

# MEDIOBANCA

*Annual Accounts and Report  
as at 30 June 2008*

**MEDIOBANCA**  
LIMITED COMPANY

SHARE CAPITAL € 410,027,832.50

HEAD OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY

Registered as a Bank. Parent Company of the Mediobanca Banking Group

*Annual General Meeting*  
*28 October 2008*

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[www.mediobanca.it](http://www.mediobanca.it)

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## **SUPERVISORY BOARD**

		Term expires
CESARE GERONZI	CHAIRMAN	2010
DIETER RAMPL	DEPUTY CHAIRMAN	2010
JEAN AZEMA	BOARD MEMBER	2010
TARAK BEN AMMAR	BOARD MEMBER	2010
GILBERTO BENETTON	BOARD MEMBER	2010
ANTOINE BERNHEIM	BOARD MEMBER	2010
ROBERTO BERTAZZONI	BOARD MEMBER	2010
VINCENT BOLLORE'	BOARD MEMBER	2010
ANGELO CASO'	BOARD MEMBER	2010
GIANCARLO CERUTTI	BOARD MEMBER	2010
FRANCESCO DENOZZA	BOARD MEMBER	2010
ENNIO DORIS	BOARD MEMBER	2010
PIETRO FERRERO	BOARD MEMBER	2010
JONELLA LIGRESTI	BOARD MEMBER	2010
FABRIZIO PALENZONA	BOARD MEMBER	2010
EUGENIO PINTO	BOARD MEMBER	2010
ERIC STRUTZ	BOARD MEMBER	2010
MARCO TRONCHETTI PROVERA	BOARD MEMBER	2010
GABRIELE VILLA	BOARD MEMBER	2010
LUIGI ZUNINO	BOARD MEMBER	2010

## **MANAGEMENT BOARD**

RENATO PAGLIARO	CHAIRMAN	2010
ALBERTO NAGEL	MANAGING DIRECTOR	2010
MAURIZIO CEREDA	BOARD MEMBER	2010
MASSIMO DI CARLO	BOARD MEMBER	2010
ALESSANDRO TROTTER	BOARD MEMBER	2010
FRANCESCO SAVERIO VINCI	BOARD MEMBER	2010

\* \* \*

MASSIMO BERTOLINI	HEAD OF FINANCIAL REPORTING
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## **CONSOLIDATED ACCOUNTS**

## REVIEW OF GROUP OPERATIONS

The Mediobanca Group's results for the twelve months ended 30 June 2008 reflect net profit of €1,014.8m, up 6.5% on the €953.2m reported one year previously. Despite the major crisis affecting financial markets and the gradual economic downturn, total income was up 7.7% from €1,611.5m to €1,735.4m, driven by healthy performances from all the main items with the exception of net trading income, which fell from €82.8m to €70.8m, and dividends on available-for-sale securities, which totalled €43.5m, compared with €71.7m last year. In particular:

- net interest income rose by 11.8%, from €666.8m to €745.4m, reflecting 28.5% growth in corporate banking business driven by higher funding and lending volumes (up 25% and 12% on last year respectively), while net interest income from retail financial services saw a smaller increase of 2.1% due to the higher cost of funding;
- net fee and commission income grew by 7.2%, from €371.3m to €397.9m, chiefly due to a rise in the share originated by the retail segment, although the contribution from corporate activities was also up slightly, from €281.9m to €286.2m, despite the tough market conditions;
- income from companies accounted for on an equity basis posted a 14.1% increase, from €418.9m to €477.8m, reflecting a healthy overall earnings performance by Assicurazioni Generali, despite slowing in the second quarter of 2008.

Despite the unfavourable market scenario, the Group has been able to continue and in some cases accelerate its plans for expansion, including outside Italy, and bring forward the launch of new strategic initiatives. As a result, costs show a considerable increase, up 26%, from €430.4m to €542.5m, due to the rise in the Group's points of operation in Italy and elsewhere, with 16 new retail branches added, and above all three new Mediobanca branch offices outside Italy (in Frankfurt, Madrid and London) as well as the launch of CheBanca! Profit from ordinary activities stood at €1,192.2m compared with €1,181.1m; net of costs attributable to the aforementioned activities, growth at this level would have been 7.3%, to €1,267m.



Below the operating line:

- bad debt writeoffs were up from €165m to €202.3m, €179.1m (30/6/07: €159.8m) of which was attributable to retail financial services (up 12.1%) and €22.8m (€5.2m) of which represented the collective provision for Mediobanca S.p.A.'s corporate loan book which continues to consist solely of performing accounts;
- gains on disposals of securities amounting to €172.6m (€175.4m), due chiefly to disposals of equities held as available for sale carried out during the first half of the financial year;
- one-off provisions of €22.7m, mostly to cover expenses incurred in connection with integrating Linea, the consumer credit company acquired in June, into Compass.

Tax reflects a €76.1m positive effect, due to adjustment of deferred tax to the new IRES and IRAP tax rates introduced by the Budget Law for 2008 approved in December 2007 (Italian Law 244/07).

On the balance-sheet side, there was growth of 29% in loans and advances to customers, from €26.8bn to €34.6bn, €4.3bn of which deriving from the consolidation of Linea,<sup>1</sup> and of 33.1% in funding, from €34.2bn to €45.6bn, €3.9bn of which again was attributable to Linea, plus a rise in treasury funds, from €7bn to €10.2bn. Conversely AFS securities reduced considerably, from €5.6bn to €3.8bn, due to disposals of equities worth €1.6bn plus the reduction in stock market prices (with the mark-to-market at the reporting date leading to a reduction of €865.5m).

The results achieved during the period were far ahead of the targets set in the 2005-2008 business plan, which forecast net profit of €840m. Over the three years total income has increased by more than 50%, from €1,156.6m to €1,735.4m (CAGR: 14%), profit from ordinary activities was up 49.2%, from €799.6m to €1,192.9m (CAGR: 14%), while net profit has risen by 60.5%, from €632.4m to €1,014.8m (CAGR: 16%).

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<sup>1</sup> The acquisition of Linea, which was completed on 27 June 2008, has no impact on the consolidated profit and loss account, only the balance-sheet aggregates.

Turning to the individual areas of the Group's activity:

- *wholesale banking*, which accounts for over one-third of total income and approximately one-half of consolidated net profit, confirmed the results posted during the preceding twelve-month period, with net profit of €453.5m, compared to €459.6m last year. The result, however, also reflects the slowdown in those items most sensitive to the deterioration in market conditions, with net trading income down from €69.6m to €54.8m, and dividends on AFS securities down from €71.7m to €43.5m (partly as a result of the group's investment in Telecom Italia being transferred to Telco); below the ordinary profit line, collective provisions were made to the loan book in connection with the 12.4% increase in outstanding loans;
- *retail financial services* reflect the cost of implementing growth plans, with €54m for the launch of CheBanca! and €20m linked to the cost of restructuring Linea. Net of these items the result would have remained broadly at last year's level, with a pre-tax profit of €155.7m as against €163.4m, despite the increase in the cost of bank funding. Bad debt writeoffs increased by 12.1%, from €159.8m to €179.1m, against an 8% rise in new loans;
- *private banking* shows improved results compared to last year: net profit rose by 4%, to €56.9m, on 7.1% growth in total income, from €130.1m to €139.3m, due to the increase in net interest income earned by Compagnie Monégasque de Banque, offsetting the slight reduction in fee income impacted by market conditions. Assets under management fell from €13.9bn to €13.5bn during the period, with CMB bucking this trend, showing AUM up from €8.1bn to €8.2bn after acquiring the Monégasque activities of Unicredit during the period, while the share accounted for by Banca Esperia reduced from €5.8bn to €5.3bn, due to assets being marked to market.

The increase in profits earned by equity-accounted companies, from €363m to €490.2m, more than offset the reduction in earnings from banking activity, down from €590.2m to €524.6m.

Significant events during the period included:

- approval of the Group's 2008-2011 three-year business plan in March 2008, which sets challenging targets despite the difficult economic

and financial scenario, to be achieved by leveraging on the Group's distinctive capabilities and strengthening its business model, including through the following new initiatives:

- completion of the range of products offered and strengthening the Group's pan-European franchise in corporate and investment banking, with the aim of further diversifying income sources by type, clientèle and geographical origin;
- entering new asset classes in principal investing (merchant banking, private equity and special opportunities), based on a rationale of exploiting the Group's corporate capabilities and maximizing returns on capital invested;
- strengthening the Group's operations in consumer credit, through the acquisition of Linea;
- launching a highly innovative retail banking platform, with the aim of securing a direct funding channel, as well as diversifying and stabilizing total income.

A sound capital base and careful risk appraisal continue to be among the Group's main operating paradigms. The main 2011 targets in quantitative terms may be summarized as follows:<sup>1</sup>

- total income: up from €2.1bn to €3.1bn (CAGR: +14%);
  - net profit: up from €1bn to €1.4bn (CAGR: +13%);
  - ROE: three-year target of 18%.
- launch of CheBanca!, to take advantage of changes in demand for provision of financial services to households and the competitive scenario as a whole, with a new distribution platform comprising remote channels and branches (featuring a new concept in branch design), and a product offering initially including current accounts, deposit accounts and mortgages, distinguished by pricing and the high degree of transparency and standardization; the venture will also allow the Group to have direct access to retail funding;

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<sup>1</sup> Tables showing the profit-and-loss and balance-sheet data as at 30 June 2008, restated according to the new divisions/aggregates, are included as an annex.

- acquisition by Compass of 100% of Linea for a consideration of €405m, completed on 27 June 2008 in execution of an agreement entered into in December 2007. This acquisition puts Compass in a position of leadership on the Italian consumer credit market, and, on account of the high degree of complementarity between the two groups in terms of product and channel, offers significant synergy opportunities. Linea's business is consumer credit, which it carries on itself, including on the basis of commercial agreements with various banks, and via its subsidiaries Equilon and Futuro (the latter specializing in salary-backed finance). The Linea group companies have been consolidated from the acquisition date, but impact only on the balance-sheet aggregates in the financial statements for the period ended 30 June 2008;
- trimming of the AFS equity portfolio, through disposals worth over €1bn (generating profits of €174.3m), and new investments worth €643m, which include subscribing to a rights issue by Gemina in an amount of €156.5m, acquisition of a 9.99% stake in Générale de Santé (involving an outlay of €80.8m), and subscribing for a stake in Sintonia (1%, for an outlay of €50.1m);
- start-up of operations at the Bank's branches in Frankfurt and Madrid, and launch of the London branch office specializing in capital markets and structured finance, with the aim of expanding the range of products to be offered to the Group's Italian and non-Italian clientèle;
- taking a stake in Telco, with the objective of creating value from the Group's holding in Telecom Italia, while at the same time helping strengthen and stabilize this company's ownership structure; the 10.6% stake comes from the spinoff of the Group's shares in Telecom Italia (at a value of €522.4m), which previously had been booked in the AFS portfolio;
- completion of the share buyback programme approved by shareholders in an annual general meeting held on 27 October 2007, with 1.98% of the share capital of Mediobanca, or 16.2 million Mediobanca shares, repurchased for a total outlay of €213.4m;
- amendment to the provisions for regulatory requirements for banks (Update no. 2 to Circular no. 263 issued on 17 March 2008), which

means that the Group's shareholding in Assicurazioni Generali no longer has to be deducted from regulatory capital, but also rules out the possibility of including unrealized gains on this investment.

The following organizational developments should also be noted:

- effective implementation of the dualistic system of governance adopted by shareholders of Mediobanca in a general meeting held on 27 June 2007, through establishment of the Supervisory and Management Boards;
- upgrade of the existing compliance unit to conform with new regulatory provisions, and amendment of the Group's internal control system established pursuant to Italian Legislative Decree 231/01 following adoption of the dualistic governance model;
- preparation of administrative and accounting procedures for compiling regular individual and consolidated statements by the head of company financial reporting (as required under Italian Law 262/05);
- application starting from 1 January 2008 of the new regulations on capital requirements for banks ("Basel II"), adopting the standardized methodology to calculate credit risk pending completion of the internal project for ratifying advanced models; at the same time work has begun on analysing the economic capital requirements (the so-called "Second Pillar"), the first statement of which will be made by October.

\* \* \*

## **DEVELOPMENTS IN CAPITAL MARKETS**

In the year ended 30 June 2008, the risk capital market has shown similar trends to that seen in the previous twelve months. Funds raised through issues and placements of shares, convertible bonds and bonds with warrants attached continue to be significantly lower than the outflow of funds through dividends distributed and public tender offers. Overall a

total of €27.1bn was returned to investors, compared with €31.3bn during the preceding period:

	12 mths to 30/6/06	12 mths to 30/6/07	12 mths to 30/6/08
	€m	€m	€m
Issues and placements of: <sup>1</sup>			
convertible ordinary and			
savings shares .....	9,062	4,970	8,554
non-convertible preference			
and savings shares .....	830	—	15
convertible bonds and bonds			
with warrants .....	153	477	50
Total .....	<u>10,045</u>	<u>5,447</u>	<u>8,619</u>
<i>of which, for rights issues:<sup>2</sup></i>			
<i>par value</i> .....	3,772	1,102	4,103
<i>share premium</i> .....	3,531	1,952	3,713
	7,303	3,054	7,816
Dividends paid out .....	<u>28,240</u>	<u>30,449</u>	<u>31,925</u>
Public tender offers .....	<u>10,566</u>	<u>6,253</u>	<u>3,803</u>
Balance .....	(28,761)	(31,255)	(27,109)

<sup>1</sup> Excluding placements restricted to professional investors.

<sup>2</sup> Excluding initial and other public tender offers, which amounted to €351m in 2005/2006, €549m in 2006/2007, and €361m in 2007/2008, offers restricted to employees, and offers otherwise without option rights.

#### In more detail:

— the value of funds raised through share issuance and placements increased, largely due to proceeds from rights issues growing from €3.1bn to €7.8bn, with the share premium component falling from 64% to 48%. Four-fifths of this is due to transactions involving bank stocks. A total of 51 companies made share issues restricted to staff, compared with 60 last year, and for considerably smaller amounts (from €569m to €185m). Public tender offers saw the same number of IPOs as last year, i.e. nine, but again for much smaller amounts, with total proceeds down from €1.3bn to €0.6bn. Convertible bond issuance was again negligible, with just the one issue completed in the second half of 2007;

- the volume of dividends paid out rose once again, to reach a new all-time high of €31.9bn, 5% higher than in 2006/2007, with the payout ratio virtually unchanged at 57%. Energy companies, utilities and banks accounted for 71% of the total; the insurances' share was 10%, while other companies, mostly industrials, accounted for 19%. One-third of the companies listed on the Italian screen-based market (MTA), or 86 out of 258, failed to distribute profits, 3% of the total as measured by market capitalization, compared with 4% at June 2007. Public tender offers, which were down 39%, led to ten companies being delisted.

Net aggregate 2007 earnings by Italian companies listed at 30 June 2008 totalled €49bn, up €7.3bn compared to last year. The 18% increase represented the average between 22% growth by banks, a 17% rise by insurances and 15% by industrials.

Banks' profits increased by more than €3bn, chiefly due to the contribution of net extraordinary income, e.g. from disposals of assets or investments. Current pre-tax profit was virtually unchanged, with growth at the top-line level of more than €2bn, approximately 3%, being swallowed up by higher operating costs (personnel and other expenses up approx. 4%) and the increase in bad debt writeoffs (up approx. 9%). As for the various income sources, the healthy trend in net interest income, which was up €3.6bn, or 10.5%, and dividends (up €0.4bn, or 37%, including pro-rata earnings from equity-accounted companies), more than offset the reduction in net trading income, which was down more than €2bn, or 64%. The return on equity declined slightly, from 13.9% to 13.6%. Regulatory capital increased by 5%, lower than the 8% growth in risk-weighted assets. As a result the solvency ratio reduced from 10% to 9.6%.

Insurance companies achieved profits of €3.8bn, up €0.6bn on last year. The result here was helped by a €2.4bn increase in gross premium income and a €1bn reduction in net claims expenses, as opposed to the €1bn reduction in investment income and the €1.2bn rise in operating expenses. ROE for insurance companies increased from 15.6% to 19.4%.

Profits were also up for industrials, from €23.4bn to €26.9bn. This €3.5bn improvement was driven by ordinary activities, with current profit up €1.8bn, plus net extraordinary income of €0.9bn and a €1bn reduction in income taxes. ROE increased from 15.6% to 17.3%. Companies listed

in the STAR segment also recorded higher profits but with ROE virtually unchanged at 11%, due to a higher increase in net equity. Aggregate net equity for all industrial companies increased by 7%, against a 31% rise in net debt (chiefly due to hefty investment in acquisitions). Accordingly, the debt/equity ratio deteriorated from 90% in 2006 to 110% in 2007. Intangible assets, up 28%, accounted for 74% of the equity, compared with 61% the previous year.

Share prices fell 32% in the twelve months ended 30 June 2008, as against 16% growth for the previous year. The reduction on the total return index was 28%. The main contributor to this was banking stocks, which declined 35%, while the decreases posted by insurances and industrials were less marked, at 21% and 24% respectively. In the STAR segment shares fell by 37%. The average daily volume of stocks traded on the MTA was €5.4bn, virtually unchanged from the previous year, as was the free float at around 58%. The turnover ratio rose from 22% to 26%, while volatility remained low despite the trend being upward (1.8%, against 1.2% in the previous twelve months).

Share prices on all the main Western stock prices recorded sharp reductions, despite an increase in the price/dividends and price/earnings ratios. The main indicators for the leading listed companies are shown below:

	Price/dividend (%)		Price/earnings (%)	
	2007	2008	2007	2008
Benelux**	3.0	3.9	6.9	10.2
France*	2.2	3.0	4.8	7.9
Germany*	1.9	2.3	6.2	6.6
Italy*	2.7	4.1	6.1	7.9
United Kingdom*	2.7	3.4	6.4	7.8
United States*	1.9	2.1	5.9	5.6
Switzerland**	2.0	2.3	5.3	6.4

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

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

NB: Mean indicators based on share prices as at 1 April 2008. Year-on-year changes in stock market prices on the main financial markets in the twelve months ended 2 April 2008 were as follows (benchmark indexes in brackets): Italy down 23% (Mediobanca MTA), Switzerland down 15% (SMI), Netherlands down 11% (AEX), Germany down 7% (CDAX), United States down 4% (S&P 500), Belgium down 13% (BAS), France down 14% (SBF 250), United Kingdom down 8% (FTSE All-Share).



Assets managed by funds incorporated under Italian law (including funds of funds, but excluding closed and hedge funds) fell significantly once again, from €314.5bn to €230.6bn at end-June 2008. The main cause for this was once more redemptions outweighing subscriptions, by €67bn, compounded by poor performances, with around €17bn (approx. 5%) being lost. Against this backdrop, portfolio composition showed an increase in Italian government securities, up 13.5 points, and in non-Italian bonds, up 3 points as a percentage of the entire portfolio, chiefly at the expense of equities (with non-Italian equities down 7 points, and Italian equities down 3 points), non-Italian government bonds (down 2 points) and other net financial assets (down 4 points). Assets in roundtrip funds also fell for the first time, from €203bn at end-June 2007 to €165bn at end-June 2008. Over €20bn of this reduction was due to net outflows, and €18bn to negative performance.

The aggregate market capitalization of companies listed on the MTA fell from €801bn to €542bn, with the free float falling from €468bn to €315bn. Almost all this reduction, i.e. some €255bn out of €259bn, was due to the fall in share prices.

\* \* \*

Throughout the year financial markets have been impacted by events involving sub-prime mortgages, which have gradually extended to affect various types of instrument used by banks to transfer risk to investors, such as CDOs, CLOs and ABS. When the real estate market boom came to an end early in 2007, this, along with the growing number of borrower insolvencies, forced the price of the securities backed by these assets downwards, which led to a serious shortage of liquidity that ended up affecting all the main international markets as well. From the second half of 2007 onwards, the largest investment banks worldwide have all seen serious deteriorations in their earnings results. In some cases, such as Citigroup, Merrill Lynch and UBS the losses assumed unheard-of

proportions, largely in the form of writedowns to portfolios. The situation for the ten largest operators is outlined below:

	2007		2008
	First half	Second half	First half
	<i>USD m</i>		
7 US banks <sup>1 3</sup> .....	28,722	-19,075	-10,400
	<i>EUR m</i>		
3 European banks <sup>2 3</sup> .....	8,163	-9,966	-16,068

<sup>1</sup> Bank of America, Citigroup, Goldman Sachs, JP Morgan Chase, Lehman Brothers, Merrill Lynch, Morgan Stanley.

<sup>2</sup> Crédit Suisse, Deutsche Bank, UBS.

<sup>3</sup> Only the investment banking division for those banks which are not specialist investment banks.

“Level 3” assets, i.e. assets which are illiquid due to lack of market and/or uncertain valuation, accounted for a relatively small percentage of total assets, ranging from 3% to 9%, but in excess nonetheless of the banks’ own equity: USD 607bn for the US banks and €203bn for the Europeans, i.e. 106% of net equity in the case of the former (rising to between 140% and 200% for the four specialist investment banks) and 227% in the case of the latter.

\* \* \*

Assofin data shows that the Italian consumer credit market continued to grow in 2007, up 13%. The sector was driven by direct loans, with personal loans up 38.7% and credit cards up 6.9%, against more modest growth of 5.3% in the auto sector and even a 2.3% reduction in specific-purpose, non-auto finance.

Conversely, the first six months of 2008 saw a significant, widespread slowdown in growth, which declined to just 2.1% overall. Growth was driven once again by direct loans (up 14.4%), which more than offset the

sharp reductions in automotive finance (11%) and non-automotive finance (9%).

	2005		2006		2007	
	€m	%	€m	%	€m	%
Vehicle credit .....	20,403	42.9	20,461	38.7	21,538	36.0
Personal loans .....	11,238	23.6	14,122	26.7	19,588	32.7
Specific-purpose loans ..	5,559	11.7	5,762	10.9	5,628	9.4
Credit cards .....	7,652	16.1	8,668	16.4	9,264	15.5
Salary-backed finance ...	2,747	5.7	3,834	7.3	3,816	6.4
	<u>47,599</u>	<u>100.0</u>	<u>52,847</u>	<u>100.0</u>	<u>59,834</u>	<u>100.0</u>

Source: Assofin

The mortgage lending market in Italy remained stable at around €62bn, having been conditioned by both the slowdown in the real estate market and the European Central Bank's restrictive policy on interest rates. Demand has gradually come to focus on fixed-rate mortgages, which now account for around 70% of all new loans, and has picked up as a result of the so-called "Bersani" liberalization law, which abolished early repayment penalties on mortgages and simplified the bureaucratic procedures for cancelling land register entries, thus encouraging borrowers to change lenders and contributing to the development of a considerable "secondary" market.

The leasing market, largely stable in 2007, recording 1.6% growth, showed a sharp decrease in the first half of 2008, with a 9.8% overall reduction in volumes. The most dramatic reductions were in the real estate segment (which accounts for roughly half of the overall market) and yacht leasing, at 23.6% and 10.1% respectively, while the fall in core goods leasing was more limited, at just 1.5%.

	2005		2006		2007	
	€m	%	€m	%	€m	%
Vehicles .....	8,894	20.1	9,171	19.1	9,312	19.1
Core goods .....	11,425	25.8	12,786	26.5	13,794	28.2
Property .....	21,968	49.6	23,554	49.0	22,665	46.4
Yachts .....	2,004	4.5	2,599	5.4	3,090	6.3
	<u>44,291</u>	<u>100.0</u>	<u>48,110</u>	<u>100.0</u>	<u>48,861</u>	<u>100.0</u>

Source: Assofin

## CONSOLIDATED FINANCIAL STATEMENTS\*

The consolidated profit and loss account and balance sheet have been restated, including by division, in the usual way, 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 items have been restated. Figures for Linea, Equilon, Futuro and Ducati Financial Services, acquired on 27 June 2008, have been added only to the balance-sheet aggregates only.

### RESTATED PROFIT AND LOSS ACCOUNT

	12 mths to 30/6/07	12 mths to 30/6/08	Year-on-year change
	€m	€m	%
Net interest income .....	666.8	745.4	+11.8
Net trading income .....	82.8	70.8	-14.5
Net fee and commission income .....	371.3	397.9	+7.2
Dividends on AFS shares .....	71.7	43.5	-39.3
Share of profits earned by equity-accounted companies .....	418.9	477.8	+14.1
<b>TOTAL INCOME</b> .....	<b>1,611.5</b>	<b>1,735.4</b>	<b>+7.7</b>
Labour costs .....	(236.4)	(280.2)	+18.5
Administrative expenses .....	(194.0)	(262.3)	+35.2
<b>OPERATING COSTS</b> .....	<b>(430.4)</b>	<b>(542.5)</b>	<b>+26.0</b>
<b>PROFIT FROM ORDINARY ACTIVITIES</b> .....	<b>1,181.1</b>	<b>1,192.9</b>	<b>+1.0</b>
Gain (loss) on disposal of AFS securities .....	175.4	172.6	-1.6
Gain (loss) on disposal of other securities .....	(0.1)	(0.1)	n.m.
Bad debt writeoffs .....	(165.0)	(202.3)	+22.6
Writebacks (writedowns) to AFS securities .....	(4.2)	(7.5)	+78.6
Extraordinary provisions .....	(6.0)	(22.7)	n.m.
<b>PROFIT BEFORE TAX</b> .....	<b>1,181.2</b>	<b>1,132.9</b>	<b>-4.1</b>
Income tax for the period .....	(215.2)	(108.6)	-49.5
<i>of which: one-off effect of 2008 Budget Law ..</i>	—	76.1	n.m.
Minority interest .....	(12.8)	(9.5)	-25.8
<b>NET PROFIT</b> .....	<b>953.2</b>	<b>1,014.8</b>	<b>+6.5</b>
<i>of which: from banking activity .....</i>	<i>590.2</i>	<i>524.6</i>	<i>-11.1</i>
<i>from equity investment portfolio .....</i>	<i>363.0</i>	<i>490.2</i>	<i>+35.0</i>

\* For methods by which data has been restated, see also section entitled "Significant accounting policies".

## RESTATED BALANCE SHEET

	30/6/07	30/6/08
	€m	€m
<b>Assets</b>		
Treasury funds .....	6,993.0	10,247.1
AFS securities .....	5,573.2	3,778.7
<i>of which: fixed-income</i> .....	1,622.4	1,725.6
<i>equities</i> .....	3,335.7	1,588.3
Financial assets held to maturity .....	622.5	578.1
Loans and advances to customers .....	26,811.6	34,590.8
Equity investments .....	2,632.7	2,845.7
Tangible and intangible assets .....	310.5	753.2
Other assets .....	588.6	1,021.4
<i>of which: tax assets</i> .....	372.0	548.0
Total assets .....	<u>43,532.1</u>	<u>53,815.0</u>
<b>Liabilities</b>		
Funding .....	34,227.7	45,553.5
<i>of which: debt securities in issue</i> .....	25,702.6	32,192.9
Other liabilities .....	1,227.9	1,187.6
<i>of which: tax liabilities</i> .....	787.1	720.9
Provisions .....	185.4	210.1
Net equity .....	6,937.9	5,849.0
<i>of which: share capital</i> .....	408.8	410.0
<i>reserves</i> .....	6,420.9	5,319.1
<i>minority interest</i> .....	108.3	119.9
Profit for the period .....	953.2	1,014.8
Total liabilities .....	<u>43,532.1</u>	<u>53,815.0</u>
<i>Tier 1 capital</i> .....	6,202.2	5,669.8
<i>Regulatory capital</i> .....	8,106.1	6,536.0
<i>Tier 1 capital/risk-weighted assets</i> .....	12.28%	10.29%
<i>Regulatory capital/risk-weighted assets</i> .....	16.18%	11.87%
<i>No. of shares in issue (millions)</i> .....	817.6	820.1

## Balance-sheet data and profit-and-loss figures by division

30 JUNE 2008	Wholesale banking	Retail financial services	Private banking	Equity investment portfolio	Group
	€m	€m	€m	€m	€m
<b>Profit-and-loss figures</b>					
Net interest income (expense) .....	257.6	464.9	39.1	(11.6)	745.4
Net trading income (expense) .....	54.8	(0.5)	13.9	—	70.8
Net fee and commission income .....	286.2	69.6	86.3	—	397.9
Dividends on AFS securities .....	43.5	—	—	—	43.5
Share in profits earned by equity-accounted companies .....	(13.0)	—	—	482.3	477.8
<b>TOTAL INCOME</b> .....	<b>629.1</b>	<b>534.0</b>	<b>139.3</b>	<b>470.7</b>	<b>1,735.4</b>
Labour costs .....	(152.6)	(89.1)	(45.8)	(5.8)	(280.2)
Administrative expenses .....	(85.9)	(164.1)	(29.1)	(2.6)	(262.3)
<b>OPERATING COSTS</b> .....	<b>(238.5)</b>	<b>(253.2)</b>	<b>(74.9)</b>	<b>(8.4)</b>	<b>(542.5)</b>
<b>PROFIT FROM ORDINARY ACTIVITIES</b> .....	<b>390.6</b>	<b>280.8</b>	<b>64.4</b>	<b>462.3</b>	<b>1,192.9</b>
Gain (loss) on disposal of AFS securities .....	171.8	—	1.0	—	172.6
Gain (loss) on disposal of equity investments ...	—	—	—	—	—
Gain (loss) on disposal of other assets .....	(0.3)	—	0.1	—	(0.1)
One-off provisions .....	—	(20.0)	(2.7)	—	(22.7)
Bad debt writeoffs .....	(22.8)	(179.1)	(0.4)	—	(202.3)
Writebacks (writedowns) to AFS securities .....	(7.5)	—	—	—	(7.5)
<b>PROFIT BEFORE TAX</b> .....	<b>531.8</b>	<b>81.7</b>	<b>62.4</b>	<b>462.3</b>	<b>1,132.9</b>
Income tax for the period .....	(78.8)	(56.7)	(5.5)	27.9	(108.6)
Minority interest .....	0.5	(10.0)	—	—	(9.5)
<b>NET PROFIT</b> .....	<b>453.5</b>	<b>15.0</b>	<b>56.9</b>	<b>490.2</b>	<b>1,014.8</b>
<b>Balance-sheet data</b>					
AFS securities .....	2,846.7	0.1	1,050.4	—	3,778.7
Equity investments .....	672.2	0.2	—	2,117.2	2,845.7
Loans and advances to customers .....	24,240.4	15,858.1	857.8	—	34,590.8
<i>of which: to Group companies</i> .....	6,254.6	—	—	—	—
Risk-weighted assets .....	40,017.8	11,634.3	1,453.4	1,972.3	55,081.1
No. of employees .....	555	2,225	269 *	—	3,046
Cost/income ratio (%) .....	38	47	53	2	31

\* Includes 101 staff employed by the Esperia group pro-forma not included in the total.

Notes:

- 1) Divisions comprise:
  - *wholesale banking*: Mediobanca S.p.A., Mediobanca International, MB Securities USA, Consortium and Prominvestment;
  - *retail financial services*: Compass, CheBanca!, Cofactor, Linea, Futuro, Equilon and Creditech (consumer credit), SelmaBipiemme Leasing, Palladio Leasing and Teleleasing (leasing);
  - *private banking*: Compagnie Monégasque de Banque, Spafid and Prudentia Fiduciaria, plus 48.5% of Banca Esperia pro-forma;
  - *equity investment portfolio*: shareholdings owned by the Group in Assicurazioni Generali and RCS MediaGroup.
- 2) Sum of divisional data differs from Group total due to:
  - Banca Esperia being consolidated pro-rata (48.5%) rather than equity-accounted;
  - adjustments/differences arising on consolidation between different business areas, which gave rise to a surplus of approx. €2.5m as at 30 June 2007 and €2.3m as at 30 June 2008;
  - notional expenses attributable to Mediobanca in respect of stock option scheme operated by Banca Esperia, which amount to €3m (30/6/07: €7.8m).

30 JUNE 2007

	Wholesale banking	Retail financial services	Private banking	Equity investment portfolio	Group
	€m	€m	€m	€m	€m
<b>Profit-and-loss figures</b>					
Net interest income (expense).....	200.5	455.2	23.6	(9.1)	666.8
Net trading income (expense) .....	69.6	—	14.6	—	82.8
Net fee and commission income .....	281.9	45.6	91.9	—	371.3
Dividends on AFS securities .....	71.7	—	—	—	71.7
Share in profits earned by equity-accounted companies .....	18.0	—	—	387.7	418.9
<b>TOTAL INCOME</b> .....	<b>641.7</b>	<b>500.8</b>	<b>130.1</b>	<b>378.6</b>	<b>1,611.5</b>
Labour costs .....	(130.3)	(70.0)	(42.3)	(3.8)	(236.4)
Administrative expenses.....	(72.9)	(107.6)	(25.6)	(1.5)	(194.0)
<b>OPERATING COSTS</b> .....	<b>(203.2)</b>	<b>(177.6)</b>	<b>(67.9)</b>	<b>(5.3)</b>	<b>(430.4)</b>
<b>PROFIT FROM ORDINARY ACTIVITIES</b> .....	<b>438.5</b>	<b>323.2</b>	<b>62.2</b>	<b>373.3</b>	<b>1,181.1</b>
Gain (loss) on disposal of AFS securities .....	166.7	—	8.8	—	175.4
Gain (loss) on disposal of equity investments ...	—	—	—	—	—
Gain (loss) on disposal of other assets .....	(0.1)	—	—	—	(0.1)
One-off provisions .....	—	—	(6.0)	—	(6.0)
Bad debt writeoffs .....	(5.2)	(159.8)	(0.2)	—	(165.0)
Writebacks (writedowns) to AFS securities .....	(4.2)	—	—	—	(4.2)
<b>PROFIT BEFORE TAX</b> .....	<b>595.7</b>	<b>163.4</b>	<b>64.8</b>	<b>373.3</b>	<b>1,181.2</b>
Income tax for the period .....	(136.1)	(70.2)	(10.1)	(9.5)	(215.2)
Minority interest .....	—	(12.9)	—	—	(12.8)
<b>NET PROFIT</b> .....	<b>459.6</b>	<b>80.3</b>	<b>54.7</b>	<b>363.8</b>	<b>953.2</b>
<b>Balance-sheet data</b>					
AFS securities .....	4,788.1	—	808.1	—	5,573.2
Equity investments .....	176.7	—	0.1	2,407.4	2,632.7
Loans and advances to customers .....	20,313.9	10,122.9	868.1	—	26,811.6
<i>of which: to Group companies</i> .....	<i>4,318.9</i>	—	—	—	—
Risk-weighted assets .....	39,033.7	8,190.8	1,151.3	1,737.7	50,113.5
No. of employees .....	473	1,072	280	*	1,783
Cost/income ratio (%) .....	32	35	52	1	27

\* Includes 89 staff employed by the Esperia group pro-forma not included in the Group total.

## BALANCE SHEET

The following is a review of the movements in the main balance-sheet items for the period under review (Mediobanca accounts for almost three-quarters of the total):

**Funding** — this item rose from €34,227.7m to €45,553.5m, an increase of 33.1%, or 21.7% net of the €3.9bn contribution from Linea, due to a rise in debt securities, from €25,702.6m to €32,192.9m, which reflects new issuance of €12,608.1m, redemptions and market repurchases of €4,615.8m, and other adjustments (for exchange rates, amortized cost and hedges) amounting to €83.4m; the heading also includes €627.4m in short-term securities (Euro CDs and commercial paper), down €1,585.4m on last year. The increase in new issuance was also driven by other banks' retail networks, which placed over fifty issues raising funds of €7.6bn. Other items, i.e. current accounts, borrowings and deposits, rose from €8,525.1m to €13,360.6m, due to the Linea group's contribution (€3,911.9m) and the Compass group raising more funds on the bank market.

**Loans and advances to customers** — these rose by 29%, from €26,811.6m to €34,590.8m, or 13% net of the €4.3bn contribution from Linea, chiefly in the corporate segment, which grew by 12.4% to nearly €18bn. The loan book of CheBanca!, which consists of mortgage loans arising in connection with the activity of Micos Banca, grew by 27% to over €2.7bn.

	30/6/07	30/6/08	Change
	€m	€m	%
Corporate .....	15,995.0	17,985.8	+12.4
Retail .....	10,101.4	15,849.6	<i>n.m.</i>
- of which consumer credit .....	3,659.1	4,031.9	+10.2
<i>Linea group</i> .....	—	4,280.6	<i>n.m.</i>
<i>mortgages</i> .....	2,131.6	2,706.6	+27.0
<i>leasing</i> .....	4,247.9	4,770.1	+12.3
Others (CMB) .....	715.2	755.4	+5.6
TOTAL LOANS AND ADVANCES TO CUSTOMERS .....	26,811.6	34,590.8	+29.0

As a result of consolidating Linea, the share of the loan book accounted for by corporate business and structured finance fell from 59% to 52%, and that by leasing from 16% to 14%, while consumer credit



increased its share from 23% to 32%; finance and loans granted by Compagnie Monégasque de Banque remained virtually unchanged at 2%.

At the reporting date there were a total of eleven significant exposures to groups of customers (including market risk and equity investments), i.e. above 10% of regulatory capital, three fewer than at the same time last year, which at weighted values amount to a total of €10,810.3m (30/6/07: €15,504.2m).

**Equity investments** — this item rose by €213m, from €2,632.7m to €2,845.7m, after booking the Telco investment (€522.4m) following the spinoff of the Group's 1.54% stake in Telecom Italia to this portfolio, having previously been classified among shares available for sale (see section 10 of part B of the Notes to the Consolidated Accounts).

	Percentage shareholding*	Book value	Market value as at 30/6/08	Gain (loss)
		€m		
LISTED INVESTMENTS				
Assicurazioni Generali .....	14.05	1,813.5	4,829.4	3,015.9
RCS MediaGroup, <i>ordinary</i> .....	14.36	303.7	159.0	(144.7)
		<u>2,117.2</u>	<u>4,988.4</u>	<u>2,871.2</u>
OTHER INVESTMENTS				
Telco .....	10.64	513.1		
Banca Esperia .....	48.50	55.9		
Burgo Group .....	22.13	119.0		
Athena Private Equity class A ....	24.47	38.0		
Fidia .....	25.0	1.7		
Other investments .....		0.8		
		<u>728.5</u>		
		<u>2,845.7</u>		

\* Percentage of entire share capital.

During the period there were purchases amounting to €18m, €10.4m in RCS MediaGroup shares purchased under the terms of this company's shareholders' agreement, and €7.6m in net payments to Athena Private Equity. Accounting for this portfolio by the equity method gives net profits for the twelve months of €477.8m, against a €805.4m reduction in net

equity due to changes in the valuation reserves for investee companies, plus €200.4m in dividends written back. As for the individual investee companies, the book value of Banca Esperia increased by €7.3m, while that of Assicurazioni Generali fell by €286.2m, despite profits of €455.7m, as did that of RCS MediaGroup (€14.4m, net of €26.6m in profits), Burgo Group (€24m, including pro-rata losses amounting to €15.4m) and Telco S.p.A. (€9.3m, reflecting €6.1m losses). Based on share prices at 30 June 2008, the portfolio reflected a surplus of €2,871.2m (€3,928.9m), which falls to €2,290.5m based on current prices. The Group's shareholdings in RCS MediaGroup and Telco have been booked at values which are higher than their respective stock market prices at the reporting date (with a corresponding implicit loss of €144.7m for the former and €442.3m for the latter). The reasons for this are set out in more detail in section 10 of part B of the Notes to the Consolidated Accounts.

**Financial assets held to maturity** — these fell from €622.5m to €578.1m, due to redemptions worth €41m and adjustments to amortized cost of €3.4m as a result of coupons being collected. The implicit loss on this portfolio based on prices and holdings as at the reporting date totalled €45.7m (30/6/07: €20.6m).

**AFS securities** — this portfolio is made up of debt securities worth €1,725.6m (€1,622.4m), equities worth €1,588.3m (€3,335.7m) and other securities (fund units) worth €464.9m (€615.1m), the latter entirely attributable to treasury operations at Compagnie Monégasque de Banque. The bond component increased by €103.1m, following purchases amounting to €919.8m, disposals of €707.9m (yielding a net gain of €0.4m), and downward adjustments to amortized cost and fair value as at the reporting date totalling €109.2m. On the equity side there were new investments worth €646.9m, €456.7m in listed securities and €190.2m in unlisted shares, and disposals of €1,603.4m (including derecognition of the Group's shares in Telecom Italia worth €522.4m, which were transferred to Telco), yielding gains of €174.3m, including use of valuation reserves and other income. The equity component reserve declined from €866.7m to minus €16.6m, reflecting €108.4m in gains on disposals being released to profit and loss account, along with the general reduction in stock market prices, while no situations arose that would warrant impairment charges being recorded. Some minor unlisted investments have been written down on a prudential basis to reflect their estimated value (net equity), with a charge of €7.5m being taken to profit and loss account.

Some of the main purchases included subscription to a rights issue by Gemina (€156.5m), and stakes being taken in unlisted companies Santé S.A. (€80.8m) and Sintonia S.A. (€50.1m).

During the period under review various equity portfolio hedges were put in place through forward contracts, which as at 30 June 2008 reflect gains of €168.8m, recorded in the reserves.

	Percentage shareholding*	Book value at 30/6/08	Adjustments to fair value	Aggregate AFS reserve
Fiat .....	1.94 – 1.66	220.2	(246.8)	154.0
Gemina .....	12.56 – 12.53	143.4	(156.1)	(68.8)
Pirelli .....	4.61 – 4.49	105.5	(70.1)	(35.7)
Italmobiliare .....	9.5 – 5.47	105.3	(115.3)	70.7
Other listed securities .....		515.2	(247.9)	(193.1)
Other unlisted securities .....		498.7	(10.0)	56.3
<b>TOTAL .....</b>		<b>1,588.3</b>	<b>(846.2)</b>	<b>(16.6)</b>

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

Subsequent to the reporting date the following events have taken place:

- sale to Pirelli of the entire, 19.19% stake held in Speed for €84.7m, at a gain of €20.8m;
- disposal of listed securities in connection with the hedges referred to above, carried at a book value of €73.8m, and yielding a gain of €47.8m.

**Treasury funds** — these increased from €6,993m to €10,247.1m, on the back of liquidity deriving from funding activity, and to a lesser extent from the acquisition of Linea (€229.4m). This heading includes €579.2m (30/6/07: €347m) in cash and cash equivalents, €7,695.8m (€8,029.2m) in fixed-income securities, €625.5m (€843.5m) in equities, €296.8m (€177.2m) in positive value adjustments to derivative contracts, and €1,049.8m (€2,403.9m) in net applications of funds, such as repos, interbank deposits etc. Movements during the twelve months and value adjustments to the portfolio, including derivatives, as at 30 June 2008 led to a net gain of €70.8m (€82.8m). The recent tensions on financial markets

have not affected the Group's liquidity situation, which remains comfortable as a result of the funding activity referred to above. The Group has no exposure, indirect or direct, to the US sub-prime segment; applications of funds from asset-backed securities (ABS) are limited, amounting to €608.8m, and are linked to domestic assets. For further details on this portfolio, see section C of part E of the Notes to the Consolidated Accounts. All financial instruments have been recognized at their market value if active, or alternatively through valuation models based solely on market data.

**Tangible and intangible assets** — in addition to €7.3m deriving from the contribution of Linea, this heading includes €404.3m in goodwill linked to the acquisition of this company, which will be reduced once purchase price allocation has been completed. Net of these items, movements during the period under review mostly concerned investment in capital expenditure to expand the Group's structure, which amounted to €24m, virtually half of which was accounted for by CheBanca!, and €18m in intangible assets booked as a result of acquisition of the Unicredit group's Monaco branch by CMB. Depreciation and amortization for the period amounted to €10.8m.

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

	Squ.m	Book value	Book value per squ.m
		€'000	€'000
Milan:			
– Piazzetta Enrico Cuccia, 1 .....	6,874	16,026.3	2.3
– Via Filodrammatici, 3, 5, 7 – Piazzetta Bossi, 1 .....	11,093	64,924.1	5.9
– Piazza Paolo Ferrari, 6 .....	1,967	4,257.9	2.2
– Foro Buonaparte, 10 .....	3,918	7,988.7	2.0
– Via Siusi, 1-7 .....	5,300	4,438.7	0.8
Rome:			
– Piazza di Spagna, 15 .....	8,228	28,611.7	3.5
– Via Nomentana, 146 .....	1,790	9,214.8	5.2
Vicenza:			
– Via Btg. Framarin, 4 .....	4,239	5,117.5	1.2
Monaco.....	8,166	132,161.0	16.2
Other minor properties.....	6,627	4,361.3	0.7
	<u>58,202</u>	<u>277,102.0</u>	

**Provisions** — this comprises the provision for liabilities and charges, up from €156m to €180.9m (€0.6m of which in connection with the Linea group), following transfers by Compass (€20m, to cover restructuring charges for Linea), Compagnie Monégasque de Banque (€5.5m) and Prominvestment (€1m, to cover the launch of voluntary liquidation proceedings), and the staff severance indemnity provision, more or less stable at €29.2m (€29.4m) following inclusion of the provision for Linea (€3.9m) and withdrawals to cover staff turnover during the year.

**Net equity** — this fell by €1,100.5m, from €6,829.6m to €5,729.1m, reflecting the reduction in the valuation reserves (€724.8m), application of the equity consolidation method (€606.3m) due to trends in the valuation reserves of the investee companies (largely Assicurazioni Generali), and the outlay in connection with the share buyback completed in February 2008 (€213.4m). Conversely, increases during the period were attributable to retained earnings from the previous year (€414.6m) and issuance of shares in connection with exercise of stock options (€31.4m). The AFS valuation reserve fell from €818.5m to minus €58.7m, while the cash flow hedge reserve stood at €157.5m (€5.2m), boosted by positive valuations for repo transactions on equities held as available for sale. Regulatory capital therefore fell from €8,106.1m to €6,536m, reflecting *inter alia* the amendment to provisions for regulatory requirements for banks (Update no. 2 to Circular no. 263 issued on 17 March 2008), which means that the Group's shareholding in Assicurazioni Generali no longer has to be deducted from regulatory capital, but also rules out the possibility of including unrealized gains on this investment.

## **PROFIT AND LOSS ACCOUNT**

**Net interest income** — this rose by 11.8%, from €666.8m to €745.4m, due to growth in corporate banking loan volumes, which were up 12.4%. The share of net interest income generated by retail financial services was 65% (stable versus last year), while the other 35% was accounted for by corporate lending.

**Net trading income** — net trading income of €70.8m (30/6/07: €82.8m) was boosted by higher profits and dividends, but also reflects €142.7m in writedowns due to market trends.

	12 mths to 30/6/07	12 mths to 30/6/08	Y.o.Y. chg.
	€m	€m	%
Dealing profits (losses) .....	(5.5)	133.9	n.m.
Mark-to-market as at reporting date ....	48.0	(142.7)	n.m.
Dividends .....	40.3	79.6	+97.5
TOTAL .....	82.8	70.8	-14.5

In extremely challenging market conditions, both the equity and fixed-income sides contributed positively to the results, with the former generating nearly three-quarters of net profit, while the latter does not include the contribution made to net interest income by the increasing returns on the trading book.

	12 mths to 30/6/07	12 mths to 30/6/08	Y.o.Y. chg.
	€m	€m	%
Fixed-income .....	(14.3)	24.0	n.m.
Equities .....	101.7	63.6	-37.5
Exchange rates .....	(4.6)	(16.8)	n.m.
TOTAL .....	82.8	70.8	-14.5

**Net fee and commission income** — the increase in this item, from €371.3m to €397.9m, in adverse market conditions reflects stable fees from corporate and investment banking (which account for some 72% of the total), up from €281.3m to €285.1m, and a growing contribution from retail activities by the Compass group, which increased from €42.1m to €65.6m. The contribution from other Group companies (chiefly Compagnie Monégasque de Banque) remained virtually unchanged at €47.2m.

**Operating costs** — the 26% rise in this item, from €430.4m to €542.5m, is largely due to start-up costs in connection with CheBanca! (€54m) as well as development of the Group's other activities. This heading comprises:

- labour costs, up from €236.4m to €280.2m, including €9.8m in costs relating to the governing bodies of Mediobanca S.p.A. and other Group companies (€14.2m), and €9.4m (€9m) in respect of stock

option schemes; during the period under review the Group's headcount rose from 1,783 to 3,046 staff, 798 of which at Linea and 264 at CheBanca!;

- other costs and expenses, up 35.2% from €194m to €262.3m, comprising: depreciation and amortization amounting to €16.9m (€12.9m), commitments entered into under the terms of the stock option schemes operated by Banca Esperia expensed in an amount of €3m (€7.8m), transfers to provisions for risks and charges of €5m (€0.5m) – of which €2.8m attributable to CMB and €1m for liquidation of Prominvestment – plus €237.4m (€172.5m) in administrative expenses, which break down as follows:

	12 mths to 30/6/07	12 mths to 30/6/08
	€m	€m
EDP and financial information subscriptions	36.0	45.6
Outside service and consultancy fees .....	24.5	44.1
Advertising .....	16.8	35.5
Rent, equipment leasing and maintenance...	17.4	20.4
Stationery, printing and utilities .....	15.8	18.3
Bank charges .....	15.5	14.4
Bad debt recoveries and legal fees .....	7.8	10.7
Travel, transfers and entertainment .....	7.1	10.2
Others .....	31.6	38.2
<b>TOTAL .....</b>	<b>172.5</b>	<b>237.4</b>

The share attributable to CheBanca! is largely accounted for by the outside service and consultancy fees (€14.5m) and advertising (€13.9m).

**Bad debt writeoffs** — these are due as to €179.1m to the Compass group (€159.8m), reflecting the increase in volumes and the deterioration in households' risk profiles. A further €22.8m (€5.2m) is accounted for by one-off collective provisions to cover performing accounts in the Group's corporate loan book, due to the increase in volumes and the related risk profile.

**Income tax** — the €76.1m benefit recorded under this item refers to adjustments made in line with the new IRES and IRAP tax rates introduced with the Italian Budget Law for 2008, approved in December last year with respect to advance and deferred tax. Net of this item the tax rate is in line with that recorded in previous years.

## Review of Group businesses

A review of the Group's performance in its main areas of operation is provided below in the customary format.

### Wholesale banking

	12 mths to 30/6/07	12 mths to 30/6/08	Y.o.Y. chg.
	€m	€m	%
Net interest income .....	200.5	257.6	+28.5
Net trading income.....	69.6	54.8	-21.3
Net fee and commission income.....	281.9	286.2	+1.5
Dividends on AFS securities .....	71.7	43.5	-39.3
Share in profits earned by equity-accounted companies .....	18.0	(13.0)	n.m.
<b>TOTAL INCOME</b> .....	<b>641.7</b>	<b>629.1</b>	-2.0
Operating costs .....	(203.2)	(238.5)	+17.4
<b>PROFIT FROM ORDINARY ACTIVITIES</b> .....	<b>438.5</b>	<b>390.6</b>	<b>-10.9</b>
Gain (loss) on disposal of AFS securities .....	166.7	171.8	+3.1
Other items.....	(9.5)	(30.1)	n.m.
Income tax .....	(136.1)	(78.8)	-42.1
<b>NET PROFIT</b> .....	<b>459.6</b>	<b>453.5</b>	<b>-1.3</b>
Cost/income ratio (%) .....	31.6	37.9	
Bad loans/total loans (%) .....	=	=	
	30/6/07	30/6/08	Y.o.Y. chg.
	€m	€m	%
Treasury funds .....	6,292.6	8,843.9	+40.5
AFS securities .....	4,788.1	2,846.7	-40.5
Financial assets held to maturity .....	622.5	578.1	-7.1
Equity investments .....	176.7	672.2	n.m.
Loans and advances to customers .....	20,313.9	24,240.4	+19.3
<i>of which: to Group companies</i> .....	<i>4,318.9</i>	<i>6,254.6</i>	<i>+44.8</i>
Funding.....	(26,918.8)	(33,612.2)	+24.9



The net profit recorded by the wholesale banking division was virtually unchanged from last year, at €453.5m, compared with €459.6m, on the back of higher net interest income and lower taxes primarily. The main results were as follows:

- net interest income rose by 28.5%, from €200.5m to €257.6m, driven by growth in lendings and the spread holding up despite the higher cost of funding;
- net fee and commission income grew from €281.9m to €286.2m, against a backdrop of declining market conditions, driven chiefly by an outstanding first-half performance (€183.3m);
- net trading income fell from €69.6m to €54.8m, while the reduction in dividends received on AFS securities, from €71.7m to €43.5m, reflects disposals made and the shares in Telecom Italia being spun off to Telco;
- the unfavourable economic climate in the second half of the year impacted particularly on the performance of the equity-accounted companies, which recorded a loss of €13m, chiefly attributable to the Burgo group (compared with an €18m profit last year).

The 17.4% rise in operating costs, from €203.2m to €238.5m, reflects the increase in headcount, with 82 more staff on the books than at the same time last year, in part due to strengthening the Group's footprint outside Italy, with the Frankfurt and Madrid branches becoming fully operative and the London branch being launched.

Below the operating line the following items were recorded:

- gains on disposals of AFS securities worth €171.8m, plus writedowns to unlisted shares in the same portfolio amounting to €7.5m;
- collective provisions to cover performing loans, in an amount of €22.8m;
- one-off tax benefits of €60.5m, due to the changes in legislation mentioned above.

**Lending and structured finance** — loans to corporate customers (not including intra-group loans) grew by 12.4% during the year, from €16bn to €18bn, some two-thirds of which was attributable to the domestic market and the other one-third to non-Italian borrowers. In particular the trend

towards geographical diversification continued, with France accounting for 9.3% of the loan book, Spain 8.2% and Germany 5.3%. Syndicated loan activity, i.e. acting as bookrunner or arranging club deals, involved deals during the period worth a total of €9.5bn (€44.5bn, although this figure does include one deal worth €35bn in its own right). The increase in volumes led to a rise in the collective provision, from €53.4m to €76.2m, on a loan book that continues to contain no potential problem or non-performing items. Overall, lending contributes just under one-third of the total income delivered by wholesale banking.

**Funding and treasury accounts** — funding rose from €26,918.8m to €33,612.2m, and comprised: €32,285.2m (€25,701.8m) in debt securities, of which approx. €1bn in the form of subordinated notes and €0.6bn in short-term funding (CDs and commercial paper), €352.4m (€253m) in deposits and current accounts, and €974.6m (€964m) in other forms of funding. Treasury accounts consist of €163.4m (€200.4m) in liquid assets, €7,274.9m (€8,455.4m in securities), €278.1m (€176.4m) in positive valuations on derivative contracts, and €1,127.5m in net short-term applications (against €2,539.6m in funding). The area generated approximately one-third of the total income attributable to wholesale banking.

**Investment banking** — despite the difficult market conditions referred to above, Mediobanca's investment banking posted growth of 5% on last year, driven by share placements, with deals worth a total €28bn which included 5 IPOs, and buoyant advisory activity, on deals worth an aggregate approx. €100bn. The area generated just over 30% of the total income attributable to wholesale banking.

**Equity investments and AFS securities** — this portfolio brings together the Group's holdings in AFS securities, plus its equity-accounted investments in associate companies Burgo group, Athena, Fidia, Ape SGR, and as of this year, Telco S.p.A. At 30 June 2008 the portfolio was worth €2,238.2m (€3,492.6m), after downward adjustments of €846.2m to fair value at the reporting date, chiefly in respect of the holdings in Fiat, Gemina and Italmobiliare) and downward, pro-rata adjustments to net equity amounting to €34.4m. Purchases and subscriptions worth €652.8m were made during the year, and disposals of €1,081m yielding gains of €173.5m (including €108.4m in reserves accrued in previous years, plus €3.2m in other income).

A brief review of the other associate, equity-accounted companies is provided below:

*Burgo Group*: accounting for this company on an equity basis involved booking a €15.4m loss for this year, as well as €8.6m in asset writedowns linked to the downward trend in the valuation reserves; as at 30 June 2008 the Group's investment in this company, which amounts to 22.13% of its share capital, was carried at a value of €119m, equal to the pro-rata share in its net equity.

*Athena Private Equity*: equity-accounting this investment involved reducing its book value by €0.6m, reflecting the balance between €9.4m in profit taken to profit and loss account, which was more than offset by dividends paid out (€10m); as at 30 June 2008, reflecting new payments of €7.6m, the investment was carried at a book value of €38m.

*Telco*: the 10.6% stake held in this company derives from the transfer of the 206.5 million Telecom Italia shares held by Mediobanca. Telco is the largest shareholder in Telecom Italia, with a 24.5% stake. Mediobanca's investment is recognized in the accounts as its pro-rata share of Telco's net equity (€513.1m). Accounting for this investment on an equity basis involved booking a €6.1m loss, as well as €3.2m in asset adjustments. For purposes of consolidation the investee company's financial statements as at 30 April 2008 have been used (IAS/IFRS-compliant), in which the holding in Telecom Italia was booked at its original carrying value, adjusted to reflect changes to the profit and loss account and balance sheet shown in the quarterly figures at 31 March 2008. The implicit loss on this investment based on the Telecom Italia stock market price at 30 June 2008 (€1.28 per share) amounted to €442.3m.

### **Equity investment portfolio**

The Group's share in the profits earned by Assicurazioni Generali and RCS MediaGroup rose by 24.4% during the period, from €387.7m to €482.3m, consisting of €455.7m from Generali (up 26.9%) and €26.6m from RCS (down 6.3%). This result was boosted by upward adjustments of €21.7m on deferred taxes linked to the change in participation exemption rates, calculated based on the difference between the book value and the original cost of acquisition.

With respect to the two individual shareholdings:

- *Assicurazioni Generali*: as at 30 June 2008, this investment, which amounts to 14.05% of the company's share capital (14.09%), was carried at an aggregate value of €1,813.5m (€2,099.7m), which includes the Group's pro-rata share in the profits earned by Generali for the period (€455.7m), net of the dividend collected (€178.4m) and asset adjustments (€563.5m) in connection with the changes in the valuation reserves.
- *RCS MediaGroup*: the Group holds an interest of 14.94% in the ordinary share capital of this company, and of 14.36% in its total share capital. This holding is carried at a value of €303.7m, following €10.4m in acquisitions under the terms of the shareholders' agreement in respect of this company (with 3.2 million shares acquired), and profit for the period amounting to €26.6m, net of the dividend writeback (€12m) and asset adjustments (€29m).

### Retail financial services\*

	12 mths to 30/6/07	12 mths to 30/6/08	Y.o.Y. chg.
	€m	€m	%
Net interest income .....	455.2	464.9	+2.1
Net trading income (expense) .....	—	(0.5)	n.m.
Net fee and commission income .....	45.6	69.6	+52.6
<b>TOTAL INCOME</b> .....	<b>500.8</b>	<b>534.0</b>	<b>+6.6</b>
Operating costs .....	(177.6)	(253.2)	+42.6
<b>PROFIT FROM ORDINARY ACTIVITIES</b> .....	<b>323.2</b>	<b>280.8</b>	<b>-13.1</b>
Bad debt writeoffs .....	(159.8)	(179.1)	+12.1
One-off provisions .....	—	(20.0)	n.m.
Income tax for the period .....	(70.2)	(56.7)	-19.2
Profit attributable to minorities .....	(12.9)	(10.0)	-22.5
<b>NET PROFIT</b> .....	<b>80.3</b>	<b>15.0</b>	<b>n.m.</b>
Loans and advances to customers .....	10,122.9	15,858.1	+14.4 <sup>1</sup>
Of which: Linea .....	—	4,280.6	—
New loans .....	4,778.6	5,199.0	+8.8
No. of branches .....	157	173	—
Cost/income ratio (%) .....	36	47	—
Bad loans/total loans (%) .....	0.81	1.34	—

<sup>1</sup> Calculated net of share attributable to Linea.

Despite the slight, 2.1% growth in net interest income, from €455.2m to €464.9m, impacted by the increased cost of bank funding, total income grew from €500.8m to €534m, an increase of 6.6%, as a result of higher net fee and commission income, up from €45.6m to €69.6m, due to distribution of insurance products. However, profit from ordinary activities declined, from €323.2m to €280.8m, due to the increase in operating costs, from €177.6m to €253.2m, some three-quarters, or €54m, of which was attributable to the CheBanca! initiative. Net profit came in at €15m

\* The acquisition of Linea has no impact on the consolidated profit and loss account, only on the balance-sheet aggregates.

(30/6/07: €80.3m), after bad debt writeoffs totalling €179.1m (€159.8m), up as a result of the general deterioration in risk indicators, and extraordinary provisions of €20m to cover the cost of integrating Linea.

During the year the Compass group disbursed a total of €5,199m in new finance (€4,778.6m), which does not include the Linea group's commercial activity (€2,671m in new loans for FY 2007 and €1,186m during 1H 2008). The contribution made by mortgage lending activity in France is notable, at €183m (€23m). As at 30 June 2008 total loans and advances to customers (including those for the Linea group amounting to €4,280.6m, consolidated as at the reporting date) amounted to €15,858.1m (€10,122.9m).

A breakdown of this divisions results by business segment is provided below:

Retail financial services 30 June 2008	Consumer credit	Retail banking <sup>1</sup>	Total consumer finance	Leasing	Total RFS
	€m	€m	€m	€m	€m
Total income .....	402.3	49.1	451.4	82.6	534.0
Operating costs .....	(139.3)	(80.3)	(219.6)	(33.6)	(253.2)
<b>PROFIT FROM ORDINARY ACTIVITIES</b>	<b>263.0</b>	<b>(31.2)</b>	<b>231.8</b>	<b>49.0</b>	<b>280.8</b>
Bad debt writeoffs .....	(152.6)	(13.3)	(165.9)	(13.2)	(179.1)
One-off provisions .....	(20.0)	—	(20.0)	—	(20.0)
Minority interest .....	—	—	—	(10.0)	(10.0)
Income tax for the period .....	(57.6)	15.0	(42.6)	(14.1)	(56.7)
<b>NET PROFIT</b> .....	<b>32.8</b>	<b>(29.5)</b>	<b>3.3</b>	<b>11.7</b>	<b>15.0</b>
New loans .....	2,568.0	819.0	3,387.0	1,812.0	5,199.0
Loans and advances to customers .....	8,372.9	2,706.6	11,079.5	4,778.6	15,858.1
Of which: Linea .....	4,280.6	—	4,280.6	—	4,280.6
No. of branches .....	121	38	159	14	173
No. of staff .....	1,522 <sup>2</sup>	470	1,992	233	2,225

<sup>1</sup> Includes mortgage lending activity.

<sup>2</sup> Of which 798 staff employed by Linea.

Retail financial services 30 June 2007	Consumer credit	Mortgage lending	Total consumer finance	Leasing	Total RFS
	€m	€m	€m	€m	€m
Total income.....	378.7	41.5	420.2	80.6	500.8
Operating costs .....	(124.4)	(24.0)	(148.4)	(29.2)	(177.6)
<b>PROFIT FROM ORDINARY ACTIVITIES</b>	<b>254.3</b>	<b>17.5</b>	<b>271.8</b>	<b>51.4</b>	<b>323.2</b>
Bad debt writeoffs.....	(144.5)	(6.6)	(151.1)	(8.7)	(159.8)
Minority interest .....	—	—	—	(12.9)	(12.9)
Income tax for the period .....	(50.6)	(5.3)	(55.9)	(14.3)	(70.2)
<b>NET PROFIT</b> .....	<b>59.2</b>	<b>5.6</b>	<b>64.8</b>	<b>15.5</b>	<b>80.3</b>
New loans .....	2,448.2	619.1	3,067.3	1,711.3	4,778.6
Loans and advances to customers .....	3,721.9	2,138.0	5,859.9	4,263.0	10,122.9
No. of branches .....	118	29	147	10	157
No. of staff .....	660	206	866	206	1,072

In consumer credit, new loans disbursed by Compass amounted to €2.6bn, up 5% on the €2.4bn posted last year. Profit from ordinary activities, up 3.4%, from €254.3m to €263m, was swallowed up by extraordinary expenses of €20m due to integrating Linea, plus higher bad debt writeoffs, up from €144.5m to €152.6m.

Profit from ordinary activities for mortgage lending alone shows an increase of €17.5m to €22.8m, which was more than offset by the bad debt writeoffs, up from €6.6m to €13.3m, due to deterioration in asset quality. During the year mortgage lending activity saw growth in new loans and finance disbursed to customers, 32.2% in the case of the former (from €619.1m to €819m) and 26.6% for the latter (from €2.1bn to €2.7bn).

On the leasing side, new loans posted by the SelmaBipiemme group remained virtually stable versus last year, at €1.8bn, despite the drastic reduction in real estate leasing, which accounts for nearly half the market. Net profit of €11.7m, compared with €15.5m last year, also reflects increased operating costs linked to the opening of four new branches, and higher bad debt writeoffs (€13.2m, versus €8.7m) due to the economic downturn.

Turning now to the results of the individual Compass group companies:

- *Compass S.p.A., Milan (consumer credit)*: this company's accounts for the period ended 30 June 2008 show a net profit of €40.8m (30/6/07: €66.5m), after bad debt writeoffs totalling €151.5m (€139.9m), transfers to provisions for restructuring charges in connection with the Linea integration amounting to €20m, and tax of €53.7m (€46m), €9.2m of which in adjustments to the new IRES and IRAP tax rates introduced by the Budget Law for 2008.

Loans outstanding as at the reporting date showed growth of 9.1% versus 30 June 2007, from €3,710.1m to €4,046.6m. New loans worth €2,567.7m (€2,448.2m) were disbursed during the year.

At a general meeting held in May of this year, a €500m rights issue was approved to increase the company's share capital from €87.5m to €587.5m, €400m of which was earmarked for the Linea acquisition, and €100m to subscribe to a rights issue by subsidiary CheBanca!

The company employs a total of 640 staff at its head office and 121 branches.

- *CheBanca! S.p.A., Milan (formerly Micos Banca S.p.A. - retail banking)*: in the last few months of the financial year, a new retail banking platform has been launched to complement the Group's existing mortgage lending business. At a general meeting held in April of this year, a resolution was adopted to change the company's name to CheBanca! and to implement a €100m rights issue was approved to increase the company's share capital from €70m to €170m.

The company's accounts for the twelve months ended 30 June 2008 show a loss of €29.5m, compared with a €5.4m net profit this time last year. The loss, gross of the €44.3m tax effect, reflects expense linked to the launch of the new retail banking operations in an amount of €54m, which includes approx. €10m in labour costs due to new recruitment (264 staff). Again at the pre-tax level, the traditional mortgage lending business contributed €9.7m, down €3.8m on the €13.5m recorded last year, due to bad debt writeoffs, up €6.7m.

During the period under review a total of 6,665 mortgages were executed worth €818.5m, compared with 5,403 mortgages worth €619.1m one year previously. Mortgages outstanding as at the reporting date were up 27.4% on the figure recorded at 30 June 2007,



from €2,125.3m to €2,706.6m. Funds raised directly from customers at end-June amounted to some €50m.

The company now employs a total of 470 staff at its head offices and 38 branches (33 in Italy). Nine of these branches form part of the new retail platform.

- *SelmaBipiemme Leasing S.p.A., Milan (60%-owned)*: this company earned a net profit of €8.2m in the twelve months ended 30 June 2008 (€11m), after dividends of €4.8m (€4.6m), bad debt writeoffs of €9.8m (€7.1m), and tax of €4.8m (unchanged).

During the twelve months under review, 9,690 leases were executed for goods worth a total gross value of €946.8m, compared with 8,329 leases worth €898.7m last year. This was despite the reduced contribution from big ticket deals, which fell from €141.2m to €60.6m. The net value of goods on or pending lease as at 30 June 2008 was up 13.4% on the previous year, from €2,392.3m to €2,712.7m.

The company's headcount numbers 139 staff, divided between its headquarters and 10 branches.

- *Palladio Leasing S.p.A., Vicenza (95%-owned via SelmaBipiemme Leasing, the other shares being held by Palladio itself)*: Palladio Leasing earned a net profit of €9.7m (€9.9m), after adjustments and transfers to provisions for risks and expenses totalling €3.8m (€1.3m) and tax of €5.1m (€7.2m).

During the period under review the company executed 2,908 leases in respect of goods worth a gross value of €564.3m, compared with 3,189 leases worth €533.3m one year previously. The net value of goods on or pending lease as at the reporting date had grown by 13.8% compared to the same time last year, from €1,376.9m to €1,567.6m.

The company employs 63 staff at its headquarters and 4 branches.

- *Teleleasing S.p.A., Milan (80%-owned via SelmaBipiemme Leasing)*: this company earned a net profit of €9.1m (€12.1m), after tax of €4.6m (€2.5m).

During the twelve months under review, the company executed 7,579 leases in respect of goods worth a gross amount of €301.3m, compared

with 8,694 leases worth €279.3m the previous year. The net value of goods on or pending lease as at 30 June 2008 was up 5.9%, from €537.4m as at 30 June 2007 to €569.1m.

The company employs a total of 33 staff.

- *Cofactor S.p.A., Milan (non-recourse factoring)*: this company recorded a net profit of €43,000 for the year (€29,000).

At the reporting date Cofactor's loan book was carried at a value of €60.5m (€62.8m).

The company employs a total of 48 staff.

- *Creditech S.p.A., Milan (credit management)*: Creditech delivered a net profit of €2m (€1m) during the year under review, after tax of €1.3m (€0.9m). The company generated income of €12.4m (€9.7m).

Creditech employs 36 staff.

- *Linea S.p.A., Milan (consumer credit; 100%-owned through Compass)*: the most recent financial statements approved for this company as at 31 December 2007 show a profit of €10.1m, compared with €17.2m the previous year, after bad debt writeoffs of €59.5m (31/12/06: €40.5m) and tax of €31.6m (€22.6m).

Loans outstanding as at the company's reporting date showed growth of 31.9% on the figure reported at 31 December 2006, from €2,670.9m to €3,523.2m. During the year new loans worth €2,184.9m were disbursed (€1,644m).

The company employs a total of 753 staff at its headquarters and 52 branches.

- *Equilon S.p.A., Milan (consumer credit; 100%-owned through Linea)*: the most recent financial statements approved for this company as at 31 December 2007 show a loss of €109,000, as compared with €5.5m for the previous year, after bad debt writeoffs worth €7.8m (€2.7m).

Loans outstanding as at the company's reporting date had grown from €57.6m at 31 December 2006 to €207.1m. During the year new loans worth €178.5m (€67.8m) were disbursed.

The company employs 35 staff.

- *Futuro S.p.A.*, Milan (*salary-backed loans; 100%-owned through Linea*): the most recent financial statements approved for this company as at 31 December 2007 show a profit of €3.5m (€5m) after tax of €2.5m (€3.5m).

Loans outstanding as at the company's reporting date were up 75.5% on the figure recorded at 31 December 2006, from €242.4m to €425.4m. New finance worth €280m (€125.4m) was disbursed during the year.

The company employs 70 staff.

- *Ducati Financial Services S.r.l.*, Milan (*50:50 joint venture between Linea and Ducati Motor Holding*): the financial statements approved as at 31 December 2007 (for the first seven months of the company's activity) reflect a net loss of €70,000, after tax of €13,000.

Loans outstanding as at the company's reporting date and new finance disbursed totalled approx. €22m.

The company employs 4 staff.

As part of the integration plans, procedures have been launched to merge Linea and Equilon into Compass.

### Private banking

	12 mths to 30/6/07	12 mths to 30/6/08	Y.o.Y. chg.
	€m	€m	%
Total income .....	130.1	139.3	+7.1
<i>of which: net fee and commission income ...</i>	91.9	86.3	-6.1
Operating costs .....	(67.9)	(74.9)	+10.3
<b>PROFIT FROM ORDINARY ACTIVITIES .....</b>	<b>62.2</b>	<b>64.4</b>	<b>+3.5</b>
Other income (expenses) .....	2.6	(2.0)	n.m.
Income tax for the period .....	(10.1)	(5.5)	-45.5
<b>NET PROFIT .....</b>	<b>54.7</b>	<b>56.9</b>	<b>+4.0</b>
AUM .....	13,865.6	13,533.3	-2.4
Securities under trust .....	1,217.9	1,260.5	+3.5

This division reported net profit up 4% for the year, from €54.7m to €56.9m, despite the adverse market conditions, in the second half

particularly. Total income, up 7.1% from €130.1m to €139.3m, reflects the reduced contribution from net fee and commission income, down from €91.9m to €86.3m due to the lack of performance fees, and the strong increase in net interest income, from €23.6m to €39.1m, almost all of which due to Compagnie Monégasque de Banque. Operating costs rose by 10.3%, from €67.9m to €74.9m, including as a result of growth initiatives by CMB, with the acquisition of the Unicredit group's Monégasque activities. Below the operating profit line there were extraordinary provisions amounting to €2.7m to cover customer litigation pending. Assets under discretionary/non-discretionary management declined by 2.4%, from €13.9bn to €13.5bn, reflecting a reduction in the value of the assets linked to market trends. CMB showed a slight, 1.6% increase in AUM to €8.2bn, as a result of the Unicredit assets being added, while the pro-rata share attributable to Banca Esperia was down 7.9%, to €5.3bn.

Private banking 30 June 2008	CMB	Banca Esperia 48.5%	Others	Total PB
	€m	€m	€m	€m
Total income.....	91.3	41.4	6.6	139.3
<i>of which: net fee and commission income....</i>	<i>43.5</i>	<i>36.8</i>	<i>6.3</i>	<i>86.3</i>
Operating costs .....	(41.9)	(27.8)	(5.2)	(74.9)
<b>PROFIT FROM ORDINARY ACTIVITIES.....</b>	<b>49.4</b>	<b>13.6</b>	<b>1.4</b>	<b>64.4</b>
Other income (expenses) .....	(2.1)	0.1	—	(2.0)
Income tax for the period .....	—	(5.0)	(0.5)	(5.5)
<b>NET PROFIT.....</b>	<b>47.3</b>	<b>8.7</b>	<b>0.9</b>	<b>56.9</b>
AUM.....	8,208.0	5,325.3	—	13,533.3

Private banking 30 June 2007	CMB	Banca Esperia 48.5%	Others	Total PB
	€m	€m	€m	€m
Total income .....	77.7	45.6	6.8	130.1
<i>of which: net fee and commission income....</i>	<i>44.5</i>	<i>40.9</i>	<i>6.5</i>	<i>91.9</i>
Operating costs .....	(38.8)	(23.7)	(5.4)	(67.9)
<b>PROFIT FROM ORDINARY ACTIVITIES.....</b>	<b>38.9</b>	<b>21.9</b>	<b>1.4</b>	<b>62.2</b>
Other income (expenses) .....	2.8	(0.2)	—	2.6
Income tax for the period .....	(0.2)	(9.2)	(0.7)	(10.1)
<b>NET PROFIT.....</b>	<b>41.5</b>	<b>12.5</b>	<b>0.7</b>	<b>54.7</b>
AUM.....	8,081.5	5,784.1	—	13,865.6

A review of the individual companies' performances is provided below:

— *Compagnie Monégasque de Banque, Monaco*

CMB's consolidated accounts for the year ended 31 December 2007 show a net profit of €47.2m (31/12/06: €40.6m), on net interest income of €32.2m (€20.9m) and net fee and commission income of €43m (€44.3m). Lendings totalled €680m (€501.9m) and deposits €1,723.6m (€1,590.8m). Assets under management on a discretionary/non-discretionary basis grew by 4.4%, from €7.7bn to €8.1bn.

