milan	0.5	5	99,995	100.00	1	n.m.	CheBanca!
					1	n.m.	Compass
					1	n.m.	Cofactor
					1	n.m.	Futuro
SPAFID S.p.A., Milan	0.1	10	10,000	100.00	—	—	—

* Shares owned.

[1] Figures €'000.

Table D (cont.)

	Share capital €m	Par value per share €	No. of shares held directly	Direct interest* %	No. of shares held indirectly	Indirect interest* %	Shares held by
INDIRECTLY CONTROLLED SUBSIDIARIES							
COMPASS RE S.A., Luxembourg	15.0	10	—	—	1,500,000	100.00	Compass
COFACTOR S.p.A., Milan	32.5	0.50	—	—	65,000,000	100.00	Compass
CREDITECH S.p.A., Milan	0.25	1	—	—	250,000	100.00	Compass
QUARZO S.R.L., Milan[1]	10	1	—	—	9,000	90.00	Compass
FUTURO S.P.A., Milan	4.8	0.60	—	—	8,000,000	100.00	Compass
PALLADIO LEASING S.p.A., Vicenza	8.7	0.50	—	—	16,482,500	95.00	SelmaBipiemme
	—	—	—	—	867,500	5.00	Palladio Leasing
MB COVERED BOND S.R.L., Milan	0.1	1	—	—	90,000	90.00	CheBanca!
QUARZO LEASE S.R.L., Milan[1]	10	1	—	—	9,000	90.00	SelmaBipiemme
TELELEASING S.p.A. in liquidation, Milan	9.5	1	—	—	7,600,000	80.00	SelmaBipiemme
C.M.B. Asset Management S.A.M., Monte Carlo	0.2	150	—	—	995	99.50	C.M.B. S.A.M.
C.M.I. Compagnie Monégasque Immobilière - SCI, Monte Carlo	2.4	1,525	—	—	1,599	99.94	C.M.B S.A.M.
			—	—	1	0.06	C.M.G. S.A.M.
C.M.G. Compagnie Monégasque de Gestion S.A.M., Monte Carlo	0.6	160	—	—	3,746	99.89	C.M.B. S.A.M.
SMEF - Soc. Monégasque des Etudes Financières S.A.M., Monte Carlo	0.8	155	—	—	4,998	99.96	C.M.B. S.A.M.
MONOECI Soc. Civile Immobilière, Monte Carlo[1]	1,6	15,5	—	—	99,00	99.00	C.M.B. S.A.M.
			—	—	1,00	1.00	C.M.G.S.A.M.
MOULINS 700 S.A.M., Monte Carlo	0.2	160	—	—	999	99.90	C.M.I. SCI

* Shares owned.

[1] Figures €'000.

Table D (cont.)

	Share capital €m	Par value per share €	No. of shares held directly	Direct interest* %	No. of shares held indirectly	Indirect interest* %	Shares held by
OTHER SIGNIFICANT EQUITY INVESTMENTS							
ATHENA PRIVATE EQUITY S.A., Luxembourg	151.1	2	18,343,380	24.27	—	—	—
BANCA ESPERIA S.p.A., Milan	63.0	0.52	60,503,846	50.00	—	—	—
BURGO GROUP S.p.A., Altavilla Vicentina (VI)	205.4	0.52	87,442,365	22.13	—	—	—
TELCO S.P.A., Milan	1,784.6	—	310,520,713	11.62	—	—	—
FERRETTI HOLDING S.p.A., Milan °	0.2	1	38,200	19.10	—	—	—
FIDIA - Fondo Interbancario d'Investimento Azionario SGR S.p.A., Milan	4.9	520	2,337	25.00	—	—	—
GB HOLDING S.R.L., MONTECCHIO MAGGIORE (VI)	0.1	—	48,394	49.90	—	—	—
ISTITUTO EUROPEO DI ONCOLOGIA S.r.l., Milan	80.6	—	1	14.78	—	—	—
LU-VE S.P.A., VARESE	9.0	360	5,000	20.00	—	—	—
SINTERAMA S.p.A., Sandigliano	45.2	0.51	9,324,456	10.51	—	—	—
MB VENTURE CAPITAL S.A., Luxembourg[1 2]	4.0	—	966	24.15	—	—	—

* Shares owned.

[1] Figures €'000.

[2] Company wound up subsequent to 30 June 2012.

° At a general meeting held on 27 July 2012, the shareholders approved a resolution to place the company in liquidation, at the same time changing the name of the company to Nautica Holding S.p.A., in liquidation.

Table E

FEES PAID FOR AUDITING AND SUNDRY OTHER SERVICES
(pursuant to Article 149-*duodecies* of Consob resolution 11971/99)

Type of service	Mediobanca S.p.A.		Group companies *	
	Reconta Ernst & Young	Network Reconta Ernst & Young	Reconta Ernst & Young	Network Reconta Ernst & Young
Auditing	394	—	687	8
Statements	50	—	45	4
Other services:	17	—	54	51
– *Observation/analysis of administrative/ accounting internal control system*	—	—	—	—
– *other*	*17*	—	*54*	*51*
Total	**461**	**—**	**786**	**63**

* Group companies and other companies consolidated line-by-line.

FORMALITIES REQUIRED UNDER ARTICLE 15 OF THE COMPANY'S ARTICLES OF ASSOCIATION: APPOINTMENT OF DIRECTORS

Dear Shareholders,

Following the issue of Italian Decree Law 201/11, converted into Italian Law 214/11, which instituted a ban on representatives of banks, insurance groups or financial companies from holding equivalent posts in companies operating in the same markets, the following Board members resigned their positions as directors of Mediobanca: Marina Berlusconi, Vincent Bolloré, Ennio Doris, Pierre Lefèvre, Jonella Ligresti and Fabrizio Palenzona, all of whom were appointed from the majority list. The Board would like to place on records its warmest thanks to all of them for their hard work on behalf of Mediobanca.

At meetings subsequently held on the 9 May and 27 June 2012, based on the proposal made by the Appointments Committee and with the Statutory Audit Committee's agreement, the Board co-opted the following persons as directors, in accordance with the provisions of Article 2386 of the Italian Civil Code and Article 15 of the company's Articles of Association: Pier Silvio Berlusconi, Christian Collin, Alessandro Decio, Bruno Ermolli and Vanessa Labérenne. Their terms of office expire by law with the next annual general meeting.

You are therefore invited to appoint new Board members, in accordance with the provisions of Article 15, paragraph 3 of the company's Articles of Association, bearing in mind that at the general meeting held on 28 October 2011, the number of directors of Mediobanca was set at 22 (twenty-two), and also bearing in mind the conclusions of the governing bodies' self assessment exercise as described in the annual statement on corporate governance and ownership structures.

In accordance with Article 15 of the company's Articles of Association, the appointments shall be made without recourse to voting lists, under a resolution adopted on a relative majority basis according to the proposals made by shareholders entitled to vote.

In order to facilitate the proceedings at the general meeting and ensure candidates receive adequate publicity, we would invite you to file your proposals at the company's head office in good time – indicatively five days prior to the date set for the general meeting. The proposals must include: a statement by the candidate themselves agreeing to stand, and declaring, under their own responsibility, that no grounds exist that would render them ineligible for and/or incompatible with the post, the existence of the prerequisites set by law and the company's Articles of Association and also whether or not they qualify as independent according to the definitions provided in Article 148, paragraph 3, of Italian legislative decree 58/98 and the Code of conduct in respect of listed companies operated by Borsa Italiana; full information regarding their personal and professional qualifications for holding such office; and a list of the management and control posts held by them in other companies.

Milan, 20 September 2012

THE BOARD OF DIRECTORS

APPOINTMENT OF EXTERNAL LEGAL AUDITORS FOR THE 2013-2021 PERIOD

Dear Shareholders,

The mandate granted to external auditors Reconta Ernst & Young S.p.A. (the "outgoing auditors") by yourselves in the annual general meeting of Mediobanca S.p.A. held on 28 October 2003 for the 2003-2012 period expires with approval of the financial statements for the year ended 30 June 2012[1].

This appointment is non-renewable, as the nine-year period stipulated Article 17 of Italian legislative decree 39/10 (the "Decree") comes to an end with this year. Article 13 of the Decree further stipulates that shareholders gathered in general meeting decide on the appointment of the legal auditors and determine their remuneration for the entire duration of their appointment, along with any other criteria for amending it during the course of its performance.

In view of the foregoing, on 20 April 2012, at the specific request of the Statutory Audit Committee (the "Committee"), Mediobanca asked auditors PricewaterhouseCoopers S.p.A., KPMG S.p.A. and Deloitte & Touche S.p.A. to formulate applications for the role of advisor to Mediobanca for the 2013-2021 period.

The request for quotations comprised:

- audit of Mediobanca's statutory accounts, including the international branches in Madrid, London, Frankfurt and Paris;
- audit of the Mediobanca Group's consolidated accounts;
- compulsory audit of the Madrid branch office's financial statements, as the Bank of Spain requires the branch to draw up its own statements for local regulatory purposes;
- other auditing services and/or services closely related to the audit mandate.

[1] Mandate extended by shareholders in the annual general meeting held on 28 October 2006 for the 2007-2009 period and again at the annual general meeting held on 27 October 2007 for the 2010-2012 period.

The auditors thus contacted were also asked to supply information regarding their own governance, independence, incompatibility, the technical competence of their teams, and presence on the international markets where the Mediobanca branches are located.

To ensure that absolute priority is given to the quality of the controls and the professionalism of the auditor, the Committee felt it would be helpful if the quotations included a percentage distribution of the estimated man hours, with 10% for partners, 25% for managers and 30% for seniors.

The Statutory Audit Committee analysed the offers received in detail, and explored them in greater depth in a meeting with each of the three audit companies held on 23 May 2012.

To make its assessment, the Committee used both technical and financial criteria, as described below.

At the end of the assessment process, in a meeting held on 16 July 2012, the Committee unanimously expressed its opinion in favour of the offer submitted by PricewaterhouseCoopers S.p.A. (the Company), and informed the Internal Control Committee of its decision at a meeting held on 16 July 2012, and the Board of Directors at a meeting held on 18 July 2012.

In particular it was felt that this offer was the most in line with Mediobanca's requirements in view of the following valuation criteria:

– **knowledge of the Mediobanca Group:** the Company was the Group's auditor until 2003 and is currently auditor of some of its most important subsidiaries (Compass, Futuro, SelmaBipiemme Leasing, Teleleasing and Palladio Leasing); in this role it has had an opportunity to consolidate its knowledge of the Group, its internal procedures and most significant accounting problems;
– **team structure and technical capabilities:** the audit team to be devoted to Mediobanca will consist of 4 partners and 3 managers, many of whom have already worked with the Group on major projects and acquired solid experience in the process. The team has a high seniority and a significant track record, inter alia international, and has shown it is able to handle mandates for complex banking groups. The team will be flanked by partners and managers who are experts in particular specialist areas, such as:

Tax, Capital markets, Regulations and Supervisory bodies. The partner identified to take responsibility for auditing the statutory and consolidated financial statements of Mediobanca is Marco Palumbo, Client Relationship Partner, who followed the auditing of Mediobanca until 2003, assisted by Ezio Bassi, Chief Executive Officer of PricewaterhouseCoopers Italia, is the capacity of Senior Relationship Partner;

– **audit strategy:** the audit strategy illustrated in the offer is appropriate to Mediobanca and its risk profile. The audit methodology, to be applied uniformly at a global level, is a risk-based methodology and is intended to identify risks deemed to be significant using a top-down approach. The approach therefore involves an understanding of business risks, as well as an understanding and appreciation of the system of internal controls, with a view to identifying the main processes and controls on which to focus the audits.

– **experience in relevant sector:** the Company has an adequate presence in the banking sector and a significant footprint in all the countries where Mediobanca's branch offices are located;

– **the value of the offer,** both in qualitative terms with reference to the mix of professional profiles, and in earnings terms with reference to the number of man hours and overall cost, is adequate to ensure high quality standards. As for the qualitative aspects, the mixture of hours between the various professional capabilities is particularly valuable, with higher involvement of partners and managers than was asked for in the offer letter. As for the financial aspects, the quotation is better both in terms of number of man hours and of fees compared to the work done by the outgoing auditor for the year ended 30 June 2011 (a financial year for which the Committee has definitive data at the time when this report is released). The proposed number of man hours is four percent higher, while the fees are eight percent lower than those of the outgoing auditor, along with a significant reduction in the average charge per hour.

In detail, for each of the financial years covered by the mandate, an aggregate fee of € 390,000 has been quoted (net of ISTAT increases for inflation, out-of-pocket expenses, VAT and regulatory contribution), broken down as follows:

Activity	Total no. of hours	Fees (€)	No. of hours/% mix			
			Partner	Manager	Senior	Assistant
Audit of Mediobanca Group consolidated accounts	670	63,050	100	235	235	100
			15%	35%	35%	15%
Audit of Mediobanca statutory accounts and other activities *	1,980	184,630	297	594	693	396
			15%	30%	35%	20%
Limited audit of interim financial statements to determine the profit for the period for purposes of calculating regulatory capital	730	86,980	110	219	256	146
			15%	30%	35%	20%
Limited audit of interim financial statements	220	27,280	33	77	77	33
			15%	35%	35%	15%
Audit of Madrid branch accounts for local regulatory purposes	100	10,000	15	30	35	20
			15%	30%	35%	20%
Audits in connection with signing off tax declarations	100	6,160	15	30	35	20
			15%	30%	35%	20%
Audits in connection with the national compensation fund	100	11,900	15	30	35	20
			15%	30%	35%	20%
Total	3,900	390,000				

* The other activities consist of: checking that the books are kept correctly, expressing an opinion on consistency with the Annual statement on corporate governance and the Review of operations, and audit of the Bank's international branches.

The above fees will be updated annually on 1 July each year starting from 1 July 2014, based on the total annual variation in the ISTAT cost of living index (base date June 2013).

The fees may be changed subsequently in the event of exceptional or unforeseeable circumstances which would determine the need for a higher number of man hours and/or a different commitment from the professionals involved than currently envisaged. These may include, without limitation, changes to the structure and size of the Company, regulatory changes in the accounting and/or auditing standards and in the IT systems underpinning the accounting processes, changes to the laws and regulations currently in force.

* * * * * *

Dear Shareholders,

You are invited to approve our proposal, pursuant to Article 13, paragraph 1 of Italian legislative decree 39/10, to appoint the audit company PricewaterhouseCoopers to audit the accounts of Mediobanca for the 2013-2021 period, for a total aggregate fee of € 390,000 made up as follows:

– € 63,050, to audit the Mediobanca Group's consolidated accounts, corresponding to 670 man hours;
– € 184,630, to audit Mediobanca's statutory accounts and other activities[2] corresponding to 1,980 man hours;
– € 86,980, for the limited audit of the interim financial statements in order to determine the profit for the period for purposes of calculating regulatory capital, corresponding to 730 man hours;
– € 27,280, for the limited audit of the consolidated interim financial statements, corresponding to 220 man hours;
– € 10,000, in respect of the audit of the Madrid branch's accounts for local regulatory purposes;
– € 6,160, for audits in connection with signing off tax declarations, corresponding to 100 man hours;
– € 11,900, for audits in connection with the national compensation fund, corresponding to 100 man hours.

duly noting that such fees are net of ISTAT increases for inflation, out-of-pocket expenses, VAT and regulatory contribution, and that they will be revised in the event of exceptional or unforeseen circumstances.

The foregoing is based on the proposal formulated by the audit company PricewaterhouseCoopers S.p.A. on 4 May 2012.

Milan, 16 July 2012

The Statutory Audit Committee

[2] The other activities consist of: checking that the books are kept correctly, expressing an opinion on consistency with the Annual statement on corporate governance and the Review of operations, and audit of the Bank's international branches.

STAFF REMUNERATION POLICIES

Dear Shareholders,

We have called you together in general meeting:

A) to report on the remuneration policies adopted for the twelve months ended 30 June 2012, and

B) to submit Mediobanca's new remuneration policies, approved by the Board of Directors on 20 September 2012, to your approval.

During the year under review, the governing bodies of Mediobanca have continued to devote particular attention to the issue of remuneration, including in the light of the new documents published by the supervisory authorities on this subject. The Bank of Italy in particular, in updating its circular no. 263 (issued on 27 December 2006) in December 2011, established that information on remuneration should be made public as part of the disclosure required under the Basel III pillar III regulatory provisions. Furthermore, in a memo issued on 2 March 2012, the Bank of Italy also reminded banking groups to pay special attention to the costs associated with variable remuneration and to ensure performance is measured correctly, ensuring that due account is taken of liquidity and capitalization objectives.

With respect to issues of transparency and disclosure, under resolution no. 18049 issued on 23 December 2011, Consob established the methods by which the report on remuneration is to be disclosed to the public, which, in the case of banks, adds to the provisions established by the sector regulations.

Given the above, this report incorporates the disclosure requirements established by both the Bank of Italy and Consob.

SECTION 1

A) Staff remuneration polities for FY 2011/2012

a) Remuneration of non-executive directors

The Board of Directors, at the Remuneration Committee's proposal, has adopted a resolution to reduce their remuneration for 2012–2014 by some 30% compared to the previous three-year period.

Group	Compensation 2012-2014 (€)		Total (€)
Directors	22	100,000	2,200,000
Deputy Chairman	2	35,000	70,000
Executive Committee	3	60,000	180,000
Remunerations Committee	4	20,000	80,000
Appointments Committee	4	20,000	80,000
Internal Control and Related Parties Committees	4	75,000	300,000
Total			**2,910,000**

b) Executive directors' remuneration

The remuneration paid to those of the directors who are also members of the Group's senior management has also been revised during the year by the Board of Directors (in agreement with and at the proposal of the interested parties), subject to approval by the Remunerations Committee, to bring the package into line with the Bank of Italy's guidance and the Group remuneration policy approved on 28 October 2011.

In particular, as from this year their fixed annual salary has been reduced from the amounts previously stipulated in their contracts and set at the following rates:

Executive Director	Gross annual salary (€)
Renato Pagliaro – Chairman	1,800,000
Alberto Nagel – Chief Executive Officer	1,800,000
Francesco Saverio Vinci – General Manager	1,500,000
Massimo Di Carlo	1,260,000
Maurizio Cereda	1,170,000

The methods used to measure their individual bonuses have also been revised, so that payment of bonuses will depend on specific, individual quantitative and qualitative performance objectives assigned from year to year starting from 2012/2013 being reached. Payment of bonuses will take place in accordance with the terms, conditions and methods set forth in the Group's remuneration policies in force from time to time. The Chairman's remuneration package does not include any variable component. Certain contractual clauses relative to termination of employment have also been revised, so that such cases are now governed exclusively by the provisions of the law and the national collective contract, without any separate arrangements being in place.

For the financial year ended 30 June 2012, as for the previous year, the Group's executive directors did not receive any variable compensation.

c) Criteria for calculation of bonus pool and allocation using risk-adjusted metrics based on sustainable results over time

The bonus pool serves to pay the variable component to be assigned annually to those of Mediobanca's staff who, on account of their responsibilities, role or level of remuneration, are closely associated with the Bank's earnings performance. Such staff are defined as "most relevant", in accordance with the definitions provided in the Bank of Italy regulations. Save where certain pre-existing contractual obligations still apply, the bonus pool is paid only upon a series a conditions, or gates, being met, which consist of the following indicators:

– positive economic profit earned by the CIB division[1];
– consolidated financial statements reflecting a profit;
– core tier 1 ratio above regulatory threshold;
– compliance with adequate liquidity coverage ratio level[2].

The bonus pool is also calculated by taking into account:

– other quantitative aspects: results achieved compared to budget objectives, performance compared to historical precedents;

[1] Economic profit (EP) consists of the profit earned by the CIB division, not including the contribution from leasing operations or the equity investments attributable to the division (equity investments and AFS shares), adjusted for the cost of capital (regulatory) required to carry out such activity. The metric therefore measures the extra profit created after the return on capital, with the cost of capital being calculated on the basis of the medium-/long-term risk-free rate plus returns for general and specific risk. The EP metric was chosen in order to take into account, as required by the supervisory authorities, current and potential risks and sustainability of results over time.

[2] Coincides with the liquidity coverage ratio, a short-term liquidity indicator calculated from the ratio between the amount of highly liquid securities (or "counterbalance capacity", largely consisting of core European government bonds) and the balance of net outflows in the next 30 days, and using certain stress assumptions for the demand items. This indicator is considered to be adequate if above 100%, that is, the amount of the counterbalance capacity has to exceed the expected net outflows. Alternatively another indicator could be used which is more representative of the Group's liquidity situation.

– qualitative considerations: payment of a dividend, Mediobanca's positioning and market share, evaluation of stock market performance, cost/income and compensation/income ratio levels with a view to their sustainability over time, loyalty retention among top performers and key staff, as well as the need to add new professional talent.

The performance of the CIB division (excluding items in respect of equity investments and leasing) in the twelve months ended 30 June 2012 shows:

– revenues flat, including as a result of the contribution from trading;
– administrative costs flat, with labour costs declining;
– a good performance in normalized profit before tax, which was up 9%;
– loan loss provisions up 5% net of the non-recurring writebacks seen last year; while the gross result was down on account of the writedowns charged to the securities portfolio;
– cost/income and compensation/income ratios down compared to last year.

At the Group level the following results should be noted:

– flat revenues, reflective resilience in net interest and fee income as well as the contribution from trading, which as a result of the recovery posted in the final quarter, offset the reduced contribution from the equity investments (in particular Assicurazioni Generali);
– significant impact of adjustments to securities, which almost doubled due to the poor performance of financial markets;
– costs were down 9.5%, with labour costs down 5% in particular;
– higher loan loss provisions, reflecting the deterioration in the risk profile of corporates and households;
– profit from ordinary activities up 3.6%.

As for the other conditions precedent to distribution of the bonus pool, at 30 June 2012:

– the core tier 1 ratio was equal to 11.5%;
– the liquidity ratio was equal to approx. 144%, net of the LTROs, compared with the regulatory minimum of 100%.

Given that all the conditions precedent to distribution of the bonus pool had been met, applying all the criteria provided and taking into account the Remunerations Committee's and the Board of Directors' recommendations, the Chief Executive Officer decided to award a bonus pool amounting to €44m for Mediobanca, down 50% on last year, with a payout ratio equal to approx. 26% of the economic profit (compared with 37% last year). This amount includes the share paid in equity (performance shares) totalling around €12m (approx. 30% of the bonus pool) to be booked in part over the next three financial years, in accordance with the international accounting standards. In addition, of the cash component (€32m), only around €20m was actually paid, with the remainder deferred to subsequent years.

There were a total of 119 recipients of the bonus pool (compared with 133 last year): in addition to the six senior Mediobanca executives, these include risk-takers with variable remuneration of above €500,000 (nine staff members employed on the trading desks of the Financial markets division), staff belonging to control units (14), other staff with variable remuneration of above €500,000 (3), and other staff (87) who, on account of the type of activity carried out and the seniority of their role, have a significant impact on the Bank's risk profile (market, reputational and operational risk).

Management with strategic responsibilities other than the executive directors as at 30 June 2012 consisted of ten persons: the heads of the control units plus the principal staff and support areas, the head of financial reporting, and other staff in charge of important business areas considered strategic for the Bank's functioning. Their remuneration package reflects the provisions of the Remuneration policies, based on the individual category of most relevant staff to which they belong.

d) Deferral of annual bonus over several years and malus conditions for deferred annual bonus

For the most important figures in the "most relevant staff" the share accounted for by the deferred bonus amounts to 60%, falling to 40% or 30% for the other categories impacting less substantially on the risks faced by the Bank, in accordance with the Remunerations policies approved on 28 October 2011. The time horizon for deferral is in all cases three years, with payments made annually pro rata.

The share paid in the form of equity instruments for staff with variable remuneration of over €500,000 is 50%, for both the upfront component (i.e. paid in the same year as the award itself is made) and the deferred share; the balance is paid in cash.

Conditions of retention and conservation are applied to the equity component of the remuneration once the respective rights have vested, for an addition period of time (known as the holding period), for purposes of retention. The holding period has been set at two years for the upfront component and one year for the deferred component.

For the group of staff identified internally based on the criterion of proportionality[3] (with deferred share equal to 30% if the amount of the variable remuneration exceeds €200,000), the payment is made entirely in cash.

The 53 Mediobanca staff subject to deferral are divided as follows:

Senior figures, Italy and international	6	Equity/cash
Senior risk-takers	9	Equity/cash
Senior bankers (non-risk-takers)	3	Equity/cash
Others	35	Cash
Total	**53**	

From the bonus pool described in the previous section, the Board of Directors therefore approved the award of 3,104,678 performance shares to Group staff, worth a total value of approx. €12m based on the average stock market price of Mediobanca shares in the month prior to the award, i.e. €3.73 per share. Furthermore, pursuant to contractual clauses entered into for recruitment purposes, a total of 2,756,816 million new performance shares were awarded, in this case with a holding period of either two or three years.

The staff remuneration policies also provide for the deferred bonus to be subject to further performance conditions which, in the years of the deferral period, could result in its being cancelled. In this way remuneration takes account into account the performance of the risks assumed by the Bank, the divisional results and individual behaviour, over time. Deferred bonuses, in cash or equity, are thus conditional upon the staff member concerned still being

[3] Criterion identified by the supervisory authorities to graduate application of the regulation based on the complexity and type of company.

in the Bank's employ at the time of their distribution, but also to the following performance conditions being met in the year of distribution:

- positive economic profit earned by the CIB division;
- consolidated financial statements reflecting a profit;
- core tier 1 ratio above regulatory threshold;
- compliance with adequate liquidity coverage ratio level;
- possible additional individual performance conditions;
- proper conduct by the individual (i.e. not having been subject to disciplinary measures) in view, *inter alia*, of the provisions of the Group audit regulations, Code of ethics, Organizational model and the other internal Mediobanca regulations.

Certain contracts entered into with staff employed at the Bank's international offices have also been revised during the year, bringing them into line with the provisions of the Remuneration policies currently in force.

e) Assessment of individual quantitative/qualitative performance in awarding annual bonuses

The Chief Executive Officer and the senior managers have granted bonuses to individual beneficiaries based on assessment of their performances, with a view to retaining the best key staff. This includes 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), and also earnings results achieved.

f) Involvement of control units in validation of remuneration process

The Internal audit and Compliance units have issued reports on the controls carried out by them, which show that the remuneration and incentivization policy adopted by Mediobanca complies with the Bank of Italy's guidance.

The Risk management unit also took part in the Remunerations Committee meetings at which the amount of the remuneration assigned was established.

B) New staff remuneration policies

The new remuneration policies submitted to your approval are fully aligned with the new regulations. The main differences compared to the previous versions, which have been introduced to ensure that the Mediobanca Group's policy corresponds more closely to the Bank of Italy's guidance, involve: the structure of the remuneration package for the executive directors (which was amended in any case during the course of last year), the possibility of paying staff a variable component for retention purposes, the valuation models used to assess the performances of the various business units, and the so-called compliance breach.

a) Governance

The governance for the Mediobanca remuneration policy and decisions regarding the "most relevant staff" is structured across two levels:

I. corporate

II. organizational

I. Corporate governance

The corporate governance of the remuneration policies guarantees that the policies are based on clear and prudent guidelines which ensure the policies are consistent, avoiding situations of conflicts of interest arising, and transparent, through suitable reporting.

Under the current Articles of Association:

– shareholders in general meeting determine the fixed annual remuneration payable to members of the Board of Directors, upon their appointment for the entire duration of their term of office, to be divided among the individual Board members according to the decisions of the Board of Directors itself (Article 13).

– shareholders in general meeting also approve remunerations policies and share-based compensation schemes for Directors and Group staff (Article 13).

– the Board of Directors determines the Chairman's, the Chief Executive Officer's and General Manager's remuneration (Article 18).

– the Remunerations Committee has powers of consultation and enquiry to determine the remuneration of Directors vested with particular duties and the General Manager. The Remunerations Committee also gives its opinion on the staff remuneration and retention policies operated by the Group and presented by the Chief Executive Officer (Article 19).
– the Chief Executive Officer presents the Group staff remuneration and retention policies to the governing bodies (Article 19), 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 (Article 25) and then distributes it.

II. Organizational governance

The process by which the Mediobanca remuneration policies are formulated, which involves the approval procedure described above, requires the involvement of various individuals and bodies. The Human resources department is responsible for overseeing and managing the process by which proposals are formulated. The internal control units are also involved in this process.

The Risk management unit is responsible for identifying potential events that could impact on the company's business, managing the risk within acceptable limits; it therefore helps in defining the metrics to be used to calculate the risk-adjusted company performance (i.e. economic profit or other indicators, plus other quantitative and qualitative aspects, if any) and in validating the results.

The Internal audit reports at least once a year on the controls it has carried out, including a statement to the effect 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.