In the six months ended 30 June 2008, CMB posted a net profit of €24m (30/6/07: €22.6m), on management and intermediation fees of €22.7m (€21.8m). Assets under discretionary/non-discretionary management totalled €8.2bn (€8.1bn).

Work has continued during the year on strengthening client portfolio coverage, both in the Principality itself, through the acquisition of the Unicredit group's Monégasque activities (which added AUM of €500m and over 1,600 clients), and in offshore markets, by setting up a new venture in Switzerland which is currently pending authorization.

The group employs a total of 181 staff.

— *Banca Esperia S.p.A., Milan (48.5%-owned)*

In the year ended 31 December 2007, the Esperia group recorded a profit of €28.8m (€16.6m), on net fee and commission income of €94.5m (€67.5m). This increase was due to growth in assets under management, from €9.5bn to €12.1bn.

In the six months ended 30 June 2008, a pre-tax profit of €11.2m (€29m) was earned, on management fees of €30m (€53.7m) with AUM of €11bn (€11.9bn).

The group employs a total of 202 staff.

— *Spafid - Società per Amministrazioni Fiduciarie S.p.A., Milan*

In the twelve months ended 30 June 2008, Spafid earned a net profit of €2m (€1.5m), on net fees of €4.2m (€4.5m). Securities and value items under trust totalled €1,372.4m (€1,338.6m).

The company employs 17 staff.

— *Prudentia Fiduciaria S.p.A.*, Milan

In the twelve months ended 30 June 2008, this company earned a profit of €65,000 (€62,000), after tax of €127,000. Securities under trust amounted to €68.2m (€78.3m).

The company employs 21 staff.

## **OTHER INFORMATION**

### ***Related party disclosure***

Financial accounts outstanding as at 30 June 2008 between companies forming part of the Mediobanca Group and related parties are illustrated in Part H of the Notes to the Consolidated Accounts.

All such accounts form part of the 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.

\* \* \*

### ***Significant events since the reporting date***

On 15 September 2008, US banking group Lehman Brothers filed for entry to Chapter 11 bankruptcy proceedings. The Mediobanca Group's exposure to Lehman involves virtually only positions in derivatives, most of which are hedges and linked to funding transactions. There is no counterparty risk for the Mediobanca Group on these positions, as the mark-to-market on them at current prices shows Mediobanca as the debtor, in an amount of around €130m, €103m of which has already been paid to the counterparty by way of collateral, largely offset by the corresponding transactions. A procedure has been launched for early closure of these contracts, and analysis is underway to assess the possibility of re-hedging these positions on the market.

\* \* \*

### ***Outlook***

Against a backdrop of economic stagnation and especially the critical nature of financial markets, the Group intends to leverage on its international franchise in corporate and investment banking through: further geographical diversification in lending; increasing involvement in cross-border transactions; and benefiting from expansion of the product range.

The retail division will benefit from the Compass/Linea integration, but at the same time is likely to be impacted by the weak economic conditions in terms of new loans, writeoffs and the cost of funding. The anticipated improvement in total income will not be sufficient to offset the cost of the new initiatives (CheBanca!).

The results of the principal investing division, or equity investment portfolio, will reflect the investee companies' performances, which showed a reduction in profits for the first half of this year.

Overall the Group's top-line results should reflect the improvement in net interest income and the reduced contribution from equity-accounted companies; at the same time, growth in the cost base will continue, owing to the development plans referred to above.

***Reconciliation of shareholders' equity and net profit***

	Shareholders' equity €m	Net profit €m
Balance as at 30/6/08 as per Mediobanca IAS/IFRS-compliant statements	4,627,411	622,579
Net surplus over book value for consolidated companies	14,853	92,292
Exchange rate differences arising from translation of accounts denominated in currencies other than the Euro	—	—
Other adjustments and restatements on consolidation, including effects of accounting for companies on an equity basis	1,086,929	305,164
Dividends received during the year	—	(5,203)
<b>TOTAL</b>	<b>5,729,193</b>	<b>1,014,832</b>

Milan, 18 September 2008

THE MANAGEMENT BOARD



## **AUDITORS' REPORT**

**INDEPENDENT AUDITORS' REPORT**  
Pursuant to article 156 of Legislative Decree n. 58 of 24 February 1998  
(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 subsidiaries ("Mediobanca Group") as of and for the year ended 30 June 2008, comprising the balance sheet, the profit and loss account, the statement of changes in net equity, the cash flow statement and the related explanatory notes. 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 Management Board. 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 of the accounting principles applied and the reasonableness of the estimates made by the Management Board. We believe that our audit provides a reasonable basis for our opinion.  
  
For our opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated 25 September 2007.
3. In our opinion, the consolidated financial statements of Mediobanca S.p.A. as of and for the year ended 30 June 2008 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, changes in net equity and cash flows of Mediobanca Group as of 30 June 2008 and for the year then ended.
4. Pursuant to the law, we have verified the consistency of the information in the Management Report with the consolidated financial statements. In our opinion the Management Report is consistent with the consolidated financial statements.

Milan, 19 September 2008

Reconta Ernst & Young S.p.A.  
signed by: Riccardo Schioppa, partner

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

## **CONSOLIDATED FINANCIAL STATEMENTS**

## CONSOLIDATED BALANCE SHEET

Assets		30/6/08	30/6/07
		€'000	€'000
10.	Cash and cash equivalents	22,110	4,487
20.	Financial assets held for trading	11,774,390	12,734,759
40.	Financial assets available for sale	3,778,727	5,573,221
50.	Financial assets held to maturity	578,145	622,490
60.	Due from banks	7,055,943	6,305,704
70.	Due from customers	35,806,958	28,132,580
80.	Hedging derivatives	1,234,269	848,190
100.	Equity investments	2,845,706	2,632,738
120.	Property, plant and equipment	312,660	298,459
130.	Intangible assets	440,562	12,022
	<i>of which:</i>		
	<i>- goodwill</i>	404,277	—
140.	Tax assets:	547,967	372,017
	<i>a) current</i>	<i>244,144</i>	<i>228,675</i>
	<i>b) advance</i>	<i>303,823</i>	<i>143,342</i>
160.	Other assets	70,648	303,035
	<b>TOTAL ASSETS</b>	<b>64,468,085</b>	<b>57,839,702</b>

Liabilities and net equity		30/6/08	30/6/07
		€'000	€'000
10.	Due to banks	13,848,865	13,487,140
20.	Due to customers	6,096,542	4,027,012
30.	Debt securities in issue	30,427,380	24,702,529
40.	Trading liabilities	3,156,209	3,684,766
60.	Hedging derivatives	2,736,690	1,868,254
80.	Tax liabilities:	720,900	787,097
	<i>a) current</i>	<i>316,914</i>	<i>246,343</i>
	<i>b) deferred</i>	<i>403,986</i>	<i>540,754</i>
100.	Other liabilities	407,571	1,206,375
110.	Staff severance indemnity provision	29,172	29,353
120.	Provisions:	180,886	156,028
	<i>a) post-employment and similar benefits</i>	—	—
	<i>b) other provisions</i>	<i>180,886</i>	<i>156,028</i>
140.	Revaluation reserves	112,795	837,130
170.	Reserves	3,280,151	3,464,838
180.	Share premium reserve	2,140,043	2,119,328
190.	Share capital	410,048	408,781
200.	Treasury shares	(213,844)	(434)
210.	Minority interest	119,845	108,257
220.	Profit for the period	1,014,832	953,248
<b>TOTAL LIABILITIES AND NET EQUITY</b>		<b>64,468,085</b>	<b>57,839,702</b>

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

		12 mths to 30/6/08	12 mths to 30/6/07
		€'000	€'000
10.	Interest and similar income	2,615,209	2,409,286
20.	Interest expense and similar charges	(1,940,095)	(1,817,528)
<b>30.</b>	<b>Net interest income</b>	<b>675,114</b>	<b>591,758</b>
40.	Fee and commission income	390,045	376,921
50.	Fee and commission expense	(43,430)	(47,508)
<b>60.</b>	<b>Net fee and commission income</b>	<b>346,615</b>	<b>329,413</b>
70.	Dividends and similar income	123,094	111,986
80.	Net trading income	30,661	117,648
90.	Net hedging income (expense)	6,950	(863)
100.	Gain (loss) on disposal/repurchase of:	196,266	176,051
	<i>a) loans and advances</i>	555	—
	<i>b) AFS securities</i>	172,594	175,393
	<i>c) financial assets held to maturity</i>	(167)	(72)
	<i>d) financial liabilities</i>	23,284	730
110.	Net result from assets/liabilities recognized at fair value	—	—
<b>120.</b>	<b>Total income</b>	<b>1,378,700</b>	<b>1,325,993</b>
130.	Adjustments for impairment to:	(209,755)	(169,111)
	<i>a) loans and advances</i>	(202,652)	(165,243)
	<i>b) AFS securities</i>	(7,503)	(4,169)
	<i>c) financial assets held to maturity</i>	400	301
	<i>d) other financial transactions</i>	—	—
<b>140.</b>	<b>Net income from financial operations</b>	<b>1,168,945</b>	<b>1,156,882</b>
180.	Administrative expenses:	(548,935)	(436,655)
	<i>a) personnel costs</i>	(280,157)	(236,358)
	<i>b) other administrative expenses</i>	(268,778)	(200,297)
190.	Net transfers to provisions	(27,474)	(6,438)
200.	Net adjustments to tangible assets	(10,813)	(10,570)
210.	Net adjustments to intangible assets	(6,072)	(2,703)
220.	Other operating income (expense)	74,757	60,816
<b>230.</b>	<b>Operating costs</b>	<b>(518,537)</b>	<b>(395,550)</b>
240.	Gain (loss) on equity investments	477,798	418,886
270.	Gain (loss) on disposal of investments in:	(25)	(75)
	<i>a) property</i>	—	—
	<i>b) other assets</i>	(25)	(75)
<b>280.</b>	<b>Profit (loss) on ordinary activities before tax</b>	<b>1,128,181</b>	<b>1,180,143</b>
290.	Income tax for the year on ordinary activities	(103,871)	(214,052)
<b>300.</b>	<b>Profit (loss) on ordinary activities after tax</b>	<b>1,024,310</b>	<b>966,091</b>
<b>320.</b>	<b>Net profit (loss) for the period</b>	<b>1,024,310</b>	<b>966,091</b>
330.	Net profit (loss) for the period attributable to minorities	9,478	12,843
<b>340.</b>	<b>Net profit (loss) for the period attributable to Mediobanca</b>	<b>1,014,832</b>	<b>953,248</b>

## STATEMENT OF CHANGES TO NET EQUITY

### a) Group

	Balance at 30/6/07	Allocation of profit from previous period		Changes during the reference period								Balance at 30/6/08	
		Reserves	Dividends and other fund applications	Changes to reserves	Transactions involving net equity						Profit (loss) for the period		
					New shares issued	Treasury shares	Extra- ordinary dividend payouts	Changes to equity instruments	Treasury share derivatives	Stock options			
Share capital:	408,781	—	—	—	1,267	—	—	—	—	—	—	—	410,048
a) ordinary shares	408,781	—	—	—	1,267	—	—	—	—	—	—	—	410,048
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,119,328	—	—	—	20,715	—	—	—	—	—	—	—	2,140,043
Reserves:	3,464,838	414,562	—	(608,726)	—	—	—	—	—	9,477	—	—	3,280,151
a) retained earnings	3,464,838	414,562	—	(608,726)	—	—	—	—	—	9,477	—	—	3,280,151
b) others	—	—	—	—	—	—	—	—	—	—	—	—	—
Valuation reserves:	837,130	—	—	(724,335)	—	—	—	—	—	—	—	—	112,795
a) AFS securities	818,509	—	—	(877,170)	—	—	—	—	—	—	—	—	(58,661)
b) cash flow hedges	5,151	—	—	152,386	—	—	—	—	—	—	—	—	157,537
c) special laws	13,470	—	—	449	—	—	—	—	—	—	—	—	13,919
d) others	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(434)	—	—	—	—	(213,410)	—	—	—	—	—	—	(213,844)
Profit (loss) for the period	953,248	(414,562)	(538,686)	—	—	—	—	—	—	—	1,014,832	—	1,014,832
Net equity	7,782,891	—	(538,686)	(1,333,061)	21,982	(213,410)	—	—	—	9,477	1,014,832	—	6,744,025

**b) Minorities**

	Balance at 30/6/07	Allocation of profit from previous period	Changes during the reference period			Balance at 30/6/08	
			Reserves	Changes to reserves	Transactions involving net equity		Profit (loss) for the period
					New shares issued		
Share capital:	24,300	—	(16)	—	—	24,284	
a) ordinary shares	24,300	—	(16)	—	—	24,284	
b) other shares	—	—	—	—	—	—	
Share premium reserve	7,355	—	—	—	—	7,355	
Reserves:	60,429	8,424	4,656	—	—	73,509	
a) retained earnings	60,429	8,424	4,656	—	—	73,509	
b) others	—	—	—	—	—	—	
Valuation reserves:	3,330	—	1,889	—	—	5,219	
a) AFS securities	—	—	—	—	—	—	
b) cash flow hedges	1,738	—	1,889	—	—	3,627	
c) special laws	1,592	—	—	—	—	1,592	
d) others	—	—	—	—	—	—	
Equity instruments	—	—	—	—	—	—	
Treasury shares	—	—	—	—	—	—	
Profit (loss) for the period	12,843	(12,843)	—	—	9,478	9,478	
Net equity	108,257	(4,419)	6,529	—	9,478	119,845	



## STATEMENT OF CHANGES TO NET EQUITY FROM 1/7/06 TO 30/06/07

	Balance at 30/6/06	Allocation of profit for previous period		Changes during the reference period								Balance at 30/06/07
				Changes to reserves	Transactions involving net equity						Profit (loss) for the period	
		Reserves	Dividends and other fund applications		New shares issued	Treasury shares acquired	Extra- ordinary dividend payouts	Changes to equity instruments	Treasury share derivatives	Stock options		
Share capital:	405,999	—	—	—	2,782	—	—	—	—	—	—	408,781
a) ordinary shares	405,999	—	—	—	2,782	—	—	—	—	—	—	408,781
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,071,364	—	—	—	47,964	—	—	—	—	—	—	2,119,328
Reserves:	3,058,670	313,156	—	83,902	—	—	—	—	—	9,110	—	3,464,838
a) retained earnings	3,058,670	313,156	—	83,902	—	—	—	—	—	9,110	—	3,464,838
b) others	—	—	—	—	—	—	—	—	—	—	—	—
Valuation reserves:	351,197	—	—	485,933	—	—	—	—	—	—	—	837,130
a) AFS securities	311,914	—	—	506,595	—	—	—	—	—	—	—	818,509
b) cash flow hedges	25,769	—	—	(20,618)	—	—	—	—	—	—	—	5,151
c) special laws	13,514	—	—	(44)	—	—	—	—	—	—	—	13,470
d) others	—	—	—	—	—	—	—	—	—	—	—	—
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(434)	—	—	—	—	—	—	—	—	—	—	(434)
Profit (loss) for the period	858,403	(313,156)	(545,247)	—	—	—	—	—	—	—	953,248	953,248
Net equity	6,745,199	—	(545,247)	569,835	50,746	—	—	—	—	9,110	953,248	7,782,891
Net equity attributable to minorities	89,211	—	(2,460)	8,663	—	—	—	—	—	—	12,843	108,257

**CONSOLIDATED CASH FLOW STATEMENT**  
**Direct method**

	Amounts	
	30/6/08	30/6/07
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>1. Operating activities</b>	<b>1,165,781</b>	<b>814,958</b>
– interest received	4,308,108	3,283,658
– interest paid	(3,160,310)	(2,412,380)
– dividends and similar income	126,290	253,785
– net fees and commission income	89,212	253,072
– cash payments to employees	(253,161)	(203,783)
– net premium income	—	—
– other income from insurance activities	(39,145)	2,336
– other expenses paid	(266,153)	(730,976)
– other income received	496,373	498,475
– income taxes paid	(135,433)	(129,229)
– net expense/income from groups of assets being sold	—	—
<b>2. Cash generated/absorbed by financial assets</b>	<b>(4,228,971)</b>	<b>(8,928,145)</b>
– financial assets held for trading	1,672,915	(3,198,236)
– financial assets recognized at fair value	—	—
– AFS securities	(726,851)	(762,194)
– due from customers	(2,185,579)	(3,786,326)
– due from banks: on demand	(1,745,933)	(459,620)
– due from banks: other	(1,213,662)	(297,947)
– other assets	(29,861)	(423,822)
<b>3. Cash generated/absorbed by financial liabilities</b>	<b>3,969,680</b>	<b>8,680,268</b>
– due to banks: on demand	5,178	1,930,793
– due to banks: other	(2,195,302)	4,232,627
– due to customers	129,408	(1,655,354)
– debt securities	5,857,929	4,087,359
– trading liabilities	295,325	(161,715)
– financial liabilities assets recognized at fair value	—	—
– other liabilities	(122,858)	246,558
<b>Net cash flow (outflow) from operating activities</b>	<b>906,490</b>	<b>567,081</b>
<b>B. INVESTMENT ACTIVITIES</b>		
<b>1. Cash generated from</b>	<b>286,584</b>	<b>62,772</b>
– disposals of shareholdings	—	5,375
– dividends received in respect of equity investments	200,435	10,214
– disposals/redemptions of financial assets held to maturity	85,863	47,072
– disposals of tangible assets	286	111
– disposals of intangible assets	—	—
– disposals of subsidiaries or business units	—	—
<b>2. Cash absorbed by</b>	<b>(441,962)</b>	<b>(34,647)</b>
– acquisitions of shareholdings	(424,967) <sup>1</sup>	(23,765)
– acquisitions of held-to-maturity investments	—	(1)
– acquisitions of tangible assets	(9,629)	(9,084)
– acquisitions of intangible assets	(7,366)	(1,797)
– acquisitions of subsidiaries or business units	—	—
<b>Net cash flow (outflow) from investment/servicing of finance</b>	<b>(155,378)</b>	<b>28,125</b>
<b>C. FUNDING ACTIVITIES</b>		
– issuance/acquisition of treasury shares	(191,448)	50,747
– issuance/acquisition of equity instruments	—	12,891
– dividend payouts and other applications of funds	(542,041)	(659,746)
<b>Net cash flow (outflow) from funding activities</b>	<b>(733,489)</b>	<b>(596,108)</b>
<b>NET CASH FLOW (OUTFLOW) DURING PERIOD</b>	<b>17,623</b>	<b>(902)</b>

<sup>1</sup> Of which €407,004,000 relating to acquisition of Linea.

**RECONCILIATION OF MOVEMENTS IN CASH FLOW DURING PERIOD**

	Amounts	
	30/6/08	30/6/07
Cash and cash equivalents: balance at start of period	4,487	5,389
Total cash flow (outflow) during period	17,623	(902)
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at end of period	22,110	4,487

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## **PART A - ACCOUNTING POLICIES**

### **Section 1**

#### **Statement of conformity with IAS/IFRS**

The Mediobanca Group's consolidated financial statements for the period ended 30 June 2007 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
- 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 4, and show data for the period under review compared with that for the previous financial year.

## **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.

Linea, Futuro, Equilon and Jump, which were acquired on 27 June 2008, have been consolidated for the first time on a line-by-line basis, contributing to the balance-sheet aggregates only; while Ducati Financial Services has been consolidated on a net equity basis.

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

	Registered office	Type of relationship <sup>1</sup>	Shareholding		% voting rights <sup>2</sup>
			Investee company	% interest	
A.	COMPANIES INCLUDED IN AREA OF CONSOLIDATION				
A.1	<i>Line-by-line</i>				
1.	Milan	1	—	—	—
2.	Rome	1	A.1.1	70.00	70.00
3.	Milan	1	A.1.1	100.00	100.00
4.	Milan	1	A.1.1	100.00	100.00
5.	Milan	1	A.1.1	100.00	100.00
6.	Milan	1	A.1.1	69.00	69.00
7.	Monte Carlo	1	A.1.1	100.00	100.00
8.	Monte Carlo	1	A.1.7	99.94	99.94
			A.1.8	0.06	0.06
9.	Monte Carlo	1	A.1.7	99.70	99.70
10.	Monte Carlo	1	A.1.7	99.92	99.92
11.	Monte Carlo	1	A.1.7	99.50	99.50
12.	Monte Carlo	1	A.1.7	99.00	99.00
			A.1.9	1.00	1.00
13.	Monte Carlo	1	A.1.8	99.80	99.80
14.	Lugano	1	A.1.7	100.00	100.00
15.	Luxembourg	1	A.1.1	99.00	99.00
		1	A.1.16	1.00	1.00
16.	Milan	1	A.1.1	100.00	100.00
17.	Milan	1	A.1.16	100.00	100.00
18.	Milan	1	A.1.16	100.00	100.00
19.	Milan	1	A.1.16	60.00	60.00
20.	Vicenza	1	A.1.19	95.00	100.00
			A.1.20	5.00	
21.	Milan	1	A.1.19	80.00	80.00
22.	Milan	1	A.1.1	100.00	100.00
23.	Milan	1	A.1.1	100.00	100.00
24.	Milan	1	A.1.16	100.00	100.00
25.	New York	1	A.1.1	100.00	100.00
26.	Milan	1	A.1.1	100.00	100.00
27.	Milan	4	A.1.16	7.00	7.00
28.	Milan	4	A.1.19	90.00	90.00
29.	Milan	1	A.1.16	100.00	100.00
30.	Milan	1	A.1.29	100.00	100.00
31.	Milan	1	A.1.29	100.00	100.00
32.	Milan	7	A.1.29	50.00	50.00
33.	Milan	4	A.1.29	—	—

**Legend**

<sup>1</sup> 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.

<sup>2</sup> Effective and potential voting rights in ordinary AGMs.



## **Section 4**

### **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 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. If no market prices are available, valuation methods and models are used based on market-derived data, e.g. valuations of listed instruments with similar features, discounted cash flow analysis, option price calculation methods, or valuations used in comparable transactions. Equities and linked derivatives for which it is not possible to reliably determine fair value using the methods described above are stated at cost. 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 earnings 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 comprise equities held for non-trading purposes which do not qualify as controlling interests, investments in associates or jointly-controlled operations.

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 are recognized in a separate equity reserve, which is then eliminated against the corresponding item in profit and loss 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. Debt securities included in this category are recognized at amortized cost, against the corresponding item in 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 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 for which the loss was recorded subsequently cease to apply, the impairment is written back to profit and loss for debt securities and equity for shares, up to the value of amortized cost.

### **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 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 profit and loss 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 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.

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 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 profit and loss account in subsequent accounting periods up to the value of amortized cost.

Accounts for which there is 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 earnings, 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.

## **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 profit and loss 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 equity, while the gain or loss deriving from the ineffective portion is recognized through profit and loss 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 (which may not be less than 10%) 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 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 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 profit and loss account. If the reasons which gave rise to the loss in value cease to apply, the adjustment is written back to profit and loss account 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 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 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 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 continue to be attributable to the Group. A corresponding amount is then entered as a liability to offset any amounts received.

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

### **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 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 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 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 not necessarily associated with failure to repay loans, 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 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 profit and loss account in part or in full.

### **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 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 profit and loss account or on an equity basis).

### **Tax assets and liabilities**

Income taxes are recorded in profit and loss account, with the exception of tax payable on items debited or credited directly to 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.

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.

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**

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

### **Treasury shares**

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

**PART B - NOTES TO  
CONSOLIDATED BALANCE SHEET\***

**Assets**

**Section 1**

**Heading 10: Cash and cash equivalents**

*1.1 Cash and cash equivalents*

	30/6/08	30/6/07
a) Cash <sup>1</sup>	22,110	4,487
b) Demand deposits held at central banks	—	—
Total	22,110	4,487

<sup>1</sup> Of which €4,000 (30/6/07: €4,000) relating to other companies not forming part of the Banking Group.

## Section 2

### Heading 20: Financial assets held for trading

#### 2.1 Financial assets held for trading: composition

	30/6/08		30/6/07	
	Listed	Unlisted	Listed	Unlisted
A. Cash assets				
1. Debt securities	7,118,104	686,624	5,511,690	349,644
1.1 Structured	127,064	20,527	7,489	15,452
1.2 Other debt securities	6,991,040	666,097	5,504,201	334,192
2. Equities	587,297	656	1,507,485	—
3. OICR units	170,758	42,015	21,197	—
4. Loans and advances	—	—	—	—
4.1 Repos	—	—	—	—
4.2 Others	—	—	—	—
5. Impaired assets	—	—	—	—
6. Assets sold but not derecognized <sup>1</sup>	730,693	—	3,130,072	—
Total A	8,606,852	729,295	10,170,444	349,644
B. Derivative products				
1. Financial derivatives	12,898	2,162,807	4,581	2,162,925
1.1 trading	12,898	1,257,765	4,581	841,846
1.2 linked to fair value options	—	—	—	—
1.3 others	—	905,042	—	1,321,079
2. Credit derivatives	—	262,538	—	47,165
2.1 trading	—	258,442	—	47,165
2.2 linked to fair value options	—	—	—	—
2.3 others	—	4,096	—	—
Total B	12,898	2,425,345	4,581	2,210,090
Total (A+B)	8,619,750	3,154,640	10,175,025	2,559,734

<sup>1</sup> Securities sold under repo agreements.

The fair value of financial instruments is equal to the price recorded on the active market, or is calculated using valuation techniques based on market-derived data. Therefore no positions have been based on data calculated internally.

## 2.2 Financial assets held for trading: by borrower/issuer

	30/6/08	30/6/07
<b>A. CASH ASSETS</b>		
1. Debt securities	7,804,728	5,861,334
a. Governments and central banks	4,206,040	3,530,718
b. Other public agencies	15,093	8,129
c. Banks	2,039,264	1,036,890
d. Other issuers	1,544,331	1,285,597
2. Equities	587,953	1,507,485
a. Banks	213,825	629,147
b. Other issuers	374,128	878,338
- insurances	77,333	262,930
- financial companies	9,435	26,167
- non-financial companies	287,360	589,241
- others	—	—
3. OICR units	212,773	21,197
4. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
5. Impaired assets	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other issuers	—	—
6. Assets sold but not derecognized <sup>1</sup>	730,693	3,130,072
a. Governments and central banks	533,586	2,408,940
b. Other public agencies	145,105	148,816
c. Banks	—	370,538
d. Other issuers	52,002	201,778
<b>Total A</b>	<b>9,336,147</b>	<b>10,520,088</b>
<b>B. DERIVATIVE PRODUCTS</b>		
a. Banks	1,825,878	1,884,810
b. Customers	612,365	329,861
<b>Total B</b>	<b>2,438,243</b>	<b>2,214,671</b>
<b>Total A + B</b>	<b>11,774,390</b>	<b>12,734,759</b>

<sup>1</sup> Securities sold under repo agreements.

### 2.3 Financial assets held for trading: derivative products

	Interest rates	Foreign currency/gold	Equities	Loans and advances	Other assets	30/6/08	30/6/07
A) Listed derivative products							
1) Financial derivatives:	8,031	—	4,867	—	—	12,898	4,581
– with exchange of principal	7,207	—	106	—	—	7,313	3,478
– options bought	—	—	—	—	—	—	66
– other derivatives	7,207	—	106	—	—	7,313	3,412
– without exchange of principal	824	—	4,761	—	—	5,585	1,103
– options bought	26	—	456	—	—	482	7
– other derivatives	798	—	4,305	—	—	5,103	1,096
2) Credit derivatives:	—	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—	—
Total A	8,031	—	4,867	—	—	12,898	4,581
B) Unlisted derivative products							
1) Financial derivatives:	984,672	109,153	929,596	—	139,386	2,162,807	2,162,925
– with exchange of principal	175	109,092	82,743	—	—	192,010	71,100
– options bought	—	—	60,231	—	—	60,231	15,857
– other derivatives	175	109,092	22,512	—	—	131,779	55,243
– without exchange of principal	984,497	61	846,853	—	139,386	1,970,797	2,091,825
– options bought	4,182	61	823,275	—	—	827,518	1,364,881
– other derivatives	980,315	—	23,578	—	139,386	1,143,279	726,944
2) Credit derivatives:	173	—	—	262,365	—	262,538	47,165
– with exchange of principal	—	—	—	243,830	—	243,830	47,165
– without exchange of principal	173	—	—	18,535	—	18,708	—
Total B	984,845	109,153	929,596	262,365	139,386	2,425,345	2,210,090
Total (A+B)	992,876	109,153	934,463	262,365	139,386	2,438,243	2,214,671

2.4 *Cash assets held for trading (excluding assets sold but not derecognized/impaired assets): movements during the period*

	Debt	Equities	OICR units	Loans and advances	Total
A. Balance at start of period	5,861,334	1,507,485	21,197	—	7,390,016
B. Additions	40,209,928	6,223,008	2,586,742	—	49,019,678
B.1 Acquisitions	36,117,316	5,830,445	2,583,446	—	44,531,207
B.2 Increases in fair value	31,544	3,910	887	—	36,341
B.3 Other additions	4,061,068	388,653	2,409	—	4,452,130
C. Reductions	38,273,076	7,142,540	2,395,166	—	47,810,782
C.1 Disposals	34,960,252	5,953,498	2,391,320	—	43,305,070
C.2 Redemptions	1,351,522	—	—	—	1,351,522
C.3 Reductions in fair value	133,498	194,248	1,943	—	329,689
C.4 Other reductions	1,827,804	994,794	1,903	—	2,824,501
D. Linea Group contribution	6,542	—	—	—	6,542
D. Balance at end of period	7,804,728	587,953	212,773	—	8,605,454

## Section 4

### Heading 40: Available for sale (AFS) securities

#### 4.1 AFS securities: composition

	30/6/08		30/6/07	
	Listed	Unlisted	Listed	Unlisted
1. Debt securities	1,253,948	471,609	1,069,622	491,765
1.1 Structured	114,995	—	239,819	36,575
1.2 Other debt securities	1,138,953	471,609	829,803	455,190
2. Equities	1,083,943	497,774	3,023,993	311,707
2.1 Recognized at fair value	1,083,943	497,618	3,023,993	311,707
2.2 Recognized at cost	—	156	—	—
3. OICR units	464,882	6,572	615,166	—
4. Loans and advances	—	—	—	—
5. Impaired assets	—	—	—	—
6. Assets sold but not derecognized <sup>1</sup>	—	—	60,968	—
Total	2,802,773	975,955	4,769,749	803,472

<sup>1</sup> Securities sold under repo agreements.

The fair value of financial instruments is equal to the price recorded on the active market, or alternatively to the value of recent comparable transactions or the recents of valuation models based exclusively on market-derived data.

#### 4.2 AFS securities: by borrower/issuer

	30/6/08		30/6/07
	Listed	Unlisted	
1. Debt securities	1,253,948	471,609	1,561,387
a. Governments and central banks	206,214	—	350,365
b. Other public agencies	—	—	—
c. Banks	674,304	313,747	346,670
d. Other issuers	373,430	157,862	864,352
2. Equities	1,083,942	497,774	3,335,700
a. Banks	22,279	—	349,117
b. Other issuers	1,061,663	497,774	2,986,583
- insurances	—	—	89,725
- financial companies	91,952	187,749	146,946
- non-financial undertakings	969,711	310,025	2,749,912
- others	—	—	—
3. OICR units	464,882	6,572	615,166
4. Loans and advances	—	—	—
a. Governments and central banks	—	—	—
b. Other public agencies	—	—	—
c. Banks	—	—	—
d. Other entities	—	—	—
5. Impaired assets	—	—	—
a. Governments and central banks	—	—	—
b. Other public agencies	—	—	—
c. Banks	—	—	—
d. Other entities	—	—	—
6. Assets sold but not derecognized <sup>1</sup>	—	—	60,968
a. Governments and central banks	—	—	—
b. Other public agencies	—	—	—
c. Banks	—	—	37,566
d. Other entities	—	—	23,402
Total	2,802,772	975,955	5,573,221

<sup>1</sup> Securities sold under repo agreements.



#### 4.3 AFS securities: hedged assets

	Hedging activity			
	30/6/08		30/6/07	
	Fair value	Cash flow	Fair value	Cash flow
1. Debt securities	—	—	—	—
2. Equities	63,262	197,205	134,155	355,560
3. OICR units	—	—	—	—
4. Loans and advances	—	—	—	—
5. Portfolio	—	—	—	—
Total	63,262	197,205	134,155	355,560

#### 4.4 AFS securities: assets subject to specific hedging

	30/6/08	30/6/07
1. Financial assets subject to specific fair value hedges:	63,262	134,155
a. interest rate risk	—	—
b. price risk	63,262	134,155
c. exchange rate risk	—	—
d. credit risk	—	—
e. more than one risk	—	—
2. Financial assets subject to specific cash flow hedges:	197,205	355,560
a. interest rate risk	—	—
b. exchange rate risk	—	—
c. other	197,205	355,560
Total	260,467	489,715

4.5 *AFS securities (excluding assets sold but not derecognized/impaired assets): movements during the period*

	Debt securities	Equities	OICR units	Loans and advances	Total
A. Balance at start of period	1,561,387	3,335,700	615,166	—	5,512,253
B. Additions	1,406,358	830,382	1,866,366	—	4,103,106
B.1 Acquisitions	1,330,394	648,105	1,866,210	—	3,844,709
B.2 Increases in fair value	8,026	50,709	156	—	58,891
B.3 Writebacks	—	—	—	—	—
- taken to profit and loss account	—	—	—	—	—
- taken to net equity	—	—	—	—	—
B.4 Transfers from other asset classes	—	—	—	—	—
B.5 Other additions	67,938	131,568	—	—	199,506
C. Reductions	1,242,188	2,584,456	2,010,078	—	5,836,722
C.1 Disposals	577,713	1,089,218	2,009,472	—	3,676,403
C.2 Redemptions	547,776	—	—	—	547,776
C.3 Reductions in fair value	104,741	893,201	—	—	997,942
C.4 Writedowns due to impairment	—	7,503	—	—	7,503
- taken to profit and loss account	—	7,503	—	—	7,503
- taken to net equity	—	—	—	—	—
C.5 Transfers to other asset classes	—	—	—	—	—
C.6 Other reductions	11,958	594,534 <sup>1</sup>	606	—	607,098
D. Linea Group contribution	—	90	—	—	90
E. Balance at end of period	1,725,557	1,581,716	471,454	—	3,778,727

<sup>1</sup> €522,355,000 of which refer to the spinoff of Telecom Italia shares to Telco.

## Section 5

### Heading 50: Financial assets held to maturity

#### 5.1 Financial assets held to maturity

	30/6/08		30/6/07	
	Book value	Fair value	Book value	Fair value
1. Debt securities	574,435	507,523	417,843	413,857
1.1 Structured	—	—	—	—
1.2 Other debt securities	574,435	507,523	417,843	413,857
2. Loans and advances	—	—	—	—
3. Impaired assets	—	—	—	—
4. Assets sold but not derecognized	3,710	3,174	204,647	188,039
Total	578,145	510,697	622,490	601,896

#### 5.2 Financial assets held to maturity: by borrower/issuer

	30/6/08	30/6/07
1. Debt securities	574,435	417,843
a. Governments and central banks	1,743	2,628
b. Other public agencies	—	—
c. Banks	25,407	65,542
d. Other entities	547,285	349,673
2. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
3. Impaired assets	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
4. Assets sold but not derecognized	3,710	204,647
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	3,710	204,647
Total	578,145	622,490

5.4 *Assets held to maturity (excluding assets sold but not derecognized/impaired assets): movements during the period*

	Debt securities	Loans and advances	Total
A. Balance at start of period	417,843	—	417,843
B. Additions	205,686	—	205,686
B.1 Acquisitions	—	—	—
B.2 Writebacks	681	—	681
B.3 Transfers from other asset classes	—	—	—
B.4 Other additions	205,005	—	205,005
C. Reductions	49,094	—	49,094
C.1 Disposal	—	—	—
C.2 Redemptions	40,953	—	40,953
C.3 Value adjustments	281	—	281
C.4 Transfers to other asset classes	—	—	—
C.5 Other reductions <sup>1</sup>	7,860	—	7,860
D. Balance at end of period	574,435	—	574,435

<sup>1</sup> Includes movements in repos.

## Section 6

### Heading 60 - Due from banks

#### 6.1 Due from banks

	30/6/08	30/6/07
A. Due from central banks	89,681	91,554
1. Term deposits	—	—
2. Compulsory reserves	89,681	91,554
3. Amounts due under repo agreements	—	—
4. Other amounts due	—	—
B. Due from banks	6,957,888	6,209,906
1. Current accounts and demand deposits	1,822,181	1,313,660
2. Term deposits	525,661	934,633
3. Other receivables:	2,869,043	3,201,422
3.1 amounts due under repo agreements	1,628,491	1,991,462
3.2 amounts due under finance leases	2,175	3,318
3.3 other amounts due	1,238,377	1,206,642
4. Debt securities	—	—
4.1 structured	—	—
4.2 other debt securities	—	—
5. Impaired assets	127	127
6. Assets sold but not derecognized <sup>1</sup>	1,740,876	760,064
Total, Banking Group	7,047,569	6,301,460
Total, other companies	8,374	4,244
Total book value	7,055,943	6,305,704
Total fair value	7,054,777	6,305,704

<sup>1</sup> Relates to securities lending transactions.

### 6.3 Due under finance leases

Loan term	Explicit receivables	Receivables in respect of assets under construction	Principal <sup>1</sup>	Interest	Gross investment	
						<i>of which outstanding amount not guaranteed</i>
Up to 3 months	9	—	199	32	232	4
Between 3 months and 1 year	—	—	631	463	1,093	9
Between 1 year and 5 years	—	—	1,317	240	1,557	724
Over 5 years	—	—	19	—	19	14
Unspecified	—	—	—	—	—	—
Total, gross	9	—	2,166	735	2,901	751
Value adjustments	—	—	—	—	—	—
Total, net	9	—	2,166	735	2,901	751

<sup>1</sup> Includes finance lease receivables underlying securitizations.

## Section 7

### Heading 70: Due from customers

#### 7.1 Due from customers: composition

	30/6/08	30/6/07
1. Current accounts	43,787	18,287
2. Amounts due under repo agreements	958,825	668,879
3. Mortgages	19,437,500	17,237,086
4. Credit cards, personal loans and salary-guaranteed finance	6,736,610	3,578,898
5. Amounts due under finance leasing	4,164,079	3,982,430
6. Factoring	—	—
7. Other transactions	2,564,397	1,947,474
8. Debt securities	41,795	—
8.1 structured	—	—
8.2 other debt securities	41,795	—
9. Impaired assets	239,555	111,159
10. Assets sold but not derecognized <sup>1</sup>	1,618,589	586,985
Total, Banking Group	35,805,137	28,131,198
Total, Other Companies	1,821	1,382
Total book value	35,806,958	28,132,580
Total (fair value)	36,163,372	28,510,030

<sup>1</sup> Includes impaired assets in an amount of €2,944,000 (30/6/07: €2,737,000).

## 7.2 Due from customers: by borrower/issuer

	30/6/08	30/6/07
1. Debt securities:	41,795	—
a) Governments	—	—
b) Other public agencies	—	—
c) Other issuers	41,795	—
- non-financial undertakings	—	—
- financial companies	—	—
- insurances	41,795	—
- other entities	—	—
2. Loans and advances to:	33,904,605	27,433,054
a) Governments	246,491	279,822
b) Other public agencies	138,421	137,545
c) Other issuers	33,519,693	27,015,687
- non-financial undertakings	14,727,016	13,177,810
- financial companies	5,318,932	5,946,379
- insurances	2,041,417	913,750
- other entities	11,432,328	6,977,748
3. Impaired assets:	240,148	111,159
a) Governments	—	—
b) Other public agencies	68	—
c) Other issuers	240,080	111,159
- non-financial undertakings	90,006	21,723
- financial companies	17	—
- insurances	—	—
- other entities	150,057	89,436
4. Assets sold but not derecognized <sup>1</sup>	1,618,589	586,985
a) Governments	—	—
b) Other public agencies	—	—
c) Other issuers	1,618,589	586,985
- non-financial undertakings	470,046	213,382
- financial companies	117,650	210,529
- insurances	—	2
- other entities	1,030,893	163,072
Total, Banking Group	35,805,137	28,131,198
Total, Other Companies	1,821	1,382
Total	35,806,958	28,132,580

<sup>1</sup> Assets forming part of securities lending transactions and securitized assets.

### 7.3 Due from customers: assets subject to specific hedging

	30/6/08	30/6/07
1. Items subject to specific fair value hedges for :	347,543	588,879
a) interest rate risk	347,543	389,829
b) exchange rate risk	—	—
c) credit risk	—	199,050
d) more than one risk	—	—
2. Items subject to specific cash flow hedges:	—	—
a) interest rate risk	—	—
b) exchange rate risk	—	—
c) other	—	—
Total	347,543	588,879

### 7.4 Due under finance leases

Loan term	Explicit receivables	Receivables in respect of assets under construction	Principal <sup>1</sup>	Interest	Gross investment	
						<i>of which outstanding amount not guaranteed</i>
Up to 3 months	129,711	3,502	226,337	64,091	294,102	3,823
Between 3 months and 1 year	9,422	—	711,143	167,340	879,287	18,037
Between 1 year and 5 years	9,464	—	2,239,036	478,322	2,719,010	122,626
Over 5 years	1,409	—	1,208,886	311,318	1,520,204	201,050
Unspecified	12,256	256,937	33,729	—	290,666	—
Total, gross	162,262	260,439	4,419,131	1,021,071	5,703,269	345,536
Value adjustments	(24,619)	—	(53,857)	—	—	—
Total, net	137,643	260,439	4,365,274	1,021,071	5,703,269	345,536

<sup>1</sup> Includes finance lease receivables underlying securitizations.



## Section 8

### Heading 80: Hedging derivatives

#### 8.1 Hedging derivatives: by type of contract and underlying asset

	Interest rates	Foreign currency/ gold	Equities	Loans and advances	Others	Total
A) Listed derivative products						
1) Financial derivatives:	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—
– options bought	—	—	—	—	—	—
– other derivative products	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—
– options bought	—	—	—	—	—	—
– other derivative products	—	—	—	—	—	—
2) Credit derivatives:	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—
Total A	—	—	—	—	—	—
B) Unlisted derivative products						
1) Financial derivatives:	1,062,196	704	171,369	—	—	1,234,269
– with exchange of principal	—	704	171,369	—	—	172,073
– options bought	—	—	57,392	—	—	57,392
– other derivative products	—	704	113,977	—	—	114,681
– without exchange of principal	1,062,196	—	—	—	—	1,062,196
– options bought	—	—	—	—	—	—
– other derivative products	1,062,196	—	—	—	—	1,062,196
2) Credit derivatives:	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—
Total B	1,062,196	704	171,369	—	—	1,234,269
Total 30/6/08	1,062,196	704	171,369	—	—	1,234,269
Total 30/6/07	830,706	407	17,077	—	—	848,190

8.2 Hedging derivatives: by portfolio hedged and hedge type

	Fair value hedges						Cash flow hedges	
	Specific					General	Specific	General
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk			
1. AFS securities	—	—	—	57,392	—	—	113,977	—
2. Loans and advances	14,990	—	—	—	—	—	—	—
3. Financial assets held to maturity	—	—	—	—	—	—	—	—
4. Portfolio	—	—	—	—	—	—	—	—
Total assets	14,990	—	—	57,392	—	—	113,977	—
1. Financial liabilities	947,387	—	—	—	—	—	100,523	—
2. Portfolio	—	—	—	—	—	—	—	—
Total liabilities	947,387	—	—	—	—	—	100,523	—

## 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	Type of relationship	Shareholding		% of voting rights
			Investor company	% interest	
<b>B. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE</b>					
1. Burgo Group S.p.A.	Altavilla Vicentina, near Vicenza	2	Mediobanca	22.13	22.13
2. Assicurazioni Generali S.p.A.	Trieste	2	Mediobanca	12.99	12.99
			Spafid	0.09	0.09
			Compass	0.97	0.97
3. RCS MediaGroup S.p.A.	Milan	2	Mediobanca	14.36	14.94
4. Banca Esperia S.p.A.	Milan	2	Mediobanca	48.50	48.50
5. APE SGR S.p.A.	Milan	2	Mediobanca	40.00	40.00
6. Fidia SGR S.p.A.	Milan	2	Mediobanca	25.00	25.00
7. Ducati Financial Services S.r.l.	Milan	1	Linea	50.00	50.00
8. Telco S.p.A.	Milan	2	Mediobanca	10.64	10.64

**Legend:**

- 1 Joint control.
- 2 Subject to significant influence.

The Group's 10.64% holding in Telco has been included among its investments in companies subject to significant influence. Upon the spinoff of the 1.54% interest in Telecom Italia to Telco which took place during the year, the investment was booked under shares available for sale, in line with the original shareholding in Telecom Italia

As a result, *inter alia*, of subsequent purchases on the market, Telco now controls 24.5% of Telecom Italia and is its largest shareholder. Shareholder agreements expiring in April 2010 allowed the Telco shareholders to appoint the majority of Telecom Italia's Board of Directors on the occasion of its general meeting held on 14 April 2008. In view of this, the shareholding was included among the Group's investments in companies subject to significant influence for the purpose of preparing the financial statements as at 30 June 2008.

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

Name	Key financial data <sup>1</sup>		Data for consolidation <sup>2</sup>		Book value	Fair value
	Total assets (€m)	Total income (€m)	Net profit (loss)	Net equity		
<b>B. JOINTLY-CONTROLLED COMPANIES (IAS 31)</b>						
1. Ducati Financial Services S.r.l.	43,945	1,855	61	664	332	—
<b>C. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE (IAS 28)</b>						
1. Burgo Group S.p.A.	2,699,136	2,472,672	(69,652)	537,655	118,983	—
2. Assicurazioni Generali S.p.A.	382,543,500	83,266,900	3,098,732	13,544,970	1,813,449	4,829,363
3. RCS MediaGroup S.p.A.	3,884,000	2,737,900	184,117	1,183,116	303,720 <sup>3</sup>	159,004
4. Banca Esperia S.p.A.	685,844	121,681	17,582	97,704	55,914	—
5. Fidia SGR S.p.A.	13,379	1,441	(3,642)	6,942	1,736	—
6. Athena Private Equity S.A.	174,184	69,562	38,485	197,554	38,000	—
7. APE S.G.R. S.p.A.	n.m.	n.m.	(26)	1,164	452	—
8. Telco S.p.A. <sup>4</sup>	8,619,466	182,196	(57,335)	5,115,166	513,056	—
Other minor investments	—	—	—	—	64	—
<b>Total</b>					<b>2,845,706</b>	

<sup>1</sup> Based on most recent approved individual or consolidated financial statements, as applicable.

<sup>2</sup> Calculated pro-forma based on financial situation at 31/3/08 or 30/6/08.

<sup>3</sup> Includes goodwill of € 149,659,000

<sup>4</sup> Calculated based on financial statements as at 30/4/08.

As a result of the general decline in stock market prices, the investments in RCS MediaGroup and Telco, both of which qualify as strategic under Article 14, paragraphs 2 and 3 of the company's Articles of Association and are consolidated on a net equity basis, are recorded at values considerably higher than their respective market values measured at the reporting date.

For Telco, which shows an implicit loss of €442.3m, when it was booked, the pro-rata share of net equity recognized was not considered to be higher than its value in use as defined in IAS 28 paragraph 33 for the following reasons:

- with a 24.5% share in Telecom Italia, Telco is the Group's largest shareholder, and appointed the majority of its Board of Directors on the occasion of its general meeting held on 14 April 2008;
- the time horizon of the investment is medium-long term;
- the earnings and financial prospects of the Telecom Italia group do not differ significantly from those which were current when Telco was set up, with new investors taking stakes at values higher than those recorded in the books;
- recent comparable transactions have taken place at multiples which do not differ significantly from those reflected in the book value.

The implicit loss on the RCS MediaGroup investment is €144.7m. Mediobanca owns 14.94% of the publishing group and is the leading party to the shareholder agreement controlling it with an aggregate 63.5%.

Stock market trends in the past twelve months have hit media stocks particularly hard, without an equivalent deterioration in these companies' earnings and financial performance. For example, the price of RCS MediaGroup shares more than halved in the twelve months to 30 June 2008. Application of the most valuation methods provided for under paragraph 33 of IAS 28 shows results which are no lower than those reflected in the book value of the holding, including in view of the unique nature of some of the company's assets.

The impairment test required under IAS 28 has been carried out on both investments, and in both cases the outcome was positive.

### 10.3 Equity investments: movements during the period

	30/6/08	30/6/07
A. Balance at start of period	2,632,738	2,354,923
B. Additions	1,013,706	446,524
B.1 Acquisitions	17,916	3,279
B.2 Value adjustments	—	—
B.3 Revaluations	—	—
B.4 Other adjustments	995,790 <sup>1</sup>	443,245
C. Reductions	801,070	168,709
C.1 Disposals	—	5,375
C.2 Value adjustments for impairment	—	—
C.3 Other reductions	801,070	163,334
D. Linea Group contribution	332	—
D. Balance at end of period	2,845,706	2,632,738
E. Total revaluations	—	—
F. Total adjustments	—	—

<sup>1</sup> €522,355,000 of which refer to the spinoff of Telecom Italia shares previously booked as AFS securities to Telco.

## Section 12

### Heading 120: Property, plant and equipment

#### 12.1 Tangible assets stated at cost

	30/6/08		30/6/07	
	Banking Group	Other Companies	Banking Group	Other Companies
A. Core assets				
1.1 owned by the Group	283,446	127	268,892	126
a) land	83,636	—	83,636	—
b) buildings	164,435	—	167,705	—
c) furniture	17,796	66	8,081	87
d) electronic equipment	12,618	1	5,447	1
e) other assets	4,961	60	4,023	38
1.2 acquired under finance leases:	59	—	—	—
a) land	—	—	—	—
b) buildings	—	—	—	—
c) furniture	—	—	—	—
d) electronic equipment	—	—	—	—
e) other assets	59	—	—	—
Total A	283,505	127	268,892	126
B. Assets held for investment purposes				
2.1 owned by the Group:	29,028	—	29,441	—
a) land	20,350	—	20,350	—
b) buildings	8,678	—	9,091	—
2.2 acquired under finance leases:	—	—	—	—
a) land	—	—	—	—
b) buildings	—	—	—	—
Total B	29,028	—	29,441	—
Total (A+B)	312,533	127	298,333	126

### 12.3 Core tangible assets: movements during the period

	Land	Buildings	Furniture	Electronic equipment	Other assets	Total
A. Gross opening balance	83,636	187,456	19,442	25,049	15,322	330,905
A.1 Total net value reductions	—	(19,751)	(11,274)	(19,601)	(11,261)	(61,887)
A.2 Net opening balance	83,636	167,705	8,168	5,448	4,061	269,018
B. Additions:	—	5	11,170	9,506	3,477	24,158
B.1 Purchases	—	—	11,169	9,505	2,571	23,245
B.2 Improvement expenses, capitalized	—	—	—	—	—	—
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	—	5	1	1	906	913
C. Reductions:	—	3,275	2,456	3,596	2,839	12,166
C.1 Disposals	—	77	62	141	281	561
C.2 Depreciation charges	—	3,195	2,393	3,421	1,580	10,589
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	—	3	1	34	978	1,016
D. Linea Group contribution	—	—	980	1,261	381	2,622
E. Net closing balance	83,636	164,435	17,862	12,619	5,080	283,632
D.1 Total net value reductions	—	(20,828)	(13,036)	(20,731)	(12,125)	(66,720)
D.2 Gross closing balance	83,636	185,263	30,898	33,350	17,205	350,352
F. Stated at cost	—	—	—	—	—	—

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

	Total	
	Land	Buildings
A. Gross opening balance	20,350	9,091
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	—	413
C.1 Disposals	—	—
C.2 Depreciation charges	—	413
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	8,678
E. Stated at fair value	87,325	37,794



## Section 13

### Heading 130: Intangible assets

#### 13.1 Intangible assets

	30/6/08		30/6/07	
	Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life
A.1 Goodwill	—	404,277	—	—
A.1.1 attributable to the Group <sup>1</sup>	—	404,277	—	—
A.1.2 attributable to third parties	—	—	—	—
A.2 Other intangible assets	36,285	—	12,022	—
A.2.1 Recognized at cost:	36,285	—	12,022	—
a) intangible assets generated internally	—	—	—	—
b) other assets <sup>2</sup>	36,285	—	12,022	—
A.2.2 Recognized at fair value:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
Total	36,285	404,277	12,022	—

<sup>1</sup> Relates to acquisition of 100% of Linea pending purchase price allocation.

<sup>2</sup> Of which €9,000 (30/6/07: €14,000) relating to other companies not forming part of the Banking Group.

13.2 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	—	—	—	17,062	—	17,062
A.1 Total net value reductions	—	—	—	(5,040)	—	(5,040)
A.2 Net opening balance	—	—	—	12,022	—	12,022
B. Additions	404,277	—	—	28,082	—	432,359
B.1 Purchases	404,277	—	—	28,075	—	432,352
B.2 Increases in internally generated assets	—	—	—	—	—	—
B.3 Revaluations	—	—	—	—	—	—
B.4 Increases in fair value taken to:	—	—	—	—	—	—
– net equity	—	—	—	—	—	—
– profit and loss account	—	—	—	—	—	—
B.5 Increases arising on exchange rates	—	—	—	—	—	—
B.6 Other additions	—	—	—	7	—	7
C. Reductions	—	—	—	6,081	—	6,081
C.1 Disposals	—	—	—	—	—	—
C.2 Value adjustments	—	—	—	6,081	—	6,081
– amortization	—	—	—	6,081	—	6,081
– writedowns	—	—	—	—	—	—
+ net equity	—	—	—	—	—	—
+ profit and loss account	—	—	—	—	—	—
C.3 Reductions in fair value charged to:	—	—	—	—	—	—
– net equity	—	—	—	—	—	—
– profit and loss account	—	—	—	—	—	—
C.4 Transfers to non-current assets being sold	—	—	—	—	—	—
C.5 Reductions due to exchange rate differences	—	—	—	—	—	—
C.6 Other reductions	—	—	—	—	—	—
D. Linea group contribution	—	—	—	2,262	—	2,262
E. Balance at end of period	404,277	—	—	36,285	—	440,562
D.1 Total net value adjustments	—	—	—	(6,736)	—	(6,736)
F. Gross closing balance	404,277	—	—	43,021	—	447,298
G. Stated at cost	—	—	—	—	—	—

## Section 14

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

#### 14.1 Advance tax assets

	30/6/08	30/6/07
Corporate income tax (IRES)	284,180	136,988
Regional production tax (IRAP)	19,630	6,341
Total, Banking Group	303,810	143,329
Total, other companies	13	13
Total	303,823	143,342

#### 14.2 Deferred tax liabilities

	30/6/08	30/6/07
Corporate income tax (IRES)	378,854	496,493
Regional production tax (IRAP)	25,108	44,226
Total, Banking Group	403,962	540,719
Total, other companies	24	35
Total	403,986	540,754

14.3 Changes in advance tax during the period

	30/6/08	30/6/07
1. Opening balance	143,342	145,796
2. Additions	97,462	50,604
2.1 Advance tax originating during the period	95,973	48,458
a) for previous years	1,105	—
b) due to changes in accounting policies	—	—
c) amounts written back	69	—
d) other additions	94,799	48,458
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	1,489	2,146
3. Reductions	78,087	53,058
3.1 Advance tax reversed during the period	61,471	50,432
a) reclassifications	47,246	50,432
b) amounts written off as unrecoverable	166	—
c) due to changes in accounting policies	14,059	—
3.2 Reductions in tax rates	16,106	—
3.3 Other reductions	510	2,626
4. Linea group contribution	103,670	—
5. Balance at end of period	266,387	143,342

14.4 *Changes in deferred tax during the period*

	30/6/08	30/6/07
1. Opening balance	443,665	319,931
2. Additions	74,525	173,616
2.1 Deferred tax originating during period	73,906	70,419
a) relating to previous years	—	66,537
b) due to changes in accounting policies	—	—
c) others	73,906	3,882
2.2 New taxes or increases in tax rates	—	9
2.3 Other additions	619	103,188
3. Reductions	173,677	49,882
3.1 Deferred tax reversed during period	125,411	49,205
a) reclassifications	72,207	40,558
b) due to changes in accounting policies	23,372	—
c) others	29,832	8,647
3.2 Reductions in tax rates	47,414	—
3.3 Other reductions	852	677
4. Linea group contribution	168	—
5. Balance at end of period	344,681	443,665

14.5 Changes in advance tax during the period<sup>1</sup>

	30/6/08	30/6/07
1. Opening balance	—	124
2. Additions	37,436	—
2.1 Advance tax originating during period	37,436	—
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	37,436	—
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	—	124
3.1 Advance tax reversed during period	—	—
a) reclassifications	—	—
b) due to changes in accounting policies	—	—
c) others	—	—
3.2 Reductions in tax rates	—	—
3.3 Other reductions	—	124
4. Balance at end of period	37,436	—

<sup>1</sup> Taxes relating to cash flow hedges and AFS securities valuations.

14.6 Changes in deferred tax during the period<sup>1</sup>

	30/6/08	30/6/07
1. Opening balance	97,089	58,372
2. Additions	45,577	51,258
2.1 Deferred tax originating during period	43,154	1,685
a) for previous years	—	626
b) due to changes in accounting policies	—	—
c) others	43,154	1,059
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	2,423	49,573
3. Reductions	95,107	12,541
3.1 Advance tax reversed during the period	94,120	8,044
a) reclassifications	94,115	—
b) due to changes in accounting policies	—	—
c) others	5	8,044
3.2 Reductions in tax rates	361	—
3.3 Other reductions	626	4,497
4. Linea group contribution	11,746	—
5. Balance at end of period	59,305	97,089

<sup>1</sup> Taxes relating to cash flow hedges and AFS securities valuations.

## Section 16

### Heading 160: Other assets

#### 16.1 Other assets

	30/6/08	30/6/07
1. Bills for collection	61	—
2. Amounts due from customers in respect of:	37,803	82,407
– premiums, grants, indemnities and other items in respect of lending transactions	6,311	1,506
– futures and other securities transactions	497	6,659
– advance payments on deposit commissions	5,139	4,867
– other items in transit	18,414	68,849
– invoices to be collected or issued <sup>1</sup>	7,442	526
3. Accrued income	177	1,800
4. Other items <sup>2</sup>	32,603	34,250
5. Sums paid by way of collateral on derivative products	—	184,569
6. Adjustments upon consolidation	3	9
Total	70,647	303,035

<sup>1</sup> Of which €3,000 relating to other companies not forming part of the Banking Group.

<sup>2</sup> Of which €117,000 (30/6/07: €114,000) relating to other companies not forming part of the Banking Group.

## Liabilities

### Section 1

#### Heading 10: Due to banks

##### 1.1 Due to banks: composition

	30/6/08	30/6/07
1. Due to central banks	101,137	837,930
2. Due to banks	13,747,728	12,649,210
2.1 Current accounts and demand deposits <sup>1</sup>	2,546,681	1,433,134
2.2 Term deposits	252,847	1,839,497
2.3 Borrowings	8,320,364	5,532,603
2.4 Amounts due under commitments to buy back own shares	—	—
2.5 Liabilities in respect of assets sold but not derecognized	1,936,753	3,041,464
2.5.1 Amounts due under reverse repo agreements	1,936,753	3,041,464
2.5.2 Others	—	—
2.6 Other amounts due	691,083	802,512
Total book value	13,848,865	13,487,140
Total fair value	13,848,865	13,485,783

<sup>1</sup> Of which €1,000 relating to other companies not forming part of the Banking Group.

##### 1.2 Breakdown of Heading 10: “Due to banks”: subordinated debt

Subordinated liabilities included under the heading *Due to banks* amount to €66,210,000 and refer to amounts payable by Linea to its former shareholders.



#### 1.4 Due to banks: items subject to specific hedges

	30/6/08	30/6/07
1. Items subject to specific fair value hedges for:	167,913	—
a) interest rate risk	167,913	—
b) exchange rate risk	—	—
c) more than one risk	—	—
2. Items subject to specific cash flow hedges for:	6,484,660	3,064,127
a) interest rate risk	6,484,660	3,064,127
b) exchange rate risk	—	—
c) other	—	—

## Section 2

### Heading 20: Due to customers

#### 2.1 Due to customers: composition

	30/6/08	30/6/07
1. Current accounts and demand deposits <sup>1</sup>	938,986	995,920
2. Term deposits	1,985,109	1,370,030
3. Customers' funds managed on a non-discretionary basis	—	—
4. Borrowings	153,532	37,535
5. Amounts due under commitments to buy back own shares	—	—
6. Liabilities in respect of assets sold but not derecognized	2,258,333	1,243,624
6.1 Amounts due under reverse repo agreements	755,137	865,310
6.2 Others	1,503,196	378,314
7. Other amounts due <sup>2</sup>	760,582	379,903
Total book value	6,096,542	4,027,012
Total fair value	6,096,540	4,030,816

<sup>1</sup> Of which €2,000 relating to other companies not forming part of the Banking Group.

<sup>2</sup> Of which €31,000 relating to other companies not forming part of the Banking Group.

### 2.1 Due to customers: items subject to specific hedges

	30/6/08	30/6/07
1. Items subject to specific fair value hedges for:	27,012	—
a) interest rate risk	27,012	—
b) exchange rate risk	—	—
c) more than one risk	—	—
2. Items subject to specific cash flow hedges for:	—	—
a) interest rate risk	—	—
b) exchange rate risk	—	—
c) other	—	—

## Section 3

### Heading 30: Debt securities in issue

#### 3.1 Debt securities in issue: composition

	30/6/08		30/6/07	
	Book value	Fair value	Book value	Fair value
A. Listed securities	19,845,888	19,785,117	16,397,215	16,525,189
1. bonds	19,845,888	19,785,117	16,397,215	16,525,189
1.1 structured	6,986,928	6,988,706	4,989,991	4,990,197
1.2 others	12,858,960	12,796,411	11,407,224	11,534,992
2. other securities	—	—	—	—
2.1 structured	—	—	—	—
2.2 others	—	—	—	—
B. Unlisted securities	10,581,492	10,572,708	8,305,314	8,305,403
1. bonds	10,433,308	10,424,524	8,019,374	8,019,463
1.1 structured	2,547,994	2,547,994	2,746,041	2,745,257
1.2 others	7,885,314	7,876,530	5,273,333	5,274,206
2. other securities	148,184	148,184	285,940	285,940
2.1 structured	—	—	—	—
2.2 others	148,184	148,184	285,940	285,940
Total	30,427,380	30,357,825	24,702,529	24,830,592

Subordinated liabilities included under the heading *Debt securities in issue* total € 934,618,000.

### 3.3 Debt securities: items subject to specific hedging

	30/6/08	30/6/07
1. Securities subject to specific fair value hedges	22,861,746	15,646,762
a) interest rate risk	22,861,746	15,646,762
b) exchange rate risk	—	—
c) other	—	—
2. Securities subject to specific cash flow hedges	2,000,000	1,250,000
a) interest rate risk	2,000,000	1,250,000
b) exchange rate risk	—	—
c) other	—	—

## Section 4

### Heading 40: Trading liabilities

#### 4.1 Trading liabilities: composition

	30/6/08			30/6/07		
	Nominal value	Fair value		Nominal value	Fair value	
		Listed	Unlisted		Listed	Unlisted
<b>A. Cash liabilities</b>						
1. Due to banks	187,917	166,266	—	956,845	929,694	—
2. Due to customers	862,662	847,666	—	717,979	621,983	95,585
3. Debt securities	1,223	2,228	—	—	—	—
3.1 Bonds	—	—	—	—	—	—
3.1.1 Structured	—	—	—	—	—	—
3.1.2 Other	—	—	—	—	—	—
3.2 Other securities	1,223	2,228	—	—	—	—
3.2.1 Structured	—	—	—	—	—	—
3.2.2 Other	1,223	2,228	—	—	—	—
<b>Total A</b>	<b>1,051,802</b>	<b>1,016,160</b>	<b>—</b>	<b>1,674,824</b>	<b>1,551,677</b>	<b>95,585</b>
<b>B. Derivative products</b>						
1. Financial derivatives	X	11,338	1,882,656	X	14,622	1,973,943
1.1 Trading	X	11,338	978,869	X	14,622	679,963
1.2 Linked to fair value options	X	—	—	X	—	—
1.3 Other	X	—	903,787	X	—	1,293,980
2. Credit derivatives	X	—	246,055	X	—	48,939
2.1 Trading	X	—	246,055	X	—	48,939
2.2 Linked to fair value options	X	—	—	X	—	—
2.3 Other	X	—	—	X	—	—
<b>Total B</b>	<b>X</b>	<b>11,338</b>	<b>2,128,711</b>	<b>X</b>	<b>14,622</b>	<b>2,022,882</b>
<b>Total (A+B)</b>	<b>X</b>	<b>1,027,498</b>	<b>2,128,711</b>	<b>X</b>	<b>1,566,299</b>	<b>2,118,467</b>

#### 4.4 Trading liabilities: derivative products

	Interest rates	Foreign currency/gold	Equities	Loans and advances	Others	30/6/08	30/6/07
<b>A) Listed derivative products</b>							
1. Financial derivatives:	11,061	—	276	—	—	11,337	14,622
– With exchange of principal	6,543	—	68	—	—	6,611	8,218
– options issued	—	—	—	—	—	—	—
– other derivatives	6,543	—	68	—	—	6,611	8,218
– Without exchange of principal	4,518	—	208	—	—	4,726	6,404
– options issued	32	—	121	—	—	153	807
– other derivatives	4,486	—	87	—	—	4,573	5,597
2. Credit derivatives:	—	—	—	—	—	—	—
– With exchange of principal	—	—	—	—	—	—	—
– Without exchange of principal	—	—	—	—	—	—	—
<b>Total A</b>	<b>11,061</b>	<b>—</b>	<b>276</b>	<b>—</b>	<b>—</b>	<b>11,337</b>	<b>14,622</b>
<b>B) Unlisted derivative products</b>							
1. Financial derivatives:	814,280	76,842	980,156	—	11,379	1,882,657	1,973,943
– With exchange of principal	308	76,244	40,727	—	—	117,279	40,749
– options issued	69	—	39,964	—	—	40,033	18,215
– other derivatives	239	76,244	763	—	—	77,246	22,534
– Without exchange of principal	813,972	598	939,429	—	11,379	1,765,378	1,933,194
– options issued	4,191	598	927,337	—	—	932,126	1,308,220
– other derivatives	809,781	—	12,092	—	11,379	833,252	624,974
2. Credit derivatives:	—	—	—	246,055	—	246,055	48,939
– With exchange of principal	—	—	—	245,527	—	245,527	47,701
– Without exchange of principal	—	—	—	528	—	528	1,238
<b>Total B</b>	<b>814,280</b>	<b>76,842</b>	<b>980,156</b>	<b>246,055</b>	<b>11,379</b>	<b>2,128,712</b>	<b>2,022,882</b>
<b>Total (A+B)</b>	<b>825,341</b>	<b>76,842</b>	<b>980,432</b>	<b>246,055</b>	<b>11,379</b>	<b>2,140,049</b>	<b>2,037,504</b>

## Section 6

### Heading 60: Hedging derivatives

#### 6.1 Hedging derivatives: by type of product/underlying asset

	Interest rates	Foreign currency/gold	Equities	Loans and advances	Other	Total
A) Listed derivative products						
1. Financial derivatives:	—	—	—	—	—	—
– With exchange of principal	—	—	—	—	—	—
– options issued	—	—	—	—	—	—
– other derivatives	—	—	—	—	—	—
– Without exchange of principal	—	—	—	—	—	—
– options issued	—	—	—	—	—	—
– other derivatives	—	—	—	—	—	—
2. Credit derivatives:	—	—	—	—	—	—
– With exchange of principal	—	—	—	—	—	—
– Without exchange of principal	—	—	—	—	—	—
Total A	—	—	—	—	—	—
B) Unlisted derivative products						
1. Financial derivatives:	2,712,148	24,542	—	—	—	2,736,690
– With exchange of principal	—	24,542	—	—	—	24,542
– options issued	—	—	—	—	—	—
– other derivatives	—	24,542	—	—	—	24,542
– Without exchange of principal	2,712,148	—	—	—	—	2,712,148
– options issued	—	—	—	—	—	—
– other derivatives	2,712,148	—	—	—	—	2,712,148
2. Credit derivatives:	—	—	—	—	—	—
– With exchange of principal	—	—	—	—	—	—
– Without exchange of principal	—	—	—	—	—	—
Total B	2,712,148	24,542	—	—	—	2,736,690
Total 30/6/08	2,712,148	24,542	—	—	—	2,736,690
Total 30/6/07	1,798,707	15,592	50,997	2,958	—	1,868,254

6.2 Hedging derivatives: by portfolio hedged/hedge type

	Fair value hedges						Cash flow hedges	
	Specific					General	Specific	General
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk			
1. AFS securities	—	—	—	—	—	X	—	X
2. Loans and advances	13,604	—	—	X	—	X	—	X
3. Financial assets held to maturity	X	—	—	X	—	X	—	X
4. Portfolio	X	X	X	X	X	X	X	—
Total assets	13,604	—	—	—	—	—	—	—
1. Financial liabilities	2,713,095	—	—	—	—	X	9,991	X
2. Portfolio	X	X	X	X	X	—	X	—
Total liabilities	2,713,095	—	—	—	—	—	9,991	—

## Section 10

### Heading 100: Other liabilities

#### 10.1 Other liabilities

	30/6/08	30/6/07
1. Bills for collection	—	10
2. Amounts payable in respect of:		
– coupons and dividends pending collection	2,136	2,068
– commissions payable to participants in underwriting syndicates	2,404	55,522
– sums available for payments to customers	53,319	43,950
– invoices pending settlement or receipt	175,364	153,128
– premiums, grants, and other items relating to lending transactions	11,824	1,587
3. Wages accrued, contributions and amounts payable withheld from staff and customers	58,895	52,685
4. Impaired endorsements	15,533	25,744
5. Sums received by way of collateral on exposures to derivative products	—	820,946
6. Financial guarantees on CDS products (as required under IAS 37)	—	1,113
7. Other items	86,255	47,246
8. Adjustments on consolidation	—	—
Total Banking Group	405,730	1,203,999
Total other companies	1,841	2,376
Total	407,571	1,206,375



## Section 11

### Heading 110: Staff severance indemnity provision

#### 11.1 Staff severance indemnity provision: changes during the period

	30/6/08	30/6/07
A. Balance at start of period	29,644	34,714
B. Additions	10,598	9,317
B.1 Transfers during period	10,051	9,317
B.2 Other additions	547	—
C. Reductions	15,003	14,679
C.1 Indemnities paid out	6,410	5,256
C.2 Other reductions <sup>1</sup>	8,593	9,423
D. Linea group contribution	3,933	—
E. Balance at end of period	29,172	29,352

<sup>1</sup> Includes €7,460,000 in transfers to external, defined contribution pension schemes (€5,076,000 at 30/6/07).

## Section 12

### Heading 120: Provisions

#### 12.1 Provisions: composition

	30/6/08	30/6/07
1. Company post-employment benefit provision	—	—
2. Other provisions	180,886	156,028
2.1 litigation	340	13
2.2 staff-related	—	—
2.3 other <sup>1</sup>	180,546	156,015
Total	180,886	156,028

<sup>1</sup> Of which €22,000 (30/6/07: €22,000) relating to other companies not forming part of the Banking Group.

## 12.2 Provisions: movements during the period

	Post-employment benefit provision	Litigation	Other provisions	Total
A. Balance at start of period	—	13	156,164	156,177
B. Additions	—	341	27,133	27,474
B.1 Transfers during period	—	341	27,133	27,474
B.2 Changes due to passing of time	—	—	—	—
B.3 Additions due to changes in discount rate	—	—	—	—
B.4 Other additions	—	—	—	—
C. Reductions	—	14	3,349	3,363
C.1 Transfers during period	—	14	1,093	1,107
C.2 Reductions due to changes in discount rate	—	—	—	—
C.3 Other reductions	—	—	2,256	2,256
D. Linea group contribution	—	—	598	598
E. Balance at end of period	—	340	180,546	180,886

## Section 15

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

#### 15.1 Net equity

	30/6/08	30/6/07
1. Share capital	410,048	408,781
2. Share premium reserve	2,140,043	2,119,328
3. Reserves	3,280,151	3,464,837
4. Treasury shares	(213,844)	(434)
a. Mediobanca	(213,410)	—
b. other Group companies	(434)	(434)
5. Valuation reserves	112,795	837,130
6 Equity instruments	—	—
7. Profit (loss) for the period	1,014,832	953,248
Total	6,744,025	7,782,890

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

	Ordinary
A. Shares in issue at start of period	817,562,915
– entirely unrestricted	817,562,915
– with restrictions	—
A.1 Treasury shares	—
A.2 Shares in issue: balance at start of period	817,562,915
B. Additions	2,492,750
B.1 New share issuance as a result of:	2,492,750
– rights issues	2,492,750
– business combinations	—
– bond conversions	—
– exercise of warrants	—
– others	2,492,750
– bonus issues	—
– to staff members	—
– to Board members	—
– others	—
B.2 Treasury share disposals	—
B.3 Other additions	—
C. Reductions	16,200,000
C.1 Cancellations	—
C.2 Treasury share buybacks	16,200,000
C.3 Disposals of businesses	—
C.4 Other reductions	—
D. Shares in issue: balance at end of period	803,855,665
D.1 Add: treasury shares	16,200,000
D.2 Shares in issue at end of period	820,055,665
– entirely unrestricted	820,055,665
– with restrictions	—

15.5 Profit reserves: other information

	30/6/08	30/6/07
1. Legal reserves	81,910	81,552
2. Statutory reserves	876,087	1,067,431
3. Treasury reserves	213,410	—
4. Other reserves	2,108,744	2,315,854
Total reserves	3,280,151	3,464,837

15.6 Valuation reserves: composition

	30/6/08	30/6/07
1. AFS securities	(58,661)	818,509
2. Property, plant and equipment	—	—
3. Intangible assets	—	—
4. Foreign investment hedges	—	—
5. Cash flow hedges	157,537	5,151
6. Exchange rate differences	—	—
7. Non-current assets being sold	—	—
8. Special revaluation laws	13,919	13,470
Total	112,795	837,130

15.7 Valuation reserves: movements during the period

	AFS securities	Cash flow hedges	Special laws
A. Balance at start of period	818,509	5,151	13,470
B. Additions	273,829	137,234	—
B.1 Increases in fair value	58,238	123,013	—
B.2 Other additions	215,591	14,221	—
C. Reductions	1,150,999	2,775	—
C.1 Reductions in fair value	926,917	—	—
C.2 Other reductions	224,082	2,775	—
D. Linea group contribution	—	17,927	449
E. Balance at end of period	(58,661)	157,537	13,919

15.8 AFS securities valuation reserve: composition

	30/6/08		30/6/07	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	4,396	(48,215)	52,802	(27,633)
2. Equities	293,299	(313,399)	991,150	(207,331)
3. OICR units	5,258	—	9,521	—
4. Loans and advances	—	—	—	—
Total	302,953	(361,614)	1,053,473	(234,964)

15.9 AFS valuation reserve: movements during the period

	Debt securities	Equities	OICR units	Total
1. Opening balance	25,169	783,819	9,521	818,509
2. Additions	10,069	163,346	—	173,415
2.1 Increases in fair value	7,374	50,864	—	58,238
2.2 Negative reserves charged back to profit and loss as a result of	1,647	112,435	—	114,082
– impairment	—	—	—	—
– disposals	1,647	112,435	—	114,082
2.3 Other additions	1,048	47	—	1,095
3. Reductions	79,057	967,265	4,263	1,050,585
3.1 Reductions in fair value	78,978	746,430	4,263	829,671
3.2 Adjustments for impairment	—	—	—	—
3.3 Positive reserves credited back to profit and loss as a result of: disposals	79	220,835	—	220,914
3.4 Other reductions	—	—	—	—
4. Balance at end of period	(43,819)	(20,100)	5,258	(58,661)

## Section 16

### Heading 210: Net equity attributable to minorities

#### 16.1 Net equity attributable to minorities: composition

	30/6/08	30/6/07
1. Share capital	24,284	24,300
2. Share premium reserve	7,355	7,355
3. Reserves	73,509	60,429
4. Treasury shares	—	—
5. Valuation reserves <sup>1</sup>	5,219	3,330
6. Equity instruments	—	—
7. Profit (loss) for the period attributable to minorities	9,478	12,843
Total	119,845	108,257

<sup>1</sup> Relates to cash flow hedges.

## Other information

### 1. Guarantees and commitments

	30/6/08	30/6/07
1. Financial guarantees given to:	1,025,761	2,901,118
a) Banks	100,049	1,148,636
b) Customers	925,712	1,752,482
2. Commercial guarantees given to:	36,094	42,112
a) Banks	—	—
b) Customers	36,094	42,112
3. Irrevocable commitments to lend funds to:	18,665,911	30,351,788
a) Banks	2,405,983	10,112,078
i) specific	930,938	8,350,322
ii) standby basis	1,475,045	1,761,756
b) Customers	16,259,928	20,239,710
i) specific	7,722,489	10,842,851
ii) standby basis	8,537,439	9,396,859
4. Commitments underlying credit derivatives: hedge sales	7,272,405	2,366,393
5. Assets pledged as collateral for customer obligations	43,098	42,111
6. Other commitments	313,292	617,894
Total	27,356,561	36,321,416

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

	30/6/08	30/6/07
1. Financial assets held for trading	730,693	3,130,072
2. Financial assets recognized at fair value	—	—
3. AFS securities	—	60,968
4. Financial assets held to maturity	3,710	204,647
5. Due from banks	—	—
6. Due from customers	722,968	619,275
7. Property, plant and equipment	—	—

5. *Assets managed and traded on behalf of customers: Banking Group*

	30/6/08	30/6/07
1. Securities traded on behalf of customers	29,915,610	34,388,814
a) purchases	16,161,329	20,378,078
1. settled	15,602,178	19,891,288
2. pending settlement	559,151	486,790
b) disposals	13,754,281	14,010,736
1. settled	13,205,971	13,523,946
2. pending settlement	548,310	486,790
2. Asset management <sup>1</sup>	2,954,000	4,902,000
a) individuals	1,038,000	1,346,000
b) groups	1,916,000	3,556,000
3. Securities under custody/managed on a non-discretionary basis	27,258,315	22,147,183
a) customers' securities held on deposit: in connection with the Bank's activity as deposit bank (not including asset management) <sup>2</sup>	4,198,659	4,698,362
1. securities issued by bank drawing up consolidated financial statements	636,617	339,607
2. other securities	3,562,042	4,358,755
b) other customers' securities held on deposit (not including asset management): others	5,420,112	1,416,900
1. securities issued by bank drawing up consolidated financial statements	32	26,426
2. other securities	5,420,080	1,390,474
c) customers' securities held on deposit with customers	5,196,253	5,707,615
d) own securities held on deposit with customers	12,443,291	10,324,306
4. Other transactions	—	—

<sup>1</sup> The Esperia group has assets under management totalling €8,960,000 (€10,106,000 at 30/6/07).

<sup>2</sup> The Esperia group manages assets on a non-discretionary basis worth €1,570,000 (€1,541,000 at 30/6/07).

**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*

	Performing assets		Impaired assets	Other assets	12 mths to 30/6/08	12 mths to 30/6/07
	Debt securities	Loans and advances				
1. Financial assets held for trading	281,968	—	—	—	281,968	256,145
2. Financial assets recognized at fair value	—	—	—	—	—	—
3. AFS securities	133,719	—	—	—	133,719	111,154
4. Financial assets held to maturity	26,944	—	—	—	26,944	27,287
5. Due from banks <sup>1</sup>	—	104,167	—	141,269	245,436	179,019
6. Due from customers	146	1,806,481	9,951	82,835	1,899,413	1,397,047
7. Hedge derivatives	—	—	—	—	—	411,814
8. Financial assets sold but not derecognized	258	25,671	—	73	26,002	24,911
9. Other assets	—	—	—	1,727	1,727	1,909
<b>Total</b>	<b>443,035</b>	<b>1,936,319</b>	<b>9,951</b>	<b>225,904</b>	<b>2,615,209</b>	<b>2,409,286</b>

<sup>1</sup> Of which €31,000 (30/6/07: €19,000) relating to other companies not forming part of the Banking Group.



1.2 *Interest and similar income: differences arising on hedging transactions*

	12 mths to 30/6/08	12 mths to 30/6/07
A. Positive differences on transactions involving:		
A.1 Specific fair value hedges of assets	—	10,503
A.2 Specific fair value hedges of liabilities	—	979,261
A.3 General interest rate risk hedges	—	—
A.4 Specific cash flow hedges of assets	—	—
A.5 Specific cash flow hedges of liabilities	—	—
A.6 General cash flow hedges	—	19,901
Total positive differences (A)	—	1,009,665
B. Negative differences on transactions involving:		
B.1 Specific fair value hedges of assets	—	(14,801)
B.2 Specific fair value hedges of liabilities	—	(579,491)
B.3 General interest rate risk hedges	—	—
B.4 Specific cash flow hedges of assets	—	—
B.5 Specific cash flow hedges of liabilities	—	—
B.6 General cash flow hedges	—	(3,559)
Total negative differences (B)	—	(597,851)
C. Balance of differences arising on hedges (A – B)	—	411,814

1.3 *Interest and similar income: other information*

	12 mths to 30/6/08	12 mths to 30/6/07
1.3.1 Interest receivable on financial assets denominated in currencies other than the Euro	298,437	206,937
1.3.2 Interest receivable in respect of finance leasing transactions	272,569	208,992
1.3.3 Interest income on receivables involving customers' funds held on a non-discretionary basis	—	—
Total	571,006	415,929

1.4 *Interest expense and similar charges: composition*

	Accounts payable	Securities	Other liabilities	12 mths to 30/6/08	12 mths to 30/6/07
1. Due to banks <sup>1</sup>	(301,110)	—	(119,516)	(420,626)	(304,752)
2. Due to customers	(75,622)	—	(36,908)	(112,530)	(79,204)
3. Debt securities in issue	—	(1,280,044)	—	(1,280,044)	(1,293,681)
4. Trading liabilities	—	—	—	—	—
5. Financial liabilities recognized at fair value	—	—	—	—	—
6. Financial liabilities in respect of assets sold but not derecognized	(24,276)	(1,223)	(68,698)	(94,197)	(139,253)
7. Other liabilities	—	—	(473)	(473)	(638)
8. Hedging derivatives	—	—	(32,225)	(32,225)	—
<b>Total</b>	<b>(401,008)</b>	<b>(1,281,267)</b>	<b>(257,820)</b>	<b>(1,940,095)</b>	<b>(1,817,528)</b>

<sup>1</sup> Of which €1,000 (30/6/07: €2,000) relating to other companies not forming part of the Banking Group.

*1.5 Interest expense and similar charges: margins on hedging transactions*

	12 mths to 30/6/08	12 mths to 30/6/07
A. Positive differences on transactions involving:		
A.1 Specific fair value hedges of assets	15,917	—
A.2 Specific fair value hedges of liabilities	887,219	—
A.3 General interest rate risk hedges	—	—
A.4 Specific cash flow hedges of assets	—	—
A.5 Specific cash flow hedges of liabilities	—	—
A.6 General cash flow hedges	21,457	—
Total positive differences (A)	924,593	—
B. Negative differences on transactions involving:		
B.1 Specific fair value hedges of assets	(21,235)	—
B.2 Specific fair value hedges of liabilities	(935,044)	—
B.3 General interest rate risk hedges	—	—
B.4 Specific cash flow hedges of assets	—	—
B.5 Specific cash flow hedges of liabilities	—	—
B.6 General cash flow hedges	(539)	—
Total negative differences (B)	(956,818)	—
C. Balance of differences arising on hedges (A – B)	(32,225)	—

*1.6 Interest expense and similar charges: other information*

	12 mths to 30/6/08	12 mths to 30/6/07
1.6.1 Interest payable on liabilities denominated in currencies other than the Euro	(217,652)	(222,118)
1.6.2 Interest payable on liabilities in respect of finance leasing transactions	(71)	(1,040)
1.6.3 Interest payable on customers' funds held on a non-discretionary basis	—	(4)
Total	(217,723)	(223,162)

## Section 2

### Headings 40 and 50: Net fee and commission income

#### 2.1 Net fee and commission income: composition

	12 mths to 30/6/08	12 mths to 30/6/07
a) guarantees given	4,588	5,381
b) credit derivatives	263	1,565
c) management, trading and advisory services:	332,182	341,407
1. securities trading	26,800	37,667
2. foreign currency trading	104	86
3. asset management <sup>1</sup>	10,339	7,888
3.1 individuals	10,339	7,888
3.2 groups	—	—
4. securities under custody and non-discretionary management	4,064	4,086
5. deposit bank services	—	—
6. securities placement	87,466	97,540
7. procurement of orders	3,622	3,045
8. advisory services	183,076	175,610
9. agency fees	16,711	15,485
9.1 asset management	16,711	15,485
9.1.1 individuals	16,711	15,485
9.1.2 groups	—	—
9.2 insurance products	—	—
9.3 other products	—	—
d) collection and payment services	541	478
e) securitization services	271	504
f) factoring services	—	—
g) tax collection and receipt services	—	—
h) other services <sup>2</sup>	52,200	27,586
<b>Total</b>	<b>390,045</b>	<b>376,921</b>

<sup>1</sup> Banca Esperia recorded net fee and commission income of €78.192,000 (30/6/07: €86,110,000).

<sup>2</sup> Of which €3,988,000 (30/6/07: €3,593,000) relating to other companies not forming part of the Banking Group.

## 2.2 Fee and commission income: by product/service distribution channel

	12 mths to 30/6/08	12 mths to 30/6/07
a) on the Bank's own premises:	114,516	120,913
1. asset management <sup>1</sup>	10,339	7,888
2. securities placement	87,466	97,540
3. agency fees	16,711	15,485
b) elsewhere:	—	—
1. asset management	—	—
2. securities placement	—	—
3. agency fees	—	—
c) other distribution channels:	—	—
1. asset management	—	—
2. securities placement	—	—
3. agency fees	—	—
<b>Total</b>	<b>114,516</b>	<b>120,913</b>

<sup>1</sup> Banca Esperia recorded net fee and commission income of €78.192,000 (30/6/07: €86,110,000).

## 2.3 Fee and commission expense

	12 mths to 30/6/08	12 mths to 30/6/07
a) guarantees received	—	—
b) credit derivatives	(426)	(1,267)
c) management and trading services:	(17,614)	(22,733)
1. securities trading	(4,860)	(5,114)
2. foreign currency trading	—	—
3. asset management:	(1)	(2)
3.1 proprietary	(1)	(2)
3.2 on behalf of customers	—	—
4. securities under custody/held on a non-discretionary basis	(2,346)	(2,877)
5. securities placement	(10,407)	(14,740)
6. door-to-door sales of securities, products and services	—	—
d) collection and payment services	(3,019)	(2,816)
e) other services <sup>1</sup>	(22,371)	(20,692)
<b>Total</b>	<b>(43,430)</b>	<b>(47,508)</b>

<sup>1</sup> Of which €4,933,000 (30/6/07: €4,126,000) relating to other companies not forming part of the Banking Group.

### Section 3

#### Heading 70: Dividends and similar income

##### 3.1 *Dividends and similar income: composition*

	12 mths to 30/6/08		12 mths to 30/6/07	
	Dividends	Income from OICR units	Dividends	Income from OICR units
A. Financial assets held for trading	79,611	—	40,279	—
B. AFS securities	43,483	—	71,707	—
C. Financial assets recognized at fair value	—	—	—	—
D. Equity investments	—	—	—	—
Total	123,094	—	111,986	—

## Section 4

### Heading 80: Net trading income

#### 4.1 Net trading income: composition

	Gains (A)	Dealing profits (B)	Value reductions (C)	Dealing losses (D)	Net trading income [(A+B)-(C+D)]
1. Trading assets	77,614	305,440	(334,667)	(472,700)	(424,313)
1.1 Debt securities	39,650	100,100	(137,645)	(129,221)	(127,116)
1.2 Equities	37,964	202,233	(197,022)	(342,915)	(299,740)
1.3 OICR units	—	3,107	—	(93)	3,014
1.4 Loans and advances	—	—	—	—	—
1.5 Others	—	—	—	(471)	(471)
2. Trading liabilities	58,270	6,351	—	—	64,621
2.1 Debt securities	58,270	6,351	—	—	64,621
2.2 Debts	—	—	—	—	—
2.3 Others	—	—	—	—	—
3. Other assets and liabilities: differences arising on exchange rates	452,030	—	(359,789)	—	92,241
4. Derivative products	2,531,508	1,221,524	(2,470,839)	(984,081)	298,112
4.1 Financial derivatives:	2,255,569	1,221,524	(2,215,555)	(646,982)	614,556
– debt securities and interest rates <sup>1</sup>	184,194	411,470	(232,637)	(305,627)	57,400
– equities and stock market indexes	1,820,051	799,699	(1,850,150)	(284,365)	485,235
– foreign currency and gold	93,607	—	(93,581)	(56,976)	(56,950)
– others	157,717	10,355	(39,187)	(14)	128,871
4.2 Credit derivatives	275,939	—	(255,284)	(337,099)	(316,444)
Total	3,119,422	1,533,315	(3,165,295)	(1,456,781)	30,661
Total at 30/6/07	1,218,123	1,160,492	(1,133,678)	(1,127,289)	117,648

<sup>1</sup> Of which €61,207,000 000 in margins on interest rate derivatives (30/6/07: €73,222,000 000).

## Section 5

### Heading 90: Net hedging income (expense)

#### 5.1 Net hedging income (expense): composition

	12 mths to 30/6/08	12 mths to 30/6/07
A. Income from:		
A.1 Fair value hedge derivatives	485,361	119,377
A.2 Financial assets hedged (fair value)	3,289	2,424
A.3 Financial liabilities hedged (fair value)	569,533	435,996
A.4 Cash flow hedge derivatives	7	10
A.5 Assets and liabilities in foreign currencies	—	—
Total hedging income (A)	1,058,190	557,807
B. Expense related to:		
B.1 Fair value hedge derivatives	(598,873)	(339,062)
B.2 Financial assets hedged (fair value)	(24,564)	(8,383)
B.3 Financial liabilities hedged (fair value)	(427,803)	(211,236)
B.4 Cash flow hedge derivatives	—	11
B.5 Assets and liabilities in foreign currencies	—	—
Total hedging expense (B)	(1,051,240)	(558,670)
Net hedging income (A–B)	6,950	(863)



## Section 6

### Heading 100: Gains (losses) on disposals/repurchases

#### 6.1 Gains (losses) on disposals/repurchases: composition

	12 mths to 30/6/08			12 mths to 30/6/07		
	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
Financial assets						
1. Due from banks	—	—	—	—	—	—
2. Due from customers	555	—	555	—	—	—
3. AFS securities	200,900	(28,306)	172,594	177,785	(2,392)	175,393
3.1 Debt securities	732	(2,450)	(1,718)	3,901	(2,147)	1,754
3.2 Equities	200,168	(25,856)	174,312	173,884	(245)	173,639
3.3 OICR units	—	—	—	—	—	—
3.4 Loans and advances	—	—	—	—	—	—
4. Financial assets held to maturity	26	(193)	(167)	—	(72)	(72)
Total assets	201,481	(28,499)	172,982	177,785	(2,464)	175,321
Financial liabilities						
1. Due to banks	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—
3. Debt securities in issue	23,350	(66)	23,284	8,055	(7,325)	730
Total liabilities	23,350	(66)	23,284	8,055	(7,325)	730

## Section 8

### Heading 130: Adjustments for impairment

#### 8.1 Adjustments for impairment: composition

	Value adjustments			Amounts recovered				12 mths to 30/6/08	12 mths to 30/6/07
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Due from banks	—	—	—	—	—	—	1,600	1,600	—
B. Due from customers	(56,233)	(21,758)	(135,482)	372	6,439	1	2,409	(204,252)	(165,243)
C. Total	(56,233)	(21,758)	(135,482)	372	6,439	1	4,009	(202,652)	(165,243)

Legend

A = interest

B = other amounts recovered

#### 8.2 Net value adjustments for impairment to AFS securities: composition

	Value adjustments		Amounts recovered		12 mths to 30/6/08	12 mths to 30/6/07
	Specific		Specific			
	Writeoffs	Others	A	B		
A. Debt securities	—	—	—	—	—	—
B. Equities	—	(7,503)	—	—	(7,503)	(4,169)
C. OICR units	—	—	—	—	—	—
D. Loans and advances to banks	—	—	—	—	—	—
E. Loans and advances to customers	—	—	—	—	—	—
F. Total	—	(7,503)	—	—	(7,503)	(4,169)

Legend

A = interest

B = other amounts recovered

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

	Value adjustments			Amounts recovered				12 mths to 30/6/08	12 mths to 30/6/07
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Debt securities	—	(281)	—	342	339	—	—	400	301
B. Loans and advances to banks	—	—	—	—	—	—	—	—	—
C. Loans and advances to customers	—	—	—	—	—	—	—	—	—
D. Total	—	(281)	—	342	339	—	—	400	301

Legend

A = interest

B = other amounts recovered

## Section 11

### Heading 180: Administrative expenses

#### 11.1 Personnel costs: composition

	12 mths to 30/6/08		12 mths to 30/6/07	
	Banking Group	Other companies	Banking Group	Other companies
1. Employees	(262,555)	(3,529)	(215,354)	(3,695)
a) wages and salaries	(184,727)	(2,517)	(151,730)	(2,599)
b) social security contributions	(44,941)	(743)	(38,768)	(732)
c) severance indemnities	—	—	—	—
d) pension contributions	—	—	—	—
e) transfers to severance indemnity provisions	(10,723)	(229)	(6,069)	(275)
f) transfers to post-employment and similar benefits provisions:	—	—	—	—
– defined contribution	—	—	—	—
– defined benefit	—	—	—	—
g) amounts paid to external complementary pension schemes:	(9,673)	—	(9,234)	(16)
– defined contribution	—	—	—	—
– defined benefit	(9,673)	—	(9,234)	(16)
h) expenses incurred in connection with share payment schemes	(9,433)	(40)	(9,071)	(40)
i) other staff benefits	(3,058)	—	(482)	(33)
2. Other staff	(3,731)	(587)	(2,793)	(310)
3. Board members	(9,715)	(40)	(14,190)	(16)
Total	(276,001)	(4,156)	(232,337)	(4,021)

## 11.2 Average number of staff by category

	12 mths to 30/6/08		12 mths to 30/6/07	
	Banking Group <sup>1</sup>	Other companies	Banking Group	Other companies
Employees:				
a) Senior executives	171	2	114	2
b) Executives	876	12	679	12
<i>of which grade 3 and 4</i>	<i>418</i>	<i>7</i>	<i>351</i>	<i>7</i>
c) Other employees	1,757	33	898	34
Other staff	133	19	89	11
Total	2,937	66	1,780	59

<sup>1</sup>Of which 835 relating to Linea group.

## 11.5 Other administrative expenses: composition

	12 mths to 30/6/08		12 mths to 30/6/07	
	Banking Group	Other companies	Banking Group	Other companies
<b>OTHER ADMINISTRATIVE EXPENSES</b>				
– outside consultants' fees	(45,281)	(84)	(24,449)	(78)
– legal fees due in respect of credit recovery	(22,696)	—	(18,881)	—
– share and bond servicing	(3,657)	—	(2,496)	—
– sundry insurances	(1,453)	—	(1,376)	—
– advertising	(35,494)	—	(16,766)	(14)
– rent and maintenance	(25,636)	(182)	(17,225)	(142)
– EDP costs and financial information subscriptions	(40,104)	(48)	(35,893)	(58)
– publications, stationery and utilities	(17,851)	(456)	(15,531)	(392)
– travel and entertainment	(10,008)	(107)	(7,019)	(86)
– other staff-related expenses	(11,500)	(147)	(7,833)	(131)
– bank charges	(14,252)	(3)	(15,509)	(3)
– transport costs	(2,952)	(20)	(2,253)	(21)
– outsourced activities	(7,111)	(9)	(6,422)	(6)
– assets expensed	(303)	—	(410)	(2)
– substitutive and registration taxes and franking of reserves	(672)	—	(2,857)	—
– substitutive and various other taxes	(22,798)	(8)	(19,757)	(11)
– other expenses	(5,645)	(301)	(4,417)	(259)
Total, other administrative expenses	(267,413)	(1,365)	(199,094)	(1,203)

## Section 12

### Heading 190: Net transfers to provisions

#### 12.1 Net transfers to provisions: composition

	12 mths to 30/6/08	12 mths to 30/6/07
TRANSFERS MADE TO COVER:		
– litigation	—	—
– advertising expenses	—	—
– certain or probable exposures or commitments <sup>1</sup>	(27,474)	(6,438)
Total net transfers to provisions	(27,474)	(6,438)

<sup>1</sup> Includes the effect of discounting such items.

## Section 13

### Heading 200: Net adjustments to tangible assets

#### 13.1 Net adjustments to tangible assets: composition

	Depreciation	Value adjustments for impairment	Amounts recovered	Net result
A. Tangible assets				
A.1 Owned	(10,608)	—	—	(10,608)
– core <sup>1</sup>	(10,186)	—	—	(10,186)
– for investment purposes	(422)	—	—	(422)
A.2 Acquired under finance				
leases	(205)	—	—	(205)
– core	(205)	—	—	(205)
– for investment purposes	—	—	—	—
Total	(10,813)	—	—	(10,813)

<sup>1</sup> Of which €50,000 relating to other companies not forming part of the Banking Group.

## Section 14

### Heading 210: Net adjustments to intangible assets

#### 14.1 Net adjustments to intangible assets

	Amortization	Value adjustments for impairment	Amounts recovered	Net result
A. Intangible assets				
A.1 Owned	(6,072)	—	—	(6,072)
– software <sup>1</sup>	(6,072)	—	—	(6,072)
– other	—	—	—	—
A.2 Goodwill	—	—	—	—
Total	(6,072)	—	—	(6,072)

<sup>1</sup> Of which €7,000 relating to other companies not forming part of the Banking Group.

## Section 15

### Heading 220: Other operating income (expense)

#### 15.1 Other operating income (expense): composition

	12 mths to 30/6/08	12 mths to 30/6/07
a) Leasing activity	6,639	5,129
b) Amounts recovered from customers <sup>1</sup>	26,705	26,701
c) Other Income <sup>2</sup>	44,675	36,767
d) Other expenses <sup>3</sup>	(3,262)	(7,781)
Total	74,757	60,816

<sup>1</sup> Of which €12,000 (30/6/07: €13,000) relating to other companies not forming part of the Banking Group.

<sup>2</sup> Of which €130,000 (30/6/07: €8,000) relating to other companies not forming part of the Banking Group.

<sup>3</sup> Includes costs of €2,990,000 (30/6/07: €7,808,000) in connection with stock option schemes operated by Banca Esperia.

## Section 16

### Heading 240: Gains (losses) on equity investments

#### 16.1 Gains (losses) on equity investments: composition

	12 mths to 30/6/08	12 mths to 30/6/07
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	500,226	419,439
1. Revaluations	—	—
2. Gains on disposals	—	—
3. Amounts recovered	—	—
4. Other increases	500,225	419,439
B. Expenses	(22,428)	(553)
1. Writedowns	—	—
2. Adjustments for impairment	—	—
3. Losses from disposals	—	—
4. Other reductions	(22,428)	(553)
Net income	477,798	418,886
Total	477,798	418,886

## Section 19

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

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

	12 mths to 30/6/08	12 mths to 30/6/07
A. Properties	—	—
– gains on disposals	—	—
– losses on disposals	—	—
B. Other assets	(25)	(75)
– gains on disposals	62	3
– losses on disposals	(87)	(78)
Net gain (loss)	(25)	(75)

## Section 20

### Heading 290: Income tax on ordinary activities

#### 20.1 Income tax on ordinary activities: composition

	12 mths to 30/6/08	12 mths to 30/6/07
1. Current taxes	(265,759)	(174,769)
2. Changes in current taxes for previous financial years	(1,964)	—
3. Reductions in current tax for the period	—	—
4. Changes in advance tax	19,543	(4,865)
5. Changes in deferred tax	144,309	(34,418)
Income tax for the year	(103,871)	(214,052)



## 20.2 Reconciliation between theoretical and effective tax burden

	12 mths to 30/6/08	12 mths to 30/6/07
Profit before tax	1,128,181	1,180,143
Theoretical tax rate applicable	33%	33%
Theoretical taxes	(372,300)	(389,447)
Dividends	15,104	30,802
Gains on disposals of equity investments (PEX)	33,423	26,758
Gains on equity-accounted investments	166,672	120,387
Different tax rates (non-Italian companies)	18,713	15,499
Tax spearing credit	11,288	9,366
Effect of Italian Law 244/07	46,322	—
Other changes	7,771	8,347
<b>TOTAL ITALIAN CORPORATE INCOME TAX (IRES)</b>	<b>(88,549)</b>	<b>(178,288)</b>
ITALIAN REGIONAL PRODUCTION TAX (IRAP)	(45,096)	(35,764)
Effect of Italian Law 244/07	29,775	—
<b>TOTAL HEADING 290</b>	<b>(103,871)</b>	<b>(214,052)</b>

## Section 22

### Heading 330: Net profit (loss) attributable to minorities

#### 22.1 Breakdown of profit for the year attributable to minorities

	12 mths to 30/6/08	12 mths to 30/6/07
Palladio Leasing S.p.A.	3,885	3,966
SelmaBipiemme Leasing S.p.A.	3,266	4,465
Teleleasing S.p.A.	4,747	6,307
Other companies	(504)	(40)
Adjustments on consolidation	(1,916)	(1,855)
<b>Total</b>	<b>9,478</b>	<b>12,843</b>

## Section 24

### Earnings per share

#### 24.1 Average number of ordinary shares on a diluted basis

	12 mths to 30/6/08	12 mths to 30/6/07
Net profit	1,014,248	953,248
Avg. no. of shares in issue	812,304,621	816,514,035
Avg. no. of potentially diluted shares	5,850,794	16,071,380
Avg. no. of diluted shares	818,155,415	832,585,415
Earnings per share	1.25	1.17
Earnings per share, diluted	1.24	1.14

## PART D - SEGMENT REPORTING

### A. PRIMARY SEGMENT REPORTING

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

	Wholesale banking	Retail financial services	Private banking	Equity investment portfolio	Group
<i>Profit-and-loss figures</i>	€m	€m	€m	€m	€m
Net interest income .....	258.8	453.4	33.2	—	745.4
Dividends and similar income .....	43.5	—	—	—	43.5
Net trading income .....	57.5	(0.3)	13.6	—	70.8
Net fee and commission income .....	285.5	65.5	46.9	—	397.9
Share in profits earned by equity-accounted companies .....	(13.0)	—	8.5	482.3	477.8
<b>TOTAL INCOME</b> .....	<b>632.3</b>	<b>518.6</b>	<b>102.2</b>	<b>482.3</b>	<b>1,735.4</b>
<b>OPERATING COSTS</b> .....	<b>(259.1)</b>	<b>(236.6)</b>	<b>(46.8)</b>	—	<b>(542.5)</b>
<b>PROFIT FROM ORDINARY ACTIVITIES</b> .....	<b>373.2</b>	<b>282.0</b>	<b>55.4</b>	<b>482.3</b>	<b>1,192.9</b>
Gain (loss) on disposal of AFS securities .....	171.8	—	0.8	—	172.6
Bad debt writeoffs .....	(22.8)	(179.1)	(0.4)	—	(202.3)
Others .....	(7.6)	(20.0)	(2.7)	—	(30.3)
<b>PROFIT BEFORE TAX</b> .....	<b>514.6</b>	<b>82.9</b>	<b>53.1</b>	<b>482.3</b>	<b>1,132.9</b>
Income tax for the period .....	(78.3)	(58.4)	(0.4)	28.5	(108.6)
Minority interest .....	0.5	(10.0)	—	—	(9.5)
<b>NET PROFIT</b> .....	<b>436.8</b>	<b>14.5</b>	<b>52.7</b>	<b>510.8</b>	<b>1,014.8</b>

Business divisions comprise:

- *wholesale banking*: Mediobanca, Mediobanca International, Prominvestment, Seteci, R&S, Technostart, Consortium, MB Securities USA and Sade Finanziaria Intersomer
- *retail financial services*: Compass, CheBanca! (formerly Micos Banca), Cofactor and Creditech (consumer credit), SelmaBipiemme Leasing, Palladio Leasing and Teleleasing (leasing), and, for the balance-sheet aggregates only, Linea, Futuro, Equilon and Ducati Financial Services.
- *private banking*: Compagnie Monégasque de Banque, Spafid, Prudentia Fiduciaria, plus pro-rata share in profit earned by Banca Esperia (equity-accounted);
- *equity investment portfolio*: shareholdings owned by the Group in Assicurazioni Generali and RCS MediaGroup.

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

	Wholesale banking	Retail financial services	Private banking	Equity investment portfolio	Group
<i>Balance-sheet data</i>	€m	€m	€m	€m	€m
Treasury funds .....	8,727.3	438.0	1,081.8	—	10,247.1
AFS securities .....	2,846.7	0.2	931.8	—	3,778.7
<i>of which: equities</i> .....	1,566.0	0.2	22.1	—	1,588.3
Financial assets held to maturity .....	578.1	—	—	—	578.1
Equity investments .....	672.2	0.3	56.0	2,117.2	2,845.7
Loans and advances to customers .....	17,985.8	15,849.6	755.4	—	34,590.8
Funding .....	(26,637.1)	(16,515.8)	(2,400.6)	—	(45,553.5)

## B. SECONDARY SEGMENT REPORTING

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

	Italy	Europe <sup>1</sup>	Group
<i>Profit-and-loss figures</i>	€m	€m	€m
Net interest income .....	700.6	44.8	745.4
Dividends and similar income .....	43.5	—	43.5
Net trading income .....	57.2	13.6	70.8
Net fee and commission income .....	322.0	75.9	397.9
Share in profits earned by equity-accounted companies ...	477.8	—	477.8
<b>TOTAL INCOME</b> .....	<b>1,601.1</b>	<b>134.3</b>	<b>1,735.4</b>
<b>OPERATING COSTS</b> .....	<b>(467.7)</b>	<b>(74.8)</b>	<b>(542.5)</b>
<b>PROFIT FROM ORDINARY ACTIVITIES</b> .....	<b>1,133.4</b>	<b>59.5</b>	<b>1,192.9</b>
Gain (loss) on disposal of AFS securities .....	171.8	0.8	172.6
Gain (loss) on disposal of other securities .....	(201.9)	(0.4)	(202.3)
Bad debt writeoffs .....	(27.8)	(2.6)	(30.3)
<b>PROFIT BEFORE TAX</b> .....	<b>1,075.6</b>	<b>57.3</b>	<b>1,132.9</b>
Income tax for the period .....	(102.0)	(6.6)	(108.6)
Minority interest .....	(9.5)	—	(9.5)
<b>NET PROFIT</b> .....	<b>964.1</b>	<b>50.7</b>	<b>1,014.8</b>

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

	Italy	Europe <sup>1</sup>	Group
<i>Balance-sheet data</i>	€m	€m	€m
Treasury funds .....	9,053.3	1,193.8	10,247.1
AFS securities .....	2,772.4	1,006.3	3,778.7
Equity investments .....	2,845.7	—	2,845.7
Loans and advances to customers .....	30,494.1	4,096.7	34,590.8
Funding .....	(41,224.2)	(4,329.3)	(45,553.5)

<sup>1</sup> This head includes Mediobanca International, Luxembourg and Compagnie Monégasque de Banque, Principality of Monaco, plus Mediobanca S.p.A.'s branch offices outside Italy (Paris, Frankfurt, Madrid and London).

## **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 an advanced internal ratings-based (IRB) method.

A specific project has therefore been launched with a view to obtaining ratification by the Supervisory Committee of the internal models for calculating risk parameters (probability of default (“PD”), loss-given default (“LGD”), and exposure at default (“EAD”)) to be used in calculating the capital requirements for credit risk starting from the 2010/11 financial year. The Group has used standardized methodology since 1 January 2008 and will continue to do so until ratification is obtained.

The internal models for estimating the PD, LDG and EAD risk parameters are now at an advanced stage of development for the following customer segments: Banks, Large corporate, Specialized lending (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). In addition, a plan is being implemented to comply with the experience requirement for the models to be ratified, which will also involve the existing procedures for approving, monitoring and renewing loans (described in Section 1 hereunder) being gradually revised to incorporate the risk parameters calculated via the internal models that have been developed.

### ***Corporate banking (Mediobanca)***

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 Management Board, 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 head of the operating unit and the Bank'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, applications for assets worth less than €50,000 are approved using a credit scoring system developed on the basis of historical series of data, tailored to both asset type and the individual applicant's sector of operation.

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 or potential problem accounts 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 doubtful 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 company's 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 four overdue instalments 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. After nine overdue instalments such accounts are sold to Cofactor for a fraction of the value of the principal outstanding, which reflects their estimated realizable value.

### ***Mortgage lending (Che Banca!)***

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.

All mortgage loans with four or more unpaid instalments are designated as potential problem accounts, and following the sixth unpaid instalment become non-performing and are handed over to the company's lawyers accordingly. Credit recovery is largely managed through property enforcement procedures.

## 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)

	Non-performing	Potential problem	Restructured	Overdue	Country risk	Other assets	Total
1. Financial assets held for trading	—	—	—	—	—	11,774,390	11,774,390
2. AFS securities	—	—	—	—	—	3,778,727	3,778,727
3. Financial assets held to maturity	—	—	—	—	—	578,145	578,145
4. Due from banks	127	—	—	—	10,472	7,036,970	7,047,569
5. Due from customers	121,823	41,369	2,759	76,548	—	35,562,638	35,805,137
6. Financial assets recognized at fair value	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	—	1,234,269	1,234,269
Total at 30/6/08	121,950	41,369	2,759	76,548	10,472	59,965,139	60,218,237
Total at 30/6/07	80,951	22,491	4,428	7,978	16,816	54,078,654	54,211,318

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

	Impaired assets				Other assets			Total
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	—	—	—	11,774,390	11,774,390
2. AFS securities	—	—	—	—	3,778,727	—	3,778,727	3,778,727
3. Financial assets held to maturity	—	—	—	—	582,671	(4,526)	578,145	578,145
4. Due from banks	127	—	—	127	7,050,699	(3,257)	7,047,442	7,047,569
5. Due from customers	725,258	(77,818)	(404,941)	242,499	35,769,687	(207,049)	35,562,638	35,805,137
6. Financial assets recognized at fair value	—	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	—	—	1,234,269	1,234,269
Total at 30/6/08	725,385	(77,818)	(404,941)	242,626	47,181,784	(214,832)	59,975,611	60,218,237
Total at 30/6/07	266,113	(66,164)	(84,101)	115,848	40,627,345	(114,824)	54,095,470	54,211,318

*A.1.3 Cash and off-balance-sheet exposures: gross/net values*

	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
<b>A. CASH EXPOSURES</b>				
a) Non-performing	127	—	—	127
b) Potential problem	—	—	—	—
c) Restructured	—	—	—	—
d) Overdue	—	—	—	—
e) Country risk	13,097	—	(2,625)	10,472
f) Other assets	11,248,377	—	(632)	11,247,745
Total A	11,261,601	—	(3,257)	11,258,344
<b>B. OFF-BALANCE-SHEET EXPOSURES</b>				
a) Impaired	—	—	—	—
b) Other assets	12,336,274	—	—	12,336,274
Total B	12,336,274	—	—	12,336,274



*A.1.4 Cash exposures to banks: trends in gross impaired positions and accounts subject to country risk*

	Non-performing	Potential problem	Restructured	Overdue	Country risk
A. Gross exposure at start of period <i>of which: accounts sold but not derecognized</i>	127 —	— —	— —	— —	2,992 —
B. Additions	—	—	—	—	10,105
B.1 transfers from performing loans	—	—	—	—	—
B.2 transfers from other categories of impaired assets	—	—	—	—	—
B.3 other additions	—	—	—	—	10,105
C. Reductions	—	—	—	—	—
C.1 transfers to performing loans	—	—	—	—	—
C.2 amounts written off	—	—	—	—	—
C.3 amounts collected	—	—	—	—	—
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 <i>of which: accounts sold but not derecognized</i>	127 —	— —	— —	— —	13,097 —

*A.1.5 Cash exposures to banks: trends in value adjustments*

	Non-performing	Potential problem	Restructured	Overdue	Country risk
A. Gross exposure at start of period <i>of which: accounts sold but not derecognized</i>	— —	— —	— —	— —	(2,992) —
B. Additions	—	—	—	—	—
B.1 value adjustments	—	—	—	—	—
B.2 transfers from other categories of impaired assets	—	—	—	—	—
B.3 other additions	—	—	—	—	—
C. Reductions	—	—	—	—	(367)
C.1 writebacks based on valuations	—	—	—	—	—
C.2 writebacks due to amounts collected	—	—	—	—	—
C.3 amounts written off	—	—	—	—	—
C.4 transfers to other categories of impaired assets	—	—	—	—	—
C.5 other reductions	—	—	—	—	(367)
D. Gross exposure at end of period <i>of which: accounts sold but not derecognized</i>	— —	— —	— —	— —	(2,625) —

A.1.6 Cash and off-balance-sheet exposures to customers: gross/net values

	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
<b>A. CASH EXPOSURES</b>				
a) Non-performing	493,522	(63,653)	(308,046)	121,823
b) Potential problem	109,904	(6,039)	(62,496)	41,369
c) Restructured	5,360	(2,554)	(47)	2,759
d) Overdue	116,474	(5,572)	(34,354)	76,548
e) Country risk	—	—	—	—
f) Other assets	45,085,699	—	(211,575)	44,874,124
<b>Total A</b>	<b>45,810,959</b>	<b>(77,818)</b>	<b>(616,518)</b>	<b>45,116,623</b>
<b>B. OFF-BALANCE-SHEET EXPOSURES</b>				
a) Impaired	—	—	—	—
b) Other assets	18,314,148	—	—	18,314,148
<b>Total B</b>	<b>18,314,148</b>	<b>—</b>	<b>—</b>	<b>18,314,148</b>

A.1.7 Cash exposures to customers: trends in gross impaired positions/accounts subject to country risk

	Non-performing	Potential problem	Restructured	Overdue	Country risk
<b>A. Gross exposure at start of period</b>	163,687	69,915	5,362	27,022	17,021
<i>of which: accounts sold but not derecognized</i>	26,273	2,854	54	1,420	—
<b>B. Additions</b>	67,630	108,567	5,174	95,265	—
B.1 transfers from performing loans	17,661	85,029	1,927	86,364	—
B.2 transfers from other categories of impaired assets	17,970	18,719	388	—	—
B.3 other additions	31,999	4,819	2,859	8,901	—
<b>C. Reductions</b>	(77,639)	(68,578)	(5,176)	(47,230)	(17,021)
C.1 transfers to performing loans	(323)	(2,809)	(140)	(14,183)	—
C.2 amounts written off	(20,027)	(33,124)	(119)	(16,438)	—
C.3 amounts collected	(34,852)	(5,464)	(212)	(233)	(17,021)
C.4 gains realized on disposals	(2,934)	(3,826)	—	(2,059)	—
C.5 transfers to other categories of impaired assets	(8,393)	(16,402)	(3,500)	(8,792)	—
C.6 other reductions	(11,110)	(6,953)	(1,205)	(5,525)	—
<b>D. Linea group contribution</b>	339,844	—	—	41,417	—
<b>E. Gross exposure at end of period</b>	493,522	109,904	5,360	116,474	—
<i>of which: accounts sold but not derecognized</i>	2,713	1,013	48	1,507	—

*A.1.8 Cash exposures to customers: trends in value adjustments*

	Non-performing	Potential problem	Restructured	Overdue	Country risk
A. Adjustments at start of period	(82,863)	(47,424)	(934)	(19,044)	(205)
<i>of which: accounts sold but not derecognized</i>	<i>(23,219)</i>	<i>(2,406)</i>	<i>(33)</i>	<i>(380)</i>	<i>—</i>
B. Additions	(34,333)	(58,819)	(2,113)	(22,776)	—
B.1 value adjustments	(31,488)	(37,647)	(1,898)	(21,069)	—
B.2 transfers from other categories of impaired assets	(1,976)	(20,840)	(110)	—	—
B.3 other additions	(869)	(332)	(105)	(1,707)	—
C. Reductions	46,342	37,708	446	19,649	205
C.1 writebacks based on valuations	1,133	101	90	143	—
C.2 writebacks due to amounts collected	2,295	925	43	347	—
C.3 amounts written off	19,862	33,125	38	16,463	—
C.4 transfers to other categories of impaired assets	20,114	1,756	120	937	—
C.5 other reductions	2,938	1,801	155	1,759	205
D. Linea group contribution	(300,845)	—	—	(17,755)	—
E. Adjustments at end of period	(371,699)	(68,535)	(2,601)	(39,926)	—
<i>of which: accounts sold but not derecognized</i>	<i>(2,703)</i>	<i>(661)</i>	<i>(12)</i>	<i>(591)</i>	<i>—</i>

*A.2 Exposures by internal and external ratings*

*A.2.1 Cash and off-balance-sheet exposures by external rating category*

	External rating category		Unrated
	Investment grade	Speculative grade	
A. Cash exposures	45.8%	10.6%	43.6%
B. Other exposures	64.5%	12.4%	23.1%

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				
					Governments	Other public agencies	Banks	Others	Governments	Other public agencies	Banks	Others	
1. Secured exposures to banks:													
1.1 completely secured	419,055	—	—	—	—	—	—	—	—	367,809	504	234,101	602,414
1.2 partly secured	96,318	—	—	—	—	—	—	—	—	—	—	91,425	91,425
2. Secured exposures to customers:													
2.1 completely secured	9,772,769	4,075,443	1,710,113	16,580	—	—	—	—	128,000	100,000	196	2,972,294	9,002,626
2.2 partly secured	2,506,509	5,622	212,419	6,613	—	—	—	—	—	9	77,345	1,036,924	1,338,932

A.3.2 Secured off-balance-sheet exposures to banks and customers

	Amount	Real guarantees (1)			Personal guarantees (2)								Total (1+2)
		Properties	Securities	Other assets	Credit derivatives				Endorsements				
					Governments	Other public agencies	Banks	Others	Governments	Other public agencies	Banks	Others	
1. Secured exposures to banks:													
1.1 completely secured	—	—	—	—	—	—	—	—	—	—	—	—	—
1.2 partly secured	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Secured exposures to customers:													
2.1 completely secured	269,407	269,407	—	—	—	—	—	—	—	—	—	—	269,407
2.2 partly secured	—	—	—	—	—	—	—	—	—	—	—	—	—

## A.3.3 Secured impaired cash exposures to banks and customers

	Value of exposure	Amount secured	Guarantees (fair value)																Total (1) + (2)	Amount exceeding fair value and security					
			Real guarantees (1)			Personal guarantees (2)																			
						Credit derivatives						Endorsements													
			Properties	Securities	Other assets	Governments and central banks	Other public agencies	Banks	Financial companies	Insurers	Non-financial undertakings	Other entities	Governments and central banks	Other public agencies	Banks	Financial companies	Insurers	Non-financial undertakings			Other entities				
1. Exposures to banks secured:																									
1.1 over 150%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1.2 between 100% and 150%	127	127	—	—	—	—	—	—	—	—	—	—	—	—	—	127	—	—	—	—	—	—	—	127	—
1.3 between 50% and 100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1.4 up to 50%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Exposures to customers secured:																									
2.1 over 150%	13,212	13,212	20,179	16	—	—	—	—	—	—	—	—	—	—	—	72	—	1,412	3,474	25,153	—	—	—	—	—
2.2 between 100% and 150%	24,729	24,729	52,463	90	—	—	—	—	—	—	—	—	—	—	29	58	—	53	1,173	53,866	—	—	—	—	—
2.3 between 50% and 100%	22,840	22,840	4,864	31	—	—	—	—	—	—	—	—	—	—	—	28	—	721	19,957	25,601	—	—	—	—	—
2.4 up to 50%	8,013	2,099	758	—	—	—	—	—	—	—	—	—	—	—	667	1,034	—	23	154	2,636	—	—	—	—	—

### B.1 Cash and off-balance-sheet exposure to customers by sector

	Governments and Central Banks	Other Public agencies	Financial companies	Insurances	Non-financial undertakings	Other entities
A. Cash exposures						
A.1 Non-performing						
Gross exposure	—	—	21	—	17,923	475,597
Value adjustments to gross exposure	—	—	(4)	—	(12,562)	(51,106)
Value adjustments to portfolio	—	—	—	—	—	(308,046)
Net exposure	—	—	17	—	5,361	116,445
A.2 Potential problem						
Gross exposure	—	70	—	—	21,606	88,229
Value adjustments to gross exposure	—	(2)	—	—	(4,504)	(1,534)
Value adjustments to portfolio	—	—	—	—	(795)	(61,701)
Net exposure	—	68	—	—	16,307	24,994
A.3 Restructured						
Gross exposure	—	—	—	—	4,633	726
Value adjustments to gross exposure	—	—	—	—	(2,528)	(25)
Value adjustments to portfolio	—	—	—	—	—	(47)
Net exposure	—	—	—	—	2,105	654
A.4 Overdue						
Gross exposure	—	—	—	—	51,097	65,355
Value adjustments to gross exposure	—	—	—	—	(3,545)	(2,006)
Value adjustments to portfolio	—	—	—	—	(80)	(34,273)
Net exposure	—	—	—	—	47,472	29,076
A.5 Other exposures						
Gross exposure	4,828,723	300,224	7,555,815	2,209,960	17,440,000	12,750,989
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	(4,580)	(1,605)	(16,055)	(1,406)	(65,902)	(122,039)
Net exposure	4,824,143	298,619	7,539,760	2,208,554	17,374,098	12,628,950
Total A						
Gross exposure	4,828,723	300,294	7,555,836	2,209,960	17,535,259	13,380,896
Value adjustments to gross exposure	—	(2)	(4)	—	(23,139)	(54,671)
Value adjustments to portfolio	(4,580)	(1,605)	(16,055)	(1,406)	(66,777)	(526,106)
Net exposure	4,824,143	298,687	7,539,777	2,208,554	17,445,343	12,800,119
B. Off-balance sheet exposures						
B.4 Other exposures						
Gross exposure	—	—	5,768,565	719,360	10,140,414	1,685,809
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
Net exposure	—	—	5,768,565	719,360	10,140,414	1,685,809
Total 30/6/08:						
Gross exposure	4,828,723	300,294	13,324,401	2,929,320	27,675,673	15,066,705
Value adjustments to gross exposure	—	(2)	(4)	—	(23,139)	(54,671)
Value adjustments to portfolio	(4,580)	(1,605)	(16,055)	(1,406)	(66,777)	(526,106)
Net exposure	4,824,143	298,687	13,308,342	2,927,914	27,585,757	14,485,928
Total 30/6/07	6,489,688	1,250,156	15,611,955	2,057,017	27,701,504	8,441,790

*B.2 Distribution of loans to resident non-financial undertakings*

*1.1.3 Distribution of loans to resident non-financial undertakings and productive households*

	30/6/08	30/6/07
a) Other sales services	6,266,327	5,850,013
b) Energy products	2,084,338	1,516,049
c) Paper and publishing	974,710	470,600
d) Transport-related services	874,713	631,957
e) Entertainment and cultural services	795,469	729,827
f) Other groups of economic activity	2,776,826	2,848,432
Total	13,772,383	12,046,878

*B.3 Cash and off-balance-sheet exposures to customers by geography (book value)*

	Italy		Other European countries		United States		Asia		Rest of world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Cash exposures										
A.1 Non-performing	491,164	120,989	2,358	834	—	—	—	—	—	—
A.2 Potential problem	109,791	41,288	113	81	—	—	—	—	—	—
A.3 Restructured	5,360	2,759	—	—	—	—	—	—	—	—
A.4 Overdue	116,474	76,548	—	—	—	—	—	—	—	—
A.5 Other exposures	32,379,678	32,198,461	11,760,438	11,731,374	911,867	910,602	19,152	19,125	14,564	14,562
Total A	33,102,467	32,440,045	11,762,909	11,732,289	911,867	910,602	19,152	19,125	14,564	14,562
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—	—
B.4 Other exposures	8,769,036	8,769,036	9,019,306	9,019,306	525,746	525,746	—	—	60	60
Total B	8,769,036	8,769,036	9,019,306	9,019,306	525,746	525,746	—	—	60	60
Total at 30/6/08	41,871,503	41,209,081	20,782,215	20,751,595	1,437,613	1,436,348	19,152	19,125	14,624	14,622
Total at 30/6/07	36,549,977	36,301,304	23,885,870	23,873,192	1,195,478	1,194,984	26,241	26,208	156,422	156,422



*B.4 Cash and off-balance-sheet exposures to banks by geography (book value)*

	Italy		Other European countries		United States		Asia		Rest of world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Cash exposures										
A.1 Non-performing	—	—	127	127	—	—	—	—	—	—
A.2 Potential problem	—	—	—	—	—	—	—	—	—	—
A.3 Restructured	—	—	—	—	—	—	—	—	—	—
A.4 Overdue	—	—	—	—	—	—	—	—	—	—
A.5 Other exposures	5,155,305	5,155,146	5,577,501	5,577,396	72,596	72,596	456,072	453,079	—	—
Total A	5,155,305	5,155,146	5,577,628	5,577,523	72,596	72,596	456,072	453,079	—	—
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—	—
B.4 Other exposures	2,176,640	2,176,640	8,994,080	8,994,080	41,551	41,551	1,024,003	1,024,003	100,000	100,000
Total B	2,176,640	2,176,640	8,994,080	8,994,080	41,551	41,551	1,024,003	1,024,003	100,000	100,000
Total at 30/6/08	7,331,945	7,331,786	14,571,708	14,571,603	114,147	114,147	1,480,075	1,477,082	100,000	100,000
Total at 30/6/07	14,833,412	14,833,323	16,260,073	16,260,003	20,404	20,404	485,522	482,470	1,398,174	1,398,174

### *B.5a Credit risk indicators*

	30/6/08	30/6/07
a) Gross NPLs/total loans	1.43%	0.61%
b) Irregular items/total loans	2.10%	0.99%
c) Net NPLs/regulatory capital	1.87%	1.0%

### *B.5b Large risks*

	30/6/08	30/6/07
a) Total weighted amount	10,810,306	15,504,092
b) No. of exposures	11	14
c) Large risks/regulatory capital	1.7	1.9

## **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.

As at 30 June 2008 loans of this nature amounted to €2,727m, or approx. 14.3% of the entire loan book, slightly under half of which in relation to domestic transactions with the remainder for deals within the confines of the Eurozone.

## **C. Securitizations and asset disposals**

### *C.1 Securitizations*

#### **Qualitative information**

The Group makes limited use of securitizations, and such use as it does make regards only performing accounts in the leasing portfolio (through vehicle company Quarzo Lease) and the consumer credit loan book (through Quarzo). Acquisition of Linea has also led to the special purpose vehicle company Jump being consolidated, used for two securitizations of performing loans. In July 2008 Compass sold Quarzo €1.25bn in performing loans as part of a new securitization aimed at broadening the Group's sources of funding.

In addition to its traditional activity as sponsor and lead manager, Mediobanca S.p.A. also invests in securities originating from securitizations by

other issuers. As at the reporting date these totalled €606.9m (30/6/07: €845.3m). The main movements during the period involved repayment of the San Giorgio-Alleanza Assicurazioni deal (€372.6m), and subscribing for securities worth €154.6m under the terms of deals on which Mediobanca was acting as manager.

Holdings in junior and mezzanine tranches involve the Group's own securitizations through Quarzo Lease and Jump, and also one securitization of state-owned properties (Scip2 B2), plus two exposures to leading leasing groups (Locat and Agrisecurities).

Mediobanca does not have on its books, and indeed never has had, any credit exposures backed by US sub-prime or Alt-A (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 30m entered into with MBIA (Municipal Bond Insurance Association), which was written down by approx. €3.4m at the reporting date. The recent market turbulence has affected the entire ABS bonds sector, leading to a sharp reduction in prices owing to the lack of underlying liquidity. Nonetheless, the credit quality of the securities owned by the Mediobanca Group has shown no signs of deterioration. Moreover, the majority of the securities (over 70%) may be used for financing transactions with the European Central Bank. Overall the portfolio was written down as to €25.2m at the reporting date, €20.9m of which was charged directly to profit and loss account. Valuation of the charges taken to the balance sheet have been 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).

Virtually the entire portfolio includes securities with domestic underlying assets, and is concentrated chiefly on three main sectors: mortgage lending (42.1%), state properties (22.9%), and leasing receivables (14%). The other deals involve securitizations of corporate receivables (Entasi - Capitalia), healthcare receivables for the Lazio region (Kimono) for which early redemption is imminent (ELM and Alpha Sires).

More than three-quarters of the portfolio has a rating which is consistent with securities of high credit standing attributed by at least one of the three leading credit rating agencies (Standard & Poor's, Moody's and Fitch). During the period under review no particular action was taken by any of the rating agencies, reflecting the solidity and the conservative nature of these transactions which have always been a part of the Italian domestic market.

The only positions which are either unrated or which have non-performing assets underlying them are in deals where Mediobanca played an active role in the securitization, e.g. as sponsor, manager, etc.

The main individual areas of activity underlying the securities held by the Group performed as follows during the twelve months under review:

- mortgage loans on property: the Italian market's performance remained stable, owing to the more conservative nature of the underlying mortgages and the domestic property market holding up well compared to other European countries, such as Spain and the United Kingdom; the economic downturn brought about a slight increase in the rates of delinquency and default, while recent legislative measures, such as the so-called Bersani liberalization decree and the convention between the Italian banks' association ABI and the Ministry for the Economy and Finance will probably increase the likelihood of early repayments of tranches;
- state-owned properties: this sector too was helped by the resilience of the Italian domestic property market, which, along with the low reputational risk associated with the Ministry for the Economy and Finance, have enabled the value of the underlying assets to remain virtually unchanged despite the widespread slowdown in programmes of disposals, which was offset in part by the step-up effect in cash flows from coupons;
- leasing receivables: this sector is the most exposed of all to the market turbulence; however, the property segment, which constitutes the Group's most significant exposure, has been protected by the resilience of the underlying values.

## Quantitative information

### C.1.1 Exposures deriving from securitizations by underlying asset

	Cash exposure <sup>1</sup>					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Using own underlying assets	70,518	70,518	—	—	51,872	51,872
a) Impaired	—	—	—	—	—	—
b) Other	70,518	70,518	—	—	51,872	51,872
B) Using customers' underlying assets	579,969	579,969	2,485	2,485	24,494	24,494
a) Impaired	154,980	154,980	—	—	—	—
b) Other	424,989	424,989	2,485	2,485	24,494	24,494
Total at 30/6/08	650,487	650,487	2,485	2,485	76,366	76,366

<sup>1</sup> No off-balance-sheet exposures.

### C.1.2 Exposures deriving from main proprietary securitizations by asset type/exposure

	Cash exposures <sup>1</sup>					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Fully derecognized	—	—	—	—	—	—
B) Partly derecognized	—	—	—	—	—	—
C) Not derecognized						
C.1 Quarzo Lease Srl 2015 Lease instalments	19,804	19,804	—	—	8,410	8,410
C.2 Quarzo Lease Srl 2034 Lease instalments	—	—	—	—	36,920	36,920
C.3 Jump1-2005 Consumer credit	41,127	41,127	—	—	5,742	5,742
C.4 Jump2-2006 Consumer credit	9,586	9,586	—	—	800	800
Total at 30/6/08	70,518	70,518	—	—	51,872	51,872

<sup>1</sup> No off-balance-sheet exposures.

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

	Cash exposures <sup>1</sup>					
	Senior		Mezzanine		Junior	
	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks
A. Mortgage loans on property						
A.1 Velah 4 A2 IT0004102007	26,616	(3,663)	—	—	—	—
A.2 Cordusio -33 A2 FRN IT0003844948	5,298	64	—	—	—	—
A.3 Cordusio 3 06-42 TV A2 IT0004144892	16,008	(1,008)	—	—	—	—
A.4 Intesa Sec 07-33 A1 IT0004180250	14,471	(99)	—	—	—	—
A.5 Intesa Sec 07-33 A2 IT0004180268	5,972	(78)	—	—	—	—
A.6 ISLAND REF-25 A FRN IT0004293558 (NPL)	69,949	296	—	—	—	—
A.7 Cassa 2001-1 A1 07-43 IT0004247687	26,395	(702)	—	—	—	—
A.8 Tower Fin. float Nov27 IT0004386683 (NPL)	34,641	(722)	—	—	—	—
A.9 Zeus F07-25 A FRN IT0004306186 (NPL)	50,389	(1,114)	—	—	—	—
A.10 Others	6,020	—	—	—	—	—
TOTAL Mortgage loans on property	255,759	(7,026)	—	—	—	—
B. State-owned properties						
B.1 Fip Fund-23 A2 FRN IT0003872774	101,025	(8,419)	—	—	—	—
B.2 SCIP 2 A5 26/4/25 IT0003837074	18,697	(354)	—	—	—	—
B.3 SCIP 2 B2 26/4/25 IT0003837082	—	—	—	—	19,400	(811)
TOTAL State-owned properties	119,722	(8,773)	—	—	19,400	(811)
C. Leasing receivables						
C.1 Agri 2006-1 A1 IT0004137409	13,568	(136)	—	—	—	—
C.3 Locat MTGE 04-24 FLT IT0003733083	17,432	(406)	—	—	—	—
C.4 Locat 12/12/2028 IT0004153661	19,925	(129)	—	—	—	—
C.5 SPLIT 2-18 A FRN IT0003763882	10,365	(238)	—	—	—	—
C.6 ITALFINANCE 07-26 TV IT0004197254	9,585	(489)	—	—	—	—
C.7 LOCAT 2 CLASS B FRN IT0003733091	—	—	—	—	5,094	62
C.7 Others	6,196	(176)	2,485	(529)	—	—
TOTAL Leasing receivables	77,071	(1,575)	2,485	(529)	5,094	62
D. Other credits						
D.1 Entasi Srl 17/01/2013 IT0003142996	40,099	(3,450)	—	—	—	—
D.2 Alpha Sires 18/12/2009 XS0140068189	33,391	(3,101)	—	—	—	—
D.3 ELM BB.V. FL XS0247902587	29,496	—	—	—	—	—
D.4 KIMONO-07/09 B1, B2, B3 FRN	23,507	(15)	—	—	—	—
D.5 Others	923	(9)	—	—	—	—
TOTAL Other credits	127,417	(6,575)	—	—	—	—
Total at 30/6/08	579,969	(23,949)	2,485	(529)	24,494	(749)
Total at 30/6/07	862,829	—	3,014	—	20,187	—

<sup>1</sup> No off-balance-sheet exposures.

*C.1.4 Exposures to securitizations by asset/portfolio type*

	Held for trading	Recognized at fair value	Available for sale	Held to maturity	Loans and advances	30/6/08	30/6/07
1. Cash exposures	535,153	—	164,689	29,496	—	729,338	907,740
- Senior	456,302	—	164,689	29,496	—	650,487	862,829
- Mezzanine	2,485	—	—	—	—	2,485	9,004
- Junior	76,366	—	—	—	—	76,366	35,907
2. Off-balance-sheet exposures	—	—	—	—	—	—	—
- Senior	—	—	—	—	—	—	—
- Mezzanine	—	—	—	—	—	—	—
- Junior	—	—	—	—	—	—	—
Total at 30/6/08	535,153	—	164,689	29,496	—	729,338	907,740

*C.1.5 Total amount of securitized assets underlying junior securities or other forms of financing*

	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	—	
1. Non-performing	—	X
2. Potential problem	—	X
3. Restructured	—	X
4. Overdue	—	X
5. Other assets	—	—
A.3 Not derecognized	1,503,249	—
1. Non-performing	153	—
2. Potential problem	351	—
3. Restructured	35	—
4. Overdue	2,404	—
5. Other assets	1,500,306	—
B. Customer underlying assets:	24,494	—
B.1 Non-performing	—	—
B.2 Potential problem	—	—
B.3 Restructured	—	—
B.4 Overdue	—	—
B.5 Other assets	24,494	—
Total 30/6/08	1,527,743	—

*C.1.6 Interests in vehicle companies*

Name	Registered office	Percentage shareholding
Quarzo S.r.l.	Milan	7%
Quarzo Lease S.r.l.	Milan	90%
Jump S.r.l.	Milan	n.n



*C.1.7 Servicing - collecting securitized receivables and redeeming securities issued by vehicle companies*

Servicer	Vehicle company	Securitized assets 30/6/08		Receivables collected during the year		Percentage share of securities repaid 30/6/08					
		Impaired	Performing	Impaired	Performing	Senior		Mezzanine		Junior	
						Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
Compass S.p.A.	Quarzo S.r.l.	—	—	9,336	28,743	—	100%	100%	100%	100%	100%
SelmaBipiemme S.p.A.	Quarzo Lease S.r.l.	980	149,640	1,330	84,691	—	79%	—	—	—	—
SelmaBipiemme S.p.A.	Quarzo Lease S.r.l.	333	375,754	120	120,774	—	—	—	—	—	—
Linea S.p.A.	Jump S.r.l.	1,631	920,923	3,746	270,440	—	—	—	—	—	—

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

This special purpose vehicle currently has two securitizations outstanding, both with SelmaBipiemme receivables as its underlying assets:

- the first, executed in 2003 and currently being repaid, offers the possibility of exercising a step-up call option on 25 April 2009; as at the reporting date class A (senior securities) worth a nominal amount of €460m had been repaid;
- the second deal, completed during the year under review (on 25 July 2007), involved the issue of 350 million senior securities subscribed for entirely by the European Investment Bank and 36.9 million junior securities subscribed for by Selma itself, against €386.9m in performing receivables; the securitization is revolving until July 2016; and at the reporting date a total of €121m in receivables was transferred.

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

**October 2002 transaction:**

Accounts collected on behalf of Quarzo Lease:	€ 86m
Servicing fees	€ 0.6m
Interest accruing on loan to Quarzo Lease	€ 2.5m
Interest accruing on junior notes – fixed amount	€ 0.4m
Interest accruing on junior notes – additional amount	€ 8.4m

**July 2007 transaction:**

Amounts collected on behalf of Quarzo Lease:	€ 121m
Servicing fees	€ 0.9m
Interest accruing on junior notes – fixed amount	€ 1.4m
Interest accruing on junior notes – additional amount	€ 10.7m

### Quarzo S.r.l. (Compass)

The step-up call option was exercised on 15 January 2008, completing repayment of this 2003 issue.

Since the reporting date Compass has sold Quarzo S.r.l. another 149,631 performing receivables for approx. €1,250m (equal to their nominal value). Quarzo has issued senior notes with a nominal value of €1,000m, and junior notes with a nominal value of €250m, subscribed for in their entirety by Compass. The rationale for the deal is to widen the Group's sources of funding, leveraging on the possibility of refinancing the senior debt with the European Central Bank.

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

Amounts collected on behalf of Quarzo:	€	41.4m
Servicing fees (net of VAT):	€	0.1m
Interest accruing on loan to Quarzo:	€	—
Interest accruing on class C notes:	€	0.2m

### Jump S.r.l. (Linea)

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

- on 18 April 2005 a total of 102,696 receivables were sold by Linea for €572.6m (equal to their nominal value), revolving until 18 April 2009; Jump issued 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;
- on 27 October 2006 Linea sold 61,751 receivables for €400m (equal to their nominal value), revolving until 27 October 2010, against which class A bonds worth €368.6m, class B bonds worth €30.6m and junior notes worth €0.8m were issued, subscribed for by Linea, and maturing on 27 April 2026.

Under the terms of the sale contract, 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:	€	282.1m
Servicing fee:	€	2.5m
Interest accruing on junior notes:	€	40.1m

## C.2 Asset disposals

### C.2.1 Financial assets sold but not derecognized

	Financial assets held for trading	AFS securities	Financial assets held to maturity	Due from banks	Due from customers	Total
	Financial assets sold and fully recognized (book value)					
A. Cash assets						
1. Debt securities	730,693	—	3,710	1,740,840	115,168	2,590,411
2. Equities	—	—	—	—	—	—
3. OICR units	—	—	—	—	—	—
4. Loans and advances	—	—	—	—	1,501,565	1,501,565
5. Impaired assets	—	—	—	—	1,631	1,631
B. Derivative products	—	—	—	—	—	—
Total at 30/6/08	730,693	—	3,710	1,740,840	1,618,364	4,093,607
Total at 30/6/07	3,130,072	60,968	204,647	760,064	587,330	4,743,081

### C.2.2 Financial liabilities in respect of financial assets sold but not derecognized

	Financial assets held for trading	AFS securities	Financial assets held to maturity	Due from banks	Due from customers	Total
1. Cash assets	535,495	—	2,996	—	1,618,364	2,156,855
a) in respect of fully recognized assets	535,495	—	2,996	—	1,618,364	2,156,855
b) in respect of partly recognized assets	—	—	—	—	—	—
2. Due to banks	195,198	—	714	1,740,840	—	1,936,752
a) in respect of fully recognized assets	195,198	—	714	1,740,840	—	1,936,752
b) in respect of partly recognized assets	—	—	—	—	—	—
Total at 30/6/08	730,693	—	3,710	1,740,840	1,618,364	4,093,607
Total at 30/6/07	3,130,072	60,968	204,647	760,064	587,330	4,743,081

## **1.2 MARKET RISK**

### **1.2.1 INTEREST RATE RISK - TRADING BOOK**

#### **QUALITATIVE INFORMATION**

Mediobanca uses a risk management system that monitors market risk on a daily basis. The system calculates value at risk (VaR)<sup>1</sup> for the Bank's entire asset structure, i.e. both trading and banking books. Such global measurement is made possible by concentrating all financial risks (i.e. share price fluctuations plus interest and exchange rate movements), including those relating to lending and funding activities, at the Bank's finance division. Interest rate risk covers risks deriving from movements in market curves and those linked to credit ratings of individual borrowers. VaR readings constitute the main information on which the operating limit structure adopted pursuant to resolutions approved by the Management Board is based.

VaR is based on expected volatility and the correlation between risk factors concerned, and determines possible negative movements that may be expected as a result of market movements within a single trading day based on a 99% confidence level. VaR is calculated using the Monte Carlo and historical simulation<sup>2</sup> as well as the parametric method. Historical simulation 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 on the main risk factors each week, to show the impact of historical crisis scenarios being repeated and of significant movements in the main market data on the Bank's risk positions.

#### **QUANTITATIVE INFORMATION**

The broadest measurement of VaR is applied to an aggregate including the equities and debt securities held as available for sale, hence any changes in their value impact only on the balance-sheet aggregates and do not affect profit and loss account. This measurement showed a clear rise during the year under review, chiefly due to the strong instability which hit equity markets and credit spreads. Average VaR for the period (cf. table 1 below) rose from just over €18m to nearly

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<sup>1</sup> VaR: maximum potential loss over a specified time horizon with a given confidence level.

<sup>2</sup> Determines portfolio value based on random and historical variations in risk factors.

€24m, driven by a similar movement in the share price component. In fact the highest increase in percentage terms was recorded by specific risk, due chiefly to a marked revision in the pricing of creditworthiness that has taken place in the past few months, and by exchange rates, due to more directional positions being taken.

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

Risk factors (€'000)	12 mths to 30/6/08				12 mths to 30/6/07
	30/6	Min.	Max.	Avg.	Avg.
Interest rates .....	4,947	2,617	10,822	5,769	4,242
- of which: specific risk .....	2,425	855	4,816	2,429	844
Share prices .....	16,057	12,349	51,038	24,004	18,198
Exchange rates .....	3,730	589	4,265	2,445	1,076
Diversification effect*.....	(3,635)	(3,635)	(14,804)	(8,231)	(5,421)
<b>TOTAL .....</b>	<b>21,100</b>	<b>11,452</b>	<b>49,523</b>	<b>23,987</b>	<b>18,095</b>
<b>Expected shortfall .....</b>	<b>21,823</b>	<b>17,912</b>	<b>49,884</b>	<b>30,044</b>	<b>26,001</b>

\* Due to mismatches between risk factors.

Limiting analysis of the data to the trading book alone (cf. table 2 below), which measures trends in the risk profile of the individual trading desks, the growth of over €2m in the financial year under review was the result of an explosion in volatility on all markets. The main contribution continues to be from interest rate curves, which were up from €4.3m to €6.3m, affected in particular by the specific risk component (including credit derivatives and corporate bonds) which jumped from €0.9m to €2.5m.

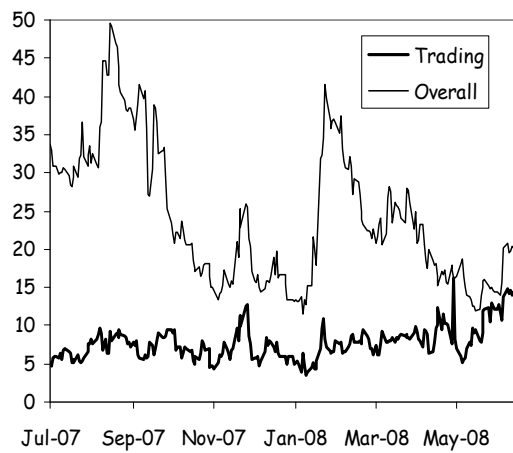
Table 2 - Value at risk and expected shortfall: trading book

Risk factors (€'000)	12 mths to 30/6/08				12 mths to 30/6/07
	30/6	Min.	Max.	Avg.	Avg.
Interest rates .....	5,993	2,684	12,783	6,347	4,364
- of which: specific risk .....	1,934	950	5,182	2,459	869
Share prices .....	1,861	1,821	17,593	4,092	2,864
Exchange rates .....	3,376	518	4,496	2,206	1,069
Diversification effect*.....	(2,464)	(2,165)	(10,938)	(4,761)	(2,546)
<b>TOTAL .....</b>	<b>8,766</b>	<b>3,588</b>	<b>16,206</b>	<b>7,885</b>	<b>5,751</b>
<b>Expected shortfall .....</b>	<b>9,339</b>	<b>5,492</b>	<b>25,282</b>	<b>10,702</b>	<b>9,763</b>

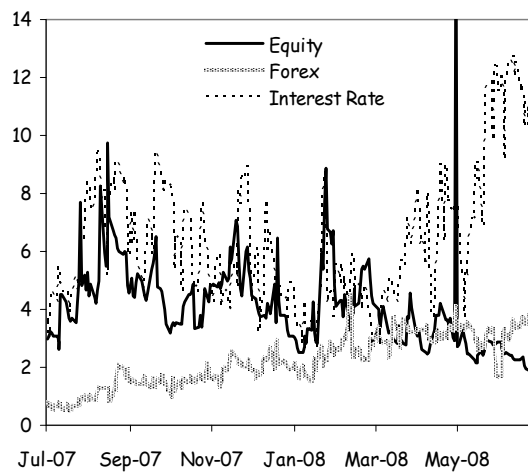
\* Due to mismatches between risk factors.

The rise in the share price component, from €2.9m to €4.1m, was driven in part by the launch of new trading activity on capital markets, while the exchange rate component, which doubled from €1.1m to €2.2m, is due to less stringent hedging of foreign exchange positions.

### Trends in VaR



### Trends in VaR constituents



The market risks faced by the other Group companies are negligible. The most significant is that of *Compagnie Monégasque de Banque*, whose average VaR for the period based on a 99% confidence level was just €0.3m, with a high of €1m.

The effectiveness of VaR as a tool for managing risk is measured by means of daily back-testing, which is based on the calculation of notional P&L.<sup>3</sup> In the financial year under review the limit was breached on a total of four occasions, i.e. more than the notional level of two-to-three implied by a VaR of 99% (1% of 260 readings). However, it should be borne in mind that this particular year saw a high number of shocks recorded on the market, from the well-documented crisis on the ABS market with the consequences this has had on the credit market, to the even greater instability on the money market.

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<sup>3</sup> Based on repricing the previous day's positions using data from the following business day, in order to eliminate intraday trading items.