The Compliance unit too carries out an annual assessment of the remuneration policies' compliance with the reference regulatory framework with a view to containing any legal or reputational risks. 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. The review carried out by the unit of the new remuneration policies showed that the policies are consistent with the regulatory instructions presently in force.

b) Remuneration structure for non-executive directors

The non-executive directors' remuneration 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 available to cover such directors against civil liability.

c) 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 fixed by the Board of Directors. Their remuneration structure comprises:

1) a fixed salary;

2) an annual variable component which accrues only upon the accrual of the aggregate bonus pool for the company as a whole, as established by the Remuneration policies approved by shareholders in general meaning. The amount of the individual bonus will depend on specific quantitative and qualitative performance indicators being reached which are assigned individually by the relevant bodies from year to year. If the individually assigned quantitative and qualitative targets are met, the amount of the bonus may reach a maximum of two times the annual fixed salary. Payment of the bonus is made according to the terms, conditions and methods set forth in the Remuneration policies: this currently involves deferral of 60% over a three-year time horizon, 50% cash 50% equity for both the upfront and deferred components, with a holding period for the equity part;

3) upon the approval of the three-year Group plan, the Board of Directors may choose to award an additional lump-sum extraordinary bonus, or long-term incentive, upon the objectives set forth in the plan itself being reached. The actual payment of the long-term incentive will take place in accordance with the terms, conditions and methods provided for in the Group's remuneration policies.

No variable remuneration is provided for the Chairman.

The Group's executive directors also receive their emoluments as directors, but not those due in respect of participation in committees, and in the case of positions held on behalf of Mediobanca in subsidiaries or investee companies, any emoluments due are paid to Mediobanca as the persons concerned are Bank employees.

An insurance policy is available to cover such directors against civil liability, and they also benefit from participation in the complementary pension scheme operated for Mediobanca staff.

d) Identification of "most relevant staff"

The Bank of Italy regulations lay down the criteria (responsibility, role and level of compensation) and principles by which the "most relevant staff" are to be identified. Accordingly, based on these criteria and principles, and with particular attention to those profiles for which the annual variable component represents a significant proportion of their total remuneration (the application threshold), relevant staff have been identified and assigned to the following categories.

Group		Mediobanca identification	No. positions
1)	Executive directors	Directors who are members of Group senior management	5
2)	Heads of principal business lines, geographical areas and other senior figures	– Heads of Principal Investing and Mid Corporate divisions – CEOs/GMs of leading Group companies – International branch managers	11
3)	Heads of internal control units and most senior staff	– Human resources – Compliance – Risk management – Group audit – Head of company financial reporting	14
4)	Risk-takers	Risk desks (market and liquidity risks) with variable remuneration ≥ €500,000	9
5)	Staff with remuneration equal to other risk-takers	Staff with variable remuneration ≥ €500,000 not included in previous categories	3
6)	Other relevant staff identified discretionally by the company based on "proportionality" criterion	– Risk desks (market and liquidity risks) with variable remuneration between €200,000 and €500,000 – Indirect impact on reputational risk – Impact on operational risks – Relevance and support to strategic businesses	87
		Total at 30/6/12	**129**
		at 30/6/11	**135**

As far as regards the remuneration package for management with strategic responsibilities other than the executive directors (the heads of the control units plus the principal staff and support areas, the head of financial reporting, and other staff in charge of important business areas considered strategic for the Bank's functioning), the composition of their remuneration package reflects the provisions of the Remuneration policies, based on the individual category of most relevant staff to which they belong.

e) Pay mix

The Mediobanca Group Remuneration policy is intended to attract and retain highly qualified and professional staff, in particular for key positions and roles, who are suited to the complexity and specialization of corporate and investment banking business, based on a rationale of prudent management and sustainability of costs and results over time. The increasingly international dimension of the Bank's operations means that constant monitoring of the individual geographical areas is required to safeguard adequate professional standards, in a competitive market scenario. The structure of the 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 gearing 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 compared to its reference market, including with the assistance of outside advisors.

The typical components of remuneration in Mediobanca are as follows:

- fixed salary: for the non-executive directors, this is established by the shareholders in general meeting. For the executive directors, the Group's strategic management and the remaining staff, the fixed salary is determined by their specialization, role carried out in the organization and related responsibilities. It reflects technical, professional and managerial capabilities. 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 but at the same time being careful not to make the overall remuneration package unduly inflexible.
- variable remuneration: the annual bonus, which the non-executive directors and the Chairman do not receive, for the other staff functions as recognition and reward for targets set and results achieved, and is calculated based on indicators reflecting a risk-weighting system and correlation to results actually achieved over time. It is an important motivational factor. For some business figures, this may still form the majority of their annual pay, in line with market practice (Corporate and Investment Banking).

  The variable component is paid: in part upfront during the relevant financial year, and in part in deferred form over a three-year period, subject to certain performance conditions being met; in terms of the instruments used, part of the variable remuneration is paid in cash form, part in equity. A further time period is applied to the equity component of the remuneration once the respective rights have vested, during which the instruments must be kept (known as the holding period), for purposes of retention. The remuneration cannot be paid in forms, instruments or other means with the intention of avoiding the regulatory instructions.

For a restricted number of young staff with high potential, who occupy key positions and are on a fast-track career plan, 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.

The correlation between fixed and variable components, with the variable component pre-eminent in accordance with sector practice in corporate and investment banking, is balanced in Mediobanca by the presence of a cap on the variable part to be assigned to the business units.

– Benefits: in line with the market, the Mediobanca staff compensation package is completed by a series of fringe benefits which constitute an integral part thereof. These chiefly consist of pension, insurance and healthcare schemes. The benefit schemes may be distinguished by families of professionals, 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.

f) Correlation between remuneration, risks and performance

The correlation between remuneration, risks and performance is achieved by a system which:

1) benchmarks the variable remuneration to risk-adjusted performance indicators over several years; variable remuneration is determined on the basis of indicators recorded at Group, CIB division and individual business area level;

2) ensures that the award of variable compensation is subject to the conditions of capital solidity, liquidity and risk-adjusted profitability being met continuously;

3) makes payment of the deferred bonus subject to maintaining: the conditions of capital solidity, liquidity and risk-adjusted profitability at Group and possibly also business area level; adequate levels of individual performance; and appropriate individual behaviour (compliance breaches);

4) reflects a discretionary assessment of individual results (see point h. below).

In particular:

1) The bonus pool pays the variable component to be awarded annually to those staff, in Italy and elsewhere, who because of the size of their compensation, management of business activities, assumption of specific risks and/or organizational role, are strongly linked to the Bank's results – that is, those who qualify as the "most relevant staff". Distribution of the bonus pool, apart from in cases of pre-existing contractual obligations in respect of certain individuals, only takes place provided a series of conditions, or gates, are met, i.e. if the following indicators are respected:

   – positive economic profit earned by the CIB division;

   – consolidated financial statements reflecting a profit;

   – core tier 1 ratio above regulatory threshold;

   – compliance with adequate liquidity coverage ratio level.

   The Chief Executive Officer may in any case choose to pay a variable component, solely for retention purposes, in respect of individual performances that are decisive for the sustainability of results over time, even in the event of the conditions or gates failing to me met if this is due to extraordinary events and if the Bank's performance in its banking activities is positive.

2) Variable remuneration (the bonus pool) is established annually by the Chief Executive Officer, by applying:

   a) the quantitative metric represented by the economic profit earned by the Corporate and investment banking division, plus:

   b) other quantitative aspects:

      – comparison with budget objectives;

      – performance compared to historical precedents;

   c) qualitative considerations:

      – Group profit in comparison with the previous year;

– possibility of distributing a dividend;

– Mediobanca's positioning and market share;

– appraisal of the Mediobanca share stock market performance, including relative to the market and the Bank's main competitors, Italian and international;

– cost/income and compensation/income ratio levels, to take into account sustainability over time;

– developing product offering and new businesses;

– cross-selling activity;

– quality of relations with customers;

– staff professionalism and reliability, with reference in particular to reputational and compliance issues;

– securing loyalty of top performers and retaining key staff, plus the need to add new professional talents.

3) The Chief Executive Officer allocates the bonus pool to the individual business areas of the CIB division based on the economic profit earned by each area as the reference metric and other secondary quantitative and qualitative metrics, with the provision of a cap. individual awards are made on the basis of an overall assessment of personal performance in quantitative and qualitative terms.

4) The satisfaction of performance conditions, and provision of subsequent correction mechanisms (malus conditions), are intended to ensure that the deferred bonuses in equity and cash forms are paid in time only if the results achieved prove to be sustainable, if the company continues to be solid and liquidity, and the individual concerned continues to behave appropriately. Accordingly, the following conditions must be satisfied at the time when the deferred component is to be paid, and provided that the beneficiary is still in the Group's employ:

   – positive economic profit earned by the CIB division;

   – consolidated financial statements reflecting a profit;

   – core tier 1 ratio above regulatory threshold;

   – compliance with adequate liquidity coverage ratio level;

   – possible additional individual performance conditions;

– proper conduct by the individual (i.e. not having been subject to disciplinary measures) in view, *inter alia*, of the provisions of the Group audit regulations, Code of ethics, Organizational model and the other internal Mediobanca regulations[4].

The Board of Directors may also identify additional performance indicators upon the occasion of each individual award cycle. For any employees of Group companies who may be included in the scheme, the Chief Executive Officer will identify one or more specific economic indicators to replace those set forth above.

g) Structure of variable component

A significant part of the variable remuneration is deferred and distributed *inter alia* in the form of equity instruments, to ensure that the incentives are linked to the objective of value creation in the long term and ongoing, sustainable company results.

For the key figures among the "most relevant staff" (i.e. groups 1 and 2 – if the variable component is above €500,000 - and 4 in the table shown under point d) above, the deferred component of the bonus amounts to 60%, and falls to 40% (group 5) or 30% for the other groups impacting less significantly on company risks. The time horizon for the deferral is three years for everyone, with annual payments made pro rata.

The share awarded in the form of equity instruments is equal to 50% of the variable remuneration, for both the upfront component (i.e. distributed in the year in which it is awarded) and the deferred component; the balance is paid in cash.

The equity component of the remuneration is subject, once the rights have vested, to restrictions in terms of retaining and continuing to hold the shares for retention purposes, for a further period of time (the holding period). This has been set at two years for the upfront component and one year for the deferred component.

For other relevant staff (group 6) with a deferred share of 30%, if the variable component exceeds the amount of €200,000, the distribution is made entirely in the form of cash.

[4] In particular the relevant cases of application for compliance breaches are identified internally, via an assessment of the most relevant areas of the regulations with respect to the Bank's reputational risk and the gravity of the breach concerned, as well as the process for evaluating them correctly and correcting them if appropriate, which involves the control units and governing bodies.

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

Individual annual bonuses are awarded by the Chief Executive Officer via an annual performance assessment process which emphasizes professional merit and quality, with a view to retaining key staff members.

For the business units the following are considered:

– strictly 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, valuation criteria linked to reputational and compliance issues (in view, *inter alia*, of the provisions of the Group audit regulations, Code of ethics, Organizational model and the other internal Mediobanca regulations), 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 control of costs, efficient management of areas and compliance with regulations.

The following in particular are assessed:

a) for professionals employed in the accounts areas:

   – that the earnings and financial results and information are accurately represented in the Group's and the Bank's financial statements;

   – that all obligatory, supervisory and market disclosure requirements are complied with;

   – that all the accounting processes and related electronic procedures are managed efficiently and accurately;

   – that company strategies are correctly aligned to the policies regarding their representation in the accounts, and compliance with tax and legal requirements;

   – reliability of the budget and pre-closing data;

b) for professionals employed in the internal control units (Internal 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 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, business and non-business;

   – correct development of models, methodologies and metrics with which to measure market, credit and operating risks, producing adequate reporting for monitoring processes and accurate analysis of new products and their risk profiles.

Within the system of assessment described above, the management's discretionary evaluation remains a central part of the awards made to individuals.

i) Performance share scheme

In connection with the equity instruments to be used as components of staff remuneration, Mediobanca has adopted a performance share scheme, which was approved by shareholders at a general meeting held on 28 October 2010 and revised by the Board of Directors on 24 June 2011, in exercise of the powers granted to it, to bring it in line with the Instructions.

The scheme involves the award of shares to employees. The shares will be awarded at the end of a three-year vesting period (save as provided below for the upfront component) provided that the beneficiary is still employed by the Group and further provided that certain conditions are met at the time of the award. The performance conditions are identified in the Remunerations policies in force at the time. The performance shares are allocated as a deferred equity component, subsequent to the performance conditions for the relevant year being met, are subject to a further holding period (the beneficiary continuing to be an employee of Mediobanca) of at least one year prior to their actual assignation. The performance shares allocated as an upfront equity component are subject to a two-year holding period prior to their actual assignation. The competent governing bodies award quantities of performance shares on a regular basis, generally once a year, from the upper limit approved by shareholders in the general meeting held on 28 October 2010 or alternatively from the treasury shares owned by the Bank. The maximum number of shares that may be awarded under the terms of this scheme is 20 million (a total of 11,686,506 are outstanding) pursuant to the resolution approved on 28 October 2010, plus up to 17,010,000 treasury shares owned by the Bank, provided that the use of the latter remains uncertain because the resolution adopted by shareholders in the general meeting held on 27 October 2007 in respect of them specified other possible uses as well (consideration to acquire investments, possible assignment to shareholders).

The Chief Executive Officer may also use this instrument to define remuneration packages upon the occasion of recruiting new key staff, including outside the annual award cycle.

j) 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 (to be awarded by June 2014), for use as part of a stock option scheme; at total of 23,454,000 are outstanding. 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, making 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; 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 profiles, for certain participants in the scheme who perform significant roles. Stock options awarded can be exercised based on the performance conditions for each of the three years of the vesting period being met. 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. The performance conditions are identified in the remuneration policies in force at the time.

k) Remuneration structure for staff employed in control and support capacities

The remuneration package for the Head of company financial reporting, the heads of the internal control units (Internal audit, Compliance and Risk management), the head of Human Resources and the most senior staff in the areas referred to above is structured so as to ensure that the majority of the compensation is fixed, with a small variable component to be revised on a year-to-year basis in view of quality and efficiency criteria. The remuneration of the heads of these offices (with the fixed component comprised in a range from between 75% and 85% of their total compensation), which may be reviewed annually, is approved by the Board of Directors subject to the Remunerations Committee's favourable opinion.

In general the remuneration of individuals employed in staff and support areas is determined based on positioning relative to the reference market (gradated according to the value of the staff, their role and the retention strategies in place). The variable component for such staff, which is normally of modest proportions, tends to increase on the basis of the quality of individual performance rather than in relation to the Group's earnings.

l) Remunerations policies at Group companies

Mediobanca has set the guidelines for 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 and importance to the business, have an impact on their companies' performance and value creation. The beneficiaries are therefore senior and key management staff.

Beneficiaries, identified by the Chief Executive Officer of Mediobanca, having sought the opinion of the General Manager at the proposal of the Chief Executive Officer of the company concerned, are included in the incentive scheme subject to approval from the management of the Retail and private banking and the head of Human resources of Mediobanca. Each beneficiary is included 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 the economic profit earned by the business area in which they operate). 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. In line with the provisions of the scheme operated by Mediobanca S.p.A., the incentivization schemes implemented at the other Group companies also devote special attention to the issue of correct evaluation of individual conduct (e.g. compliance with regulations and internal procedures, as well as transparency towards customers) through the adoption of compliance breaches.

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 S.p.A. 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 wrongful provisions, contingent liabilities or other items which might prejudice the integrity of the accounts and the significance of the results achieved ("malus conditions").

m) Policies in the event of employment being terminated or otherwise ended

No special treatment is provided for directors in the event of their ceasing to work for Mediobanca.

For the executive directors and management with strategic responsibilities, in the event of their ceasing to work for the Bank for any reason, only the provisions of the law and the national collective contract apply.

n) Other information

Caps on variable remuneration: for some staff in some business segments where there is a closer correlation to results, a cap has been provided as a precaution.

Guaranteed bonuses: these may be considered for 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.

Staff are not allowed to use personal hedging or insurance strategies involving remuneration or other aspects which could alter or otherwise distort the fundamental alignment of the compensation mechanisms with the company's risk. The remuneration cannot be paid in forms, instruments or other means with the intention of avoiding the regulatory instructions.

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

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-equity)		Non-cash benefits	Total	Fair value of equity compen-sation
					Emoluments	Fixed salary *	Total		Bonus and other incentives	Interest in earnings			
Renato Pagliaro	Chairman, Board of Directors	01/07/11	30/06/12	30/06/14	116,438	2,016,000	2,132,438				351,558 of which complementary pension scheme 346,410	2,483,996	113,677
	(I) Compensation in company preparing the accounts				**116,438**	**2,016,000**	**2,132,438**				**351,558**	**2,483,996**	**113,677**
	(II) Compensation from subsidiaries and associates [1 2]				**62,562**		**62,562**	**50,123**				**112,685**	
	(III) Total				**179,000**	**2,016,000**	**2,195,000**	**50,123**	**0**	**0**	**351,558**	**2,596,681**	**113,677**
Dieter Rampl	Deputy Chairman, Board of Directors	01/07/11	30/06/12	30/06/14	156,369		156,369					156,369	
	Member of Appointments Committee	01/07/11	28/10/11	—	8,219		8,219					8,219	
	(I) Compensation in company preparing the accounts				**164,588**	**0**	**164,588**	**0**				**164,588**	**0**
	(II) Compensation from subsidiaries and associates												
	(III) Total				**164,588**	**0**	**164,588**	**0**	**0**	**0**	**0**	**164,588**	**0**
Marco Tronchetti Provera	Deputy Chairman, Board of Directors	01/07/11	30/06/12	30/06/14	156,369		156,369					156,369	
	Member of Appointments Committee	01/07/11	28/10/11	—	8,219		8,219					8,219	
	(I) Compensation in company preparing the accounts [1]				**164,588**	**0**	**164,588**					**164,588**	**0**
	(II) Compensation from subsidiaries and associates [3]				**3,312,970**		**3,312,970**		**18,671,840**		**4,887**	**21,989,697**	
	(III) Total				**3,477,558**		**3,477,558**	**0**	**18,671,840**	**0**	**4,887**	**22,154,285**	**0**

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

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-equity)		Non-cash benefits	Total	Fair value of equity compen-sation
					Emoluments	Fixed salary *	Total		Bonus and other incentives	Interest in earnings			
Alberto Nagel	Chief Executive Officer	01/07/11	30/06/12	30/06/14	116,438	1,800,000	1,916,438				352,156 of which complementary pension scheme 346.508	2,268,594	113,677
	(I) Compensation in company preparing the accounts				**116,438**	**1,800,000**	**1,916,438**	**0**	**0**	**0**	**352,156**	**2,268,594**	**113,677**
	(II) Compensation from subsidiaries and associates [1 4]				**114,732**		**114,732**	**84,000**		**2,518**		**201,250**	
	(III) Total				**231,170**	**1,800,000**	**2,031,170**	**84,000**	**0**	**2,518**	**352,156**	**2,469,844**	**113,677**
Francesco Saverio Vinci	General Manager	01/07/11	30/06/12	30/06/14	116,438	1,500,000	1,616,438				294,424 of which complementary pension scheme 288,133	1,913,380	81,198
	(I) Compensation in company preparing the accounts				**116,438**	**1,500,000**	**1,616,438**	**0**	**0**	**0**	**294,424**	**1,910,862**	**81,198**
	(II) Compensation from subsidiaries and associates [1 4]				**116,740**		**116,740**	**67,233**		**2,518**		**186,491**	
	(III) Total				**233,178**	**1,500,000**	**1,733,178**	**67,233**	**0**	**2,518**	**294,424**	**2,097,353**	**81,198**
Jean Azema	Board Director	01/07/11	28/10/11	—	49.315		49.315					49.315	
	(I) Compensation in company preparing the accounts				**49.315**	**0**	**49.315**	**0**			**0**	**49.315**	
	(II) Compensation from subsidiaries and associates												
	(III) Total				**49.315**	**0**	**49.315**	**0**	**0**	**0**	**0**	**49.315**	**0**

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

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-equity)		Non-cash benefits	Total	Fair value of equity compen-sation
					Emoluments	Fixed salary *	Total		Bonus and other incentives	Interest in earnings			
Tarak Ben Ammar	Board Director	01/07/11	30/06/12	30/06/14	116.438		116.438					116.438	
	Member of Remunerations Committee	01/07/11	28/10/11	—	8,219		8,219					8,219	
	Member of Internal Control and Related Parties Committees	01/07/11	28/10/11	—	24,658		24,658					24,658	
	(I) Compensation in company preparing the accounts				**149,315**	**0**	**149,315**					**149,315**	**0**
	(II) Compensation from subsidiaries and associates												
	(III) Total				**149,315**	**0**	**149,315**	**0**	**0**	**0**	**0**	**149,315**	**0**
Gilberto Benetton	Board Director	01/07/11	30/06/12	30/06/14	116,438		116,438					116,438	
	(I) Compensation in company preparing the accounts				**116,438**	**0**	**116,438**	**0**			**0**	**116,438**	
	(II) Compensation from subsidiaries and associates [5]				**50,000**		**50,000**					**50,000**	
	(III) Total				**166,438**	**0**	**166,438**	**0**	**0**	**0**	**0**	**166,438**	**0**
Marina Berlusconi	Board Director	01/07/11	26/04/12	—	98,630		98,630					98,630	
	(I) Compensation in company preparing the accounts				**98,630**	**0**	**98,630**	**0**			**0**	**98,630**	
	(II) Compensation from subsidiaries and associates												
	(III) Total				**98,630**	**0**	**98,630**	**0**	**0**	**0**	**0**	**98,630**	**0**

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

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-equity)		Non-cash benefits	Total	Fair value of equity compensation
					Emoluments	Fixed salary *	Total		Bonus and other incentives	Interest in earnings			
Pier Silvio Berlusconi	Board Director	09/05/12	30/06/12	27/10/12	14,520		14,520					14,520	
	(I) Compensation in company preparing the accounts				**14,520**	**0**	**14,520**	**0**			**0**	**14,520**	
	(II) Compensation from subsidiaries and associates												
	(III) Total				**14,520**	**0**	**14,520**	**0**	**0**	**0**	**0**	**14,520**	**0**
Antoine Bernheim	Board Director	01/07/11	28/10/11	—	49,315		49,315					49,315	
	(I) Compensation in company preparing the accounts				**49,315**	**0**	**49,315**	**0**			**0**	**49,315**	
	(II) Compensation from subsidiaries and associates												
	(III) Total				**49,315**	**0**	**49,315**	**0**	**0**	**0**	**0**	**49,315**	**0**
Roberto Bertazzoni	Board Director	01/07/11	30/06/12	30/06/14	116,438		116,438					116,438	
	Member of Internal Control and Related Parties Committees	01/07/11	30/06/12	30/06/14	75,000		75,000					75,000	
	Member of Remunerations Committee	01/07/11	30/06/12	30/06/14	21,644		21,644					21,644	
	Appointments Committee [6]	01/07/11	30/06/12	30/06/14	21,644		21,644					21,644	
	(I) Compensation in company preparing the accounts				**234,726**	**0**	**234,726**					**234,726**	**0**
	(II) Compensation from subsidiaries and associates [7]				**12,565**		**12,565**					**12,565**	
	(III) Total				**247,291**	**0**	**247,291**	**0**	**0**	**0**	**0**	**247,291**	**0**

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

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-equity)		Non-cash benefits	Total	Fair value of equity compen-sation
					Emoluments	Fixed salary *	Total		Bonus and other incentives	Interest in earnings			
Vincet Bolloré	Board Director	01/07/11	24/04/12	—	98,082		98,082					98,082	
	Member of Executive Committee	01/07/11	24/04/12	—	53,918		53,918					53,918	
	Member of Remunerations Committee	01/07/11	24/04/12	—	17,972		17,972					17,972	
	Appointments Committee	01/07/11	28/10/11	—	8,219		8,219					8,219	
	(I) Compensation in company preparing the accounts				**178,191**	**0**	**178,191**					**178,191**	**0**
	(II) Compensation from subsidiaries and associates [8]				**132,000**		**132,000**	**82,000**		**2,518**		**216,518**	
	(III) Total				**310,191**	**0**	**310,191**	**82,000**	**0**	**2,518**	**0**	**394,709**	**0**
Angelo Casò	Board Director	01/07/11	30/06/12	30/06/14	116,438		116,438					116,438	
	Chairman of Internal Control and Related Parties Committees	01/07/11	30/06/12	30/06/14	75,000		75,000					75,000	
	Member of Executive Committee	01/07/11	30/06/12	30/06/14	64,932		64,932					64,932	
	Chairman of Remunerations Committee	01/07/11	30/06/12	30/06/14	21,644		21,644					21,644	
	Appointments Committee	28/10/11	30/06/12	30/06/14	13,425		13,425					13,425	
	(I) Compensation in company preparing the accounts				**291,439**	**0**	**291,439**					**291,439**	**0**
	(II) Compensation from subsidiaries and associates												
	(III) Total				**291,439**	**0**	**291,439**	**0**	**0**	**0**	**0**	**291,439**	**0**

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

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-equity)		Non-cash benefits	Total	Fair value of equity compen-sation
					Emoluments	Fixed salary *	Total		Bonus and other incentives	Interest in earnings			
Maurizio Cereda	Board Director	01/07/11	30/06/12	30/06/14	116,438	1,482,000	1,598,438				193,949 of which complementary pension scheme 188,432	1,792,387	
	(I) Compensation in company preparing the accounts				**116,438**	**1,482,000**	**1,598,438**	**0**			**193,949**	**1,792,387**	
	(II) Compensation from subsidiaries and associates												
	(III) Total				**116,438**	**1,482,000**	**1,598,438**	**0**	**0**	**0**	**193,949**	**1,792,387**	**0**
Christian Collin	Board Director	27/06/12	30/06/12	27/10/12	1,096		1,096					1,096	
	(I) Compensation in company preparing the accounts [1]				**1,096**	**0**	**1,096**	**0**			**0**	**1,096**	
	(II) Compensation from subsidiaries and associates												
	(III) Total				**1,096**	**0**	**1,096**	**0**	**0**	**0**	**0**	**1,096**	**0**
Alessandro Decio	Board Director	27/06/12	30/06/12	27/10/12	1,096		1,096					1,096	
	(I) Compensation in company preparing the accounts [1]				**1,096**	**0**	**1,096**	**0**			**0**	**1,096**	
	(II) Compensation from subsidiaries and associates												
	(III) Total				**1,096**	**0**	**1,096**	**0**	**0**	**0**	**0**	**1,096**	**0**
Massimo Di Carlo	Board Director	01/07/11	30/06/12	30/06/14	116,438	1,260,000	1,376,438				209,615 of which complementary pension scheme 203,398	1,586,053	
	(I) Compensation in company preparing the accounts				**116,438**	**1,260,000**	**1,376,438**				**209,615**	**1,586,053**	
	(II) Compensation from subsidiaries and associates												
	(III) Total				**116,438**	**1,260,000**	**1,376,438**	**0**	**0**	**0**	**209,615**	**1,586,053**	**0**

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

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-equity)		Non-cash benefits	Total	Fair value of equity compen-sation
					Emoluments	Fixed salary *	Total		Bonus and other incentives	Interest in earnings			
Ennio Doris	Board Director	01/07/11	23/04/12	—	97,808		97,808					97,808	
	(I) Compensation in company preparing the accounts				**97,808**	**0**	**97,808**	**0**			**0**	**97,808**	
	(II) Compensation from subsidiaries and associates [9]				**7,992**		**7,992**					**7,992**	
	(III) Total				**105,800**	**0**	**105,800**	**0**	**0**	**0**	**0**	**105,800**	**0**
Bruno Ermolli	Board Director	27/06/12	30/06/12	27/10/12	1,096		1,096					1,096	
	(I) Compensation in company preparing the accounts				**1,096**	**0**	**1,096**	**0**			**0**	**1,096**	
	(II) Compensation from subsidiaries and associates												
	(III) Total				**1,096**	**0**	**1,096**	**0**	**0**	**0**	**0**	**1,096**	**0**
Anne Marie Idrac	Board Director	28/10/11	30/06/12	30/06/14	67,123		67,123					67,123	
	Member of Remunerations Committee	28/10/11	30/06/12	30/06/14	13,425		13,425					13,425	
	Appointments Committee [6]	28/10/11	30/06/12	30/06/14	13,425		13,425					13,425	
	(I) Compensation in company preparing the accounts				**93,973**	**0**	**93,973**					**93,973**	**0**
	(II) Compensation from subsidiaries and associates												
	(III) Total				**93,973**	**0**	**93,973**	**0**	**0**	**0**	**0**	**93,973**	**0**

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

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-equity)		Non-cash benefits	Total	Fair value of equity compen-sation
					Emoluments	Fixed salary *	Total		Bonus and other incentives	Interest in earnings			
Vanessa Laberenne	Board Director	09/05/12	30/06/12	27/10/12	14,520		14,520					14,520	
	Member of Executive Committee	09/05/12	30/06/12	27/10/12	8,712		8,712					8,712	
	Member of Remunerations Committee	09/05/12	30/06/12	27/10/12	2,904		2,904					2,904	
	Member of Internal Control and Related Parties Committees	09/05/12	30/06/12	27/10/12	10,890		10,890					10,890	
	(I) Compensation in company preparing the accounts [1]				**37,026**	**0**	**37,026**					**37,026**	**0**
	(II) Compensation from subsidiaries and associates												
	(III) Total				**37,026**	**0**	**37,026**	**0**	**0**	**0**	**0**	**37,026**	**0**
Pierre Lefevré	Board Director	28/10/11	09/05/12	—	53,151		53,151					53,151	
	Member of Internal Control and Related Parties Committees	28/10/11	09/05/12	—	39,863		39,863					39,863	
	(I) Compensation in company preparing the accounts				**93,014**	**0**	**93,014**					**93,014**	**0**
	(II) Compensation from subsidiaries and associates												
	(III) Total				**93,014**	**0**	**93,014**	**0**	**0**	**0**	**0**	**93,014**	**0**