## QUANTITY INFORMATION

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

	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	120,398	3,118,215	1,288,035	288,344	2,586,282	611,572	68,038	—
1.1 Debt securities	120,398	3,118,215	1,288,035	288,344	2,586,282	611,572	68,038	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	120,398	3,118,215	1,288,035	288,344	2,586,282	611,572	68,038	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	269,374	5,581	16,210	718,279	41,023	33,490	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	269,374	5,581	16,210	718,279	41,023	33,490	—
3. Financial derivatives	—	30,701,842	20,041,570	10,844,123	17,108,789	10,756,113	2,439,210	—
3.1 With underlying securities	—	3,645,517	85,640	69,651	2,102,981	773,066	717,529	—
– Options	—	9,425	19,550	—	—	19,550	9,425	—
+ long positions	—	—	19,550	—	—	—	9,425	—
+ short positions	—	9,425	—	—	—	19,550	—	—
– Others	—	3,636,092	66,090	69,651	2,102,981	753,516	708,104	—
+ long positions	—	2,741,986	15,483	50,109	535,453	155,651	169,535	—
+ short positions	—	894,106	50,607	19,542	1,567,528	597,865	538,569	—
3.2 Without underlying securities	—	27,056,325	19,955,930	10,774,472	15,005,808	9,983,047	1,721,681	—
– Options	—	—	—	1,026,406	800,000	100,000	—	—
+ long positions	—	—	—	513,203	400,000	50,000	—	—
+ short positions	—	—	—	513,203	400,000	50,000	—	—
– Others	—	27,056,325	19,955,930	9,748,066	14,205,808	9,883,047	1,721,681	—
+ long positions	—	14,291,185	9,502,797	5,194,486	6,286,345	5,117,887	768,181	—
+ short positions	—	12,765,140	10,453,133	4,553,580	7,919,463	4,765,160	953,500	—



*Currency of denomination: US DOLLAR*

	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	—	35,126	22,028	1,101	12,572	249,383	21,689	—
1.1 Debt securities	—	35,126	22,028	1,101	12,572	249,383	21,689	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	—	35,126	22,028	1,101	12,572	249,383	21,689	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	—	—	—	—	—	—	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivatives	—	6,898,211	1,713,820	264,465	—	641,412	6,294	—
3.1 With underlying securities	—	1,209,337	—	625	—	149,785	6,294	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	1,209,337	—	625	—	149,785	6,294	—
+ long positions	—	533,247	—	—	—	146,627	3,146	—
+ short positions	—	676,090	—	625	—	3,158	3,148	—
3.2 Without underlying securities	—	5,688,874	1,713,820	263,840	—	491,627	—	—
– Options	—	1,834,875	—	—	—	—	—	—
+ long positions	—	917,437	—	—	—	—	—	—
+ short positions	—	917,438	—	—	—	—	—	—
– Others	—	3,853,999	1,713,820	263,840	—	491,627	—	—
+ long positions	—	1,982,506	854,910	131,920	—	253,743	—	—
+ short positions	—	1,871,493	858,910	131,920	—	237,884	—	—

*Currency of denomination: OTHER*

	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	—	2,475	589	—	108,504	1,070	—	—
1.1 Debt securities	—	2,475	589	—	108,504	1,070	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	—	2,475	589	—	108,504	1,070	—	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	—	—	—	—	—	—	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivatives	—	1,315,726	—	70,995	178,384	—	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	1,315,726	—	70,995	178,384	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	1,315,726	—	70,995	178,384	—	—	—
+ long positions	—	648,446	—	43,747	153,471	—	—	—
+ short positions	—	667,280	—	27,248	24,913	—	—	—

## 1.2.2 INTEREST RATE RISK – BANKING BOOK

### QUALITATIVE INFORMATION

As stated previously, interest rate risk management for the banking book as well as the trading book is focused on the Bank's finance division. The high proportion of debt securities out of total funding means that in order for liquidity to be managed effectively, a sizeable securities trading book is required, which generates a mismatch between the assets and liabilities on the banking book.

This explains why a 100 basis point increase in interest rates would generate a €44.3m reduction in estimated net interest income from the banking book in the next twelve months. However, if trading securities are included the situation changes drastically, with a gain of €14.8m recorded. This latter measurement appears to be the more accurate in operating terms, as the corresponding balance-sheet item is impacted by the entire aggregate of assets, including trading securities. The substantial linearity of Mediobanca S.p.A.'s exposure to interest rates is borne out by the effects of the opposite scenario, where a 100 basis point reduction in interest rates leads to a gain of €44.8m in the first instance, against a €14.4m loss if all assets are included.

As for Compass, the only other Group company with a banking book which has a significant exposure to interest rate movements, a 100 basis point rise in interest rates would result in a €18.1m increase in net interest income, while the loss would be €17.9m in the event of a similar reduction.

Estimates of net interest income's sensitivity to interest rates are completed by analysis of the impact which a 100 basis point shock would have on the discounted value of future cash flows from the banking book (in this case VaR measures the risk for the trading book). Despite the reduced amount of the aggregate assets, their longer duration generates a loss of over €55m in the event of a 100 basis point rise in interest rates, compared with a gain of nearly €72m in the opposite scenario.

## **Hedging**

### *Fair value hedges*

Fair value hedges are used to neutralize exposure to interest rate or price 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 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, and identifies a maximum potential exposure to groups of the Bank's counterparties based on a given confidence level and over a specific time horizon.

## QUANTITATIVE INFORMATION

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

	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	4,239,014	19,359,545	5,378,199	1,583,163	5,181,148	1,554,439	408,722	538,948
1.1 Debt securities	1	647,038	110,321	173,025	735,026	405,366	228,893	—
1.2 Loans to banks	2,853,765	1,260,321	72,674	12,500	350,269	31,130	—	39,128
1.3 Loans to customers	1,385,248	17,452,186	5,195,204	1,397,638	4,095,853	1,117,943	179,829	499,820
– current accounts	22,010	55,037	754,736	—	—	—	—	—
– other loans	—	—	—	—	—	—	—	—
– with early repayment option	67,211	28,932	49,351	88,997	315,590	16,788	—	98
– others	1,296,027	17,368,217	4,391,117	1,308,641	3,780,263	1,101,155	179,829	499,722
2. Cash liabilities	6,303,166	15,330,124	2,929,172	10,287,660	6,742,210	4,569,101	251,412	87,212
2.1 Due to customers	1,479,371	2,680,439	1,603	3,271	15,007	510	27,178	30,460
– current accounts	918,509	—	—	—	—	—	—	—
– other amounts due	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	560,862	2,680,439	1,603	3,271	15,007	510	27,178	30,460
2.2 Due to banks	4,230,483	4,717,177	541,004	499,000	45,417	—	109,290	56,577
– current accounts	2,546,681	2,269,215	—	—	—	—	—	—
– other amounts due	1,683,802	2,447,962	541,004	499,000	45,417	—	109,290	56,577
2.3 Debt securities	593,308	7,932,508	2,386,565	9,785,389	6,681,786	4,568,591	114,944	175
2.4 Other liabilities	4	—	—	—	—	—	—	—
3. Financial derivative products	—	26,059,499	11,153,575	12,098,864	10,161,487	3,542,653	210,085	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Other derivatives	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	26,059,499	11,153,575	12,098,864	10,161,487	3,542,653	210,085	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Other derivatives	—	26,059,499	11,153,575	12,098,864	10,161,487	3,542,653	210,085	—
+ long positions	—	6,481,252	3,112,191	10,459,441	8,055,259	3,294,853	210,085	—
+ short positions	—	19,578,247	8,041,384	1,639,423	2,106,228	247,800	—	—

*Currency of denomination: US DOLLAR*

	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
<b>1. Cash assets</b>	147,244	238,354	56,478	530	228,792	12,270	327	1,600
1.1 Debt securities	—	1,117	—	15	3,462	220	327	—
1.2 Loans to banks	132,802	49,036	4,734	309	124	—	—	—
1.3 Loans to customers	14,442	188,201	51,744	206	225,206	12,050	—	1,600
– current accounts	—	—	—	—	—	—	—	—
– other loans	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	14,442	188,201	51,744	206	225,206	12,050	—	1,600
<b>2. Cash liabilities</b>	3	512,804	—	—	41,026	22,283	—	35
2.1 Due to customers	—	—	—	—	—	—	—	3
– current accounts	—	—	—	—	—	—	—	—
– other amounts due	—	—	—	—	—	—	—	—
2.2 Due to banks	—	419,090	—	—	—	—	—	32
– current accounts	—	—	—	—	—	—	—	—
– other amounts due	—	419,090	—	—	—	—	—	32
2.3 Debt securities	3	93,714	—	—	41,026	22,283	—	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
<b>3. Financial derivative products</b>	—	47,245	—	95,240	254,902	22,067	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Other derivatives	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	47,245	—	95,240	254,902	22,067	—	—
– Options	—	—	—	95,240	245,736	—	—	—
+ long positions	—	—	—	47,620	122,868	—	—	—
+ short positions	—	—	—	47,620	122,868	—	—	—
– Other derivatives	—	47,245	—	—	9,166	22,067	—	—
+ long positions	—	8,006	—	—	9,166	22,067	—	—
+ short positions	—	39,239	—	—	—	—	—	—

*Currency of denomination: OTHER*

	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
<b>1. Cash assets</b>	22,301	85,542	584	—	198,032	25,681	8,636	—
1.1 Debt securities	—	—	—	—	—	—	—	—
1.2 Loans to banks	12,039	9,349	—	—	—	—	—	—
1.3 Loans to customers	10,262	76,193	584	—	198,032	25,681	8,636	—
– current accounts	—	—	—	—	—	—	—	—
– other loans	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	10,262	76,193	584	—	198,032	25,681	8,636	—
<b>2. Cash liabilities</b>	229	410,632	277,241	—	13,285	—	—	—
2.1 Due to customers	229	—	—	—	—	—	—	—
– current accounts	229	—	—	—	—	—	—	—
– other amounts due	—	—	—	—	—	—	—	—
2.2 Due to banks	—	1,370	—	—	—	—	—	—
– current accounts	—	—	—	—	—	—	—	—
– other amounts due	—	1,370	—	—	—	—	—	—
2.3 Debt securities	—	409,262	277,241	—	13,285	—	—	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
<b>3. Financial derivative products</b>	—	273,336	—	9,467	168,557	252,446	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Other derivatives	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	273,336	—	9,467	168,557	252,446	—	—
– Options	—	—	—	—	157,134	—	—	—
+ long positions	—	—	—	—	78,567	—	—	—
+ short positions	—	—	—	—	78,567	—	—	—
– Other derivatives	—	273,336	—	9,467	11,423	252,446	—	—
+ long positions	—	1	—	9,467	11,423	252,446	—	—
+ short positions	—	273,335	—	—	—	—	—	—

### 1.2.3 PRICE RISK - REGULATORY TRADING BOOK

For qualitative information, see section 1.2.1 INTEREST RATE RISK - TRADING BOOK

#### 1. Regulatory trading book: cash exposure in equities/OICR units

	Book value	
	Listed	Unlisted
A. Equities		
A.1 Shares	587,297 <sup>1</sup>	656
A.2 Innovative equity instruments	—	—
A.3 Other equity instruments	—	—
B. OICR units		
B.1 Italian	—	—
- harmonized, open	—	—
- non-harmonized, open	—	—
- closed	—	—
- reserved	—	—
- speculative	—	42,015
B.2 Other EU states	—	—
- harmonized <sup>2</sup>	170,542	—
- non-harmonized, open	—	—
- non-harmonized, closed	—	—
B.3 Non-EU states	—	—
- open	216	—
- closed	—	—
Total	758,055	42,671

<sup>1</sup> Of which more than 80% Italian.

<sup>2</sup> Chiefly cash funds.



## 1.2.4 PRICE RISK - BANKING BOOK

For qualitative information, see section 1.2.2 INTEREST RATE RISK - BANKING BOOK

### 1. Banking book: cash exposure in equities/OICR units

	Book value	
	Listed	Unlisted
A. Equities		
A.1 Shares	1,083,943 <sup>1</sup>	497,774
A.2 Innovative equity instruments	—	—
A.3 Other equity instruments	—	—
B. OICR units		
B.1 Italian		
- harmonized, open	—	—
- non-harmonized, open	—	—
- closed	—	6,572
- reserved	—	—
- speculative	—	—
B.2 Other EU states		
- harmonized <sup>2</sup>	402,808	—
- non-harmonized, open	—	—
- non-harmonized, closed	—	—
B.3 Non-EU states		
- open	57,074	—
- closed	—	5,000
<b>Total</b>	<b>1,543,825</b>	<b>509,346</b>

<sup>1</sup> Of which more than 3/4 Italian.

<sup>2</sup> Chiefly cash funds.

## 1.2.5 EXCHANGE RATE RISK

As is the case with interest rates, movements in exchange rates are managed in integrated fashion through the Finance division. The VaR measurements shown on page 169 thus reflect the extent of the aggregate exposures entered into for both the banking and trading books on the foreign exchange market.

As mentioned above, although the overall risk here is relatively limited (the average VaR reading is some €2.2m), the growth in this item is accounted for by more active management of hedges, which has led to directional positions being taken on the major foreign currencies.

### 1. *Assets, liabilities and derivatives by currency*

	Currency				
	US dollars	Pounds sterling	Japanese yen	Swiss francs	Other
<b>A. Financial assets</b>					
A.1 Debt securities	285,768	128,849	2,582	6,983	4,001
A.2 Equities	14,778	—	—	25,205	17,566
A.3 Loans and advances to banks	224,287	4,142	916	12,970	14,445
A.4 Loans and advances to customers	620,400	336,272	2,698	16,538	7,237
A.5 Other financial assets	230,687	—	—	—	—
<b>B. Financial liabilities</b>					
B.1 Due to banks	(34,073)	(2,253)	(1,201)	(104)	(482)
B.2 Due to customers	(598,857)	(43,920)	(311)	(17,644)	(8,318)
B.3 Debt securities	(155,049)	(571,363)	(90,070)	—	(18,834)
B.4 Other financial liabilities	—	—	—	—	—
<b>C. Financial derivatives</b>					
- Options	—	—	—	—	—
+ long positions	—	—	—	—	—
+ short positions	—	—	—	—	—
- Others	(227,526)	165,600	129,176	3,736	(13,545)
+ long positions	1,386,994	328,242	129,176	14,117	18,834
+ short positions	(1,614,520)	(162,642)	—	(10,381)	(32,379)
<b>Total assets</b>	<b>2,762,914</b>	<b>797,505</b>	<b>135,372</b>	<b>75,813</b>	<b>62,083</b>
<b>Total liabilities</b>	<b>(2,402,499)</b>	<b>(780,178)</b>	<b>(91,582)</b>	<b>(28,129)</b>	<b>(60,013)</b>
<b>Difference (+/-)</b>	<b>360,415</b>	<b>17,327</b>	<b>43,790</b>	<b>47,684</b>	<b>2,070</b>

## 1.2.6 FINANCIAL DERIVATIVE PRODUCTS

### A. FINANCIAL DERIVATIVES

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

	Debt securities/interest rates		Equities/share indexes		Exchange rates/gold		Other assets		30/6/08		30/6/07	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	—	2,550,000	—	—	—	—	—	—	—	2,550,000	—	139,667
2. Interest rate swaps	—	28,823,394	—	—	—	—	—	975,484	—	29,798,878	—	18,062,295
3. Domestic currency swaps	—	—	—	—	—	2,789,944	—	—	—	2,789,944	—	3,598,778
4. Currency interest rate swap	—	—	—	—	—	619,851	—	—	—	619,851	—	556,037
5. Basis swaps	—	2,466,786	—	—	—	—	—	—	—	2,466,786	—	2,416,626
6. Share index swaps	—	—	—	156,887	—	—	—	—	—	156,887	—	675,513
7. Inflation rate swaps	—	—	—	—	—	—	—	—	—	—	—	—
8. Futures	9,682,923	—	145,705	—	—	—	—	—	9,828,628	—	17,003,618	—
9. Cap options	—	—	—	—	—	—	—	—	—	—	—	—
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- written	—	—	—	—	—	—	—	—	—	—	—	—
10. Floor options	—	—	—	—	—	—	—	—	—	—	—	—
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- written	—	—	—	—	—	—	—	—	—	—	—	—
11. Other options	917,438	28,975	25,619	8,420,097	—	—	—	—	943,057	8,449,072	4,234,415	7,393,648
- bought	306,077	19,175	23,819	4,311,185	—	—	—	—	329,896	4,330,360	2,129,527	3,518,378
- plain vanilla	306,077	19,175	23,819	4,211,185	—	—	—	—	329,896	4,230,360	2,129,527	3,418,378
- exotic	—	—	—	100,000	—	—	—	—	—	100,000	—	100,000
- written	611,361	9,800	1,800	4,108,912	—	—	—	—	613,161	4,118,712	2,104,888	3,875,270
- plain vanilla	611,361	9,800	1,800	4,008,912	—	—	—	—	613,161	4,018,712	2,104,888	3,775,270
- exotic	—	—	—	100,000	—	—	—	—	—	100,000	—	100,000
12. Repo agreements	1,092,048	1,279,672	13,116	111,180	—	242,678	—	—	1,105,164	1,633,530	1,525,292	9,019,854
- bought	649,065	368,460	9,910	—	—	33,177	—	—	658,975	401,637	923,811	6,605,989
- sold	442,983	911,212	3,206	111,180	—	206,972	—	—	446,189	1,229,364	601,481	2,207,820
- currency bought/sold for currency	—	—	—	—	—	2,529	—	—	—	2,529	—	206,045
13. Other derivative products	—	963,203	—	—	—	—	—	—	—	963,203	—	63,203
Total	11,692,409	36,112,030	184,440	8,688,164	—	3,652,473	—	975,484	11,876,849	49,428,151	22,763,325	41,925,621
Average values	21,208,006	29,705,003	385,125	7,788,430	—	5,381,438	—	855,611	21,593,131	43,730,482	18,577,085	36,184,487

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

A.2.1 *Hedge derivatives*

	Debt securities/interest rates		Equities/share indexes		Exchange rates/gold		Other assets		30/6/08		30/6/07	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	—	240,000	—	—	—	—	—	—	—	240,000	—	—
2. Interest rate swaps	—	27,067,414	—	—	—	—	—	—	—	27,067,414	—	18,156,301
3. Domestic currency swaps	—	—	—	—	—	—	—	—	—	—	—	—
4. Currency interest rate swap	—	—	—	—	—	57,305	—	—	—	57,305	—	52,983
5. Basis swaps	—	4,564,501	—	—	—	—	—	—	—	4,564,501	—	547,083
6. Share index swaps	—	—	—	—	—	—	—	—	—	—	—	3,000
7. Inflation rate swaps	—	—	—	—	—	—	—	—	—	—	—	—
8. Futures	—	—	—	—	—	—	—	—	—	—	—	—
9. Cap options	—	—	—	—	—	—	—	—	—	—	—	—
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- written	—	—	—	—	—	—	—	—	—	—	—	—
10. Floor options	—	—	—	—	—	—	—	—	—	—	—	—
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- written	—	—	—	—	—	—	—	—	—	—	—	—
11. Other options	—	—	—	391,167	—	—	—	—	—	391,167	—	395,500
- bought	—	—	—	131,922	—	—	—	—	—	131,922	—	133,000
- plain vanilla	—	—	—	131,922	—	—	—	—	—	131,922	—	133,000
- exotic	—	—	—	—	—	—	—	—	—	—	—	—
- written	—	—	—	259,245	—	—	—	—	—	259,245	—	262,500
- plain vanilla	—	—	—	259,245	—	—	—	—	—	259,245	—	262,500
- exotic	—	—	—	—	—	—	—	—	—	—	—	—
12. Repo agreements	—	—	—	312,500	—	—	—	—	—	312,500	—	293,147
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- sold	—	—	—	312,500	—	—	—	—	—	312,500	—	293,147
- currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
13. Other derivative products	—	—	—	—	—	—	—	—	—	—	—	—
Total	—	31,871,915	—	703,667	—	57,305	—	—	—	32,632,887	—	19,448,014
Average values	—	23,145,197	—	703,562	—	47,526	—	—	—	23,896,285	—	19,283,384

## A.2.2 Other derivatives

	Debt securities/interest rates		Equities/share indexes		Exchange rates/gold		Other assets		30/6/08		30/6/07	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	—	—	—	—	—	—	—	—	—	—	—	—
2. Interest rate swaps	—	—	—	—	—	—	—	—	—	—	—	—
3. Domestic currency swaps	—	—	—	—	—	—	—	—	—	—	—	—
4. Currency interest rate swap	—	—	—	—	—	—	—	—	—	—	—	—
5. Basis swaps	—	—	—	—	—	—	—	—	—	—	—	—
6. Share index swaps	—	—	—	—	—	—	—	—	—	—	—	—
7. Inflation rate swaps	—	—	—	—	—	—	—	—	—	—	—	—
8. Futures	—	—	—	—	—	—	—	—	—	—	—	—
9. Cap options	—	—	—	—	—	—	—	—	—	—	—	—
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- written	—	—	—	—	—	—	—	—	—	—	—	—
10. Floor options	—	—	—	—	—	—	—	—	—	—	—	—
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- written	—	—	—	—	—	—	—	—	—	—	—	—
11. Other options	—	—	—	22,162,138	—	249,055	—	—	—	22,411,193	—	16,395,044
- bought	—	—	—	10,828,457	—	122,311	—	—	—	10,950,768	—	8,182,685
- plain vanilla	—	—	—	805,627	—	—	—	—	—	805,627	—	1,970,834
- exotic	—	—	—	10,022,830	—	122,311	—	—	—	10,145,141	—	6,211,851
- written	—	—	—	11,333,681	—	126,744	—	—	—	11,460,425	—	8,212,359
- plain vanilla	—	—	—	914,598	—	—	—	—	—	914,598	—	1,916,722
- exotic	—	—	—	10,419,083	—	126,744	—	—	—	10,545,827	—	6,295,637
12. Repo agreements	—	—	—	—	—	—	—	—	—	—	—	526,850
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- sold	—	—	—	—	—	—	—	—	—	—	—	526,850
- currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
13. Other derivative products	—	—	—	—	—	—	—	—	—	—	—	—
Total	—	—	—	22,162,138	—	249,055	—	—	—	22,411,193	—	16,921,894
Average values	—	—	—	18,115,114	—	241,002	—	—	—	18,356,116	—	15,968,504

A.3 *Financial derivatives: underlying assets bought and sold*

	Debt securities/interest rates		Equities/share indexes		Exchange rates/gold		Other assets		30/6/08		30/6/07	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Regulatory trading book:	11,692,410	33,566,818	184,439	8,688,164	—	3,652,473	—	975,484	11,876,849	46,882,939	22,763,324	39,031,502
1. With exchange of principal	3,071,565	1,230,220	13,116	831,072	—	3,652,473	—	—	3,084,681	5,713,765	5,360,386	14,439,836
- bought	725,040	299,458	9,910	348,162	—	1,818,603	—	—	734,950	2,466,223	3,258,200	8,727,179
- sold	2,346,525	930,762	3,206	482,910	—	1,691,950	—	—	2,349,731	3,105,622	2,102,186	5,202,603
- currency bought/sold for currency	—	—	—	—	—	141,920	—	—	—	141,920	—	510,054
2. Without exchange of principal	8,620,845	32,336,598	171,323	7,857,092	—	—	—	975,484	8,792,168	41,169,174	17,402,938	24,591,666
- bought	6,923,200	15,845,291	35,328	4,018,539	—	—	—	184,630	6,958,528	20,048,460	16,814,058	11,544,819
- sold	1,697,645	16,491,307	135,995	3,838,553	—	—	—	790,854	1,833,640	21,120,714	588,880	13,046,847
- currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
B. Banking book	—	27,307,413	—	22,865,806	—	306,361	—	—	—	50,479,580	—	35,819,827
B.1 Hedges	—	27,307,413	—	703,667	—	57,306	—	—	—	28,068,386	—	18,897,932
1. With exchange of principal	—	—	—	703,667	—	57,306	—	—	—	760,973	—	741,630
- bought	—	—	—	—	—	57,306	—	—	—	57,306	—	52,983
- sold	—	—	—	703,667	—	—	—	—	—	703,667	—	688,647
- currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
2. Without exchange of principal	—	27,307,413	—	—	—	—	—	—	—	27,307,413	—	18,156,302
- bought	—	19,772,509	—	—	—	—	—	—	—	19,772,509	—	15,266,304
- sold	—	7,534,904	—	—	—	—	—	—	—	7,534,904	—	2,889,998
- currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
B.2 Other derivatives	—	—	—	22,162,139	—	249,055	—	—	—	22,411,194	—	16,921,895
1. With exchange of principal	—	—	—	109	—	—	—	—	—	109	—	526,961
- bought	—	—	—	29	—	—	—	—	—	29	—	31
- sold	—	—	—	80	—	—	—	—	—	80	—	526,930
- currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
2. Without exchange of principal	—	—	—	22,162,030	—	249,055	—	—	—	22,411,085	—	16,394,934
- bought	—	—	—	10,788,303	—	128,744	—	—	—	10,912,047	—	8,142,530
- sold	—	—	—	11,373,727	—	125,311	—	—	—	11,499,038	—	8,252,404
- currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—

## A.4 OTC financial derivatives: positive fair value - counterparty risk

	Debt securities/interest rates			Equities/share indexes			Exchange rates/gold			Other assets			Other underlying assets	
	Gross, not netted	Gross, netted	Future exposure	Gross, not netted	Gross, netted	Future exposure	Gross, not netted	Gross, netted	Future exposure	Gross, not netted	Gross, netted	Future exposure	Netted <sup>1</sup>	Future exposure
A. Regulatory trading book														
A.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.3 Banks	128,182	330,706	23,236	334,939	919,859	118,444	16,093	8,841	9,174	—	—	—	35,147	105,506
A.4 Financial companies	28,661	39,034	9,218	30,949	153,223	46,457	1,952	19,781	8,881	—	—	—	20,138	6,557
A.5 Insurances	162	—	116	63	—	7,797	—	—	—	—	—	—	—	—
A.6 Non-financial undertakings	5,186	—	3,418	124,377	—	36,135	57,391	—	3,513	—	—	—	—	—
A.7 Other counterparties	182	—	—	1,286	—	239	—	—	—	—	—	—	—	—
Total 30/6/08	162,373	369,740	35,988	491,614	1,073,082	209,072	75,436	28,622	21,568	—	—	—	55,285	112,063
Total 30/6/07	105,349	302,578	23,578	49,960	527,109	48,611	31,598	19,468	44,300	—	—	—	169,436	514,346
B. Banking book														
B.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.3 Banks	100,896	590,386	22,161	93,161	—	13,672	—	—	—	—	—	—	101,199	230,386
B.4 Financial companies	6,079	1,558	1,200	—	57,392	—	—	—	—	—	—	—	6,559	7,356
B.5 Insurances	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.6 Non-financial undertakings	—	—	—	20,816	—	5,083	—	—	—	—	—	—	—	—
B.7 Other counterparties	—	—	—	—	—	2	—	—	—	—	—	—	—	—
Total 30/6/08	106,975	592,444	23,361	113,977	57,392	18,757	—	—	—	—	—	—	107,758	237,742
Total 30/6/07	28,165	595,777	6,885	934	1,324,221	8	—	23	—	—	—	—	48,701	112,687

<sup>1</sup> Includes offset agreement with main counterparties.

A.5 OTC financial derivatives: negative fair value - financial risk

	Debt securities/interest rates			Equities/share indexes			Exchange rates/gold			Other assets			Other underlying assets	
	Gross, not netted	Gross, netted	Future exposure	Gross, not netted	Gross, netted	Future exposure	Gross, not netted	Gross, netted	Future exposure	Gross, not netted	Gross, netted	Future exposure	Netted <sup>1</sup>	Future exposure
A. Regulatory trading book														
A.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.3 Banks	(84,323)	(159,628)	22,322	(24,775)	(316,487)	28,910	(25,810)	(45,398)	12,540	—	—	—	(100,055)	264,874
A.4 Financial companies	(29,805)	(9,930)	8,286	(34,617)	(32,978)	32,819	—	—	—	—	—	—	(3,619)	60,521
A.5 Insurances	(18,166)	—	6,350	(37,549)	—	8,231	—	—	—	—	—	—	—	—
A.6 Non-financial undertakings	(111,123)	—	27,646	(1,988)	—	10,186	(1)	—	6	—	—	—	—	—
A.7 Other counterparties	—	—	—	(1)	—	5	—	—	—	—	—	—	—	—
Total 30/6/08	(243,417)	(169,558)	64,604	(98,930)	(349,465)	80,151	(25,811)	(45,398)	12,546	—	—	—	(103,674)	325,395
Total 30/6/07	(114,744)	(174,676)	37,083	(51,066)	(509,652)	33,927	(17,465)	(882)	33,731	—	—	—	(60,604)	—
B. Banking book														
B.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.3 Banks	(607,974)	(1,447,704)	45,726	—	—	—	(4,737)	(12,883)	571	—	—	—	(85,247)	45,456
B.4 Financial companies	(79,881)	(249,293)	5,671	—	—	—	(6,221)	—	888	—	—	—	(57,729)	15,714
B.5 Insurances	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.6 Non-financial undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.7 Other counterparties	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total 30/6/08	(687,855)	(1,696,997)	51,397	—	—	—	(10,958)	(12,883)	1,459	—	—	—	(142,976)	61,170
Total 30/6/07	(40,582)	(1,531,139)	9,906	—	(27,464)	—	—	(16,090)	—	—	—	—	(365,016)	119,997

<sup>1</sup> Includes offset agreement with main counterparties.



A.6 *OTC financial derivatives by maturity: notional values*

	Up to 1 year	From 1 to 5 years	Over 5 years	Total
<b>A. Regulatory trading book</b>				
A.1 Financial derivatives on debt securities and interest rates	9,595,521	14,438,287	12,078,223	36,112,031
A.2 Financial derivatives on equities and share indexes	2,614,074	5,659,089	415,000	8,688,163
A.3 Financial derivatives on foreign currency and gold	3,191,211	315,557	145,705	3,652,473
A.4 Financial derivatives on other assets	697,518	81,966	196,000	975,484
<b>B. Banking book:</b>				
B.1 Financial derivatives on debt securities and interest rates	4,922,412	13,913,383	13,036,121	31,871,916
B.2 Financial derivatives on equities and share indexes	1,909,889	9,353,721	11,602,195	22,865,805
B.3 Financial derivatives on foreign currency and gold	55,626	228,668	22,067	306,361
B.4 Financial derivatives on other assets	—	—	—	—
<b>Total at 30/6/08</b>	<b>22,986,251</b>	<b>43,990,671</b>	<b>37,495,311</b>	<b>104,472,233</b>
<b>Total at 30/6/07</b>	<b>23,921,719</b>	<b>30,479,793</b>	<b>23,894,017</b>	<b>78,295,529</b>

## B. CREDIT DERIVATIVES

### B.1 Credit derivatives: average and reporting-date notional values

	Regulatory trading book		Other transactions	
	Individual assets	Baskets	Individual assets	Baskets
1. Hedge buys				
1.1 With exchange of principal	1,842,230	5,814,030	—	—
– <i>credit default</i>	1,842,230	5,814,030	—	—
– <i>credit linked notes</i>	—	—	—	—
– <i>credit spread option</i>	—	—	—	—
– <i>total rate of return swap</i>	—	—	—	—
1.2 Without exchange of principal	110,000	—	—	—
– <i>credit default</i>	110,000	—	—	—
– <i>credit linked notes</i>	—	—	—	—
– <i>credit spread option</i>	—	—	—	—
– <i>total rate of return swap</i>	—	—	—	—
Total at 30/6/08	1,952,230	5,814,030	—	—
Total at 30/6/07	2,473,454	1,572,749	140,000	—
Average values	2,686,990	3,593,624	35,000	—
2. Hedge sales				
2.1 With exchange of principal	982,405	6,275,000	—	—
– <i>credit default</i>	982,405	6,275,000	—	—
– <i>credit linked notes</i>	—	—	—	—
– <i>credit spread option</i>	—	—	—	—
– <i>total rate of return swap</i>	—	—	—	—
2.2 Without exchange of principal	15,000	—	—	—
– <i>credit default</i>	15,000	—	—	—
– <i>credit linked notes</i>	—	—	—	—
– <i>credit spread option</i>	—	—	—	—
– <i>total rate of return swap</i>	—	—	—	—
Total at 30/6/08	997,405	6,275,000	—	—
Total at 30/6/07	1,551,056	815,337	—	—
Average values	1,435,619	3,438,280	—	—

*B.2 Credit derivatives: positive fair value – counterparty risk*

	Notional value	Positive fair value	Future exposure
<b>A. REGULATORY TRADING</b>			
<b>BOOK</b>	12,662,432	239,367	90,800
<b>A.1 Hedge buys with counterparties</b>			
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	4,567,450	146,059	40,294
4. Financial companies	1,032,577	27,626	12,644
5. Insurances	—	—	—
6. Non-financial undertakings	—	—	—
7. Other counterparties	—	—	—
<b>A.2 Hedge sales with counterparties</b>			
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	5,367,405	40,181	29,237
4. Financial companies	1,580,000	25,212	8,400
5. Insurances	115,000	289	225
6. Non-financial undertakings	—	—	—
7. Other counterparties	—	—	—
<b>B. Banking book</b>	—	—	—
<b>B.1 Hedge buys with counterparties</b>			
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	—	—	—
4. Financial companies	—	—	—
5. Insurances	—	—	—
6. Non-financial undertakings	—	—	—
7. Other counterparties	—	—	—
<b>B.2 Hedge sales with counterparties</b>			
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	—	—	—
4. Financial companies	—	—	—
5. Insurances	—	—	—
6. Non-financial undertakings	—	—	—
7. Other counterparties	—	—	—
<b>Total at 30/6/08</b>	<b>12,662,432</b>	<b>239,367</b>	<b>90,800</b>
<b>Total at 30/6/07</b>	<b>6,552,597</b>	<b>26,175</b>	<b>83,498</b>

*B.3 Credit derivatives: negative fair value - financial risk*

	Notional value	Negative fair value
A. Regulatory trading book		
1. Hedge buys with counterparties:		
1.1 Governments and central banks	—	—
1.2 Other public agencies	—	—
1.3 Banks	1,488,546	(43,048)
1.4 Financial companies	552,687	(15,212)
1.5 Insurances	15,000	(14,310)
1.6 Non-financial undertakings	—	—
1.7 Other counterparties	—	—
Total at 30/6/08	2,056,233	(72,570)
Total at 30/6/07	4,046,203	(38,286)

*B.4 Credit derivatives: outstanding life - notional values*

	Up to 1 year	From 1 year to 5 years	Over 5 years	Total
A. Regulatory trading book	714,702	13,176,925	1,147,039	15,038,666
A.1 Credit derivatives with “qualified” reference obligation	674,702	12,912,035	1,110,938	14,697,675
A.2 Credit derivatives with “unqualified” reference obligation	40,000	264,890	36,101	340,991
B. Banking book	—	—	—	—
B.1 Credit derivatives with “qualified” reference obligation	—	—	—	—
B.2 Credit derivatives with “unqualified” reference obligation	—	—	—	—
Total at 30/6/08	714,702	13,176,925	1,147,039	15,038,666
Total at 30/6/07	426,832	4,372,129	1,753,635	6,552,596

## **1.2 LIQUIDITY RISK**

### **QUALITATIVE INFORMATION**

Liquidity risk is measured through indicators based on definite cash inflows and outflows to take place in the months to come, and also on the basis of data which includes estimates of:

- new loans/repayments/renewals for the lending division;
- new issues/early redemptions for funding;
- any significant extraordinary items (e.g. purchase/sale of equity investments, payment of dividends, etc.).

These are used to generate a time profile for future cash requirements, which is produced daily for measurements based on definite cash flows (i.e. not including possible renewals/early redemptions), and is supplemented weekly with readings incorporating the estimate component. This analysis is then used as the basis for comparison with the amount of cash actually available (defined narrowly as the aggregate of securities that may be allocated for refinancing transactions with the monetary authorities), in order to show up any potential problems that could materialize in the months to come.

In addition, a steering committee analyses the Bank's asset structure and portfolio sensitivity, plus any mismatches between the maturities implied in future volume trends, on a fortnightly basis, to help management in taking strategic decisions for the Group's operations by providing indications of trends in profitability.

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

	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
Cash assets	4,894,600	349,631	1,021,251	1,315,743	3,273,887	3,151,677	3,581,884	17,343,163	11,450,985
A.1 Government securities	27,880	17,987	—	—	380,940	194,593	137,481	3,387,739	745,231
A.2 Listed debt securities	—	3,343	36,118	9,782	521,434	137,261	450,753	1,679,778	1,699,218
A.3 Other debt securities	—	—	—	5,105	18,529	1,621	16,526	266,442	604,764
A.4 OICR units	635,640	—	—	—	—	—	—	—	—
A.5 Loans and advances	4,231,080	328,301	985,133	1,300,856	2,352,984	2,818,202	2,977,124	12,009,204	8,401,772
– to banks	2,799,406	30,598	607,907	49,532	101,836	13,766	332,435	608,800	36,377
– to customers	1,431,674	297,703	377,226	1,251,324	2,251,148	2,804,436	2,644,689	11,400,404	8,365,395
Cash liabilities	4,441,933	651,083	561,775	1,653,726	3,510,141	1,361,769	3,322,382	16,645,936	16,270,608
B.1 Deposits	4,185,262	640,448	450,065	1,020,824	3,180,329	319,479	1,205,209	1,917,565	2,353,121
– to banks	2,701,679	632,262	255,453	871,195	856,530	317,876	1,201,938	1,902,557	1,402,878
– to customers	1,483,583	8,186	194,612	149,629	2,323,799	1,603	3,271	15,008	950,243
B.2 Debt securities	10,061	6,166	107,833	632,851	329,175	1,040,471	2,112,504	14,009,322	13,814,707
B.3 Other liabilities	246,610	4,469	3,877	51	637	1,819	4,669	719,049	102,780
Off-balance-sheet transactions	1,539,600	1,567,905	791,113	213,538	1,665,009	910,352	390,752	13,733,595	836,619
C.1 Financial derivatives									
with exchange of principal	—	1,375,054	791,113	213,538	1,665,009	605,352	219,261	313,827	—
– long positions	—	703,936	13,394	99,441	185,149	92,746	68,009	144,320	—
– short positions	—	671,118	777,719	114,097	1,479,860	512,606	151,252	169,507	—
C.2 Deposits and loans									
for collection	—	46,429	—	—	—	60,000	2,991	20,984	82,455
– long positions	—	—	—	—	—	—	2,991	20,984	82,455
– short positions	—	46,429	—	—	—	60,000	—	—	—
C.3 Irrevocable commitments									
to disburse funds	1,539,600	146,422	—	—	—	245,000	168,500	13,398,784	754,164
– long positions	—	110,448	—	—	—	5,000	130,000	6,651,000	442,000
– short positions	1,539,600	35,974	—	—	—	240,000	38,500	6,747,784	312,164

*Currency of denomination: US DOLLAR*

	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
Cash assets	147,244	110	18,215	32,359	61,913	16,156	15,859	426,182	307,854
A.1 Government securities	—	11	1,215	—	4	335	15	13,737	146,623
A.2 Listed debt securities	—	—	96	9,820	18,268	272	4,983	3,304	53,824
A.3 Other debt securities	—	—	693	—	146	171	1,101	—	92,422
A.4 OICR units	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	147,244	99	16,211	22,539	43,495	15,378	9,760	409,141	14,985
– to banks	132,802	—	—	—	809	687	945	51,662	98
– to customers	14,442	99	16,211	22,539	42,686	14,691	8,815	357,479	14,887
Cash liabilities	3	128,586	45,043	109,143	230,033	—	—	41,026	22,283
B.1 Deposits	—	109,566	35,539	101,137	172,848	—	—	—	—
– to banks	—	109,566	35,539	101,137	172,848	—	—	—	—
– to customers	—	—	—	—	—	—	—	—	—
B.2 Debt securities	3	19,020	9,504	8,006	57,185	—	—	41,026	22,283
B.3 Other liabilities	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	—	571,081	92,852	207,986	1,789,193	1,013,500	144,607	57,093	174,312
C.1 Financial derivatives									
with exchange of principal	—	317,338	92,852	207,986	1,789,193	1,013,500	131,920	6,344	148,938
– long positions	—	246,862	50,813	11,336	599,086	734,383	—	6,344	22,067
– short positions	—	70,476	42,039	196,650	1,190,107	279,117	131,920	—	126,871
C.2 Deposits and loans									
for collection	—	1	—	—	—	—	—	—	—
– long positions	—	1	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	—
C.3 Irrevocable commitments									
to disburse funds	—	253,742	—	—	—	—	12,687	50,749	25,374
– long positions	—	126,871	—	—	—	—	12,687	6,344	25,374
– short positions	—	126,871	—	—	—	—	—	44,405	—

*Currency of denomination: OTHER*

	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
Cash assets	22,301	9,931	5,882	1,587	4,833	3,590	311	369,270	35,708
A.1 Government securities	—	—	—	—	—	—	—	—	—
A.2 Listed debt securities	—	—	—	4	—	2,445	—	—	1,070
A.3 Other debt securities	—	—	—	—	68	547	—	108,504	—
A.4 OICR units	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	22,301	9,931	5,882	1,583	4,765	598	311	260,766	34,638
– to banks	12,039	9,349	—	—	—	—	—	—	—
– to customers	10,262	582	5,882	1,583	4,765	598	311	260,766	34,638
Cash liabilities	229	—	—	93,705	1,370	9,609	—	328,842	267,632
B.1 Deposits	229	—	—	—	1,370	—	—	—	—
– to banks	—	—	—	—	1,370	—	—	—	—
– to customers	229	—	—	—	—	—	—	—	—
B.2 Debt securities	—	—	—	93,705	—	9,609	—	328,842	267,632
B.3 Other liabilities	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	—	95,587	111,478	158,721	418	—	—	336,447	18,834
C.1 Financial derivatives									
with exchange of principal	—	71,296	103,381	158,721	418	—	—	336,447	18,834
– long positions	—	14,629	—	129,589	209	—	—	336,447	18,834
– short positions	—	56,667	103,381	29,132	209	—	—	—	—
C.2 Deposits and loans									
for collection	—	—	—	—	—	—	—	—	—
– long positions	—	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	—
C.3 Irrevocable commitments									
to disburse funds	—	24,291	8,097	—	—	—	—	—	—
– long positions	—	16,194	—	—	—	—	—	—	—
– short positions	—	8,097	8,097	—	—	—	—	—	—



2. *Financial liabilities by sector*

	Governments and central banks	Financial companies	Insurances	Non-financial undertakings	Others
1. Due to customers	—	3,368,033	75,228	1,259,352	1,393,929
2. Debt securities in issue	—	—	—	—	30,427,205
3. Trading liabilities	734,434	286,043	84,811	200,026	1,850,895
4. Financial liabilities at fair value	—	—	—	—	—
Total at 30/6/08	734,434	3,654,076	160,039	1,459,378	33,672,029
Total at 30/6/07	871,705	2,313,998	20,578	488,891	28,718,963

3. *Financial liabilities by geographical region*

	Italy	Rest of Europe	United States	Asia	Rest of world
1. Due to banks	2,755,134	3,319,661	21,747	—	—
2. Due to customers	9,857,612	3,987,773	3,480	—	—
3. Debt securities in issue	28,675,606	1,751,774	—	—	—
4. Trading liabilities	1,494,124	1,632,107	29,978	—	—
5. Financial liabilities at fair value	—	—	—	—	—
Total at 30/6/08	42,782,476	10,691,315	55,205	—	—
Total at 30/6/07	37,511,906	8,338,789	39,126	11,456	—

## 1.4 OPERATING RISK

### QUALITATIVE INFORMATION

#### ***Definition***

Operating risk is the risk of incurring losses as a result of external events or the inadequacy or malfunctioning of procedures, staff and internal systems. Operating risk includes legal risk, but does not include strategic or reputational risk.

#### ***Capital requirements for operating risk***

Mediobanca has decided to adopt the Basic Indicator Approach (“BIA”) in order to calculate the capital requirement for covering operating risk, applying a margin of 15% to the average of the last three annual readings of total income. Based on this method of calculation the capital requirement as at 30 June 2008 would be €196.4m.

#### ***Risk mitigation***

In the review of its internal procedures as part of the “Head of Company Financial Reporting” project, the Bank has sought to identify the majority of the sources of possible risk and the relevant measures to be taken to control and mitigate them, by formulating company procedures in order to deal with them, and focusing mitigation activity on the most serious aspects.

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

Control of internal access (individual system users) and external access (IT attacks) is carried out via the relevant computer and observation tools.

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

As for the possibility of risk deriving from outsourcing activities, the Group has implemented a continuous monitoring and regular review system to assess the care taken in performing these activities by the various service providers.

#### ***Litigation risk: risks deriving from litigation pending***

Apart from the claim pending against Mediobanca S.p.A. for the alleged failure to launch a full takeover bid for La Fondiaria in 2002 (see p. 225), the Group faces no litigation risk worthy of note.

## **PART F - INFORMATION ON CONSOLIDATED CAPITAL**

### **Section 1**

#### **CONSOLIDATED CAPITAL**

##### **A. Qualitative information**

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%. The Bank of Italy has established a prudential level of 10%, which falls to 6% if only Tier 1 capital is considered (the core Tier 1 ratio).

Since its inception one of the distinguishing features 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.

##### **B. Quantitative information**

See section 15 "Consolidated capital– Headings 140, 160, 170, 180, 190, 200, and 220".

### **Section 2**

#### **REGULATORY AND SUPERVISORY CAPITAL REQUIREMENTS FOR BANKS**

##### *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 (second update issued on 17 March 2008) and no. 155 (12th update issued on 5 February 2008), 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.

## 2.2 *Regulatory capital requirements for banks*

### **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 (€213.8m), intangible assets (€36.7m), goodwill (€554.3m), and the negative reserves on AFS securities (€182.1m), plus 50% of the book value of the Bank's investments in banks and financial services companies (equal to €51.5m).

Tier 2 capital includes the positive valuation reserves (€15.5m), Tier 2 subordinated liabilities (€974.5m) less unrealized losses on investments (€72.5m) and the remaining share of the book value of investments in banks and financial companies (€51.5m).

Following update no. 2 issued on 17 March 2008, the Bank's shareholding in Assicurazioni Generali no longer has to be deducted from regulatory capital, nor is the 35% share of the gains on this investment included.

## B. Quantitative information

	30/6/08	30/6/07
A. Tier 1 capital prior to application of prudential filters	5,903,393	6,202,152
B. Tier 1 prudential filters:		
B.1 IAS/IFRS positive filters	—	—
B.2 IAS/IFRS negative filters	(182,108)	—
C. Tier 1 capital gross of items to be deducted	5,721,285	6,202,152
D. Items for deduction from Tier 1 capital	(51,502)	(46,186)
E. Total Tier 1 capital	5,669,783	6,155,966
F. Tier 2 capital prior to application of prudential filters	917,673	2,992,470
G. Tier 2 prudential filters:		
G.1 IAS/IFRS positive filters	—	—
G.2 IAS/IFRS negative filters	—	(471,192)
H. Tier 2 capital gross of items to be deducted	917,673	2,521,278
I. Items for deduction from Tier 2 capital	(51,502)	(46,186)
L. Total Tier 2 capital	866,171	2,475,092
M. Items for deduction from Total Tier 1 and Tier 2 capital	—	(524,917)
N. Regulatory capital	6,535,954	8,106,142
O. Total Tier 3 capital	—	—
P. Total regulatory capital including Tier 3	6,535,954	8,106,142

### 2.3 Capital adequacy

#### A. Qualitative information

As at 30 June 2008, the Bank's total capital ratio, calculated as regulatory capital as a percentage of risk-weighted assets, stood at 11.9%, while the Tier 1 ratio, calculated as Tier 1 capital as a percentage of risk-weighted assets, amounted to 10.3%. The reduction in these figures from last year, when they stood at 16.2% and 12.3% respectively, reflects the reduction in regulatory capital due to booking goodwill arising on the acquisition of Linea and the reduction in the valuation reserves. Risk-weighted assets also increased, due to the growth in volumes (including those deriving from the Linea acquisition which amount to approx. €3bn). Application of the new Basel II capital adequacy requirements had a positive impact, due to the favourable weighting of transactions involving retail clients and on residential mortgages, as well as the healthy rating profile of the corporate portfolio, which, however, was offset by inclusion of the requirement for covering operating risks (€196m) which hitherto has not been considered.

## B. Quantitative information

	Unweighted amounts	Weighted amounts/ requirements
	30/6/08	30/6/08
<b>A. RISK ASSETS</b>		
<b>A.1 Credit risk</b>		
Standard methodology		
Cash assets	57,512,668	35,658,738
1. Exposures (other than equities and other subordinated assets) to (or guaranteed by):	44,137,380	25,290,910
1.1 Governments and central banks	1,366,886	23,384
1.2 Other public agencies	930,668	360,746
1.3 Banks	15,868,976	3,429,477
1.4 Other entities (other than amounts receivable under mortgages due on properties used for residential and non-residential purposes)	25,970,850	21,477,303
2. Amounts receivable under mortgages due on properties used for residential purposes	2,713,762	1,065,415
3. Amounts receivable under mortgages due on properties used for non-residential purposes	2,159,759	1,080,536
4. Equities, participating interests and subordinated assets	5,919,305	5,960,862
5. Other cash assets	2,582,462	2,261,015
Off-balance-sheet assets	33,459,935	12,135,970
1. Guarantees and commitments to (or guaranteed by):	29,271,902	11,190,815
1.1 Governments and central banks	1,491,057	—
1.2 Other public agencies	11,609	1,621
1.3 Banks	10,356,176	1,655,378
1.4 Other entities	17,413,060	9,533,816
2. Derivative agreements with (or guaranteed by):	4,188,033	945,155
2.1 Governments and central banks	—	—
2.2 Other public agencies	65,509	65,229
2.3 Banks	3,801,598	546,196
2.4 Other entities	320,926	333,730
<b>B. REGULATORY CAPITAL REQUIREMENTS</b>		
B.1 Credit risk	X	3,823,577
B.2 Market risk	X	386,478
1. Standard methodology		386,478
<i>of which:</i>		
+ risk position on debt securities	X	290,824
+ risk position on equities	X	71,626
+ exchange rate risk	X	22,516
+ other risks	X	1,512
B.3 Other prudential requirements	X	196,436
B.4 Total prudential requirements (B1+B2+B3)	X	4,406,491
<b>C. RISK ASSETS AND REGULATORY RATIOS</b>		
C.1 Risk-weighted assets	X	55,081,138
C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)	X	10.29%
C.3 Regulatory capital/risk-weighted assets (total capital ratio)	X	11.87%

## **PART C - COMBINATIONS INVOLVING GROUP COMPANIES OR BUSINESS UNITS**

### **Section 1**

#### **Transactions completed during the year**

On 27 June 2008, Compass acquired 100% of the share capital of Linea for a consideration of €405m. Linea, a leading operator in consumer credit, has the following, fully-owned subsidiaries: Futuro, whose business is asset-backed finance, and Equilon (internet banking); it also has a 50:50 joint venture with Ducati to provide finance for purchasing motorcycles; and exercises *de facto* control over securitization vehicle company Jump.

The aggregate net equity of the companies acquired totals €22.5m, €19.8m of which from the cash flow hedge reserve linked to hedge derivative contracts. Given that Compass booked the investment at a value of €407m, including acquisition costs (legal and consultancy expenses totalling €2m), goodwill of €404.3m has been recorded. In the coming months a purchase price allocation procedure will be carried out to attribute part of the goodwill to specific assets, as required under IFRS3.

The contribution made by the acquired companies to the Mediobanca Group's earnings aggregates is limited, and based on the most recent approved financial statements, amounts to 13.5% of total income and 1.3% of net profit.

The following table shows the values used to record the acquired companies in the Mediobanca Group's accounts:

		Linea	Futuro	Equilon	Ducati Financial Services	Jump
		€'000				
10.	Cash and cash equivalents	13	—	1	1	—
20.	Financial assets held for trading	6,884	173	—	—	—
40.	AFS securities	—	90	—	—	—
60.	Due from banks	217,558	1,591	434	73	11
70.	Due from customers	3,934,534	439,569	436,103	43,387	10
80.	Hedging derivatives	39,981	4,791	575	—	—
100.	Equity investments	27,610	—	—	—	—
120.	Property, plant and equipment	2,312	152	158	—	—
130.	Intangible assets	2,013	133	123	—	—
140.	Tax assets	98,629	422	5,512	41	30
160.	Other assets	23,596	20,148	2,730	443	—
	<b>TOTAL ASSETS</b>	<b>4,353,130</b>	<b>467,069</b>	<b>445,636</b>	<b>43,945</b>	<b>51</b>

		Linea	Futuro	Equilon	Ducati Financial Services	Jump
		€'000				
10.	Due to banks	3,275,943	85,865	168,638	9,084	—
20.	Due to customers	993,386	329,811	270,080	33,061	31
60.	Hedge derivatives	33	—	—	—	—
80.	Tax liabilities	16,689	1,782	557	77	—
100.	Other liabilities	42,242	23,641	4,558	1,049	—
110.	Staff severance indemnity provision	3,689	214	30	10	—
120.	Provisions	442	156	—	—	—
140.	Valuation reserves	25,142	2,861	389	—	—
170.	Reserves	48,702	16,214	2,468	3	—
180.	Share premium reserve	42,066	—	—	—	—
190.	Share capital	34,000	4,800	600	600	20
220.	Profit (loss) for the period	(129,204)	1,725	(1,684)	61	—
	<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>4,353,130</b>	<b>467,069</b>	<b>445,636</b>	<b>43,945</b>	<b>51</b>
	% shareholding	100%	100%	100%	50%	—
	No. of staff	695	71	26	6	—
	No. of branches	52	—	—	—	—



## PART H - RELATED PARTY DISCLOSURE

### 1. *Board member and senior management remuneration*

Please see part H of the Notes to the Accounts.

### 2. *Related party disclosure*

Accounts with related parties, the impact of which on the Group's asset and earnings aggregates is limited (less than 30% of total assets and approx. 10% of total income), 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 atypical or unusual transactions have been entered into with these counterparties. Related parties for the purposes hereof include directors and any companies owned by them, statutory auditors and strategic management, data in respect of whose payment is provided in the relevant table. Comparison with last year's figures shows a reduction in exposure (assets plus guarantees and commitments) to such parties, from €9.3bn to €7.8bn. Overall, accounts with related parties represent 10% of the balance-sheet aggregates and approx. 18% of total income (net interest and fee and commission income).

Situation at 30 June 2008

	Directors, statutory auditors and strategic management	Associates	Other related parties	Total	12 mths to 30/6/07
	€m	€m	€m	€m	€m
Assets .....	757.6	1,555.7	3,903.6	6,216.9	5,196.7
<i>of which: other assets....</i>	<i>616.7</i>	<i>1,598.9</i>	<i>2,610.7</i>	<i>4,826.3</i>	<i>3,679.7</i>
<i>loans and advances ...</i>	<i>100.5</i>	<i>5.2</i>	<i>544.8</i>	<i>650.5</i>	<i>1,603.7</i>
Liabilities .....	419.5	82.1	1,125.9	1,627.5	4,136.7
Guarantees and commitments.....	30.4	64.5	331.7	426.6	452.1
Interest income .....	(0.4)	(3.2)	(220.4)	(224.0)	(339.6)
Interest expense .....	1.9	16.0	26.9	44.8	30.3
Net fee income .....	(24.6) <sup>1</sup>	(208.9)	(171.4)	(404.9)	189.5

<sup>1</sup> Of which: short-term benefits amounting to €16.8m, and stock option worth €1.3m.

## PART I - SHARE-BASED PAYMENT SCHEMES

### A. QUALITATIVE INFORMATION

#### 1. Description

Information on the increases in the Bank's share capital as a result of stock option schemes approved pursuant to Article 2441, paragraphs 8 and 5, of the Italian Civil Code, is as follows:

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	Expired	31 December 2011	3,130,000
30 July 2001	50,000,000	Expired	1 July 2015	49,634,000
28 October 2004	15,000,000	28 October 2009	1 July 2020	3,985,000
<i>of which to Board members <sup>1</sup></i>	<i>4,000,000</i>	<i>28 October 2009</i>	<i>1 July 2020</i>	<i>2,000,000 <sup>2</sup></i>
27 June 2007	40,000,000	27 June 2012	1 July 2022	—
<b>TOTAL</b>	<b>108,130,000</b>			<b>56,749,000</b>

The schemes 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, 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.

On 1 July 2008 a total of 10,311,000 options were awarded at a price of €11.043 per share, vesting in three years and exercisable within eight years, against the total number of options approved by shareholders in general meeting on 28 October 2004 (1,375,000 of which were awarded to Management Board members).

<sup>1</sup> At a general meeting held on 27 June 2007 shareholders approved a proposal to grant stock options to Management Board members.

<sup>2</sup> Granted to one former director.

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. As at 30 June 2008, recognizing these commitments at fair value resulted in a charge of €3m being expensed.

## B. QUANTITATIVE INFORMATION

### 1. *Changes during the period*

	30/6/07			30/6/08		
	No. of options	Avg. price	Avg. expiry	No. of options	Avg. price	Avg. expiry
A. Balance at start of period	20,593,250	12.30	December 2013	15,022,500	13.52	December 2013
B. Additions						
B.1 New issues	215,000	17.68	March 2015	1,770,000	15.14	November 2015
B.2 Other additions	—	—	—	—	—	—
C. Reductions						
C.1 Options cancelled	220,000	15.26	—	—	—	—
C.2 Options exercised	5,565,750	9.12	—	2,492,750	8.81	—
C.3 Options expired	—	—	—	—	—	—
C.4 Other reductions	—	—	—	—	—	—
D. Balance at end of period	15,022,500	13.52	December 2013	14,299,750	14.55	June 2014
E. Options exercisable as at reporting date	3,477,500	9.21	September 2011	1,234,750	9.90	May 2012

## **ACCOUNTS OF THE BANK**

## REVIEW OF OPERATIONS

### OVERVIEW

In the twelve months ended 30 June 2008, Mediobanca earned a net profit of €622.6m, up 11% year-on-year, from €561.1m, after gains on disposals of AFS securities totalling €171.8m (30/6/07: €166.7m), bad debt writeoffs and adjustments to securities amounting to €30.3m (€9.4m), and tax of €76.8m (€127.2m). In a sharply deteriorating financial and economic scenario, total income was up 8.1%, on the back of a 27.9% rise in net interest income, from €192.9m to €246.7m. There was 7.9% growth in dividends collected, from €213.5m to €230.4m; and net fee and commission income held up well at €275.9m, compared with €275.6m one year previously, while net trading income was down from €65.7m to €55.3m. Profit from ordinary activities rose from €531.1m to €558.1m, despite the 15.5% increase in operating costs, from €216.6m to €250.2m due to the increase in the Bank's headcount from 459 to 538 and development of domestic and international activities.

The main balance-sheet aggregates show increases in loans and advances, from €20.3bn to €24.2bn, treasury funds, from €6.4bn to €8.8bn, equity investments, from €1.7bn to €2.7bn, and funding, from €27.1bn to €33.7bn. Conversely, AFS securities fell from €4.8bn to €2.8bn, as a result of the decline in stock market prices and disposals carried out during the year.

## 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 hereto, along with further details on how the various items have been restated.

### Profit and loss account

	12 mths to 30/6/07	12 mths to 30/6/08	Y.o.Y. chg.
	€m	€m	%
Net interest income .....	192.9	246.7	+27.9
Net trading income .....	65.7	55.3	-15.8
Net fee and commission income .....	275.6	275.9	+0.1
Dividends on equity investments and AFS securities .....	213.5	230.4	+7.9
<b>TOTAL INCOME.....</b>	<b>747.7</b>	<b>808.3</b>	<b>+8.1</b>
Labour costs .....	(134.4)	(160.0)	+19.0
Other administrative expenses .....	(82.2)	(90.2)	+9.7
<b>OPERATING COSTS .....</b>	<b>(216.6)</b>	<b>(250.2)</b>	<b>+15.5</b>
<b>PROFIT FROM ORDINARY ACTIVITIES.....</b>	<b>531.1</b>	<b>558.1</b>	<b>+5.1</b>
Gain (loss) on disposal of AFS securities .....	166.7	171.8	+3.1
Gain (loss) on disposal of other securities.....	(0.1)	(0.2)	n.m.
Bad debt writeoffs .....	(5.2)	(22.8)	n.m.
Writebacks (writedowns) to AFS securities ....	(4.2)	(7.5)	n.m.
<b>PROFIT BEFORE TAX .....</b>	<b>688.3</b>	<b>699.4</b>	<b>+1.6</b>
Income tax for the period .....	(127.2)	(76.8)	-39.6
<i>of which: one-off effect of 2008 Budget Law ..</i>	—	60.5	n.m.
<b>NET PROFIT .....</b>	<b>561.1</b>	<b>622.6</b>	<b>+11.0</b>
Cost/income ratio (%) .....	29.0	31.0	

\* For methods by which data has been restated, see also section entitled "Significant accounting policies".

## Balance sheet

	30/6/07	30/6/08
	€m	€m
<b>Assets</b>		
Treasury funds .....	6,379.4	8,845.4
AFS securities .....	4,788.0	2,846.7
Financial assets held to maturity .....	621.6	577.4
Loans and advances to customers .....	20,306.5	24,235.2
Equity investments .....	1,680.8	2,722.4
Property, plant and equipment .....	121.3	121.6
Other assets .....	251.6	462.4
<b>Total assets</b> .....	<b>34,149.2</b>	<b>39,811.1</b>
<b>Liabilities</b>		
Funding .....	27,105.1	33,740.9
Provisions .....	162.4	161.5
Other liabilities .....	782.8	658.7
Net equity .....	5,537.8	4,627.4
Profit for the period .....	561.1	622.6
<b>Total liabilities</b> .....	<b>34,149.2</b>	<b>39,811.1</b>
Memorandum accounts .....	43,168.3	37,086.0

Key indices and financial ratios for the period are as follows:

	30/6/07	30/6/08
Regulatory capital (€m) .....	7,152.5	5,468.4
Solvency margin (%) .....	16.09	14.86
Market capitalization (€m) .....	13,742.4	8,755.7
No. of shares in issue (millions) .....	817.6	820.1
Avg. no. of staff in year ended 30/6/08 .....	480	548

## REVIEW OF KEY ITEMS

### Loans and advances to customers

The Bank's loan book has shown the following trends in the past three-year period:

	2005-06		2006-07		2007-08	
	€m	%	€m	%	€m	%
Balance disbursed at start of period .....	14,058	100.0	15,871	100.0	20,306	100.0
Movements during the twelve months:						
– net new loans .....	1,828	13.0	4,326	27.3	4,030	19.8
– adjustments to amortized cost .....	(15)	(0.1)	109	0.6	(101)	(0.5)
Balance at end of period .....	15,871	112.9	20,306	127.9	24,235	119.3

Loans and advances to customers rose 19.3% in the twelve months under review, from €20,306.5bn to €24,235.2m. This reflects the positive trend in corporate business, which was up 12.5%, supported by growth at the Compass group, whose loan book grew by 44.7%, from €4,318.9m to €6,251.5m, including €600m disbursed by Linea. Diversification in terms of non-Italian clientèle continued during the period, which now accounts for approximately one-third of total loans due to business originated by the Paris, Frankfurt and Madrid branches. Domestic and international syndication activity also continued, while credit quality remained unaltered, with no exposures to sub-prime mortgages or vehicle companies investing in such products.

This heading includes:

- a single, non-performing item in an amount of €127,000 covered by SACE insurance, whom we are suing for the indemnity due;



— loans and advances to Group companies totalling €9,597.4m, up €1,579.8m, or 19.7%, due to support for the Group's growing retail activities; this heading breaks down as follows:

	30/6/07	30/6/08
	€m	€m
Mediobanca International .....	3,697.2	3,341.5
CheBanca! (formerly Micos Banca).....	1,407.2	1,802.1
Compass .....	1,262.5	1,775.0
Palladio Leasing .....	695.9	995.2
SelmaBipiemme Leasing .....	534.9	649.0
Linea .....	—	600.0
Teleleasing .....	418.4	430.2
Seteci .....	—	3.1
MB Securities USA (subordinated) .....	1.5	1.3
	8,017.6	9,597.4

As at 30 June 2008, there were a total of eighteen significant exposures, i.e. above 10% of the Bank's regulatory capital (including market risks and equity investments), one more than at end-June 2007, worth a total amount of €14,950.9m (€17,589.6m).

## Funding

	30/6/07	30/6/08
	€m	€m
Deposits and current accounts .....	554.3	440.6
Bonds and other debt securities .....	22,748.3	30,355.2
Other funds .....	3,802.5	2,945.1
	27,105.1	33,740.9

The reduction in deposits and current accounts, from €554.3m to €440.6m, was due to the now established downward trend in certificates of deposit, which declined from €285.9m to €197.6m, plus a reduction in current accounts, from €268.4m to €242.9m.

Conversely, bonds and other debt securities rose from €22,748.3m to €30,355.2m, as a result of new issuance worth €12,103.2m, redemptions and repayments (including early redemptions) of €4,566.7m, and upward adjustments (to reflect amortized cost, exchange rates and hedging effects) of €70.4m. The new issues, which were made in especially challenging market conditions, benefited from placements on retail networks owned by third parties, which bear out the market's appetite for Mediobanca paper.

Other funds fell from €3,802.5m to €2,945.1m, reflecting the reduction in funds raised through Euro CDs and commercial paper issued by Mediobanca International, which totalled €503.5m, as against €1,927m last year, while EIB funding rose from €721.7m to €825m.

### Treasury accounts

	30/6/07	30/6/08
	€m	€m
Cash and bank balances .....	160.8	142.4
Fixed-income securities .....	7,746.3	6,836.0
Equities .....	843.2	453.2
Other trading items .....	(2,370.9)	1,413.8
	<u>6,379.4</u>	<u>8,845.4</u>

Treasury operations during the period were managed with a view to ensuring a comfortable liquidity position for the Bank.

Cash and bank balances include €115m in current account balances held at banks, plus €27.4m in compulsory reserves.

Fixed-income securities declined from €7,746.3m to €6,836m, with over three-quarters by issuers rated AA- or higher. Unrated bonds accounted for 4% of the total (€295m), and sub-investment-grade paper for less than 1% (€41.7m). The Bank has no positions in securities that might directly or indirectly contain risks relating to US sub-prime mortgages. Holdings in ABS are limited, at €679.3m, and refer to domestic assets; for further details, please see section C of part E of the Notes to the Accounts.

Equities totalled €453.2m, below the €843.2m reported last year, partly due to the reduction in share prices.

Other trading items comprise: repo trades (including securities lending) worth €4,443.4m (30/6/07: €3,629.2m) and reverse repos totalling €3,939.5m (€5,840.7m); deposits amounting to €2,165.1m (€1,797.4m) and shortfalls of €1,533.4m (€2,125.6m); and positive valuations of derivative contracts totalling €278.1m (€168.8m).

Overall treasury management, including derivatives, generated net trading income of €55.3m, down on the €65.7m reported last year, in part as a result of unfavourable market trends. All financial instruments have been marked to market if active, or on the basis solely of market-derived data.

## Equity investments

	Percentage shareholding*	Book value	Market value based on prices at 30/6/08	Gain
		€m		
LISTED INVESTMENTS				
Assicurazioni Generali .....	12.99	836.2	4,464.3	3,628.2
RCS MediaGroup, ordinary ...	14.36	272.4	159.0	(113.4)
		1,108.6	4,623.3	3,514.8
OTHER INVESTMENTS				
Telco .....	10.64	522.4		
Banca Esperia .....	48.50	25.6		
Burgo Group .....	22.13	54.6		
Athena Private Equity class A .	23.88	38.2		
Fidia .....	25.00	3.0		
APE SGR .....	40.00	0.4		
		644.2		
TOTAL ASSOCIATES .....		1,752.8		
TOTAL SUBSIDIARIES .....		969.6		
TOTAL INVESTMENTS .....		2,722.4		

\* Of entire share capital.

The main movements during the year involved:

- subscription to a €500m rights issue by Compass to pay for the acquisition of Linea and provide capital for CheBanca!;
- acquisition of 3.2 million shares in RCS MediaGroup under the terms of the company's shareholder agreement, involving an outlay of €10.4m;
- taking a stake in Telco S.p.A. with a view to creating value from the Bank's shareholding in Telecom Italia, and strengthening and stabilizing this company's ownership structure; the 10.6% stake acquired derives from the spinoff of the Telecom Italia shares previously included among the Bank's AFS securities for a value of €522.4m; the reasons why this shareholding has been booked as an equity investment are set out in detail in section 10 of part B of the Notes to the Accounts;
- net investments of €7.6m in Athena Private Equity fund.

Comparison of the book value and fair value of the listed securities, i.e. Assicurazioni Generali and RCS MediaGroup, as at the reporting date reflects a net surplus of €3,514.8m (€2,980.6m based on current prices and holdings). For all the other investments no situations arose which would warrant impairment charges being recorded; further explanation of the book values is provided in section 10 of part B of the Notes to the Accounts. The Telco investment reflects an implicit loss of €442.3m if the Telecom Italia shares are marked to market as at 30 June 2008.

The performances of the other Group companies not mentioned in the Review of Group Operations are described below:

- *Mediobanca International (Luxembourg) S.A.*, Luxembourg

This company's financial statements as at 30 June 2008 reflect a net profit of €14.4m (30/6/07: €9m), on net interest income of €10.7m (€7.3m) and net fee and commission income of €9.4m (€5.5m). During the year, loans and advances to corporate customers, which are fully guaranteed by Mediobanca S.p.A., fell from €3,681.5m to €3,341.3m; bonds increased from €881.5m to €1,338m; while short-term funding via Euro CDs and commercial paper reduced from €1,927m to €429.9m. The company's net worth stood at €87.6m (€78.6m).

Mediobanca International (Luxembourg) S.A. employs 7 staff, two of whom are seconded from Mediobanca S.p.A.

— *Prominvestment S.p.A.*, Rome (70%-owned)

This company's accounts for the year ended 30 June 2008 reflect a loss of €1,634,000 (€82,000), following transfers to provisions for risks and liabilities to cover the voluntary liquidation procedure approved in the preceding months after the company's mission had become obsolete.

Prominvestment employs 8 staff.

— *R. & S. - Ricerche e Studi S.p.A.*, Milan

This company's accounts for the twelve months ended 30 April 2008 show an even balance, after charging Mediobanca €1.6m for expenses and services (unchanged from last year). To bring R&S's financial year into line with that of the rest of the Group, the company also reported its financial situation for the two months ended 30 June 2008, which too reflected an even balance, after charging Mediobanca €0.2m for expenses.

R&S produced updated versions of all its main works during the period, including its Annual Directory with entries on the 50 leading Italian companies, its customary analysis of the quarterly accounts of listed companies, its survey of industrial and service-sector multinationals in the United States, Europe and Japan and in the Russian/Asian area, and its survey of leading international banks. The company's contribution to the R&S-Unioncamere scoring model for valuing small and medium-sized companies and to the award of the Mediobanca prize for dynamic Italian medium-sized companies has also continued.

The company employs 11 staff.

— *Technostart S.p.A.*, Milan (69%-owned)

The accounts of this company for the year ended 30 June 2008 reflect a loss of €44,000 (30/6/07: €47,000).

Technostart employs no staff.

— *MB Securities USA LLC*, New York

MB Securities USA performs securities brokerage activities on the New York market. The company recorded a loss for the twelve months of USD 410,000, on fee income of €1.7m.

Table B provides the restated accounts (balance sheet and profit and loss account) of the Bank's investee companies.

### Financial assets held to maturity

These totalled €577.4m (30/6/07: €621.6m), following redemptions of €40.5m and adjustments to amortized cost amounting to €3.7m. The fall in stock market prices led to a potential loss of €83.4m (€39.5m) being recognized on this portfolio.

### AFS securities

	30/6/07	30/6/08
Fixed-income securities .....	1,472.2	1,280.7
Equities .....	3,315.8	1,566.0
	<u>4,788.0</u>	<u>2,846.7</u>

Holdings in bonds fell from €1,472.2m to €1,280.7m, following purchases worth €520.4m, disposals and redemptions of €603.9m (yielding gains of €0.4m), and other downward adjustments (to reflect amortized cost and/or fair value) totalling €108.4m. Overall, there was a €66.5m deficit on the valuation reserve, reflecting aggregate reductions of €96.7m for the period.

Investment in equities fell from €3,315.8m to €1,566m, after purchases worth €645.3m and disposals of €1,603.3m, including the spinoff of shares held in Telecom Italia to Telco for a value of €522.4m. Gains on disposal of €173.5m were realized during the period, €108.4m of which from previous years' reserves, and €3.2m in other income. Recognizing investments in equities at fair value led to a downward adjustment of €846.2m being booked at the reporting date, and writedowns to unlisted shares worth €7.5m.

Accordingly, the AFS securities portfolio as at 30 June 2008 was as follows:

	Percentage shareholding*	Book value at 30/6/08	Adjustments to fair value	Aggregate AFS reserve
Fiat .....	1.94 – 1.66	220.2	(246.8)	154.0
Gemina .....	12.56 – 12.53	143.4	(156.1)	(68.8)
Pirelli .....	4.61 – 4.49	105.5	(70.1)	(35.7)
Italmobiliare .....	9.5 – 5.47	105.3	(115.3)	70.7
Other listed securities .....		515.2	(247.9)	(193.1)
Other unlisted securities .....		476.4	(10.0)	56.3
TOTAL .....		<u>1,566.0</u>	<u>(846.2)</u>	<u>(16.6)</u>

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

The main movements in this portfolio during the year under review include subscription to a rights issue implemented by Gemina in an amount of €156.5m, and investments in unlisted companies Santé S.A. and Sintonia S.A. of €80.6m and €50.1m respectively.

For a description of the main movements in this portfolio since the reporting date, please see the relevant section in the Review of Group Operations.

During the period under review various equity portfolio hedges were put in place through forward contracts, which at 30 June 2008 reflected gains of €168.8m, recognized in the reserves.

### **Net fixed assets**

These comprise:

- *Property*, carried at a book value of €113.8m, which includes properties acquired under leases (€20.6m) as well as land (€81.2m); depreciation charges for the year totalled €1.4m;
- *Furniture and Intangible assets*, consisting of furniture, office equipment, computers and software owned by the Bank worth a total of €7.8m, amortized as to €3.5m over the period.

### **Other items and provisions**

These comprise:

- provision for taxation, current and deferred, amounting to €525.4m;
- staff severance indemnity provision, down from €11.6m to €10.7m;
- provision for liabilities and charges, unchanged at €150.8m.

### **Net equity, subordinated liabilities, regulatory capital and solvency margin**

The Bank's net equity of €4,627.4m (30/6/07: €5,537.8m) includes:

- share capital amounting to €410m, up €1.2m owing to issuance of new shares as a result of stock options being exercised;

- reserves and retained earnings of €4,223.8m, down €905.2m; these consist of the following:
  - *Legal reserve*, €81.9m, up €0.4m;
  - *Share premium reserve*, €2,140m, up €20.7m on shares being issued as a result of stock options exercised;
  - *Other reserves*, €1,937.8m, down €181.8m, due to a reduction to fund the share buyback programme (€213.4m, corresponding to 16.2 million shares in Mediobanca, or 1.98% of its share capital), €9.5m in increases relating to the cost of stock options, including the share payable to employees of other Group companies, and allocation of the profit earned during the previous year (€22.1m);
  - *Valuation reserves*, €57.7m, down €750.8m on last year, due to adjustment of AFS securities to fair value.

The reduction in regulatory capital from €7,152.5m to €5,468.4m was attributable to the sharp reduction in the AFS equity portfolio valuation reserves and the share buyback transaction.

\* \* \*

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

\* \* \*

### Net interest income

	12 mths to 30/6/07	12 mths to 30/6/08
	€m	€m
Interest income .....	1,753.5	1,860.3
(Interest expense) .....	(1,560.6)	(1,613.6)
Net interest income .....	<u>192.9</u>	<u>246.7</u>

Growth of 27.9% in net interest income reflects trends in average lending volumes, which were up over 20%, and higher margins, offsetting the widespread increase in the cost of funding.