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

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-equity)		Non-cash benefits	Total	Fair value of equity compen-sation
					Emoluments	Fixed salary *	Total		Bonus and other incentives	Interest in earnings			
Jonella Ligresti	Board Director	01/07/11	14/06/12	—	112,054		112,054					112,054	
	Member of Remunerations Committee	01/07/11	28/10/11	—	8,219		8,219					8,219	
	(I) Compensation in company preparing the accounts				**120,273**	**0**	**120,273**					**120,273**	**0**
	(II) Compensation from subsidiaries and associates [7]				**12,565**		**12,565**					**12,565**	
	(III) Total				**132,838**	**0**	**132,838**	**0**	**0**	**0**	**0**	**132,838**	**0**
Elisabetta Magistretti	Board Director	28/10/11	30/06/12	30/06/14	67,123		67,123					67,123	
	Member of Internal Control and Related Parties Committees	28/10/11	30/06/12	30/06/14	50,342		50,342					50,342	
	Member of Appointments Committee	28/10/11	30/06/12	30/06/14	13,425		13,425					13,425	
	(I) Compensation in company preparing the accounts				**130,890**	**0**	**130,890**					**130,890**	**0**
	(II) Compensation from subsidiaries and associates [5]				**50,000**		**50,000**	**30,000**				**80,000**	
	(III) Total				**180,890**	**0**	**180,890**	**30,000**	**0**	**0**	**0**	**210,890**	**0**
Fabrizio Palenzona	Board Director	01/07/11	26/04/12	—	98,630		98,630					98,630	
	(I) Compensation in company preparing the accounts				**98,630**	**0**	**98,630**	**0**			**0**	**98,630**	
	(II) Compensation from subsidiaries and associates [10]				**65,000**		**65,000**				**3,367**	**68,367**	
	(III) Total				**163,630**	**0**	**163,630**	**0**	**0**	**0**	**3,367**	**166,997**	**0**

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

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-equity)		Non-cash benefits	Total	Fair value of equity compen-sation
					Emoluments	Fixed salary *	Total		Bonus and other incentives	Interest in earnings			
Marco Parlangeli	Board Director	01/07/11	28/10/11	—	49,315		49,315					49,315	
	(I) Compensation in company preparing the accounts				**49,315**	**0**	**49,315**	**0**			**0**	**49,315**	
	(II) Compensation from subsidiaries and associates						**0**					**0**	
	(III) Total				**49,315**	**0**	**49,315**	**0**	**0**	**0**	**0**	**49,315**	**0**
Carlo Pesenti	Board Director	01/07/11	30/06/12	30/06/14	116,438		116,438					116,438	
	Member of Remunerations Committee	01/07/11	30/06/12	30/06/14	21,644		21,644					21,644	
	(I) Compensation in company preparing the accounts [1]				**138,082**	**0**	**138,082**					**138,082**	**0**
	(II) Compensation from subsidiaries and associates [7]				**15,021**		**15,021**	**15,021**				**30,041**	
	(III) Total				**153,103**	**0**	**153,103**	**15,021**	**0**	**0**	**0**	**168,123**	**0**
Fabio Roversi Monaco	Board Director	28/10/11	30/06/12	30/06/14	67,123		67,123					67,123	
	(I) Compensation in company preparing the accounts				**67,123**	**0**	**67,123**	**0**			**0**	**67,123**	
	(II) Compensation from subsidiaries and associates												
	(III) Total				**67,123**	**0**	**67,123**	**0**	**0**	**0**	**0**	**67,123**	**0**
Eric Strutz	Board Director	01/07/11	30/06/12	30/06/14	116,438		116,438					116,438	
	Member of Executive Committee	01/07/11	30/06/12	30/06/14	64,932		64,932					64,932	
	(I) Compensation in company preparing the accounts				**181,370**	**0**	**181,370**					**181,370**	**0**
	(II) Compensation from subsidiaries and associates												
	(III) Total				**181,370**	**0**	**181,370**	**0**	**0**	**0**	**0**	**181,370**	**0**

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

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-equity)		Non-cash benefits	Total	Fair value of equity compen-sation
					Emoluments	Fixed salary *	Total		Bonus and other incentives	Interest in earnings			
Management with strategic responsibilities (10 staff)						3,951,114	3,951,114		2,447,000		607,275 of which complementary pension scheme 557,355	7,005,389	1,017,753
	(I) Compensation in company preparing the accounts					**3,951,114**	**3,951,114**		**2,447,000**		**607,275**	**7,005,389**	**1,017,753**
	(II) Compensation from subsidiaries and associates [11]				**40,151**		**40,151**	**21,575**				**61,726**	
	(III) Total				**40,151**	**3,951,114**	**3,991,265**	**21,575**	**2,447,000**	**0**	**607,275**	**7,067,115**	**1,017,753**
Marco Reboa	Chairman of Statutory Audit Committee	01/07/11	28/10/11		39,452		39,452					39,452	
	(I) Compensation in company preparing the accounts				**39,452**	**0**	**39,452**					**39,452**	**0**
	(II) Compensation from subsidiaries and associates												
	(III) Total				**39,452**	**0**	**39,452**	**0**	**0**	**0**	**0**	**39,452**	**0**
Natale Freddi	Chairman of Statutory Audit Committee	28/10/11	30/06/12	30/06/14	80,548		80,548					80,548	
	(I) Compensation in company preparing the accounts				**80,548**	**0**	**80,548**		**0**		**0**	**80,548**	**0**
	(II) Compensation from subsidiaries and associates						**0**					**0**	
	(III) Total				**80,548**	**0**	**80,548**	**0**	**0**	**0**	**0**	**80,548**	**0**

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

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-equity)		Non-cash benefits	Total	Fair value of equity compen-sation
					Emoluments	Fixed salary *	Total		Bonus and other incentives	Interest in earnings			
Maurizia Angelo Comneno	Member of Statutory Audit Committee	01/07/11	30/06/12	30/06/14	90,000		90,000					90,000	
	(I) Compensation in company preparing the accounts				**90,000**	**0**	**90,000**		**0**		**0**	**90,000**	**0**
	(II) Compensation from subsidiaries and associates						**0**					**0**	
	(III) Total				**90,000**	**0**	**90,000**	**0**	**0**	**0**	**0**	**90,000**	**0**
Gabriele Villa	Member of Statutory Audit Committee	01/07/11	30/06/12	30/06/14	90,000		90,000					90,000	
	(I) Compensation in company preparing the accounts				**90,000**	**0**	**90,000**		**0**		**0**	**90,000**	**0**
	(II) Compensation from subsidiaries and associates						**0**					**0**	
	(III) Total				**90,000**	**0**	**90,000**	**0**	**0**	**0**	**0**	**90,000**	**0**

* Fixed salaries for Renato Pagliaro include one-off payment of €216,000 for thirty years' service and for Maurizio Cereda of €312,000 for twenty years' service.
1) Fees are paid directly to the company of origin.
2) Fees due in respect of position held in Pirelli & C. and RCS MediaGroup.
3) Fees relate to post held in the Pirelli group. Further details available in the report on remuneration prepared by Pirelli & C.
4) Fees due in respect of position held in Banca Esperia and Assicurazioni Generali.
5) Fees due in respect of position held in Pirelli & C.
6) Independent director who is added to the Appointments Committee as required by the Articles of Association for certain resolutions only.
7) Fees due in respect of position held in RCS MediaGroup.
8) Fees due in respect of position held in Assicurazioni Generali.
9) Fees due in respect of position held in Banca Esperia.
10) Fees due in respect of position held in Gemina.
11) Fees due in respect of position held in Gemina and Assicurazioni Generali.

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

			Options held at start of period			Options awarded during period						Options exercised during period			Options expired during period	Options held at end period	Options attributable to period
Name and surname	Post	Scheme	No. of options	Strike price	Period of possible exercise (from - to)	No. of options	Strike price	Period of possible exercise (from - to)	Fair value at the award date	Award date	Market price of shares underlying options awarded	No. of options	Strike price	Market price of underlying shares at exercise date	No. of options	No. of options	Fair value
R. Pagliaro	Chairman																
Compensation in company preparing the accounts		30 July 2001	300,000	€ 14.25	From 29 June 2009 to 28 June 2014											300,000	-
		28 October 2004	275,000	€ 10.31	From 1 July 2011 to 30 June 2016											275,000	-
		27 October 2007	350,000	€ 6.54	From 2 August 2013 to 1 August 2018											350,000	113,677
A. Nagel	CEO																
Compensation in company preparing the accounts		30 July 2001	300,000	€ 14.25	From 29 June 2009 to 28 June 2014											300,000	-
		28 October 2004	275,000	€ 10.31	From 1 July 2011 to 30 June 2016											275,000	-
		27 October 2007	350,000	€ 6.54	From 2 August 2013 to 1 August 2018											350,000	113,677
F. S. Vinci	GM																
Compensation in company preparing the accounts		30 July 2001	300,000	€ 14.25	From 29 June 2009 to 28 June 2014											300,000	-
		28 October 2004	275,000	€ 10.31	From 1 July 2011 to 30 June 2016											275,000	-
		27 October 2007	250,000	€ 6.54	From 2 August 2013 to 1 August 2018											250,000	81,198

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

			Options held at start of period			Options awarded during period						Options exercised during period			Options expired during period	Options held at end period	Options attributable to period
Name and surname	Post	Scheme	No. of options	Strike price	Period of possible exercise (from - to)	No. of options	Strike price	Period of possible exercise (from - to)	Fair value at the award date	Award date	Market price of shares underlying options awarded	No. of options	Strike price	Market price of underlying shares at exercise date	No. of options	No. of options	Fair value
M. Cereda	Director																
(I) Compensation in company preparing the accounts		30 July 2001	300,000	€ 14.25	From 29 June 2009 to 28 June 2014											300,000	-
		28 October 2004	275,000	€ 10.31	From 1 July 2011 to 30 June 2016											275,000	-
M. Di Carlo	Director																
Compensation in company preparing the accounts		30 July 2001	300,000	€ 14.25	From 29 June 2009 to 28 June 2014											300,000	-
		28 October 2004	275,000	€ 10.31	From 1 July 2011 to 30 June 2016											275,000	-
Management with strategic responsibilities																	
Compensation in company preparing the accounts		30 July 2001	1,340,000	€ 14.25	From 29 June 2009 to 28 June 2014											1,340,000	-
		28 October 2004	1,015,000	€ 10.31	From 1 July 2011 to 30 June 2016											1,015,000	-
		27 October 2007	1,660,000	€ 6.54	From 2 August 2013 to 1 August 2018											1,660,000	539,154
		27 October 2007				200,000	€ 6.43	From 1 August 2014 to 31 July 2019	192,000	1 agosto 2011	€ 6.249					200,000	58,535
(III) Total			7,840,000			200,000			192,000							8,040,000	906,241

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 course of the year not assigned	Financial instruments vested during the course of the year assigned		Financial instruments assigned to the year
Name and surname	**Post**	**Scheme**	**No. and type of instruments**	**Vesting period**	**No. and type of financial instruments**	**Fair value at award date**	**Vesting period**	**Award date**	**Market price at award**	**No. and type**	**No. and type**	**Value at vesting date**	**Fair value**
Management with strategic responsibilities													
Compensation in company preparing the accounts		Scheme approved 28 October 2010	-	-	240,304 performance shares	1,497,695	Nov. 2013 – Nov. 2015	27 July 2011	6.342		-	-	420,064
Total						**1,497,695**							**420,064**

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

			Bonus for the year			Previous years' bonuses			
			(A)	(B)	(C)	(A)	(B)	(C)	
Surname and name	**Post**	**Scheme**	**Payable/paid**	**Deferred**	**Deferall period**	**No longer payable**	**Payable/paid**	**Still deferred**	**Other bonuses**
Marco Tronchetti Provera	Deputy Chairman, Board of Directors	MBO 2011	4,530,000						
		LTI scheme2009/2011	10,235,651				3,906,189		
Total compensation from subsidiaries and associates *			**14,765,651**				**3,906,189**	**0**	**0**
Managerial staff with strategic responsibilities		FY 2011/2012	1,296,000	852,000	2013-2015				136,000
		FY 2010/2011						260,000	
		FY 2009/2010					615,000	615,000	
		FY 2008/2009					400,000		
Total compensation in company preparing the accounts			**1,296,000**	**852,000**			**1,015,000**	**875,000**	**136,000**

* Fees relate to post held in the Pirelli group. Further details available in the report on remuneration prepared by Pirelli & C.

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

Surname and name	Post	Investee company	No. of shares held at end of previous year	No. of shares acquired	No. of shares sold	No. of shares held at end of present year
PAGLIARO RENATO	Chairman	MEDIOBANCA	2,730,000	==	==	2,730,000
NAGEL ALBERTO	Chief Executive Officer	MEDIOBANCA	2,626,050	==	==	2,626,050
VINCI FRANCESCO SAVERIO	General Manager	MEDIOBANCA	945,000	==	==	945,000
BENETTON GILBERTO	Director	MEDIOBANCA	562,800	==	==	562,800
BERLUSCONI MARINA	Director	MEDIOBANCA	40,000	==	==	40,000
BERNHEIM ANTOINE	Director	MEDIOBANCA	63,000	==	==	63,000
BERTAZZONI ROBERTO	Director	MEDIOBANCA	1,050,000	==	==	1,050,000
BOLLORE' VINCENT	Director	MEDIOBANCA	43,602,652	8,065,523	==	51,668,175
CEREDA MAURIZIO	Director	MEDIOBANCA	619,500	==	==	619,500
DI CARLO MASSIMO	Director	MEDIOBANCA	556,500	==	==	556,500
DORIS ENNIO	Director	MEDIOBANCA	1,818,886	==	==	1,818,886
PARLANGELI MARCO	Director	MEDIOBANCA	315	==	==	315
ROVERSI MONACO FABIO ALBERTO	Director	MEDIOBANCA	172,000	==	==	172,000

NB - for directors appointed or whose positions ended in the course of the year, the initial/final holdings refer to the dates of appointment or resignation/dismissal accordingly.

Investments held by other managerial staff with strategic responsibilities

No. of managerial staff with strategic responsibilities	Investee company	No. of shares held at end of previous year	No. of shares acquired	No. of shares sold	No. of shares held at end of present year
6	MEDIOBANCA	283,082	==	==	283,082

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

Mediobanca area of activity	Fixed salary	Variable	Variable Cash	Variable Equity	Variable Upfront	Variable Deferred
1) Financial markets	34%	66%	74%	26%	64%	36%
2) Advisory	46%	54%	77%	23%	71%	29%
3) Lending and structured finance	57%	43%	100%	-	93%	7%
4) Staff and support	77%	23%	100%	-	100%	-

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

Group	#	Fixed salary	Variable	Cash Upfront	Equity Upfront	Cash Deferred	Equity Deferred
1) Executive directors (Group managers)	5	7,530	-	-	-	-	-
2) Heads of principal business lines, geographical areas and other senior figures	11	4,316	13,270	3,282	2,403	3,981	3,604
3) Heads of internal control units and most senior staff	14	2,659	900	900	-	-	-
4) Risk-takers	11	1,776	8,510	1,702	1,702	2,553	2,553
5) Employees whose remuneration is equal to that of other risk-takers	3	820	3,000	900	900	600	600
6) Other relevant staff identified discretionally by the company based on "proportionality" criterion	85	11,849	15,623	12,532		3,091	-
	129	**28,950**	**41,303**	**19,316**	**5,005**	**10,225**	**6,757**

Gross amounts in €'000.

For 2012, Group 2 includes the remuneration paid to the CEOs/General Managers of Compass and CheBanca! and the heads of MB Securities USA and MB Turkey, non-Mediobanca staff, not included in the Mediobanca bonus pool for the variable component.

Group	#	Deferred from previous years and paid during the year
1) Executive directors (Group managers)		-
2) Heads of principal business lines, geographical areas and other senior figures	2	1,690
3) Heads of internal control units and most senior staff		-
4) Risk-takers	12	4,406
5) Employees whose remuneration is equal to that of other risk-takers	1	101
6) Other relevant staff identified discretionally by the company based on "proportionality" criterion	17	977
	32	**7,174**

Gross amounts in €'000, paid entirely in cash.

Group	#	Treatment at start of relationship	#	Treatment at end of relationship[1]
1) Executive directors (Group managers)		-		-
2) Heads of principal business lines, geographical areas and other senior figures		-		-
3) Heads of internal control units and most senior staff	1	25		-
4) Risk-takers		-	1	486
5) Employees whose remuneration is equal to that of other risk-takers	1	450		-
6) Other relevant staff identified discretionally by the company based on "proportionality" criterion		-	3	1,590
	2	**475**	**4**	**2,076**

Gross amounts in €'000, paid entirely in cash.

[1] Includes amounts required by the Italian Civil Code and the provisions of law. The highest amount paid to an individual person was €573,515.

Dear Shareholders,

We invite you to adopt the following resolution:

"At an ordinary general meeting, having heard the Board of Directors' proposal, the shareholders of Mediobanca,

HEREBY RESOLVE

– to approve the staff remuneration policies for the 2011/2012 financial year, as illustrated in the Board of Directors' report;
– to approve the new staff remuneration policies as illustrated in the Board of Directors' report;
– to confer on the Board of Directors and the Chief Executive Officer on its behalf, the broadest powers to execute all deeds and perform all measures and formalities necessary in order to implement this resolution."

Milan, 20 September 2012

The Board of Directors

Extraordinary business

AUTHORIZATION TO THE BOARD OF DIRECTORS UNDER ARTICLE 2443 OF THE ITALIAN CIVIL CODE, TO INCREASE THE COMPANY'S SHARE CAPITAL BY MEANS OF RIGHTS ISSUES IN A NOMINAL AMOUNT OF UP TO €40M, INCLUDING VIA WARRANTS, TO BE SET ASIDE FOR SUBSCRIPTION BY ITALIAN AND NON-ITALIAN PROFESSIONAL INVESTORS WITH OPTION RIGHTS EXCLUDED UNDER AND PURSUANT TO THE PROVISIONS OF ARTICLE 2441, PARAGRAPH FOUR, SECOND SENTENCE, OF THE ITALIAN CIVIL CODE; AMENDMENT TO ARTICLE 4 OF THE COMPANY'S ARTICLES OF ASSOCIATION AND RELATED RESOLUTIONS. FURTHER AMENDMENTS TO THE ARTICLES OF ASSOCIATION.

Dear shareholders,

At an Extraordinary General Meeting held on 27 June 2007, shareholders approved a resolution authorizing the Management Board (now the Board of Directors), under Article 2443 of the Italian Civil Code, to increase the company's share capital, on or prior to the fifth anniversary of the date of the said resolution in a nominal amount of up to €40m, including via warrants, through the issue of up to 80 million par value €0.50 ordinary shares, to be set aside for subscription by Italian and non-Italian professional investors with option rights excluded, under and pursuant to the provisions of 2441, paragraph four, second sentence of the Italian Civil Code, in accordance with the procedure and conditions set forth therein, with the right to establish the issue price of the shares from time to time (again in accordance with the provisions of Article 2441, paragraph four, second sentence of the Italian Civil Code).

Given that these powers expired on 27 June 2012, we propose they be renewed for the same amount. Exercise of such powers allows the execution times for capital increases to be reduced, and the size of such increases to be established on the basis of specific opportunities. In this way the Bank may proceed with rights issues reserved exclusively to Italian and non-Italian professional investors, taking advantage promptly of opportunities on the market, further expanding the shareholder base of the company, and swiftly and efficiently selecting the investors to subscribe to the new shares.

We have also taken the opportunity to submit to your approval certain minor changes to Articles 6, 7, 10, 15, 19, 22 and 29.

The amendments to Articles 15 and 29 of the Articles of Association in particular reflect the changes introduced by Italian Law 120/11, which supplements Articles 147-ter and 148 of Italian Legislative Decree 58/98 (the Italian consolidated finance act) on the subject of minimum gender representation on the Boards of Directors and Statutory Audit Committees of listed companies. Listed companies in particular are required to add a stipulation to their Articles of Association to ensure appropriate balance between female and male members so that the least represented gender accounts for at least one-fifth (during the first term of office) or one-third (during the next two) of the Directors and Standing Auditors elected. The new regulations become effective as from the first renewal of the governing bodies' terms of office after 12 August 2012, which in Mediobanca's case means renewal of the governing bodies whose term of office expires with approval of the financial statements for the year ending 30 June 2014.

The other amendments involve:

- Articles 6, 7, 10, 15 and 29: in accordance with the provisions of Italian legislative decree 91/12, which requires that a single date be set on which for general meetings to be called;
- Article 15: in order to comply with the provisions of the Code of conduct in respect of listed companies introduced in December 2011, whereby, in line with the best international practice in the area of corporate governance, for issuers listed on the FTSE-Mib index, at least one-third of the Board members should consist of Directors qualifying as independent as defined in the Code itself. This change too will take effect from the renewal of the Board to take place in 2014;
- Article 19: the "Internal control committee" is to be renamed the "Internal control and risks committee", again as provided in the Code of conduct in respect of listed companies;
- Article 22, paragraph 3 and Article 29, paragraph 5: Article 36 of Italian decree law 201/11 as converted into Italian law 214/11 has introduced a restriction on office-holders in the management, supervisory and control bodies and senior management of companies or groups of company

operating in the credit, insurance and financial markets from accepting or exercising similar posts in competitor companies or groups of company.

The proposed amendments do not entail any right of withdrawal and are subject to authorization from the Bank of Italy.

You are therefore invited to adopt the following resolution:

I. "The shareholders of Mediobanca, gathered in extraordinary meeting:

having heard the Board of Directors' report:

hereby resolve:

1) to empower the Board of Directors, under Article 2443 of the Italian Civil Code, to increase the company's share capital, in one or more tranches, in a rights issue in a nominal amount of up to €40m on or prior the fifth anniversary of the date of this resolution, including via warrants, through the issue of up to 80 million par value €0.50 ordinary shares, to be set aside for subscription by Italian and non-Italian professional investors with option rights excluded, under and pursuant to the provisions of 2441, paragraph four, second sentence of the Italian Civil Code, in accordance with the procedure and conditions set forth therein, with the right to establish the issue price of the shares from time to time (again in accordance with the provisions of Article 2441, paragraph four, second sentence of the Italian Civil Code),
2) to amend Article 4 of the company's Articles of Association, as follows:

EXISTING TEXT	NEW TEXT
Article 4	Article 4
The Company's subscribed and fully paid up share capital is Euro 430,564,606 represented by 861,129,212 Euro 0.50 par value shares.	*Unchanged*
The share capital may also be increased as provided under legal provisions, including Article 2441, paragraph 4, point 2 of the Italian Civil Code, in compliance with the terms and procedure set forth therein.	*Unchanged*
Profits may, in the ways and forms permitted by	*Unchanged*

law, be awarded to employees of the Company or Group companies via the issuance of shares, under Article 2349 of the Italian Civil Code.

The shares shall be registered.

Unchanged

An Extraordinary General Meeting held on 30 July 2001 amended the resolution taken at the Extraordinary General Meeting held on 28 October 2000 relating to the capital increase restricted to employees of the Mediobanca Banking Group via the creation of up to 13 million par value Euro 0.50 ordinary shares, whereby the maximum nominal amount thereof was increased to Euro 25,000,000 via the creation of up to 50,000,000 Euro 0.50 par value ordinary shares ranking for dividends *pari passu* with the Bank's existing shares, to be subscribed by Mediobanca Banking Group employees not later than 1 July 2015 on a restricted basis under Article 2441, paragraph 8, of the Civil Code. Of these 50 million shares, a total of 37,819,250 new shares have to date been subscribed.

Unchanged

As a result of resolutions adopted at Extraordinary General Meetings held on 25 June 2004 and 28 October 2004, the Bank's share capital was increased by up to a further Euro 7.5m via the issue of up to 15 million par value Euro 0.50 ordinary shares, ranking for dividends *pari passu* and for subscription no later than 1 July 2020, pursuant to paragraphs 8 and 5 Article 2441 of the Italian Civil Code, to be set aside as follows:

– up to 11 million shares for employees of the Mediobanca Group;
– up to 4 million shares for Bank Directors, carrying out particular duties. Of these, a total of 2,500,000 new shares have still to be subscribed.

Unchanged

The Board of Directors is also authorized under Article 2443 of the Italian Civil Code, to increase the Bank's share capital by means of rights issues in one or more tranches by and not later than 27 June 2012, in a nominal amount of up to Euro 40m including via warrants, through

~~The Board of Directors is also authorized under Article 2443 of the Italian Civil Code, to increase the Bank's share capital by means of rights issues in one or more tranches by and not later than 27 June 2012, in a nominal amount of up to Euro 40m including via warrants, through~~

the issue of up to 80 million ordinary par value Euro 0.50 shares, to be set aside for subscription by Italian and non-Italian professional investors with option rights excluded under and pursuant to the provisions of Article 2441 paragraph 4 point 2 of the Italian Civil Code and in compliance with the procedure and conditions precedent set forth therein.

~~the issue of up to 80 million ordinary par value Euro 0.50 shares, to be set aside for subscription by Italian and non-Italian professional investors with option rights excluded under and pursuant to the provisions of Article 2441 paragraph 4 point 2 of the Italian Civil Code and in compliance with the procedure and conditions precedent set forth therein.~~

At an Extraordinary General Meeting held on 27 June 2007, shareholders approved a resolution to increase the company's share capital in an amount of up to Euro 20m through the issue of up to 40 million ordinary par value Euro 0.50 new shares, ranking for dividends *pari passu*, to be set aside for subscription by Mediobanca Group employees by and no later than 1 July 2022 pursuant to Article 2441, paragraph 8 of the Italian Civil Code.

Unchanged

The Board of Directors is authorized, under Article 2443 of the Italian Civil Code, to increase the Bank's share capital free of charge, as permitted by Article 2349 of the Italian Civil Code, in one or more tranches by and not later than 28 October 2015, in an amount of up to Euro 10m, through the issue of no more than 20 million ordinary par value Euro 0.50 shares, ranking for dividends *pari passu*, to be awarded to Mediobanca Group employees in execution of and in compliance with the terms of the performance share schemes approved by shareholders in general meeting.

Unchanged

The Board of Directors is also authorized under Article 2443 of the Italian Civil Code, to increase the Bank's share capital by means of rights or bonus issues in one or more tranches by and no later than 28 October 2016, in a nominal amount of up to Euro 100m, including via warrants, through the issue of up to 200 million ordinary par value Euro 0.50 shares, to be offered in option or otherwise allotted to shareholders, and also to establish the issue price of such new shares from time to time, including the share premium, the date from which they shall rank for dividends, and whether or not any of the shares shall be used for exercising warrants, and

Unchanged

is further authorized under Article 2420-ter of the Italian Civil Code to issue bonds convertible into ordinary shares and/or shares *cum* warrants in one or more tranches by and no later than 28 October 2016, in a nominal amount of up to Euro 2bn to be offered in option to shareholders, establishing that exercise of such authorizations shall not, without prejudice to the foregoing, lead to the issue of a total number of shares in excess of 200 million.

The Board of Directors is also authorized under Article 2443 of the Italian Civil Code, to increase the Bank's share capital by means of rights issues in one or more tranches by and not later than 27 October 2017, in a nominal amount of up to Euro 40m including via warrants, through the issue of up to 80 million ordinary par value Euro 0.50 shares, to be set aside for subscription by Italian and non-Italian professional investors with option rights excluded under and pursuant to the provisions of Article 2441 paragraph 4 point 2 of the Italian Civil Code and in compliance with the procedure and conditions precedent set forth therein.

3) to authorize the Chairman, the Managing Director and the General Manager in office at the time, jointly and severally, to make the necessary adjustments to the figures contained in Article 4 of the Articles of Association concerning the Bank's share capital as a result of subscription of the shares thus issued;
4) to vest the Chairman, the Managing Director and the General Manager in office at the time, jointly and severally, with the widest powers to incorporate into this resolution any formal amendment, change or addendum that may be required or otherwise requested by the competent authorities."