## Net trading income

	12 mths to 30/6/07	12 mths to 30/6/08
	€m	€m
Dealing profits (losses) .....	(10.8)	126.7
Mark-to-market as at reporting date .....	36.2	(151.0)
Dividends .....	40.3	79.6
TOTAL .....	65.7	55.3

Despite the market crisis, results for the twelve months still reflect a profit, albeit reduced, down from €65.7m to €55.3m, with the equity segment contributing virtually three-quarters of net income, while the fixed-income result does not take into account the gains accruing to net interest income as a result of higher returns on the portfolio. The item also includes €79.6m in dividends, and losses on exchange rate adjustments amounting to €23.3m.

## Net fee and commission income

This heading includes €263m (30/6/07: €267m) in corporate and investment banking fees, which bears out last year's result in particularly difficult market conditions. Other items included here are €4.3m (€4m) in renting income, €4.1m (€1.1m) in expenses recovered from customers, and €4.5m (€3.5m) in other income.

## Operating costs

The main items under this heading, which rose from €216.6m last year to €250.2m, were as follows:

- labour costs of €160m (€134.4m), including €7.9m (€12.6m) in fees payable to Board members, and stock option expenses of €8.8m (€8.5m); the increase reflects the growth in headcount, which rose from 459 to 538, both in Italy and the Bank's non-Italian operations;
- sundry costs and expenses amounting to €90.2m (€82.2m), €5m (€3.4m) of which in depreciation and amortization, €3m (€7.8m) in expenses incurred in connection with the stock option scheme operated

by Banca Esperia, and €81.9m (€71.1m) in administrative expenses, which break down as follows:

	12 mths to 30/6/07	12 mths to 30/6/08
	€m	€m
EDP and financial information subscriptions . .	21.4	23.5
Outside service and consultancy fees . . . . .	15.1	21.9
Bank charges . . . . .	6.6	4.8
Rent, equipment leasing and maintenance . . . .	4.0	4.0
Travel, transport and entertainment . . . . .	3.3	5.4
Stationery, publication costs and utilities . . . .	2.9	3.6
Others . . . . .	17.8	18.7
TOTAL . . . . .	71.1	81.9

The increase reflects, in addition to outside service and consultancy fees which were recovered in part from customers, the cost of upgrading IT systems and developing the Bank's non Italian branches.

### **Bad debt writeoffs and AFS securities adjustments**

Provisions of €22.8m were made during the year to increase the collective provision for adjustments to loans (which includes guarantees and commitments to disburse finance). Accordingly the provision, which is deducted directly from assets, amounts to a total of €76.2m, despite their being no potential problem or bad debts in the portfolio. Certain minor unlisted investments held as available for sale have also been written down to their estimated fair value, involving an adjustment of €7.5m.

### **Income tax for the period**

Income tax for the twelve months totalled €76.8m, benefiting from the one-off positive effect on deferred tax from the reduction of the IRES tax rate from 33% to 27.5% and changes to calculation of the taxable base for IRAP purposes.

\* \* \*

With reference to claims made against Mediobanca, jointly with the other parties involved in what is alleged to be their failure to launch a full takeover for La Fondiaria in 2002, a total of twelve are still pending for damages amounting to €153m. The status of these claims is presently as follows:

- the court of appeals in Milan has ruled in favour of Mediobanca on two claims, and both rulings have now been challenged at the court of cassation;
- the court of Milan has ruled against Mediobanca on six claims, in respect of which five appeals have been submitted;
- the court of Florence has ruled in favour of Mediobanca on one claim, which ruling has been appealed by the plaintiff;
- three claims are still pending at the court of Milan.

\* \* \*

With regard to securities trading, a total of 226 million Mediobanca shares were traded on behalf of customers, worth a total of €3,528.8m. Of these, 153.5 million shares worth €2,433.7m involved transactions disclosed under the terms of the Bank's shareholders' agreement. During the year a share buyback programme was completed, as approved by shareholders in general meeting on 27 October 2007, which involved the repurchase of 16.2 million Mediobanca shares, or 1.98% of its share capital, for an outlay of €213.4m.

\* \* \*

The "Security planning document" required under Italian Legislative Decree 196/03 was updated in the course of the year.

\* \* \*

Information on the Bank's ownership structure required under Article 123-bis of Italian Legislative Decree 58/98 is contained in the company's statement on corporate governance, which is attached hereto and is available on the Mediobanca website under Investor Relations.

\* \* \*

### **Credit rating**

Standard & Poor's continue to rate Mediobanca as AA- for medium-/long-term debt and A-1+ for short-term debt. The outlook is stable.

### **Research**

On the research side, work has continued as in the past on company and capital market surveys (see p. 219), carried out by both Mediobanca's Research Department and Group research arm R&S.

### **Related party disclosure**

Financial accounts with such parties at 30 June 2008 and intra-group and other related party transactions during the year ended on the same date are described in part H of the notes to the accounts.

All such accounts, the impact of which on the Bank's asset and earnings aggregates is limited, fall within its 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.

### **SIGNIFICANT EVENTS SINCE THE REPORTING DATE**

On 15 September 2008, US banking group Lehman Brothers filed for entry to Chapter 11 bankruptcy proceedings. The Mediobanca Group's exposure to Lehman involves virtually only positions in derivatives, most of which are hedges and linked to funding transactions. There is no counterparty risk for the Mediobanca Group on these positions, as the mark-to-market on them at current prices shows Mediobanca as the debtor,

in an amount of around €130m, €103m of which has already been paid to the counterparty by way of collateral and largely offset by the corresponding transactions. A procedure has been launched for early closure of these contracts, and analysis is underway to assess the possibility of re-hedging these positions on the market.

\* \* \*

## **OUTLOOK**

The current financial year will again be strongly influenced by the crisis that has been affecting financial markets for more than a year now. Growth in net interest income is anticipated due to the higher volumes, while fee and commission income is expected to fall due to the slowdown in economic activity, plus the ongoing difficulties on equity markets which are affecting investment banking activity. For this reason the contribution by net trading income will remain volatile. Results will reflect the rise in costs, linked partly to the Bank's plans for international development, and may benefit from gains realized on movements in the securities portfolios.

## **AUDITORS' REPORT**

#### INDEPENDENT AUDITORS' REPORT

Pursuant to article 156 of Legislative Decree n. 58 of 24 February 1998  
(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 2008, comprising the balance sheet, the profit and loss account, the statement of changes in net equity, the cash flow statement and the related explanatory notes. 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 Management Board. 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 of the accounting principles applied and the reasonableness of the estimates made by the Management Board. We believe that our audit provides a reasonable basis for our opinion.  
  
For our opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated 25 September 2007.
3. In our opinion, the financial statements of Mediobanca S.p.A. as of and for the year ended 30 June 2008 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, changes in net equity and cash flows of Mediobanca S.p.A. as of 30 June 2008 and for the year then ended.
4. Pursuant to the law, we have verified the consistency of the information in the Management Report with the financial statements. In our opinion the Management Report is consistent with the financial statements.

Milan, 19 September 2008

Reconta Ernst & Young S.p.A.  
signed by: Riccardo Schioppo, partner

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

## **INDIVIDUAL FINANCIAL STATEMENTS**



## MEDIOBANCA S.p.A. BALANCE SHEET

	Assets	30/6/08	30/6/07
		€	€
10.	Cash and cash equivalents	47,577	63,476
20.	Financial assets held for trading	10,656,890,087	12,453,735,174
40.	Financial assets available for sale	2,846,738,282	4,788,038,627
50.	Financial assets held to maturity	577,419,019	621,634,183
60.	Due from banks	11,676,293,813	10,894,652,025
70.	Due from customers	20,460,779,609	16,717,698,147
80.	Hedging derivatives	1,188,338,586	853,709,310
100.	Equity investments	2,722,389,713	1,680,777,018
110.	Property, plant and equipment	118,959,447	119,490,720
120.	Intangible assets	2,614,995	1,805,455
130.	Tax assets:	183,322,061	158,567,647
	<i>a) current</i>	<i>45,475,830</i>	<i>48,619,837</i>
	<i>b) advance</i>	<i>137,846,231</i>	<i>109,947,810</i>
150.	Other assets	8,889,721	208,574,072
	<b>TOTAL ASSETS</b>	<b>50,442,682,910</b>	<b>48,498,745,854</b>

	Liabilities and net equity	30/6/08	30/6/07
		€	€
10.	Due to banks	7,620,476,491	10,973,550,143
20.	Due to customers	2,148,434,466	2,093,088,483
30.	Debt securities in issue	28,790,296,140	22,055,544,265
40.	Trading liabilities	3,089,616,205	3,695,402,599
60.	Hedging derivatives	2,754,422,486	1,871,490,033
80.	Tax liabilities:	525,392,555	560,888,649
	<i>a) current</i>	<i>217,019,428</i>	<i>107,240,596</i>
	<i>b) deferred</i>	<i>308,373,127</i>	<i>453,648,053</i>
100.	Other liabilities	102,602,384	987,468,235
110.	Staff severance indemnity provision	10,676,094	11,657,210
120.	Provisions:	150,776,000	150,776,000
	<i>a) post-employment and similar benefits</i>	—	—
	<i>b) other provisions</i>	<i>150,776,000</i>	<i>150,776,000</i>
130.	Revaluation reserves	57,728,186	808,537,878
160.	Reserves	2,233,022,479	2,201,122,973
170.	Share premium reserve	2,140,043,291	2,119,327,526
180.	Share capital	410,027,832	408,781,458
200.	Profit for the period	(213,410,361)	561,110,402
	<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>50,442,682,910</b>	<b>48,498,745,854</b>

## MEDIOBANCA S.p.A. PROFIT AND LOSS ACCOUNT

		12 mths to 30/6/08	12 mths to 30/6/07
10.	Interest and similar income	1,804,691,803	1,682,186,268
20.	Interest expense and similar charges	(1,624,419,685)	(1,561,423,430)
<b>30.</b>	<b>Net interest income</b>	<b>180,272,118</b>	<b>120,762,838</b>
40.	Fee and commission income	281,766,676	291,710,896
50.	Fee and commission expense	(18,752,043)	(24,798,580)
<b>60.</b>	<b>Net fee and commission income</b>	<b>263,014,633</b>	<b>266,912,316</b>
70.	Dividends and similar income	310,041,388	253,784,993
80.	Net trading income	12,537,212	100,290,114
90.	Net hedging income (expense)	7,193,609	(3,588,867)
100.	Gain (loss) on disposal/repurchase of:	194,001,017	167,495,634
	<i>a) loans and advances</i>	—	—
	<i>b) AFS securities</i>	171,797,011	166,662,643
	<i>c) financial assets held to maturity</i>	(166,655)	(72,288)
	<i>d) financial liabilities</i>	22,370,661	905,279
<b>120.</b>	<b>Total income</b>	<b>967,059,977</b>	<b>905,657,028</b>
130.	Adjustments for impairment to:	(30,284,614)	(9,412,170)
	<i>a) loans and advances</i>	(22,781,404)	(5,243,502)
	<i>b) AFS securities</i>	(7,503,210)	(4,168,668)
	<i>c) financial assets held to maturity</i>	—	—
	<i>d) other financial transactions</i>	—	—
<b>140.</b>	<b>Net income from financial operations</b>	<b>936,775,363</b>	<b>896,244,858</b>
150.	Administrative expenses:	(246,627,653)	(207,888,499)
	<i>a) personnel costs</i>	(160,021,565)	(134,440,479)
	<i>b) other administrative expenses</i>	(86,606,088)	(73,448,020)
160.	Net transfers to provisions	—	224,000
170.	Net adjustments to tangible assets	(3,043,079)	(2,923,387)
180.	Net adjustments to intangible assets	(1,911,102)	(443,327)
190.	Other operating income (expense)	9,550,899	1,961,841
<b>200.</b>	<b>Operating costs</b>	<b>(242,030,935)</b>	<b>(209,069,372)</b>
210.	Gain (loss) on equity-accounted investments	—	—
240.	Gain (loss) upon disposal of investments:	(82,105)	(20,793)
	<i>a) property</i>	—	—
	<i>b) other assets</i>	(82,105)	(20,793)
<b>250.</b>	<b>Profit (loss) on ordinary activities before tax</b>	<b>694,662,323</b>	<b>687,154,693</b>
260.	Income tax for the year on ordinary activities	(72,083,661)	(126,044,291)
<b>270.</b>	<b>Profit (loss) on ordinary activities after tax</b>	<b>622,578,662</b>	<b>561,110,402</b>
<b>290.</b>	<b>Net profit (loss) for the year</b>	<b>622,578,662</b>	<b>561,110,402</b>

## STATEMENT OF CHANGES TO AVERAGE MEDIOBANCA NET EQUITY

	Balance at 30/6/07	Allocation of profit from previous period		Changes during the reference period							Profit (loss) for the period	Balance at 30/6/08
				Changes to reserves	Transactions involving net equity							
		Reserves	Dividends and other fund applications		New shares issued	Treasury shares	Extra- ordinary dividend payouts	Changes to equity instruments	Treasury share derivatives	Stock options		
Share capital:	408,781,457	—	—	—	1,246,375	—	—	—	—	—	—	410,027,832
a) ordinary shares	408,781,457	—	—	—	1,246,375	—	—	—	—	—	—	410,027,832
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,119,327,526	—	—	—	20,715,765	—	—	—	—	—	—	2,140,043,291
Reserves:	2,201,122,973	22,423,843	—	—	—	—	—	—	—	9,475,663	—	2,233,022,479
a) retained earnings	2,201,122,973	22,423,843	—	—	—	—	—	—	—	9,475,663	—	2,233,022,479
b) others	—	—	—	—	—	—	—	—	—	—	—	—
Valuation reserves:	808,537,878	—	—	(750,809,692)	—	—	—	—	—	—	—	57,728,186
a) AFS securities	808,858,125	—	—	(874,002,016)	—	—	—	—	—	—	—	(65,143,891)
b) cash flow hedges	(7,907,010)	—	—	123,192,324	—	—	—	—	—	—	—	115,285,314
c) special laws	7,586,763	—	—	—	—	—	—	—	—	—	—	7,586,763
d) others	—	—	—	—	—	—	—	—	—	—	—	—
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	—	—	—	—	—	(213,410,361)	—	—	—	—	—	(213,410,361)
Profit (loss) for the period	561,110,402	(22,423,843)	(538,686,559)	—	—	—	—	—	—	—	622,578,662	622,578,662
Net equity	6,098,880,236	—	(538,686,559)	(750,809,692)	21,962,140	(213,410,361)	—	—	—	9,475,663	622,578,662	5,249,990,089

## STATEMENT OF CHANGES TO MEDIOBANCA NET EQUITY FROM 1/7/06 TO 30/6/07

	Previously reported balance at 30/6/06	Adjustments to opening balance	Balance at 1/7/06	Allocation of profit for previous period		Changes during the reference period								Balance at 30/06/07
				Reserves	Dividends and other fund applications	Changes to reserves	Transactions involving net equity						Profit (loss) for the period	
							New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury share derivatives	Stock options		
Share capital:	405,998,582	—	405,998,582	—	—	—	2,782,375	—	—	—	—	—	—	408,781,457
a) ordinary shares	405,998,582	—	405,998,582	—	—	—	2,782,375	—	—	—	—	—	—	408,781,457
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,071,363,865	—	2,071,363,865	—	—	—	47,963,661	—	—	—	—	—	—	2,119,327,526
Reserves:	2,129,520,832	(3,751,951)	2,125,768,881	66,243,398	—	—	—	—	—	—	—	9,110,694	—	2,201,122,973
a) retained earnings	2,129,520,832	(3,751,951)	2,125,768,881	66,243,398	—	—	—	—	—	—	—	9,110,694	—	2,201,122,973
b) others	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Valuation reserves:	326,971,758	—	326,971,758	—	—	481,566,120	—	—	—	—	—	—	—	808,537,878
a) AFS securities	306,785,885	—	306,785,885	—	—	502,072,240	—	—	—	—	—	—	—	808,858,125
b) cash flow hedges	12,599,110	—	12,599,110	—	—	(20,506,120)	—	—	—	—	—	—	—	(7,907,010)
c) special laws	7,586,763	—	7,586,763	—	—	—	—	—	—	—	—	—	—	7,586,763
d) others	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Profit (loss) for the period	545,519,863	—	545,519,863	(66,243,398)	(479,276,465)	—	—	—	—	—	—	—	561,110,402	561,110,402
Net equity	5,479,374,900	(3,751,951)	5,475,622,949	—	(479,276,465)	481,566,120	50,746,536	—	—	—	—	9,110,694	561,110,402	6,098,880,236

## MEDIOBANCA CASH FLOW STATEMENT

### Direct method

	Amounts	
	30/6/08	30/6/07
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>1. Operating activities</b>	<b>1,112,196,371</b>	<b>673,948,018</b>
– interest received	3,542,236,236	2,564,087,565
– interest paid	(2,786,248,517)	(2,098,157,717)
– dividends and similar income	119,171,417	253,785,112
– net fees and commission income	84,034,700	239,785,992
– cash payments to employees	(128,916,792)	(100,619,113)
– net premium income	—	—
– other income from insurance activities	—	—
– other expenses paid	(116,816,747)	(611,657,821)
– other income received	399,248,574	427,103,019
– income taxes paid	(512,500)	(379,019)
– net expense/income from groups of assets being sold	—	—
<b>2. Cash generated/absorbed by financial assets</b>	<b>(2,903,991,410)</b>	<b>(8,497,913,567)</b>
– financial assets held for trading	786,487,436	(3,586,485,794)
– financial assets recognized at fair value	—	—
– AFS securities	531,259,959	(13,036,950)
– due from customers	(3,267,763,471)	(458,155,091)
– due from banks: on demand	(334,135,034)	(394,336,522)
– due from banks: other	(566,044,964)	(3,638,581,770)
– other assets	(53,795,336)	(407,317,440)
<b>3. Cash generated/absorbed by financial liabilities</b>	<b>2,807,543,694</b>	<b>8,265,795,264</b>
– due to banks: on demand	(1,241,200,537)	633,101,215
– due to banks: other	(2,754,843,254)	5,485,470,957
– due to customers	(329,543,362)	(372,791,120)
– debt securities	6,902,182,331	2,407,435,809
– trading liabilities	295,333,639	(161,714,988)
– financial liabilities assets recognized at fair value	—	—
– other liabilities	(64,385,123)	274,293,391
<b>Net cash flow (outflow) from operating activities</b>	<b>1,015,748,655</b>	<b>441,829,715</b>
<b>B. INVESTMENT ACTIVITIES</b>		
<b>1. Cash generated from</b>	<b>227,538,121</b>	<b>5,978,213</b>
– disposals of shareholdings	—	5,374,907
– dividends received in respect of equity investments	186,954,444	—
– disposals/redemptions of financial assets held to maturity	40,568,770	603,306
– disposals of tangible assets	14,907	—
– disposals of intangible assets	—	—
– disposals of subsidiaries or business units	—	—
<b>2. Cash absorbed by</b>	<b>(519,435,932)</b>	<b>(25,671,444)</b>
– acquisitions of shareholdings	(517,916,951)	(23,955,337)
– acquisitions of held-to-maturity investments	—	—
– acquisitions of tangible assets	(777,676)	(1,101,707)
– acquisitions of intangible assets	(741,305)	(614,400)
– acquisitions of subsidiaries or business units	—	—
<b>Net cash flow (outflow) from investment/servicing of finance</b>	<b>(291,897,811)</b>	<b>(19,693,231)</b>
<b>C. FUNDING ACTIVITIES</b>		
– issuance/acquisition of treasury shares	(191,448,221)	50,747,000
– issuance/acquisition of equity instruments	—	—
– dividend payouts and other applications of funds	(532,418,522)	(472,926,240)
<b>Net cash flow (outflow) from funding activities</b>	<b>(723,866,743)</b>	<b>(422,179,240)</b>
<b>NET CASH FLOW (OUTFLOW) DURING PERIOD</b>	<b>(15,899)</b>	<b>(42,756)</b>

**RECONCILIATION OF MOVEMENTS IN CASH FLOW  
DURING PERIOD**

	Amounts	
	30/6/08	30/6/07
Cash and cash equivalents: balance at start of period	63,476	106,232
Total cash flow (outflow) during period	(15,899)	(42,756)
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at end of period	47,577	63,476

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## **PART A - ACCOUNTING POLICIES**

### **Section 1**

#### **Statement of conformity with IAS/IFRS**

The Mediobanca Group's consolidated financial statements for the period ended 30 June 2007 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
- 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 4, and show data for the period under review compared with that for the previous financial year.

## **Section 3**

### **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 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. If no market prices are available, valuation methods and models are used based on market-derived data, e.g. valuations of listed instruments with similar features, discounted cash flow analysis, option price calculation methods, or valuations used in comparable transactions. Equities and linked derivatives for which it is not possible to reliably determine fair value using the methods described above are stated at cost. 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 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 comprise equities held for non-trading purposes which do not qualify as controlling interests, investments in associates or jointly-controlled operations.

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 are recognized in a separate equity reserve, which is then eliminated against the corresponding item in profit and loss 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. Debt securities included in this category are recognized at amortized cost, against the corresponding item in 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 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 for which the loss was recorded subsequently cease to apply, the impairment is written back to profit and loss for debt securities and equity for shares, up to the value of amortized cost.

### **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 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 profit and loss 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 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.

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 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 profit and loss account in subsequent accounting periods up to the value of amortized cost.

Accounts for which there is 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 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.

## **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 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 equity, while the gain or loss deriving from the ineffective portion is recognized through 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 (which may not be less than 10%) 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 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 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 profit and loss account. If the reasons which gave rise to the loss in value cease to apply, the adjustment is written back to profit and loss account 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 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 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 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 continue to be attributable to the Group. A corresponding amount is then entered as a liability to offset any amounts received.

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

### **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 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 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 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 not necessarily associated with failure to repay loans, 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 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 profit and loss in part or in full.

### **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 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 profit and loss account or on an equity basis).

### **Tax assets and liabilities**

Income taxes are recorded in profit and loss account, with the exception of tax payable on items debited or credited directly to 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.

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.

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**

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

**Treasury shares**

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

## PART B - NOTES TO BALANCE SHEET\*

### Segmental information

#### Assets

#### Section 1

#### Heading 10: Cash and cash equivalents

##### 1.1 *Cash and cash equivalents*

	30/6/08	30/6/07
a) Cash	48	63
b) Demand deposits held at central banks	—	—
Total	48	63

\* 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

	30/6/08		30/6/07	
	Listed	Unlisted	Listed	Unlisted
A. Cash assets				
1. Debt securities	6,307,911	634,752	5,271,629	327,934
1.1 Structured	127,064	20,527	7,489	15,452
1.2 Other debt securities	6,180,847	614,225	5,264,140	312,482
2. Equities	587,119	656	1,507,155	—
3. OICR units	—	42,015	—	—
4. Loans and advances	—	—	—	—
4.1 Repos	—	—	—	—
4.2 Others	—	—	—	—
5. Impaired assets	—	—	—	—
6. Assets sold but not derecognized <sup>1</sup>	730,693	—	3,130,072	—
Total A	7,625,723	677,423	9,908,856	327,934
B. Derivative products				
1. Financial derivatives	12,898	2,078,481	4,581	2,165,199
1.1 trading	12,898	1,269,902	4,581	844,120
1.2 linked to fair value options	—	—	—	—
1.3 others	—	808,579	—	1,321,079
2. Credit derivatives	—	262,365	—	47,165
2.1 trading	—	262,365	—	47,165
2.2 linked to fair value options	—	—	—	—
2.3 others	—	—	—	—
Total B	12,898	2,340,846	4,581	2,212,364
Total (A+B)	7,638,621	3,018,269	9,913,437	2,540,298

<sup>1</sup> Securities sold under repo agreements.

The fair value of financial instruments is equal to the price recorded on the active market, or is calculated using valuation techniques based on market-derived data. Therefore no positions have been based on data calculated internally.

## 2.2 Financial assets held for trading: by borrower/issuer

	30/6/08		30/6/07	
	Listed	Unlisted	Listed	Unlisted
<b>A. CASH ASSETS</b>				
1. Debt securities	6,307,911	634,752	5,271,629	327,934
a. Governments and central banks	3,856,248	1	3,449,442	—
b. Other public agencies	15,093	—	8,129	—
c. Banks	1,174,172	416,908	906,940	38,330
d. Other issuers	1,262,398	217,843	907,118	289,604
2. Equities	587,119	656	1,507,155	—
a. Banks	213,825	—	629,147	—
b. Other issuers	373,294	656	878,008	—
- insurances	77,333	—	262,930	—
- financial companies	9,257	—	25,837	—
- non-financial companies	286,704	656	589,241	—
- others	—	—	—	—
3. OICR units	—	42,015	—	—
4. Loans and advances	—	—	—	—
a. Governments and central banks	—	—	—	—
b. Other public agencies	—	—	—	—
c. Banks	—	—	—	—
d. Other entities	—	—	—	—
5. Impaired assets	—	—	—	—
a. Governments and central banks	—	—	—	—
b. Other public agencies	—	—	—	—
c. Banks	—	—	—	—
d. Other issuers	—	—	—	—
6. Assets sold but not derecognized <sup>1</sup>	730,693	—	3,130,072	—
a. Governments and central banks	533,586	—	2,408,940	—
b. Other public agencies	145,105	—	148,816	—
c. Banks	—	—	370,538	—
d. Other issuers	52,002	—	201,778	—
<b>Total A</b>	<b>7,625,723</b>	<b>677,423</b>	<b>9,908,856</b>	<b>327,934</b>
<b>B. DERIVATIVE PRODUCTS</b>				
a. Banks	1,597	1,727,968	2,374	1,883,450
b. Customers	11,301	612,878	2,207	328,914
<b>Total B</b>	<b>12,898</b>	<b>2,340,846</b>	<b>4,581</b>	<b>2,212,364</b>
<b>Total A+B</b>	<b>7,638,621</b>	<b>3,018,269</b>	<b>9,913,437</b>	<b>2,540,298</b>

<sup>1</sup> Securities sold under repo agreements.

### 2.3 Financial assets held for trading: derivative products

	Interest rates	Foreign currency/gold	Equities	Loans and advances	Other assets	30/6/08	30/6/07
A) Listed derivative products							
1) Financial derivatives:	8,031	—	4,867	—	—	12,898	4,581
– with exchange of principal	7,207	—	106	—	—	7,313	3,478
– options bought	—	—	—	—	—	—	66
– other derivatives	7,207	—	106	—	—	7,313	3,412
– without exchange of principal	824	—	4,761	—	—	5,585	1,103
– options bought	26	—	456	—	—	482	7
– other derivatives	798	—	4,305	—	—	5,103	1,096
2) Credit derivatives:	—	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—	—
Total A	8,031	—	4,867	—	—	12,898	4,581
B) Unlisted derivative products							
1) Financial derivatives:	901,124	109,153	928,818	—	139,386	2,078,481	2,165,199
– with exchange of principal	175	109,092	82,743	—	—	192,010	72,074
– options bought	—	—	60,231	—	—	60,231	15,857
– other derivatives	175	109,092	22,512	—	—	131,779	56,217
– without exchange of principal	900,949	61	846,075	—	139,386	1,886,471	2,093,125
– options bought	4,182	61	822,497	—	—	826,740	1,364,881
– other derivatives	896,767	—	23,578	—	139,386	1,059,731	728,244
2) Credit derivatives:	—	—	—	262,365	—	262,365	47,165
– with exchange of principal	—	—	—	247,926	—	247,926	47,165
– without exchange of principal	—	—	—	14,439	—	14,439	—
Total B	901,124	109,153	928,818	262,365	139,386	2,340,846	2,212,364
Total (A+B)	909,155	109,153	933,685	262,365	139,386	2,353,744	2,216,945



2.4 *Cash assets held for trading (excluding assets sold but not derecognized/impaired assets): movements during the period*

	Debt securities	Equities	OICR units	Loans and advances	Total
A. Balance at start of period	5,599,563	1,507,155	—	—	7,106,718
B. Additions	26,356,589	6,195,373	142,968	—	32,694,930
B.1 Acquisitions	22,280,357	5,803,022	142,001	—	28,225,380
B.2 Increases in fair value	31,534	3,910	887	—	36,331
B.3 Other additions	4,044,698	388,441	80	—	4,433,219
C. Reductions	25,013,489	7,114,753	100,953	—	32,229,195
C.1 Disposals	21,727,646	5,925,806	97,200	—	27,750,652
C.2 Redemptions	1,338,222	—	—	—	1,338,222
C.3 Reductions in fair value	133,099	194,248	1,943	—	329,290
C.4 Other reductions	1,814,522	994,699	1,810	—	2,811,031
D. Balance at end of period	6,942,663	587,775	42,015	—	7,572,453

## Section 4

### Heading 40: Available for sale (AFS) securities

#### 4.1 *AFS securities: composition*

	30/6/08		30/6/07	
	Listed	Unlisted	Listed	Unlisted
1. Debt securities	809,142	471,609	919,442	491,765
1.1 Structured	114,995	—	239,819	36,575
1.2 Other debt securities	694,147	471,609	679,623	455,190
2. Equities	1,083,058	476,357	3,004,171	311,693
2.1 Recognized at fair value	1,083,058	476,357	3,004,171	311,693
2.2 Recognized at cost	—	—	—	—
3. OICR units	—	6,572	—	—
4. Loans and advances	—	—	—	—
5. Impaired assets	—	—	—	—
6. Assets sold but not derecognized <sup>1</sup>	—	—	60,968	—
Total	1,892,200	954,538	3,984,581	803,458

<sup>1</sup> Securities sold under repo agreements.

The fair value of financial instruments is equal to the price recorded on the active market, or alternatively to the value of recent comparable transactions or the recents of valuation models based exclusively on market-derived data.

#### 4.2 AFS securities: by borrower/issuer

	30/6/08		30/6/07	
	Listed	Unlisted	Listed	Unlisted
1. Debt securities	809,142	471,609	919,442	491,765
a. Governments and central banks	186,077	—	350,121	—
b. Other public agencies	—	—	—	—
c. Banks	300,639	313,747	154,044	42,690
d. Other issuers	322,426	157,862	415,277	449,075
2. Equities	1,083,058	476,357	3,004,171	311,693
a. Banks	22,279	—	349,114	3
b. Other issuers	1,060,779	476,357	2,655,057	311,690
- insurances	—	—	89,725	—
- financial companies	91,755	187,645	95,056	51,876
- non-financial undertakings	969,024	288,712	2,470,276	259,814
- others	—	—	—	—
3. OICR units	—	6,572	—	—
4. Loans and advances	—	—	—	—
a. Governments and central banks	—	—	—	—
b. Other public agencies	—	—	—	—
c. Banks	—	—	—	—
d. Other entities	—	—	—	—
5. Impaired assets	—	—	—	—
a. Governments and central banks	—	—	—	—
b. Other public agencies	—	—	—	—
c. Banks	—	—	—	—
d. Other entities	—	—	—	—
6. Assets sold but not derecognized <sup>1</sup>	—	—	60,968	—
a. Governments and central banks	—	—	—	—
b. Other public agencies	—	—	—	—
c. Banks	—	—	37,566	—
d. Other entities	—	—	23,402	—
Total	1,892,200	954,538	3,984,581	803,458

<sup>1</sup> Securities sold under repo agreements.

#### 4.3 AFS securities: hedged assets

	Hedging activity			
	30/6/08		30/6/07	
	<i>Fair value</i>	Cash flow	<i>Fair value</i>	Cash flow
1. Debt securities	—	—	—	—
2. Equities	63,262	197,205	134,155	355,560
3. OICR units	—	—	—	—
4. Loans and advances	—	—	—	—
5. Portfolio	—	—	—	—
Total	63,262	197,205	134,155	355,560

#### 4.4 AFS securities: assets subject to specific hedging

	30/6/08	30/6/07
1. Financial assets subject to specific fair value hedges:	63,262	134,155
a. interest rate risk	—	—
b. price risk	63,262	134,155
c. exchange rate risk	—	—
d. credit risk	—	—
e. more than one risk	—	—
2. Financial assets subject to specific cash flow hedges:	197,205	355,560
a. interest rate risk	—	—
b. exchange rate risk	—	—
c. other	197,205	355,560
Total	260,467	489,715

4.5 *AFS securities (excluding assets sold but not derecognized/impaired assets): movements during the period*

	Debt securities	Equities	OICR units	Loans and advances	Total
A. Balance at start of period	1,411,207	3,315,864	—	—	4,727,071
B. Additions	590,119	819,811	6,572	—	1,416,502
B.1 Acquisitions	520,472	638,331	6,416	—	1,165,219
B.2 Increases in fair value	8,026	50,709	156	—	58,891
B.3 Writebacks	—	—	—	—	—
- taken to profit and loss account	—	—	—	—	—
- taken to net equity	—	—	—	—	—
B.4 Transfers from other asset classes	—	—	—	—	—
B.5 Other additions	61,621	130,771	—	—	192,392
C. Reductions	720,575	2,576,260	—	—	3,296,835
C.1 Disposals	56,100	1,081,022	—	—	1,137,122
C.2 Redemptions	547,776	—	—	—	547,776
C.3 Reductions in fair value	104,741	893,201	—	—	997,942
C.4 Writedowns due to impairment	—	7,503	—	—	7,503
- taken to profit and loss account	—	7,503	—	—	7,503
- taken to net equity	—	—	—	—	—
C.5 Transfers to other asset classes	—	—	—	—	—
C.6 Other reductions	11,958	594,534 <sup>1</sup>	—	—	606,492
D. Balance at end of period	1,280,751	1,559,415	6,572	—	2,846,738

<sup>1</sup> €522,355,000 of which refer to the spinoff of Telecom Italia shares to Telco.

## Section 5

### Heading 50: Financial assets held to maturity

#### 5.1 Financial assets held to maturity

	30/6/08		30/6/07	
	Book value	Fair value	Book value	Fair value
1. Debt securities	573,709	490,875	416,987	394,066
1.1 Structured	—	—	—	—
1.2 Other debt securities	573,709	490,875	416,987	394,066
2. Loans and advances	—	—	—	—
3. Impaired assets	—	—	—	—
4. Assets sold but not derecognized	3,710	3,174	204,647	188,039
Total	577,419	494,049	621,634	582,105

#### 5.2 Financial assets held to maturity: by borrower/issuer

	30/6/08	30/6/07
1. Debt securities	573,709	416,987
a. Governments and central banks	1,017	1,772
b. Other public agencies	—	—
c. Banks	25,407	65,542
d. Other entities	547,285	349,673
2. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
3. Impaired assets	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
4. Assets sold but not derecognized	3,710	204,647
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	3,710	204,647
Total	577,419	621,634

5.4 *Assets held to maturity (excluding assets sold but not derecognized/impaired assets): movements during the period*

	Debt securities	Loans and advances	Total
A. Balance at start of period	416,987	—	416,987
B. Additions	204,688	—	204,688
B.1 Acquisitions	—	—	—
B.2 Writebacks	—	—	—
B.3 Transfers from other asset classes	—	—	—
B.4 Other additions	204,688	—	204,688
C. Reductions	47,966	—	47,966
C.1 Disposal	—	—	—
C.2 Redemptions	40,569	—	40,569
C.3 Value adjustments	—	—	—
C.4 Transfers to other asset classes	—	—	—
C.5 Other reductions <sup>1</sup>	7,397	—	7,397
D. Balance at end of period	573,709	—	573,709

<sup>1</sup> Includes movements in repos.

## Section 6

### Heading 60 – Due from banks

#### 6.1 Due from banks

	30/6/08	30/6/07
A. Due from central banks	27,407	56,637
1. Term deposits	—	—
2. Compulsory reserves	27,407	56,637
3. Amounts due under repo agreements	—	—
4. Other amounts due	—	—
B. Due from banks	11,648,887	10,838,015
1. Current accounts and demand deposits	1,522,462	1,196,052
2. Term deposits	632,407	863,308
3. Other receivables:	7,753,015	8,018,464
3.1 amounts due under repo agreements	1,628,491	1,991,462
3.2 amounts due under finance leases	—	—
3.3 other amounts due	6,124,524	6,027,002
4. Debt securities	—	—
4.1 structured	—	—
4.2 other debt securities	—	—
5. Impaired assets	127	127
6. Assets sold but not derecognized <sup>1</sup>	1,740,876	760,064
Total book value	11,676,294	10,894,652
Total fair value	11,675,093	10,894,652

<sup>1</sup> Relates to securities lending transactions.

## Section 7

### Heading 70: Due from customers

#### 7.1 Due from customers: composition

	30/6/08	30/6/07
1. Current accounts	263,211	11
2. Amounts due under repo agreements	958,825	668,879
3. Mortgages	17,892,558	14,619,390
4. Credit cards, personal loans and salary-guaranteed finance	—	—
5. Amounts due under finance leasing	—	—
6. Factoring	—	—
7. Other transactions	1,189,222	1,220,637
8. Debt securities	41,795	—
8.1 structured	—	—
8.2 other debt securities	41,795	—
9. Impaired assets	—	—
10. Assets sold but not derecognized <sup>1</sup>	115,169	208,781
Total book value	20,460,780	16,717,698
Total (fair value)	20,299,324	16,704,071

<sup>1</sup> Assets forming part of securities lending transactions and securitized assets.



7.2 Due from customers: by borrower/issuer

	30/6/08	30/6/07
1. Debt securities:	41,795	—
a) Governments	—	—
b) Other public agencies	—	—
c) Other issuers	41,795	—
- non-financial undertakings	—	—
- financial companies	—	—
- insurances	41,795	—
- other entities	—	—
2. Loans and advances to:	20,303,816	16,508,917
a) Governments	246,397	279,671
b) Other public agencies	—	—
c) Other issuers	20,057,419	16,229,246
- non-financial undertakings	10,383,162	8,642,608
- financial companies	7,587,445	6,672,472
- insurances	2,007,880	913,735
- other entities	78,932	431
3. Impaired assets:	—	—
a) Governments	—	—
b) Other public agencies	—	—
c) Other issuers	—	—
- non-financial undertakings	—	—
- financial companies	—	—
- insurances	—	—
- other entities	—	—
4. Assets sold but not derecognized <sup>1</sup>	115,169	208,781
a) Governments	—	—
b) Other public agencies	—	—
c) Other issuers	115,169	208,781
- non-financial undertakings	—	—
- financial companies	115,169	208,781
- insurances	—	—
- other entities	—	—
<b>Total</b>	<b>20,460,780</b>	<b>16,717,698</b>

<sup>1</sup> Assets forming part of securities lending transactions and securitized assets.

7.3 *Due from customers: assets subject to specific hedging*

	30/6/08	30/6/07
1. Items subject to specific fair value hedges:	347,545	588,879
a) interest rate risk	347,545	389,829
b) exchange rate risk	—	—
c) credit risk	—	199,050
d) more than one risk	—	—
2. Items subject to specific cash flow hedges for:	—	—
a) interest rate risk	—	—
b) exchange rate risk	—	—
c) other	—	—
<b>Total</b>	<b>347,545</b>	<b>588,879</b>

## Section 8

### Heading 80: Hedging derivatives

#### 8.1 Hedging derivatives by type of contract and underlying asset

	Interest rates	Foreign currency/ gold	Equities	Loans and advances	Others	Total
A) Listed derivative products						
1) Financial derivatives:	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—
- options bought	—	—	—	—	—	—
- other derivative products	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—
- options bought	—	—	—	—	—	—
- other derivative products	—	—	—	—	—	—
2) Credit derivatives:	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—
Total A	—	—	—	—	—	—
B) Unlisted derivative products						
1) Financial derivatives:	1,014,026	2,944	171,369	—	—	1,188,339
– with exchange of principal	—	2,944	171,369	—	—	174,313
- options bought	—	—	57,392	—	—	57,392
- other derivative products	—	2,944	113,977	—	—	116,921
– without exchange of principal	1,014,026	—	—	—	—	1,014,026
- options bought	—	—	—	—	—	—
- other derivative products	1,014,026	—	—	—	—	1,014,026
2) Credit derivatives:	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—
Total B	1,014,026	2,944	171,369	—	—	1,188,339
Total 30/6/08	1,014,026	2,944	171,369	—	—	1,188,339
Total 30/6/07	836,225	407	17,077	—	—	853,709

8.2 Hedging derivatives: by portfolio hedged and hedge type

	Fair value hedges					Cash flow hedges		
	Specific					General	Specific	General
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk			
1. AFS securities	—	—	—	57,392	—	—	113,977	—
2. Loans and advances	14,990	—	—	—	—	—	—	—
3. Financial assets held to maturity	—	—	—	—	—	—	—	—
4. Portfolio	—	—	—	—	—	—	—	—
<b>Total assets</b>	<b>14,990</b>	<b>—</b>	<b>—</b>	<b>57,392</b>	<b>—</b>	<b>—</b>	<b>113,977</b>	<b>—</b>
1. Financial liabilities	988,944	—	—	—	—	—	13,036	—
2. Portfolio	—	—	—	—	—	—	—	—
<b>Total liabilities</b>	<b>988,944</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>13,036</b>	<b>—</b>

## 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
<b>A. SUBSIDIARIES</b>			
Directly held investments			
1. Compass S.p.A. Share capital €587.5m, in par value €5 shares	Milan	100.0	—
2. Prominvestment S.p.A. Share capital €743,000, in par value €0.52 shares	Rome	70.0	—
3. Prudentia Fiduciaria S.p.A. Share capital €100,000, in par value €5 shares	Milan	100.0	—
4. Ricerche e Studi S.p.A. Share capital €100,000, in par value €5 shares	Milan	100.0	—
5. Sade Finanziaria S.r.l. Share capital €25,000	Milan	100.0	—
6. Seteci - Società per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.p.A. Share capital €500,000, in par value €5 shares	Milan	100.0	—
7. Spafid S.p.A. Share capital €100,000, in par value €10 shares	Milan	100.0	—
8. Technostart S.p.A. Share capital €600,000, in par value €0.50 shares	Milan	69.0	—
9. Compagnie Monegasque de Banque - CMB S.A. Share capital €111.1m, in par value €200 shares	Monte Carlo	100.0	—
10. Mediobanca International (Luxembourg) S.A. Share capital €10m, in par value €10 shares	Luxembourg	99.0	—
11. MB Securities USA LLC Share capital \$250,000	New York	100.0	—
12. Consortium s.r.l. Share capital €8.6m	Milan	100.0	—
<b>B. JOINTLY-CONTROLLED COMPANIES</b>			
<b>C. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE</b>			
1. Athena Private Equity S.A. Share capital €51.2. in par value €2 shares	Luxembourg	23.88	—
2. Banca Esperia S.p.A. Share capital €13m. in par value €0.52 shares	Milan	48.5	—
3. Burgo Group S.p.A. Share capital €205.4m. in par value € 0.52 shares	Milan	22.13	—
4. Fidia - Fondo Interbancario d'Investimento Azionario SGR S.p.A. Share capital €11.4m. in par value €520 shares	Milan	25.0	—
5. Assicurazioni Generali S.p.A. Share capital € 1.278.1m, in par value €1 shares	Trieste	12.99	—
6. RCS Mediagroup S.p.A. Share capital € 732.7m, in par value €1 shares	Milan	14.36	14.94
7. Telco S.p.A. Share capital €4,849m, in par value €2,5 shares	Milan	10.64	—
8. APE S.g.r. S.p.A. Share capital €1.1m, in par value €1 shares	Milan	40.0	—

The Group's 10.64% holding in Telco has been included among its investments in companies subject to significant influence. Upon the spinoff of the 1.54% interest in Telecom Italia to Telco which took place during the year, the investment was booked under shares available for sale, in line with the original shareholding in Telecom Italia.

As a result, *inter alia*, of subsequent purchases on the market, Telco now controls 24.5% of Telecom Italia and is its largest shareholder. Shareholder agreements expiring in April 2010 allowed the Telco shareholders to appoint the majority of Telecom Italia's Board of Directors on the occasion of its general meeting held on 14 April 2008. In view of this, the shareholding was included among the Group's investments in companies subject to significant influence for the purpose of preparing the financial statements as at 30 June 2008.

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

	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. Compass S.p.A. Share capital €587.5m, in par value €5 shares	5,304,189	612,526	906,449	40,761	579,162
2. Prominvestment S.p.A. Share capital €743,000, in par value €0.52 shares	8,676	795	1,876	(1,634)	819
3. Prudentia Fiduciaria S.p.A. Share capital €100,000, in par value €5 shares	1,668	2,136	668	65	103
4. Ricerche e Studi S.p.A. Share capital €100,000, in par value €5 shares	666	1,967	103	—	103
5. Sade Finanziaria S.r.l. Share capital €25,000	19	2	19	—	25
6. Seteci - Società per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.p.A, Share capital €500,000, in par value €5 shares	11,549	13,756	3,176	2	522
7. Spafid S.p.A, Share capital €100,000, in par value €10 shares	40,032	6,035	36,995	2,039	107
8. Technostart S.p.A, Share capital €600,000, in par value €0.50 shares	521	21	527	(44)	396
9. Compagnie Monegasque de Banque - CMB S.A, Share capital €111.1m, in par value €200 shares	2,949,746	169,526	325,828	48,614	371,508
10. Mediobanca International (Luxembourg) S.A, Share capital €10m, in par value €10 shares	5,516,881	341,414	87,620	14,370	5,943
11. MB Securities USA LLC Share capital \$250,000	1,906	1,692	694	(410)	273
12. Consortium s.r.l, Share capital €8.6m	10,896	269	10,650	207	10,651
Total subsidiaries					969,612

	Key financial data <sup>1</sup>					
	Total assets	Total income	Net profit (loss)	Net equity	Book value	Fair value
C. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE (IAS 28)						
1. Burgo Group S.p.A.	2,699,136	2,472,672	(69,652)	537,655	54,628	—
2. Assicurazioni Generali S.p.A.	382,543,500	83,266,900	3,098,732	13,544,970	836,151	4,464,318
3. RCS MediaGroup S.p.A.	3,884,000	2,737,900	184,117	1,183,116	272,382	159,004
4. Banca Esperia S.p.A.	685,844	121,681	17,582	81,065	25,629	—
5. Fidia SGR S.p.A.	13,379	1,441	(3,642)	6,942	2,962	—
6. Athena Private Equity S.A.	174,184	69,562	38,485	197,554	38,231	—
7. APE S.G.R. S.p.A.	n.s.	n.s.	(26)	1,164	440	—
8. Telco S.p.A.	8,619,466	182,196	(57,335)	5,115,166	522,355	—
Total					1,752,778	

<sup>1</sup> From most recent approved consolidated financial statements.

As a result of the general decline in stock market prices, the investments in RCS MediaGroup and Telco, both of which qualify as strategic under Article 14, paragraphs 2 and 3 of the company's Articles of Association and are consolidated on a net equity basis, are recorded at values considerably higher than their respective market values measured at the reporting date.

For Telco, which shows an implicit loss of €442.3m, when it was booked, the pro-rata share of net equity recognized was not considered to be higher than its value in use as defined in IAS 28 paragraph 33 for the following reasons:

- with a 24.5% share in Telecom Italia, Telco is the Group's largest shareholder, and appointed the majority of its Board of Directors on the occasion of its general meeting held on 14 April 2008;
- the time horizon of the investment is medium-long term;
- the earnings and financial prospects of the Telecom Italia group do not differ significantly from those which were current when Telco was set up, with new investors taking stakes at values higher than those recorded in the books;
- recent comparable transactions have taken place at multiples which do not differ significantly from those reflected in the book value.

The implicit loss on the RCS MediaGroup investment is €113.4m; Mediobanca owns 14.94% of the publishing group and is the leading party to the shareholder agreement controlling it with an aggregate 63.5%.

Stock market trends in the past twelve months have hit media stocks particularly hard, without an equivalent deterioration in these companies' earnings and financial performance. For example, the price of RCS MediaGroup shares more than halved in the twelve months to 30 June 2008. Application of the most commonly used valuation methods to RCS MediaGroup shows results which are no lower than those reflected in the book value of the holding, including in view of the unique nature of some of the company's assets.

The impairment test required under IAS 28 has been carried out on both investments, and in both cases the outcome was positive.

### 10.3 Equity investments: movements during the period

	30/6/08	30/6/07
A. Balance at start of period	1,680,777	1,676,954
B. Additions	1,041,613	23,955
B.1 Acquisitions	517,917	23,955
B.2 Value adjustments	—	—
B.3 Revaluations	—	—
B.4 Other adjustments	523,696 <sup>1</sup>	—
C. Reductions	—	20,132
C.1 Disposals	—	5,375
C.2 Value adjustments for impairment	—	—
C.3 Other reductions	—	14,757
D. Balance at end of period	2,722,390	1,680,777
E. Total revaluations	—	—
F. Total adjustments	—	—

<sup>1</sup> €522.355.000 of which refer to the spinoff of Telecom Italia shares previously booked as AFS securities to Telco.



## Section 11

### Heading 110: Property, plant and equipment

#### 11.1 Tangible assets stated at cost

	30/6/08	30/6/07
A. Core assets		
1.1 owned by the Group	25,423	24,806
a) land	16,567	16,567
b) buildings	3,716	3,985
c) furniture	1,480	430
d) electronic equipment	3,627	3,785
e) other assets	33	39
1.2 acquired under finance leases:	64,924	65,677
a) land	44,291	44,291
b) buildings	20,633	21,386
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	—	—
Total A	90,347	90,483
B. Assets held for investment purposes		
2.1 owned by the Group:	28,612	29,008
a) land	20,350	20,350
b) buildings	8,262	8,658
2.2 acquired under finance leases:	—	—
a) land	—	—
b) buildings	—	—
Total B	28,612	29,008
Total (A+B)	118,959	119,491

### 11.3 Core tangible assets: movements during the period

	Land	Buildings	Furniture	Electronic equipment	Other assets	Total
A. Gross opening balance	60,858	34,067	1,869	16,462	72	113,328
A.1 Total net value reductions	—	(8,696)	(1,439)	(12,677)	(33)	(22,845)
A.2 Net opening balance	60,858	25,371	430	3,785	39	90,483
B. Additions:	—	—	1,330	1,296	—	2,626
B.1 Purchases	—	—	1,330	1,296	—	2,626
B.2 Improvement expenses, capitalized	—	—	—	—	—	—
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	—	—	—	—	—	—
C. Reductions:	—	1,022	280	1,454	6	2,762
C.1 Disposals	—	—	—	116	—	116
C.2 Depreciation charges	—	1,022	280	1,338	6	2,646
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	60,858	24,349	1,480	3,627	33	90,347
D.1 Total net value reductions	—	(9,719)	(1,719)	(13,645)	(39)	(25,122)
D.2 Gross closing balance	60,858	34,068	3,199	17,272	72	115,469
E. Stated at cost	—	—	—	—	—	—

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

	Total	
	Land	Buildings
A. Gross opening balance	20,350	8,658
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	—	396
C.1 Disposals	—	—
C.2 Depreciation charges	—	396
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	8,262
E. Stated at fair value	87,325	37,361

## Section 12

### Heading 120: Intangible assets

#### 12.1 Tangible assets stated at cost

	30/6/08		30/6/07	
	Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life
A.1 Goodwill	—	—	—	—
A.2 Other intangible assets	2,615	—	1,805	—
A.2.1 Recognized at cost:	2,615	—	1,805	—
a) intangible assets generated internally	—	—	—	—
b) other assets	2,615	—	1,805	—
A.2.2 Recognized at fair value:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
Total	2,615	—	1,805	—

12.2 Core tangible 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	—	—	—	3,603	—	3,603
A.1 Total net value reductions	—	—	—	(1,798)	—	(1,798)
A.2 Net opening balance	—	—	—	1,805	—	1,805
B. Additions	—	—	—	2,730	—	2,730
B.1 Purchases	—	—	—	2,730	—	2,730
B.2 Increases in internally generated assets	—	—	—	—	—	—
B.3 Revaluations	—	—	—	—	—	—
B.4 Increases in fair value taken to:	—	—	—	—	—	—
– net equity	—	—	—	—	—	—
– profit and loss account	—	—	—	—	—	—
B.5 Increases arising on exchange rates	—	—	—	—	—	—
B.6 Other additions	—	—	—	—	—	—
C. Reductions	—	—	—	1,920	—	1,920
C.1 Disposals	—	—	—	—	—	—
C.2 Value adjustments	—	—	—	1,920	—	1,920
– amortization	—	—	—	1,920	—	1,920
– writedowns	—	—	—	—	—	—
+ net equity	—	—	—	—	—	—
+ profit and loss account	—	—	—	—	—	—
C.3 Reductions in fair value charged to:	—	—	—	—	—	—
– net equity	—	—	—	—	—	—
– profit and loss account	—	—	—	—	—	—
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	—	—	—	2,615	—	2,615
D.1 Total net value adjustments	—	—	—	(3,718)	—	(3,718)
E. Gross closing balance	—	—	—	6,333	—	6,333
F. Stated at cost	—	—	—	—	—	—

## Section 13

### Asset heading 130 and Liability heading 80: Tax assets and liabilities

#### 13.1 Advance tax assets

	30/6/08	30/6/07
Corporate income tax (IRES)	119,272	104,147
Regional production tax (IRAP)	18,574	5,801
Total	137,846	109,948

#### 13.2 Deferred tax liabilities

	30/6/08	30/6/07
Corporate income tax (IRES)	287,837	413,685
Regional production tax (IRAP)	20,536	39,963
Total	308,373	453,648

#### 13.3 Changes in advance tax during the period

	30/6/08	30/6/07
1. Opening balance	109,948	112,884
2. Additions	56,313	41,883
2.1 Advance tax originating during the period	56,313	39,743
a) for previous years	178	—
b) due to changes in accounting policies	—	—
c) amounts written back	—	—
d) other additions	56,135	39,743
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	2,140
3. Reductions	65,851	44,819
3.1 Advance tax reversed during the period	54,123	44,506
a) reclassifications	39,908	44,506
b) amounts written off as unrecoverable	162	—
c) due to changes in accounting policies	14,053	—
3.2 Reductions in tax rates	11,650	—
3.3 Other reductions	78	313
4. Balance at end of period	100,410	109,948

### 13.4 Changes in deferred tax during the period

	30/6/08	30/6/07
1. Opening balance	367,867	215,258
2. Additions	71,161	153,120
2.1 Deferred tax originating during period	71,161	66,492
a) relating to previous years	—	—
b) due to changes in accounting policies	—	—
c) others	71,161	66,492
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	86,628
3. Reductions	161,122	511
3.1 Deferred tax reversed during period	117,517	511
a) reclassifications	65,642	—
b) due to changes in accounting policies	23,372	—
c) others	28,503	511
3.2 Reductions in tax rates	43,605	—
3.3 Other reductions	—	—
4. Balance at end of period	277,906	367,867

### 13.5 Changes in advance tax during the period<sup>1</sup>

	30/6/08	30/6/07
1. Opening balance	—	—
2. Additions	37,436	—
2.1 Advance tax originating during period	37,436	—
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	37,436	—
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	—	—
3.1 Advance tax reversed during period	—	—
a) reclassifications	—	—
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	37,436	—

<sup>1</sup> Taxes relating to cash flow hedges and AFS securities valuations.

### 13.6 Changes in deferred tax during the period<sup>1</sup>

	30/6/08	30/6/07
1. Opening balance	85,781	45,118
2. Additions	30,467	48,707
2.1 Deferred tax originating during period	30,467	—
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	30,467	—
2.2 New taxes or increases in tax rates	—	48,707
2.3 Other additions	—	—
3. Reductions	85,781	8,044
3.1 Advance tax reversed during the period	85,781	8,044
a) reclassifications	85,781	—
b) due to changes in accounting policies	—	—
c) others	—	8,044
3.2 Reductions in tax rates	—	—
3.3 Other reductions	—	—
4. Balance at end of period	30,467	85,781

<sup>1</sup> Taxes relating to cash flow hedges and AFS securities valuations.

## Section 15

### Heading 150: Other assets

#### 15.1 Other assets

	30/6/08	30/6/07
1. Bills for collection	—	—
2. Amounts due from customers in respect of:	999	6,936
– premiums, grants, indemnities and other items in respect of lending transactions	—	—
– futures and other securities transactions	510	6,660
– advance payments on deposit commissions	258	262
– other items in transit	—	—
– invoices to be collected or issued	231	14
3. Accrued income	177	1,800
4. Other items	7,713	15,322
5. Sums paid by way of collateral on derivative products	—	184,516
Total	8,889	208,574



## Liabilities

### Section 1

#### Heading 10: Due to banks

##### 1.1 Due to banks: composition

	30/6/08	30/6/07
1. Due to central banks	101,137	837,930
2. Due to banks	7,519,339	10,135,620
2.1 Current accounts and demand deposits	1,837,026	717,656
2.2 Term deposits	756,385	3,773,750
2.3 Borrowings	2,444,425	1,867,388
2.3.1 Leasing	—	—
2.3.2 Others	2,444,425	1,867,388
2.4 Amounts due under commitments to buy back own shares	—	—
2.5 Liabilities in respect of assets sold but not derecognized	1,936,753	3,041,464
2.5.1 Amounts due under reverse repo agreements	1,936,753	3,041,464
2.5.2 Others	—	—
2.6 Other amounts due	544,750	735,362
Total book value	7,620,476	10,973,550
Total fair value	7,620,476	10,973,550

##### 1.4 Due to banks: items subject to specific hedges

	30/6/08	30/6/07
1. Items subject to specific fair value hedges for:	58,569	135,438
a) interest rate risk	58,569	135,438
b) exchange rate risk	—	—
c) more than one risk	—	—
2. Items subject to specific cash flow hedges for:	—	—
a) interest rate risk	—	—
b) exchange rate risk	—	—
c) other	—	—

## Section 2

### Heading 20: Due to customers

#### 2.1 Due to customers: composition

	30/6/08	30/6/07
1. Current accounts and demand deposits	352,429	540,310
2. Term deposits	242,385	278,968
3. Customers' funds managed on a non-discretionary basis	—	—
4. Borrowings	38,924	32,393
4.1 leasing	8,424	14,774
4.2 others	30,500	17,619
5. Amounts due under commitments to buy back own shares	—	—
6. Liabilities in respect of assets sold but not derecognized	755,137	862,182
6.1 Amounts due under reverse repo agreements	755,137	862,182
6.2 Others	—	—
7. Other amounts due	759,559	379,235
Total book value	2,148,434	2,093,088
Total fair value	2,148,434	2,093,088

## Section 3

### Heading 30: Debt securities in issue

#### 3.1 Debt securities in issue: composition

	30/6/08		30/6/07	
	Book value	Fair Value	Book value	Fair Value
A. Listed securities				
1. bonds	18,804,355	18,746,436	16,537,051	16,525,189
1.1 structured	6,754,657	6,756,435	4,989,991	4,990,197
1.2 others	12,049,698	11,990,001	11,547,060	11,534,992
2. other securities	—	—	—	—
2.1 structured	—	—	—	—
2.2 others	—	—	—	—
B. Unlisted securities				
1. bonds	9,788,215	9,778,341	5,232,553	5,232,642
1.1 structured	2,456,529	2,456,529	1,886,226	1,886,105
1.2 others	7,331,686	7,321,812	3,346,327	3,346,537
2. other securities	197,726	197,726	285,940	285,940
2.1 structured	—	—	—	—
2.2 others	197,726	197,726	285,940	285,940
Total	28,790,296	28,722,503	22,055,544	22,043,771

Subordinated liabilities included under the heading *Debt securities in issue* total €934,618,000.

#### 3.3 Debt securities: items subject to specific hedging

	30/6/08	30/6/07
1. Securities subject to specific fair value hedges	22,494,208	14,926,783
a) interest rate risk	22,494,208	14,926,783
b) exchange rate risk	—	—
c) other	—	—
2. Securities subject to specific cash flow hedges	—	—
a) interest rate risk	—	—
b) exchange rate risk	—	—
c) other	—	—

## Section 4

### Heading 40: Trading liabilities

#### 4.1 Trading liabilities: composition

	30/6/08			30/6/07		
	Nominal value	Fair value		Nominal value	Fair value	
		Listed	Unlisted		Listed	Unlisted
<b>A. Cash liabilities</b>						
1. Due to banks	187,917	166,266	—	956,845	929,694	—
2. Due to customers	862,662	847,666	—	717,979	621,983	95,585
3. Debt securities	—	—	—	—	—	—
3.1 Bonds	—	—	—	—	—	—
3.1.1 Structured	—	—	—	—	—	—
3.1.2 Other	—	—	—	—	—	—
3.2 Other securities	—	—	—	—	—	—
3.2.1 Structured	—	—	—	—	—	—
3.2.2 Other	—	—	—	—	—	—
<b>Total A</b>	<b>1,050,579</b>	<b>1,013,932</b>	<b>—</b>	<b>1,674,824</b>	<b>1,551,677</b>	<b>95,585</b>
<b>B. Derivative products</b>						
1. Financial derivatives	X	11,338	1,818,291	X	14,622	1,984,580
1.1 Trading	X	11,338	1,009,586	X	14,622	663,752
1.2 Linked to fair value options	X	—	—	X	—	—
1.3 Other	X	—	808,705	X	—	1,320,828
2. Credit derivatives	X	—	246,055	X	—	48,939
2.1 Trading	X	—	246,055	X	—	48,939
2.2 Linked to fair value options	X	—	—	X	—	—
2.3 Other	X	—	—	X	—	—
<b>Total B</b>	<b>X</b>	<b>11,338</b>	<b>2,064,346</b>	<b>X</b>	<b>14,622</b>	<b>2,033,519</b>
<b>Total (A+B)</b>	<b>X</b>	<b>1,025,270</b>	<b>2,064,346</b>	<b>X</b>	<b>1,566,299</b>	<b>2,129,104</b>

#### 4.4 Trading liabilities: derivative products

	Interest rates	Foreign currency/gold	Equities	Loans and advances	Others	30/6/08	30/6/07
A) Listed derivative products							
1. Financial derivatives:	11,061	—	276	—	—	11,337	14,622
– With exchange of principal	6,543	—	68	—	—	6,611	8,218
– options issued	—	—	—	—	—	—	—
– other derivatives	6,543	—	68	—	—	6,611	8,218
– Without exchange of principal	4,518	—	208	—	—	4,726	6,404
– options issued	32	—	121	—	—	153	807
– other derivatives	4,486	—	87	—	—	4,573	5,597
2. Credit derivatives:	—	—	—	—	—	—	—
– With exchange of principal	—	—	—	—	—	—	—
– Without exchange of principal	—	—	—	—	—	—	—
Total A	11,061	—	276	—	—	11,337	14,622
B) Unlisted derivative products							
1. Financial derivatives:	831,699	76,842	898,372	—	11,379	1,818,292	1,984,580
– With exchange of principal	308	76,244	40,727	—	—	117,279	44,412
– options issued	69	—	39,964	—	—	40,033	18,215
– other derivatives	239	76,244	763	—	—	77,246	26,197
– Without exchange of principal	831,391	598	857,645	—	11,379	1,701,013	1,940,168
– options issued	4,191	598	845,151	—	—	849,940	1,335,068
– other derivatives	827,200	—	12,494	—	11,379	851,073	605,100
2. Credit derivatives:	—	—	—	246,055	—	246,055	48,939
– With exchange of principal	—	—	—	245,527	—	245,527	47,701
– Without exchange of principal	—	—	—	528	—	528	1,238
Total B	831,699	76,842	898,372	246,055	11,379	2,064,347	2,033,519
Total (A+B)	842,760	76,842	898,648	246,055	11,379	2,075,684	2,048,141

## Section 6

### Heading 60: Hedging derivatives

#### 6.1 Hedging derivatives: by type of product/underlying asset

	Interest rates	Foreign currency/gold	Equities	Loans and advances	Other	Total
A) Listed derivative products						
1. Financial derivatives:	—	—	—	—	—	—
– With exchange of principal	—	—	—	—	—	—
– options issued	—	—	—	—	—	—
– other derivatives	—	—	—	—	—	—
– Without exchange of principal	—	—	—	—	—	—
– options issued	—	—	—	—	—	—
– other derivatives	—	—	—	—	—	—
2. Credit derivatives:	—	—	—	—	—	—
– With exchange of principal	—	—	—	—	—	—
– Without exchange of principal	—	—	—	—	—	—
Total A	—	—	—	—	—	—
B) Unlisted derivative products						
1. Financial derivatives:	2,729,762	24,660	—	—	—	2,754,422
– With exchange of principal	—	24,660	—	—	—	24,660
– options issued	—	—	—	—	—	—
– other derivatives	—	24,660	—	—	—	24,660
– Without exchange of principal	2,729,762	—	—	—	—	2,729,762
– options issued	—	—	—	—	—	—
– other derivatives	2,729,762	—	—	—	—	2,729,762
2. Credit derivatives:	—	—	—	—	—	—
– With exchange of principal	—	—	—	—	—	—
– Without exchange of principal	—	—	—	—	—	—
Total B	2,729,762	24,660	—	—	—	2,754,422
Total 30/6/08	2,729,762	24,660	—	—	—	2,754,422
Total 30/6/07	1,801,943	15,592	50,997	2,958	—	1,871,490

## 6.2 Hedging derivatives: by portfolio hedged/hedge type

	Fair value hedges					Cash flow hedges		
	Specific					General	Specific	General
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk			
1. AFS securities	—	—	—	—	—	X	—	X
2. Loans and advances	13,604	—	—	X	—	X	—	X
3. Financial assets held to maturity	X	—	—	X	—	X	—	X
4. Portfolio	X	X	X	X	X	X	X	—
Total assets	13,604	—	—	—	—	—	—	—
1. Financial liabilities	2,740,248	—	—	—	—	X	570	X
2. Portfolio	X	X	X	X	X	—	X	—
Total liabilities	2,740,248	—	—	—	—	—	570	—

## Section 10

### Heading 100: Other liabilities

#### 10.1 Other liabilities

	30/6/08	30/6/07
1. Bills for collection	—	—
2. Amounts payable in respect of:		
– coupons and dividends pending collection	2,136	2,068
– commissions payable to participants in underwriting syndicates	2,404	55,522
– sums available for payments to customers	20,915	30,453
– invoices pending settlement or receipt	12,955	15,036
3. Wages accrued, contributions and amounts payable withheld from staff and customers	36,362	36,473
4. Impaired endorsements	27,311	25,744
5. Sums received by way of collateral on exposures to derivative products	—	820,947
6. Financial guarantees on CDS products (as required under IAS 37)	—	1,113
7. Other items	521	113
Total	102,604	987,469

## Section 11

### Heading 110: Staff severance indemnity provision

#### 11.1 Staff severance indemnity provision

	30/6/08	30/6/07
A. Balance at start of period	11,657	14,712
B. Additions	6,094	5,118
B.1 Transfers during period	5,771	5,118
B.2 Other additions	323	—
C. Reductions	7,075	8,173
C.1 Indemnities paid out	1,728	516
C.2 Other reductions	5,347	7,657
D. Balance at end of period	10,676	11,657

#### 11.2 Other information

The staff severance indemnity provision calculated as per the provisions of the Italian Civil Code amounted to €12,929,000. Following changes to regulations, no new service costs were recorded during the period.

In order to calculate the actuarial value, the staff severance indemnity provision has been revalued at a rate of 3.80% using the swap rate curve as at 30 June 2008, reflecting an interest cost of €526,000.

## Section 12

### Heading 120: Provisions

#### 12.1 Provisions

	30/6/08	30/6/07
1. Company post-employment benefit provision	—	—
2. Other provisions	150,776	150,776
2.1 litigation	—	—
2.2 staff-related	—	—
2.3 other	150,776	150,776
Total	150,776	150,776



#### 12.4 Other provisions

	Post-employment benefit provision	Litigation	Other provisions	Total
A. Balance at start of period	—	—	150,776	150,776
B. Additions	—	—	—	—
B.1 Transfers during period	—	—	—	—
B.2 Changes due to passing of time	—	—	—	—
B.3 Additions due to changes in discount rate	—	—	—	—
B.4 Other additions	—	—	—	—
C. Reductions	—	—	—	—
C.1 Transfers during period	—	—	—	—
C.2 Reductions due to changes in discount rate	—	—	—	—
C.3 Other reductions	—	—	—	—
D. Balance at end of period	—	—	150,776	150,776

## Section 14

### Headings 130, 150, 160, 170, 180, 190 and 200: Net equity

#### 14.1 Net equity

	30/6/08	30/6/07
1. Share capital	410,028	408,781
2. Share premium reserve	2,140,043	2,119,328
3. Reserves	2,233,022	2,201,123
4. (Treasury shares)	(213,410)	—
5. Valuation reserves	57,728	808,538
6. Equity instruments	—	—
7. Profit (loss) for the period	622,579	561,110
Total	5,249,990	6,098,880

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

	Ordinary
A. Shares in issue at start of period	817,562,915
– entirely unrestricted	817,562,915
– with restrictions	—
A.1 Treasury shares	—
A.2 Shares in issue: balance at start of period	817,562,915
B. Additions	2,492,750
B.1 New share issuance as a result of:	2,492,750
– rights issues	2,492,750
– business combinations	—
– bond conversions	—
– exercise of warrants	—
– others	2,492,750
– bonus issues	—
– to staff members	—
– to Board members	—
– others	—
B.2 Treasury share disposals	—
B.3 Other additions	—
C. Reductions	16,200,000
C.1 Cancellations	—
C.2 Treasury share buybacks	16,200,000
C.3 Disposals of businesses	—
C.4 Other reductions	—
D. Shares in issue: balance at end of period	803,855,665
D.1 Add: treasury shares	16,200,000
D.2 Shares in issue at end of period	820,055,665
– entirely unrestricted	820,055,665
– with restrictions	—

*14.5 Profit reserves – other information*

	30/6/08	30/6/07
1. Legal reserves	81,910	81,552
2. Statutory reserves	876,087	1,067,431
3. Treasury shares reserves	213,410	—
4. Other reserves	1,061,615	1,052,140
Total reserves	2,233,022	2,201,123

#### 14.7 Valuation reserves

	30/6/08	30/6/07
1. AFS securities	(65,144)	808,858
2. Property, plant and equipment	—	—
3. Intangible assets	—	—
4. Foreign investment hedges	—	—
5. Cash flow hedges	115,285	(7,907)
6. Exchange rate differences	—	—
7. Non-current assets being sold	—	—
8. Special revaluation laws	7,587	7,587
Total	57,728	808,538

#### 14.8 Valuation reserves: movements during the period

	AFS securities	Cash flow hedges	Special laws
A. Balance at start of period	808,858	(7,907)	7,587
B. Additions	273,829	126,319	—
B.1 Increases in fair value	58,238	109,600	—
B.2 Other additions	215,591	16,719	—
C. Reductions	1,147,831	3,127	—
C.1 Reductions in fair value	926,917	—	—
C.2 Other reductions	220,914	3,127	—
D. Balance at end of period	(65,144)	115,285	7,587

#### 14.9 AFS securities valuation reserve

	30/6/08		30/6/07	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	3,218	(48,215)	52,672	(27,633)
2. Equities	293,252	(313,399)	991,150	(207,331)
3. OICR units	—	—	—	—
4. Loans and advances	—	—	—	—
Total	296,470	(361,614)	1,043,822	(234,964)

14.10 AFS valuation reserve: movements during the period

	Debt securities	Equities	OICR units	Total
1. Opening balance	25,039	783,819	—	808,858
2. Additions	9,021	163,299	—	172,320
2.1 Increases in fair value	7,374	50,864	—	58,238
2.2 Negative reserves charged back to profit and loss as a result of				
— impairment	1,647	112,435	—	114,082
— disposals	—	—	—	—
2.3 Other additions	1,647	112,435	—	114,082
2.3 Other additions	—	—	—	—
3. Reductions	79,057	967,265	—	1,046,322
3.1 Reductions in fair value	78,978	746,430	—	825,408
3.2 Adjustments for impairment	—	—	—	—
3.3 Positive reserves credited back to profit and loss as a result of: disposals				
— disposals	79	220,835	—	220,914
3.4 Other reductions	—	—	—	—
4. Balance at end of period	(44,997)	(20,147)	—	(65,144)

## Other information

### 1. Guarantees and commitments

	30/6/08	30/6/07
1. Financial guarantees given to:	11,822,916	12,953,383
a) Banks	10,285,362	11,192,993
b) Customers	1,537,554	1,760,390
2. Commercial guarantees given to:	26,917	23,610
a) Banks	370	—
b) Customers	26,547	23,610
3. Irrevocable commitments to lend funds to:	17,650,467	27,207,064
a) Banks	5,271,700	12,635,968
i) specific	3,636,870	10,706,366
ii) standby basis	1,634,830	1,929,602
b) Customers	12,378,767	14,571,096
i) specific	6,680,297	9,889,906
ii) standby basis	5,698,470	4,681,190
4. Commitments underlying credit derivatives: hedge sales	7,272,405	2,366,393
5. Assets pledged as collateral for customer obligations	—	—
6. Other commitments	313,292	617,894
Total	37,085,997	43,168,344

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

	30/6/08	30/6/07
1. Financial assets held for trading	730,693	3,130,072
2. Financial assets recognized at fair value	—	—
3. AFS securities	—	60,968
4. Financial assets held to maturity	3,710	204,647
5. Due from banks	—	—
6. Due from customers	722,968	619,275
7. Property, plant and equipment	—	—

4. *Assets managed and traded on behalf of customers*

	30/6/08	30/6/07
1. Securities traded on behalf of customers	29,916,346	34,388,814
a) purchases	16,161,697	20,378,078
1. settled	15,602,178	19,891,288
2. pending settlement	559,519	486,790
b) disposals	13,754,649	14,010,736
1. settled	13,205,971	13,523,946
2. pending settlement	548,678	486,790
2. Asset management	—	—
a) individuals	—	—
b) groups	—	—
3. Securities under custody/managed on a non-discretionary basis	21,183,805	19,264,439
a) customers' securities held on deposit: in connection with the Bank's activity as deposit bank (not including asset management)	4,198,659	4,698,362
1. securities issued by bank drawing up consolidated financial statements	636,617	339,607
2. other securities	3,562,042	4,358,755
b) other customers' securities held on deposit (not including asset management): others	—	—
1. securities issued by bank drawing up consolidated financial statements	—	—
2. other securities	—	—
c) customers' securities held on deposit with customers	3,814,274	4,248,604
d) own securities held on deposit with customers	13,170,872	10,317,473
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

	Performing assets		Impaired assets	Other assets	12 mths to 30/6/08	12 mths to 30/6/07
	Debt securities	Loans and advances				
1. Financial assets held for trading	278,693	—	—	—	278,693	255,004
2. AFS securities	71,329	—	—	—	71,329	65,984
3. Financial assets held to maturity	25,491	—	—	—	25,491	25,933
4. Due from banks	—	339,867	—	136,465	476,332	299,145
5. Due from customers	146	868,859	—	83,832	952,837	644,399
6. Financial assets recognized at fair value	—	—	—	—	—	—
7. Hedge derivatives	—	—	—	—	—	391,557
8. Financial assets sold but not derecognized	—	—	—	—	—	—
9. Other assets	—	—	—	10	10	164
<b>Total</b>	<b>375,659</b>	<b>1,208,726</b>	<b>—</b>	<b>220,307</b>	<b>1,804,692</b>	<b>1,682,186</b>

1.2 *Interest and similar income: differences arising on hedging transactions*

	12 mths to 30/6/08	12 mths to 30/6/07
A. Positive differences on transactions involving:		
A.1 Specific fair value hedges of assets	—	10,503
A.2 Specific fair value hedges of liabilities	—	987,289
A.3 General interest rate risk hedges	—	—
A.4 Specific cash flow hedges of assets	—	—
A.5 Specific cash flow hedges of liabilities	—	—
A.6 General cash flow hedges	—	—
Total positive differences (A)	—	997,792
B. Negative differences on transactions involving:		
B.1 Specific fair value hedges of assets	—	(14,801)
B.2 Specific fair value hedges of liabilities	—	(591,434)
B.3 General interest rate risk hedges	—	—
B.4 Specific cash flow hedges of assets	—	—
B.5 Specific cash flow hedges of liabilities	—	—
B.6 General cash flow hedges	—	—
Total negative differences (B)	—	(606,235)
C. Balance of differences arising on hedges (A – B)	—	391,557

1.3 *Interest and similar income: other information*

	12 mths to 30/6/08	12 mths to 30/6/07
1.3.1 Interest receivable on financial assets denominated in currencies other than the Euro	79,148	100,841
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	79,148	100,841



1.4 *Interest expense and similar charges*

	Accounts payable	Securities	Other liabilities	12 mths to 30/6/08	12 mths to 30/6/07
1. Due to banks	(162,938)	—	(119,530)	(282,468)	(205,442)
2. Due to customers	(12,277)	—	(36,908)	(49,185)	(34,038)
3. Debt securities in issue	—	(1,164,860)	—	(1,164,860)	(1,199,299)
4. Trading liabilities	—	—	—	—	—
5. Financial liabilities recognized at fair value	—	—	—	—	—
6. Financial liabilities in respect of assets sold but not derecognized	—	—	(68,759)	(68,759)	(122,052)
7. Other liabilities	—	—	(197)	(197)	(592)
8. Hedging derivatives	—	—	(58,951)	(58,951)	—
Total	(175,215)	(1,164,860)	(284,345)	(1,624,420)	(1,561,423)

*1.5 Interest expense and similar charges: margins on hedge transactions*

	12 mths to 30/6/08	12 mths to 30/6/07
A. Positive differences on transactions involving:		
A.1 Specific fair value hedges of assets	15,917	—
A.2 Specific fair value hedges of liabilities	897,519	—
A.3 General interest rate risk hedges	—	—
A.4 Specific cash flow hedges of assets	—	—
A.5 Specific cash flow hedges of liabilities	—	—
A.6 General cash flow hedges	—	—
Total positive differences (A)	913,436	—
B. Negative differences on transactions involving:		
B.1 Specific fair value hedges of assets	(21,235)	—
B.2 Specific fair value hedges of liabilities	(951,152)	—
B.3 General interest rate risk hedges	—	—
B.4 Specific cash flow hedges of assets	—	—
B.5 Specific cash flow hedges of liabilities	—	—
B.6 General cash flow hedges	—	—
Total negative differences (B)	(972,387)	—
C. Balance of differences arising on hedges (A – B)	(58,951)	—

*1.6 Interest expense and similar charges: other information*

	12 mths to 30/6/08	12 mths to 30/6/07
1.6.1 Interest payable on liabilities denominated in currencies other than the Euro	(147,807)	(129,959)
1.6.2 Interest payable on liabilities in respect of finance leasing transactions	(715)	(1,042)
1.6.3 Interest payable on customers' funds held on a non-discretionary basis	—	—
Total	(148,522)	(131,001)

## Section 2

### Headings 40 and 50: Net fee and commission income

#### 2.1 Net fee and commission income

	12 mths to 30/6/08	12 mths to 30/6/07
a) guarantees given	5,684	5,424
b) credit derivatives	263	1,565
c) management, trading and advisory services:	273,742	283,275
1. securities trading	17,677	22,144
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	—	—
6. securities placement	86,966	97,978
7. procurement of orders	103	118
8. advisory services	168,996	163,035
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) other services	2,078	1,447
Total	281,767	291,711

## 2.2 Fee and commission income: by product/service distribution channel

	12 mths to 30/6/08	12 mths to 30/6/07
a) on the Bank's own premises:	86,966	97,978
1. asset management	—	—
2. securities placement	86,966	97,978
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	86,966	97,978

## 2.3 Fee and commission expense

	12 mths to 30/6/08	12 mths to 30/6/07
a) guarantees received	—	—
b) credit derivatives	(426)	(1,267)
c) management and trading services:	(14,714)	(19,714)
1. securities trading	(3,623)	(2,897)
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	(1,084)	(1,539)
5. securities placement	(10,007)	(15,278)
6. door-to-door sales of securities, products and services	—	—
d) collection and payment services	(1,352)	(1,328)
e) other services	(2,260)	(2,490)
Total	(18,752)	(24,799)

## Section 3

### Heading 70: Dividends and similar income

#### 3.1 Dividends and similar income

	12 mths to 30/6/08		12 mths to 30/6/07	
	Dividends	Income from OICR units	Dividends	Income from OICR units
A. Financial assets held for trading	79,604	—	40,273	—
B. AFS securities	43,482	—	71,707	—
C. Financial assets recognized at fair value	—	—	—	—
D. Equity investments	186,955	—	141,805	—
Total	310,041	—	253,785	—

## Section 4

### Heading 80: Net trading income

#### 4.1 Net trading income

	Gains (A)	Dealing profits (B)	Value reductions (C)	Dealing losses (D)	Net trading income [(A+B)-(C+D)]
1. Trading assets	77,994	279,296	(334,306)	(452,260)	(429,276)
1.1 Debt securities	40,030	77,275	(137,284)	(109,440)	(129,419)
1.2 Equities	37,964	202,021	(197,022)	(342,820)	(299,857)
1.3 OICR units	—	—	—	—	—
1.4 Loans and advances	—	—	—	—	—
1.5 Others	—	—	—	—	—
2. Trading liabilities	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—
2.2 Others	—	—	—	—	—
3. Other assets and liabilities: differences arising on exchange rates	204,695	—	(121,408)	—	83,287
4. Derivative products	2,608,193	1,217,493	(2,483,079)	(984,081)	358,526
4.1 Financial derivatives:	2,332,255	1,217,493	(2,227,795)	(646,982)	674,971
– debt securities and interest rates <sup>1</sup>	191,395	407,439	(242,901)	(305,627)	50,306
– equities and stock market indexes	1,887,071	799,699	(1,852,126)	(284,365)	550,279
– foreign currency and gold	96,072	—	(93,581)	(56,976)	(54,485)
– others	157,717	10,355	(39,187)	(14)	128,871
4.2 Credit derivatives	275,938	—	(255,284)	(337,099)	(316,445)
Total	2,890,882	1,496,789	(2,938,793)	(1,436,341)	12,537
Total at 30/6/07	1,050,920	1,155,163	(978,445)	(1,127,348)	100,290

<sup>1</sup> Of which €57,757,000 in margins on interest rate derivatives (30/6/07: €72,928,000).