II. "The shareholders of Mediobanca, gathered in extraordinary meeting:

having heard the Board of Directors' report,

hereby resolve:

1) to amend Articles 6, 7, 10, 15, 19, 22 and 29 of the company's Articles of Association as follows:

EXISTING TEXT	NEW TEXT
SECTION I	**SECTION I**
Establishment, Head Office, Duration and Purpose of the Company	**Establishment, Head Office, Duration and Purpose of the Company**
Article 1	Article 1
A Company is hereby established under the name of MEDIOBANCA - Banca di Credito Finanziario Società per Azioni, in abbreviated form MEDIOBANCA S.p.A.	*Unchanged*
The Company's Head Office is located at Piazzetta Enrico Cuccia 1, Milan.	*Unchanged*
Article 2	Article 2
The duration of the Company shall be until 30 June 2050.	*Unchanged*
Article 3	Article 3
The purpose of the Company shall be to raise funds and provide credit in any of the forms permitted, especially medium- and long-term credit to corporates.	*Unchanged*
Within the limits laid down by current regulations, the Company may execute all banking, financial and intermediation-related transactions and/or services and carry out any transaction deemed to be instrumental to or otherwise connected with achievement of the Company's purpose.	*Unchanged*
As part of its supervisory and co-ordinating activities in its capacity as parent company of the Mediobanca Banking Group within the meaning of Article 61, paragraph 4, of Legislative Decree No. 385 dated 1 September 1993, the Company shall issue directives to member companies of the Group to comply with instructions given by the Bank of Italy in the interests of maintaining the Group's stability.	*Unchanged*

SECTION II	**SECTION II**
Share Capital and Shares	**Share Capital and Shares**
Article 4	Article 4
The Company's subscribed and fully paid up share capital is Euro 430,564,606 represented by 861,129,212 Euro 0.50 par value shares.	*Unchanged*
The share capital may also be increased as provided under legal provisions, including Article 2441, paragraph 4, point 2 of the Italian Civil Code, in compliance with the terms and procedure set forth therein.	*Unchanged*
Profits may, in the ways and forms permitted by law, be awarded to employees of the Company or Group companies via the issuance of shares, under Article 2349 of the Italian Civil Code.	*Unchanged*
The shares shall be registered.	*Unchanged*
An Extraordinary General Meeting held on 30 July 2001 amended the resolution taken at the Extraordinary General Meeting held on 28 October 2000 relating to the capital increase restricted to employees of the Mediobanca Banking Group via the creation of up to 13 million par value Euro 0.50 ordinary shares, whereby the maximum nominal amount thereof was increased to Euro 25,000,000 via the creation of up to 50,000,000 Euro 0.50 par value ordinary shares ranking for dividends pari passu with the Bank's existing shares, to be subscribed by Mediobanca Banking Group employees not later than 1 July 2015 on a restricted basis under Article 2441/8 of the Civil Code. Of these 50 million shares, a total of 37,819,250 new shares have to date been subscribed.	*Unchanged*
As a result of resolutions adopted at Extraordinary General Meetings held on 25 June 2004 and 28 October 2004, the Bank's	*Unchanged*

share capital was increased by up to a further Euro 7.5m via the issue of up to 15 million par value Euro 0.50 ordinary shares, ranking for dividends *pari passu* and for subscription no later than 1 July 2020, pursuant to paragraphs 8 and 5 Article 2441 of the Italian Civil Code, to be set aside as follows:

- up to 11 million shares for employees of the Mediobanca Group;
- up to 4 million shares for Bank Directors, carrying out particular duties. Of these, a total of 2,500,000 new shares have still to be subscribed.

The Board of Directors is also authorized under Article 2443 of the Italian Civil Code, to increase the Bank's share capital by means of rights issues in one or more tranches by and not later than 27 June 2012, in a nominal amount of up to Euro 40m including via warrants, through the issue of up to 80 million ordinary par value Euro 0.50 shares, to be set aside for subscription by Italian and non-Italian professional investors with option rights excluded under and pursuant to the provisions of Article 2441 paragraph 4 point 2 of the Italian Civil Code and in compliance with the procedure and conditions precedent set forth therein.

Unchanged

At an Extraordinary General Meeting held on 27 June 2007, shareholders approved a resolution to increase the company's share capital in an amount of up to Euro 20m through the issue of up to 40 million ordinary par value Euro 0.50 new shares, ranking for dividends *pari passu*, to be set aside for subscription by Mediobanca Group employees by and no later than 1 July 2022 pursuant to Article 2441, paragraph 8 of the Italian Civil Code.

Unchanged

The Board of Directors is authorized, under Article 2443 of the Italian Civil Code, to increase the Bank's share capital free of charge, as permitted by Article 2349 of the Italian Civil Code, in one or more tranches by and not later than 28 October 2015, in an amount of up to Euro 10m, through the issue of no more

Unchanged

than 20 million ordinary par value Euro 0.50 shares, ranking for dividends *pari passu*, to be awarded to Mediobanca Group employees in execution of and in compliance with the terms of the performance share schemes approved by shareholders in general meeting.

The Board of Directors is also authorized under Article 2443 of the Italian Civil Code, to increase the Bank's share capital by means of rights or bonus issues in one or more tranches by and no later than 28 October 2016, in a nominal amount of up to Euro 100m, including via warrants, through the issue of up to 200 million ordinary par value Euro 0.50 shares, to be offered in option or otherwise allotted to shareholders, and also to establish the issue price of such new shares from time to time, including the share premium, the date from which they shall rank for dividends, and whether or not any of the shares shall be used for exercising warrants, and is further authorized under Article 2420-ter of the Italian Civil Code to issue bonds convertible into ordinary shares and/or shares *cum warrants* in one or more tranches by and no later than 28 October 2016, in a nominal amount of up to Euro 2bn to be offered in option to shareholders, establishing that exercise of such authorizations shall not, without prejudice to the foregoing, lead to the issue of a total number of shares in excess of 200 million.

Unchanged

SECTION III

General Meetings

Article 5

General Meetings shall be called in Milan or elsewhere in Italy, as indicated in the notices convening such Meetings.

Article 6

Ordinary General Meetings shall be called at least once a year within 120 days of the close of the Company's financial year.

SECTION III

General Meetings

Article 5

Unchanged

Article 6

Unchanged

Ordinary and Extraordinary General Meetings shall pass resolutions on matters attributable to each under regulations in force or these Articles of Association.	*Unchanged*
Resolutions in respect of mergers, as provided for by Articles 2505 and 2505-bis of the Civil Code, including in the cases referred to in Article 2506-ter of the Civil Code, the institution or removal of branch offices, reductions in the Company's share capital as a result of shareholders exercising their right of withdrawal, amendments to the Company's Articles of Association to comply with regulatory requirements, and transfer of the Company's headquarters within Italian territory, are by law the sole competence of the Board of Directors.	*Unchanged*
The procedures for calling and powers to call meetings shall be those laid down by the law.	*Unchanged*
Such notice also includes an indication of the date scheduled for the Meeting in the first instance, and may also stipulate dates for further Meetings to be held should the Meeting in question be adjourned.	Such notice also includes an indication of the **sole** date scheduled for the Meeting ~~in the first instance, and may also stipulate dates for further Meetings to be held should the Meeting in question be adjourned~~.
Ordinary and extraordinary general meetings may alternatively be called on a single date, with the majorities specified in Article 10 applying in such cases.	~~Ordinary and extraordinary general meetings may alternatively be called on a single date, with the majorities specified in Article 10 applying in such cases.~~
Article 7	Article 7
The right to attend and vote at General Meetings shall be governed by the law.	*Unchanged*
Shareholders are authorized to attend and vote at General Meetings if, by the end of the third open market day prior to the meeting, the issuer has received notification in respect of them from an authorized intermediary based on evidence as at the close of business on the seventh open market day prior to the date set for the general meeting in the first or only instance.	Shareholders are authorized to attend and vote at General Meetings if, by the end of the third open market day prior to the meeting, the issuer has received notification in respect of them from an authorized intermediary based on evidence as at the close of business on the seventh open market day prior to the date set for the general meeting in ~~the first or~~ only instance.

Without prejudice to the foregoing, a shareholder is authorized to attend and to vote at a general meeting if such notification reaches the issuer after the terms indicated in the above paragraph, provided that it does so by the start of proceedings on the single date called for the general meeting.	*Unchanged*
Shareholders authorized to attend and vote at general meetings may elect to have themselves be represented in such a meeting via a proxy issued in writing or made electronically in cases where such possibility is provided for by regulations in force and in accordance therewith, subject to cases of incompatibility and the limits prescribed by law.	*Unchanged*
Proxies may be notified electronically using the relevant section of the Company's website, in accordance with the instructions provided in the notice of meeting.	*Unchanged*
Article 8	Article 8
Shareholders shall be entitled to one vote for each share held.	*Unchanged*
Article 9	Article 9
General Meetings shall be presided over by the Chairman of the Board of Directors or, in his stead, by the elder Deputy Chairman, the other Deputy Chairman, if appointed, or by the most senior of the other Board members, in that order.	*Unchanged*
The Chairman shall be assisted by a Secretary. In cases where Article 2375 of the Civil Code applies, and in any other case where he considers it advisable, the Chairman shall call upon a notary to compile the minutes.	*Unchanged*
The Chairman shall be responsible for establishing that a quorum has been reached, ascertaining the identity of those in attendance and assessing their entitlement to be so present, chairing and conducting the proceedings, and checking and announcing the results of any votes taken thereat.	*Unchanged*

Article 10

The validity of both Ordinary and Extraordinary General Meetings, and the validity of the resolutions taken thereat shall be governed by the provisions of the law.

In cases where general meetings are called on one date only, an ordinary general meeting shall be validly constituted regardless of the percentage of the share capital represented, with resolutions being adopted on an absolute majority basis. An extraordinary general meeting is validly constituted if at least one-fifth of the company's share capital is represented, and resolutions are adopted with at least two-thirds of the share capital in attendance voting in favour.

Members of the Board of Directors and Statutory Audit Committee shall be appointed in accordance with the procedures set out respectively in Articles 15 and 29 hereof.

Article 10

~~The validity of both Ordinary and Extraordinary General Meetings, and the validity of the resolutions taken thereat shall be governed by the provisions of the law.~~

~~In cases where general meetings are called on one date only, a~~ **A**n ordinary general meeting shall be validly constituted regardless of the percentage of the share capital represented, with resolutions being adopted on an absolute majority basis. An extraordinary general meeting is validly constituted if at least one-fifth of the company's share capital is represented, and resolutions are adopted with at least two-thirds of the share capital in attendance voting in favour.

Unchanged

Article 11

Transactions with related parties, including those which fall within the jurisdiction of shareholders in general meeting or otherwise required to be submitted to the approval of shareholders under Article 2364 of the Italian Civil Code, are approved in compliance with the procedures adopted by the Board of Directors as required by law.

In urgent cases, transactions (including of Group companies) with related parties other than those which fall within the jurisdiction of shareholders in general meeting or otherwise required to be submitted to the approval of shareholders under Article 2364 of the Italian Civil Code may be approved in derogation of the procedures referred to in the previous paragraph, provided – without prejudice to the effectiveness of the resolutions adopted and compliance with the additional conditions set forth in the same procedure – that they are subsequently submitted to non-binding

Article 11

Unchanged

Unchanged

resolution by shareholders in general meeting to be adopted on the basis of a report by the Board and the Statutory Audit Committee's opinion on the reasons for the urgency.	
Article 12	Article 12
Resolutions shall be taken by a show of hands, or by any other clear and transparent method, including electronic, that may be proposed by the Chairman, save where legal provisions require otherwise without exception.	*Unchanged*
Resolutions passed at General Meetings in accordance with the law and these Articles of Association shall be binding on all Members, including those who dissent or are absent.	*Unchanged*
Shareholders voting against resolutions to approve: a) an extension to the Company's duration; b) the introduction and/or removal of restrictions on the trading of securities, shall not have the right of withdrawal in respect of all or part of their shares.	*Unchanged*
Members are entitled to inspect all deeds deposited at the Company's Head Office in respect of General Meetings that have already been called, and to obtain copies of such deeds at their own expense.	*Unchanged*
Article 13	Article 13
Shareholders in general meeting shall determine the fixed annual remuneration payable to members of the Board of Directors, upon their appointment for the entire duration of their term of office, to be shared between the individual Board members in accordance with the decisions of the Board of Directors itself.	*Unchanged*
Shareholders in general meeting also approve remuneration policies and compensation schemes based on financial instruments operated for Directors, Group staff and collaborators.	*Unchanged*

SECTION IV

Management

Article 14

The Board of Directors shall be responsible for management of the company, and shall exercise such management through the Executive Committee, the Managing Director and the General Manager, if appointed, in accordance with the provisions hereof.

Sub-section I - Board of Directors

Article 15

The Board of Directors comprises between fifteen and twenty-three members. The duration of their term of office shall be three financial years, save where otherwise provided in the resolution approved for their appointment.

Members of the Board of Directors shall be in possession of the requisite qualifications for holding such office expressly stipulated under regulations in force at the time, failing which they shall become ineligible or, in the event of such circumstances materializing subsequently, shall be disqualified from office.

At least three of the Directors shall qualify as independent as defined by Article 148, paragraph 3, of Italian Legislative 58/98. At least four of the Directors (who may coincide with those qualifying as independent under the aforementioned requirements) shall qualify as independent as defined by the Code of Conduct for Listed Companies. If a Director qualifying as independent as defined above ceases to do so, this shall not result in him/her being disqualified from office provided the minimum number of Directors required to be independent under the present Articles of Association in compliance with regulations in force is still represented.

SECTION IV

Management

Article 14

Unchanged

Sub-section I - Board of Directors

Article 15

Unchanged

Unchanged

At least three of the Directors shall qualify as independent as defined by Article 148, paragraph 3, of Italian Legislative 58/98. ~~At least four~~ **At least one-third** of the Directors (who may coincide with those qualifying as independent under the aforementioned requirements) shall qualify as independent as defined by the Code of Conduct for Listed Companies. If a Director qualifying as independent as defined above ceases to do so, this shall not result in him/her being disqualified from office provided the minimum number of Directors required to be independent under the present Articles of Association in compliance with regulations in force is still represented.

Five Directors are chosen from among employees with at least three years' experience of working for Mediobanca Banking Group companies at senior management level.	*Unchanged*
No director aged seventy-five or over may be elected.	*Unchanged*
Directors are appointed on the basis of lists in which the candidates are numbered consecutively. Lists may be submitted by the Board of Directors and/or by shareholders representing in the aggregate at least the percentage of the Company's share capital established under regulations in force at the time and specified in the notice of general meeting. Ownership of the minimum percentage of the Company's share capital required to submit a list is established on the basis of shares recorded as being in the shareholders' possession at the date on which the lists are filed with the issuer. Proof of ownership may also be produced subsequent to the list's filing, provided that it is forthcoming within the term provided for the issuer to make the lists public.	*Unchanged*
The lists undersigned by the shareholder or shareholder submitting them (including by means of a proxy to one of them) shall contain a number of candidates not to exceed the maximum number of directors to be elected, and must be lodged at the Company's head office at least twenty-five days prior to the date scheduled for the general meeting in the first or only instance, to be stipulated in the notice of meeting.	The lists undersigned by the shareholder or shareholder submitting them (including by means of a proxy to one of them) shall contain a number of candidates not to exceed the maximum number of directors to be elected, and must be lodged at the Company's head office at least twenty-five days prior to the date scheduled for the general meeting in ~~the first or~~ only instance, to be stipulated in the notice of meeting.
The list submitted by the Board of Directors, if any, shall be lodged and made public using the same methods provided as the lists submitted by shareholders at least thirty days prior to the date scheduled for the general meeting to take place in the first or only instance.	The list submitted by the Board of Directors, if any, shall be lodged and made public using the same methods provided as the lists submitted by shareholders at least thirty days prior to the date scheduled for the general meeting to take place in ~~the first or~~ only instance.
Lists containing a number of candidates equal to or above two-thirds of the Directors to be appointed shall contain five candidates	*Unchanged*

numbered consecutively starting from the second in possession of the requisites stipulated under the foregoing paragraph 4.	
	Lists containing a number of candidates equal to or above three must ensure that the balance between male and female candidates complies with at least the minimum requirement stipulated by the regulations in force at the time.
Along with each list a *curriculum vitae* shall be filed for each candidate, along with all the other information and statements required under regulations in force at the time. Such *curriculum vitae* shall contain an indication of the candidate's professional credentials, together with statements whereby each candidate declares, under his/her own responsibility, that there are no grounds for his/her being incompatible with or ineligible for the post under consideration, and that he/she is in possession of the requisites specified under law and these Articles, and a list of the management or supervisory roles held by him/her at other companies.	*Unchanged*
Lists submitted which do not conform to the above specifications shall be treated as null and void.	*Unchanged*
Outgoing Directors who have served their terms of office may be re-elected.	*Unchanged*
One individual shareholder may not submit or vote for more than one list, including via proxies or trustee companies. Shareholders belonging to the same group– that is, the parent company, subsidiaries and companies subject to joint control – and shareholders who are parties to a shareholders' agreement in respect of the issuer's share capital as defined in Article 122 of Italian Legislative Decree 58/98 may not submit or vote for more than one list, including via proxies or trustee companies. Individual candidates may only feature in one list, failing which they shall become ineligible.	*Unchanged*

The procedure for the appointment of Directors is as follows: all Directors save one are chosen on the basis of the consecutive number in which they are ordered from the list obtaining the highest number of votes; the other Director is chosen from the list which ranks second in terms of number of votes cast and which is not submitted or voted for by shareholders who are related, as defined under regulations currently in force, to the shareholders who submitted or voted for the list ranking first in terms of number of votes cast, again on the basis of the consecutive number in which the candidates are ordered.	*Unchanged*
In the event of an equal number of votes being cast, a ballot shall be held.	*Unchanged*
In the event that following the procedure set out above does not result in a sufficient number of Directors in possession of the requisites stipulated under the foregoing paragraphs 3 and 4 hereof being elected, the procedure shall be to replace the necessary number of candidates elected from among those in the majority list in the last consecutive positions with candidates in possession of the requisite qualifications from the same list based on their consecutive numbering. If it proves impossible to complete the number of Directors required via this procedure, again in order to comply with the provision of the foregoing paragraphs 3 and 4, the remaining Directors shall be appointed by shareholders in general meeting on the basis of a simple majority, at the proposal of the shareholders in attendance.	In the event that following the procedure set out above does not result in a sufficient number of Directors in possession of the requisites stipulated under the foregoing paragraphs 3 and 4 hereof being elected **and if the number of Directors of one or other gender proves to be fewer than the number required by the regulations in force**, the procedure shall be to replace the necessary number of candidates elected from among those in the majority list in the last consecutive positions with candidates in possession of the requisite qualifications **or characteristics**, from the same list based on their consecutive numbering. If it proves impossible to complete the number of Directors required via this procedure, again in order to comply with the provision of the foregoing paragraphs 3 and 4 **and the regulations in force in respect of equal gender representation,** the remaining Directors shall be appointed by shareholders in general meeting on the basis of a simple majority, at the proposal of the shareholders in attendance.
In the event of just one list being submitted, the Board of Directors is taken from this list in its entirety, providing the quorum established by law for ordinary general meetings has been reached.	*Unchanged*
For the appointment of those Directors who for whatever reason could not be elected to	For the appointment of those Directors who for whatever reason could not be elected to comply

comply with the provisions set forth in the foregoing paragraphs, or in the event that no lists are submitted, the Board of Directors is appointed by shareholders in general meeting on the basis of a relative majority, again without prejudice to the requirements stipulated in Article 15, paragraphs 3 and 4 hereof.	with the provisions set forth in the foregoing paragraphs, or in the event that no lists are submitted, the Board of Directors is appointed by shareholders in general meeting on the basis of a relative majority, again without prejudice to the requirements stipulated in Article 15, paragraphs 3 and 4 hereof **and the regulations in force in respect of equal gender representation.**
In the event of one or more Directors leaving office before their term expires, the procedure shall be as described in Article 2386 of the Italian Civil Code, without prejudice to the obligation to comply with the provisions of Article 15, paragraphs 3 and 4 hereof. Directors co-opted by the Board shall remain in office until the next successive annual general meeting, where shareholders will appoint a new Board member to replace the Director who has left office. Shareholders in general meetings shall adopt resolutions based on a relative majority, in compliance with the provisions in respect of the Board's composition set forth in Article 15, paragraphs 3 and 4 herein. If the Directors being replaced had been elected from a minority list, where possible they are replaced with unelected Directors taken from the same list.	In the event of one or more Directors leaving office before their term expires, the procedure shall be as described in Article 2386 of the Italian Civil Code, without prejudice to the obligation to comply with the provisions of Article 15, paragraphs 3 **and 4 hereof and the regulations in force in respect of equal gender representation**. Directors co-opted by the Board shall remain in office until the next successive annual general meeting, where shareholders will appoint a new Board member to replace the Director who has left office. Shareholders in general meetings shall adopt resolutions based on a relative majority, in compliance with the provisions in respect of the Board's composition set forth in Article 15, paragraphs 3 and 4 herein **and the regulations in force in respect of equal gender representation**. If the Directors being replaced had been elected from a minority list, where possible they are replaced with unelected Directors taken from the same list **while respecting the regulations in force in respect of equal gender representation**.
For the purposes hereof, control shall be defined, including with respect to entities not incorporated as companies, as in the cases listed under Article 93 of Italian Legislative Decree 58/98.	*Unchanged*
The foregoing shall be without prejudice to other and/or further provisions regarding the appointment of, and qualifications for, members of the Board of Directors required without exception under law and/or regulations in force.	*Unchanged*

In the event of more than half of the Board of Directors leaving office before its term expires, whether as a result of resignations being tendered or for any other reason, the entire Board shall be deemed to have tendered its resignation and a general meeting called to appoint new Directors. However, the Board shall remain in office until shareholders have approved its reappointment in general meeting and until at least half the new Directors have accepted the position.	*Unchanged*
Article 16	Article 16
The Board of Directors shall approve from among its own number a Chairman and one or two Deputy Chairmen and the Managing Director provided for in Article 25 hereunder, who shall remain in office for the entire duration of their terms as Directors.	*Unchanged*
No person aged seventy or over may be elected as Chairman, and no person aged sixty-five or over may be elected as Managing Director.	*Unchanged*
In the event of the Chairman being absent or otherwise impeded, his duties shall be discharged by, in order, the elder of the two Deputy Chairmen, the other Deputy Chairman if appointed, and the most senior of the Directors in attendance.	*Unchanged*
Meetings of the Board are called by the Chairman who is responsible for setting the agenda, presiding over the proceedings, and ensuring that all Directors are provided with adequate information regarding the business to be transacted.	*Unchanged*
The Chairman is also responsible for ensuring that the corporate governance system runs smoothly in practice, guaranteeing due balance between the powers of the Managing Director and the other executive Directors; he is the counterparty for dialogue with the internal control bodies and internal committees; and co-ordinates with the Managing Director in supervising relations with externals and institutions.	*Unchanged*

The Board also appoints a Secretary, who may be chosen from outside its number. In the event of the Secretary being absent or otherwise impeded, the Board designates the person to replace him/her.	*Unchanged*
Article 17	Article 17
Meetings of the Board of Directors are called at the head office of the Company or elsewhere by the Chairman or the Acting Chairman, on his own initiative or when requisitioned by at least three Directors. As a rule the Board of Directors meets at least five times a year.	*Unchanged*
Board meetings may also be called by the Statutory Audit Committee, provided the Chairman of the Board has been notified to such effect in advance.	*Unchanged*
Board meetings are called by notice in writing to be given by electronic mail, facsimile transmission, letter or telegram despatched at least five clear days prior to the date scheduled for the meeting. In urgent cases this may be reduced to two days. The notice in writing shall contain an indication of the place, day and time of the meeting, along with an agenda briefly setting out the business to be transacted.	*Unchanged*
Board meetings may also be held via video- or tele-conference, provided that the persons entitled to attend may be properly identified, speak in real time on items on the agenda, and receive or transmit documents, and further provided that the Chairman, Managing Director and Secretary are in attendance at the place where the meeting is being held.	*Unchanged*
The Board may also pass valid resolutions without a formal meeting being called, provided that all the Directors and standing auditors in office take part.	*Unchanged*
Article 18	Article 18
The Board of Directors, as described below, delegates management of the Company's	*Unchanged*

day-to-day business to the Executive Committee and Managing Director, who execute such management in accordance with the guidelines and directives formulated by the Board of Directors.

Without prejudice to legal and regulatory provisions in force from time to time, and without prejudice to those matters which are reserved to the sole jurisdiction of shareholders in general meeting, the following matters fall within the remit of the Board of Directors:

1) approval of strategic guidelines and directions, business and financial plans, budgets, and risk management and internal control policies;
2) approval of quarterly and interim accounts and of draft individual and consolidated financial statements;
3) decisions concerning the acquisition or disposal of equity investments which alter the composition of the Banking Group for amounts of over €500m or otherwise of investments worth in excess of €750m;
4) trading involving equity investments in excess of 15% of the holdings owned at the start of each financial year in Assicurazioni Generali S.p.A., RCS MediaGroup S.p.A. and Telco S.p.A.;
5) appointment and dismissal of the Executive Committee provided for in Article 22 with the powers described under Article 23 and establishment of any additional powers to be vested in it;
6) appointment and dismissal of the Managing Director with the powers described under Article 25 and establishment of any additional powers to be vested in him as well as his remuneration;
7) appointment and dismissal of the General Manager and establishment of his powers and remuneration;
8) appointment of the Head of company financial reporting and of persons responsible for internal audit and compliance duties;
9) proposals to be submitted to shareholders in ordinary and extraordinary general meetings;

Unchanged

10) approval or amendment of any internal regulations;
11) ascertaining that Directors and members of the Statutory Audit Committee, upon their appointment or without prejudice to the foregoing at least on an annual basis, are in possession of the requisite professional credentials, are fit and proper persons to hold such office, and qualify as independent as required by regulations in force and by these Articles of Association.

Without prejudice to every Director's entitlement to submit proposals, the Board of Directors normally adopts resolutions based on the proposal of the Executive Committee or the Managing Director.

Unchanged

The Board of Directors may take resolutions on transactions falling within the remit of the Executive Committee and Managing Director with a majority of the Directors in office voting in favour.

Unchanged

Article 19

The Board of Directors shall establish three committees from among its own number:
i) an Appointments committee, made up of five members and including de jure the Chairman of the Board of Directors, the Managing Director, the General Manager, if appointed, and at least two Directors qualifying as independent under the Code of conduct for listed companies. The committee reviews and tables proposals for the submission of a list of candidates for appointments to the Board of Directors, to co-opt Board members after Directors have left office, for appointments to the Executive Committee and to the post of Managing Director, and at the proposal of the latter, for appointments to the post of General Manager; for these duties, if the General Manager forms part of the committee, two directors qualifying as independent under the Code of conduct are added to the committee.

Article 19

The Board of Directors shall establish three committees from among its own number:
i) an Appointments committee, made up of five members and including de jure the Chairman of the Board of Directors, the Managing Director, the General Manager, if appointed, and at least two Directors qualifying as independent under the Code of conduct for listed companies. The committee reviews and tables proposals for the submission of a list of candidates for appointments to the Board of Directors, to co-opt Board members after Directors have left office, for appointments to the Executive Committee and to the post of Managing Director, and at the proposal of the latter, for appointments to the post of General Manager; for these duties, if the General Manager forms part of the committee, two directors qualifying as independent under the Code of conduct are added to the committee.