## Section 5

### Heading 90: Net hedging income

#### 5.1 Net hedging income

	12 mths to 30/6/08	12 mths to 30/6/07
A. Income from:		
A.1 Fair value hedge derivatives	504,951	107,066
A.2 Financial assets hedged (fair value)	3,289	2,424
A.3 Financial liabilities hedged (fair value)	541,752	442,368
A.4 Cash flow hedge derivatives	—	—
A.5 Assets and liabilities in foreign currencies	—	—
Total hedging income (A)	1,049,992	551,858
B. Expense related to:		
B.1 Fair value hedge derivatives	(612,650)	(331,204)
B.2 Financial assets hedged (fair value)	(24,564)	(8,383)
B.3 Financial liabilities hedged (fair value)	(405,584)	(215,860)
B.4 Cash flow hedge derivatives	—	—
B.5 Assets and liabilities in foreign currencies	—	—
Total hedging expense (B)	(1,042,798)	(555,447)
Net hedging income (A–B)	7,194	(3,589)

## Section 6

### Heading 100: Gains (losses) on disposals/repurchases

#### 6.1 Gains (losses) on disposals/repurchases

	12 mths to 30/6/08			12 mths to 30/6/07		
	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
<b>Financial assets</b>						
1. Due from banks	—	—	—	—	—	—
2. Due from customers	—	—	—	—	—	—
3. AFS securities	200,103	(28,306)	171,797	169,055	(2,392)	166,663
3.1 Debt securities	732	(2,450)	(1,718)	3,901	(2,147)	1,754
3.2 Equities	199,371	(25,856)	173,515	165,154	(245)	164,909
3.3 OICR units	—	—	—	—	—	—
3.4 Loans and advances	—	—	—	—	—	—
4. Financial assets held to maturity	26	(193)	(167)	—	(72)	(72)
<b>Total assets</b>	<b>200,129</b>	<b>(28,499)</b>	<b>171,630</b>	<b>169,055</b>	<b>(2,464)</b>	<b>166,591</b>
<b>Financial liabilities</b>						
1. Due to banks	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—
3. Debt securities in issue	22,372	(1)	22,371	8,055	(7,150)	905
<b>Total liabilities</b>	<b>22,372</b>	<b>(1)</b>	<b>22,371</b>	<b>8,055</b>	<b>(7,150)</b>	<b>905</b>

## Section 8

### Heading 130: Adjustments for impairment

#### 8.1 Adjustments for impairment

	Value adjustments			Amounts recovered				12 mths to 30/6/07	12 mths to 2006/07
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Due from banks	—	—	—	—	—	—	1,600	1,600	—
B. Due from customers	—	—	(24,382)	—	—	—	—	(24,382)	(5,244)
C. Total	—	—	(24,382)	—	—	—	1,600	(22,782)	(5,244)

*Legend*

A = interest

B = other amounts recovered

#### 8.2 Net adjustments for impairment to AFS securities

	Value adjustments		Amounts recovered		12 mths to 30/6/08	12 mths to 30/6/07
	Specific		Specific			
	Writeoffs	Others	A	B		
A. Debt securities	—	—	—	—	—	—
B. Equities	—	(7,503)	—	—	(7,503)	(4,169)
C. OICR units	—	—	—	—	—	—
D. Loans and advances to banks	—	—	—	—	—	—
E. Loans and advances to customers	—	—	—	—	—	—
F. Total	—	(7,503)	—	—	(7,503)	(4,169)

*Legend*

A = interest

B = other amounts recovered



## Section 9

### Heading 150: Administrative expenses

#### 9.1 Personnel costs

	12 mths to 30/6/08	12 mths to 30/6/07
1. Employees	(147,772)	(119,132)
a) wages and salaries	(101,346)	(82,008)
b) social security contributions	(23,687)	(21,024)
c) severance indemnities	—	—
d) pension contributions	—	—
e) transfers to severance indemnity provisions	(6,094)	(1,996)
f) transfers to post-employment and similar benefits provisions:	—	—
– defined contribution	—	—
– defined benefit	—	—
g) amounts paid to external complementary pension schemes:	(5,705)	(5,166)
– defined contribution	—	—
– defined benefit	(5,705)	(5,166)
h) expenses incurred in connection with share payment schemes	(8,763)	(8,483)
i) other staff benefits	(2,177)	(455)
2. Other staff	(4,343)	(2,698)
3. Board members	(7,907)	(12,610)
Total	(160,022)	(134,440)

## 9.2 Average number of staff by category

	12 mths to 30/6/08	12 mths to 30/6/07
Employees:		
a) Senior executives	88	71
b) Executives	278	255
<i>of which grade 3 and 4</i>	<i>179</i>	<i>163</i>
c) Other employees	134	108
Other staff	48	46
Total	548	480

## 9.5 Other administrative expenses

	12 mths to 30/6/08	12 mths to 30/6/07
OTHER ADMINISTRATIVE EXPENSES		
– outside consultants’ fees	(21,860)	(15,125)
– legal fees due in respect of credit recovery	—	—
– share and bond servicing	(6,529)	(5,527)
– sundry insurances	(655)	(664)
– advertising	(122)	—
– rent and maintenance	(4,019)	(3,998)
– EDP costs and financial information subscriptions	(23,550)	(21,386)
– publications, stationery and utilities	(3,582)	(2,936)
– travel and entertainment	(5,381)	(3,347)
– other staff-related expenses	(724)	(518)
– bank charges	(4,839)	(6,596)
– transport costs	(2,166)	(1,694)
– outsourced activities	(1,586)	(1,339)
– assets expensed	—	—
– substitutive and registration taxes and franking of reserves	(672)	(2,857)
– substitutive and various other taxes	(6,049)	(3,064)
– other expenses	(4,872)	(4,397)
Total, other administrative expenses	(86,606)	(73,448)

## Section 10

### Heading 160: Net transfers to provisions

#### 10.1 Net transfers to provisions

	12 mths to 30/6/08	12 mths to 30/6/07
TRANSFERS MADE TO COVER:		
– litigation	—	—
– advertising expenses	—	—
– certain or probable exposures or commitments <sup>1</sup>	—	224
Total net transfers to provisions	—	224

<sup>1</sup> Includes the effect of discounting such items.

## Section 11

### Heading 170: Net adjustments to tangible assets

#### 11.1 Net adjustments to tangible assets

	Depreciation	Value adjustments for impairment	Amounts recovered	Net result
A. Tangible assets				
A.1 Owned	(3,043)	—	—	(3,043)
– core	(2,646)	—	—	(2,646)
– for investment purposes	(397)	—	—	(397)
A.2 Acquired under finance leases	—	—	—	—
– core	—	—	—	—
– for investment purposes	—	—	—	—
Total	(3,043)	—	—	(3,043)

## Section 12

### Heading 180: Net adjustments to intangible assets

#### 12.1 Net adjustments to intangible assets

	Amortization	Value adjustments for impairment	Amounts recovered	Net result
A. Intangible assets				
A.1 Owned	(1,911)	—	—	(1,911)
– software	(1,911)	—	—	(1,911)
– other	—	—	—	—
A.2 Goodwill	—	—	—	—
Total	(1,911)	—	—	(1,911)

## Section 13

### Heading 190: Other operating income (expense)

#### 13.1 Other operating expense: composition

	12 mths to 2007/08	12 mths to 2006/07
a) Leasing activity	—	(4)
b) Sundry costs and expenses <sup>1</sup>	(3,882)	(8,463)
Total	(3,882)	(8,467)

<sup>1</sup> Includes costs of € 2,990,000 (30/6/07: €7,808,000) in connection with stock option schemes operated by Banca Esperia.

#### 13.2 Other operating income: composition

	12 mths to 2007/08	12 mths to 2006/07
a) Amounts recovered from customers	511	1,716
b) Other income	12,923	8,712
Total	13,434	10,428

## Section 17

### Heading 240: Net gain (loss) upon disposal of investments

#### 17.1 Net gain (loss) upon disposal of investments

	12 mths to 30/6/08	12 mths to 30/6/07
A. Properties	—	—
– gains on disposals	—	—
– losses on disposals	—	—
B. Other assets	(82)	(21)
– gains on disposals	4	1
– losses on disposals	(86)	(22)
Net gain (loss)	(82)	(21)

## Section 18

### Heading 260: Income tax on ordinary activities

#### 18.1 Income tax on ordinary activities

	12 mths to 30/6/08	12 mths to 30/6/07
1. Current taxes	(170,000)	(56,500)
2. Changes in current taxes for previous financial years	—	—
3. Reductions in current tax for the period	—	—
4. Changes in advance tax	(9,537)	(4,763)
5. Changes in deferred tax	107,453	(64,781)
Income tax for the year	(72,084)	(126,044)

## 18.2 Reconciliation between theoretical and effective tax burden

	12 mths to 30/6/08	12 mths to 30/6/07
Profit before tax	694,662	687,155
Theoretical tax rate applicable	33%	33%
Theoretical taxes	(229,240)	(226,761)
Dividends	73,743	75,025
Gains on disposals of investments (PEX)	35,899	26,758
Effect of Italian Law 244/07	31,955	—
Tax loss	—	11,119
Tax sparing credit	11,288	9,366
Impairment	(2,476)	(1,376)
Other changes	2,277	1,244
TOTAL, IRES	(76,554)	(104,625)
IRAP	(24,033)	(21,419)
Effect of Italian Law 244/07	28,503	—
TOTAL, HEADING 260	(72,084)	(126,044)

## Section 21

### Earnings per share

#### 21.1 Average number of ordinary shares on a diluted basis

	12 mths to 30/6/08	12 mths to 30/6/07
Net profit	622,579	561,110
Avg. no. of shares in issue	812,304,621	816,514,035
Avg. no. of potentially diluted shares	5,850,794	16,071,380
Avg. no. of diluted shares	818,155,415	832,585,415
Earnings per share	0.77	0.69
Earnings per share, diluted	0.76	0.67

## **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”), the Mediobanca Group has set itself the objective of measuring credit risk using an advanced internal ratings-based (IRB) method.

A specific project has therefore been launched with a view to obtaining ratification by the Supervisory Committee of the internal models for calculating risk parameters (probability of default (“PD”), loss-given default (“LGD”), and exposure at default (“EAD”)) to be used in calculating the capital requirements for credit risk starting from the 2010/11 financial year. The Group has used standardized methodology since 1 January 2008 and will continue to do so until ratification is obtained.

The internal models for estimating the PD, LDG and EAD risk parameters are now at an advanced stage of development for the following customer segments: Banks, Large corporate, Specialized lending (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). In addition, a plan is being implemented to comply with the experience requirement for the models to be ratified, which will also involve the existing procedures for approving, monitoring and renewing loans (described in Section 1 hereunder) being gradually revised to incorporate the risk parameters calculated via the internal models that have been developed.

## **1. General issues**

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 Management Board, 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 head of the operating unit and the Bank'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)

	Non-performing	Potential problem	Restructured	Overdue	Country risk	Other assets	Total
1. Financial assets held for trading	—	—	—	—	—	10,656,890	10,656,890
2. AFS securities	—	—	—	—	—	2,846,738	2,846,738
3. Financial assets held to maturity	—	—	—	—	—	577,419	577,419
4. Due from banks	127	—	—	—	10,472	11,665,695	11,676,294
5. Due from customers	—	—	—	—	—	20,460,780	20,460,780
6. Financial assets recognized at fair value	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	—	1,188,339	1,188,339
Total 30/6/08	127	—	—	—	10,472	47,395,861	47,406,460
Total 30/6/07	127	—	—	—	16,816	46,312,523	46,329,466

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

	Impaired assets				Other assets			Total
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	—	—	—	10,656,890	10,656,890
2. AFS securities	—	—	—	—	2,846,738	—	2,846,738	2,846,738
3. Financial assets held to maturity	—	—	—	—	577,419	—	577,419	577,419
4. Due from banks	127	—	—	127	11,679,243	(3,076)	11,676,167	11,676,294
5. Due from customers	—	—	—	—	20,506,619	(45,839)	20,460,780	20,460,780
6. Financial assets recognized at fair value	—	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	—	—	1,188,339	1,188,339
Total 30/6/08	127	—	—	127	35,610,019	(48,915)	47,406,333	47,406,460
Total 30/6/07	127	—	—	127	33,049,597	(27,701)	46,329,339	46,329,466

*A.1.3 Cash and off-balance-sheet exposures: gross/net values*

	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
<b>A. CASH EXPOSURES</b>				
a) Non-performing	127	—	—	127
b) Potential problem	—	—	—	—
c) Restructured	—	—	—	—
d) Overdue	—	—	—	—
e) Country risk	13,097	—	(2,625)	10,472
f) Other assets	14,133,123	—	(451)	14,132,672
Total A	14,146,347	—	(3,076)	14,143,271
<b>B. OFF-BALANCE-SHEET EXPOSURES</b>				
a) Impaired	—	—	—	—
b) Other assets	25,392,256	—	—	25,392,256
Total B	25,392,256	—	—	25,392,256

*A.1.4 Cash exposures to banks: trends in gross impaired positions and accounts subject to country risk*

	Non-performing	Potential problem	Restructured	Overdue	Country risk
A. Gross exposure at start of period	127	—	—	—	2,992
<i>of which: accounts sold but not derecognized</i>	—	—	—	—	—
B. Additions	—	—	—	—	10,105
B.1 transfers from performing loans	—	—	—	—	—
B.2 transfers from other categories of impaired assets	—	—	—	—	—
B.3 other additions	—	—	—	—	10,105
C. Reductions	—	—	—	—	—
C.1 transfers to performing loans	—	—	—	—	—
C.2 amounts written off	—	—	—	—	—
C.3 amounts collected	—	—	—	—	—
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	127	—	—	—	13,097
<i>of which: accounts sold but not derecognized</i>	—	—	—	—	—

*A.1.5 Cash exposures to banks: trends in value adjustments*

	Non-performing	Potential problem	Restructured	Overdue	Country risk
A. Gross exposure at start of period	—	—	—	—	(2,992)
<i>of which: accounts sold but not derecognized</i>	—	—	—	—	—
B. Additions	—	—	—	—	—
B.1 value adjustments	—	—	—	—	—
B.2 transfers from other categories of impaired assets	—	—	—	—	—
B.3 other additions	—	—	—	—	—
C. Reductions	—	—	—	—	(367)
C.1 writebacks based on valuations	—	—	—	—	—
C.2 writebacks due to amounts collected	—	—	—	—	—
C.3 amounts written off	—	—	—	—	—
C.4 transfers to other categories of impaired assets	—	—	—	—	—
C.5 other reductions	—	—	—	—	(367)
D. Gross exposure at end of period	—	—	—	—	(2,625)
<i>of which: accounts sold but not derecognized</i>	—	—	—	—	—

*A.1.6 Cash and off-balance-sheet exposures to customers: gross/net values*

	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
<b>A. CASH EXPOSURES</b>				
a) Non-performing	—	—	—	—
b) Potential problem	—	—	—	—
c) Restructured	—	—	—	—
d) Overdue	—	—	—	—
e) Country risk	—	—	—	—
f) Other assets	29,766,945	—	(45,839)	29,721,106
<b>Total A</b>	<b>29,766,945</b>	<b>—</b>	<b>(45,839)</b>	<b>29,721,106</b>
<b>B. OFF-BALANCE-SHEET EXPOSURES</b>				
a) Impaired	—	—	—	—
b) Other assets	17,907,199	—	—	17,907,199
<b>Total B</b>	<b>17,907,199</b>	<b>—</b>	<b>—</b>	<b>17,907,199</b>

*A.1.7 Cash exposures to customers: trends in gross impaired positions/accounts subject to country risk*

	Non-performing	Potential problem	Restructured	Overdue	Country risk
<b>A. Gross exposure at start of period</b>	—	—	—	—	17,021
<i>of which: accounts sold but not derecognized</i>	—	—	—	—	—
<b>B. Additions</b>	—	—	—	—	—
B.1 transfers from performing loans	—	—	—	—	—
B.2 transfers from other categories of impaired assets	—	—	—	—	—
B.3 other additions	—	—	—	—	—
<b>C. Reductions</b>	—	—	—	—	(17,021)
C.1 transfers to performing loans	—	—	—	—	—
C.2 amounts written off	—	—	—	—	—
C.3 amounts collected	—	—	—	—	(17,021)
C.4 gains realized on disposals	—	—	—	—	—
C.5 transfers to other categories of impaired assets	—	—	—	—	—
C.6 other reductions	—	—	—	—	—
<b>D. Gross exposure at end of period</b>	—	—	—	—	—
<i>of which: accounts sold but not derecognized</i>	—	—	—	—	—

*A.1.8 Cash exposures to customers: trends in value adjustments*

	Non-performing	Potential problem	Restructured	Overdue	Country risk
A. Adjustments at start of period	—	—	—	—	(205)
<i>of which: accounts sold but not derecognized</i>	—	—	—	—	—
B. Additions	—	—	—	—	—
B.1 value adjustments	—	—	—	—	—
B.2 transfers from other categories of impaired assets	—	—	—	—	—
B.3 other additions	—	—	—	—	—
C. Reductions	—	—	—	—	205
C.1 writebacks based on valuations	—	—	—	—	—
C.2 writebacks due to amounts collected	—	—	—	—	—
C.3 amounts written off	—	—	—	—	—
C.4 transfers to other categories of impaired assets	—	—	—	—	—
C.5 other reductions	—	—	—	—	205
D. Adjustments at end of period	—	—	—	—	—
<i>of which: accounts sold but not derecognized</i>	—	—	—	—	—

*A.2 Exposures by internal and external ratings*

*A.2.1 Cash and off-balance-sheet exposures by external rating category*

	External rating category		Unrated
	Investment grade	Speculative grade	
A. Cash exposures	77.9%	9.3%	12.8%
B. Other exposures	79.8%	8.2%	12.0%

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)								T otal (1) + (2)
		Properties	Securities	Other assets	Credit derivatives				Endorsements				
					Govern- ments	Other public agencies	Banks	Others	Govern- ments	Other public agencies	Banks	Others	
1. Secured exposures to banks:													
1.1 completely secured	221,218	—	—	—	—	—	—	—	—	166,120	504	234,101	400,725
1.2 partly secured	95,919	—	—	—	—	—	—	—	—	—	—	91,026	91,026
2. Secured exposures to customers:													
2.1 completely secured	3,342,057	1,383,745	1,710,113	15,491	—	—	—	—	128,000	100,000	—	2,308,735	5,646,084
2.2 partly secured	1,355,831	—	185,893	6,182	—	—	—	—	—	—	43,053	30,888	266,016



## B. Loan distribution and concentration

### B.1 Cash and off-balance-sheet exposure to customers by sector

	Governments and central banks	Other public agencies	Financial companies	Insurances	Non-financial undertakings	Other entities
A. Cash exposures						
A.1 Non-performing						
Gross exposure	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
Net exposure	—	—	—	—	—	—
A.2 Potential problem						
Gross exposure	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
Net exposure	—	—	—	—	—	—
A.3 Restructured						
Gross exposure	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
Net exposure	—	—	—	—	—	—
A.4 Overdue						
Gross exposure	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
Net exposure	—	—	—	—	—	—
A.5 Other exposures						
Gross exposure	4,823,378	160,198	9,790,796	2,189,940	12,574,654	227,978
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	(53)	—	(6,986)	(902)	(37,819)	(79)
Net exposure	4,823,325	160,198	9,783,810	2,189,038	12,536,835	227,899
Total A						
Gross exposure	4,823,378	160,198	9,790,796	2,189,940	12,574,654	227,978
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	(53)	—	(6,986)	(902)	(37,819)	(79)
Net exposure	4,823,325	160,198	9,783,810	2,189,038	12,536,835	227,899
B. Off-balance sheet exposures						
B.4 Other exposures						
Gross exposure	—	—	7,584,106	719,360	9,550,833	52,900
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
Net exposure	—	—	7,584,106	719,360	9,550,833	52,900
Total 30/6/08:						
Gross exposure	4,823,378	160,198	17,374,902	2,909,300	22,125,487	280,878
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	(53)	—	(6,986)	(902)	(37,819)	(79)
Net exposure	4,823,325	160,198	17,367,916	2,908,398	22,087,668	280,799
Total 30/6/07	6,488,175	1,112,611	16,627,709	2,057,000	22,208,289	197,564



## ***B.2 Distribution of loans to resident non-financial undertakings***

### *1.1.3 Distribution of loans to resident non-financial undertakings and productive households*

	30/6/08	30/6/07
a) Other sales services	4,958,289	4,961,429
b) Energy products	2,075,531	1,507,974
c) Paper and publishing	836,527	608,689
d) Transport-related services	699,635	639,487
e) Entertainment and cultural services	585,507	147,971
f) Other groups of economic activity	1,613,879	1,925,216
Total	10,769,368	9,790,766

*B.3 Cash and off-balance-sheet exposures to customers by geography (book value)*

	Italy		Other European countries		United States		Asia		Rest of world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Cash exposures										
A.1 Non-performing	—	—	—	—	—	—	—	—	—	—
A.2 Potential problem	—	—	—	—	—	—	—	—	—	—
A.3 Restructured	—	—	—	—	—	—	—	—	—	—
A.4 Overdue	—	—	—	—	—	—	—	—	—	—
A.5 Other exposures	21,180,798	21,147,907	7,817,134	7,804,765	740,340	739,787	19,032	19,006	9,641	9,641
Total A	21,180,798	21,147,907	7,817,134	7,804,765	740,340	739,787	19,032	19,006	9,641	9,641
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—	—
B.4 Other exposures	9,279,897	9,279,897	8,120,319	8,120,319	506,983	506,983	—	—	—	—
Total B	9,279,897	9,279,897	8,120,319	8,120,319	506,983	506,983	—	—	—	—
Total 30/6/08	30,460,695	30,427,804	15,937,453	15,925,084	1,247,323	1,246,770	19,032	19,006	9,641	9,641
Total 30/6/07	28,091,670	28,072,341	19,462,416	19,457,779	980,511	980,020	26,241	26,208	155,000	155,000

*B.4 Cash and off-balance-sheet exposures to banks by geography (book value)*

	Italy		Other European countries		United States		Asia		Rest of world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Cash exposures										
A.1 Non-performing	—	—	127	127	—	—	—	—	—	—
A.2 Potential problem	—	—	—	—	—	—	—	—	—	—
A.3 Restructured	—	—	—	—	—	—	—	—	—	—
A.4 Overdue	—	—	—	—	—	—	—	—	—	—
A.5 Other exposures	6,679,575	6,679,416	7,225,408	7,225,304	71,594	71,594	169,643	166,831	—	—
Total A	6,679,575	6,679,416	7,225,535	7,225,431	71,594	71,594	169,643	166,831	—	—
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—	—
B.4 Other exposures	2,368,422	2,368,422	21,858,591	21,858,591	41,551	41,551	1,023,692	1,023,692	100,000	100,000
Total B	2,368,422	2,368,422	21,858,591	21,858,591	41,551	41,551	1,023,692	1,023,692	100,000	100,000
Total 30/6/08	9,047,997	9,047,838	29,084,126	29,084,022	113,145	113,145	1,193,335	1,190,523	100,000	100,000
Total 30/6/07	16,279,773	16,279,684	31,264,412	31,264,342	18,963	18,963	203,995	200,943	1,398,174	1,398,174

### B.5 Large risks

	30/6/08	30/6/07
a) Overall weighted amount	14,950,926	17,589,634
b) No. of exposures	18	17

### **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.

As at 30 June 2008 loans of this nature amounted to €1,189.6m, or approx. 7.9% of the entire loan book, over 90% of which in relation to domestic transactions, in addition to €1,537.4m in guarantees issued to Mediobanca International for its activities.

## **C. Securitizations and asset disposals**

### *C.1 Securitizations*

#### **Qualitative information**

In addition to its traditional activity as sponsor and lead manager, Mediobanca S.p.A. also invests in securities originating from securitizations, which at the reporting date totalled €677.4m (30/6/07: €886m). The main movements during the period involved repayment of the San Giorgio-Alleanza Assicurazioni deal (€372.6m), and subscribing for securities worth €152.7m under the terms of deals on which Mediobanca was acting as manager.

Holdings in junior and mezzanine tranches involve one securitization of state-owned properties (Scip2 B2), plus two exposures to leading leasing groups (Locat and Agrisecurities).

Mediobanca does not have on its books, and indeed never has had, any credit exposures backed by US sub-prime or Alt-A (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 30m entered into with MBIA (Municipal Bond Insurance Association), which was written down by approx. €3.4m at the reporting date. The recent market turbulence has affected the entire ABS bonds sector, leading to a sharp reduction in prices owing to the lack of underlying liquidity. Nonetheless, the credit quality of the securities owned by Mediobanca has shown no signs of deterioration. Moreover, the majority of the securities (over 70%) may be used for financing transactions

with the European Central Bank. Overall the portfolio was written down as to €25.2m at the reporting date, €20.9m of which was charged directly to profit and loss account. Valuation of the charges taken to the balance sheet have been 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).

Virtually the entire portfolio includes securities with domestic underlying assets, and is concentrated chiefly on three main sectors: mortgage lending (42.1%), state properties (22.9%), and leasing receivables (14%). The other deals involve securitizations of corporate receivables (Entasi - Capitalia), healthcare receivables for the Lazio region (Kimono) which have recently been repaid, and synthetic securities (ELM and Alpha Sires).

More than three-quarters of the portfolio has a rating which is consistent with securities of high credit standing attributed by at least one of the three leading credit rating agencies (Standard & Poor's, Moody's and Fitch). During the period under review no particular action was taken by any of the rating agencies, reflecting the solidity and the conservative nature of these transactions which have always been a part of the Italian domestic market.

The only positions which are either unrated or which have non-performing assets underlying them are in deals where Mediobanca played an active role in the securitization, e.g. as sponsor, manager, etc.

The main individual areas of activity underlying the securities held by the Bank performed as follows during the twelve months under review:

- mortgage loans on property: the Italian market's performance remained stable, owing to the more conservative nature of the underlying mortgages and the domestic property market holding up well compared to other European countries, such as Spain and the United Kingdom; the economic downturn brought about a slight increase in the rates of delinquency and default, while recent legislative measures, such as the so-called Bersani liberalization decree and the convention between the Italian banks' association ABI and the Ministry for the Economy and Finance will probably increase the likelihood of early repayments of tranches;
- state-owned properties: this sector too was helped by the resilience of the Italian domestic property market, which, along with the low reputational risk associated with the Ministry for the Economy and Finance, have enabled the value of the underlying assets to remain virtually unchanged despite the widespread slowdown in programmes of disposals, which was offset in part by the step-up effect in cash flows from coupons;
- leasing receivables: this sector is the most exposed of all to the market turbulence; however, the property segment, which constitutes the Group's most significant exposure, has been protected by the resilience of the underlying values.

## Quantitative information

### C.1.1 Exposures deriving from securitizations by underlying asset

	Cash exposure <sup>1</sup>					
	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	650,487	650,487	2,485	2,485	24,494	24,494
a) Impaired	154,980	154,980	—	—	—	—
b) Other	495,507	495,507	2,485	2,485	24,494	24,494
Total at 30/6/08	650,487	650,487	2,485	2,485	24,494	24,494

<sup>1</sup> No off-balance-sheet exposures.

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

	Cash exposures <sup>1</sup>					
	Senior		Mezzanine		Junior	
	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks
A. Mortgage loans on property						
A.1 Velah 4 A2 Immob.res IT0004102007	26,616	(3,663)	—	—	—	—
A.2 Cordusio -33 A2 FRN IT0003844948	5,298	64	—	—	—	—
A.3 Cordusio 3 06-42 TV A2 IT0004144892	16,008	(1,008)	—	—	—	—
A.4 Intesa Sec 07-33 A1 IT0004180250	14,471	(99)	—	—	—	—
A.5 Intesa Sec 07-33 A2 IT0004180268	5,972	(78)	—	—	—	—
A.6 ISLAND REF-25 A FRN IT0004293558 (NPL)	69,949	296	—	—	—	—
A.7 Cassa 2001-1 A1 07-43 IT0004247687	26,395	(702)	—	—	—	—
A.8 Tower Fin. float Nov27 IT0004386683 (NPL)	34,641	(722)	—	—	—	—
A.9 Zeus F07-25 A FRN IT0004306186 (NPL)	50,389	(1,114)	—	—	—	—
A.10 Others	6,020	—	—	—	—	—
TOTAL Mortgage loans on property	255,759	(7,026)	—	—	—	—
B. State-owned properties						
B.1 Fip Fund-23 A2 FRN IT0003872774	101,025	(8,419)	—	—	—	—
B.2 SCIP 2 A5 26/4/25 IT0003837074	18,697	(354)	—	—	—	—
B.3 SCIP 2 B2 26/4/25 IT0003837082	—	—	—	—	19,400	(811)
TOTAL State-owned properties	119,722	(8,773)	—	—	19,400	(811)
C. Leasing receivables						
C.1 Agri 2006-1 A1 IT0004137409	13,568	(136)	—	—	—	—
C.2 Locat MTGE 04-24 FLT IT0003733083	17,432	(406)	—	—	—	—
C.3 Locat 12/12/2028 IT0004153661	19,925	(129)	—	—	—	—
C.4 SPLIT 2-18 A FRN IT0003763882	10,365	(238)	—	—	—	—
C.5 ITALFINANCE 07-26 TV IT0004197254	9,585	(489)	—	—	—	—
C.6 LOCAT 2 CLASS B FRN IT0003733091	—	—	—	—	5,094	62
C.7 Others	6,196	(176)	2,485	(529)	—	—
TOTAL Leasing receivables	77,071	(1,575)	2,485	(529)	5,094	62
D. Other receivables						
D.1 Entasi Srl 17/01/2013 IT0003142996	40,099	(3,450)	—	—	—	—
D.2 Alpha Sires 18/12/2009 XS0140068189	33,391	(3,101)	—	—	—	—
D.3 ELM BB.V. FL XS0247902587	29,496	—	—	—	—	—
D.4 KIMONO-07/09 B1, B2, B3 FRN	23,507	(15)	—	—	—	—
D.5 Others	923	(9)	—	—	—	—
TOTAL, Other receivables	127,417	(6,575)	—	—	—	—
E. Own securitizations						
E.1 QUARZO LEASE SRL 2015 A IT0003372544	19,804	(567)	—	—	—	—
E.2 JUMP-05/26 A FRN	41,128	1,265	—	—	—	—
E.3 JUMP 2 – 06 A IT0004125636	9,586	(511)	—	—	—	—
TOTAL, INCLUDING OWN SECURITIZATIONS	70,518	187	—	—	—	—
Total at 30/6/08	650,487	(23,762)	2,485	(529)	24,494	(749)
Total at 30/6/07	862,829	—	3,014	—	20,187	—

<sup>1</sup> No off-balance-sheet exposure.

*C.1.4 Exposures to securitizations by asset/portfolio type*

	Held for trading	Recognized at fair value	Available for sale	Held to maturity	Loans and advances	30/6/08	30/6/07
1. Cash exposures	483,281	—	164,689	29,496	—	677,466	886,030
- Senior	456,302	—	164,689	29,496	—	650,487	862,829
- Mezzanine	2,485	—	—	—	—	2,485	3,014
- Junior	24,494	—	—	—	—	24,494	20,187
2. Off-balance-sheet exposures	—	—	—	—	—	—	—
- Senior	—	—	—	—	—	—	—
- Mezzanine	—	—	—	—	—	—	—
- Junior	—	—	—	—	—	—	—
Total at 30/6/08	483,281	—	164,689	29,496	—	677,466	886,030



*C.1.5 Total amount of securitized assets underlying junior securities or other forms of financing*

	Traditional securitizations
A. Own underlying assets:	
A.1 Fully derecognized	—
1. Non-performing	—
2. Potential problem	—
3. Restructured	—
4. Overdue	—
5. Other assets	—
A.2 Partly derecognized	—
1. Non-performing	—
2. Potential problem	—
3. Restructured	—
4. Overdue	—
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	24,494
Total 30/6/08	24,494

## C.2 Asset disposals

### C.2.1 Financial assets sold but not derecognized

	Financial assets held for trading	AFS securities	Financial assets held to maturity	Due from banks	Due from customers	Total
	Financial assets sold and fully recognized (book value)					
A. Cash assets						
1. Debt securities	730,693	—	3,710	1,740,840	115,168	2,590,411
2. Equities	—	—	—	—	—	—
3. OICR units	—	—	—	—	—	—
4. Loans and advances	—	—	—	—	—	—
5. Impaired assets	—	—	—	—	—	—
B. Derivative products	—	—	—	—	—	—
Total 30/6/08	730,693	—	3,710	1,740,840	115,168	2,590,411
Total 30/6/07	3,130,072	60,968	204,647	760,064	208,781	4,364,532

### C.2.2 Financial liabilities in respect of financial assets sold but not derecognized

	Financial assets held for trading	AFS securities	Financial assets held to maturity	Due from banks	Due from customers	Total
1. Cash assets	535,495	—	2,996	—	115,168	653,659
a) in respect of fully recognized assets	535,495	—	2,996	—	115,168	653,659
b) in respect of partly recognized assets	—	—	—	—	—	—
2. Due to banks	195,198	—	714	1,740,840	—	1,936,752
a) in respect of fully recognized assets	195,198	—	714	1,740,840	—	1,936,752
b) in respect of partly recognized assets	—	—	—	—	—	—
Total 30/6/08	730,693	—	3,710	1,740,840	115,168	2,590,411
Total 30/6/07	3,130,072	60,968	204,647	760,064	208,781	4,364,532

## **Section 2**

### **Market risk**

#### **2.1 INTEREST RATE RISK - TRADING BOOK**

##### **QUALITATIVE INFORMATION**

Mediobanca uses a risk management system that monitors market risk on a daily basis. The system calculates value at risk (VaR)<sup>1</sup> for the Bank's entire asset structure, i.e. both trading and banking books. Such global measurement is made possible by concentrating all financial risks (i.e. share price fluctuations plus interest and exchange rate movements), including those relating to lending and funding activities, at the Bank's finance division. Interest rate risk covers risks deriving from movements in market curves and those linked to credit ratings of individual borrowers. VaR readings constitute the main information on which the operating limit structure adopted pursuant to resolutions approved by the Supervisory Committee is based.

VaR is based on expected volatility and the correlation between risk factors concerned, and determines possible negative movements that may be expected as a result of market movements within a single trading day based on a 99% confidence level. VaR is calculated using the Monte Carlo and historical simulation<sup>2</sup> as well as the parametric method. Historical simulation 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 on the main risk factors each week, to show the impact of historical crisis scenarios being repeated and of significant movements in the main market data on the Bank's risk positions.

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<sup>1</sup> VaR: maximum potential loss over a specified time horizon with a given confidence level.

<sup>2</sup> Determines portfolio value based on random and historical variations in risk factors.

## QUANTITATIVE INFORMATION

The broadest measurement of VaR is applied to an aggregate including the equities and debt securities held as available for sale, hence any changes in their value impact only on the balance-sheet aggregates and do not affect profit and loss account. This measurement showed a clear rise during the year under review, chiefly due to the strong instability which hit equity markets and credit spreads.

Average VaR for the period rose from just over €18m to nearly €24m, driven by a similar movement in the share price component. In fact the highest increase in percentage terms was recorded by specific risk, due chiefly to a marked revision in the pricing of creditworthiness that has taken place in the past few months, and by exchange rates, due to more directional positions being taken.

### Value at risk and expected shortfall of asset structure

Risk factors (€'000)	12 mths to 30/6/08				12 mths to 30/6/07
	30/6	Min.	Max.	Avg.	Avg.
Interest rates .....	4,947	2,617	10,822	5,769	4,242
- of which: specific risk .....	2,425	855	4,816	2,429	844
Share prices .....	16,057	12,349	51,038	24,004	18,198
Exchange rates .....	3,730	589	4,265	2,445	1,076
Diversification effect*.....	(3,635)	(3,635)	(14,804)	(8,231)	(5,421)
<b>TOTAL .....</b>	<b>21,100</b>	<b>11,452</b>	<b>49,523</b>	<b>23,987</b>	<b>18,095</b>
<b><i>Expected shortfall</i> .....</b>	<b>21,823</b>	<b>17,912</b>	<b>49,884</b>	<b>30,044</b>	<b>26,001</b>

\* Due to mismatches between risk factors.

However, the overall trend in value at risk is distorted by the available-for-sale positions referred to early. Only by analysing data at the trading book level is it possible to get a clearer idea of the actual trends in the operating desks' risk profiles. While the approx. €1.5m increase in VaR recorded in 2006-2007 was due mainly to increased levels of operations on financial markets, the rise of more than €2m in the financial year under review was the result of an explosion in volatility after several years of relative calm. The main contribution continues to be from interest rate curves, which were up from €4.3m to €6.3m, affected in particular by the specific risk component (including credit derivatives and corporate bonds) which jumped from €0.9m to €2.5m.

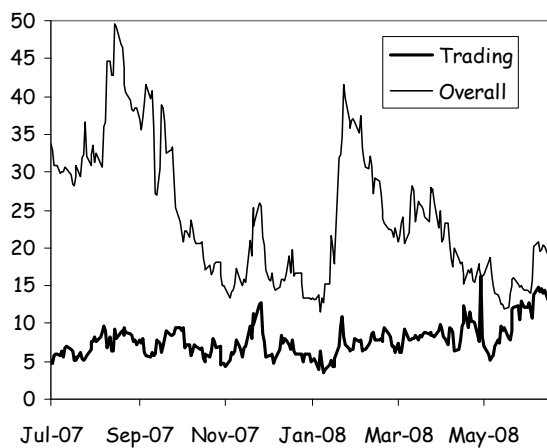
### Value at risk and expected shortfall: trading book

Risk factors (€'000)	12 mths to 30/6/08				12 mths to 30/6/07
	30/6	Min.	Max.	Avg.	Avg.
Interest rates .....	5,993	2,684	12,783	6,347	4,364
- of which: specific risk .....	1,934	950	5,182	2,459	869
Share prices .....	1,861	1,821	17,593	4,092	2,864
Exchange rates .....	3,376	518	4,496	2,206	1,069
Diversification effect* .....	(2,464)	(2,165)	(10,938)	(4,761)	(2,546)
<b>TOTAL</b> .....	<b>8,766</b>	<b>3,588</b>	<b>16,206</b>	<b>7,885</b>	<b>5,751</b>
<b>Expected shortfall</b> .....	<b>9,339</b>	<b>5,492</b>	<b>25,282</b>	<b>10,702</b>	<b>9,763</b>

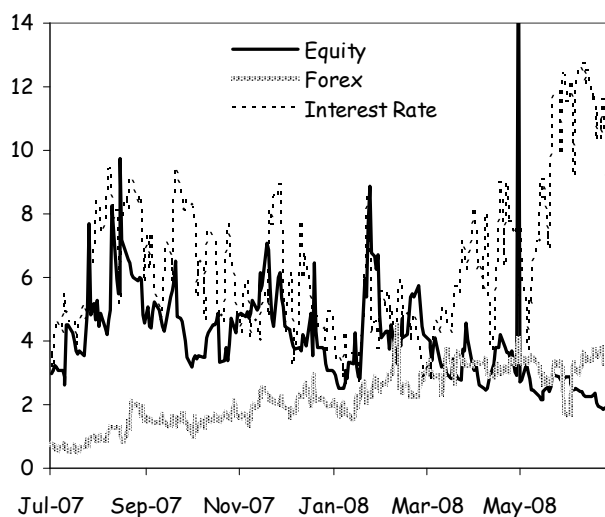
\* Due to mismatches between risk factors.

The rise in the share price component, from €2.9m to €4.1m, was driven in part by the launch of new trading activity on capital markets, while the exchange rate component, which doubled from €1.1m to €2.2m, is due to less stringent hedging of foreign exchange positions.

### Trends in VaR



### Trends in VaR constituents



The effectiveness of VaR as a tool for managing risk is measured by means of daily back-testing, which is based on the calculation of notional P&L.<sup>3</sup> In the financial year under review the limit was breached on a total of four occasions, i.e. more than the notional level of two-to-three implied by a VaR of 99% (1% of 260 readings). However, it should be borne in mind that the short timespan of the survey increases the possibility of the notional limit being exceeded (if the horizon is increased to three years the total number of breaches is eight, which is perfectly in line with the notional number), and, moreover, that the high number of shocks recorded on the market (from the well-documented crisis on the ABS market to the even greater instability on the money market) is exceptional in nature.

<sup>3</sup> Based on repricing the previous day's positions using data from the following business day, in order to eliminate intraday trading items.

## 2.1 INTEREST RATE RISK - REGULATORY TRADING BOOK

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

Currency of denomination: EURO

	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	120,398	2,299,795	1,288,035	288,344	2,599,797	559,362	63,088	—
1.1 Debt securities	120,398	2,299,795	1,288,035	288,344	2,599,797	559,362	63,088	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	120,398	2,299,795	1,288,035	288,344	2,599,797	559,362	63,088	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	22,768	5,581	16,210	718,279	41,023	33,490	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	22,768	5,581	16,210	718,279	41,023	33,490	—
3. Financial derivatives	—	31,459,650	20,111,855	11,079,580	17,791,112	10,766,576	2,435,060	—
3.1 With underlying securities	—	3,657,512	85,640	69,651	2,114,976	773,066	717,529	—
– Options	—	9,425	19,550	—	—	19,550	9,425	—
+ long positions	—	—	19,550	—	—	—	9,425	—
+ short positions	—	9,425	—	—	—	19,550	—	—
– Others	—	3,648,087	66,090	69,651	2,114,976	753,516	708,104	—
+ long positions	—	2,741,986	15,483	50,109	547,448	155,651	169,535	—
+ short positions	—	906,101	50,607	19,542	1,567,528	597,865	538,569	—
3.2 Without underlying securities	—	27,802,138	20,026,215	11,009,929	15,676,136	9,993,510	1,717,531	—
– Options	—	—	—	1,026,406	800,000	100,000	—	—
+ long positions	—	—	—	513,203	400,000	50,000	—	—
+ short positions	—	—	—	513,203	400,000	50,000	—	—
– Others	—	27,802,138	20,026,215	9,983,523	14,876,136	9,893,510	1,717,531	—
+ long positions	—	14,216,648	9,493,625	5,451,115	6,971,673	5,127,887	764,031	—
+ short positions	—	13,585,490	10,532,590	4,532,408	7,904,463	4,765,623	953,500	—

*Currency of denomination: US DOLLARS*

	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	—	35,126	22,028	1,101	12,572	249,383	21,689	—
1.1 Debt securities	—	35,126	22,028	1,101	12,572	249,383	21,689	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	—	35,126	22,028	1,101	12,572	249,383	21,689	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	—	—	—	—	—	—	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivatives	—	6,898,211	1,713,820	264,465	—	641,412	6,294	—
3.1 With underlying securities	—	1,209,337	—	625	—	149,785	6,294	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	1,209,337	—	625	—	149,785	6,294	—
+ long positions	—	533,247	—	—	—	146,627	3,146	—
+ short positions	—	676,090	—	625	—	3,158	3,148	—
3.2 Without underlying securities	—	5,688,874	1,713,820	263,840	—	491,627	—	—
– Options	—	1,834,875	—	—	—	—	—	—
+ long positions	—	917,437	—	—	—	—	—	—
+ short positions	—	917,438	—	—	—	—	—	—
– Others	—	3,853,999	1,713,820	263,840	—	491,627	—	—
+ long positions	—	1,982,506	854,910	131,920	—	253,743	—	—
+ short positions	—	1,871,493	858,910	131,920	—	237,884	—	—



*Currency of denomination: OTHERS*

	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	—	2,475	589	—	108,504	1,070	—	—
1.1 Debt securities	—	2,475	589	—	108,504	1,070	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	—	2,475	589	—	108,504	1,070	—	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	—	—	—	—	—	—	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivatives	—	1,315,726	—	70,995	178,384	—	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	1,315,726	—	70,995	178,384	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	1,315,726	—	70,995	178,384	—	—	—
+ long positions	—	648,446	—	43,747	153,471	—	—	—
+ short positions	—	667,280	—	27,248	24,913	—	—	—

## 2.2 INTEREST RATE RISK - BANKING BOOK

### QUALITATIVE INFORMATION

As stated previously, interest rate risk management for the banking book as well as the trading book is focused on the Bank's finance division. The high proportion of debt securities out of total funding means that in order for liquidity to be managed effectively, a sizeable securities trading book is required, which generates a mismatch between the assets and liabilities on the banking book.

This explains why a 100 basis point increase in interest rates would generate a €44.3m reduction in estimated net interest income from the banking book in the next twelve months. However, if the trading securities are included the situation changes drastically, with a gain of €14.8m recorded. This latter measurement appears to be the more accurate in operating terms, as the corresponding balance-sheet item is impacted by the entire aggregate of assets, including trading securities. The substantial linearity of Mediobanca S.p.A.'s exposure to interest rates is borne out by the effects of the opposite scenario, where a 100 basis point reduction in interest rates leads to a gain of €44.8m in the first instance, against a €14.4m loss if all assets are included.

Estimates of net interest income's sensitivity to interest rates are completed by analysis of the impact which a 100 basis point shock would have on the discounted value of future cash flows from the banking book (in this case VaR measures the risk for the trading book). Despite the reduced amount of the aggregate assets, their longer duration generates a loss of over €55m in the event of a 100 basis point rise in interest rates, compared with a gain of nearly €72m in the opposite scenario.

## **Hedging**

### *Fair value hedges*

Fair value hedges are used to neutralize exposure to interest rate or price 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*

This type of hedge is intended 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, and identifies a maximum potential exposure to the Bank's counterparties based on a given confidence level and over a specific time horizon.

## QUANTITY INFORMATION

### 1. Banking book by outstanding maturity (repricing date) of cash assets and liabilities EURO

	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	4,073,386	20,048,359	3,537,163	761,632	561,071	436,411	242,306	135,824
1.1 Debt securities	—	608,930	110,321	124,488	375,770	405,366	228,878	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	608,930	110,321	124,488	375,770	405,366	228,878	—
1.2 Loans to banks	2,553,776	5,383,456	355,727	157,853	82,359	31,045	13,428	46,806
1.3 Loans to customers	1,519,610	14,055,973	3,071,115	479,291	102,942	—	—	89,018
– current accounts	263,210	—	—	—	—	—	—	—
– others	1,256,400	14,055,973	3,071,115	479,291	102,942	—	—	89,018
2. Cash liabilities	3,362,636	9,416,785	2,825,039	9,783,866	6,502,082	4,420,008	159,079	87,212
2.1 Due to customers	848,684	387,105	3,178	3,332	696	—	—	30,460
– current accounts	352,200	—	—	—	—	—	—	—
– others	496,484	387,105	3,178	3,332	696	—	—	30,460
2.2 Due to banks	1,920,644	1,396,354	504,330	753,183	51,646	35,738	44,135	56,577
– current accounts	1,832,444	—	—	—	—	—	—	—
– other amounts due	88,200	1,396,354	504,330	753,183	51,646	35,738	44,135	56,577
2.3 Debt securities	593,308	7,633,326	2,317,531	9,027,351	6,449,740	4,384,270	114,944	175
– with early repayment option	—	—	—	—	—	—	—	—
– others	593,308	7,633,326	2,317,531	9,027,351	6,449,740	4,384,270	114,944	175
2.4 Other liabilities	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products	—	19,729,392	9,795,827	10,440,364	6,220,442	3,689,653	332,437	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Other derivatives	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	19,729,392	9,795,827	10,440,364	6,220,442	3,689,653	332,437	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Other derivatives	—	19,729,392	9,795,827	10,440,364	6,220,442	3,689,653	332,437	—
+ long positions	—	3,228,376	2,498,543	9,771,941	6,100,259	3,294,853	210,085	—
+ short positions	—	16,501,016	7,297,284	668,423	120,183	394,800	122,352	—

*Currency of denomination: US DOLLARS*

	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	177,966	503,178	83,982	9,825	4,873	—	—	1,600
1.1 Debt securities	—	1,113	—	—	3,304	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	1,113	—	—	3,304	—	—	—
1.2 Loans to banks	163,524	347,838	45,572	8,335	124	—	—	—
1.3 Loans to customers	14,442	154,227	38,410	1,490	1,445	—	—	1,600
– current accounts	—	—	—	—	—	—	—	—
– others	14,442	154,227	38,410	1,490	1,445	—	—	1,600
2. Cash liabilities	1,842	544,710	—	—	9,166	22,283	—	72
2.1 Due to customers	—	—	—	—	—	—	—	40
– current accounts	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	40
2.2 Due to banks	1,839	536,357	—	—	—	—	—	32
– current accounts	1,839	—	—	—	—	—	—	—
– other amounts due	—	536,357	—	—	—	—	—	32
2.3 Debt securities	3	8,353	—	—	9,166	22,283	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	3	8,353	—	—	9,166	22,283	—	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products	—	47,245	—	95,240	254,902	22,067	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Other derivatives	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	47,245	—	95,240	254,902	22,067	—	—
– Options	—	—	—	95,240	245,736	—	—	—
+ long positions	—	—	—	47,620	122,868	—	—	—
+ short positions	—	—	—	47,620	122,868	—	—	—
– Other derivatives	—	47,245	—	—	9,166	22,067	—	—
+ long positions	—	8,006	—	—	9,166	22,067	—	—
+ short positions	—	39,239	—	—	—	—	—	—

*Currency of denomination: OTHERS*

	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	22,394	305,485	10,826	—	—	—	—	—
1.1 Debt securities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
1.2 Loans to banks	12,132	242,457	10,826	—	—	—	—	—
1.3 Loans to customers	10,262	63,028	—	—	—	—	—	—
– current accounts	—	—	—	—	—	—	—	—
– others	10,262	63,028	—	—	—	—	—	—
2. Cash liabilities	2,972	409,264	277,241	—	11,423	—	—	—
2.1 Due to customers	229	—	—	—	—	—	—	—
– current accounts	229	—	—	—	—	—	—	—
– other amounts due	—	—	—	—	—	—	—	—
2.2 Due to banks	2,743	90,072	—	—	—	—	—	—
– current accounts	2,743	—	—	—	—	—	—	—
– other amounts due	—	90,072	—	—	—	—	—	—
2.3 Debt securities	—	319,192	277,241	—	11,423	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	319,192	277,241	—	11,423	—	—	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products	—	282,801	—	18,934	168,557	252,446	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Other derivatives	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	282,801	—	18,934	168,557	252,446	—	—
– Options	—	—	—	—	157,134	—	—	—
+ long positions	—	—	—	—	78,567	—	—	—
+ short positions	—	—	—	—	78,567	—	—	—
– Other derivatives	—	282,801	—	18,934	11,423	252,446	—	—
+ long positions	—	9,466	—	9,467	11,423	252,446	—	—
+ short positions	—	273,335	—	9,467	—	—	—	—

## 2.3 PRICE RISK - REGULATORY TRADING BOOK

For qualitative information, see section 2.1 INTEREST RATE RISK - TRADING BOOK

### 1. Regulatory trading book: cash exposure in equities/OICR units

	Book value	
	Listed	Unlisted
A. Equities		
A.1 Shares	587,119 <sup>1</sup>	656
A.2 Innovative equity instruments	—	—
A.3 Other equity instruments	—	—
B. OICR units		
B.1 Italian		
- harmonized, open	—	—
- non-harmonized, open	—	—
- closed	—	—
- reserved	—	—
- speculative	—	42,015
B.2 Other EU states		
- harmonized	—	—
- non-harmonized, open	—	—
- non-harmonized, closed	—	—
B.3 Non-EU states		
- open	—	—
- closed	—	—
Total	587,119	42,671

<sup>1</sup> Of which more than 80% Italian.

## 2.4 PRICE RISK - BANKING BOOK

For qualitative information, see section 2.2 INTEREST RATE RISK - BANKING BOOK

### QUANTITATIVE INFORMATION

#### 2. *Regulatory banking book: cash exposure in equities/OICR units*

	Book value	
	Listed	Unlisted
A. Equities		
A.1 Shares	1,083,059 <sup>1</sup>	476,357
A.2 Innovative equity instruments	—	—
A.3 Other equity instruments	—	—
B. OICR units		
B.1 Italian		
- harmonized, open	—	—
- non-harmonized, open	—	—
- closed	—	6,572
- reserved	—	—
- speculative	—	—
B.2 Other EU states		
- harmonized <sup>(2)</sup>	—	—
- non-harmonized, open	—	—
- non-harmonized, closed	—	—
B.3 Non-EU states		
- open	—	—
- closed	—	—
Total	1,083,059	482,929

<sup>1</sup> Of which more than 3/4 Italian.



## 2.5 EXCHANGE RATE RISK

As is the case with interest rates, movements in exchange rates are managed in integrated fashion through the finance division. The VaR measurements shown on page 332 thus reflect the extent of the aggregate exposures entered into for both the banking and trading books on the foreign exchange market.

As mentioned above, although the overall risk here is relatively limited (the average VaR reading is some €2.2m), the growth in this item is accounted for by more active management of hedges, which has led to directional positions being taken on the major foreign currencies.

## QUANTITATIVE INFORMATION

### 1. Assets, liabilities and derivatives by currency

	Currency				
	US dollars	Pounds sterling	Japanese yen	Swiss francs	Other
A. Financial assets					
A.1 Debt securities	253,496	125,338	2,582	780	4,001
A.2 Equities	14,052	—	—	25,205	17,566
A.3 Loans and advances to banks	509,352	229,484	509	21,241	8,451
A.4 Loans and advances to customers	249,066	66,884	1,351	—	—
A.5 Other financial assets	—	—	—	—	—
B. Financial liabilities					
B.1 Due to banks	(119,107)	(2,576)	(90,084)	(95)	(61)
B.2 Due to customers	(273,912)	(202)	—	(27)	—
B.3 Debt securities	(35,600)	(563,759)	—	—	(18,834)
B.4 Other financial liabilities	—	—	—	—	—
C. Financial derivatives					
– Options	—	—	—	—	—
+ long positions	—	—	—	—	—
+ short positions	—	—	—	—	—
– Others	(227,694)	165,600	129,176	3,736	(13,545)
+ long positions	1,386,994	328,242	129,176	14,117	18,834
+ short positions	(1,614,688)	(162,642)	—	(10,381)	(32,379)
Total assets	2,412,960	749,948	133,618	61,343	48,852
Total liabilities	(2,043,307)	(729,179)	(90,084)	(10,503)	(51,274)
Difference (+/-)	369,653	20,769	43,534	50,840	(2,422)

## 2.6 FINANCIAL DERIVATIVE PRODUCTS

### A. FINANCIAL DERIVATIVES

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

	Debt securities/interest rates		Equities/share indexes		Exchange rates/gold		Other assets		30/6/08		30/6/07	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	6	2,550,000	—	—	—	—	—	—	—	2,550,000	—	139,667
2. Interest rate swaps	—	29,720,594	—	—	—	—	—	975,484	—	30,696,078	—	18,448,855
3. Domestic currency swaps	—	—	—	—	—	2,789,944	—	—	—	2,789,944	—	3,598,778
4. Currency interest rate swap	—	—	—	—	—	619,851	—	—	—	619,851	—	578,251
5. Basis swaps	—	2,467,249	—	—	—	—	—	—	—	2,467,249	—	2,874,963
6. Share index swaps	—	—	—	156,887	—	—	—	—	—	156,887	—	675,513
7. Inflation rate swaps	—	—	—	—	—	—	—	—	—	—	—	—
8. Futures	9,682,923	—	145,705	—	—	—	—	—	9,828,628	—	17,003,618	—
9. Cap options	—	—	—	—	—	—	—	—	—	—	—	—
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- written	—	—	—	—	—	—	—	—	—	—	—	—
10. Floor options	—	—	—	—	—	—	—	—	—	—	—	—
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- written	—	—	—	—	—	—	—	—	—	—	—	—
11. Other options	917,438	28,975	25,619	8,420,097	—	—	—	—	943,057	8,449,072	4,234,415	7,393,648
- bought	306,077	19,175	23,819	4,311,185	—	—	—	—	329,896	4,330,360	2,129,527	3,518,378
- plain vanilla	306,077	19,175	23,819	4,211,185	—	—	—	—	329,896	4,230,360	2,129,527	3,418,378
- exotic	—	—	—	100,000	—	—	—	—	—	100,000	—	100,000
- written	611,361	9,800	1,800	4,108,912	—	—	—	—	613,161	4,118,712	2,104,888	3,875,270
- plain vanilla	611,361	9,800	1,800	4,008,912	—	—	—	—	613,161	4,018,712	2,104,888	3,775,270
- exotic	—	—	—	100,000	—	—	—	—	—	100,000	—	100,000
12. Repo agreements	1,092,048	1,291,667	13,116	111,180	—	242,678	—	—	1,105,164	1,645,525	1,525,292	9,051,880
- bought	649,065	380,455	9,910	—	—	33,177	—	—	658,975	413,632	923,811	6,638,015
- sold	442,983	911,212	3,206	111,180	—	206,972	—	—	446,189	1,229,364	601,481	2,207,820
- currency bought/sold for currency	—	—	—	—	—	2,529	—	—	—	2,529	—	206,045
13. Other derivative products	—	963,203	—	—	—	—	—	—	—	963,203	—	63,203
<b>Total</b>	<b>11,692,409</b>	<b>37,021,688</b>	<b>184,440</b>	<b>8,688,164</b>	<b>—</b>	<b>3,652,473</b>	<b>—</b>	<b>975,484</b>	<b>11,876,849</b>	<b>50,337,809</b>	<b>22,763,325</b>	<b>42,824,758</b>
<b>Average values</b>	<b>21,208,006</b>	<b>30,689,661</b>	<b>385,125</b>	<b>7,788,430</b>	<b>—</b>	<b>5,381,438</b>	<b>—</b>	<b>855,611</b>	<b>21,593,131</b>	<b>44,715,140</b>	<b>18,577,085</b>	<b>36,174,487</b>

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

### A.2.1 Hedge derivatives

	Debt securities/interest rates		Equities/share indexes		Exchange rates/gold		Other assets		30/6/08		30/6/07	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	—	—	—	—	—	—	—	—	—	—	—	—
2. Interest rate swaps	—	20,794,825	—	—	—	—	—	—	—	20,794,825	—	16,045,620
3. Domestic currency swaps	—	—	—	—	—	—	—	—	—	—	—	—
4. Currency interest rate swap	—	—	—	—	—	66,772	—	—	—	66,772	—	52,983
5. Basis swaps	—	4,564,501	—	—	—	—	—	—	—	4,564,501	—	547,083
6. Share index swaps	—	—	—	—	—	—	—	—	—	—	—	3,000
7. Inflation rate swaps	—	—	—	—	—	—	—	—	—	—	—	—
8. Futures	—	—	—	—	—	—	—	—	—	—	—	—
9. Cap options	—	—	—	—	—	—	—	—	—	—	—	—
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- written	—	—	—	—	—	—	—	—	—	—	—	—
10. Floor options	—	—	—	—	—	—	—	—	—	—	—	—
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- written	—	—	—	—	—	—	—	—	—	—	—	—
11. Other options	—	—	—	391,167	—	—	—	—	—	391,167	—	395,500
- bought	—	—	—	131,922	—	—	—	—	—	131,922	—	133,000
- plain vanilla	—	—	—	131,922	—	—	—	—	—	131,922	—	133,000
- exotic	—	—	—	—	—	—	—	—	—	—	—	—
- written	—	—	—	259,245	—	—	—	—	—	259,245	—	262,500
- plain vanilla	—	—	—	259,245	—	—	—	—	—	259,245	—	262,500
- exotic	—	—	—	—	—	—	—	—	—	—	—	—
12. Repo agreements	—	—	—	312,500	—	—	—	—	—	312,500	—	293,147
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- sold	—	—	—	312,500	—	—	—	—	—	312,500	—	293,147
- currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
13. Other derivative products	—	—	—	—	—	—	—	—	—	—	—	—
Total	—	25,359,326	—	703,667	—	66,772	—	—	—	26,129,765	—	17,337,333
Average values	—	20,860,724	—	703,562	—	56,993	—	—	—	21,621,279	—	16,604,104

A.2.2 Other derivatives

	Debt securities/interest rates		Equities/share indexes		Exchange rates/gold		Other assets		30/6/08		30/6/07	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	—	—	—	—	—	—	—	—	—	—	—	—
2. Interest rate swaps	—	—	—	—	—	—	—	—	—	—	—	—
3. Domestic currency swaps	—	—	—	—	—	—	—	—	—	—	—	—
4. Currency interest rate swap	—	—	—	—	—	—	—	—	—	—	—	—
5. Basis swaps	—	—	—	—	—	—	—	—	—	—	—	—
6. Share index swaps	—	—	—	—	—	—	—	—	—	—	—	—
7. Inflation rate swaps	—	—	—	—	—	—	—	—	—	—	—	—
8. Futures	—	—	—	—	—	—	—	—	—	—	—	—
9. Cap options	—	—	—	—	—	—	—	—	—	—	—	—
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- written	—	—	—	—	—	—	—	—	—	—	—	—
10. Floor options	—	—	—	—	—	—	—	—	—	—	—	—
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- written	—	—	—	—	—	—	—	—	—	—	—	—
11. Other options	—	—	—	22,096,708	—	249,055	—	—	—	22,345,763	—	16,581,493
- bought	—	—	—	10,795,742	—	122,311	—	—	—	10,918,053	—	8,182,685
- plain vanilla	—	—	—	805,627	—	—	—	—	—	805,627	—	1,970,834
- exotic	—	—	—	9,990,115	—	122,311	—	—	—	10,112,426	—	6,211,851
- written	—	—	—	11,300,966	—	126,744	—	—	—	11,427,710	—	8,398,808
- plain vanilla	—	—	—	914,598	—	—	—	—	—	914,598	—	2,028,722
- exotic	—	—	—	10,386,368	—	126,744	—	—	—	10,513,112	—	6,370,086
12. Repo agreements	—	—	—	—	—	—	—	—	—	—	—	526,850
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- sold	—	—	—	—	—	—	—	—	—	—	—	526,850
- currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
13. Other derivative products	—	—	—	—	—	—	—	—	—	—	—	—
Total	—	—	—	22,096,708	—	249,055	—	—	—	22,345,763	—	17,108,343
Average values	—	—	—	18,281,738	—	241,002	—	—	—	18,522,740	—	15,968,504



A.4 OTC financial derivatives: positive fair value – counterparty risk

	Debt securities/interest rates			Equities/share indexes			Exchange rates/gold			Other assets			Other underlying assets	
	Gross, not netted	Gross, netted	Future exposure	Gross, not netted	Gross, netted	Future exposure	Gross, not netted	Gross, netted	Future exposure	Gross, not netted	Gross, netted	Future exposure	Netted <sup>1</sup>	Future exposure
A. Regulatory trading book														
A.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.3 Banks	127,580	330,706	23,161	334,681	919,859	117,414	16,093	8,841	9,174	—	—	—	35,147	105,506
A.4 Financial companies	28,661	39,034	9,218	30,266	153,223	45,221	1,952	19,781	8,881	—	—	—	20,138	6,557
A.5 Insurances	162	—	116	63	—	7,797	—	—	—	—	—	—	—	—
A.6 Non-financial undertakings	5,186	—	3,418	124,377	—	36,135	57,391	—	3,513	—	—	—	—	—
A.7 Other counterparties	182	—	—	1,286	—	239	—	—	—	—	—	—	—	—
Total 30/6/08	161,771	369,740	35,913	490,673	1,073,082	206,806	75,436	28,622	21,568	—	—	—	55,285	112,063
Total 30/6/07	105,190	302,578	23,553	49,960	527,109	48,611	31,598	19,468	44,300	—	—	—	169,436	514,346
B. Banking book														
B.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.3 Banks	22,613	590,886	2,161	93,161	—	13,672	—	—	—	—	—	—	101,199	230,386
B.4 Financial companies	6,079	1,558	1,200	—	57,392	—	—	—	—	—	—	—	6,559	7,356
B.5 Insurances	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.6 Non-financial undertakings	—	—	—	20,816	—	5,083	—	—	—	—	—	—	—	—
B.7 Other counterparties	—	—	—	—	—	2	—	—	—	—	—	—	—	—
Total 30/6/08	28,692	592,444	3,361	113,977	57,392	18,757	—	—	—	—	—	—	107,758	237,742
Total 30/6/07	4,872	595,777	1,650	934	1,324,221	8	—	23	—	—	—	—	48,701	112,687

<sup>1</sup> Includes offset agreement with main counterparties.

### A.5 OTC financial derivatives: negative fair value – financial risk

	Debt securities/interest rates			Equities/share indexes			Exchange rates/gold			Other assets			Other underlying assets	
	Gross, not netted	Gross, netted	Future exposure	Gross, not netted	Gross, netted	Future exposure	Gross, not netted	Gross, netted	Future exposure	Gross, not netted	Gross, netted	Future exposure	Netted <sup>1</sup>	Future exposure
A. Regulatory trading book														
A.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.3 Banks	(84,323)	(159,628)	22,322	(24,775)	(316,487)	28,910	(25,810)	(45,398)	12,540	—	—	—	(100,055)	264,874
A.4 Financial companies	(29,805)	(9,930)	8,286	(34,617)	(32,978)	32,819	—	—	—	—	—	—	(3,619)	60,521
A.5 Insurances	(18,166)	—	6,350	(37,549)	—	8,231	—	—	—	—	—	—	—	—
A.6 Non-financial undertakings	(111,123)	—	27,646	(1,988)	—	10,186	(1)	—	6	—	—	—	—	—
A.7 Other counterparties	—	—	—	(1)	—	5	—	—	—	—	—	—	—	—
Total 30/6/08	(243,417)	(169,558)	64,604	(98,930)	(349,465)	80,151	(25,811)	(45,398)	12,546	—	—	—	(103,674)	325,395
Total 30/6/07	(114,744)	(174,676)	37,083	(51,066)	(509,652)	33,927	(17,465)	(882)	33,731	—	—	—	(60,604)	—
B. Banking book														
B.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.3 Banks	(607,216)	(1,447,704)	45,696	—	—	—	(4,737)	(12,883)	571	—	—	—	(85,247)	45,456
B.4 Financial companies	(78,372)	(249,293)	5,538	—	—	—	(6,221)	—	888	—	—	—	(57,729)	15,714
B.5 Insurances	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.6 Non-financial undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.7 Other counterparties	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total 30/6/08	(685,588)	(1,696,997)	51,234	—	—	—	(10,958)	(12,883)	1,459	—	—	—	(142,976)	61,170
Total 30/6/07	(40,271)	(1,531,139)	8,406	—	(27,464)	—	—	(16,090)	—	—	—	—	(365,016)	119,997

<sup>1</sup> Includes offset agreement with main counterparties.