The Board of Directors also delegates the Appointments committee to pass resolutions on proposals made by the Managing Director, having first sought the opinion of the Chairman, regarding decisions to be taken in general meetings of the investee companies referred to in paragraph 2, point 4 of the foregoing Article 18 in respect of appointments to governing bodies. The committee adopts resolutions with a majority of its members voting in favour. In the event of an equal number of votes being cast, the decision reverts to the Board of Directors;	The Board of Directors also delegates the Appointments committee to pass resolutions on proposals made by the Managing Director, having first sought the opinion of the Chairman, regarding decisions to be taken in general meetings of the investee companies referred to in paragraph 2, point 4 of the foregoing Article 18 in respect of appointments to governing bodies. The committee adopts resolutions with a majority of its members voting in favour. In the event of an equal number of votes being cast, the decision reverts to the Board of Directors;
ii) a Remunerations committee, made up of from five to seven non-executive members, at least a majority of whom shall be independent as defined by the Code of conduct, with powers of consultation and enquiry to determine the remuneration of Directors vested with particular duties and the General Manager if appointed. The committee also gives its opinion on the guidelines for remuneration and staff retention policies operated by the Group presented by the Managing Director;	ii) a Remunerations committee, made up of from five to seven non-executive members, at least a majority of whom shall be independent as defined by the Code of conduct, with powers of consultation and enquiry to determine the remuneration of Directors vested with particular duties and the General Manager if appointed. The committee also gives its opinion on the guidelines for remuneration and staff retention policies operated by the Group presented by the Managing Director;
iii) an Internal control committee, with from three to five independent members as defined by the Code of conduct, which has 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.	iii) an Internal control **and risks** committee, with from three to five independent members as defined by the Code of conduct, which has 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
Article 20	Article 20
For Board resolutions to be valid, a majority of the Directors in office must be present. The Board of Directors adopts resolutions with a majority of those in attendance voting in favour. For the matters listed under the foregoing Article 18, paragraph 2, points 5, 6 and 7, the Board shall adopt resolutions based on the quorum stipulated in Article 18, paragraph 4.	*Unchanged*
In the event of an equal number of votes being cast, the Chairman of the Board of Directors shall have the deciding vote.	*Unchanged*

In the event of Directors abstaining from votes owing to an interest which such Directors may have in the transaction concerned, either themselves or through third parties, the Directors so abstaining are included for purposes of establishing the quorum required for the meeting to be validly constituted, but are not included for determining the majority required to pass the resolution.	*Unchanged*
As required under Articles 2381 of the Italian Civil Code, the appointed bodies report to the Board of Directors every three months on general operating performance and prospects, as well as on the most significant transactions in terms of size or characteristics carried out by the Company or its subsidiaries.	*Unchanged*
Article 21	Article 21
Resolutions shall be recorded in the minutes of the meeting and entered in the book required to be kept by law, shall be signed by the Chairman or whoever presides over the meeting in his stead, by another Director and by the Secretary.	*Unchanged*
Excerpts from the minutes signed by the Chairman or by two Directors and countersigned by the Secretary constitute full proof.	*Unchanged*
Sub-section II - Executive Committee	**Sub-section II - Executive Committee**
Article 22	Article 22
The Board of Directors appoints an Executive Committee to comprise a total of up to nine members, establishing their powers in accordance with the provisions of Article 23, paragraph 1 hereunder.	*Unchanged*
The Chairman of the Board of Directors and the five directors who are members of the Group's management with the requisites stipulated under the foregoing Article 15 and elected from the list which receives the highest number of votes are members of the Executive Committee *de jure*.	*Unchanged*

Executive Committee members in possession of the requisites stipulated under the foregoing Article 15 are bound to devote themselves solely to performance of activities involved in such office, and unless otherwise provided by the Board of Directors, may not perform duties of administration, management or control or of any other kind at companies or entities which are not investee companies of Mediobanca. The other members of the Executive Committee, save otherwise provided by the Board of Directors, may not perform duties of administration, management, control or of any other kinds for banking groups or insurance companies.	**Without prejudice to the provisions of the law,** Executive Committee members in possession of the requisites stipulated under the foregoing Article 15 are bound to devote themselves solely to performance of activities involved in such office, and unless otherwise provided by the Board of Directors, may not perform duties of administration, management or control or of any other kind at companies or entities which are not investee companies of Mediobanca. **Without prejudice to the provisions of the law,** the other members of the Executive Committee, save otherwise provided by the Board of Directors, may not perform duties of administration, management, control or of any other kinds for banking groups or insurance companies.
Directors who are also part of the Banking Group's management, and who in such capacity are called to form part of the Executive Committee, shall cease to be Directors upon their ceasing to be employed by the company belonging to the Banking Group.	*Unchanged*
Members of the Executive Committee shall also be disqualified from the office of Director upon the occasion of any breach on their part of the obligations provided for in the foregoing paragraph 3. Disqualification is pronounced by the Board of Directors.	*Unchanged*
In all cases in which it is necessary to make appointments to the Executive Committee to replace members leaving office, the Board of Directors shall be responsible, in compliance with the provisions in respect of the Executive Committee's composition.	*Unchanged*
The Executive Committee is chaired by the Chairman of the Board of Directors.	*Unchanged*
The Committee shall remain in office for the entire duration of the Board of Directors which appointed it.	*Unchanged*
The Statutory Audit Committee takes part in Executive Committee meetings.	*Unchanged*

The Committee appoints a Secretary, who does not necessarily have to be one of its own number.	*Unchanged*
Article 23	Article 23
Without prejudice to the provisions of the foregoing Article 18 hereof, the Board of Directors grants responsibility to the Executive Committee for the ordinary management of the Company, with all powers not reserved, by law or in conformity with the provisions of these Articles, to the collegiate jurisdiction of the Board of Directors or which the latter has delegated to the Managing Director. Without prejudice to the foregoing, the Executive Committee: 1) is responsible for the Bank's operating performance, as a rule through the proposals of the Managing Director and in co-operation with him; 2) adopts resolutions to grant loans in accordance with the guidelines and general directions adopted by the Board of Directors and on the other matters specified under the foregoing Article 18, paragraph 2, points 3 and 4, in amounts and/or for percentages not to exceed those which fall within the sole jurisdiction of the Board of Directors; 3) draws up internal regulations, to be submitted to the approval of the Board of Directors; 4) establishes the principles for co-ordination and management of the Group companies in execution of the strategic guidelines approved by the Board of Directors.	*Unchanged*
In urgent cases the Executive Committee may agree on resolutions in conjunction with the Chairman of the Board of Directors regarding any matter or transaction, reporting back to the Board at the first meeting to be held afterwards.	*Unchanged*
Resolutions are approved by the Executive Committee with the majority of its members in attendance and voting in favour.	*Unchanged*

In the event of members abstaining from votes owing to an interest which such members may have in the transaction concerned, either themselves or through third parties, Directors so abstaining are included for purposes of establishing the quorum required for the Committee meeting to be validly constituted, but are not included for determining the majority required to pass the resolution.	*Unchanged*
The Executive Committee may delegate its powers to approve resolutions to committees made up of the Company's management or individual managers up to certain pre-established limits.	*Unchanged*
Article 24	Article 24
Executive Committee meetings are called on the initiative of its Chairman based on the requirements of the business, as a rule meeting once a month. Meetings of the Executive Committee may also be called by the Statutory Audit Committee or at least two of its members, provided the Chairman has been notified in advance.	*Unchanged*
Executive Committee meetings are called by notice provided in writing to be given by electronic mail, facsimile transmission, letter or telegram despatched at least three clear days prior to the date scheduled for the meeting. In urgent cases this may be reduced to one day. The notice in writing shall contain an indication of the place, day and time of the meeting, along with an agenda briefly setting out the business to be transacted.	*Unchanged*
Committee meetings may also be held via video- or tele-conference, provided that the persons entitled to attend may be properly identified, speak in real time on items on the agenda, and receive or transmit documents, and further provided that the Chairman of the Board of Directors, Managing Director and Secretary are in attendance at the place where the meeting is being held.	*Unchanged*

The Committee may also pass valid resolutions without a formal meeting being called, provided that all its members and all standing auditors in office take part.	*Unchanged*
Committee meetings are presided over by the Chairman of the Board of Directors, co-ordinates the proceedings, and ensuring that all participants are provided with adequate information regarding the items on the agenda if necessary. In the event of his being absent or otherwise impeded, these duties are carried out by the eldest member.	*Unchanged*
The Secretary to the Executive Committee draws up the minutes of the meeting and enters them in the Committee's records, having been signed by the Committee Chairman, the Managing Director and Secretary.	*Unchanged*
Excerpts from the minutes signed by the Chairman or by the Managing Director and countersigned by the Secretary constitute full proof.	*Unchanged*
Sub-section III - Managing Director	**Sub-section III - Managing Director**
Article 25	Article 25
The Board of Directors appoints a Managing Director to be chosen from among the Directors in possession of the requisites specified under the foregoing Article 15, paragraph 4 hereof.	*Unchanged*
Without prejudice to the provisions of Article 18, the Board of Directors establishes the powers of the Managing Director. The Managing Director in particular: 1) has executive powers, and is responsible for implementing resolutions adopted by the Board of Directors and the Executive Committee and – in accordance with the powers attributed to him – the plans and strategic directions established by the Board of Directors and Executive Committee; 2) is empowered to make proposals to the Board of Directors and Executive	*Unchanged*

Committee, with reference in particular to management direction, proposed strategic plans and budgets, draft financial statements and interim accounts;

3) is responsible for staff management, and having sought the opinions of the General Manager, if appointed, appoints managerial staff;
4) ensures that the organizational, administrative and accounting systems of the Bank are adequate for its operations and the size of the Company;
5) reports, with the General Manager, if appointed, to the Board of Directors and Executive Committee each quarter on the Bank's operating performance and prospects, and on the most significant transactions carried out by the Company and its subsidiaries.

Sub-section IV – General manager

Article 26

The Board of Directors may appoint, at the Managing Director's proposal and without prejudice to the provisions of Article 19, paragraph 1, letter i) hereof, a General Manager and establish his powers. If appointed, the General Manager will be chosen from among the Directors in possession of the requisites specified under Article 15, paragraph 4 of these Articles, and may not be more than sixty-five years old.

The Board of Directors shall authorize the General Manager to sign jointly or severally on behalf of the Company as laid down in Article 28, and thereby vest him with powers to carry out the day-to-day business of the Company and to implement resolutions passed by the Board of Directors and Executive Committee in accordance with the directions issued by, and based on the individual remit of, the Board of Directors, Executive Committee and Managing Director.

Sub-section IV - General manager

Article 26

Unchanged

Unchanged

Sub-section V – Head of company financial reporting

Article 27

On the proposal of the Executive Committee and having sought the opinion of the Statutory Audit Committee, the Board of Directors appoints one person to act as head of financial reporting, who shall be chosen from among the Bank's management and who has held management positions for a period of at least three years in the field of accounting administration at the Bank itself or at other leading banks. The person identified to act as head of financial reporting shall put in place adequate administrative and accounting procedures for the preparation of the individual and consolidated accounts, and all other reporting which is financial in nature. The appointed bodies and the head of financial reporting issue the statements on the Company's capital, earnings and finances required under law.

The Board of Directors exerts supervision to ensure the head of financial reporting is vested with suitable powers and means to carry out the duties entrusted to him and to ensure that the administrative and accounting procedures are complied with in practice.

Sub-section VI - Powers to represent the Bank

Article 28

The corporate signature shall be vested in the Chairman of the Board of Directors, the Managing Director, the General Manager if appointed, and in such other employees of the Bank to whom such right has been specifically granted.

The corporate signature shall be binding when it is jointly executed by two of the authorized persons appending their signatures under the Company's name, always provided that one of

Sub-section V - Head of company financial reporting

Article 27

Unchanged

Unchanged

Sub-section VI - Powers to represent the Bank

Article 28

Unchanged

Unchanged

the two signatures is that of the Chairman, the Managing Director, or the General Manager or one of the employees of the Bank in whom such right has been specifically vested.	
The Board of Directors may, however, empower the corporate signature to be appended to certain categories of the Company's instruments of day-to-day administration jointly by any two of the authorized persons. The Board of Directors may moreover delegate to its members or to one of the employees of the Bank expressly so authorized the power to sign severally certain specific instruments or contracts of the Company.	*Unchanged*
The Board of Directors may furthermore delegate to employees of the Bank specifically so authorized the power to sign severally certain categories of the Company's instruments of day-to-day administration.	*Unchanged*
The Board of Directors may also grant the right to sign in the name of the Company to other Banks, always provided that such right shall be exercised only in relation to services performed on the Company's behalf. In such cases the Banks so authorized shall insert the words "per procura della Mediobanca - Banca di Credito Finanziario" above their own Company signature executed in accordance with the provisions of their Articles of Association.	*Unchanged*
The power to represent the Bank as a Member, whether on its own behalf or on behalf of third parties, at the time companies are established and at General Meetings of other companies may also be exercised severally by the Chairman, the Managing Director, the General Manager or by employees of the Bank specifically designated by the Board of Directors.	*Unchanged*
The power to represent the Company in judicial and administrative procedures shall be vested severally in the Chairman, the Managing Director and General Manager if appointed,	*Unchanged*

and in employees of the Bank specifically designated by the Board of Directors for such purpose.

SECTION V	**SECTION V**
Statutory Audit Committee	**Statutory Audit Committee**
Article 29	Article 29
Shareholders in ordinary general meeting appoint three standing and two alternate auditors and establish the emoluments payable to each auditor for each financial year. Their term of office is governed by regulations in force.	Shareholders in ordinary general meeting appoint three standing and ~~two~~ three alternate auditors and establish the emoluments payable to each auditor for each financial year. Their term of office is governed by regulations in force.
Members of the Statutory Audit Committee shall be in possession of the requisite qualifications for holding such office expressly stipulated under regulations in force at the time, failing which they shall become ineligible or, in the event of such circumstances materializing subsequently, shall be disqualified from office.	*Unchanged*
In particular, with reference to professional qualifications, these are understood as being strictly pertinent to those in respect of the company, those listed under Article 1 of the Italian Consolidated Banking Act, and the provision of investment services or collective portfolio management, both of which as defined in Italian Legislative Decree 58/98.	*Unchanged*
Members of the Statutory Audit Committee may not hold posts in governing bodies other than those with responsibility for control of other Group companies or in companies in which Mediobanca holds, including indirectly, an investment which is deemed to be strategic under supervisory requirements laid down by the Bank of Italy.	*Unchanged*
In addition, candidates who hold the post of director, manager or officer in companies or entities, or who otherwise work with the management of companies operating directly	In addition, **without prejudice to the provisions of the law,** candidates who hold the post of director, manager or officer in companies or entities, or who otherwise

or indirectly (including through subsidiaries) in the same sectors as Mediobanca may not be elected, or if already elected are disqualified from office.	work with the management of companies operating directly or indirectly (including through subsidiaries) in the same sectors as Mediobanca may not be elected, or if already elected are disqualified from office.
Outgoing Statutory Audit Committee members may be re-elected.	*Unchanged*
Appointments to the Statutory Audit Committee are made on the basis of lists in which each candidate is numbered consecutively. Each list consists of two sections: one for candidates to the post of Standing Auditor, the other for candidates to the post of Alternate Auditor. Ownership of the minimum percentage of the Company's share capital required to submit a list, in accordance with the indications provided in Article 15 above in respect of appointments to the Board of Directors, is established on the basis of shares recorded as being in the shareholders' possession at the date on which the lists are filed with the issuer.	Appointments to the Statutory Audit Committee are made on the basis of lists in which each candidate is numbered consecutively. Each list consists of two sections: one for candidates to the post of Standing Auditor, the other for candidates to the post of Alternate Auditor. **Lists containing a number of candidates equal to or above three must ensure that the balance between male and female candidates complies with at least the minimum requirement stipulated by the regulations in force at the time.** Ownership of the minimum percentage of the Company's share capital required to submit a list, in accordance with the indications provided in Article 15 above in respect of appointments to the Board of Directors, is established on the basis of shares recorded as being in the shareholders' possession at the date on which the lists are filed with the issuer.
One individual shareholder may not submit or vote for any more than one list, including via proxies or trustee companies. Shareholders belonging to the same group – that is, the parent company, subsidiaries and companies subject to joint control – or shareholders who are parties to a shareholders' agreement in respect of the issuer's share capital as defined under Article 122 of Italian Legislative Decree 58/98, may not submit or vote for more than one list, including via proxies or trustee companies. Individual candidates may only feature in one list, failing which they become ineligible.	*Unchanged*
Lists are deposited at the Company's head office at least twenty-five days prior to the date scheduled for the general meeting to be held in the first or only instance called to adopt	Lists are deposited at the Company's head office at least twenty-five days prior to the date scheduled for the general meeting to be held in ~~the first or~~ only instance called to adopt

resolutions in respect of the appointment of statutory auditors, and shall include:

a) information on the identity of the shareholders submitting the lists, with an indication of the aggregate percentage shareholding; certification providing proof of ownership may also be produced subsequently, provided that it is forthcoming within the term provided for the issuer to make the lists public;
b) a statement from shareholders submitting the list other than those who own, including jointly, a controlling interest or relative majority, declaring the non-existence or existence as the case may be, of relations with the latter, as required by the provisions of Article 144-*quinquies*, paragraph 1, of Consob regulation no. 11971/99;
c) full information on the personal and professional characteristics of the candidates, a list of the management and/or supervisory posts held by them in other companies, plus a statement by the candidates themselves to the effect that they are in possession of the qualifications required under law and these Articles and agree to stand as candidates.

Lists submitted which do not conform to the above specifications shall be treated as null and void.

In the event that by the date on which the term for submission of lists has passed, only one list has been submitted, or only lists submitted by shareholders who are related as defined in Article 144-*quinquies*, paragraph 1 of Consob regulation no. 11971/99 based on the statements referred to under the foregoing paragraph 9, letter b) hereof, lists may be presented up to the third calendar day subsequent to such date. In this case the minimum percentage shareholding for submitting lists referred to under the foregoing paragraph 7 is reduced by half.

The proposals for appointments are disclosed to the public on the terms and according to the methods prescribed by law.

resolutions in respect of the appointment of statutory auditors, and shall include:

a) information on the identity of the shareholders submitting the lists, with an indication of the aggregate percentage shareholding; certification providing proof of ownership may also be produced subsequently, provided that it is forthcoming within the term provided for the issuer to make the lists public;
b) a statement from shareholders submitting the list other than those who own, including jointly, a controlling interest or relative majority, declaring the non-existence or existence as the case may be, of relations with the latter, as required by the provisions of Article 144-*quinquies*, paragraph 1, of Consob regulation no. 11971/99;
c) full information on the personal and professional characteristics of the candidates, a list of the management and/or supervisory posts held by them in other companies, plus a statement by the candidates themselves to the effect that they are in possession of the qualifications required under law and these Articles and agree to stand as candidates.

Unchanged

Unchanged

Unchanged

Before voting commences, the Chairman presiding over the general meeting reminds shareholders of any statements made pursuant to the foregoing paragraph 9, letter b) hereof, and invites shareholders taking part in the meeting who have not submitted or contributed to submitting lists, to declare any relations, as defined in Article 144-*quinquies*, paragraph 1 of Consob regulation no. 11971/99, with those shareholders who have submitted lists or with those who hold, including jointly, a controlling interest or relative majority.

Unchanged

In the event of an individual related to one or more shareholders who have submitted or voted for the list ranking first in terms of number of votes voting for a minority list, such relationship shall assume significance only if the vote was decisive in the appointment of the auditor.

Unchanged

The following procedure is adopted for the appointment of statutory auditors:

a) two statutory auditors and one alternate auditor are chosen based on the consecutive order in which they are numbered from the list obtaining the highest number of votes;
b) one standing auditor and one alternate auditor are chosen based on the consecutive order in which they are numbered in the respective list sections, from the list ranking second in terms of number of votes in general meeting and which under regulations in force is not linked even indirectly with the shareholders who submitted or voted for the list which ranked first.

The following procedure is adopted for the appointment of statutory auditors:

a) two statutory auditors and ~~one~~ **two** alternate auditor**s** are chosen based on the consecutive order in which they are numbered from the list obtaining the highest number of votes;
b) one standing auditor and one alternate auditor are chosen based on the consecutive order in which they are numbered in the respective list sections, from the list ranking second in terms of number of votes in general meeting and which under regulations in force is not linked even indirectly with the shareholders who submitted or voted for the list which ranked first.

In the event of the same number of votes being cast for more than one list, a new vote is held in the form of a ballot between the lists, with the candidates from the list which obtains a simple majority in this case being elected.

Unchanged

The candidate ranking first in the section for election of standing auditors in the list ranking second in terms of the number of votes cast

Unchanged

is appointed Chairman of the Statutory Audit Committee.	
In the event of only one list being submitted, shareholders in general meeting express their opinion on it; if the list obtains the majority required by law for the ordinary general meeting, the three candidates numbered consecutively in the relevant section are appointed standing auditors, and the two candidates numbered consecutively in the relevant section are appointed alternate auditors; the candidate listed first in the section for candidates to the post of standing auditor in the list submitted is appointed as Chairman of the Statutory Audit Committee.	In the event of only one list being submitted, shareholders in general meeting express their opinion on it; if the list obtains the majority required by law for the ordinary general meeting, the three candidates numbered consecutively in the relevant section are appointed standing auditors, and the ~~two~~ **three** candidates numbered consecutively in the relevant section are appointed alternate auditors; the candidate listed first in the section for candidates to the post of standing auditor in the list submitted is appointed as Chairman of the Statutory Audit Committee.
	If the Committee's composition fails to respect the regulations in force on the subject equal gender representation, the necessary replacements will be made in the order in which the candidates are presented.
In the event of no lists being submitted, or if the voting mechanism by lists provides a lower number of candidates appointed than the number established in these Articles, the Statutory Audit Committee is appointed or completed by shareholders in general meeting with the majorities provided by law.	In the event of no lists being submitted, or if the voting mechanism by lists provides a lower number of candidates appointed than the number established in these Articles, the Statutory Audit Committee is appointed or completed by shareholders in general meeting with the majorities provided by law **while respecting the regulations in force on the subject of equal gender representation.**
If more than one list is submitted, and in the event of a standing auditor leaving office, an alternate auditor from the same list shall take his place.	If more than one list is submitted, and in the event of a standing auditor leaving office, an alternate auditor from the same list shall take his place **based on the consecutive numbering in the list and in compliance with the principle of equal gender representation.**
The procedure for shareholders in general meeting to replace the number of standing and/or alternate auditors to complete the Statutory Audit Committee is as follows: if auditors elected from the majority list or sole list have to be appointed, or auditors elected directly by	The procedure for shareholders in general meeting to replace the number of standing and/or alternate auditors to complete the Statutory Audit Committee is as follows **(again in compliance with the principle of equal gender representation):** if auditors elected

shareholders in general meeting, appointments are made by means of a vote passed by a relative majority without restrictions in terms of lists; if, however, auditors elected from the minority list are to be replaced, shareholders gathered in general meeting replace them by means of a vote passed by a relative majority, but choosing from among the candidates indicated in the list which included the auditor to be replaced, or failing this, from among the candidates contained in any further minority lists.	from the majority list or sole list have to be appointed, or auditors elected directly by shareholders in general meeting, appointments are made by means of a vote passed by a relative majority without restrictions in terms of lists; if, however, auditors elected from the minority list are to be replaced, shareholders gathered in general meeting replace them by means of a vote passed by a relative majority, but choosing from among the candidates indicated in the list which included the auditor to be replaced, or failing this, from among the candidates contained in any further minority lists.
In the event of there being no candidates on the minority list or lists, the appointment is made by means of a vote based on one or more lists, comprising a number of candidates not to exceed the number of auditors to be elected, to be submitted prior to the general meeting in accordance with the provisions hereof for appointments to the Statutory Audit Committee, provided that lists may not be submitted (and if submitted are treated as null and void) by shareholders who, based on the statements made as required by regulations in force, hold a relative majority, including indirectly, of the voting rights that may be exercised in general meeting, or by shareholders related to them as defined in regulations in force. The candidates featured in the list which obtains the highest number of votes are appointed.	In the event of there being no candidates on the minority list or lists, the appointment is made by means of a vote based on one or more lists, comprising a number of candidates not to exceed the number of auditors to be elected **and such as to ensure compliance with the principle of equal gender representation,** to be submitted prior to the general meeting in accordance with the provisions hereof for appointments to the Statutory Audit Committee, provided that lists may not be submitted (and if submitted are treated as null and void) by shareholders who, based on the statements made as required by regulations in force, hold a relative majority, including indirectly, of the voting rights that may be exercised in general meeting, or by shareholders related to them as defined in regulations in force. The candidates featured in the list which obtains the highest number of votes are appointed.
In the event that no lists are submitted that comply with the foregoing provisions, appointments shall be made on the basis of a vote passed by a relative majority without restrictions in terms of lists.	In the event that no lists are submitted that comply with the foregoing provisions, appointments shall be made on the basis of a vote passed by a relative majority without restrictions in terms of lists **in compliance with the principle of equal gender representation.**
In all circumstances which require the Chairman of the Committee to be replaced, the auditor taking his place also takes on the role of Chairman to the Statutory Audit Committee.	*Unchanged*

Article 30	Article 30
The Statutory Audit Committee is responsible for monitoring: a) compliance with legal, regulatory and statutory requirements, and observance of the principles of correct management; b) the adequacy of the organizational and administrative/accounting structure of the company and its financial reporting process; c) the effectiveness and adequacy of the risk control and management system, the internal audit process and the functioning of the internal control system as a whole; d) the legal auditing process for the annual and consolidated accounts; e) the independence of the legal external auditors, in particular insofar as regards the provision of non-audit services.	*Unchanged*
The Statutory Audit Committee is vested with the powers provided for under regulatory provisions in force, and reports to the Bank of Italy on operating irregularities or breaches of regulations detected in the course of its duties.	*Unchanged*
The Statutory Audit Committee is usually informed of the activities carried out and the most significant transactions in earnings, financial and capital terms, executed by the Company or its subsidiaries, and in particular transactions in which the Directors have an interest either in their own right or by means of third parties, including via the appointed bodies pursuant to Article 2381 of the Italian Civil Code, directly upon the occasion of meetings of the Board of Directors and Executive Committee, which are held with the frequency established under the foregoing Article 20; note of this is duly made in the minutes of the respective meetings. Information is also furnished to the Statutory Audit Committee outside of meetings of the Board of Directors and Executive Committee in writing, addressed to the Chairman of the Statutory Audit Committee.	*Unchanged*

Statutory Audit Committee meetings may also be held via video- or tele-conference, provided that the persons entitled to attend may be properly identified, follow the discussions appropriately and speak in real time on items on the agenda; if such conditions are met, the Statutory Audit Committee is held to have met at the place where the Chairman is present.	*Unchanged*
SECTION VI	**SECTION VI**
Auditing	**Auditing**
Article 31	Article 31
Legal auditing shall be carried out by a duly registered external legal auditor, whose terms of appointment, duties and responsibilities shall be governed by law and regulations.	*Unchanged*
SECTION VII	**SECTION VII**
Financial Year and Balance Sheet	**Financial Year and Balance Sheet**
Article 32	Article 32
The Company's financial year shall begin on 1 July of each year and shall end on 30 June of the following year.	*Unchanged*
Article 33	Article 33
The Board of Directors shall draw up the balance sheet for the year and shall submit it to shareholders in general meeting for approval.	*Unchanged*
In its Report to shareholders in general meeting, the Board shall refer to all matters which may assist in providing the most comprehensive account possible of the Company's operations and the state of its affairs.	*Unchanged*
Article 34	Article 34
At least 10% of the net profit for each financial year shall be deducted therefrom and taken	*Unchanged*

in the first instance to the Legal Reserve pursuant to Article 2430 of the Civil Code with any balance being allocated to the Statutory Reserve. Should the Board of Directors so propose, the General Meeting may then also resolve that any further sums be deducted which it is deemed prudent either to allocate to the Statutory Reserve for the purpose of increasing its resources, or to set aside in order to establish other reserves of an extraordinary or special nature.	
The remainder shall be shared among the shareholders, with the exception of any amounts carried forward.	*Unchanged*
SECTION VIII	**SECTION VIII**
Winding-up	**Winding-up**
Article 35	Article 35
The liquidation of the Company shall be governed by the provisions of the law.	*Unchanged*

2) to vest the Chairman, the Managing Director and the General Manager, jointly and severally, with the widest powers to incorporate into this resolution any amendment, change or addendum that may be required or otherwise requested by the competent authorities

3) to authorize the Chairman, the Managing Director and the General Manager, jointly and severally, to complete every formality required for the resolutions thus adopted to be filed with the companies' register."

Milan, 18 July 2012

THE BOARD OF DIRECTORS

POLICY IN RESPECT OF CONTROLS OVER ACTIVITIES AT RISK AND CONFLICTS OF INTEREST VERSUS RELATED AND CONNECTED PARTIES

Policy in respect of controls over activities at risk and conflicts of interest versus related and connected parties

1. Introduction

Section IV, Chapter 5, Title V of the New prudential supervisory regulations for banks issued in December 2011 - Circular no. 263 requires that banks approve their internal control policies, indicating their objectives in detail.

The policy is approved by the Board of Directors, having noted the opinion in favour expressed by the Internal Control Committee and the Statutory Audit Committee, disclosed to shareholders in general meeting and kept available for any requests made by the Bank of Italy.

2. Content

In accordance with the requirements laid down by the regulations, the policy:

– identifies the sectors of activity and products in relation to which conflicts of interest of interest may arise;

– establishes how levels of risk propensity are set which are consistent with the strategic profile and organizational characteristics of the Bank and the Banking Group;

– governs the organizational processes for identifying connected parties and the related transactions;

– identifies the duties of the control units, in relation to operations with connected parties.

2.1 Conflicts of interest with connected parties

2.1.1 Definition of conflicts of interest with connected parties

For the purposes of these regulations, conflicts of interest are defined as situations in which the execution of a transaction with a related party may result in damage to the Bank or to one of its customers. In particular the regulations require the adoption of specific measures in order to minimize the risk of the proximity of certain parties to the Bank's decision-making centres compromising the objectivity and impartiality of the decisions made concerning the granting of loans, the taking of risks in general and other transactions, with possible distortion in the process of allocating resources, exposing the Bank to risks not adequately measured or covered and potential damage for both creditors and shareholders.

2.1.2 Sectors of activity and types of relevant transaction

Conflicts of interest are recorded for the various areas of activity carried out by the Bank, and in particular:

– Lending (loans, transactions with counterparty and issuer risk);
– Funding (issuance of bonds or other debt securities, current accounts);
– Investment services (trading, placement, investment advice);
– Ancillary services (advisory, equity research, securities custody)
– Equity investment.

The equivalent activities carried out by the other Group companies are also relevant in this respect.

2.1.3 Identifying instances of conflicts of interest

The methods by which individual conflicts of interest are identified are contained in the Policy on management of conflicts of interest approved by the Board of Directors on 27 June 2012, drawn up in accordance with the provisions of the Consob–Bank of Italy combined regulations, with suitable additions to reflect the banking nature of the company's operations, to which reference is made.

Actual identification from the various transactions implemented by the Bank and the Group to connected parties is chiefly made through use of an IT instrument which generates alerts to the Compliance unit when transactions are executed with such parties. On a prudential basis the system also reports situations, where such information is available and known to the Bank, in which connected parties are the counterparty of the Bank's customers.

Such mechanisms constitute a second-level control versus what is defined and required for the Bank's various units in application of the procedure for transactions executed with connected parties.

2.1.4 Managing conflicts of interest

Management of any conflicts of interest deriving from transactions with connected parties is guaranteed first and foremost by compliance with the provisions set forth in the procedures in respect of related parties defined by the Bank.

In addition to the measures defined under the above procedures, the standard and/or additional measures defined in the Policy di Managing conflicts of interest also apply insofar as they are compatible.

2.2 Risk propensity versus connected parties

The levels of risk propensity versus individual connected parties reflect the assessment of their credit standing according to certain criteria equivalent to those used for unrelated parties and in any case within the supervisory limits if lower. The aggregate exposure to all connected parties may not exceed the amount determined and revised annually by the Board of Directors.

2.3 Organizational processes for identifying connected parties and related transactions

The Company Secretary's office adopts operating processes for identifying, classifying, recording and monitoring Related parties, Connected parties and related and connected parties by:

– specific requests to counterparties,

– external information providers,

– use of the IT system.

The Company Secretary's office also prepares information flows for the Bank's units and the Group companies.

The head of the division responsible for the transaction (IDR), using the information contained in the information flows referred to above, checks wither the counterparty may or may not be identified as a Related party.

If so, the head of the Division responsible provides the Internal division responsible (IDR) with the items of information necessary to assess whether the Transaction constitutes a risk asset.

Thereafter the IDR, with the help of the relevant IT system, checks that the Prudential limits and the limits on Cumulative transactions are complied with, and classifies the transaction in accordance with the procedure in respect of transactions with Related parties and connected parties.

For transactions falling with the scope of operations covered by Framework approvals, control of compliance with these limits is still the responsibility of the Risk Management unit, which will act with the support of a specific computer system fed with data on exposures measured using the regulatory metrics supplied and verified by the relevant units of the Bank.

Insofar as regards the prior check of the amount available for use from the Framework approvals, the head of the Division responsible will report to the IDR, which based on the information provided will also assess whether the proposed transaction may be carried out in execution of a Framework resolution, on the grounds that it meets the criteria of being specific, equivalent and determined on which the resolution itself is based.

The head of the Division responsible sends the Information dossier to the IDR (cf. section 2 of the procedure in respect of transactions with related and connected parties) which contains all the information required to approve the transaction, with reference in particular to the documentation proving that the transaction is being executed at market conditions.

Without prejudice to the powers vested in the Chairman and Chief Executive Officer, the IDR, once it has checked that the contents of the Information dossier are adequate, states that it is fair or contacts the relevant approving bodies. Finally, it also files the dossier.

The IDR is also responsible for the regular reports to the governing bodies in respect of the transactions executed on whatever grounds with related parties, in accordance with the methods and deadlines set forth in the procedure.

2.4 Responsibilities of control units

The control units (Compliance, Risk Management and Group Audit), in compliance with their own spheres of responsibility:

- ensure that risks taken on versus connected parties are managed and measured correctly, and
- check that the policies and internal procedures are designed correctly and applied effectively.

In particular:

- the Compliance unit checks on an ongoing basis that the procedures and systems are able to ensure that all regulatory requirements and all requirements established by the internal regulations are complied with;
- the Risk Management unit is responsible for measuring risks – including market risks – underlying the relations with connected parties, for checking that the limits assigned to the various divisions and operating units are respected, and checking that the operations of each are consistent with the levels of risk propensity defined in the internal policies;
- the Group Audit unit checks that the internal policies are complied with, reports any irregularities promptly to the Board of Directors and the Statutory Audit Committee, and reports regularly to the governing bodies on the overall exposure of the Bank and the Banking Group to the risks deriving from transactions with connected parties and from other conflicts of interest, suggesting amendments, if appropriate, to the internal policies and organizational and control arrangements considered suitable to strengthen the coverage of such risks.

STATEMENT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

Statement on Corporate Governance and ownership structure

Mediobanca adheres to the code of conduct for listed companies operated by Borsa Italiana[1] on the following terms.

Mediobanca adopts a traditional model of corporate governance based on the presence of Board of Directors and a Statutory Audit Committee, both of which are appointed by shareholders in general meeting, considering this model to be better suited to combining maximum efficiency in terms of operations with effective control, at the same time satisfying shareholders' interests and leveraging fully on the Bank's management. In particular, the Articles of Association now in force provide for a significant number of executives (five) to be represented on the Banking Group's Board of Directors, in a system of corporate governance based on wide-ranging powers being granted to the Executive Committee (made up by a majority of executive members) and the Managing Director for the day-to-day running of the company. This allows the management's professional capabilities to be leveraged, and ensures their independence with respect to situations of potential conflicts of interest with shareholders. At the same time, under the provisions of the Articles, the Board of Directors is vested with the role of strategic supervision via the traditional, non-delegable powers, based on primary regulations (approval of draft financial statements, rights issues pursuant to Article 2443 of the Italian Civil Code, etc.) and secondary regulations (decisions concerning strategic direction and business and financial plans, acquisition and disposal of significant equity investments, appointments to the post of General Manager, etc.).

The Statutory Audit Committee is responsible for supervising control activities.

Company

Mediobanca was set up in 1946 and has been listed on the Italian stock market since 1956. Its core businesses are lending and investment banking,

[1] Code of conduct for listed companies operated by Borsa Italiana dated March 2006 and subsequently modified on March 2010.

helping its clients, which include leading Italian corporates as well as numerous medium-sized businesses and international groups, to grow by providing them with professional advisory services in addition to traditional medium-term bank credit. Over the years, the advisory and lending sides have been complemented by equity investment, consumer credit (via Group companies Compass and Linea), leasing (via the SelmaBipiemme group), private banking (via Compagnie Monégasque de Banque and Banca Esperia), and retail banking (via CheBanca!). In the meantime a footprint has developed on non-Italian markets, with branch offices opening in Paris, Frankfurt, Madrid, and London.

Share capital and ownership

The Bank's share capital at 30 June 2012 totalled € 430,564,606 made up of 861,129,212 par value € 0.50 shares. The shares are bearer shares, and entitle shareholders to one vote per share in general meeting.

Pursuant to Article 2443 of the Italian Civil Code, the Board of Directors was authorized by shareholders in a general meeting held on 28 October 2011 to increase the Bank's share capital by means of rights or bonus issues, on or prior to the fifth anniversary of the date of the relevant resolution, in an amount of up to € 100m via the issuance of 200 million new ordinary shares, to be offered in option or otherwise allotted to shareholders, and to establish the issue price and ranking of such new shares from time to time; and to issue bonds convertible into ordinary shares in a nominal amount of up to € 2bn also to be offered to shareholders; provided that exercise of such resolution should not lead to the issue of a total number of ordinary shares in excess of 200 million.

Following resolution adopted in a general meeting held on 27 October 2007, Mediobanca bought back a total of 16,200,000 shares which were booked at an average price of € 13.17 per share, for a total outlay of € 213.4m.

Since 1998 shareholders in general meeting have adopted resolutions to increase the company's share capital under the terms of the stock option schemes restricted to company chief executives and to Mediobanca Group management (cf. Article 4, paras 5, 6 and 8, of the company's Articles of Association). As at 1 July 2012 the number of stock options still available for allocation totalled 23,079,000 stock option in respect of a like number of shares (press releases regarding schemes in force and awards made are available at www.mediobanca.it). The stock option scheme approved by shareholders in general meeting and subsequently amended as a result of the Bank of Italy's instructions issued in March 2011 has been published on the Bank's website at www.mediobanca.it.

At a general meeting held on 28 October 2010, the shareholders of Mediobanca authorized the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, to increase the company's share capital free of charge in a nominal amount of up to € 10m, via the award, in one or more tranches by and no later than 28 October 2015, as permitted under Article 2349 of the Italian Civil Code, through the issue of no more than 20 million ordinary par value € 0.50 shares, ranking for dividends pari passu, to be reserved to Mediobanca Group employees through the award of performance shares, as well as up to 17,010,000 treasury shares owned by the Bank. As at 1 July 2012, a total of 17,505,576 performance shares were available for award to Group staff. The performance share scheme approved by shareholders in general meeting, as subsequently amended in line with the Bank of Italy's instructions issued in March 2011, and the various press releases regarding the existing schemes and awards made, are published on the Bank's website at www.mediobanca.it.

According to the company's register of shareholders, as amended in the light of statements received pursuant to Article 120 of the Italian Consolidated Finance Act, as at 30 June 2012 the following shareholders own more than 2% of the subscribed and paid share capital of Mediobanca, either in their own right or through subsidiaries:

Shareholder	No. of shares	% of share capital
Unicredito group	75,034,635	8.71
Bolloré group	51,668,175	6.00
Groupama group	42,430,160	4.93
Premafin group *	33,019,886	3.83
Mediolanum group	29,445,110	3.42
Fondaz. Cariverona	27,004,604	3.14
Italmobiliare group	22,568,992	2.62
Fondazione Ca.Ris.Bo	22,584,696	2.62
Benetton group	18,625,029	2.16
Fininvest group	17,713,785	2.06

* Since 19 July 2012 the shares have been owned by Finsoe S.p.A. (Unipol Gruppo Finanziario) which had declared ownership of 33,334,886 shares, equal to 3.87% of the Bank's share capital.

Mediobanca has approximately 60,000 shareholders. Shareholders representing approximately 42% of the Bank's share capital have entered into an agreement expiring on 31 December 2013. The agreement is filed with the Milan companies' register, and an excerpt from it may be found on the Bank's institutional website (www.mediobanca.it/CorporateGovernance).

Governing bodies

- Shareholders in general meeting
- Board of Directors
- Chairman of Board of Directors
- Executive Committee
- Managing Director
- General Manager
- Head of Company Financial Reporting
- Statutory Audit Committee

General meetings

The general meeting gives expression to the wishes of the body of the company's shareholders, and decisions taken in such meetings, which are adopted in conformity with the provisions of both the law and the company's Articles of Association, are binding on all shareholders. Issues which fall within the jurisdiction of shareholders in general meeting include the following:

- approval of financial statements and allocation of profits;
- appointment and/or dismissal of the Board of Directors and Statutory Audit Committee;
- responsibilities of members of the Board of Directors and Statutory Audit Committee;
- engagement of, and termination of agreements with, external legal auditors;
- transactions required by law to be approved by shareholders in extraordinary general meeting;
- remuneration policies and compensation schemes based on financial instruments adopted for Directors, Group employees and collaborators.

The right to attend and vote at General Meetings is governed by the Articles of Association (Section III, Articles 5ff), which stipulate that shareholders for which the issuer has received notification by the end of the third business day prior to the date set for the meeting from an authorized intermediary based on the evidence at the end of the accounting day of the seventh business day prior to the date set for the annual general meeting in the first or only instance; Authorization to take part and vote in cases where the notice is received by the issuer after the deadline may still be granted provided such notice is received before proceedings at the specific session of the meeting commence.

Persons authorized to take part and vote may choose to be represented in the general meeting under a proxy issued in writing or electronically where this is permitted by the regulations in force and in accordance with them, without prejudice to grounds of incompatibility and within the limits provided by law.

The Bank has not adopted a specific set of regulations for holding general meetings, as its Articles of Association ensure that proceedings are conducted in an orderly manner, providing for the Chairman of the meeting, who under the Articles is the Chairman of the Board of Directors, has the duty of establishing that a quorum has been reached, ascertaining the identity of those in attendance, and assessing their entitlement to be so present, chairing and conducting the proceedings, and checking and announcing the results of any votes taken.

Board of Directors: composition and role

The Board of Directors consists of between fifteen and twenty-three members, with one place reserved for minority shareholders. Of the Directors thus appointed, five are managers with at least three years' experience of working for the Mediobanca Banking Group, three qualify as independent as defined in Article 148, para. 3 of Italian Legislative Decree 58/98, and two, who may coincide with the three qualifying as independent referred to above, qualify as independent based on the Code of Conduct for Listed Companies issued by Borsa Italiana. No person may be appointed director if they are aged seventy-five or over.

The Board of Directors of Mediobanca was appointed by shareholders in a general meeting held 28 October 2011 for the 2012-14 three-year period. In accordance with the Articles of Association, Directors are appointed on the basis of lists of candidates who are in possession of the requisite professional credentials, qualify as fit and proper persons to hold such office and as independent in accordance with the law and the company's Articles of Association. Such lists are submitted by shareholders representing in the aggregate at least the percentage of the company's share capital established under regulations in force at the time (currently 1%). Please see Article 15 of the Articles of Association for the procedures relating to the appointment and dismissal of Directors, which may be found on the Bank's website at www.mediobanca.it/Corporate Governance).

The Board of Directors appointed on 28 October 2011 for the 2012, 2013 and 2014 financial years consists of 21 members, 16 of whom qualify as independent pursuant to Article 148, para. 3 of Italian Legislative Decree 58/98, 8 of whom also qualify as independent pursuant to the Code of Conduct operated by Borsa Italian:

Members	**Post held**	**Date of birth**	**Independent***	**Independent****	**Manager**
Renato Pagliaro •	Chairman	20.2.57			x
Dieter Rampl • ◊	Deputy Chairman	5.9.47		x	
Marco Tronchetti Provera •	Deputy Chairman	18.1.48		x	
Alberto Nagel •	CEO	7.6.65			x
Francesco Saverio Vinci •	General Manager	10.11.62			x
Tarak Ben Ammar •	Director	12.6.49	x	x	
Gilberto Benetton •	Director	19.6.41		x	
Pier Silvio Berlusconi #	Director	28.4.69		x	
Roberto Bertazzoni •	Director	10.12.42	x	x	
Angelo Casò •	Director	11.8.40	x	x	
Maurizio Cereda •	Director	7.1.64			x
Christian Collin •	Director	11.5.54		x	
Alessandro Decio •	Director	10.1.66		x	
Massimo Di Carlo •	Director	25.6.63			x
Bruno Ermolli •	Director	6.3.39	x	x	
Anne-Marie Idrac •	Director	27.7.51	x	x	
Vanessa Labérenne #	Director	8.1.78	x	x	
Elisabetta Magistrati •	Director	21.7.47	x	x	
Carlo Pesenti •	Director	30.03.63		x	
Fabio Roversi Monaco Ø	Director	18.12.38	x	x	
Eric Strutz • ◊	Director	13.12.64		x	

* Independent as required in Code of conduct for listed companies.

** Independent as required by Article 148, para. 3 of Italian Legislative Decree 58/98.

◊ Independent as required by the Code of conduct for listed companies since July 2012.

Co-opted as a Director by the Board at a meeting held on 9 May 2012.

• Co-opted as a Director by the Board at a meeting held on 27 June 2012.

• Appointed from the list submitted by shareholder UniCredit S.p.A., which holds 8.655% of the company's share capital.

Ø Appointed from the minority list submitted by shareholder Fondazione Cassa di Risparmio in Bologna which owns 2.001% of the share capital.

The shareholders who submitted the minority list have issued a statement to the effect that no links exist, as defined in Article 144-quinquies of Consob regulation 11971/99, with shareholders owning, including jointly between themselves, a controlling or majority shareholding in Mediobanca.

The Board includes prominent professionals from the banking, insurance and industrial sectors, which ensures an appropriate degree of professionalism as required by the complexity of the Bank's operations, and given the Board's role in strategic supervision.

All the Directors have made statements to the effect that no cause exists for them to be disqualified from office under legislation currently in force on the grounds of their being incompatible, ineligible or otherwise having lapsed from office, and further statements to the effect that they are fit and proper persons in possession of the requisite qualifications to hold such office and that they qualify as independent where this is required by legislation currently in force and in particular Article 148, paragraph three of the Italian Consolidated Finance Act, which the Board has duly noted. The Articles of Association do not provide for any further requirements in terms of professional qualifications than those stipulated by Article 26 of the Italian Consolidated Banking Act.

The independence of each Director is assessed annually on the basis of information provided by him/her, and any relations which might compromise, or appear to compromise, the Director's independence of judgement are assessed accordingly.

The independent Directors meet at least once a year on their own without the other Directors present.

The documentation deposited along with the lists for appointments to the Board of Directors is available on the Mediobanca website (www.mediobanca.it/Corporate Governance).

As approved by shareholders in a general meeting held on 28 October 2011, Directors holding posts in other banking companies are allowed to serve as Directors pursuant to Article 2390 of the Italian Civil Code. Article 36 of Italian decree law 201/11 has instituted a ban on representatives of banks, insurance companies and financial institutions from holding equivalent positions in companies which operate in the same sectors. For this reason, in the months of April, May and June 2012 Ennio Doris, Vincent Bolloré, Marina Berlusconi, Fabrizio Palenzona, Pierre Lefèvre and Jonella Ligresti all resigned from their positions as directors of Mediobanca. The Board will assess the position of individual directors annually, as these may change on the basis of changes in the activities or size of the other companies in which they hold posts. To this end, each director is bound to inform the Board of any changes in the positions which he/she might have taken on in the course of his/her term of office.

The following matters fall within the remit of the Board of Directors:

1) approval of strategic guidelines and directions, business and financial plans, budgets, and risk management and internal control policies;

2) approval of quarterly and interim accounts and of draft individual and consolidated financial statements;
3) decisions concerning the acquisition or disposal of equity investments which alter the composition of the Banking Group for amounts of over € 500m or otherwise of investments worth in excess of € 750m;
4) trading involving equity investments in excess of 15% of the holdings owned at the start of each financial year in Assicurazioni Generali S.p.A., RCS MediaGroup S.p.A. and Telco S.p.A.;
5) appointment and dismissal of the Executive Committee with the powers provided for in the Articles of Association, and establishment of any additional powers to be vested in it;
6) appointment and dismissal of the Managing Director with the powers described in the Articles of Association and establishment of any additional powers to be vested in him as well as his remuneration;
7) appointment and dismissal of the General Manager and establishment of any additional powers to be vested in him as well as his remuneration;
8) appointment of the Head of Company Financial Reporting and of persons responsible for internal audit and compliance duties;
9) proposals to be submitted to shareholders in ordinary and extraordinary general meetings;
10) approval of or amendment to an internal regulations;
11) ascertaining that Directors and members of the Statutory Audit Committee upon their appointment, or without prejudice to the foregoing on at least an annual basis, are in possession of the requisite professional credentials and qualify as fit and proper persons and as independent as required by regulations in force and the Articles of Association.

The Board normally adopts resolutions on proposals from the Executive Committee or Managing Director, with a majority of those in attendance voting in favour, while a majority of all Directors in office is required for resolutions on appointments to the Executive Committee or to the posts of Managing Director or General Manager. The same majority is required where the Board is to take resolutions in respect of transactions which fall within the jurisdiction of the appointed governing bodies.

Meetings of the Board of Directors are called by the Chairman or Acting Chairman, on his own initiative or when requisitioned by at least three Directors.

As a rule, the Board of Directors meets at least five times a year, and a quorum is established when a majority of the Directors in office is in attendance. Board meetings may also be called by the Statutory Audit Committee or one of its members, provided the Chairman has been notified to such effect in advance.

A total of nine meetings took place in the period from 1 July 2011 to 30 June 2012.

The average duration of Board meetings was roughly one and a half hours.

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.

Self assessment of Board of Directors

The process of self assessment of the size, composition and functioning of the governing bodies required by the Bank of Italy's instructions issued on 11 January 2012 had duly been completed by the date on which this statement was approved.

The self assessment was conducted in the months of June and July 2012, with the assistance of an external specialist advisor.

The process was structured in three different phases:

- individual discussion with each director, following the outline of a questionnaire;
- analysis of the main indications and comments to emerge with the Chairman of the Board of Directors;
- approval of a summary report, including the main results obtained and proposals for improvement, by the Board of Directors at the meeting held on 5 September 2012.

The self assessment process, in which fifteen of the directors participated (in view of the fact that five were co-opted to the Board near the end of the financial year under review), revealed a positive picture.

In particular it emerged that the strategic direction of the Group is clear, and that the climate within the Board itself is satisfactory, as are the flow of information, the way in which the proceedings are chaired and the items discussed on the agendas that are set. It was felt that the relationship between the independent and non-independent directors is appropriate, and it was felt that there was no need to appoint a Lead Independent Director. Based on the comments to emerge from the process, the Board agreed in principle to the idea of a possible reduction in the number of directors, strengthening the representation of members with an international track record in Corporate and Investment Banking, and dealing more frequently with issues which impact on the Bank's strategy.

The Executive, Internal Control and Remunerations Committees were felt to be excellent in terms of role, functioning, composition and size.

Directors' and strategic management's remuneration

The executive Directors' and Chairman's remuneration is structured in such a way as to ensure their interests are aligned with the main objective of value creation for shareholders over the medium and long term. The compensation package is structured into three components so that the economic benefits accruing to executive Directors are diversified over time:

– fixed salary;

– variable remuneration (annual bonus) payable at the governing bodies' discretion upon the accrual of the aggregate bonus pool, as established by the Remuneration policies approved by shareholders in general meeting, linked to the achievement of quantitative and qualitative objectives, and individually assigned by the relevant governing bodies from year to year, and linked also to proper individual conduct (with reference to compliance breaches in particular). The actual distribution of the individual bonus, if any, that has accrued will take place in accordance with the terms, conditions and methods set forth in the Remuneration policies in force at the time and, without prejudice to the foregoing, in accordance with the regulations applicable from time to time;

– possible further bonuses (long-term incentives) payable upon the targets set in the Group's three-year business plan being substantially met.

No annual bonus is payable to the Chairman.

Non-executive Directors' remuneration is set by shareholders in annual general meeting, and does not include incentives linked to the Bank's performance.

The general policy in respect of the remuneration of directors and management with strategic responsibilities is illustrated in the "Remuneration policy" which at the Remuneration Committee's proposal is approved by the Board of Directors and submitted to shareholders in general meeting. The policy for the financial year2011/2012, which was approved by shareholders in general meeting, is available on the Bank's website at (www.mediobanca.it/Corporate Governance).

Chairman of Board of Directors

The Chairman of the Board of Directors calls, chairs and directs proceedings at general meetings, Board and Executive Committee meetings, and ensures that all the other Directors are provided with adequate information regarding the items on the agenda. No person aged seventy or over may be elected as Chairman.

The Chairman of the Board of Directors, Renato Pagliaro, also chairs the Executive and Appointments committees.

The Chairman is responsible for ensuring that the corporate governance system runs smoothly in practice, guaranteeing due balance between the powers of the Managing Director and the other executive Directors; he is the counterparty for dialogue with the internal control bodies and internal committees; and co-ordinates with the Managing Director in supervising relations with externals and institutions.

In addition, as a member of the Group's management, Mr Pagliaro oversees the consolidation of certain key customer accounts and relations and the performance of various of the Group's main investments.

Committees

The Board of Directors has established three committees:

Internal control committee

Internal control committee	Auditor◊	Independent (Code)*	Independent (Finance Act)**
Angelo Casò (Chairman)	x	x	x
Roberto Bertazzoni		x	x
Vanessa Labérenne		x	x
Elisabetta Magistretti	x	x	x

◊ Registered auditor.

* Independent as defined in Code of conduct for listed companies.

** Independent as defined in Article 148, para. 3 of Italian Legislative Decree 58/98.

The Committee is made up of four Directors who qualify as independent as defined by the Code of Conduct for Listed Companies, which has 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.

In particular, with reference to the internal control system, the committee:

– gives its non-binding opinion on appointment and dismissal of staff responsible for internal control and compliance activities, their remuneration, powers and means for them to carry out their duties;

– reviews the adequacy of the internal control structures and procedures and the adequacy of the information flows required for internal control procedures to be carried out;

– reviews the plan of activity prepared by the head of the Group Audit Unit and his report on activities carried out, at least twice a year.

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 Internal control 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 Statutory Audit Committee takes part in meetings of the Internal Control Committee.

In addition, under the procedure for transactions with related parties (pursuant to Article 4, paragraph 3 of Consob resolution 17221/10) approved by the Board of Directors on 23 November 2010 (www.mediobanca.it/Corporate Governance), the Internal control committee was assigned also the duties of the Related party committee which are as follows:

– expressing opinions in advance on the adoption and possible amendments to the procedure;
– participating in negotiating and processing the most significant transactions with related parties, with the power to delegate one or more of its members for such purpose;
– expressing reasoned opinions in advance (binding only in respect of the largest transactions) on the Bank's interest in executing the transaction with related parties and the convenience and substantial correctness of their terms, including with the help of independent experts.

The Committee met on a total of ten occasions in the period from 1 July 2011 to 30 June 2012 and on thirteen occasions as the Related parties committee.

The average duration of Committee meetings was roughly two hours and fifteen minutes.

Remunerations committee

Remunerations committee	Independent (Code)*	Independent (Finance Act)*
Angelo Casò (Chairman)	x	x
Roberto Bertazzoni	x	x
Anne Marie Idrac	x	x
Vanessa Labérenne	x	x
Renato Pagliaro		
Carlo Pesenti		x

* Independent as defined in Code of conduct for listed companies.

** Independent as defined in Article 148, para. 3 of Italian Legislative Decree 58/98.

The Committee is made up six non-executive members, with duties of consultation and enquiry to determine the remuneration of Directors vested with particular duties and the General Manager, as well as on the remuneration and staff retention policies operated by the Group.

The Chairman of the Statutory Audit Committee, the Managing Director and the General Manager take part in meetings of the Remunerations Committee (the latter two in an advisory capacity).

The Committee met five times in the period from 1 July 2011 to 30 June 2012.

The average duration of Committee meetings was roughly one hour.

Appointments committee

Appointments committee	Independent (Code)*	Independent (Finance Act)**
Renato Pagliaro (Chairman)		
Alberto Nagel (CEO)		
Francesco Saverio Vinci (GM)		
Angelo Casò	X	X
Elisabetta Magistretti	X	X
Roberto Bertazzoni •	X	X
Anne Marie Idrac •	X	X

* Independent as defined in Code of conduct for listed companies.

** Independent as defined in Article 148, para. 3 of Italian Legislative Decree 58/98.

• Independent as defined in the Articles of Association, who takes part in committee meetings for certain resolutions.

The Appointments committee is made up of five members and including de *jure* the Chairman of the Board of Directors, the Managing Director and the General Manager. Based on proposals made by the Managing Director and having first sought the Chairman's opinion, the Appointments Committee approves the decisions to be adopted in the general meetings of Assicurazioni Generali, RCS MediaGroup and Telco with respect to appointments to these companies' governing bodies.

The Appointments Committee also has duties of enquiry in respect of proposals of submission of lists for the Board of Directors, co-opting of new directors to replace those who have left their post, and for the appointment of the Executive Committee, Managing Director and General Manager, in this case with the addition of two independent members.

The Committee met seven times in the period from 1 July 2011 to 30 June 2012.

The average duration of committee meetings was roughly 40 minutes.

Minutes are taken of committee meetings which are kept in specific registers.

Executive Committee: role and composition

The Board of Directors appoints an Executive Committee to comprise up to nine members, establishing their powers in accordance with the provisions of the Articles of Association.

The Executive Committee presently has eight members.

The Chairman of the Board of Directors and the other Directors who are members of the management of Mediobanca Group companies are members of the Executive Committee de *jure*. Members of the Executive Committee who are part of the Mediobanca Group's management are bound to devote themselves exclusively to the performance of activities relating to their post, and without prejudice to the provisions of the law and unless permitted otherwise by the Board of Directors, may not carry out duties of management, direction, control or of any other nature for companies or entities other than those owned by Mediobanca. The other Executive Committee members, again without prejudice to the provisions of the law and unless permitted otherwise by the Board of Directors, may not carry out duties of management, direction, control or of any other nature for other banking or insurance groups.

Directors who are also part of the Banking Group's management, and who in such capacity are called to form part of the Executive Committee, cease to be Directors upon their ceasing to be employed by the company belonging to the Banking Group.

Members of the Executive Committee shall also be disqualified from the office of Director upon the occasion of any breach on their part of the restriction on not accepting positions of administration, management, control or of any other kinds for banking groups or insurance companies. Disqualification is pronounced by the Board of Directors.

The Executive Committee is chaired by the Chairman of the Board of Directors.

The Committee remains in office for the entire duration of the office of the Board of Directors which appointed it.

The Statutory Audit Committee takes part in Executive Committee meetings.

The Executive Committee is currently made up as follows:

Members	Post	Executive
Renato Pagliaro	Chairman	x
Alberto Nagel	CEO	x
Francesco Saverio Vinci	General Manager	x
Maurizio Cereda	Director	x
Massimo Di Carlo	Director	x
Angelo Casò * ◊	Director	
Vanessa Labérenne * ◊	Director	
Eric Strutz ◊ •	Director	

* Independent as defined in Code of conduct for listed companies.

◊ Independent as defined in Article 148 of Italian Legislative Decree 58/98.

• Independent as required by the Code of conduct for listed companies since July 2012.

Pursuant to the Bank's Articles of Association, 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. In particular the Executive Committee is responsible for the Bank's operating performance, approving resolutions to grant loans and trading involving the Group's interests in Assicurazioni Generali, RCS MediaGroup and Telco as well as other shareholdings for amounts and percentage values not to exceed those for which the Board of Directors itself has jurisdiction. It also draws up internal regulations, to be submitted to the approval of the Board of Directors, and establishes the principles for co-ordination and management of the Group companies in execution of the strategic guidelines approved by the Board of Directors.