*A.6 OTC financial derivatives by maturity: notional values*

	Up to 1 year	From 1 to 5 years	Over 5 years	Total
<b>A. Regulatory trading book</b>				
A.1 Financial derivatives on debt securities and interest rates	9,787,516	15,143,787	12,090,386	37,021,689
A.2 Financial derivatives on equities and share indexes	2,614,074	5,659,089	415,000	8,688,163
A.3 Financial derivatives on foreign currency and gold	3,191,211	315,557	145,705	3,652,473
A.4 Financial derivatives on other assets	697,518	81,966	196,000	975,484
<b>B. Banking book:</b>				
B.1 Financial derivatives on debt securities and interest rates	1,720,139	10,327,565	13,311,623	25,359,327
B.2 Financial derivatives on equities and share indexes	1,868,802	9,329,378	11,602,195	22,800,375
B.3 Financial derivatives on foreign currency and gold	55,626	238,135	22,067	315,828
B.4 Financial derivatives on other assets	—	—	—	—
<b>Total 30/6/08</b>	<b>19,934,886</b>	<b>41,095,477</b>	<b>37,782,976</b>	<b>98,813,339</b>
<b>Total 30/6/07</b>	<b>22,843,959</b>	<b>30,442,158</b>	<b>23,984,317</b>	<b>77,270,434</b>



## B. CREDIT DERIVATIVES

### B.1 Credit derivatives: average and reporting-date notional values

	Regulatory trading book		Other transactions	
	Individual assets	Baskets	Individual assets	Baskets
1. Hedge buys				
1.1 With exchange of principal	1,952,230	5,814,030	—	—
– credit default	1,952,230	5,814,030	—	—
– credit linked notes	—	—	—	—
– credit spread option	—	—	—	—
– total rate of return swap	—	—	—	—
1.2 Without exchange of principal	—	—	—	—
– credit default	—	—	—	—
– credit linked notes	—	—	—	—
– credit spread option	—	—	—	—
– total rate of return swap	—	—	—	—
Total 30/6/08	1,952,230	5,814,030	—	—
Total 30/6/07	2,583,454	1,572,749	140,000	—
Average values	2,576,990	3,593,624	35,000	—
2. Hedge sales				
2.1 With exchange of principal	982,405	6,275,000	—	—
– credit default	982,405	6,275,000	—	—
– credit linked notes	—	—	—	—
– credit spread option	—	—	—	—
– total rate of return swap	—	—	—	—
2.2 Without exchange of principal	15,000	—	—	—
– credit default	15,000	—	—	—
– credit linked notes	—	—	—	—
– credit spread option	—	—	—	—
– total rate of return swap	—	—	—	—
Total 30/6/08	997,405	6,275,000	—	—
Total 30/6/07	1,551,056	815,337	—	—
Average values	1,435,619	3,438,280	—	—

*B.2 Credit derivatives: positive fair value - counterparty risk*

	Notional value	Positive fair value	Future exposure
A. REGULATORY TRADING BOOK	12,662,432	239,367	90,800
A.1 Hedge buys with counterparties			
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	4,567,450	146,059	40,294
4. Financial companies	1,032,577	27,626	12,644
5. Insurances	—	—	—
6. Non-financial undertakings	—	—	—
7. Other counterparties	—	—	—
A.2 Hedge sales with counterparties			
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	5,367,405	40,181	29,237
4. Financial companies	1,580,000	25,212	8,400
5. Insurances	115,000	289	225
6. Non-financial undertakings	—	—	—
7. Other counterparties	—	—	—
B. Banking book	—	—	—
B.1 Hedge buys with counterparties			
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	—	—	—
4. Financial companies	—	—	—
5. Insurances	—	—	—
6. Non-financial undertakings	—	—	—
7. Other counterparties	—	—	—
B.2 Hedge sales with counterparties			
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	—	—	—
4. Financial companies	—	—	—
5. Insurances	—	—	—
6. Non-financial undertakings	—	—	—
7. Other counterparties	—	—	—
Total 30/6/08	12,662,432	239,367	90,800
Total 30/6/07	6,552,597	26,175	83,498

*B.3 Credit derivatives: negative fair value – financial risk*

	Notional value	Negative fair value
A. Regulatory trading book		
1. Hedge buys with counterparties:		
1.1 Governments and central banks	—	—
1.2 Other public agencies	—	—
1.3 Banks	1,488,546	(43,048)
1.4 Financial companies	552,687	(15,212)
1.5 Insurances	15,000	(14,310)
1.6 Non-financial undertakings	—	—
1.7 Other counterparties	—	—
Total 30/6/08	2,056,233	(72,570)
Total 30/6/07	4,046,203	(38,286)

*B.4 Credit derivatives: outstanding life – notional values*

	Up to 1 year	From 1 year to 5 years	Over 5 years	Total
A. Regulatory trading book	714,702	13,176,925	1,147,039	15,038,666
A.1 Credit derivatives with “qualified” reference obligation	674,702	12,912,035	1,110,938	14,697,675
A.2 Credit derivatives with “unqualified” reference obligation	40,000	264,890	36,101	340,991
B. Banking book	—	—	—	—
B.1 Credit derivatives with “qualified” reference obligation	—	—	—	—
B.2 Credit derivatives with “unqualified” reference obligation	—	—	—	—
Total 30/6/08	714,702	13,176,925	1,147,039	15,038,666
Total 30/6/07	426,832	4,432,129	1,803,635	6,662,596

## **Section 3**

### **Liquidity risk**

#### **QUALITATIVE INFORMATION**

Liquidity risk is measured through indicators based on definite cash inflows and outflows to take place in the months to come, and also on the basis of data which includes estimates of:

- new loans/repayments/renewals for the lending division;
- new issues/early redemptions for funding;
- any significant extraordinary items (e.g. purchase/sale of equity investments, payment of dividends, etc.).

These are used to generate a time profile for future cash requirements, which is produced daily for measurements based on definite cash flows (i.e. not including possible renewals/early redemptions), and is supplemented weekly with readings incorporating the estimate component. This analysis is then used as the basis for comparison with the amount of cash actually available (defined narrowly as the aggregate of securities that may be allocated for refinancing transactions with the monetary authorities), in order to show up any potential problems that could materialize in the months to come.

In addition, a steering committee analyses the Bank's asset structure and portfolio sensitivity, plus any mismatches between the maturities implied in future volume trends, on a fortnightly basis, to help management in taking strategic decisions for the Bank's operations by providing indications of trends in profitability.

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

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
Cash assets	4,101,266	305,912	1,014,167	1,256,139	271,060	1,777,303	2,414,989	16,893,732	8,844,580
A.1 Government securities	27,880	17,987	—	—	35,300	194,593	117,537	3,381,858	725,027
A.2 Listed debt securities	—	3,343	36,118	9,782	11,657	137,261	402,216	1,340,642	1,699,166
A.3 Other debt securities	—	—	—	5,105	18,529	1,621	16,526	285,660	604,764
A.4 OICR units	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	4,073,386	284,582	978,049	1,241,252	205,574	1,443,828	1,878,710	11,885,572	5,815,623
– to banks	2,553,776	82,718	621,048	132,339	34,285	652,310	410,795	2,350,036	1,740,337
– to customers	1,519,610	201,864	357,001	1,108,913	171,289	791,518	1,467,915	9,535,536	4,075,286
Cash liabilities	2,778,053	19,062	337,057	790,379	443,011	1,113,279	2,163,654	15,245,504	14,416,846
B.1 Deposits	2,767,992	8,427	320,236	157,477	317,492	140,023	798,775	754,922	683,681
– to banks	1,920,643	241	125,624	7,848	282,813	136,714	795,309	753,157	683,681
– to customers	847,349	8,186	194,612	149,629	34,679	3,309	3,466	1,765	—
B.2 Debt securities	10,061	6,166	12,944	632,851	124,882	971,437	1,360,210	13,771,533	13,630,385
B.3 Other liabilities	—	4,469	3,877	51	637	1,819	4,669	719,049	102,780
Off-balance-sheet transactions	—	1,531,931	791,113	225,533	1,665,009	910,352	390,752	13,733,595	836,619
C.1 Financial derivatives with exchange of principal	—	1,375,054	791,113	225,533	1,665,009	605,352	219,261	313,827	—
– long positions	—	703,936	13,394	111,436	185,149	92,746	68,009	144,320	—
– short positions	—	671,118	777,719	114,097	1,479,860	512,606	151,252	169,507	—
C.2 Deposits and loans for collection	—	46,429	—	—	—	60,000	2,991	20,984	82,455
– long positions	—	—	—	—	—	—	2,991	20,984	82,455
– short positions	—	46,429	—	—	—	60,000	—	—	—
C.3 Irrevocable commitments to disburse funds	—	110,448	—	—	—	245,000	168,500	13,398,784	754,164
– long positions	—	110,448	—	—	—	5,000	130,000	6,651,000	442,000
– short positions	—	—	—	—	—	240,000	38,500	6,747,784	312,164

Currency of denomination: US DOLLAR

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
Cash assets	177,966	129	18,268	51,306	46,275	24,922	37,677	457,962	307,217
A.1 Government securities	—	11	1,215	—	—	335	—	13,579	146,076
A.2 Listed debt securities	—	—	96	9,820	18,268	272	4,983	3,304	53,824
A.3 Other debt securities	—	—	693	—	146	171	1,101	—	92,422
A.4 OICR units	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	177,966	118	16,264	41,486	27,861	24,144	31,593	441,079	14,895
– to banks	163,524	19	8,365	26,111	3,673	22,787	22,763	306,092	12,058
– to customers	14,442	99	7,899	15,375	24,188	1,357	8,830	134,987	2,837
Cash liabilities	1,842	128,586	45,043	109,143	230,221	—	—	40,884	22,283
B.1 Deposits	1,839	128,586	45,043	101,137	229,873	—	—	31,718	—
– to banks	1,839	128,586	45,043	101,137	229,873	—	—	31,718	—
– to customers	—	—	—	—	—	—	—	—	—
B.2 Debt securities	3	—	—	8,006	348	—	—	9,166	22,283
B.3 Other liabilities	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	—	598,357	92,852	207,986	1,789,193	1,013,500	144,607	57,093	174,312
C.1 Financial derivatives									
with exchange of principal	—	317,338	92,852	207,986	1,789,193	1,013,500	131,920	6,344	148,938
– long positions	—	246,862	50,813	11,336	599,086	734,383	—	6,344	22,067
– short positions	—	70,476	42,039	196,650	1,190,107	279,117	131,920	—	126,871
C.2 Deposits and loans									
for collection	—	27,277	—	—	—	—	—	—	—
– long positions	—	13,638	—	—	—	—	—	—	—
– short positions	—	13,639	—	—	—	—	—	—	—
C.3 Irrevocable commitments									
to disburse funds	—	253,742	—	—	—	—	12,687	50,749	25,374
– long positions	—	126,871	—	—	—	—	12,687	6,344	25,374
– short positions	—	126,871	—	—	—	—	—	44,405	—

*Currency of denomination: OTHER*

	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
Cash assets	22,301	9,936	5,882	1,741	8,349	3,454	2,418	369,613	27,649
A.1 Government securities	—	—	—	—	—	—	—	—	—
A.2 Listed debt securities	—	—	—	4	—	2,445	—	—	1,070
A.3 Other debt securities	—	—	—	—	68	547	—	108,504	—
A.4 OICR units	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	22,301	9,936	5,882	1,737	8,281	462	2,418	261,109	26,579
– to banks	12,039	9,747	5,882	379	8,274	448	2,404	199,923	26,320
– to customers	10,262	189	—	1,358	7	14	14	61,186	259
Cash liabilities	2,972	—	—	93,707	—	9,609	—	326,980	267,632
B.1 Deposits	2,972	—	—	90,072	—	—	—	—	—
– to banks	2,743	—	—	90,072	—	—	—	—	—
– to customers	229	—	—	—	—	—	—	—	—
B.2 Debt securities	—	—	—	3,635	—	9,609	—	326,980	267,632
B.3 Other liabilities	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	—	119,878	119,575	158,721	418	—	—	345,914	18,834
C.1 Financial derivatives									
with exchange of principal	—	71,296	103,381	158,721	418	—	—	345,914	18,834
– long positions	—	14,629	—	129,589	209	—	—	336,447	18,834
– short positions	—	56,667	103,381	29,132	209	—	—	9,467	—
C.2 Deposits and loans									
for collection	—	24,291	8,097	—	—	—	—	—	—
– long positions	—	8,097	8,097	—	—	—	—	—	—
– short positions	—	16,194	—	—	—	—	—	—	—
C.3 Irrevocable commitments									
to disburse funds	—	24,291	8,097	—	—	—	—	—	—
– long positions	—	16,194	—	—	—	—	—	—	—
– short positions	—	8,097	8,097	—	—	—	—	—	—

## 2. Financial liabilities by sector

	Governments and central banks	Financial companies	Insurances	Non-financial undertakings	Others
1. Due to customers	—	1,789,254	1,553	343,917	13,710
2. Debt securities in issue	—	—	—	—	28,790,121
3. Trading liabilities	734,434	314,972	84,811	200,026	1,755,373
4. Financial liabilities at fair value	—	—	—	—	—
Total 30/6/08	734,434	2,104,226	86,364	543,943	30,559,204
Total 30/6/07	871,705	2,043,381	20,578	488,926	24,419,273

## 3. Financial liabilities by geographical region

	Italy	Rest of Europe	United States	Asia	Rest of world
1. Due to banks	1,106,445	1,020,205	21,784	—	—
2. Due to customers	1,982,074	5,634,922	3,480	—	—
3. Debt securities in issue	28,790,296	—	—	—	—
4. Trading liabilities	1,524,276	1,535,362	29,978	—	—
5. Financial liabilities at fair value	—	—	—	—	—
Total 30/6/08	33,403,091	8,190,489	55,242	—	—
Total 30/6/07	29,330,777	9,436,056	39,126	11,456	—



## 1.4 OPERATING RISK

### QUALITATIVE INFORMATION

#### ***Definition***

Operating risk is the risk of incurring losses as a result of external events or the inadequacy or malfunctioning of procedures, staff and internal systems. Operating risk includes legal risk, but does not include strategic or reputational risk.

#### ***Capital requirements for operating risk***

Mediobanca has decided to adopt the Basic Indicator Approach (“BIA”) in order to calculate the capital requirement for covering operating risk, applying a margin of 15% to the average of the last three annual readings of total income. Based on this method of calculation the capital requirement as at 30 June 2008 would be €101.5m.

#### ***Risk mitigation***

In the review of its internal procedures as part of the “Head of Company Financial Reporting” project, the Bank has sought to identify the majority of the sources of possible risk and the relevant measures to be taken to control and mitigate them, by formulating company procedures in order to deal with them, and focusing mitigation activity on the most serious aspects.

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

Control of internal access (individual system users) and external access (IT attacks) is carried out via the relevant computer and observation tools.

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

As for the possibility of risk deriving from outsourcing activities, the Group has implemented a continuous monitoring and regular review system to assess the care taken in performing these activities by the various service providers.

#### ***Litigation risk: risks deriving from litigation pending***

The only claim pending worthy of mention is that which has been made for the alleged failure to launch a full takeover bid for La Fondiaria in 2002 (see p. 225).

## PART F - CAPITAL ADEQUACY

### Section 1

#### Regulatory and supervisory capital requirements for banks

##### 1.1 Regulatory capital requirements for banks

	Amount	Possible uses	Portion available	Summary of uses over three previous years	
				To cover losses	Other
Share capital	410,028	—	—	—	—
Share premium reserve	2,140,043	A – B – C	2,140,043	—	—
Reserves:					
- Legal reserve	81,910	B	81,910	—	—
- Statutory reserve	876,087	A – B – C	876,087	—	—
- Treasury share reserve	213,410	A – B – C	213,410	—	—
- Other reserves	1,061,615	A – B – C	1,061,615	—	—
Valuation reserves:					
- AFS securities	(65,144)		—	—	—
- Cash flow hedges	115,285		—	—	—
- Special laws	7,587	A – B – C	7,587	—	—
- Treasury shares	(213,410)	A – B – C	—	—	—
Total	4,627,411	—	4,380,652	—	—
Portion unavailable	—	—	295,416	—	—
Remainder distributable	—	—	4,085,236	—	—

**Legend:**

A: due to rights issues

B: to cover losses

C: due to distribution to shareholders

For further information, see section 14 “Capital of the company – Headings 130, 150, 160, 170, 180, 190, and 200”.

## 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%. The Bank of Italy has established a prudential level of 10%, which falls to 6% if only Tier 1 capital is considered (the core Tier 1 ratio).

Since its inception one of the distinguishing features 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 and no. 155/12th update issued on 5 February 2008, 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.

#### *2.2 Regulatory capital requirements for banks*

##### **A. QUALITATIVE INFORMATION**

Tier 1 capital consists of capital paid up, reserves, and profit for the period net of treasury shares (€213.4m), intangible assets (€2.6m) and the negative reserves on AFS securities (€27.9m), plus 50% of the book value of the Bank's investments in banks and financial services companies (equal to €47.2m). Tier 2 capital includes the positive valuation reserves (€57.6m, including €50m on AFS equities), Tier 2 subordinated liabilities (€931.5m) less unrealized losses on investments (€56.7m) and the remaining share of the book value of investments in banks and financial companies.

Following update no. 2 issued on 17 March 2008, the Bank's shareholding in Assicurazioni Generali no longer has to be deducted from regulatory capital.

## B. QUANTITATIVE INFORMATION

	30/6/08	30/6/07
A. Tier 1 capital prior to application of prudential filters	4,666,662	4,749,850
B. Tier 1 prudential filters:		
B.1 IAS/IFRS positive filters	—	—
B.2 IAS/IFRS negative filters	(36,308)	—
C. Tier 1 capital gross of items to be deducted	4,630,354	4,749,850
D. Items for deduction from Tier 1 capital	(47,200)	—
E. Total Tier 1 capital	4,583,154	4,749,850
F. Tier 2 capital prior to application of prudential filters	982,465	3,066,537
G. Tier 2 prudential filters:		
G.1 IAS/IFRS positive filters	—	—
G.2 IAS/IFRS negative filters	(50,024)	(395,129)
H. Tier 2 capital gross of items to be deducted	932,441	2,671,408
I. Items for deduction from Tier 2 capital	(47,200)	—
L. Total Tier 2 capital	885,241	2,671,408
M. Items for deduction from Total Tier 1 and Tier 2 capital <sup>1</sup>	—	(268,748)
N. Regulatory capital	5,468,395	7,152,510
O. Total Tier 3 capital	—	—
P. Total regulatory capital including Tier 3	5,468,395	7,152,510

Two 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
- XS0270008864 MB EURO 900,000,000 Lower Tier II Subordinate Floating Rate Notes Due 2016.

### 2.3 Capital adequacy

#### A. QUALITATIVE INFORMATION

As at 30 June 2008, the Bank's total capital ratio, calculated as regulatory capital as a percentage of risk-weighted assets, stood at 14.86%, while the Tier 1 ratio, calculated as Tier 1 capital as a percentage of risk-weighted assets, amounted to 12.45%. These figures were lower than those recorded last year on account of the reduction in regulatory capital.

## B. QUANTITATIVE INFORMATION

	Unweighted amounts	Weighted amounts/ requirements
	30/6/08	30/6/08
<b>A. RISK ASSETS</b>		
A.1 Credit risk		
Standard methodology		
Cash assets	41,735,334	19,696,290
1. Exposures (other than equities and other subordinated assets) to (or guaranteed by):	37,122,970	15,044,912
1.1 Governments and central banks	806,916	—
1.2 Other public agencies	757,797	314,636
1.3 Banks	20,750,755	2,892,374
1.4 Other entities (other than amounts receivable under mortgages due on properties used for residential and non-residential purposes)	14,807,502	11,837,902
2. Amounts receivable under mortgages due on properties used for residential purposes	—	—
3. Amounts receivable under mortgages due on properties used for non-residential purposes	—	—
4. Equities, participating interests and subordinated assets	4,460,516	4,502,073
5. Other cash assets	151,848	149,305
Off-balance-sheet assets	26,117,021	10,763,358
1. Guarantees and commitments to (or guaranteed by):	26,117,021	9,840,241
1.1 Governments and central banks	1,491,057	—
1.2 Other public agencies	—	—
1.3 Banks	11,293,305	1,651,513
1.4 Other entities	13,332,659	8,188,728
2. Derivative agreements with (or guaranteed by):	3,026,419	923,117
2.1 Governments and central banks	—	—
2.2 Other public agencies	65,509	65,229
2.3 Banks	2,639,984	524,158
2.4 Other entities	320,926	333,730
<b>B. REGULATORY CAPITAL REQUIREMENTS</b>		
B.1 Credit risk	X	1,827,579
B.2 Market risk	X	279,220
1. Standard methodology		
<i>of which:</i>		
+ risk position on debt securities	X	216,472
+ risk position on equities	X	45,861
+ exchange rate risk	X	16,887
+ other risks	X	—
B.3 Other prudential requirements	X	101,464
B.4 Total prudential requirements (B1+B2+B3)	X	2,208,263
<b>C. RISK ASSETS AND REGULATORY RATIOS</b>		
C.1 Risk-weighted assets	X	36,804,383
C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)	X	12.45%
C.3 Regulatory capital/risk-weighted assets (total capital ratio)	X	14.86%

## PART H - RELATED PARTY DISCLOSURE

### 1. Board member and senior management remuneration

#### Remuneration paid to Board Members, Statutory Auditors, General Managers and other management with strategic responsibilities

*Disclosure required under Article 78 of CONSOB Resolution 11971/99*

Name	Description			Remuneration			
	Position	Period during which position held	Term expires	Fee €'000	Fringe benefits	Bonuses and other incentives	Other compensation €'000
<b>SUPERVISORY BOARD</b>							
Cesare GERONZI <sup>2</sup> .....	Chairman	02/7/07 - 30/6/08	30/6/10	3,250	3		
Dieter RAMPL <sup>1</sup> .....	Deputy Chairman	02/7/07 - 30/6/08	30/6/10	350			
Jean AZEMA .....	Board member	02/7/07 - 30/6/08	30/6/10	150			
Tarak BEN AMMAR <sup>2</sup> .....	Board member	02/7/07 - 30/6/08	30/6/10	200			
Gilberto BENETTON .....	Board member	02/7/07 - 30/6/08	30/6/10	150			
Antoine BERNHEIM .....	Board member	02/7/07 - 30/6/08	30/6/10	150			
Roberto BERTAZZONI .....	Board member	02/7/07 - 30/6/08	30/6/10	150			
Vincent BOLLORE <sup>1</sup> .....	Board member	02/7/07 - 30/6/08	30/6/10	200			
Angelo CASO <sup>3</sup> .....	Board member	02/7/07 - 30/6/08	30/6/10	200			15
Giancarlo CERUTTI .....	Board member	02/7/07 - 30/6/08	30/6/10	150			
Francesco DENOZZA <sup>3</sup> .....	Board member	02/7/07 - 30/6/08	30/6/10	200			
Ennio DORIS .....	Board member	02/7/07 - 30/6/08	30/6/10	150			
Pietro FERRERO .....	Board member	02/7/07 - 30/6/08	30/6/10	150			
Jonella LIGRESTI <sup>2</sup> .....	Board member	02/7/07 - 30/6/08	30/6/10	200			
Fabrizio PALENZONA .....	Board member	02/7/07 - 30/6/08	30/6/10	150			
Carlo PESENTI <sup>2</sup> .....	Board member	02/7/07 - 30/6/08	30/6/10	200			
Eugenio PINTO <sup>3</sup> .....	Board member	02/7/07 - 30/6/08	30/6/10	200			
Eric STRUTZ <sup>2</sup> .....	Board member	02/7/07 - 30/6/08	30/6/10	200			
Marco TRONCHETTI PROVERA <sup>1</sup> ..	Board member	02/7/07 - 30/6/08	30/6/10	200			
Gabriele VILLA <sup>3</sup> .....	Board member	02/7/07 - 30/6/08	30/6/10	200			
Luigi ZUNINO .....	Board member	02/7/07 - 30/6/08	30/6/10	150			
<b>MANAGEMENT BOARD</b>							
Renato PAGLIARO .....	Chairman	02/7/07 - 30/6/08	30/6/10	150	4	2,000	1,000
Alberto NAGEL .....	Chief Executive Officer	02/7/07 - 30/6/08	30/6/10	150	4	2,000	1,000
Maurizio CEREDA .....	Board member	02/7/07 - 30/6/08	30/6/10	150	4	1,350	609
Massimo DI CARLO .....	Board member	02/7/07 - 30/6/08	30/6/10	150	4	1,500	600
Alessandro TROTTER .....	Board member	02/7/07 - 30/6/08	30/6/10	150			
Francesco Saverio VINCI .....	Board member	02/7/07 - 30/6/08	30/6/10	150	4	1,500	600
MANAGEMENT with strategic responsibilities <sup>4</sup> ..		=	=		4	330	280

<sup>1</sup> Member of Appointments committee.

<sup>2</sup> Member of Remunerations committee.

<sup>3</sup> Member of Internal control committee.

<sup>4</sup> Aggregate data.

N.B. The fees of Supervisory Board members Jean AZEMA, Carlo PESENTI and Marco TRONCHETTI PROVERA are paid direct to their companies.

**STOCK OPTIONS GRANTED TO DIRECTORS, GENERAL MANAGERS AND OTHER MANAGEMENT  
WITH STRATEGIC RESPONSIBILITY**

Disclosure required under Article 78 of CONSOB Resolution 11971/99

Name	Position	Options at beginning of financial year			Options granted			Options exercised			Options expiring	Options at end of financial year		
		No. of options	Avg. strike price	Avg. expiry	No. of options	Avg. strike price	Avg. expiry	No. of options	Avg. strike price	Avg. market price	No. of options	No. of options	Avg. strike price	Avg. expiry
Renato PAGLIARO	Chairman, Management Board	900,000	10.315	> 5 years	—	—	—	600,000	7.842	15.798	—	300,000	15.261	> 5 years
Alberto NAGEL	Chief Executive Officer	800,000	10.624	> 5 years	—	—	—	500,000	7.842	15.798	—	300,000	15.261	> 5 years
Maurizio CEREDA	Management Board member	300,000	15.261	> 5 years	—	—	—	—	—	—	—	300,000	15.261	> 5 years
Massimo DI CARLO	Management Board member	300,000	15.261	> 5 years	—	—	—	—	—	—	—	300,000	15.261	> 5 years
Francesco Saverio VINCI	Management Board member	300,000	15.261	> 5 years	—	—	—	—	—	—	—	300,000	15.261	> 5 years
MANAGEMENT with strategic responsibilities*		140,000	15.261	> 5 years	—	—	—	—	—	—	—	140,000	15.261	> 5 years

\* Aggregate data.

**BENEFICIAL INTEREST OF BOARD MEMBERS, STATUTORY AUDITORS, GENERAL MANAGERS  
AND MANAGEMENT WITH STRATEGIC RESPONSIBILITIES**

Disclosure required under Article 79 of Consob resolution 11971/99

Name	Investee company	No. of shares owned at end of previous financial years	No. of shares acquired	No. of shares sold	No. of shares held at end of current financial year
<b>SUPERVISORY BOARD</b>					
Gilberto BENETTON	MEDIOBANCA	264,000	272,000	—	536,000
Antoine BERNHEIM	MEDIOBANCA	60,000	—	—	60,000
Roberto BERTAZZONI	MEDIOBANCA	1,000,000	—	—	1,000,000
Vincent BOLLORE' Vincent	MEDIOBANCA	38,925,230	2,029,677	—	40,954,907
Ennio DORIS	MEDIOBANCA	1,732,273	—	—	1,732,273
Luigi ZUNINO	MEDIOBANCA	30,945,000	—	5.413.235	25,531,765
<b>MANAGEMENT BOARD</b>					
Renato PAGLIARO	MEDIOBANCA	2,000,000	600,000 <sup>1</sup>	—	2,600,000
Alberto NAGEL	MEDIOBANCA	2,001,000	500,000 <sup>1</sup>	—	2,501,000
Maurizio CEREDA	MEDIOBANCA	570,000	20,000	—	590,000
Massimo DI CARLO	MEDIOBANCA	500,000	30,000	—	530,000
Francesco Saverio VINCI	MEDIOBANCA	900,000	—	—	900,000
MANAGEMENT with strategic responsibilities*	MEDIOBANCA	92,500	—	—	92,500

N.B. Holdings for Board members who were appointed or who resigned during the course of the financial year are stated as at the date on which the person concerned took up or relinquished his/her position.

\* Aggregate data.

<sup>1</sup> Includes shares subscribed for upon exercise of stock options.



## 2. *Related party disclosure*

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 atypical or unusual transactions have been entered into with these counterparties. Related parties for the purposes hereof include directors, statutory auditors and strategic management, data in respect of whose payment is provided in the relevant table. Comparison with last year's figures shows a reduction in exposure (assets plus guarantees and commitments) to entities other than Group companies, which reduces from €9.3bn to €6.8bn; overall, accounts with related parties (excluding Group companies) represent around 10% of the balance-sheet aggregates and approx. 22% of total income (net interest and fee and commission income).

Situation at 30 June 2008

	Subsidiaries	Directors, statutory auditors and strategic management	Associates	Other related parties	Total	12 mths to 30/6/07
	€m					
Assets .....	9,791.6	756.7	1,555.6	2,831.8	14,935.7	13,234.7
<i>of which: other assets</i>	<i>194.2</i>	<i>140.9</i>	<i>(43.2)</i>	<i>484.5</i>	<i>776.4</i>	<i>1,578.7</i>
<i>loans and advances ..</i>	<i>9,597.4</i>	<i>615.8</i>	<i>1,598.8</i>	<i>2,437.3</i>	<i>14,159.3</i>	<i>11,656.0</i>
Liabilities .....	1,989.9	0.5	5.2	474.0	2,569.6	4,549.3
Guarantees and commitments .....	15,247.1	419.5	1,125.8	82.5	16,874.5	17,115.4
Interest income .....	396.3	30.4	64.4	305.8	796.9	726.9
Interest expense .....	(124.6)	(0.4)	(3.2)	(216.9)	(345.1)	(480.5)
Net fee income .....	7.3	1.9	16.0	17.3	42.5	36.4
Other income (costs) ..	(11.0)	(24.6) <sup>1</sup>	(208.5)	(166.4)	(410.5)	179.1

<sup>1</sup> Includes short-term benefits amounting to €16.8m and stock options worth €1.3m.

## PART I - SHARE-BASED PAYMENT SCHEMES

### A. QUALITATIVE INFORMATION

#### 1. Description

Information on the increases in the Bank's share capital as a result of stock option schemes approved pursuant to Article 2441, paragraphs 8 and 5, of the Italian Civil Code, is as follows:

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	Expired	31 December 2011	3,130,000
30 July 2001	50,000,000	Expired	1 July 2015	49,634,000
28 October 2004	15,000,000	28 October 2009	1 July 2020	3,985,000
<i>of which to Board members</i>	<i>4,000,000</i>	<i>28 October 2009</i>	<i>1 July 2020</i>	<i>2,000,000<sup>2</sup></i>
27 June 2007	40,000,000	27 June 2012	1 July 2022	—
<b>TOTAL</b>	<b>108,130,000</b>			<b>56,749,000</b>

The schemes 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, 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.

On 1 July 2008 a total of 9,411,000 options were awarded at a price of €11.043 per share, vesting in three years and exercisable within eight years, against the total number of options approved by shareholders in general meeting on 28 October 2004 (1,375,000 of which were awarded to Management Board members).

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. As at 30 June 2008, recognizing these commitments at fair value resulted in a charge of €3m being expensed.

<sup>1</sup> At a general meeting held on 27 June 2007, shareholders approved a proposal to grant stock options to Management Board members.

<sup>2</sup> Granted to one former director.

## B. QUANTITATIVE INFORMATION

### 1. Changes during the period

	30/6/06			30/6/07		
	No. of options	Avg. price	Avg. expiry	No. of options	Avg. price	Avg. expiry
A. Balance at start of period	18,973,250	12.30	December 2013	13,591,250	13.52	December 2013
B. Additions						
B.1 New issues	100,000	18.07	March 2015	1,770,000	15.14	November 2015
B.2 Other additions	—	—	—	—	—	—
C. Reductions						
C.1 Options cancelled	220,000	15.26	—	—	—	—
C.2 Options exercised	5,262,000	9.12	—	2,055,250	8.86	—
C.3 Options expired	—	—	—	—	—	—
C.4 Other reductions	—	—	—	—	—	—
D. Balance at end of period	13,591,250	13.52	December 2013	13,306,000	14.52	June 2014
E. Options exercisable as at reporting date	2,941,250	9.29	September 2011	1,136,000	9.94	March 2012

## ANNEXES

## CONSOLIDATED BALANCE SHEET (IAS/IFRS-compliant)

<b>Assets</b>	IAS-compliant 30/6/07	IAS-compliant 30/6/08
10. Cash and cash equivalents .....	4.5	22.1
20. Financial assets held for trading .....	12,734.8	11,774.4
30. Financial assets recognized at fair value .....	—	—
40. AFS securities .....	5,573.2	3,778.7
50. Financial assets held to maturity .....	622.5	578.1
60. Due from banks .....	6,305.7	7,055.9
<i>of which:</i>		
<i>other trading items</i> .....	5,372.7	5,820.8
<i>other items</i> .....	20.8	6.2
70. Due from customers .....	28,132.6	35,807.0
<i>of which:</i>		
<i>other trading items</i> .....	2,168.0	2,306.1
<i>other items</i> .....	23.0	124.9
80. Hedging derivatives .....	848.2	1,234.3
<i>of which:</i>		
<i>funding hedge derivatives</i> .....	786.0	947.4
<i>lending hedge derivatives</i> .....	7.6	15.0
90. Value adjustments to financial assets subject to general hedging .....	—	—
100. Equity investments .....	2,632.7	2,845.7
110. Total reinsurers' share of technical reserves .....	—	—
120. Property, plant and equipment .....	298.5	312.7
130. Intangible assets .....	12.0	440.6
<i>of which:</i>		
<i>goodwill</i> .....	—	404.3
140. Tax assets .....	372.0	548.0
<i>a) current</i> .....	228.7	244.1
<i>b) advance</i> .....	143.3	303.9
150. Other non-current and Group assets being sold .....	—	—
160. Other assets .....	303.0	70.6
<i>of which:</i>		
<i>other trading items</i> .....	184.9	0.2
<b>TOTAL ASSETS</b> .....	<b>57,839.7</b>	<b>64,468.1</b>

The balance sheet provided on p. 22 reflects the following restatements:

- *Treasury funds* comprises 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 10, 20 and 100, which chiefly consist of repos, interbank accounts and margins on derivatives;
- *Funding* comprises the balances shown under liability headings 10 and 20 (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 in respect of hedging derivatives.

<b>Liabilities and net equity</b>	IAS-compliant 30/6/07	IAS-compliant 30/6/08
10. Due to banks .....	13,487.1	13,848.9
<i>of which:</i>		
<i>other trading items</i> .....	7,138.8	4,591.2
<i>other liabilities</i> .....	—	49.3
20. Due to customers .....	4,027.0	6,096.5
<i>of which:</i>		
<i>other trading items</i> .....	1,820.3	1,929.1
<i>other liabilities</i> .....	14.5	15.4
30. Debt securities .....	24,702.5	30,427.4
40. Trading liabilities .....	3,684.8	3,156.2
50. Liabilities recognized at fair value .....	—	—
60. Hedging derivatives .....	1,868.3	2,736.7
<i>of which:</i>		
<i>funding hedge derivatives</i> .....	1,786.2	2,713.1
<i>lending hedge derivatives</i> .....	30.4	13.6
70. Value adjustments to financial liabilities subject to general hedging .....	—	—
80. Tax liabilities .....	787.1	720.9
<i>a) current</i> .....	246.3	316.9
<i>b) deferred</i> .....	540.8	404.0
90. Liabilities in respect of Group assets being sold .....	—	—
100. Other liabilities .....	1,206.4	407.6
<i>of which:</i>		
<i>other trading items</i> .....	821.5	—
<i>Lendings</i> .....	—	15.5
110. Staff severance indemnity provision .....	29.4	29.2
120. Provisions .....	156.0	180.9
<i>a) post-employment and similar benefits</i> .....	—	—
<i>b) other provisions</i> .....	156.0	180.9
130. Technical reserves .....	—	—
140. Valuation reserves .....	837.1	119.1
150. Shares with right of withdrawal .....	—	—
160. Equity instruments .....	—	—
170. Reserves .....	3,464.8	3,280.2
180. Share premium reserve .....	2,119.3	2,140.0
190. Share capital .....	408.8	410.0
200. Treasury shares .....	(0.4)	(213.8)
210. Net equity attributable to minorities .....	108.3	119.8
220. Profit (loss) for the year .....	953.2	1,014.8
<b>TOTAL LIABILITIES AND NET EQUITY.....</b>	<b>57,839.7</b>	<b>64,474.4</b>

## CONSOLIDATED PROFIT AND LOSS ACCOUNT (IAS/IFRS-compliant)

	12 mths to 30/6/07	12 mths to 30/6/08
10. Interest and similar income .....	2,409.3	2,615.2
20. Interest expense and similar charges .....	(1,817.5)	(1,940.1)
<b>30. Net interest income .....</b>	<b>591.8</b>	<b>675.1</b>
40. Fee and commission income .....	376.9	390.0
50. Fee and commission expense .....	(47.5)	(43.4)
<b>60. Net fee and commission income .....</b>	<b>329.4</b>	<b>346.6</b>
70. Dividends and similar income .....	112.0	123.1
80. Net trading income .....	117.6	30.7
90. Net hedging income (expense) .....	(0.8)	7.0
100. Gain (loss) on disposal of: .....	176.0	196.3
<i>a) loans and receivables</i> .....	—	0.6
<i>b) AFS securities</i> .....	175.4	172.6
<i>c) financial assets held to maturity</i> .....	(0.1)	(0.2)
<i>d) other financial liabilities</i> .....	0.7	23.3
<b>120. Total income .....</b>	<b>1,326.0</b>	<b>1,378.8</b>
130. Adjustments for impairment to: .....	(169.1)	(209.8)
<i>a) loans and receivables</i> .....	(165.2)	(202.7)
<i>b) AFS securities</i> .....	(4.2)	(7.5)
<i>c) financial assets held to maturity</i> .....	0.3	0.4
<i>d) other financial liabilities</i> .....	—	—
<b>140. Net income from financial operations .....</b>	<b>1,156.9</b>	<b>1,169.0</b>
150. Net premium income .....	—	—
160. Income less expense from insurance operations .....	—	—
<b>170. Net income from financial and insurance operations .....</b>	<b>1,156.9</b>	<b>1,169.0</b>
180. Administrative expenses: .....	(436.7)	(549.0)
<i>a) personnel costs</i> .....	(236.4)	(280.2)
<i>b) other administrative expenses</i> .....	(200.3)	(268.8)
190. Net transfers to provisions for liabilities and charges .....	(6.4)	(27.5)
200. Net adjustments to property, plant and equipment .....	(10.6)	(10.8)
210. Net adjustments to intangible assets .....	(2.7)	(6.1)
<i>of which: goodwill</i> .....	—	—
220. Other operating income (expenses) .....	60.8	74.8
<b>230. Operating costs .....</b>	<b>(395.6)</b>	<b>(518.6)</b>
240. Profit (loss) from equity-accounted companies .....	418.9	477.8
270. Gain (loss) on disposal of investments .....	(0.1)	—
<b>280. Profit (loss) before tax on ordinary activities .....</b>	<b>1,180.1</b>	<b>1,128.2</b>
290. Income tax on ordinary activities for the year .....	(214.1)	(103.9)
<b>300. Profit (loss) after tax on ordinary activities .....</b>	<b>966.0</b>	<b>1,024.3</b>
310. Net gain (loss) on non-current assets being sold .....	—	—
<b>320. Profit (loss) for the year .....</b>	<b>966.0</b>	<b>1,024.3</b>
330. Profit (loss) for the year attributable to minorities .....	(12.8)	(9.5)
<b>340. Net profit (loss) for the year attributable to Mediobanca .....</b>	<b>953.2</b>	<b>1,014.8</b>

The profit and loss account reported on p. 21 reflects the following restatements:

- *Net interest income* includes the total reported under Heading 90, plus margins on swaps reported under Heading 80 amounting to €73.2m and €61.3m respectively, net of €1.9m in interest expense on securities lending accounted for as *Net trading income*;
- Amounts under Heading 220 have been restated as *Net fee and commission income*, save for amounts refunded/recovered amounting to €18.9m and €23.5m respectively which net operating costs; net transfers to provisions for liabilities and charges include €6m and €22.7m treated as *Extraordinary provisions*;
- In addition to the items already stated, *Net trading income* also includes dividends from trading (amounting to €40.3m and €79.6m), and the gains (losses) on financial liabilities reported under Heading 100.

## MEDIOBANCA S.p.A. BALANCE SHEET

<b>Assets</b>	IAS-compliant 30/6/07	IAS-compliant 30/6/08
10. Cash and cash equivalents .....	0.1	—
20. Financial assets held for trading .....	12,453.7	10,656.9
40. AFS securities .....	4,788.0	2,846.7
50. Financial assets held to maturity .....	621.6	577.4
60. Due from banks .....	10,894.7	11,676.3
<i>of which:</i>		
<i>other trading items</i> .....	5,138.5	5,557.6
<i>other items</i> .....	20.5	13.5
70. Due from customers .....	16,717.7	20,460.8
<i>of which:</i>		
<i>other trading items</i> .....	2,078.2	2,232.6
<i>other items</i> .....	20.1	72.4
80. Hedging derivatives .....	853.7	1,188.3
<i>of which:</i>		
<i>funding hedge derivatives</i> .....	817.5	988.9
<i>lending hedge derivatives</i> .....	7.6	15.0
100. Equity investments .....	1,680.8	2,722.4
110. Property, plant and equipment .....	119.5	119.0
120. Intangible assets .....	1.8	2.6
130. Tax assets .....	158.6	183.3
<i>a) current</i> .....	48.6	45.5
<i>b) advance</i> .....	110.0	137.8
150. Other assets .....	208.6	8.9
<i>of which:</i>		
<i>other trading items</i> .....	184.8	—
<b>TOTAL ASSETS</b> .....	<b>48,498.8</b>	<b>50,442.7</b>

The balance sheet provided on p. 213 reflects the following restatements:

- *Treasury funds* comprises asset headings 10 and 20 and liability heading 40, plus the “other trading items” shown under asset headings 60, 70 and 150 and liability headings 10, 20 and 100, which chiefly consist of repos, interbank accounts and margins on derivatives;
- *Funding* comprises the balances shown under liability headings 10 and 20 (excluding 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* and other items) and the relevant amounts of asset heading 80 and liability heading 60 in respect of hedging derivatives.



<b>Liabilities and net equity</b>	IAS-compliant 30/6/07	IAS-compliant 30/6/08
10. Due to banks .....	10,973.6	7,620.5
<i>of which:</i>		
<i>other trading items</i> .....	7,138.8	4,591.1
<i>other liabilities</i> .....	15.5	49.2
20. Due to customers .....	2,093.1	2,148.4
<i>of which:</i>		
<i>other trading items</i> .....	1,820.3	1,921.0
<i>other liabilities</i> .....	14.5	8.1
30. Debt securities .....	22,055.5	28,790.3
40. Trading liabilities .....	3,695.4	3,089.6
60. Hedging derivatives .....	1,871.5	2,754.4
<i>of which:</i>		
<i>funding hedge derivatives</i> .....	1,789.5	2,740.2
<i>lending hedge derivatives</i> .....	30.4	13.6
80. Tax liabilities .....	560.9	525.4
a) current .....	107.2	217.0
b) deferred .....	453.7	308.4
100. Other liabilities .....	987.5	102.6
<i>of which:</i>		
<i>other trading items</i> .....	821.4	—
110. Staff severance indemnity provision .....	11.6	10.7
120. Provisions .....	150.8	150.8
a) <i>post-employment and similar benefits</i> .....	—	—
b) <i>other provisions</i> .....	150.8	150.8
130. Valuation reserves .....	808.5	57.7
160. Reserves .....	2,201.2	2,233.1
170. Share premium reserve .....	2,119.3	2,140.0
180. Share capital .....	408.8	410.0
190. Treasury shares (-) .....	—	(213.4)
200. Profit (loss) for the period .....	561.1	622.6
<b>TOTAL LIABILITIES AND NET EQUITY</b> .....	<b>48,498.8</b>	<b>50,442.7</b>

## MEDIOBANCA S.p.A. PROFIT AND LOSS ACCOUNT

<b>Profit and loss account</b>	12 mths to 30/6/07	12 mths to 30/6/08
10. Interest and similar income.....	1,682.2	1,804.6
20. Interest expense and similar charges .....	(1,561.4)	(1,624.4)
<b>30. Net interest income</b> .....	<b>120.8</b>	<b>180.2</b>
40. Fee and commission income .....	291.7	281.8
50. Fee and commission expense .....	(24.8)	(18.8)
<b>60. Net fee and commission income</b> .....	<b>266.9</b>	<b>263.0</b>
70. Dividends and similar income .....	253.8	310.0
80. Net trading income .....	100.3	12.5
90. Net hedging income (expense) .....	(3.6)	7.2
100. Gain (loss) on disposal of: .....	167.4	194.0
<i>a) loans and receivables</i> .....	—	—
<i>b) AFS securities</i> .....	166.7	171.8
<i>c) financial assets held to maturity</i> .....	(0.1)	(0.2)
<i>d) other financial liabilities</i> .....	0.8	22.4
<b>120. Total income</b> .....	<b>905.6</b>	<b>966.9</b>
130. Adjustments for impairment to: .....	(9.4)	(30.3)
<i>a) loans and receivables</i> .....	(5.2)	(22.8)
<i>b) AFS securities</i> .....	(4.2)	(7.5)
<i>c) financial assets held to maturity</i> .....	—	—
<i>d) other financial liabilities</i> .....	—	—
<b>140. Net income from financial operations</b> .....	<b>896.2</b>	<b>936.6</b>
150. Administrative expenses: .....	(207.8)	(246.6)
<i>a) personnel costs</i> .....	(134.4)	(160.0)
<i>b) other administrative expenses</i> .....	(73.4)	(86.6)
160. Net transfers to provisions for liabilities and charges .....	0.2	—
170. Net adjustments to property, plant and equipment .....	(2.9)	(3.0)
180. Net adjustments to intangible assets.....	(0.4)	(1.9)
<i>of which: goodwill</i> .....	—	—
190. Other operating income (expenses) .....	1.8	9.6
<b>200. Operating costs</b> .....	<b>(209.1)</b>	<b>(241.9)</b>
210. Profit (loss) from equity investments .....	—	—
240. Gain (loss) on disposal of investments .....	—	—
<b>250. Profit (loss) before tax on ordinary activities</b> .....	<b>687.1</b>	<b>694.7</b>
260. Income tax on ordinary activities for the year .....	(126.0)	(72.1)
<b>270. Profit (loss) after tax on ordinary activities</b> .....	<b>561.1</b>	<b>622.6</b>
<b>290. Net profit (loss) for the period</b> .....	<b>561.1</b>	<b>622.6</b>

The profit and loss account reported on p. 212 reflects the following restatements:

- *Net interest income* includes the total reported under Heading 90, plus margins on swaps reported under Heading 80 amounting to €72.9m and €57.8m respectively, net of €1.9m in interest expense on securities lending accounted for as *Net trading income*;
- Amounts under Heading 220 have been restated as *Net fee and commission income*, save for amounts refunded/recovered amounting to €8.7m and €12.9m respectively which net operating costs;
- In addition to the items already stated, *Net trading income* also includes dividends from trading (amounting to €40.3m and €79.6m), and the gains (losses) on financial liabilities reported under Heading 100.

**BALANCE-SHEET DATA AND  
PROFIT-AND-LOSS FIGURES BY DIVISION  
based on structure and outline of 2009-2011 business plan**

30 JUNE 2008	Corporate & investment banking	Principal investing	Retail & private banking	Group
	€m	€m	€m	€m
<b>Profit-and-loss figures</b>				
Net interest income (expense) .....	334.2	(11.6)	522.5	840.6
Net trading income .....	269.6	3.1	19.0	290.9
Net fee and commission income .....	292.1	—	228.2	476.3
Equity-accounted investments .....	(21.5)	483.3	—	470.3
<b>TOTAL INCOME</b> .....	<b>874.4</b>	<b>474.8</b>	<b>769.7</b>	<b>2,078.1</b>
Labour costs .....	(172.2)	(5.8)	(155.7)	(320.7)
Administrative expenses .....	(99.8)	(2.6)	(219.4)	(302.3)
<b>OPERATING COSTS</b> .....	<b>(272.0)</b>	<b>(8.4)</b>	<b>(375.1)</b>	<b>(623.0)</b>
<b>PROFIT FROM ORDINARY ACTIVITIES</b> .....	<b>602.4</b>	<b>466.4</b>	<b>394.6</b>	<b>1,455.1</b>
Bad debt writeoffs .....	(36.0)	—	(237.9)	(273.8)
Extraordinary provisions .....	—	—	(22.7)	(22.7)
<b>PROFIT BEFORE TAX</b> .....	<b>566.4</b>	<b>466.4</b>	<b>134.0</b>	<b>1,158.6</b>
Income tax for the period .....	(92.7)	26.8	(75.1)	(135.7)
Minority interest .....	(9.5)	—	—	(9.5)
<b>NET PROFIT</b> .....	<b>464.2</b>	<b>493.2</b>	<b>58.9</b>	<b>1,013.4</b>
<b>Balance-sheet data</b>				
Treasury funds .....	8,691.1	—	1,591.2	10,247.1
AFS securities .....	2,786.0	60.7	1,050.6	3,778.7
Equity investments .....	632.5	2,156.9	0.4	2,845.7
Loans and advances to customers .....	27,199.3	—	11,937.4	34,590.8
<i>of which: to Group companies</i> .....	4,185.4	—	—	—
Funding .....	(36178.8)	(259.8)	(13,736.3)	(45,553.5)
Risk-weighted assets .....	43,675.9	2,072.8	9,322.9	55,081.1
No. of staff .....	788	—	2,261 *	3,046

\* Includes 101 staff employed by the Esperia group pro-forma.

Divisions comprise:

- CIB (Corporate and investment banking): includes corporate and investment banking activities, including leasing, plus the Group's AFS portfolio. The companies which contribute to this business line are: Mediobanca S.p.A., Mediobanca International, MB Securities USA, Consortium, Prominvestment, SelmaBipiemme Leasing, Palladio Leasing and Teleleasing;
- Retail and private banking: this division focuses on developing business with clientèle in the affluent segment through private banking activities, and with mass market clients through consumer credit products, mortgages and deposit accounts. The companies which form part of this division are: Compass, CheBanca!, Cofactor, Linea, Futuro, Equilon and Creditech (consumer credit); and Compagnie Monégasque de Banque, Spafid and Prudentia Fiduciaria, plus 48.5% of Banca Esperia pro-forma;
- Principal investing: this comprises the Group's shareholdings in Assicurazioni Generali and RCS MediaGroup, plus stakes acquired as part of merchant banking activity and investments in private equity funds.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**with Linea group pro-forma**

	12 mths to 30/6/08 approved	Linea group contribution	12 mths to 30/6/08 pro-forma
	€m	€m	€m
<b>Profit-and-loss figures</b>			
Net interest income .....	745.4	95.2	840.6
Net trading income .....	286.8	4.1	290.9
Net fee and commission income .....	397.9	78.4	476.3
Equity-accounted investments .....	470.3	—	470.3
<b>TOTAL INCOME</b> .....	<b>1,900.4</b>	<b>177.7</b>	<b>2,078.1</b>
Labour costs .....	(280.2)	(40.5)	(320.7)
Administrative expenses .....	(262.3)	(40.0)	(302.3)
<b>OPERATING COSTS</b> .....	<b>(542.5)</b>	<b>(80.5)</b>	<b>(623.0)</b>
<b>PROFIT FROM ORDINARY ACTIVITIES</b> .....	<b>1,357.9</b>	<b>97.2</b>	<b>1,455.1</b>
Bad debt writeoffs .....	(202.3)	(71.5)	(273.8)
Extraordinary provisions .....	(22.7)	—	(22.7)
<b>PROFIT BEFORE TAX</b> .....	<b>1,132.9</b>	<b>25.6</b>	<b>1,158.6</b>
Income tax for the period .....	(108.6)	(27.1)	(135.7)
Minority interest .....	(9.5)	—	(9.5)
<b>NET PROFIT</b> .....	<b>1,014.8</b>	<b>(1.4)</b>	<b>1,013.4</b>

TABLE A

ASSET REVALUATION STATEMENTS 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
			<u>3,425,394.91</u>

*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
– FONDARIA-SAI S.p.A., Florence (formerly La Fondiaria Assicurazioni)			
– 2,500,000 shares* .....	1,766,071.64	51,105.98	1,714,965.66
– 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
			<u>38,899,862.39</u>

\* Due to disposal of 74,500 shares.

*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

## BANKS AND FINANCIAL COMPANIES (IAS/IFRS)

TABLE B

## BALANCE SHEETS

	COMPASS	CHEBANCAI	COFACTOR	CREDITTECH	SELMABIPIEMME LEASING	PALLADIO LEASING	TELELEASING	MEDIOBANCA INTERNATIONAL (LUXEMBOURG)	TECHNOSTART	PROMINVESTMENT	SADE FINANZIARIA- INTERSOMER
	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)
<b>ASSETS</b>											
10. Cash and cash equivalents .....	1,424	18,956	2	1	6	3	1	19,584	—	1	—
20. Financial assets held for trading .....	—	—	—	—	45,330	—	196	110,499	490	—	—
40. AFS securities .....	—	52	—	—	—	—	—	—	14	—	—
50. Financial assets held to maturity .....	—	—	725	—	—	—	—	—	—	—	—
60. Due to banks .....	42,237	18,918	322	5,120	11,224	66	2,566	2,270,151	—	18	19
70. Due to customers .....	4,149,053	2,706,604	60,508	3,132	2,701,495	1,567,575	689,597	3,074,472	15	8,248	—
80. Hedging derivatives .....	41,301	—	—	—	6,444	—	5,828	20,878	—	—	—
100. Equity investments .....	916,960	—	—	—	51,049	—	—	—	—	—	—
120. Property, plant and equipment .....	23,124	8,919	128	120	2,869	7,162	63	39	—	12	—
130. Intangible assets .....	113	2,184	18	8	2,331	—	556	—	—	3	—
140. Tax assets .....	116,921	10,796	681	12	100,773	11,386	17,495	30,224	—	272	—
160. Other assets .....	13,056	20,466	97	69	7,936	2,072	354	609	2	122	—
<b>TOTAL ASSETS .....</b>	<b>5,304,189</b>	<b>2,786,895</b>	<b>62,481</b>	<b>8,462</b>	<b>2,929,457</b>	<b>1,588,264</b>	<b>716,656</b>	<b>5,526,456</b>	<b>521</b>	<b>8,676</b>	<b>19</b>
<b>LIABILITIES</b>											
10. Due to banks .....	4,180,130	2,512,492	2,222	3	2,007,180	1,416,767	601,129	3,450,720	2	170	—
20. Due to customers .....	—	55,090	23,657	—	725,023	26,005	11	35,214	—	—	—
30. Debt securities in issue .....	—	—	—	—	—	—	—	1,751,774	—	—	—
40. Financial liabilities .....	—	—	—	—	—	—	—	105,549	—	—	—
60. Hedging derivatives .....	3,278	—	—	—	28	—	—	36,957	—	—	—
70. Value adjustments to financial assets subject to general hedging .....	—	—	—	—	—	—	—	—	—	—	—
80. Tax liabilities .....	92,076	6,481	193	655	11,135	11,793	12,348	34,785	—	909	—
100. Other liabilities .....	55,462	40,676	1,545	1,682	51,054	41,010	7,476	9,467	36	6,260	—
110. Staff severance indemnity provision ...	6,034	1,348	1,180	365	2,255	1,283	266	—	—	134	—
120. Provisions .....	20,000	291	—	21	522	113	—	—	—	961	—
130. Valuation reserves .....	26,689	—	—	—	4,248	816	6,142	—	—	—	—
170. Reserves .....	292,259	30,023	1,141	3,484	60,503	72,524	70,656	77,620	(73)	671	(6)
180. Share premium reserve .....	—	—	—	—	18,040	—	—	—	—	462	—
190. Share capital .....	587,500	170,000	32,500	250	41,305	8,675	9,500	10,000	600	743	25
200. Treasury shares .....	—	—	—	—	—	(434)	—	—	—	—	—
220. Profit (loss) for the period .....	40,761	(29,506)	43	2,002	8,164	9,712	9,128	14,370	(44)	(1,634)	—
<b>TOTAL LIABILITIES .....</b>	<b>5,304,189</b>	<b>2,786,895</b>	<b>62,481</b>	<b>8,462</b>	<b>2,929,457</b>	<b>1,588,264</b>	<b>716,656</b>	<b>5,526,456</b>	<b>521</b>	<b>8,676</b>	<b>19</b>

TABLE B (cont.)

## PROFIT AND LOSS ACCOUNTS

	COMPASS	CHEBANCA	COFACTOR	CREDITECH	SELMABIPIEMME LEASING	PALLADIO LEASING	TELELEASING	MEDIOBANCA INTERNATIONAL (LUXEMBOURG)	TECHNOSTART	PROMINVESTMENT	SADE FINANZIARIA- INTERSOMER
	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)
10. Interest and similar income .....	510,062	158,409	6,529	92	151,342	89,469	47,048	313,460	21	1	1
20. Interest and similar expense .....	(183,704)	(113,836)	(1,144)	—	(118,862)	(64,733)	(28,246)	(302,487)	—	(12)	—
30. Net interest income .....	326,358	44,573	5,385	92	32,480	24,736	18,802	10,973	21	(11)	1
40. Fee and commission income .....	39,846	4,755	—	12,367	126	—	—	19,449	—	791	—
50. Fee and commission expense .....	(10,755)	(1,115)	—	(4,932)	(1,336)	(169)	(1,097)	(10,085)	(1)	(241)	—
60. Net fee and commission income .....	29,091	3,640	—	7,435	(1,210)	(169)	(1,097)	9,364	(1)	550	—
70. Dividends and similar income .....	14,613	—	—	—	4,789	—	—	—	—	—	—
80. Net trading income (expense) .....	—	—	(129)	—	(88)	9	(173)	(153)	(3)	—	—
90. Net hedging income (expense) .....	—	—	—	—	—	—	10	(249)	—	—	—
100. Gain (loss) on disposal/repurchase of financial assets	—	—	—	—	555	—	—	—	—	—	—
110. Net income from financial assets and liabilities .....	—	—	—	—	—	—	—	—	—	—	—
120. Total income .....	370,062	48,213	5,256	7,527	36,526	24,576	17,542	19,935	17	539	1
130. Adjustments for impairment .....	(151,484)	(13,281)	(1,152)	—	(9,818)	(3,164)	(204)	—	—	—	—
140. Net income from financial operations .....	218,578	34,932	4,104	7,527	26,708	21,412	17,338	19,935	17	539	1
150. Administrative expenses .....	(149,806)	(81,321)	(5,771)	(4,173)	(18,658)	(7,790)	(5,613)	(2,466)	(61)	(1,204)	(2)
160. Net transfers to provisions .....	(20,000)	(250)	—	—	(90)	(673)	—	—	—	(961)	—
170. Net income (expense) from financial operations .....	(1,847)	(1,061)	(32)	(46)	(289)	(331)	(16)	(17)	—	(8)	—
180. Net adjustments to intangible assets .....	(503)	(656)	(72)	(3)	(697)	—	(151)	(24)	—	(3)	—
190. Other operating income (expense) .....	48,030	4,053	2,008	39	5,958	2,171	2,136	57	—	—	1
200. Operating costs .....	(124,126)	(79,235)	(3,867)	(4,183)	(13,776)	(6,623)	(3,644)	(2,450)	(61)	(2,176)	(1)
210. Gain (loss) on equity investments .....	43	—	—	—	—	—	—	—	—	—	—
220. Net gain (loss) on recognizing tangible/intangible assets at fair value .....	—	—	—	—	—	—	—	—	—	—	—
230. Adjustments to goodwill .....	—	—	—	—	—	—	—	—	—	—	—
240. Gain (loss) on disposal of investments .....	—	—	(1)	—	—	—	—	—	—	—	—
250. Profit (loss) on ordinary activities before tax .....	94,495	(44,303)	236	3,344	12,932	14,789	13,694	17,485	(44)	(1,637)	—
260. Income tax on ordinary activities for the year .....	(53,734)	14,797	(193)	(1,342)	(4,768)	(5,077)	(4,566)	(3,115)	—	3	—
270. Profit (loss) on ordinary activities after tax .....	40,761	(29,506)	43	2,002	8,164	9,712	9,128	14,370	(44)	(1,634)	—
280. Gain (loss) on groups of assets being sold .....	—	—	—	—	—	—	—	—	—	—	—
290. Net profit (loss) for the period .....	40,761	(29,506)	43	2,002	8,164	9,712	9,128	14,370	(44)	(1,634)	—

## BANKS

## TABLE B (cont.)

## BALANCE SHEETS

	COMPAGNIE MONEGASQUE DE BANQUE	COMPAGNIE MONEGASQUE DE GESTION
	(€'000)	(€'000)
ASSETS		
10. Cash and cash equivalents .....	36,400	10,644
20. Due from banks .....	84,845	—
30. Due from financial institutions .....	—	—
40. Due from customers .....	679,970	—
50. Bonds and other debt securities .....	798,333	105
60. Equities, stock units and other floating-rate securities ..	522,550	—
70. Equity investments .....	20,286	8
80. Investments in Group undertakings .....	61,827	—
90. Intangible fixed assets .....	6,555	—
100. Tangible fixed assets .....	3,886	5
120. Treasury shares and stock units .....	—	—
130. Other assets .....	13,545	2,785
140. Accrued income and deferred expenses .....	7,562	62
TOTAL ASSETS .....	<u>2,235,759</u>	<u>13,609</u>
LIABILITIES		
10. Due to banks .....	81,439	—
20. Due to financial institutions .....	—	—
30. Due to customers .....	1,738,959	—
40. Debt securities .....	24,991	—
50. Other liabilities .....	30,302	1,868
60. Accrued expenses and deferred income .....	12,269	—
70. Staff severance indemnity provision .....	—	—
80. Provision for liabilities and charges .....	1,903	—
120. Share capital .....	111,110	160
130. Share premium reserve .....	4,573	—
140. Reserves .....	179,485	16
150. Valuation reserves .....	—	—
160. Retained earnings (accumulated loss) .....	2	253
170. Profit (loss) for the period .....	50,726	11,312
TOTAL LIABILITIES .....	<u>2,235,759</u>	<u>13,609</u>



TABLE B (cont.)

## PROFIT AND LOSS ACCOUNTS

	COMPAGNIE MONEGASQUE DE BANQUE	COMPAGNIE MONEGASQUE DE GESTION
	(€'000)	(€'000)
10. Interest and similar income .....	52,443	—
20. Interest and similar expense .....	(63,569)	(4)
30. Dividends and similar income .....	11,508	—
40. Fee and commission income .....	30,218	15,337
50. Fee and commission expense .....	(3,416)	—
60. Gain (loss) on dealing transactions .....	57,105	—
70. Other operating income .....	(420)	—
80. Administrative expenses .....	(31,003)	(4,015)
90. Value adjustments to tangible/intangible assets .....	(1,714)	(6)
100. Provisions for liabilities and charges .....	(2,603)	—
110. Other operating expenses .....	—	—
120. Value adjustments to receivables and provisions for guarantees and commitments .....	—	—
130. Writebacks on receivables and transfers in respect of guarantees and commitments .....	—	—
140. Transfers to loan loss provision .....	—	—
170. Profit (loss) on ordinary activities .....	48,549	11,312
180. Extraordinary income .....	2,177	4
190. Extraordinary expense .....	—	(4)
200. Net extraordinary income (expense) .....	2,177	—
210. Changes to provision for general banking risks .....	—	—
220. Income tax for the period .....	—	—
230. Net profit (loss) for the period .....	50,726	11,312

## BALANCE SHEETS

	CONSORTIUM	QUARZO SRL	QUARZO LEASE	SPAFID	PRUDENTIA FIDUCIARIA	MEDIOBANCA SECURITIES LLC
	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(\$'000)
<b>ASSETS</b>						
10. Cash and cash equivalents .....	1	—	—	5	—	—
20. Financial assets held for trading .....	—	—	—	8,387	1,001	—
40. AFS securities .....	—	—	—	—	—	—
50. Financial assets held to maturity .....	—	—	—	1	1	—
60. Due from banks .....	10,784	10	—	1,268	570	1,638
70. Due from customers .....	—	—	—	1,958	49	—
80. Hedging derivatives .....	—	—	—	—	—	—
100. Equity investments .....	—	—	—	29,478	—	—
120. Property, plant and equipment .....	—	—	—	26	—	219
130. Intangible assets .....	—	—	—	105	—	—
140. Tax assets .....	111	4	—	73	59	—
160. Other assets .....	—	50	43	731	8	49
<b>TOTAL ASSETS .....</b>	<b>10,896</b>	<b>64</b>	<b>43</b>	<b>42,032</b>	<b>1,688</b>	<b>1,906</b>
<b>LIABILITIES</b>						
10. Due to banks .....	—	—	—	10	—	2,023
20. Due to customers .....	—	—	—	—	—	—
30. Debt securities in issue .....	—	—	—	—	—	—
40. Financial liabilities .....	—	—	—	—	—	—
60. Hedging derivatives .....	—	—	—	—	—	—
70. Value adjustments to financial assets subject to general hedging .....	—	—	—	—	—	—
80. Tax liabilities .....	12	2	33	1,022	61	—
100. Other liabilities .....	26	52	—	1,335	399	987
110. Staff severance indemnity provision .....	—	—	—	631	494	—
120. Provisions .....	—	—	—	—	—	—
130. Valuation reserves .....	—	—	—	—	—	—
170. Reserves .....	2,020	—	—	36,895	568	(944)
180. Share premium reserve .....	—	—	—	—	—	—
190. Share capital .....	8,631	10	10	100	100	250
200. Treasury shares .....	—	—	—	—	—	—
220. Profit (loss) for the period .....	207	—	—	2,039	66	(410)
<b>TOTAL LIABILITIES .....</b>	<b>10,896</b>	<b>64</b>	<b>43</b>	<b>42,032</b>	<b>1,688</b>	<b>1,906</b>

TABLE B (cont.)

## PROFIT AND LOSS ACCOUNTS

	CONSORTIUM	QUARZO SRL	QUARZO LEASE	SPAFID	PRUDENTIA FIDUCIARIA	MEDIOBANCA SECURITIES LLC
	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(\$'000)
10. Interest and similar income .....	268	—	—	342	55	—
20. Interest and similar expense .....	—	—	—	—	—	(112)
30. Net interest income .....	268	—	—	342	55	(112)
40. Fee and commission income .....	—	—	—	4,210	2,075	1,692
50. Fee and commission expense .....	—	—	—	(26)	—	—
60. Net fee and commission income .....	—	—	—	4,184	2,075	1,692
70. Dividends and similar income .....	—	—	—	1,198	—	—
80. Net trading income (expense) .....	—	—	—	(68)	(12)	—
90. Net hedging income (expense) .....	—	—	—	—	—	—
100. Gain (loss) on disposal/repurchase of financial assets .....	—	—	—	—	—	—
110. Net income from financial assets and liabilities ..	—	—	—	—	—	—
120. Total income .....	268	—	—	5,656	2,118	1,580
130. Adjustments for impairment .....	—	—	—	(20)	—	—
140. Net income from financial operations .....	268	—	—	5,636	2,118	1,580
150. Administrative expenses .....	(51)	(66)	(17)	(3,303)	(1,929)	(1,990)
160. Net transfers to provisions .....	—	—	—	—	—	—
170. Net adjustments to tangible assets .....	—	—	—	(19)	—	—
180. Net adjustments to intangible assets .....	—	—	—	(114)	—	—
190. Other operating income (expense) .....	1	66	17	264	4	—
200. Operating costs .....	(50)	—	—	(3,172)	(1,925)	(1,990)
210. Gain (loss) on equity investments .....	—	—	—	—	—	—
220. Net gain (loss) on recognizing tangible/intangible assets at fair value .....	—	—	—	—	—	—
230. Adjustments to goodwill .....	—	—	—	—	—	—
240. Gain (loss) on disposal of investments .....	—	—	—	—	—	—
250. Profit (loss) on ordinary activities before tax ...	218	—	—	2,464	193	(410)
260. Income tax on ordinary activities for the year ..	(11)	—	—	(425)	(127)	—
270. Profit (loss) on ordinary activities after tax .....	207	—	—	2,039	66	(410)
280. Gain (loss) on groups of assets being sold .....	—	—	—	—	—	—
290. Net profit (loss) for the period .....	207	—	—	2,039	66	(410)

## OTHER GROUP COMPANIES

## BALANCE SHEETS

TABLE B (cont.)

	COMPAGNIE MONEGASQUE IMMOBILIERE	SOCIETE MONEGASQUE D'ETUDES FINANCIERES	MONOECI SOC. CIVILE IMMOBILIERE	MOULINS 700 S.A.M.
	(€'000)	(€'000)	(€'000)	(€'000)
<b>ASSETS</b>				
B) Fixed assets:				
I) Intangible assets .....	872	—	—	—
II) Tangible assets .....	16,717	10	721	36,610
III) Financial fixed assets .....	160	23	—	—
Total B .....	17,749	33	721	36,610
C) Current assets:				
I) Inventories .....	—	—	—	—
II) Accounts receivable .....	146	1,242	—	2,367
III) Financial assets other than fixed assets .....	—	—	—	17
IV) Cash .....	357	3,893	264	57
Total C .....	503	5,135	264	2,441
D) Accrued income and prepaid expenses .....	5	19	—	—
<b>TOTAL ASSETS .....</b>	<b>18,257</b>	<b>5,187</b>	<b>985</b>	<b>39,051</b>
<b>LIABILITIES</b>				
A) Shareholders' equity:				
I) Share capital .....	2,440	775	2	160
III) Revaluation reserves .....	—	—	—	—
IV) Legal reserve .....	—	—	—	—
VI) Statutory reserve .....	—	—	—	16
VII) Other reserves .....	—	17	—	—
VIII) Retained earnings (accumulated loss) .....	(1,557)	209	(37)	(151)
IX) Profit (loss) for the year .....	(1,514)	82	24	(21)
Total A .....	(631)	1,083	(11)	4
B) Provisions for liabilities and charges .....	1,000	—	—	—
C) Provision for staff termination indemnities .....	—	—	—	—
D) Accounts payable:				
3) Amounts due to banks .....	17,791	—	991	—
4) Amounts due to other lenders .....	—	—	—	39,042
5) Advances from customers .....	—	—	—	—
6) Trade accounts payable .....	60	—	—	—
8) Amounts due to subsidiaries .....	—	—	—	—
9) Amounts due to associated companies .....	—	—	—	—
10) Amounts due to parent companies .....	—	—	—	—
11) Taxable payable .....	—	22	—	—
12) Amounts due to social security institutions .....	—	—	—	—
13) Other accounts payable .....	37	4,082	5	5
Total D .....	17,888	4,104	996	39,047
E) Accrued expenses and deferred income .....	—	—	—	—
<b>TOTAL LIABILITIES .....</b>	<b>18,257</b>	<b>5,187</b>	<b>985</b>	<b>39,051</b>
<b>MEMORANDUM ACCOUNTS</b>				
Assets held by third parties .....	—	—	—	—
Commitments .....	—	—	—	—
Value items pledged as collateral or held for safekeeping .....	—	—	—	—
Depositors for value items .....	—	—	—	—
Other accounts .....	—	—	—	—
<b>TOTAL MEMORANDUM ACCOUNTS .....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Securities and value items held on trustee basis .....	—	—	—	—

TABLE B (cont.)

## PROFIT AND LOSS ACCOUNTS

	COMPAGNIE MONEGASQUE IMMOBILIERE	SOCIETE MONEGASQUE D'ETUDES FINANCIERES	MONOECI SOC. CIVILE IMMOBILIERE	MOULINS 700 S.A.M.
	(€'000)	(€'000)	(€'000)	(€'000)
A) Value of production .....	1,330	1,313	110	—
B) Costs of production:				
6) Raw materials, secondary materials consumables, semi-finished and finished goods .....	—	—	—	—
7) Services .....	(239)	(139)	—	—
8) Use of third parties' assets .....	—	—	—	—
9) Personnel .....	—	(226)	—	—
10) Depreciation, amortization and writedowns .....	(727)	(5)	(29)	—
12) Provision for liabilities .....	—	(9)	—	—
13) Other provisions .....	—	—	—	—
14) Sundry operating expenses .....	—	(1.305)	(7)	(21)
Total B .....	(966)	(1.684)	(36)	(21)
Value of production less costs of production .....	364	(371)	74	(21)
C) Interest income (charges) .....	(877)	(1)	(49)	—
D) Value adjustments to financial fixed assets .....	—	—	—	—
E) Extraordinary income (expenses) .....	(1,001)	495	(1)	—
Profit (loss) before tax .....	(1,514)	123	24	(21)
Income taxes for the year .....	—	(41)	—	—
Profit (loss) for the year .....	(1,514)	82	24	(21)

## BALANCE SHEETS

	LINEA	EQUILON	FUTURO	DUCATI FINANCIAL SERVICES	JUMP S.r.l.
	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)
<b>ASSETS</b>					
10. Cash and cash equivalents .....	12	—	24	—	—
20. Financial assets held for trading .....	597	—	550	—	—
40. AFS securities .....	8,242	—	90	—	—
50. Financial assets held to maturity .....	—	—	—	—	—
60. Due from banks .....	175,827	182	1,874	26	10
70. Due from customers .....	3,989,593	207,378	426,042	22,605	—
80. Hedging derivatives .....	14,285	43	1,855	—	—
100. Equity investments .....	39,587	—	—	—	—
120. Property, plant and equipment .....	2,645	179	179	—	—
130. Intangible assets .....	2,157	188	256	—	—
140. Tax assets .....	47,359	3,025	427	32	21
160. Other assets .....	17,413	1,645	17,673	57	4
<b>TOTAL ASSETS .....</b>	<b>4,297,717</b>	<b>212,640</b>	<b>448,970</b>	<b>22,720</b>	<b>35</b>
<b>LIABILITIES</b>					
10. Due to banks .....	3,025,194	16,389	130,398	15,940	—
20. Due to customers .....	1,085,746	188,412	275,124	5,604	—
30. Debt securities in issue .....	—	—	—	—	—
40. Financial liabilities .....	—	—	—	—	—
60. Hedging derivatives .....	992	366	474	—	—
70. Value adjustments to financial assets subject to general hedging .....	—	—	—	—	—
80. Tax liabilities .....	8,542	880	566	35	—
100. Other liabilities .....	40,184	3,701	19,949	534	25
110. Staff severance indemnity provision .....	3,857	41	292	3	—
120. Provisions .....	281	—	149	—	—
130. Valuation reserves .....	8,153	(217)	1,004	—	—
170. Reserves .....	38,557	2,577	12,704	74	—
180. Share premium reserve .....	42,066	—	—	—	—
190. Share capital .....	34,000	600	4,800	600	10
200. Treasury shares .....	—	—	—	—	—
220. Profit (loss) for the period .....	10,145	(109)	3,510	(70)	—
<b>TOTAL LIABILITIES .....</b>	<b>4,297,717</b>	<b>212,640</b>	<b>448,970</b>	<b>22,720</b>	<b>35</b>

TABLE B (cont.)