Resolutions are approved by the Executive Committee with the majority of its members in attendance and voting in favour.

Executive Committee meetings are called on the initiative of the Chairman based on the requirements of the business, as a rule meeting once a month.

A total of twelve meetings were held in the period from 1 July 2011 to 30 June 2012.

The average duration of committee meetings was roughly one hour and ten minutes.

Managing Director

The Board of Directors appoints a Managing Director from among the Directors who have been members of the Banking Group's management for at least three years and who is not more than sixty-five years old.

The Board of Directors establishes the powers of the Managing Director. The Managing Director in particular:

1) has executive powers, and is responsible for implementing resolutions adopted by the Board of Directors and the Executive Committee and – in accordance with the powers attributed to him – the plans and strategic directions established by the Board of Directors and Executive Committee;
2) is empowered to make proposals to the Board of Directors and Executive Committee, with reference in particular to management direction, proposed strategic plans and budgets, draft financial statements and interim accounts;
3) is responsible for staff management, and having sought the opinions of the General Manager, if appointed, appoints managerial staff;
4) ensures that the organizational, administrative and accounting systems of the bank are adequate for its operations and the size of the Company;
5) reports, with the General Manager, if appointed, to the Board of Directors and Executive Committee each quarter on the Bank's operating performance and prospects, and on the most significant transactions carried out by the Company and its subsidiaries.

The Managing Directors is Mr Alberto Nagel.

General Manager

The Board of Directors may, at the Managing Director's proposal, appoint a General Manager from among the Directors who have members of the Banking Group's management for at least three years and who is not more than sixty-five years old.

The Board of Directors shall authorize the General Manager to sign jointly or severally on behalf of the Company as laid down in the Articles of Association in respect of powers to sign on behalf of the company, and thereby vest him with powers to carry out the day-to-day business of the company and to implement resolutions passed by the Board of Directors and Executive Committee in accordance with the directions issued by, and based on the individual remit of, the Board of Directors, Executive Committee and Managing Director.

The General Manager is Mr Francesco Saverio Vinci, who heads up the Operations division and the Banking Group's principal investments; he is also responsible for the Financial Markets area which is part of the Corporate and Investment Banking division.

Head of company financial reporting

On the proposal of the Executive Committee and having sought the opinion of the Statutory Audit Committee, the Board of Directors appoints one person to act as head of financial reporting, who shall be chosen from among the Bank's management and who has held management positions for a period of at least three years in the field of accounting administration at the Bank itself or at other leading banks. Currently the post is held by Massimo Bertolini who was appointed Head of Company Financial Reporting on 4 July 2007.

The Head of Company Financial Reporting is responsible for putting in place adequate administrative and accounting procedures for the preparation of the individual and consolidated accounts, plus all other reporting which is financial in nature. The appointed bodies and the Head of Company Financial Reporting issue the statements on the company's capital, earnings and finances required by law.

The Board of Directors has assigned a budget to this office in terms of funding and staff, and exerts supervision to ensure that the Head of Company Financial Reporting is vested with suitable powers and means to carry out the duties entrusted to him, and to ensure that the administrative and accounting procedures are complied with in practice.

Audit of the company's full-year financial statements and interim accounts, and other activities provided for under Article 155 of the Italian Consolidated Finance Act are the responsibility of Reconta Ernst & Young S.p.A., appointed as external auditors for the 2007-2012 period.

Statutory Audit Committee

The Statutory Audit Committee consists of three standing auditors and two alternate auditors. Appointment to the Statutory Audit Committee is made on the basis of lists deposited at least twenty-five calendar days prior to the date scheduled for the general meeting to be held in the first or only instance along with professional CVs for the individual candidates and statements by them agreeing to stand as candidates and confirming that they are in possession of the qualifications required under law and the Articles of Association. The Articles in particular provide that, without prejudice to the provisions of the law, members of the Statutory Audit Committee may not hold posts in governing bodies other than those with responsibility for control of other Group companies or in companies in which Mediobanca holds, including indirectly, an investment which is deemed to be strategic under supervisory requirements laid down by the Bank of Italy, hold the post of managing director, manager or officer in companies or entities, or who otherwise work with the management of companies operating directly or indirectly (including through subsidiaries) in the same sectors as Mediobanca. The Articles of Association further provide that lists may only be submitted by shareholders representing in the aggregate at least the percentage of the company's share capital established under regulations in force at the date of the general meeting (currently 1%).

The mechanism for appointments provides that the Chairman of the Statutory Audit Committee shall be chosen from the minority list.

The Statutory Audit Committee, appointed on 28 October 2011 for the 2012, 2013 and 2014 financial years, is currently made up as follows:

Members	Positions
Natale Freddi *	Chairman
Maurizia Angelo Comneno•	Standing auditor
Gabriele Villa•	Standing auditor
Guido Croci•	Alternate auditor
Mario Busso *	Alternate auditor

• Appointed from the list submitted by shareholder UniCredit S.p.A., which holds 8.655% of the company's share capital.

* Appointed from the minority list submitted by a group of investors owning 1.006% of the share capital.

The CVs of the Statutory Auditors deposited along with the lists for appointments to the Statutory Audit Committee may be found on the Bank's website www.mediobanca.it/Corporate Governance.

In particular, the Statutory Audit Committee:

– is responsible for monitoring compliance with the provisions of law and the Company's memorandum of incorporation, with the principles of proper management, and in particular the adequacy of the organizational, administrative and accounting arrangements set in place by the company and their functioning in practice, as well as the effectiveness of the financial reporting process;

– monitors the effectiveness and adequacy of the risk management and control system and the internal control system, assessing the effectiveness of all units and departments involved and their co-ordination;

– checks at least twice a year that the plan of activity established by the head of the internal audit unit has been implemented;

– monitors the process of 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);

– formulates proposals to the shareholders in general meeting regarding the mandate of the company's legal external auditors, and gives its opinion on their dismissal;

- assesses the proposal submitted by audit companies to act as the Bank's legal external auditors and reviews the results shown in the auditors' report and their letter containing suggestions;
- monitors the effectiveness of the external auditing process;
- monitors the independence of the external legal auditors, in particular with respect to the provision of non-auditing services provided by them to Mediobanca and its Group companies and the entities belonging to its network;
- gives its opinion on the appointment and dismissal of the heads of internal audit and compliance;
- gives its opinion on appointments to the role of Head of Company Financial Reporting;
- reports any operating irregularities or breaches of regulations noted to the supervisory authorities;

The statutory auditors are vested with the broadest powers provided for by legal and regulatory provisions in force.

The Statutory Audit Committee is kept informed of the activities carried out and the most significant transactions in earnings, financial and capital terms, executed by the Company or its subsidiaries, and in particular transactions in which the Directors have an interest either in their own right or by means of third parties, through participating in the meetings of the Board of Directors and Executive Committee. Information is also provided to the Statutory Audit Committee outside of meetings of the Board of Directors and Executive Committee in writing, addressed to the Chairman of the Statutory Audit Committee.

The Statutory Audit Committee receives information flows organized and channelled via the internal control units, i.e. Group audit, Risk management and Compliance, takes part in all Internal control committee meetings, and maintains regular relations, with a view to reciprocal exchanges of information, with the external legal auditors, the supervisory unit established pursuant to Italian Legislative Decree 231/01, and with other Group companies' Statutory Audit Committees.

As part of their duties, the Statutory Auditors may ask the Group audit unit to perform specific checks on company's areas of activity or operations.

The Statutory Audit Committee checks that the criteria and procedures adopted by the Board of Directors for assessing the independence of its members are applied correctly.

Any Statutory Auditor who has an interest, either in his/her own right or via third parties, in a particular transaction in which Mediobanca is involved informs the other Statutory Auditors and the Chairman of the Board of Directors promptly and exhaustively regarding the nature, terms, origin and scope of such interest.

A total of thirty-one meetings of the Statutory Audit Committee were held in the last financial year, ten of which jointly with the Internal Control Committee, and met on several occasions with representatives of the external auditors engaged to audit the company's financial statements pursuant to Italian Legislative Decree 39/10.

The average duration of committee meetings was roughly two and a half hours.

Related party transactions

At a Board meeting held on 23 November 2010, following the unanimous favourable opinion of the Internal control committee, the Directors of Mediobanca approved the related party transactions procedure as required by Consob resolution 17221/10, which lays down the principles with which the Bank must comply to ensure that transactions with related parties carried out directly or via Group companies are executed transparently and basically fairly. The procedure is activated each time the Bank intends to implement a transaction with a related party (as defined in Annex I of the resolution). Provision is made in particular for a classification phase for the transactions, which are distinguished fundamentally between "More significant transactions" and "Less significant transactions", following which the responsibility and procedure for approval is established. The procedure does not apply to "exempt transactions" (including "Ordinary transactions carried out at arm's length" and "Transactions involving negligible amounts").

For each category of transaction the procedure prescribes a specific "transparency regime" which defines the reporting requirements and deadlines versus both the public and the company's governing bodies. This procedure, which has been fully in force since 1 January 2011, is published on the Bank's website at www.mediobanca.it/CorporateGovernance.

In accordance with the instructions issued by the Bank of Italy in December 2011, the Board of Directors also approved a new Procedure in respect of transactions with related parties, which combines the Consob and Bank of Italy regulations in respect of procedural and approval obligations. However, the scope of related parties to which the prudential limits on exposures set by the Bank of Italy regulations, and that to which the Consob regulations in respect of transparency apply, continue to be distinct. The new procedure, which will come into force on 31 December 2012 in replacement of the policy currently in force, may be consulted on the Bank's website at www.mediobanca.it/Corporate Governance.

Internal dealing

The Directors of Mediobanca have approved a code of conduct for reporting requirements in respect of internal dealing, i.e. dealing transactions involving equity instruments issued by Mediobanca (shares, convertible bonds, warrants, equity derivatives, etc.) carried out by persons defined as "relevant". Such relevant persons (chiefly Directors, statutory auditors and key management) have all subscribed to the code, and notify Mediobanca of each such transaction involving said equity instruments within three days of their completion. Transactions involving sums of less than € 5,000 in the course of the year are not considered (the underlying amount is used in the case of linked derivative products). Mediobanca then discloses all such information to the market and Consob by the next successive day, according to the methods laid down under regulations in force. Relevant persons may not effect such transactions in the thirty days prior to the date on which the Management Board's approval of the Bank's annual and interim accounts is made public, or in the fifteen days prior to approval of the quarterly results. Disclosure is not required for exercise of stock options, provided that the disposal of shares arising from such exercise is disclosed.

The code is published on the Bank's website at www.mediobanca.it/ CorporateGovernance.

Personal transactions

In accordance with the provisions of Article 18 of the Bank of Italy-Consob combined regulations issued on 29 October 2007, Mediobanca has adopted a procedure for identifying personal transactions made by relevant persons (or transactions recommended, solicited or divulged to third parties) which may give rise to conflicts of interest or otherwise be in breach of the regulations on insider or confidential information.

Under the procedure:

- relevant persons must be made aware of the restrictions on personal transactions and the measures implemented by the Bank in respect of personal transactions and disclosure of information;
- Mediobanca must be promptly informed of every personal transaction made by a relevant person;
- personal transactions notified to the Bank or identified by it must be registered.

Organization Model instituted pursuant to italian legislative decree 231/01: confidential information

At a Board meeting held on 22 July 2011, the new organizational model instituted pursuant to Italian Legislative Decree 231/01 was approved (the last version having been issued in May 2009).

The organizational model consists of:

- a **general part**, comprising:
  - map of the activities at risk, with the addition or rationalization of existing measures;
  - indication of the requirements for the supervisory body and its members;
  - revised references to organizational procedures, ordini di servizio and/or internal regulations;
  - new staff remuneration and incentivization system;
  - indication of information flows and reports addressed to the supervisory body.
- **special parts**:
  - **mapping of activities at risk:** these involve money-laundering, white-collar crimes and instances of market abuse, for which specific preventative measures have been adopted;
  - **protocols**, summarizing the principles of conduct and operating procedures for each sensitive area: in particular the protocols contain the methods to be followed in conducting relations with the public administration, in compliance with the principles of accountability and transparency;

- **information flows** from/to the supervisory body, containing the data and information which each organizational unit is required to transmit to the supervisory body. Obtaining such data allows the supervisory body to monitor the model's functioning and compliance with it, and to propose revisions where these may be necessary in order to render the company's organizational and internal control measures more effective. In execution of the powers and duties assigned to it under the organizational model, the supervisory body prepares an annual report to the Board of Directors via the Internal control committee and the Statutory Audit Committee on the controls carried out with a view to preventing the crimes to which the model refers;
- **form for reporting** suspected breaches of the model to the supervisory body.
- **the Group Code of ethics**, which has been adopted by all Group companies, constitutes an integral part of the model, with rules and policies that are binding on Directors, employees, advisors, outside staff and suppliers in respect of the treatment of confidential information, to avoid such information being used for personal interests or on behalf of others; it has been published on the Bank's website at www.mediobanca.it/CorporateGovernance.

Internal Control units

As required by Bank of Italy regulations, Mediobanca maintains a Group audit unit which is organized so as to monitor and ensure on an ongoing basis that the company's internal control system functions effectively and efficiently. Control is extended to the other companies in the Banking Group both by the unit itself and via its co-ordination of the corresponding subsidiaries' units. The unit has direct access to all useful information, and has adequate means to perform all its duties. The head of Group audit is also part of the supervisory committee set up as part of the internal control system established pursuant to Italian Legislative Decree 231/01, and takes part in meetings of the Internal control committee to report on the activities carried out and to support the committee in its own supervisory activities. The Group audit unit prepares a six-monthly report on its activities and on the status and adequacy of the Bank's internal control system for the Internal control committee, and hence also the Board of Directors. The unit also updates the Internal control committee every six months on the state of progress made in rectifying the critical issues highlighted.

Since 1 July 2011, the Group's internal audit activities have been centralized in the Group audit unit, with benefits in terms of efficiency, consistency and co-ordination of planning and executing audit activity and reporting to the governing bodies. The head of the Group audit unit is Mr Piero Pezzati, previously head of the Mediobanca S.p.A. Internal audit unit.

Centralizing internal audit activities in this way allows Mediobanca's role of co-ordination of the internal controls system to be strengthened and make the whole control structure more efficient by:

– centralizing co-ordination responsibilities at, and providing for direct coverage, by the Group audit unit for all subsidiaries;
– defining a Banking Group audit plan, which includes the Group companies, to be submitted to the approval of Mediobanca's Board of Directors and thereafter of the individual companies' Boards for what concerns them;
– sharing specialist skills (e.g. IT auditing, Basel II, regulations) and audit methodologies, technical skills and reporting standards vis-à-vis the governing bodies and senior management.

Compliance unit

Mediobanca has had a compliance unit in operation since 2001. On 27 October 2007 this unit took up the responsibilities required of it by Bank of Italy provisions: to manage the regulatory and reputational risks of the Bank, and to monitor in particular that the internal procedures set in place are consistent with the objective of preventing breaches of regulations applicable to the Bank. As required by the joint Consob-Bank of Italy resolution issued on 29 October 2007, the Compliance unit also manages risks of non-compliance linked to the provision of investment services and activities and ancillary services governed by the MiFID directive.

The compliance unit reports to the Internal control committee, the Board of Directors and the Statutory Audit Committee twice a year. The Compliance unit is headed up by Massimiliano Carnevali, who reports directly to the Chief Executive Officer.

Anti-money-laundering UNIT

The Anti-money-laundering unit was established in 2011, and again is headed up by Massimiliano Carnevali. As required by the instructions issued by the Bank of Italy on 10 March 2011, the unit is responsible for ongoing monitoring of the company's procedures to prevent and tackle breach of the regulations on money-laundering and terrorist financing.

Risk Management unit

The Risk Management unit reports directly to the Managing Director under the leadership of the Chief Risk Officer, Mr Gino Abbruzzi.

In the exercise of his duties of control, the Chief Risk Officer is the person responsible for identifying and implementing an efficient risk management process through developing risk management policies which include defining and quantifying risk appetite and risk limits at both the individual operating unit and Group level.

Shareholders and Investor Relations

Mediobanca seeks to maintain good relations with its shareholders, encouraging them to attend general meetings, and sending shareholders with a record of recent attendance copies of annual reports and other relevant information. Material of this kind is also available on the company's website at www.mediobanca.it, in English and Italian. Relations with institutional investors, financial analysts and journalists are handled by the relevant units, i.e. the Investor relations and Media relations offices.

Other Information Required Under Article 123-Bis Of The Italian Consolidated Finance Act On Severance Pay Agreements

In the event of the directors in the employ of Mediobanca ceasing to work for the company for any reason, the provisions of the law and the national collective labour contract alone.

Save in the case of dismissal for just cause, such directors will be allowed to retain any stock options and/or other financial instruments that have been awarded to them up to the date on which their employment by Mediobanca ceases.

Change Of Control Clauses

Mediobanca is a party to shareholder agreements in respect of listed and unlisted companies. Such agreements may make provision, in the event of substantial changes to the controlling structure of party, for the other parties to exclude it from the agreement and oblige it to sell its shareholding.

Risk Management and internal control system for financial reporting process

Mediobanca has equipped itself with an internal control system for accounting and financial reporting requirements based on benchmark standards which are widely accepted at international levels (COSO and COBIT framework)[2]. The system provides for:

– company level controls: controls to ensure that general and supervisory regulations are complied with in the running of the business, which are the norms, regulations and control mechanisms in force at Group level. Company level controls regard the organization of the company and impact on the methods by which the financial reporting and disclosure objectives are reached.
– administrative/accounting model: organizational processes (operators, activities, risks and controls) which generate the most significant earnings and asset figures included in the financial statements and information disclosed to the market.
– general IT controls: general rules governing technologies and applications developments which are common to the architectures and IT applications used to generate financial reporting.

[2] The COSO Framework has been drawn up by the Committee of Sponsoring Organizations of the Treadway Commission, a US organization whose objective is to improve corporate reporting, via the definition of ethical standards and a system of corporate governance and effective organization; the COBIT Framework-Control Objectives for IT and related technology is a set of rules prepared by the IT Governance Institute, another US organization whose objective is to set and improve corporate standards in the IT sector.

The system has been constructed and is applied based on a rationale of relevance to Group companies, accounts and processes.

Control activity is carried out via two distinct methods according to the process involved:

- test of controls, for non-accounting processes (chiefly relating to the support areas) IT processes, which are carried out by the process-owners using a self assessment methodology and checked by the heads of their respective organizational areas;
- test of controls for accounting processes, carried out in part using a self assessment methodology and in part by the Group Audit unit.

The Group Audit unit ascertains annually that the tests carried out on a self-assessment basis have been performed in accordance with the relevant methodologies.

Any gaps that emerge from the testing activity are analysed in conjunction with the heads of the organizational units responsible for the process, and possibly also with the areas that will be involved in resolving the problems. With the Head of company financial reporting, a plan of corrective action is drawn up which assigns responsibilities and defines timescales.

Based on this model, the relevant administrative bodies and the Head of Company Financial Reporting attest, by means of a declaration attached to the annual report, the condensed interim report and the consolidated financial statements, that the procedures in force are adequate and have been effectively applied during the period to which the documents apply, and that the documents correspond to the data recorded in the company's books and accounts ledgers, and are adequate for the purpose of providing a truthful and adequate representation of the capital, earnings and financial situation of the issuer and the group of companies included within its area of consolidation.

Milan, 5 September 2012

THE BOARD OF DIRECTORS

Table 1: Board of Directors/Committees as at 30 June 2012

Board of Directors							Executive Committee		Internal Control Committee		Remunerations Committee		Appointments Committee	
Member****	Execu-tive	Non execu-tive	Indep. Code	Ind. Fin. Act	*** §	No. of other posts*	**	*** §	**	*** §	**	*** §	**	*** §
Renato Pagliaro		x	NO	NO	100%	2	x	100%			x	100%	x	100%
Dieter Rampl		x	NO ([1])	YES	100%	4								
Marco Tronchetti Provera		x	NO	YES	78%	5								
Alberto Nagel	x		NO	NO	100%	-	x	100%					x	100%
Francesco Saverio Vinci	x		NO	NO	89%	2	x	100%					x	100%
Tarak Ben Ammar		x	YES	YES	56%	6			x	33%[5]	x	0%[5]		
Gilberto Benetton		x	NO	YES	100%	6								
Pier Silvio Berlusconi [2]		x	NO	YES	100%	6								
Roberto Bertazzoni		x	YES	YES	100%	2			x	100%	x	80%	x	75%Ø
Angelo Casò		x	YES	YES	100%	5	x	100%	x	100%	x	100%	x	100%
Maurizio Cereda	x		NO	NO	100%	2	x	100%						
Christian Collin [3]		x	NO	YES	100%	3								
Alessandro Decio [3]		x	NO	YES	100%	1								
Massimo Di Carlo	x		NO	NO	100%	-	x	100%						
Bruno Ermolli [3]		x	YES	YES	100%	5								
Anne Marie Idrac [4]		x	YES	YES	100%	4					x	67%	x	100% Ø
Vanessa Labérenne [2]		x	YES	YES	100%	-	x	100%	x	100%	x	100%		
Elisabetta Magistretti [4]		x	YES	YES	100%	4			x	100%			x	100%
Carlo Pesenti		x	NO	YES	100%	4					x	100%		
Fabio Roversi Monaco [4]		x	YES	YES	100%	1								
Eric Strutz		x	NO ([1])	YES	56%	1	x	67%						

* Indicates number of positions held in other companies listed on regulated markets in Italy and elsewhere, in financial services companies, banks and insurances, or large corporates.

** "X" indicates that the director belongs to the relevant committee.

*** Percentage indicates the director's attendance record at Board and committee meetings.

**** The curricula vitae of the directors are available on the Bank's website at www.mediobanca.it/Corporate Governance.

Ø Only for fees payable pursuant to point i) of Article 19 of the Bank's Articles of Association.

§ Reference period is from 1/7/11 to 30/6/12.

1 Independent as required by the Code of conduct for listed companies since July 2012.

2 In office since 9/5/12 (no. of meetings attended during the period: Board of Directors: 2, Executive Committee: 2, Internal Control Committee: 1, Remunerations Committee: 1).

3 In office since 27/6/12.

4 In office since 28/10/11 (no. of meetings attended during the period: Board of Directors: 5, Internal Control Committee: 7, Remunerations Committee: 3, Appointments Committee: 7).

5 Member until 28 October 2011 (no. meetings attended during the period: Internal Control Committee: 3; Remunerations Committee: 2.

Directors who ceased to hold office during the period under review

	Board of directors						Executive Committee		Internal Control Committee		Remunerations Committee		Appointments Committee	
Member****	**Held office until**	**Exe-cutive**	**Non exe-cutive**	**Indep. Code**	**Ind. Fin. Act**	***** §**	******	***** §**	******	***** §**	******	***** §**	******	***** §**
Jean Azema	28.10.11		x	NO	YES	0%								
Antoine Bernheim	28.10.11		x	NO	YES	0%								
Marco Parlangeli	28.10.11		x	YES	YES	75%								
Ennio Doris	23.04.12		x	NO	NO	86%								
Vincent Bollorè	24.04.12		x	NO	YES	86%	x	67%			x	67%		
Marina Berlusconi	26.04.12		x	NO	YES	100%								
Fabrizio Palenzona	26.04.12		x	YES	YES	100%								
Pierre Lefèvre	09.05.12		x	YES	YES	100%			x	83%				
Jonella Ligresti	14.06.12		x	NO	YES	87%					x	100%		

Number of meetings held during the year

Board of Directors:	9	Executive Committee:	12	Internal Control Committee:	10	Remunerations Committee:	5	Appointments Committee:	7

Table 2: Statutory Audit Committee

Position held	Member	Percentage attendance record at Statutory Audit Committee meetings	No. of other posts held*
Chairman [1]	Natale FREDDI	100%	-
Standing Auditor	Maurizia ANGELO COMNENO	96%	-
Standing Auditor	Gabriele VILLA	96%	-
Alternate Auditor	Guido CROCI		
Alternate Auditor	Mario BUSSO		

[1] In office since 28/10/11 (no. of meetings during the period: 20).

Statutory auditors who ceased to hold office during the reference period

Position held	Member	Percentage attendance record at Statutory Audit Committee meetings	In office until
Chairman *	Marco REBOA	91%	28.10.2011

* No. of meetings held during the reference period: 11.

No. of meetings held during the reference period §:	31**
Quorum for submission of lists by minority shareholders to appoint one or more standing auditors:	at least 1% of the share capital

* Indicates number of positions as director or statutory auditor held by the person concerned in companies listed on regulated markets in Italy and elsewhere.

§ Reference period is from 1/7/11 to 30/6/12.

** Ten of which held in conjunction with the Internal Control Committee.

Table 3: Other requirements under code of conduct for listed companies

	YES	NO	Reasons for any departures from recommendations made in the code
Power to represent the Bank and related party disclosure			
Has the Board of Directors authorized parties to represent the Bank and established:			
a) limits	x		
b) methods for exercising such powers	x		
c) regular reporting requirements?	x		
Has the Board of Directors reserved for itself the right to inspect and approve all significant transactions in terms of earnings, capital and finances (including transactions with related parties)?	x		
Has the Board of Directors set guidelines and established criteria for identifying "significant" transactions?	x		
If so, have such guidelines/criteria been set out in the statement on corporate governance?	x		
Has the Board of Directors implemented procedures for reviewing and approving transactions with related parties?	x		
If so, have such procedures been set out in the statement on corporate governance?	x		
Procedures for most recent appointments to Board of Directors/Statutory Audit Committee			
Were candidates' applications for the post of director lodged at least twenty-five days in advance?	x		
Were they accompanied by appropriately detailed documentation?	x		
Were they accompanied by statements regarding the candidates' eligibility to stand as independent Board members?	x		
Were candidates' applications for the post of statutory auditor lodged at least twenty-five days in advance?	x		
Were they accompanied by appropriately detailed documentation?	x		
General meetings			
Has the Bank adopted specific regulations in respect of the holding of general meetings?		x	Orderly proceedings are ensured by the powers vested in the Chairman under law and the company's Articles of Association.
If so, are such regulations attached as an annex hereto, or is indication provided in the annual report as to where they may be obtained or downloaded?		x	
Internal control			
Has the company designated staff to take charge of internal control?	x		
If so, are such staff independent in operational terms from the various heads of the individual operating units?	x		
Organizational unit responsible for internal control pursuant to Article 9.3 of the code)	x		Internal audit unit
Investor relations			
Has the company appointed a head of investor relations?	x		
If so, what are the head of the IR unit's contact details?	Jessica Spina tel +39 02 8829.860 - fax +39 02 8829.819 e-mail investor.relations@mediobanca.it		

Annex - Posts held in other financial companies, banks, insurances or other companies of significant size by members of the Board of Directors of Mediobanca

Name	Position held in Mediobanca	Post held in other companies
PAGLIARO Renato	Chairman and Executive Committee member	Director, Telecom Italia Director, Pirelli & C.
RAMPL Dieter	Deputy Chairman	Chairman of Supervisory Board, Koenig & Bauer Member of Supervisory Board, FC Bayern München Director, KKR Management LLC Chairman of Management Board, Hypo-Kulturstiftung
TRONCHETTI PROVERA Marco	Deputy Chairman	Chairman and Chief Executive Officer, Pirelli & C. Chairman, Camfin Chairman, Prelios Chairman, Gruppo Partecipazioni Industriali Director, Consigliere F.C. Internazionale Milano
NAGEL Alberto	Chief Executive Officer and Executive Committee member	=
VINCI Francesco Saverio	General Manager and Executive Committee member	Director, Banca Esperia Director, Perseo
BEN AMMAR Tarak	Director	Director, Telecom Italia Chief Executive Officer (Ceo), Quinta Communications Chairman and Chief Executive Officer, Prima Tv Chairman, Carthago Film Chairman, Andromeda Tunisie S.A. Chairman, Promotions et Partecipations International S.A.
BENETTON Gilberto	Director	Chairman, Edizione Chairman, Autogrill Director, Sintonia Director, Benetton Group Director, Pirelli & C. Director, Atlantia
BERLUSCONI Pier Silvio	Director	Chairman and Chief Executive Officer, Reti Televisive Italiane Deputy Chairman, Mediaset Director, Arnoldo Mondadori Editore Director, Mediaset Espana Communicacion Director, Medusa Film Director, Publitalia '80
BERTAZZONI Roberto	Director	Chairman, Smeg Chairman and Chief Executive Officer, Erfin - Eridano Finanziaria
CASO' Angelo	Director and Executive Committee member	Chairman of Statutory Audit Committee, Benetton Group Chairman, Osvaldo Chairman of Statutory Audit Committee, Edizione Chairman of Statutory Audit Committee, Bracco Standing Auditor, Italmobiliare
CEREDA Maurizio	Director and Executive Committee member	Director, Ansaldo STS Director, Enervit

Name	Position held in Mediobanca	Post held in other companies
COLLIN Christian	Director	General Manager, Groupama Director, Société Tunisienne d'Assurances et de Réassurances Director, La Banque Postale Assurances Iard
DECIO Alessandro*	Director	Member of Supervisory Board, Bank Pekao
DI CARLO Massimo	Director and Executive Committee member	=
ERMOLLI Bruno*	Director	Chairman Promos Chairman, Sinergetica Director, Arnoldo Mondadori Editore Director, Mediaset Director, Pellegrini
IDRAC Anne Marie	Director	Director, Total Director, Bouygues Director, Compagnie de Saint Gobain Member of Supervisory Board, Vallourec
LABERENNE Vanessa	Director and Executive Committee member	=
MAGISTRETTI Elisabetta	Director	Director, Gefran Director, Luxottica Group Director, Unicredit Audit Director, Pirelli & C.
PESENTI Carlo	Director	General Manager, Italmobiliare Chief Executive Officer, Italcementi Deputy Chairman, Ciments Français Director, RCS MediaGroup
ROVERSI MONACO Fabio	Director	Director, Telecom Italia Media
STRUTZ Eric	Director and Executive Committee member	Member of Board, Partners Group Holding

* List up-to-date at the time of writing.

RESOLUTIONS ADOPTED BY SHAREHOLDERS AT THE ANNUAL GENERAL MEETING HELD ON 27 OCTOBER 2012

Resolutions adopted by shareholders at the annual general meeting held on 27 october 2012

At the annual general meeting held on 27 October 2012, the shareholders of Mediobanca adopted resolutions to:

Ordinary business:

– approve the financial statements for the year ended 30 June 2012;

– approve distribution of a dividend of €0.05 on each of the shares in issue, the dividend becoming payable from 22 November 2012, and the shares going ex-rights on 19 November 2012;

– appoint as directors Pier Silvio Berlusconi, Christian Collin, Alessandro Decio, Bruno Ermolli, Vanessa Labérenne and Alberto Pecci, with their terms of office to expire on the same date as the other directors currently in office, namely the date on which the financial statements for the financial year ending 30 June 2014;

– appoint the audit company PricewaterhouseCoopers to audit the accounts of Mediobanca for the 2013-2021 period for a total aggregate fee of €390,000;

– approve the "Staff remuneration policies document".

Extraordinary business:

– empower the Board of Directors, under Article 2443 of the Italian Civil Code, to increase the company's share capital, in one or more tranches, on or prior to the fifth anniversary of the date of this resolution in a nominal amount of up to €40m, including via warrants, through the issue of up to 80 million par value €0.50 ordinary shares, to be set aside for subscription by Italian and non-Italian professional investors with option rights excluded, under and pursuant to the provisions of 2441, paragraph four, second sentence of the Italian Civil Code, in accordance with the procedure and conditions set forth therein;

– amend Articles 6, 7, 10, 15, 19, 22 and 29 of the company's Articles of Association.

BALANCE-SHEET AND FUND ALLOCATION ANALYSES

Balance sheet analysis ASSETS (€'000)

As at 30 June	Liquid assets	Bills discounted advances, repurchase and forward transactions, and loans	Investment securities (excluding investments in Group undertakings)	Investments in Group undertakings	Investments in consortium companies	Property	Furniture, equipment and intangible assets	Other assets	Total assets	Contra accounts	Grand Total
1947	1,536	398	—	—	—	—	6	33	1,973	387	2,360
1948	1,344	1,900	—	—	—	—	6	33	3,283	465	3,748
1949	2,830	3,569	—	1	—	24	—	32	6,456	264	6,720
1950	3,532	5,315	889	3	—	—	—	35	9,774	853	10,627
1951	3,751	6,760	546	25	—	—	—	31	11,113	315	11,428
1952	3,706	9,779	464	38	—	—	—	31	14,018	176	14,194
1953	5,395	12,654	263	—	—	—	—	35	18,347	8,841	27,188
1954	7,804	15,909	763	1	—	—	—	137	24,614	553	25,167
1955	10,294	18,690	971	58	—	—	—	85	30,098	1,644	31,742
1956	14,713	23,573	1,283	5	—	—	—	484	40,058	12,272	52,330
1957	17,670	28,648	1,540	—	—	—	—	245	48,103	10,394	58,497
1958	18,727	31,577	1,798	—	—	—	—	439	52,541	4,799	57,340
1959	31,724	40,713	4,131	—	—	—	—	1,391	77,959	16,828	94,787
1960	45,099	49,813	4,286	—	—	—	—	227	99,425	7,622	107,047
1961	48,464	66,669	6,412	110	—	—	—	244	121,899	7,974	129,873
1962	29,895	100,913	9,027	39	—	—	—	435	140,309	32,419	172,728
1963	39,529	124,090	9,282	142	—	—	—	626	173,669	28,175	201,844
1964	49,714	153,282	9,337	90	—	—	—	1,332	213,755	23,277	237,032
1965	67,815	157,552	13,417	5	—	—	—	1,273	240,062	37,932	277,994
1966	100,651	191,935	15,115	—	—	—	—	2,385	310,086	100,762	410,848
1967	107,097	245,565	17,396	5	—	—	—	3,342	373,405	112,502	485,907
1968	121,745	305,666	17,317	—	—	—	—	4,569	449,297	122,695	571,992
1969	104,636	374,711	19,877	—	—	—	—	6,028	505,252	179,385	684,637
1970	108,075	513,117	19,759	5	—	—	—	5,512	646,468	148,926	795,394
1971	296,325	533,281	19,833	21	—	—	—	4,804	854,264	220,019	1,074,283
1972	211,681	644,004	22,501	541	—	26	—	6,373	885,126	248,839	1,133,965
1973	219,061	768,777	23,083	671	—	26	79	7,999	1,019,696	317,492	1,337,188
1974	725,455	1,091,712	29,243	755	—	190	102	16,095	1,863,552	283,551	2,147,103
1975	898,375	1,243,559	32,603	755	—	190	108	24,963	2,200,553	270,792	2,471,345
1976	842,638	1,394,824	27,159	1,573	—	190	133	27,826	2,294,343	260,533	2,554,876
1977	930,863	1,526,989	32,255	4,042	—	3,615	190	31,666	2,529,620	266,527	2,796,147
1978	931,722	1,719,338	34,759	4,137	—	3,615	198	72,125	2,765,894	414,045	3,179,939
1979	506,795	1,703,992	78,140	4,173	—	3,615	228	74,652	2,371,595	312,152	2,683,747
1980	520,954	1,834,527	55,983	4,174	7,230	3,615	251	75,576	2,502,310	385,483	2,887,793
1981	446,588	2,215,915	73,762	4,008	14,977	3,615	423	174,332	2,933,620	618,841	3,552,461
1982	638,435	2,540,960	165,104	4,008	14,993	3,615	438	174,142	3,541,695	714,778	4,256,473
1983	839,289	2,773,956	170,991	4,008	16,217	3,615	481	231,585	4,040,142	575,962	4,616,104
1984	859,764	3,002,978	225,314	8,088	16,217	19,625	511	224,145	4,356,642	650,010	5,006,652
1985	1,257,350	3,138,244	284,891	8,088	8,986	19,625	700	292,367	5,010,251	685,879	5,696,130
1986	1,697,370	3,388,523	379,210	8,088	1,239	19,625	666	227,820	5,722,541	1,575,268	7,297,809
1987	1,578,922	4,271,623	416,752	8,088	—	19,625	1,153	242,919	6,539,082	1,031,762	7,570,844
1988	1,569,877	4,540,865	565,933	4,213	—	19,625	1,803	208,692	6,911,008	1,827,254	8,738,262
1989	1,403,579	5,465,846	640,118	12,606	—	19,625	2,050	244,208	7,788,032	1,532,042	9,320,074
1990	1,860,248	6,841,257	709,335	9,495	—	19,625	2,353	348,524	9,790,837	2,458,501	12,249,338
1991	2,471,961	6,772,063	926,197	15,652	—	19,625	2,815	407,693	10,616,006	1,914,503	12,530,509
1992	2,245,473	7,356,291	1,149,728	17,897	—	23,800	3,539	516,359	11,313,087	4,974,896	16,287,983
1993	3,104,631	7,933,550	1,187,565	51,589	—	23,800	4,410	532,248	12,837,793	5,464,451	18,302,244
1994	3,347,387	8,961,303	1,389,176	49,085	—	23,800	4,690	522,005	14,297,446	3,851,623	18,149,069
1995	3,150,896	9,609,949	1,618,928	47,725	—	23,800	4,571	478,176	14,934,045	3,103,192	18,037,237
1996	2,571,335	10,717,159	1,793,785	46,491	—	23,800	4,739	484,943	15,642,252	4,114,659	19,756,911
1997	4,337,359	12,058,402	1,820,638	51,422	—	23,800	5,046	582,619	18,879,286	9,531,224	28,410,510
1998	4,789,102	14,115,689	2,106,078	58,298	—	23,800	6,013	856,681	21,955,661	24,883,375	46,839,036
1999	5,201,164	13,175,891	2,602,245	129,792	—	23,800	7,477	1,120,409	22,260,778	33,863,092	56,123,870
2000	4,578,652	14,764,593	2,740,839	60,875	—	23,800	9,286	1,344,067	23,522,112	43,236,774	66,758,886
2001	5,645,521	14,229,607	2,923,030	102,505	—	23,800	10,515	1,491,431	24,426,409	46,827,877	71,254,286
2002	7,377,119	14,861,758	2,912,572	118,779	—	23,800	11,961	1,881,176	27,187,165	50,916,657	78,103,822
2003	8,796,562	12,521,995	2,647,557	118,731	—	23,800	13,810	1,964,690	26,087,145	79,162,015	105,249,160
2004	8,427,864	13,324,382	2,591,198	396,476	—	25,479	14,171	2,188,463	26,968,033	84,319,470	111,287,503
2005	6,538,471	13,995,593	2,719,006	490,219	—	26,255	14,730	2,032,674	25,816,948	81,192,618	107,009,566
2006	8,790,079	15,823,797	2,845,923	457,429	—	27,214	17,252	1,835,453	29,797,147	157,987,333	187,784,480

Balance sheet analysis § ASSETS

(€'000)

At year-end	Net treasury fund applications	AFS securities	Financial assets held to maturity	Loans and advances to customers	Investments in Group companies	Other investments	Properties	Tangible and intangible assets	Other assets	Total assets
2005/2006	5,580,560	4,042,970	625,544	15,870,533	457,429	1,219,525	116,656	6,256	267,649	28,187,122
2006/2007	6,379,384	4,788,039	621,634	20,306,484	468,270	1,212,507	115,237	6,059	251,591	34,149,205
2007/2008	8,845,365	2,846,738	619,214	24,235,221	969,612	1,752,778	113,818	7,756	420,591	39,811,093
2008/2009	13,059,370	4,330,945	1,556,744	23,282,523	971,536	1,873,697	112,783	9,666	555,412	45,752,676
2009/2010	16,241,356	5,237,181	1,454,466	20,194,698	969,510	1,858,777	113,244	17,336	519,658	46,606,226
2010/2011	10,660,781	6,684,674	4,001,102	22,891,839	969,841	1,701,144	112,137	20,684	660,920	47,703,122
2011/2012	10,760,583	9,356,653	4,013,408	27,219,512	1,358,759	1,855,681	119,494	18,565	538,166	55,240,821

§ IAS/IFRS-compliant.

Balance sheet analysis LIABILITIES (€'000)

As at 30 June	Shareholders' equity: Share capital	Shareholders' equity: Reserves, provisions qualifying as reserves * and retained earnings	Shareholders' equity: Total	Specific credit risks provision	Provision for discounts and expenses on bonds issued	Securities fluctuation allowance	Provision for writedowns in investments	Time deposits and current accounts	Debt securities	Due to banks and EIB funds	Accumulated depreciation on furniture and equipment	Accumulated depreciation on property	Other liabilities and provisions	Profit for the year	Total liabilities	Contra accounts	Grand Total
1947	516	—	516	—	—	—	—	1,448	—	—	—	—	24	(15)	1,973	387	2,360
1948	516	—	516	—	—	—	—	2,729	—	—	—	—	30	8	3,283	465	3,748
1949	516	2	518	—	—	—	—	5,746	—	—	—	—	143	49	6,456	264	6,720
1950	1,033	26	1,059	—	—	—	—	8,325	—	—	—	—	303	87	9,774	853	10,627
1951	1,549	54	1,603	—	—	—	—	8,985	—	—	—	—	335	190	11,113	315	11,428
1952	1,549	109	1,658	—	—	—	—	11,745	—	—	—	—	405	210	14,018	176	14,194
1953	1,549	169	1,718	—	—	—	—	15,623	—	—	—	—	791	215	18,347	8,841	27,188
1954	1,549	273	1,822	—	—	—	—	21,681	—	—	—	—	898	213	24,614	553	25,167
1955	1,549	322	1,871	—	—	—	—	26,945	—	—	—	—	1,045	237	30,098	1,644	31,742
1956	2,066	365	2,431	—	—	—	—	35,586	—	—	—	—	1,764	277	40,058	12,272	52,330
1957	3,099	446	3,545	—	—	—	—	41,798	—	—	—	—	2,437	323	48,103	10,394	58,497
1958	3,099	522	3,621	—	—	—	—	45,287	—	—	—	—	3,245	388	52,541	4,799	57,340
1959	3,099	607	3,706	—	—	—	—	68,934	—	—	—	—	4,923	396	77,959	16,828	94,787
1960	5,165	747	5,912	—	—	—	—	87,472	—	—	—	—	5,323	718	99,425	7,622	107,047
1961	5,165	1,127	6,292	—	—	—	—	107,712	—	—	—	—	6,929	966	121,899	7,974	129,873
1962	5,165	1,562	6,727	—	—	—	—	125,489	—	—	—	—	7,089	1,004	140,309	32,419	172,728
1963	6,197	2,285	8,482	—	—	—	—	155,196	—	—	—	—	9,276	715	173,669	28,175	201,844
1964	6,197	2,901	9,098	—	—	—	—	189,266	—	—	—	—	14,618	773	213,755	23,277	237,032
1965	7,230	3,607	10,837	—	—	—	—	211,506	—	—	—	—	16,943	776	240,062	37,932	277,994
1966	7,230	4,484	11,714	—	—	—	—	274,589	—	—	—	—	22,862	921	310,086	100,762	410,848
1967	7,230	5,933	13,163	—	—	—	—	336,544	—	—	—	—	22,742	956	373,405	112,502	485,907
1968	8,263	7,307	15,570	—	—	—	—	402,293	—	—	—	—	30,377	1,057	449,297	122,695	571,992
1969	8,263	8,994	17,257	—	—	—	—	449,103	—	—	—	—	37,439	1,453	505,252	179,385	684,637
1970	8,263	11,326	19,589	—	—	—	—	534,360	41,317	—	—	—	50,034	1,168	646,468	148,926	795,394
1971	8,263	13,500	21,763	—	—	—	—	726,356	41,317	—	—	—	63,113	1,715	854,264	220,019	1,074,283
1972	8,263	16,462	24,725	—	—	—	541	745,717	41,317	—	—	26	71,605	1,195	885,126	248,839	1,133,965
1973	11,569	19,698	31,267	—	—	—	516	839,113	40,284	—	79	26	106,559	1,852	1,019,696	317,492	1,337,188
1974	11,569	24,879	36,448	—	—	—	669	832,133	240,371	597,632	102	26	153,960	2,211	1,863,552	283,551	2,147,103
1975	16,527	33,840	50,367	—	—	—	755	1,171,053	215,581	580,034	108	26	179,651	2,978	2,200,553	270,792	2,471,345
1976	16,527	41,766	58,293	—	—	—	755	1,073,975	213,284	771,016	133	26	166,756	10,105	2,294,343	260,533	2,554,876
1977	20,658	58,793	79,451	—	—	—	1,572	1,254,227	268,556	748,283	190	26	162,642	14,673	2,529,620	266,527	2,796,147
1978	26,856	67,217	94,073	—	—	—	4,039	1,449,198	396,572	601,809	198	3,615	200,652	15,738	2,765,894	414,045	3,179,939
1979	43,382	83,667	127,049	2,622	—	—	4,137	1,531,093	423,029	62,443	228	3,615	200,944	16,435	2,371,595	312,152	2,683,747
1980	43,382	107,496	150,878	3,300	3,873	—	4,173	1,622,873	445,639	41,851	251	3,615	207,623	18,234	2,502,310	385,483	2,887,793
1981	52,679	139,245	191,924	1,265	5,087	—	4,174	1,842,966	589,210	28,807	423	3,615	221,450	44,699	2,933,620	618,841	3,552,461
1982	70,238	167,753	237,991	650	7,308	—	4,008	2,390,742	662,617	27,385	438	3,615	187,644	19,297	3,541,695	714,778	4,256,473
1983	70,238	186,693	256,931	2,755	8,806	—	4,008	2,753,902	738,830	23,558	481	3,615	208,464	38,792	4,040,142	575,962	4,616,104
1984	87,798	269,265	357,063	3,267	9,684	—	4,008	2,987,681	698,842	5,404	511	4,204 [2]	241,537	44,441	4,356,642	650,010	5,006,652
1985	87,798	321,361	409,159	2,556	10,823	—	4,008	3,445,663	756,640	27,346	700	1,178	285,170	67,008	5,010,251	685,879	5,696,130
1986	87,798	416,625	504,423	1,275	8,163	—	4,008	3,559,090	1,170,955	98,190	666	1,766	284,740	89,265	5,722,541	1,575,268	7,297,809
1987	87,798	533,608	621,406	620	6,219	—	8,088	3,456,058	1,928,005	191,501	1,153	2,355	265,317	58,360	6,539,082	1,031,762	7,570,844
1988	105,357	609,693	715,050	440	1,727	—	4,213	3,799,239	1,872,357	229,658	1,803	2,944	221,321	62,256	6,911,008	1,827,254	8,738,262
1989	105,357	684,026	789,383	416	735	—	2,253	4,160,423	2,195,808	285,071	2,050	3,533	264,500	83,860	7,788,032	1,532,042	9,320,074
1990	175,595	1,037,632	1,213,227	192	7,031	—	12,606	4,679,784	3,160,657	247,347	2,353	4,121	343,651	119,868	9,790,837	2,458,501	12,249,338
1991	175,595	1,142,463	1,318,058	15,900	7,370	75,806	9,495	5,029,104	3,108,092	474,942	2,815	4,710	455,885	113,829	10,616,006	1,914,503	12,530,509
1992	175,595	1,252,575	1,428,170	5,872 [1]	6,137 [3]	131,073 [1]	15,652	5,489,100	2,803,155	752,917	3,539	5,299	536,812	135,361	11,313,087	4,974,896	16,287,983
1993	175,595	1,418,593	1,594,188	13,039	—	—	—	6,393,007	3,063,153	1,096,146	4,410	6,013	564,478	103,359	12,837,793	5,464,451	18,302,244
1994	245,833	1,983,409	2,229,242	13,763	—	—	—	5,366,489	4,461,893	1,601,089	4,690	6,727	502,025	111,528	14,297,446	3,851,623	18,149,069
1995	245,833	2,070,559	2,316,392	36,735	—	—	—	6,097,985	4,625,946	1,283,946	4,571	7,441	480,929	80,100	14,934,045	3,103,192	18,037,237
1996	245,833	2,152,495	2,398,328	35,201	—	—	—	6,432,396	4,783,236	1,441,434	4,739	8,155	476,621	62,142	15,642,252	4,114,659	19,756,911
1997	245,833	2,252,872	2,498,705	—	—	—	—	5,773,044	7,787,176	2,047,681	5,046	8,869	686,944	71,821	18,879,286	9,531,224	28,410,510
1998	295,059	2,972,222	3,267,281	—	—	—	—	4,082,396	10,297,074	2,707,852	6,013	9,583	1,455,901	129,561	21,955,661	24,883,375	46,839,036
1999	295,366	3,100,762	3,396,128	—	—	—	—	3,452,177	10,286,779	3,283,081	7,477	10,297	1,711,361	113,478	22,260,778	33,863,092	56,123,870
2000	307,780	3,317,037	3,624,817	—	—	—	—	2,918,920	11,072,736	3,072,363	9,286	11,011	2,686,566	126,413	23,522,112	43,236,774	66,758,886
2001	331,650	3,743,506	4,075,156	—	—	—	—	3,385,422	10,890,941	3,417,142	10,515	11,725	2,484,247	151,261	24,426,409	46,827,877	71,254,286
2002	389,265	4,069,354	4,458,619	—	—	—	—	4,508,208	11,202,082	4,430,055	11,961	12,439	2,446,155	117,646	27,187,165	50,916,657	78,103,822
2003	389,275	4,114,735	4,504,010	—	—	—	—	1,721,391	14,653,555	3,667,461	13,810	13,153	1,527,612	(14,027)	26,086,965	79,162,015	105,248,980
2004	389,291	3,993,794	4,383,085	—	—	—	—	3,069,781	14,663,091	2,828,314	14,171	13,917	1,568,111	427,563	26,968,033	84,319,470	111,287,503
2005	397,478	4,130,486	4,527,964	—	—	—	—	2,133,993	14,491,296	2,749,348	14,730	14,705	1,444,858	440,054	25,816,948	81,192,618	107,009,566
2006	405,999	4,346,447	4,752,446	—	—	—	—	729,603	20,892,213	1,394,510	17,252	15,521	1,501,268	494,334	29,797,147	157,987,333	187,784,480

* Provision for general banking risks, general credit risks provision and securities fluctuation allowance (between 1967 and 1984, when this allowance was taken to Reserve).

[1] Taken to Reserve.

[2] Of which €3.6m taken to Reserve.

[3] Of which €12.5m taken to Reserve and the balance to write down the book value of securities.

Balance sheet analysis § LIABILITIES

(€'000)

At year-end	Capital			Provisions	Debt securities in issue	Other funding forms	Other liabilities	Profit for the year	Total liabilities
	Share capital	Reserves, other provisions with capital content * and retained earnings	Total						
2005/2006	405,999	4,527,856	4,933,855	165,712	20,192,077	1,811,063	538,895	545,520	28,187,122
2006/2007	408,781	5,128,989	5,537,770	162,433	23,027,454	4,077,662	782,776	561,110	34,149,205
2007/2008	410,028	4,217,383	4,627,411	161,452	30,541,427	3,199,445	658,779	622,579	39,811,093
2008/2009	410,028	4,210,394	4,620,422	160,612	35,860,227	4,388,413	702,194	20,808	45,752,676
2009/2010	430,551	4,244,955	4,675,506	160,650	36,150,327	4,587,318	788,286	244,139	46,606,226
2010/2011	430,565	4,380,729	4,811,294	159,991	36,783,922	5,059,996	760,543	127,376	47,703,122
2011/2012	430,565	4,191,175	4,621,740	160,075	31,561,792	18,494,608	602,757	(200,151)	55,240,821

§ IAS/IFRS-compliant.

* Provision for general banking risks, risk provisions (share not committed), Provision for writedowns to securities (years from 1966/67 to 1983/84, when the provision was transferred to reserves).

Fund allocation analysis (€'000)

				Appropriation of net profit						
For years ended 30 June	Gross profit for year	Allocation to credit risks provision	Net profit	Amount taken to Reserve	Amount taken to Special Reserve [1]	Writedowns in securities and investments, depreciation on furniture and equipment, and amortization of discounts on bonds issued	Total dividend paid	Percent dividend paid	Directors' remuneration [2]	Increase (decrease) in retained earnings
1947	(15)	—	(15)	—	—	—	—	—	—	—
1948	23	—	23	2	—	21 [3]	—	—	—	—
1949	49	—	49	24	—	24	—	—	1	—
1950	87	—	87	26	—	3	54	7	2	2
1951	190	—	190	52	—	25	108	7	2	3
1952	210	—	210	52	—	38	108	7	3	9
1953	215	—	215	103	—	—	108	7	3	1
1954	213	—	213	52	—	52	108	7	3	(2)
1955	237	—	237	52	—	84	108	7	3	(10)
1956	277	—	277	77	—	57	135	7,50	3	5
1957	323	—	323	77	—	52	194	7,50	3	(3)
1958	388	—	388	77	—	52	248	8	3	8
1959	396	—	396	129	—	—	248	8	8	11
1960	718	—	718	387	—	—	331	8	8	(8)
1961	966	—	966	439	—	109	413	8	8	(3)
1962	1,004	—	1,004	413	—	116	465	9	9	1
1963	1,025	310	715	103	—	142	465	9	9	(4)
1964	1,289	516	773	103	—	90	558	9	12	10
1965	1,370	594	776	155	—	5	604	9	12	—
1966	1,644	723	921	181	—	—	723	10	14	3
1967	1,911	955	956	207	—	5	723	10	15	6
1968	2,219	1,162	1,057	258	—	—	775	10	16	8
1969	2,873	1,420	1,453	516	—	—	909	11	19	9
1970	2,976	1,808	1,168	258	—	5	909	11	18	(22)
1971	3,652	1,937	1,715	258	—	537	909	11	19	(8)
1972	3,390	2,195	1,195	258	—	—	909	11	19	9
1973	4,822	2,970	1,852	387	—	155	1,273	11	26	11
1974	6,988	4,777	2,211	511	—	395	1,273	11	26	6
1975	11,112	8,134	2,978	775	—	155	1,983	12	41	24
1976	17,077	6,972	10,105	1,808	4,132	2,109	1,983	12	41	32
1977	22,549	7,876	14,673	5,165	178	6,059	3,223	12	66	(18)
1978	25,034	9,296	15,738	6,197	6,197	98	3,223	12	65	(42)
1979	29,346	12,911	16,435	7,747	—	2,489	6,074	14	124	1
1980	33,728	15,494	18,234	7,747	3,099	1,214	6,074	14	123	(23)
1981	67,940	23,241	44,699	17,043	17,560	2,571	7,375	14	150	—
1982	29,720	10,423	19,297	7,747	—	1,498	9,833	14	201	18
1983	52,450	13,658	38,792	10,329	17,560	878	9,833	14	200	(8)
1984	60,560	16,119	44,441	27,372	—	3,476	13,170	15	272	151
1985	87,848	20,840	67,008	51,646	—	—	14,926	17	307	129
1986	124,380	35,115	89,265	67,139	—	4,080	17,560	20	361	125
1987	89,906	31,546	58,360	40,800	—	—	17,560	20	351	(351)
1988	84,324	22,068	62,256	40,800	—	—	21,071	20	429	(44)
1989	110,642	26,782	83,860	38,734	—	16,649	28,095	20	311	71
1990	153,577	33,709	119,868	83,912	—	339	35,119	20	454	44
1991	147,192	33,363	113,829	59,450	—	18,666	35,119	20	456	138
1992	171,152	35,791	135,361	99,852	—	—	35,119	20	452	(62)
1993	141,654	38,295	103,359	64,041	—	—	38,631	20	528	159
1994	154,910	43,382	111,528	61,975	—	—	49,167	20	733	(347)
1995	126,220	46,120	80,100	30,213	—	—	49,167	20	740	(20)
1996	110,692	48,550	62,142	12,137	—	—	49,167	20	742	97
1997	128,026	56,205	71,821	21,949	—	—	49,167	20	739	(34)
1998	191,858	62,297	129,561	62,090	—	—	66,401	22,50	1,091	(20)
1999	175,711	62,233	113,478	45,914	—	—	66,460	22,50	1,093	11
2000	198,407	71,994	126,413	47,898	—	—	77,230	25	1,312	(27)
2001	233,894	82,633	151,261	49,913	—	—	99,522	30	1,769	57
2002	204,646	87,000	117,646	265	—	—	116,782	30	618	(19)
2003	30,973	45,000	(14,027)	(154,166) [4]	—	—	140,139	36	—	(81)
2004	460,563	33,000	427,563	111,201	—	—	311,535	80	4,827	—
2005	440,054	—	440,054	51,416	—	—	382,365	96	6,273	—
2006	494,334	—	494,334	15,058	—	—	473,003	116	6,273	—

1 Allocations to Special Reserve were used to fund bonus issues of €4.1m in October 1976, €6.2m (together with €6,019,000 from the Revaluation Reserve) in October 1977, €6.2m in October 1978, €3.1m in October 1980, €17.6m in October 1981 and €17.6m in October 1983.

2 Plus fixed fee of €258,000 as from 30/6/89 and €1.5m as of 30/6/02.

3 Of which €15,000 to absorb prior year loss.

4 Of which €14,027,000 to cover loss for the year, and €140,139,000 for payment of dividend.

Fund allocation analysis §

(€'000)

Financial year	Profit before tax for the year	Transfers to risk provisions	Net profit	Allocation of net profit: To reserves	Allocation of net profit: Dividends paid out	Allocation of net profit: %	Allocation of net profit: Remuneration due to Board [1]	Changes in retained earnings
2005/2006	545,520	—	545,520	66,244	473,003	116	6,273	—
2006/2007	561,110	—	561,110	22,423	532,414	130	6,273	—
2007/2008	622,579	—	622,579	89,543	533,036	130	—	—
2008/2009	20,808	—	20,808	20,808	—	—	—	—
2009/2010	244,139	—	244,139	100,643	143,496	34	—	—
2010/2011	127,376	—	127,376	(16,124)	143,500	34	—	—
2011/2012	(200,151)	—	(200,151)	(242,357) [2]	42,206	10	—	—

§ IAS/IFRS-compliant.

[1] Plus fixed fee of €258,000 as from 30/6/89 and €1.5m as of 30/6/02.

[2] Of which €200,151 to cover losses for the period and €42,206 to pay for the dividend.

Mercurio GP - Milan