## PROFIT AND LOSS ACCOUNTS

	LINEA	EQUILON	FUTURO	DUCATI FINANCIAL SERVICES	JUMP S.r.l.
	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)
10. Interest and similar income .....	239,051	16,024	24,242	375	—
20. Interest and similar expense .....	(158,838)	(5,042)	(13,800)	(340)	—
30. Net interest income .....	80,213	10,982	10,442	35	—
40. Fee and commission income .....	85,782	10,152	12,213	744	—
50. Fee and commission expense .....	(9,363)	(113)	(11,821)	(7)	—
60. Net fee and commission income .....	76,419	10,039	392	737	—
70. Dividends and similar income .....	—	—	—	—	—
80. Net trading income (expense) .....	(753)	—	(172)	—	—
90. Net hedging income (expense) .....	—	—	—	—	—
100. Gain (loss) on disposal/repurchase of financial assets	(895)	—	—	—	—
110. Net income from financial assets and liabilities .....	—	—	—	—	—
120. Total income .....	154,984	21,021	10,662	772	—
130. Adjustments for impairment .....	(59,510)	(7,844)	45	(10)	—
140. Net income from financial operations .....	95,474	13,177	10,707	762	—
150. Administrative expenses .....	(78,575)	(12,374)	(5,181)	(924)	(39)
160. Net transfers to provisions .....	(270)	—	(66)	—	—
170. Net adjustments to tangible assets .....	(945)	(38)	(81)	—	—
180. Net adjustments to intangible assets .....	(1,867)	(262)	(121)	—	—
190. Other operating income (expense) .....	27,990	1,085	764	105	41
200. Operating costs .....	(53,667)	(11,589)	(4,685)	(819)	2
210. Gain (loss) on equity investments .....	—	—	—	—	—
220. Net gain (loss) on recognizing tangible/intangible assets at fair value .....	—	—	—	—	—
230. Adjustments to goodwill .....	—	—	—	—	—
240. Gain (loss) on disposal of investments .....	(5)	—	—	—	—
250. Profit (loss) on ordinary activities before tax .....	41,802	1,588	6,022	(57)	2
260. Income tax on ordinary activities for the year .....	(31,657)	(1,697)	(2,512)	(13)	(2)
270. Profit (loss) on ordinary activities after tax .....	10,145	(109)	3,510	(70)	—
280. Gain (loss) on groups of assets being sold .....	—	—	—	—	—
290. Net profit (loss) for the period .....	10,145	(109)	3,510	(70)	—

## OTHER NON-FINANCIAL UNDERTAKINGS (IAS/IFRS)

## BALANCE SHEETS

TABLE B (cont.)

	RICERCHE E STUDI S.p.A. <sup>1</sup>	SETECI S.p.A. 30/06/2008		RICERCHE E STUDI S.p.A. <sup>1</sup>	SETECI S.p.A. 30/06/2007
	(€'000)	(€'000)		(€'000)	(€'000)
<b>ASSETS</b>			<b>LIABILITIES</b>		
Non-current assets .....	—	—	A) Net equity:		
Intangible assets .....	1	1,049	Share capital .....	100	500
Tangible assets .....	8	—	Other financial instruments representing equity .....	—	—
Property, plant and equipment .....	—	7,751	- of which to related parties .....	—	—
Investments in subsidiaries .....	—	—	Reserves .....	3	2,675
Investments in associate companies .....	—	—	Treasury shares .....	—	—
- of which to related parties .....	—	—	Hedge reserves .....	—	—
AFS securities .....	—	—	Other reserves .....	—	—
Real estate assets .....	—	—	Profit (loss) for previous years .....	—	—
Other non-current assets .....	—	20	Profit (loss) for period .....	—	2
Financial assets in the form of derivative instruments .....	—	—	Total net equity .....	103	3,177
Advance tax assets .....	—	96			
Total non-current assets .....	9	8,916	<b>NON-CURRENT LIABILITIES</b>		
<b>CURRENT ASSETS</b>			Staff benefits .....	—	—
Accounts receivable .....	—	1,012	Provisions for liabilities and charges .....	—	—
- of which to related parties .....	—	—	Staff-related provisions .....	288	423
Other receivables .....	—	—	Deferred tax liabilities .....	—	1,087
Sundry receivables and other current assets .....	381	1,185	Borrowings net of current borrowings .....	—	—
- of which to related parties .....	—	—	Other non-current liabilities .....	—	—
Current tax assets .....	—	196	Total non-current liabilities .....	288	1,510
- of which to related parties .....	—	—			
Current financial receivables .....	—	—	<b>CURRENT LIABILITIES</b>		
- of which to related parties .....	—	—	Due to banks .....	—	—
Financial derivative products .....	—	—	Accounts payable .....	—	581
Other current financial assets .....	—	—	- of which to related parties .....	—	—
Cash and liquid assets .....	379	241	Current tax liabilities .....	—	23
Total current assets .....	760	2,634	- of which to related parties .....	—	—
AFS securities .....	—	—	Financial liabilities in the form of derivative products .....	—	—
<b>TOTAL ASSETS</b> .....	<b>769</b>	<b>11,550</b>	Current financial liabilities .....	—	3,076
			- of which to related parties .....	—	—
			Provisions for liabilities and charges .....	—	330
			Other current liabilities .....	378	—
			Sundry payables and other current assets .....	—	2,853
			- of which to related parties .....	—	—
			Total current liabilities .....	378	6,863
			Liabilities in respect of AFS securities .....	—	—
			<b>TOTAL LIABILITIES</b> .....	<b>769</b>	<b>11,550</b>

<sup>1</sup> Financial year ended 30/4/08.



TABLE B (cont.)

## PROFIT AND LOSS ACCOUNT

	RICERCHE E STUDI S.p.A. <sup>1</sup> 30/6/08 (€'000)	SETECI S.p.A. 30/6/08 (€'000)
Net income .....	1,740	14,542
- of which to related parties .....	—	—
Consumption of raw materials and services .....	(406)	(5,345)
- of which to related parties .....	—	—
- of which non-recurring .....	—	—
Personnel costs .....	(1,212)	(3,790)
- of which to related parties .....	—	—
- of which non-recurring .....	—	—
Other operating income .....	—	—
Other operating costs .....	—	—
Other operating income and costs .....	—	—
- of which to related parties .....	—	—
Sundry operating expenses .....	(15)	(3,674)
Provisions for various risks .....	—	—
Depreciation and amortization .....	(4)	(402)
Depreciation on property, plant and equipment .....	(4)	(1,296)
Amortization of real estate investments .....	—	—
Operating profit (loss) .....	99	35
Financial income (expense)		
Financial income .....	10	2
- of which to related parties .....	10	—
- of which non-recurring .....	—	—
Financial expense .....	(1)	(107)
- of which to related parties .....	—	—
Other income (expense) from financial assets and liabilities .....	—	—
- of which to related parties .....	—	—
- of which non-recurring .....	(10)	25
Net profit before tax .....	98	(45)
Income tax .....	(98)	(47)
Net profit for the period .....	—	2

<sup>1</sup> Financial year ended 30/4/08.

## ASSOCIATE COMPANIES

TABLE C

## BALANCE SHEETS

	ASSICURAZIONI GENERALI 31/12/2007 (€'000)		ASSICURAZIONI GENERALI 31/12/2007 (€'000)
ASSETS		LIABILITIES AND SHAREHOLDERS' EQUITY	
B) Total intangible assets .....	152,650	A) Shareholders' equity	
C) Investments		I) Share capital or equivalent fund .....	1,409,506
I) Land and buildings (total) .....	1,354,124	II-VII) Reserves (total) .....	8,104,099
II) Investments in Group and other undertakings (total)	22,180,900	IX) Profit (loss) for year .....	1,401,096
III) Other financial investments		Total shareholders' equity (A) .....	10,914,701
1) Shares and stock units .....	2,327,722	B) Subordinated liabilities .....	3,557,760
2) Mutual fund units .....	1,678,456	C) Technical reserves	
3) Bonds and other fixed-income securities .....	17,859,096	I) General business (total) .....	8,700,144
4) Loans .....	745,239	II) Life business (total) .....	31,600,162
6) Deposits with banks .....	54,810	Total technical reserves (C) .....	40,300,306
7) Other financial investments .....	11,286	D) Technical reserves where investment risk is carried by policyholders and reserves arising from pension fund management (total) .....	1,150,344
Total other financial investments .....	22,676,609	E) Provision for risks and charges (total) .....	162,725
IV) Deposits with reinsurers .....	9,526,481	F) Deposits received from reinsurers .....	209,106
Total investments (C) .....	55,738,114	G) Accounts payable and other liabilities	
D) Investments for the benefit of life policyholders who carry the risk and deriving from pension fund management (total) ..	1,153,205	I) Amounts payable in respect of primary insurances .....	190,123
Db) Reinsurers' share of technical reserves		II) Amounts payable in respect of reinsurances .....	236,011
I) General business (total) .....	1,207,207	III) Bond issues .....	2,500,000
II) Life business (total) .....	231,912	IV) Amounts payable to banks and financial institutions .....	13,107
Total reinsurers' share of technical reserves (Db) .....	1,439,119	V) Secured debt .....	—
E) Accounts receivable		VI) Loans and other debt .....	4,106,319
I) Amounts due in respect of primary insurances (total)	1,609,609	VII) Staff termination indemnity provision .....	27,582
II) Amount due in respect of reinsurances (total) .....	701,154	VIII) Other accounts payable .....	1,704,105
III) Other accounts receivable .....	1,070,064	IX) Other liabilities .....	532,817
Total accounts receivable (E) .....	3,380,827	Total accounts payable and other liabilities (G) .....	9,310,064
F) Other assets		H) Accruals and deferrals (total) .....	465,338
I) Tangible assets and inventories (total) .....	2,567	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (A+B+C+D+E+F+G+H) .....	66,070,344
II) Cash (total) .....	1,782,634	GUARANTEES, COMMITMENTS AND OTHER CONTRA ACCOUNTS (TOTAL)	35,669,456
III) Own shares or stock units .....	1,627,688		
IV) Other assets (total) .....	277,936		
Total other assets (F) .....	3,690,825		
G) Accruals and prepayments (total) .....	515,604		
TOTAL ASSETS (B+C+D+Db+E+F+G) .....	66,070,344		

TABLE C (cont.)

## STATEMENT OF EARNINGS (NON-TECHNICAL ACCOUNTS)

	ASSICURAZIONI GENERALI 31/12/2007
	(€'000)
1) Underwriting profit (loss) from general business .....	653,337
2) Underwriting profit (loss) from life business .....	503,012
3) Investment income in general business	
a) Dividends .....	814,114
b) Other investment income (total) .....	241,032
c) Writebacks in book value of investments .....	59,360
d) Gain on disposal of investments .....	134,406
Total investment income in general business .....	1,248,912
4) Portion of investment income transferred from technical accounts of life business .....	434,664
5) Operating and financial expenses in general business	
a) Investment management expenses and interest paid .....	(73,921)
b) Writedowns to investments .....	(79,534)
c) Loss on disposal of investments .....	(115,982)
Total operating and financial expenses in general business .....	(269,437)
6) Portion of investment income transferred from technical accounts of general business .....	(565,079)
7) Other income .....	251,646
8) Other expenditure .....	(1,005,705)
9) Profit (loss) on ordinary operations .....	1,251,350
10) Extraordinary income .....	240,368
11) Extraordinary expenditure .....	(125,780)
12) Net extraordinary income (expenditure) (10-11) .....	114,588
13) Earnings before tax .....	1,365,938
14) Taxation for the year .....	35,158
15) Profit (loss) for the year (13-14) .....	1,401,096

## OTHER ASSOCIATED UNDERTAKINGS

## BALANCE SHEET

TABLE C (cont.)

	RCS Media Group S.p.A. 31/12/07	GEMINA S.p.A. 31/12/07		RCS Media Group S.p.A. 31/12/2007	GEMINA S.p.A. 31/12/2007
	(€'000)	(€'000)		(€'000)	(€'000)
<b>ASSETS</b>			<b>LIABILITIES</b>		
Non-current assets .....			A) Net equity:		
Intangible assets .....	138	26	Share capital .....	762,019	1,472,960
Tangible assets .....	—	74	Other financial instruments representing equity .....	4,451	—
Property, plant and equipment .....	9,857	—	- of which to related parties .....	3,112	—
Equity investments .....	1,514,973	1,857,334	Reserves .....	229,350	199,848
AFS securities .....	23,365	—	Treasury shares .....	(14,544)	—
Real estate assets .....	103,312	—	Hedge reserves .....	—	—
Other non-current assets .....	393	1,400	Other reserves .....	—	81,395
- of which to related parties .....	—	1,400	Profit (loss) for previous years .....	196,047	52,850
Financial assets in the form of derivative instruments .....	2,724	—	Profit (loss) for period .....	96,901	13,381
Advance tax assets .....	6,982	3,564	Total net equity .....	1,274,224	1,820,434
Total non-current assets .....	1,661,744	1,862,398	Non-current liabilities .....		
<b>CURRENT ASSETS</b>			Staff benefits .....	—	205
Account receivable .....	3,459	4,249	Provisions for liabilities and charges .....	1,572	—
- of which to related parties .....	3,331	251	Staff-related provisions .....	2,406	—
Other receivables .....	—	22,823	Deferred tax liability .....	8,154	—
- of which to related parties .....	—	15,421	Borrowings net of current borrowings .....	520,842	—
Sundry receivables and other current assets .....	5,371	—	Other non-current liabilities .....	—	—
- of which to related parties .....	321	—	Total non-current liabilities .....	532,974	205
Current tax assets .....	63,211	—	<b>CURRENT LIABILITIES</b>		
- of which to related parties .....	2,839	—	Due to banks .....	30,285	—
Current financial receivables .....	324,032	—	Accounts payable .....	10,723	1,360
- of which to related parties .....	324,032	—	- of which to related parties .....	2,169	18
Financial derivative products .....	148	—	Current tax liabilities .....	29,306	—
Other current financial assets .....	—	10,651	- of which to related parties .....	13,540	—
- of which to related parties .....	—	10,600	Financial liabilities in the form of derivative products .....	118	—
Cash and cash equivalents .....	10,071	1,583	Current financial liabilities .....	178,935	109,107
Total current assets .....	406,292	39,306	- of which to related parties .....	128,244	84,543
Financial assets held for sale .....	—	—	Provisions for liabilities and charges .....	2,517	161
<b>TOTAL ASSETS</b> .....	<b>2,068,036</b>	<b>1,933,032</b>	Other current liabilities .....	—	1,765
			- of which to related parties .....	—	27
			Sundry payables and other current assets .....	8,954	—
			- of which to related parties .....	35	—
			Total current liabilities .....	260,838	112,393
			Liabilities in respect of AFS securities .....	—	—
			<b>TOTAL LIABILITIES</b> .....	<b>2,068,036</b>	<b>1,933,032</b>

TABLE C (cont.)

## PROFIT AND LOSS ACCOUNT

	RCS Media Group S.p.A. 31/12/07	GEMINA S.p.A. 31/12/07
	(€'000)	(€'000)
Net income .....	7,863	391
- of which to related parties .....	7,848	391
Consumption of raw materials and services .....	(29,142)	—
- of which to related parties .....	(6,044)	—
- of which non-recurring .....	(1,345)	—
Personnel costs .....	(17,548)	(3,788)
- of which to related parties .....	(2,009)	—
- of which non-recurring .....	(844)	—
Other operating income .....	—	463
- of which to related parties .....	—	308
Other operating costs .....	—	(6,990)
Other operating income and costs	22,021	—
- of which to related parties .....	17,127	—
Sundry operating expenses .....	(1,699)	—
Provisions for various risks .....	(359)	—
Depreciation and amortization .....	(87)	(36)
Depreciation on property, plant and equipment .....	(843)	—
Amortization of real estate investments .....	(1,135)	—
Writedowns to fixed assets:	(194)	—
- of which: non-recurrent	(194)	—
Operating profit (loss) .....	(21,123)	(9,960)
Income (expense) from equity investments		
Dividends from subsidiaries .....	—	23,365
Dividends from associates .....	—	320
Dividends from other companies .....	—	1,512
Other income (expense) from equity investments .....	—	14,064
Interest income (expense)		
Interest income .....	26,554	4,350
- of which to related parties .....	21,936	2,997
- of which non-recurring .....	—	—
Interest expense .....	(32,473)	(39,543)
- of which to related parties .....	(4,683)	(30,378)
Other income (expense) from financial assets and liabilities .....	125,144	—
- of which to related parties .....	65,979	—
- of which non-recurring .....	51,975	—
Net profit before tax .....	98,102	(5,892)
Income tax .....	14,946	19,273
Profit (loss) from assets to be retained .....	113,048	13,381
Profit (loss) from assets to be sold/ sold .....	(16,147)	—
Net profit for the period .....	96,901	13,381

## BALANCE SHEET

TABLE C (cont.)

	Telco S.p.A. 30/4/08
	(€'000)
<b>ASSETS</b>	
<b>Non-current assets</b>	
Intangible assets .....	—
<b>Tangible assets</b> .....	—
Property, plant and equipment .....	—
Real estate assets .....	—
<b>Other non-current assets</b> .....	—
Investments in subsidiaries .....	—
Investments in associated companies .....	—
Investments in other companies .....	—
Securities not qualifying as equity investments .....	—
Financial receivables and other non-current financial assets .....	—
Other non-current assets .....	—
Advance tax assets .....	—
<b>Current assets</b>	
Inventory stocks .....	—
Trade receivables .....	249
Sundry receivables and other current assets .....	30
Equity investments .....	8,835,699
Securities not qualifying as equity investments .....	—
Financial receivables and other non-current financial assets .....	—
Cash and cash equivalents .....	3,817
Accrued income and prepaid expenses .....	61,680
<b>TOTAL ASSETS</b> .....	<b>3,817</b>
<b>LIABILITIES</b>	
<b>Net equity</b>	
Share capital .....	4,849,038
Reserves .....	296,153
Retained earnings (losses) .....	(47,085)
Profit (loss) for the year .....	194,349
<b>Total net equity</b> .....	<b>5,292,455</b>
<b>Non-current liabilities</b>	
Non-current financial liabilities .....	—
Staff-related provisions .....	—
Deferred tax liabilities .....	—
Provisions for liabilities and charges .....	—
Other non-current liabilities .....	—
<b>Total non-current liabilities</b> .....	<b>—</b>
<b>Current liabilities</b>	
Current financial liabilities .....	3,565,571
Trade payables .....	927
Current tax liabilities .....	—
Other current liabilities .....	246
<b>Total current liabilities</b> .....	<b>3,566,744</b>
Deferred income and accrued expenses .....	42,276
<b>TOTAL LIABILITIES</b> .....	<b>2,517,315</b>

PROFIT AND LOSS ACCOUNT

TABLE C (cont.)

TELCO S.p.A.  
30/4/08

(€'000)

Revenues .....	—
Other revenues and income .....	—
<b>Total revenues and income from operations .....</b>	<b>—</b>
Cost of materials and external services .....	—
Labour costs .....	—
Other operating costs .....	(725)
Changes to stocks .....	—
Capitalized cost of work carried out internally .....	—
<b>Profit before depreciation, amortization and non-recurring expenses .....</b>	<b>(725)</b>
Depreciation and amortization .....	—
Gain (loss) on disposal of non-current assets .....	—
Writebacks (writedowns) to non-recurring assets .....	—
Non-recurring expenses, net .....	—
Restructuring charges, net .....	—
<b>Operating profit (loss) .....</b>	<b>(725)</b>
Interest income .....	295,639
Interest expense .....	(100,570)
<b>Extraordinary income .....</b>	<b>44</b>
<b>Extraordinary expenses .....</b>	<b>(39)</b>
<b>Profit before tax .....</b>	<b>194,349</b>
Taxation for the period .....	—
<b>Profit for the period .....</b>	<b>194,349</b>

TABLE C (cont.)

## BALANCE SHEET

	Burgo Group S.p.A. 31/12/07
	(€'000)
ASSETS	
Non-current assets	
Intangible asses	42,427
Tangible assets	<u>1,082,020</u>
Property, plant and equipment	1,080,098
Real estate assets	<u>1,922</u>
Other non-current assets	<u>358,482</u>
Investments in subsidiaries	319,572
Investments in associated companies	6,150
Investments in other companies	8
Securities not qualifying as equity investments	6,500
Financial receivables and other non-current financial assets	25,014
Other non-current assets	<u>1,238</u>
Advance tax assets	<u>1,138</u>
Current assets	
Inventory stocks	278,013
Trade receivables	432,447
Sundry receivables and other current assets	24,406
Equity investments	175,302
Securities not qualifying as equity investments	129
Financial receivables and other non-current financial assets	45,718
Cash and cash equivalents	<u>77,233</u>
TOTAL ASSETS	<u><u>2,517,315</u></u>
LIABILITIES	
Net equity	
Share capital	205,443
Reserves	224,732
Retained earnings (losses)	213,102
Profit (loss) for the year	<u>21,158</u>
Total net equity	<u>664,435</u>
Non-current liabilities	
Non-current financial liabilities	1,054,503
Staff-related provisions	81,021
Deferred tax liabilities	31,223
Provisions for liabilities and charges	27,943
Other non-current liabilities	808
Total non-current liabilities	<u>1,195,498</u>
Current liabilities	
Current financial liabilities	34,694
Trade payables	567,449
Current tax liabilities	7,281
Other current liabilities	<u>47,958</u>
Total current liabilities	<u>657,382</u>
TOTAL LIABILITIES	<u><u>2,517,315</u></u>



PROFIT AND LOSS ACCOUNT

TABLE C (cont.)

	Burgo Group S.p.A. 31/12/07
	(€'000)
Revenues .....	2,040,470
Other revenues and income .....	60,276
	<hr/>
Total revenues and income from operations .....	2,100,746
Cost of materials and external services .....	(1,848,145)
Labour costs .....	(192,072)
Other operating costs .....	(18,378)
Changes to stocks .....	30,862
Capitalized cost of work carried out internally .....	2,566
	<hr/>
Profit before depreciation, amortization and non-recurring expenses .....	75,579
Depreciation and amortization .....	(101,883)
Gain (loss) on disposal of non-current assets .....	1,989
Writebacks (writedowns) to non-recurring assets .....	(17,249)
Non-recurring expenses, net .....	(5,333)
Restructuring charges, net .....	(5,687)
	<hr/>
Operating profit (loss) .....	(52,584)
Interest income .....	146,938
Interest expense .....	(93,541)
	<hr/>
Profit before tax .....	813
Taxation for the period .....	20,345
	<hr/>
Profit for the period .....	21,158
	<hr/>

## BALANCE SHEET

TABLE C (cont.)

		GB Holding S.r.l. 31/12/07 (€'000)
ASSETS		
B)	Fixed assets:	
I)	Intangible assets .....	—
II)	Tangible assets .....	—
III)	Financial fixed assets .....	14,079
	Total (B) .....	14,079
C)	Current assets:	
I)	Inventories .....	—
II)	Accounts receivable:	
	1) Trade receivables .....	—
	2) Amounts due from subsidiaries .....	—
	3) Amounts due from associated companies .....	8
	5) Other accounts .....	—
	6) Deferred tax receivables .....	—
	Total receivables .....	8
III)	Financial assets other than fixed assets .....	—
IV)	Cash .....	1
	Total (C) .....	9
D)	Accrued income and prepaid expenses .....	—
	TOTAL ASSETS (B+C+D) .....	14,088
LIABILITIES		
A)	Shareholders' equity:	
I)	Share capital .....	97
II-VII)	Reserves .....	14,392
VIII)	Retained earnings (accumulated loss) .....	(121)
IX)	Profit (loss) for the year .....	(314)
	Total (A) .....	14,054
B)	Provisions for liabilities and charges .....	—
C)	Provision for staff termination indemnities .....	—
D)	Accounts payable:	
	1) Bonds .....	—
	3) Amounts due to banks .....	—
	4) Amounts due to other lenders .....	32
	5) Advances and deposits .....	—
	6) Trade accounts payable .....	—
	8) Amounts due to subsidiaries .....	—
	9) Amounts due to associated companies .....	—
	11) Taxes payable .....	2
	12) Amounts due to social security institutions .....	—
	13) Other debts .....	—
	Total D .....	34
E)	Deferred income and accrued expenses .....	—
	TOTAL LIABILITIES (A+B+C+D+E) .....	14,088
MEMORANDUM ACCOUNTS		
	Personal guarantees given .....	—
	Collateral given .....	—
	Commitments, contingencies and other memorandum accounts .....	—
	TOTAL MEMORANDUM ACCOUNTS .....	—

PROFIT AND LOSS ACCOUNT

TABLE C (cont.)

GB Holding S.r.l.  
31/12/07

(€'000)

A) Value of production:	
1) Revenue from sales and services .....	—
2) Increase (decrease) in work-in-progress, semi-finished and finished products .....	—
4) Internal additions to fixed assets .....	—
5) Other income .....	—
Total (A) .....	—
B) Costs of production:	
6) Raw materials, secondary materials, consumables, semi-finished and finished goods .....	—
7) Services .....	11
8) Assets leased or rented .....	—
9) Personnel .....	—
10) Depreciation, amortization and writedowns .....	—
11) Increase (decrease) in raw materials, secondary materials, consumables, semi-finished and finished goods .....	—
12) Provisions for liabilities .....	—
13) Other provisions .....	—
14) Sundry operating expenses .....	(1)
Total (B) .....	(12)
Value of production less cost of production (A-B) .....	(12)
C) Interest income (expense):	
15) Dividends from investments .....	—
16) Other interest income .....	5
17) Interest and other financial charges .....	(307)
Total C .....	(302)
D) Value adjustments to financial fixed assets:	
18) Revaluations .....	—
19) Writedowns .....	—
Total (D) .....	—
E) Extraordinary income (expenses):	
20) Extraordinary income .....	—
21) Extraordinary expenses .....	—
Total (E) .....	—
Profit (loss) before tax (A-B+C+D+E).....	(314)
22) Income taxes for the year .....	—
26) Profit (loss) for the year .....	(314)

TABLE C (cont.)

## BALANCE SHEET

	MB Venture Capital Fund I Part.Co. A N.V. 31/12/07	Athena Private Equity S.A. 31/12/07
	(€'000)	(€'000)
ASSETS		
10. Cash in hand .....	13	9,669
20. Amounts due from banks .....	—	—
30. Amounts due from financial companies .....	—	—
40. Trade accounts receivable .....	—	—
50. Bonds and other fixed-income securities .....	—	7,073
60. Equities, participating interests and other floating rate securities .....	—	—
70. Equity investments .....	18,130	72,303
80. Investments in Group undertakings .....	—	32,654
90. Intangible fixed assets .....	—	—
100. Tangible fixed assets .....	—	—
110. Unpaid call on capital .....	—	—
130. Other assets .....	—	52,485
140. Accrued income and prepaid expenses .....	—	—
TOTAL ASSETS .....	18,143	174,184
LIABILITIES		
10. Amounts due to banks .....	—	—
20. Amounts due to financial companies .....	—	—
30. Trade accounts payable .....	—	—
50. Other liabilities .....	—	1,204
60. Accrued expenses and deferred income .....	—	—
70. Provision for staff termination indemnities .....	—	—
80. Provisions for liabilities and charges .....	—	—
90. Loan loss provisions .....	—	—
120. Share capital .....	50	51,200
130. Share premium reserve .....	18,111	—
140. Reserves .....	—	61,680
160. Retained earnings (accumulated loss) .....	(16)	—
170. Profit (loss) for the year .....	(2)	60,100
TOTAL LIABILITIES .....	18,143	174,184

TABLE C (cont.)

## PROFIT AND LOSS ACCOUNT

	MB Venture Capital Fund I Part.Co. A N.V. 31/12/07	Athena Private Equity S.A. 31/12/07
	(€'000)	(€'000)
EXPENSES		
10. Interest payable and similar expenses .....	—	13
20. Commissions payable .....	—	—
30. Loss on dealing transactions .....	—	—
40. Administrative expenses.....	2	5,043
50. Adjustments to intangible and tangible fixed assets .....	—	—
60. Other operating expenses.....	—	—
70. provisions for liabilities and charges .....	—	—
80. Transfer to loan loss provisions .....	—	—
90. Adjustments to receivableS and provisions for guarantees and commitments .....	—	—
100. Adjustments to financial fixed assets .....	—	4,390
110. Extraordinary expenses .....	—	16
130. Net transfers to provisions for liabilities and charges .....	—	—
140. Profit (loss) for the year.....	—	60,100
TOTAL EXPENSES.....	<u>2</u>	<u>69,562</u>
INCOME		
10. Interest receivable and similar income .....	—	1,251
20. Dividends and other income .....	—	68,030
30. Commissions receivable .....	—	—
40. Gain on dealing transactions.....	—	—
70. Other operating income .....	—	30
80. Extraordinary income .....	—	251
100. Loss for the year .....	2	—
TOTAL INCOME.....	<u>2</u>	<u>69,562</u>

## BALANCE SHEET

TABLE C (cont.)

	FIDIA SGR S.p.A. 31/12/07	Banca Esperia S.p.A. 31/12/07
	(€'000)	(€'000)
ASSETS		
10. Cash and cash equivalents .....	3	101
20. Financial assets held for trading .....	—	28,314
30. Financial assets recognized at fair value .....	—	—
40. AFS securities .....	7,344	79,915
50. Financial assets held to maturity .....	—	5,000
60. Due from banks .....	5,808	214,851
70. Due from customers .....	—	308,324
80. Hedging derivatives .....	—	—
90. Value adjustments subject to general hedging .....	—	—
100. Equity investments .....	—	19,272
110. Property, plant and equipment .....	3	695
120. Intangible assets .....	—	89
130. Tax assets .....	53	1,754
140. Non-current and groups of assets being sold .....	—	—
150. Other assets .....	168	23,825
<b>TOTAL ASSETS .....</b>	<b>13,379</b>	<b>682,140</b>
LIABILITIES		
10. Due to banks .....	854	—
20. Due to customers .....	—	545,293
30. Debt securities in .....	—	—
40. Trading liabilities .....	—	20,907
50. Financial liabilities recognized at fair value .....	—	—
60. Hedging derivatives .....	—	—
70. Value adjustments to financial liabilities subject to general hedging .....	—	—
80. Tax liabilities .....	—	2,498
a) current .....	—	1,163
b) deferred .....	—	1,335
90. Liabilities linked to assets being sold .....	—	—
100. Other liabilities .....	1,238	31,505
110. Staff severance indemnity provision .....	164	1,407
120. Provisions .....	3,132	—
130. Valuation reserves .....	2,904	1,069
140. Redeemable shares .....	—	—
150. Equity instruments .....	—	—
160. Reserves .....	(394)	18,641
170. Share premium reserve .....	—	38,646
180. Share capital .....	11,440	13,000
190. Treasury shares .....	—	—
200. Profit (loss) for the period .....	(5,959)	9,174
<b>TOTAL LIABILITIES .....</b>	<b>13,379</b>	<b>682,140</b>

TABLE C (cont.)

## PROFIT AND LOSS ACCOUNT

	FIDIA SGR S.p.A. 31/12/07	Banca Esperia S.p.A. 31/12/07
	(€'000)	(€'000)
10. Interest and similar income .....	236	18,693
20. Interest and similar expense .....	—	(11,853)
30. Net interest income .....	236	6,840
40. Fee and commission income .....	1,170	49,671
50. Fee and commission expense .....	(30)	(2,614)
60. Net fee and commission income .....	1,140	47,057
70. Dividends and similar income .....	—	1,749
80. Net trading income .....	—	(1,057)
90. Net hedging income .....	—	—
100. Gain (loss) on disposal/repurchase of: .....	—	—
a) loans and advances .....	—	—
b) AFS securities .....	—	690
c) financial assets held to maturity .....	—	—
d) financial liabilities .....	—	—
110. Net income from financial assets/liabilities recognized at fair value .....	—	—
120. Total income .....	1,376	55,279
130. Adjustments for impairment to: .....	—	—
a) loans and advances .....	—	(367)
b) AFS securities .....	—	—
c) financial assets held to maturity .....	—	—
d) other financial transactions .....	—	—
140. Net income from financial operations .....	1,376	54,912
150. Administrative expenses .....	(3,058)	(38,545)
a) labour costs .....	—	(26,956)
b) other administrative expenses .....	—	(11,589)
160. Net transfers to provisions .....	(3,132)	—
170. Net adjustments to tangible assets .....	(23)	(287)
180. Net adjustments to intangible assets .....	—	(158)
190. Other operating income (expense) .....	(1,099)	1,449
200. Operating costs .....	(7,312)	(37,541)
210. Net gain (loss) on equity investments .....	—	—
220. Net gain (loss) on recognizing tangible/intangible assets at fair value .....	—	—
230. Adjustments to goodwill .....	—	—
240. Gain (loss) on disposal of investments .....	—	—
250. Profit (loss) on ordinary activities before tax .....	(5,936)	17,371
260. Income tax on ordinary activities for the period .....	(23)	(8,197)
270. Profit (loss) on ordinary activities after tax .....	(5,959)	9,174
280. Net gain (loss) on groups of assets being sold .....	—	—
290. Net profit (loss) for the period .....	(5,959)	9,174

TABLE D

**SIGNIFICANT EQUITY INVESTMENTS AS DEFINED IN ARTICLE 120/3 OF  
DECREE LAW 58/98 AND ARTICLE 126 OF CONSOB REGULATION 11971/99**

	Share capital €'000	Par value per share €	No. of shares held directly	Direct interest* %	No. of shares held indirectly	Indirect interest* %	Shares held by
<b>DIRECTLY CONTROLLED SUBSIDIARIES</b>							
COMPASS S.p.A., Milan	587,500	5	117,500,000	100.00	—	—	—
COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A., Monte Carlo	111,100	200	555,535	100.00	—	—	—
CONSORTIUM S.r.l., Milan	8,600	—	1	100.00	—	—	—
MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A., Luxembourg	10,000	10	990,000	99.00	10,000	1.00	Compass
MEDIOBANCA SECURITIES USA LLC. - New York	250	—	1	100.00	—	—	—
PROMINVESTMENT S.p.A., Rome	743	0.52	1,000,000	70.00	—	—	—
PRUDENTIA FIDUCIARIA S.p.A., Milan	100	5	20,000	100.00	—	—	—
RICERCHE E STUDI S.p.A., Milan	100	5	20,000	100.00	—	—	—
SADE FINANZIARIA - INTERSOMER S.r.l., Milan	25	—	1	100.00	—	—	—
SETECI - Società per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.p.A., Milan	500	5	100,000	100.00	—	—	—
SPAFID S.p.A., Milan	100	10	10,000	100.00	—	—	—
TECHNOSTART S.p.A., Milan	600	0.50	828,000	69.00	—	—	—
<b>INDIRECTLY CONTROLLED SUBSIDIARIES</b>							
CHEBANCA! S.p.A., Milan	170,000	0.50	—	—	340,000,000	100.00	Compass
COFACTOR S.p.A., Milan	32,500	0.50	—	—	65,000,000	100.00	Compass
CREDITTECH S.p.A., Milan	250	1	—	—	250,000	100.00	Compass
LINEA S.p.A., Milan	34,000	10	—	—	3,400,000	100.00	Compass
DUCATI FINANCIAL SERVICES S.r.l., Milan	600	—	—	—	1	50.00	Linea
EQUILON S.p.A., Milan	600	10	—	—	60,000	100.00	Linea
FUTURO S.p.A., Milan	4,800	0.60	—	—	8,000,000	100.00	Linea
SELMABIPIEMME LEASING S.p.A., Milan	41,300	0.50	—	—	49,564,777	60.00	Compass

\* Shares owned.



TABLE D (cont.)

	Share capital €'000	Par value per share €	No. of shares held directly	Direct interest* %	No. of shares held indirectly	Indirect interest* %	Shares held by
PALLADIO LEASING S.p.A., Vicenza	8,700	0.50	—	—	16,482,500 867,500	95.00 5.00	SelmaBipiemme Palladio Leasing
QUARZO LEASE S.R.L., Milan	10	—	—	—	9,000	90.00	SelmaBipiemme
TELELEASING S.p.A., Milan	9,500	1	—	—	7,600,000	80.00	SelmaBipiemme
C.M.B. Asset Management, Monte Carlo	150	150	—	—	995	99.50	CMB S.A.
C.M.I. Compagnie Monégasque Immobilière - SCI, Monte Carlo	2,400	1,525	—	—	1,599 1	99.94 0.06	CMB S.A. C.M.G.A.M.
C.M.G. Compagnie Monégasque de Gestion S.A.M., Monte Carlo	160	160	—	—	997	99.70	CMB S.A.
COMOBA S.A., Lugano	CHF 5,000	CHF 1,000	—	—	5,000	100.00	CMB S.A.
SMEF - Soc. Monégasque des Etudes Financières S.A.M., Monte Carlo	775	155	—	—	4,996	99.92	CMB S.A.
MONOECI Soc. Civile Immobilière, Monte Carlo	1,6	15,5	—	—	99 1	99.00 1.00	CMB S.A. C.M.G.S.A.M.
MOULINS 700 S.A.M., Monte Carlo	160	160	—	—	998	99.80	C.M.I. SCI

\* Shares owned.

TABLE D (cont.)

	Share capital €'000	Par value per share €	No. of shares held directly	Direct interest* %	No. of shares held indirectly	Indirect interest* %	Shares held by
<b>OTHER SIGNIFICANT EQUITY INVESTMENTS</b>							
APE S.G.R., Milan	1,100	1	440,000	40.00	—	—	—
ATHENA PRIVATE EQUITY S.A., Luxembourg	51,200	2	6,114,460	23.88	—	—	—
BANCA ESPERIA S.p.A., Milan	13,000	0.52	12,125,000	48.50	—	—	—
BURGO GROUP S.p.A., Altavilla Vicentina	205,400	0.52	87,442,365	22.13	—	—	—
TELCO S.p.A., Milan	4,849	2.5	206,464,495	10.64	—	—	—
FIDIA - Fondo Interbancario d'Inve- stimento Azionario SGR S.p.A., Milan	11,400	520	5,500	25.00	—	—	—
GB HOLDING S.R.L., Montecchio Maggiore (VI)	97		48,394	49.90	—	—	—
ISTITUTO EUROPEO DI ONCOLOGIA S.r.l., Milan	79,100	—	1	15.06	—	—	—
MB VENTURE CAPITAL FUND I PARTICIPATING CO. A N.V., Amsterdam	50	1	22,500	45.00	—	—	—
SINTERAMA S.p.A., Sandigliano	45,000	0.51	9,324,456	10.51	—	—	—
SPEED S.p.A., Milan	200	1	38,376	19.19	—	—	—
ZAMBIA TANZANIA ROAD SERVICES Ltd, Lusaka (in liquidation)	Kwacha 4,000	Kwacha 200	4,667	23.33	—	—	—
MB VENTURE CAPITAL S.A., Luxembourg	40	10	—	—	1,400	35.00	Technostart

\* Shares owned.

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	Reconta Ernst & Young network	Reconta Ernst & Young	Reconta Ernst & Young network
Auditing	361	—	398	233
Statements	75	—	23	—
Other services:	—	561	—	184
– <i>Observation/analysis of administrative/accounting internal control system</i>	—	470	—	—
– <i>other</i>	—	91	—	184
<b>Total</b>	<b>436</b>	<b>561</b>	<b>421</b>	<b>417</b>

\* Group companies and other companies consolidated line-by-line.

***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***

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1. The undersigned Alberto Nagel and Massimo Bertolini, in their respective capacities as Chief Executive Officer and Head of 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 company's characteristics are adequate; and that
  - the administrative and accounting procedures required for the financial statements to be drawn up were effectively applied during the twelve months ended 30 June 2008.
2. Assessment of the adequacy of said administrative and accounting procedures for the financial statements for the six months ended 30 June 2008 was based on a model defined by Mediobanca in accordance with benchmark standards for internal control systems generally accepted at 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;
    - have been drawn up in accordance with the implementation measures contained in Article 9 of Italian Legislative Decree 38/05, and as far as we are aware, provide 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 in its area of consolidation, along with a description of the main risks and uncertainties to which it is exposed.

Milan, 18 September 2008

*Chief Executive Officer*  
Alberto Nagel

*Head of Financial Reporting*  
Massimo Bertolini

## **STATEMENT ON CORPORATE GOVERNANCE**

## **ANNUAL STATEMENT ON CORPORATE GOVERNANCE<sup>1</sup> AND OWNERSHIP STRUCTURE**

*(pursuant to Articles 123-bis and 124-bis of the Italian Consolidated Finance Act  
and Article 144-decies of Consob regulations for issuers)*

### **2008 version**

At a general meeting held on 27 June 2007, the shareholders of Mediobanca adopted a dualistic model of corporate governance with effect from 2 July 2007. The dualistic model of governance is based on a clear distinction between activities of supervision and direction, which are the responsibility of the Supervisory Board, and management and administration of the company, which are entrusted to the Management Board.

The model of governance adopted attributes management and organization of the company, risk management and internal control policies to the Management Board, which is made up of the Bank's senior management plus one independent member, while the Supervisory Board is responsible for control and strategic supervision.

Roles and duties are laid down in the company's Articles of Association and internal regulations, while relations between the two Boards take place between the respective Chairmen and the Bank's various divisions.

On 4 March 2008 the Bank of Italy issued new regulations regarding the organization and corporate governance of banks, requiring banks to comply with the new directives by 30 June 2009.

### **COMPANY**

Mediobanca was set up in 1946. Its core businesses are lending and investment banking, 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 most recently, retail banking (via CheBanca!). In the meantime it has also developed a significant presence outside Italy, with branch offices opening in Paris, Frankfurt, Madrid, and most recently in London.

Mediobanca shares have been listed on the Milan stock market since 1956.

### **SHARE CAPITAL AND OWNERSHIP**

The Bank's share capital at 30 June 2008 totalled €410,027,832.50, made up of 820,055,665 par value €0.50 shares. The shares are bearer shares, and entitle shareholders to one vote per share in general meeting.

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<sup>1</sup> Prepared in accordance with the guidelines laid down in the Code of Conduct for Listed Companies issued by Borsa Italiana in March 2006.

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 Management Board members and Group employees. As at 30 June 2008 the number of stock options still unassigned totalled 51,015,000 in respect of a like number of shares. On 1 July 2008 a total of 10,311,000 options were awarded to Group members, 1,375,000 of which to Management Board members.

At an extraordinary general meeting held on 27 June 2007, the Management Board was authorized:

- subject to prior approval by the Supervisory Board, 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 resolution, in an amount of up to €100m via the issuance of 200 million new shares, and to issue convertible bonds on or prior to the fifth anniversary of the date of the resolution, in an amount of up to €2bn, establishing that the exercise of the above resolution should not lead to the issue of a total number of shares in excess of 200 million;
- subject to prior approval by the Supervisory Board, 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 resolution, in an amount of up to €40m, via the issuance of 80 million new shares to be reserved for subscription by professional Italian and international investors, with option rights excluded, as permitted under Article 2441, paragraph 4, of the Italian Civil Code.

At a general meeting held on 27 October 2007, the shareholders of Mediobanca authorized a buyback of par value €0.50 ordinary shares issued by the company for up to 2% of its share capital. In execution of this plan, in the course of the last financial year a total of 16,200,000 ordinary shares were repurchased at an average price of €13.17 per share, involving a total outlay of €213.4m.

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, the following shareholders own more than 2% of the share capital of Mediobanca, either in their own right or through subsidiaries:

Shareholder	No. of shares	% of share capital
Unicredito group	71,091,513	8.68
Bolloré group	40,954,907	4.99
Groupama group	40,718,677	4.97
Fondiaria-SAI group	31,447,510	3.83
Mediolanum group	27,709,629	3.38
Italmobiliare group	21,494,278	2.62
Fondazione Cassa di Risparmio di Bologna	21,235,617	2.59
Tassara group	19,632,000	2.39
Benetton group	17,738,123	2.16
Berlusconi group	16,870,271	2.06

Mediobanca has approximately 55,000 shareholders. Shareholders representing approximately 46% of the Bank's share capital have entered into an agreement aimed at preserving a stable shareholder base and governing bodies. 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/investor-relations/our-shareholders](http://www.mediobanca.it/investor-relations/our-shareholders)). The agreement has been renewed until 31 December 2009.

#### **GOVERNING BODIES**

- Shareholders in general meeting
- Supervisory Board
- Chairman of Supervisory Board
- Management Board
- Chairman of Management Board
- Managing Director
- Head of company financial reporting

#### **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:

- appointment and/or dismissal of the Supervisory Board;
- responsibilities of Supervisory Board members;
- allocation of profits;
- engagement of, and termination of agreements with, external auditors;
- transactions required by law to be approved by shareholders in extraordinary general meeting.

#### **SUPERVISORY BOARD: COMPOSITION AND ROLE**

The Supervisory Board consists of between 11 and 21 members, who remain in office for a period of three financial years, at least four of whom must qualify as independent as per the requirements expressly stipulated in the Code of conduct for listed companies, and at least three of whom must be qualified as registered auditors. Two Supervisory Board members are appointed by minority shareholders. The Supervisory Board of Mediobanca for the 2008-2010 period was appointed by shareholders in a general meeting held on 27 June 2007. The governing body was elected in accordance with the provisions of the Bank's



Articles of Association based on lists of candidates possessing the requisite professional qualifications who are fit and proper persons to hold such office and who qualify as independent where required by law and/or the Articles of Association. Such lists were submitted by shareholders owning in the aggregate at least the percentage of the Bank's share capital required under regulations in force at the date of the general meeting, i.e. 27 June 2007, which was one percent. For procedures relating to the appointment and dismissal of Board members, please refer to Article 13 of the company's Articles of Association, which is available on the Mediobanca website at [www.mediobanca.it/investor-relations/corporate-governance/governance-documents](http://www.mediobanca.it/investor-relations/corporate-governance/governance-documents)).

The Supervisory Board in office until 30 June 2010 is currently made up of 21 members:

Members	Post held	Date of birth	Independent*	Auditor**	Minority representative
Cesare Geronzi •	Chairman	15/02/35			
Dieter Rampl •	Deputy Chairman	05/09/47			
Jean Azema •	Member	23/02/53			
Tarak Ben Ammar •	Member	12/06/49	X		
Gilberto Benetton •	Member	19/06/41			
Antoine Bernheim •	Member	04/09/24			
Roberto Bertazzoni •	Member	10/12/42	X		
Vincent Bollorè •	Member	01/04/52			
Angelo Casò •	Member	11/08/40	X	X	
Giancarlo Cerutti •	Member	28/09/50			
Francesco Denozza #	Member	05/10/46	X		X
Ennio Doris •	Member	03/07/40			
Pietro Ferrero •	Member	11/09/63			
Jonella Ligresti •	Member	23/03/67			
Fabrizio Palenzona •	Member	01/09/53			
Eugenio Pinto •	Member	20/09/59	X	X	
Eric Strutz •	Member	13/12/64			
Marco Tronchetti Provera •	Member	18/01/48			
Gabriele Villa •	Member	18/06/64	X	X	
Luigi Zunino Ø	Member	24/04/59	X		X

\* Independent as required in Code of conduct for listed companies.

\*\* Registered auditors.

• Appointed from list no. 1 submitted by shareholders "Unicredito Italiano S.p.A.", which holds 8.682% of the company's share capital, and "Italcementi S.p.A.", which owns 1.409% of the share capital.

# Appointed from minority list no. 2 submitted by shareholder "Amber Master Fund SPC", which holds 2.09% of the company's share capital.

Ø Appointed from minority list no. 3 submitted by shareholders "Sviluppo Nuove Iniziative S.p.A.", Tradim S.p.A., Zunino Investimenti S.p.A." and Stefania Cossetti, who together hold 3.786% of the company's share capital.

The representatives of the latter two lists 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.

All the Supervisory Board members 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 Supervisory Board has duly noted.

*Curricula vitae* for individual Board members submitted in conjunction with lists for appointments to the Supervisory Board and a list of posts held by them in other companies as at 30 June 2008 are available on the Mediobanca website ([www.mediobanca.it/investor-relations/corporate-governance/supervisory-board](http://www.mediobanca.it/investor-relations/corporate-governance/supervisory-board)).

The Supervisory Board is responsible for the duties attributed to it under law and pursuant to the company's Articles of Association. In particular the Supervisory Board:

- a) at the Appointments Committee's proposal, appoints one or two Deputy Chairmen to the Supervisory Board; and appoints members of the Management Board and its Chairman, indicating which members should be vested with particular responsibilities (e.g. Managing Director and/or General Manager), and, having heard the Remuneration Committee's recommendations in this respect, establishes their remuneration;
- b) exercises, including severally by each individual Supervisory Board member where provided by law, all powers of supervision and control required under regulations currently in force, with particular attention to the following, among others:
  - adequacy of the internal control system, with particular regard to risk management;
  - adequacy of the organizational, administrative and accounting arrangements adopted by the company, and their functioning in practice;
  - ascertaining that companies forming part of the Group are managed and co-ordinated appropriately;
- c) reports in writing to shareholders in general meetings called pursuant to Article 2364-bis of the Italian Civil Code on the supervisory activities carried out by it, on omissions and aspects deserving of censure detected by it, and for all other ordinary and extraordinary general meetings, on issues which in its view fall within its own remit;
- d) promoting the taking of disciplinary action vis-à-vis members of the Management Board;
- e) submitting reports to the Bank of Italy as required under Article 70, paragraph 7 of Italian Legislative Decree 385/93.

In addition, at the Management Board's proposal, the Supervisory Board:

1. approves the individual and consolidated financial statements, and reviews the interim and quarterly statements;
2. passes resolutions on strategic direction, business and financial plans and budgets of the company and Group, without prejudice to the Management Board's responsibility for action taken;
3. passes resolutions on trading involving more than 15% of any equity investment deemed to be strategic based on holdings at the start of each financial year;
4. passes resolutions on transactions involving changes to the Group's area of consolidation for individual amounts of over €750m;
5. approves individual rights issues and issues of convertible bonds or bonds with warrants attached for which the Management Board has been mandated;
6. examines proposals which the Management Board intends to submit to shareholders in general meeting;
7. passes resolutions in respect of proposed amendments to the company's Articles of Association, mergers and spinoffs, and rights issues and issuance of convertible bonds and/or bonds with warrants attached to be submitted to shareholders in general meeting.

The Supervisory Board is also responsible for all other duties, including authorization, provided for under law and the company's Articles of Association. Unless provided otherwise by the Supervisory Board, meetings of the Supervisory Board are also attended by the Chairman of the Management Board and the Managing Director, who may be requested to provide information and data with a view to enabling the Supervisory Board to perform its own duties.

As a rule the Supervisory Board meets at least five times a year. The Supervisory Board is regularly constituted when a majority of the Board members in office is present and passes resolutions by means of an open vote with an absolute majority of those present voting in favour. A total of seven meetings are scheduled for the present financial year.

The Supervisory Board reviews the independence of each Board member at least once a year based on information provided by them, assessing the relations which could be or could appear to be such as would jeopardize the said Board member's independence of judgement.

The independent Board members meet at least once a year without the other Board members attending.

#### **CHAIRMAN OF SUPERVISORY BOARD**

The Chairman of the Supervisory Board calls and chairs Board meetings and meetings of the Appointments, Remuneration and Governance committees, sets the agenda and co-ordinates the proceedings. He is responsible for ensuring that

all Supervisory Board members are provided with adequate information regarding the items on the agenda.

He maintains regular contact with the Management Board via its Chairman, and ensures that the Supervisory Board is kept abreast of the Bank's and the Group's operating performance on an ongoing basis.

## COMMITTEES

The Supervisory Committee has established four committees with special responsibilities, as provided under the Bank's Articles of Association:

### Internal control committee

Internal control	Auditor*	Independent**
Angelo Casò	X	X
Francesco Denozza		X
Eugenio Pinto	X	X
Gabriele Villa	X	X

\* Registered auditor.

\*\* Independent as defined in Code of conduct for listed companies.

The committee has powers of proposal, consultation and enquiry with respect to the Bank's systems of internal control and risk management and the structure of its IT and financial reporting organization.

### Remunerations committee

Remunerations committee	Auditor*	Independent**
Cesare Geronzi (Chairman)		
Tarak Ben Ammar		X
Jonella Ligresti		
Carlo Pesenti		
Eric Strutz		

\* Registered auditor.

\*\* Independent as defined in Code of conduct for listed companies.

The Remunerations committee has responsibilities for determining the remuneration payable to the Management Board and that of members vested with particular responsibilities. The Remunerations committee also gives its opinion on the guidelines of the remuneration system for senior management and the Group staff loyalty retention policy presented by the Management Board.

Although the “independent” component of the committee is not in line with the Code of conduct’s recommendations, this is not considered to be an obstacle to objective, balanced assessment of the activities performed by the company’s management and their subsequent remuneration, in view of the clear separation of roles and duties between the Management Board and Supervisory Board, the committee being formed from among the members of the latter.

### Appointments committee

Appointments committee	Auditor*	Independent**
Cesare Geronzi (Chairman)		
Dieter Rampl		
Marco Tronchetti Provera		
Vincent Bollorè		

\* Registered auditor.

\*\* Independent as defined in Code of conduct for listed companies.

The Appointments committee formulates proposals for the selection of Deputy Chairmen, the appointment and dismissal of members of the Management Board, and identification of members with particular duties. The Appointments committee also passes resolutions on proposals made by the Management Board for appointments to posts held at companies qualifying as strategic investments for Mediobanca.

The absence of independent Board members from this committee, when the Code of conduct recommends that they should be in the majority, is justified on the grounds of the different duties involved: i.e., appointment of candidates to positions of responsibility in companies considered to be strategic investments, rather than identifying candidates for the post of board member.

### Governance committee

Governance committee	Auditor*	Independent**
Cesare Geronzi (Chairman)		
Tarak Ben Ammar		X
Eugenio Pinto	X	X
Dieter Rampl		
Marco Tronchetti Provera		

\* Registered auditor.

\*\* Independent as defined in Code of conduct for listed companies.

This committee, which co-ordinates with the other committees where this is possible, is responsible for monitoring (and formulating all relevant proposals for submission to the Supervisory Board on a regular basis) the application of regulations governing the Supervisory Board, the status and functioning of relations between governing bodies, compliance with the principle of separation of roles, and the equilibrium between the respective powers in conformity with the regulatory, statutory and organizational provisions currently in force.

### **MANAGEMENT BOARD: COMPOSITION AND ROLE**

The Management Board is responsible for management of the company, and comprises between three and nine members, chosen, without prejudice to regulatory restrictions and the right to appoint an external Board member, from among the management of companies comprising the Mediobanca Banking Group. Members of the Management Board remain in office for a period of three financial years, lapse from office at the date scheduled for the Supervisory Board meeting called to approve the financial statements for the last year of their term of office, and are eligible for reappointment. When the final year of office for the Management Board coincides with the final year of office for the Supervisory Board, the new Management Board is appointed at the first Supervisory Board meeting following its own reappointment by shareholders in general meeting.

The Management Board currently in office was appointed by the Supervisory Board on 2 July 2007, when it was decided that six Board members would be appointed, and Renato Pagliaro was designated Management Board Chairman. At a meeting of the Management Board held on 4 July 2007, Alberto Nagel was appointed Managing Director. For procedures relating to the appointment and dismissal of Management Board members, please refer to Article 19 of the company's Articles of Association, which are available on the Mediobanca website at [www.mediobanca.it/investor relations/corporate governance/governance documents](http://www.mediobanca.it/investor%20relations/corporate%20governance/governance%20documents).

The Management Board is currently comprised as follows:

Board member	Post held	Term expires	Independent*
Renato Pagliaro	Chairman Presidente	FY ending 30/6/10	
Alberto Nagel	Managing Director	FY ending 30/6/10	
Maurizio Cereda	Board member	FY ending 30/6/10	
Massimo Di Carlo	Board member	FY ending 30/6/10	
Alessandro Trotter	Board member	FY ending 30/6/10	X
Francesco Saverio Vinci	Board member	FY ending 30/6/10	

\* Independent as defined in Code of conduct for listed companies.

The *curricula vitae* of the Board members appointed by the Supervisory Board on 2 July 2008 and a list of the posts held by them in other companies as at 30 June 2008 are available on the Mediobanca website at [www.mediobanca.it/investor-relations/corporate-governance/management-board](http://www.mediobanca.it/investor-relations/corporate-governance/management-board).

The Management Board is responsible for managing the company in implementing strategic direction approved by the Supervisory Board at the recommendation of the Management Board itself. To this end, the Management Board carries out all transactions it deems necessary, useful or otherwise appropriate in order to achieve the company's objectives, including both ordinary and extraordinary transactions: in particular the following areas are reserved to the sole jurisdiction of the Management Board without possibility of delegation, in addition to matters otherwise specified under law as not being able to be delegated:

- 1) the drawing up of proposals to the Supervisory Board in respect of strategic direction, long-term plans and budgets;
- 2) risk management and internal control policies;
- 3) preparation of operating guidelines to which the workforce is bound to conform, and control of the company's affairs through drawing up specific internal regulations where appropriate;
- 4) implementation of strategic direction approved by the Supervisory Board, establishment of criteria by which to co-ordinate and manage the companies that go to make up the Group, and decisions regarding action to be taken in response to statements from the Bank of Italy laying down principles and/or providing specific instructions of primary and not secondary importance that raise problems with regard to their method of execution;
- 5) preparation of quarterly and six-monthly financial statements and draft individual and consolidated financial statements;
- 6) subject to the opinion of the Supervisory Board, which is compulsory, appointment and dismissal of the head of company financial reporting;
- 7) proposals to be submitted to the Supervisory Board on issues which the Management Board intends to submit to shareholders in ordinary general meetings, and resolutions in respect of proposed amendments to the company's Articles of Association, mergers and spinoffs, and rights issues and issues of convertible bonds and/or bonds with warrants attached to be submitted to shareholders in general meeting;
- 8) proposals to be submitted to the Appointments Committee of the Supervisory Board in respect of appointments to posts at companies deemed to be strategic investments;
- 9) subject to prior approval from the Supervisory Board, capital increases and convertible bond issues provided for under Articles 2443 and 2420-ter of the Italian Civil Code.

Regarding regulations applicable to amendments to the company's Articles of Association, and without prejudice to matters for which by law shareholders in extraordinary general meeting have sole competence, the Articles themselves

provide that the Management Board, as permitted under Article 2436 of the Italian Civil Code, has power to approve resolutions to bring said Articles into line with the new regulatory provisions.

The Management Board may establish committees from among its own number, delegating specific duties or assigning advisory and/or co-ordination duties to them.

Management Board meetings are called at the initiative of the Chairman – or at the initiative of the Managing Director or of another two members of the Management Board – and as a rule are held at least once a month. A total of twelve Management Board meetings are scheduled for the current financial year.

The Management Board passes resolutions with a majority of members serving in attendance and voting in favour.

The Chairman of the Management Board is responsible for chairing the meetings, co-ordinating proceedings, and ensuring that participants receive adequate information in timely fashion.

#### **CHAIRMAN OF MANAGEMENT BOARD**

The Chairman of the Management Board:

- a) handles relations with the Chairman of the Supervisory Board;
- b) handles, in conjunction with the Managing Director and the General Manager, if appointed, relations with, and information to be provided to, the Supervisory Board on a quarterly basis with reference to the company's general operating performance and the most significant transactions in terms of amount or importance carried out by the company or any of its subsidiaries pursuant to Article 150, paragraph 2 of Italian Legislative Decree 58/98 and the Articles of Association;
- c) handles, in conjunction with the Managing Director:
  - relations with the supervisory and general institutional authorities, reporting regularly to the Chairman of the Supervisory Board on these issues;
  - external communications.

In the event of the Chairman being absent or otherwise indisposed, his duties are carried out by the Managing Director.

#### **MANAGING DIRECTOR**

The Managing Director:

- a) is responsible for the executive, and handles execution of resolutions approved by the Management Board;



- b) exercises the power of making proposals to the Management Board with particular reference to management direction, proposed strategic plans and budgets, draft financial statements and interim reports;
- c) is in charge of staff management, and makes proposals to the Management Board in respect of appointments to managerial staff;
- d) ensures that the organizational, administrative and accounting arrangements of the company are adequate for its operations and size;
- e) reports to the Management Board for each quarter on the company's general operating performance and its prospects for the foreseeable future, and on the most significant transactions carried out by the company and its subsidiaries;
- f) handles, in conjunction with the Chairman, relations with the supervisory and in general institutional authorities, and also external and financial communications.

#### **HEAD OF COMPANY FINANCIAL REPORTING**

At a Management Board meeting held on 4 July 2007, with the Supervisory Board's approval, Massimo Bertolini was appointed as head of company financial reporting.

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 Management Board 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.

#### **RELATED PARTY DISCLOSURE**

The Management Board has established that accounts with related parties, including with Group companies, which are typical and/or usual in nature, maintained on an arm's length basis, and entered into in the interests of the company itself, should in the normal course of events be approved by the relevant governing bodies pursuant to the resolution in respect of powers adopted by the Management Board on 4 July 2007.

All other transactions with related parties are submitted, subject to prior approval from the Internal control committee, to the jurisdiction of the Management Board, which is also kept informed of such transactions when approved by the competent governing bodies.

In application of such resolution, an internal procedure has been set in place to evaluate the terms of transactions falling into the above category, even if such transactions are carried out by subsidiaries. Applications to the relevant governing body for approval state that a transaction has been carried out with a related party and that the terms thereof do not diverge from those usually applied by the Bank in transactions of a similar nature.

Each Board member is bound to inform the Bank in a timely manner of any transactions entered into by the Bank with related parties through his or her agency, and in the event of his/her being in attendance at the meeting where the said transaction is due to be approved, he/she shall leave the meeting immediately while the matter is discussed.

## **INTERNAL DEALING**

The Management Board has also adopted a code of conduct for reporting requirements in respect of internal dealing, i.e. dealing transactions involving equity instruments issued by Mediobanca carried out by persons defined as “relevant”. Such relevant persons have all subscribed to the code, and inform Mediobanca by the third calendar day following execution of each such transaction involving said equity instruments.

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.

## **INTERNAL CONTROL SYSTEM PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/01: CONFIDENTIAL INFORMATION**

At a Management Board meeting held on 23 November 2007, the updated version of the internal control system implemented pursuant to Italian Legislative Decree was approved, reflecting the changes to the Bank’s governance and new legislation introduced.

The system includes a code of conduct with rules and policies that are binding on Board members, 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. In transposition of regulations on market abuse, the system adopted also makes provision for the drawing up of various lists, in which persons in possession of privileged information in respect of Mediobanca and its clients are recorded.

The supervisory committee prepares an annual report to the Management and Supervisory Boards on the functioning of, and compliance with, the internal control system adopted pursuant to Italian Legislative Decree 231/01.

#### **INTERNAL AUDIT AND CONTROL**

As required by Bank of Italy regulations, Mediobanca maintains an internal 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 internal 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 Internal 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 Management Board and Supervisory Board.

#### **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 issued on 10 July 2007: 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 regulatory requirements and/or internal best practices for 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 Management Board and Supervisory Board at least once a year on the activities it has carried out. The Management Board approved the Bank's policy for managing compliance risk in August 2008.

## **RELATIONS WITH SHAREHOLDERS AND INVESTORS**

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](http://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.

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 Supervisory Board to be responsible for ascertaining that proxies and rights to attend are in order and for presiding over the proceedings, a task that includes determining the order in which items on the agenda are put to the vote. In all cases votes are taken by a show of hands.

## **OTHER INFORMATION REQUIRED UNDER ARTICLE 123-BIS OF THE ITALIAN CONSOLIDATED FINANCE ACT**

### **Severance pay agreements**

Under the terms of agreements entered into in 2003, the members of the Bank's management who make up the Management Board, in the event of their leaving the Bank by mutual consent or being dismissed without just cause, are entitled to receive an indemnity equal to four years' gross annual salary at that time, which may be increased by an amount of up to 40%, in line with indemnities normally paid on the market to managers with comparable profiles. They are also entitled to retain the rights they hold to subscribe for shares in Mediobanca at 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.

Milan, 18 September 2008

**Table 1: SUPERVISORY BOARD/COMMITTEES AS AT 30 JUNE 2008**

SUPERVISORY BOARD					Internal control committee	Appointments committee	Remunerations committee		Governance committee			
Post	Name ****	Independent	*** §	No. of other posts held*	Post	Name ****	Independent	*** §	No. of other posts held*	Post	Name ****	Independent
Chairman	Cesare Geronzi	NO	100%	–			X	100%	X	100%	X	100%
Deputy Chairman	Dieter Rampl	NO	100%	6			X	100%			X	100%
Board member	Jean Azema	NO	12.5%	10								
Board member	Tarak Ben Ammar	YES	100%	5					X	100%	X	100%
Board member	Gilberto Benetton	NO	75%	7								
Board member	Antoine Bernheim	NO	75%	11								
Board member	Roberto Bertazzoni	YES	100%	5								
Board member	Vincent Bolloré	NO	87.5%	10			X	100%				
Board member	Angelo Casò	YES	100%	13	X	100%						
Board member	Giancarlo Cerutti	NO	87.5%	10								
Board member	Francesco Denozza	YES	100%	–	X	100%						
Board member	Ennio Doris	NO	62.5%	4								
Board member	Pietro Ferrero	NO	87.5%	5								
Board member	Jonella Ligresti	NO	87.5%	7					X	100%		
Board member	Fabrizio Palenzona	NO	100%	5								
Board member	Carlo Pesenti	NO	75%	6					X	25%		
Board member	Eugenio Pinto	YES	100%	7	X	100%					X	100%
Board member	Eric Strutz	NO	87.5%	7					X	100%		
Board member	Marco Tronchetti Provera	NO	75%	4			X	100%			X	100%
Board member	Gabriele Villa	YES	100%	5	X	100%						
Board member	Luigi Zunino	YES	87.5%	5								

**NUMBER OF MEETINGS HELD DURING THE YEAR**

Supervisory Board:	8	Internal control committee:	11	Appointments committee:	5	Remunerations committee:	4	Governance committee:	2
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## NOTES

\* Indicates number of positions as director or statutory auditor held by the person concerned in companies listed on regulated markets in Italy and elsewhere, in financial services companies, banks and insurances, or large corporates. Details are provided in full in the statement on corporate governance.

\*\* "X" indicates that the Supervisory Board member belongs to the relevant committee.

\*\*\* Percentage indicates the Board member's attendance record at Supervisory Board and committee meetings.

\*\*\*\* The *curricula vitae* of the Supervisory Board members and a list of the posts held by them in other companies as at 30 June 2008 are available on the Bank's website at [www.mediobanca.it/investor-relations/corporate-governance/supervisory-board](http://www.mediobanca.it/investor-relations/corporate-governance/supervisory-board).

§ Refers to percentage of term already served.

**Table 2: MANAGEMENT BOARD**

Post	Name*	Executive	Non-executive	Independent	Attendance record
Chairman	Renato Pagliaro	X		NO	100%
Managing Director	Alberto Nagel	X		NO	100%
Board member	Maurizio Cereda	X		NO	100%
Board member	Massimo Di Carlo	X		NO	100%
Board member	Alessandro Trotter		X	YES	100%
Board member	Francesco Saverio Vinci	X		NO	100%

<b>No. of meetings held during the period:</b>
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17
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\* The *curricula vitae* of the Management Board members appointed by the Supervisory Board on 2 July 2007 and a list of the posts held by them in other companies as at 30 June 2008 are available on the Bank's website at [www.mediobanca.it/investor-relations/corporate-governance/management-board](http://www.mediobanca.it/investor-relations/corporate-governance/management-board).

**Table 3: OTHER REQUIREMENTS UNDER CODE OF CONDUCT FOR LISTED COMPANIES**

	YES	NO	Reasons for any departures from recommendations made in code
<b>Power to represent the Bank and related party disclosure</b>			
Has the <b>Management Board</b> 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 <b>Management Board</b> 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 <b>Management Board</b> 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 <b>Management Board</b> 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		
<b>Procedures for most recent appointments to Supervisory Board</b>			
Were candidates’ applications for the post of <b>Supervisory Board member</b> lodged at least fifteen 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		
<b>General meetings</b>			
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?			
<b>Internal control</b>			
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 8.C.1. of the code	X		Internal audit unit
<b>Investor relations</b>			
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. no.: (0039) 02-8829.860 - Fax no.: (0039) 02-8829.819 - Email: <a href="mailto:investor.relations@mediobanca.it">investor.relations@mediobanca.it</a>		

*Annex – Posts held in other financial companies, banks, insurances or other companies of significant size by members of the Supervisory Board of Mediobanca*

Name	Position held in Mediobanca	Posts held in other companies
Cesare GERONZI	Chairman	=
Dieter RAMPL	Deputy Chairman	Chairman, UniCredito Italiano Chairman of Supervisory Board, Koenig & Bauer Chairman of Supervisory Board, Bayerische Börse Member of Supervisory Board, FC Bayern München Non-executive Director, Babcock and Brown Director, Bode Grabner Beye Ag & Co. Kg
Jean AZEMA	Board member	General Manager, Groupama Director, Société Générale Director, Bolloré Director, Véolia Environnement Chairman, Groupama International Deputy Chairman, FFSA - Fédération Française de Sociétés d'Assurances Chairman, FFSAM - Fédération Française de Sociétés d'Assurance Mutuelle General Manager, Groupama Holding 2 General Manager, Groupama Holding <i>Représentant permanent</i> , Groupama Sci Groupama Les Massues
Tarak BEN AMMAR	Board member	Director, Telecom Italia Chairman and General Manager, Quinta Communications Chief Executive Officer, Europa TV Chief Executive Officer, Prima TV Managing Director, Carthago Film
Gilberto BENETTON	Board member	Chairman, Edizione Holding Chairman, Autogrill Chairman, Sintonia Director, Benetton Group Director, Pirelli & C. Director, Atlantia Director, Allianz



Name	Position held in Mediobanca	Posts held in other companies
Antoine BERNHEIM	Board member	Chairman, Assicurazioni Generali Deputy Chairman, Alleanza Assicurazioni Deputy Chairman of Supervisory Board, IntesaSanpaolo Deputy Chairman, LVMH Director, AMB Generali Holding Director, Ciments Français Director, Christian Dior Member of Supervisory Board, Eurazeo Deputy Chairman, Bolloré Director, B.S.I (Banca della Svizzera Italiana) <i>Représentant</i> of Assicurazioni Generali in Banco Santander Central Hispano Director, Havas
Roberto BERTAZZONI	Board member	Chairman, Smeg Director, Unicredit Banca Director, Rizzoli Corriere della Sera MediaGroup Chairman, Erfin - Eridano Finanziaria Chairman, Cofiber
Vincent BOLLORE'	Board member	Chairman and General Manager, Bolloré Chairman and General Manager, Bolloré Participations Chairman, Financière De L'Odet Chairman, Havas Chairman, Matin Plus Chairman, Direct Soir Supervisory Board member, Natixis Chairman and Managing Director, Nord Sumatra Investissements Director, Chemins De Fer Et Tramways du Var et Du Gard Director, Industrielle Et Financière De L'Artois
Angelo CASO'	Board member	Chairman of Statutory Audit Committee, Benetton Group Chairman of Statutory Audit Committee, Edizione Holding Chairman of Statutory Audit Committee, Sintonia Chairman of Statutory Audit Committee, Ragione Chairman of Statutory Audit Committee, Vittoria Assicurazioni Chairman of Statutory Audit Committee, Indesit Company Chairman of Statutory Audit Committee, Fidelity Chairman of Statutory Audit Committee, RCS Libri Chairman of Statutory Audit Committee, Bracco Chairman of Statutory Audit Committee, Bracco Imaging Chairman of Statutory Audit Committee, IGP Decaux Chairman of Statutory Audit Committee, Sind International Chairman of Board of Directors, Lamplast Finanziaria Director, Falck

Name	Position held in Mediobanca	Posts held in other companies
Giancarlo CERUTTI	Board member	Managing Director, Officine Meccaniche Giovanni Cerutti Chairman, Il Sole 24 Ore Director, Toro Assicurazioni Director, Fondazione Cassa Di Risparmio Di Alessandria Chairman, Bernal Managing Director, Cerfin Director, Cergraphold Chairman, Cerlux Chairman, Flexotecnica Chairman and Managing Director, Iberica
Francesco DENOZZA	Board member	=
Ennio DORIS	Board member	Managing Director, Mediolanum Chairman, Banca Mediolanum Director, Banca Esperia Director, Safilo Group
Pietro FERRERO	Board member	Chairman, Ferrero S.p.A. Chief Executive Officer (CEO), Ferrero International Member of Executive Committee, Allianz Director, Italcementi Chairman, Soremartec
Jonella LIGRESTI	Board member	Chairman, Fondiaria - SAI Chairman, SAI Holding Italia Deputy Chairman, Premafin Finanziaria Director, Milano Assicurazioni Director, RCS MediaGroup Director, Italmobiliare Director, Finadin
Fabrizio PALENZONA	Board member	Deputy Chairman, Unicredito Italiano Chairman, Aeroporti di Roma Chairman, Aviva Italia Director, Fondazione Cassa Di Risparmio di Alessandria Chairman, Aiscat
Carlo PESENTI	Board member	Director and General Manager, Italmobiliare Managing Director, Italcementi Deputy Chairman, Ciments Français Director, UniCredito Italiano Director, RCS MediaGroup Director, Ambienta Società di Gestione del Risparmio

Name	Position held in Mediobanca	Posts held in other companies
Eugenio PINTO	Board member	<p>Director, Gemina</p> <p>Director, Ansaldo-Sts</p> <p>Chairman of Statutory Audit Committee, Bulgari</p> <p>Standing Auditor, Alleanza Assicurazioni</p> <p>Director, Anas</p> <p>Chairman of Statutory Audit Committee, Societa' Finanziamenti Idrocarburi - Sofid</p> <p>Chairman of Statutory Audit Committee, Stoccaggi Gas Italia (Stogit)</p>
Eric STRUTZ	Board member	<p>Member of Board of Managing Directors, Commerzbank</p> <p>Member of Board of Directors, Commerzbank International</p> <p>Member of Supervisory Board, ABB</p> <p>Member of Supervisory Board, Cominvest Asset Management</p> <p>Member of Supervisory Board, Hypothekenbank</p> <p>Chairman of Supervisory Board, Commerzbank Auslandsbanken Holding</p> <p>Chairman of Supervisory Board, Commerzbank Inlandsbanken Holding</p>
Marco TRONCHETTI PROVERA	Board member	<p>Chairman, Pirelli &amp; C.</p> <p>Chairman, Camfin</p> <p>Chairman, Pirelli &amp; C. Real Estate</p> <p>Chairman, Gruppo Partecipazioni Industriali</p>
Gabriele VILLA	Board member	<p>Deputy Chairman, Calcestruzzi (formerly Italcacstruzzi)</p> <p>Chairman of Statutory Audit Committee, Credito Artigiano</p> <p>Standing Auditor, Fincobank</p> <p>Standing Auditor, So.Fi.Ge.</p> <p>Director, Solofid - Societa' Lombarda Fiduciaria</p>
Luigi ZUNINO	Board member	<p>Chairman and Managing Director, Risanamento</p> <p>Chairman and Managing Director, Tradim</p> <p>Chairman and Managing Director, Zunino Investimenti Italia</p> <p>Chairman and Managing Director, Sagim</p> <p>Chairman, Tradital</p>

*Annex* – Posts held in other financial companies, banks, insurances or other companies of significant size by members of the Management Board of Mediobanca

Name	Position held in Mediobanca	Posts held in other companies
Renato PAGLIARO	Chairman	Director, Telecom Italia Director, RCS MediaGroup Director, Pirelli & C. Director, Burgo Group
Alberto NAGEL	Managing Director	Director, Assicurazioni Generali Director, Banca Esperia
Maurizio CEREDA	Board member	Director, Ansaldo STS Director, Enervit
Massimo DI CARLO	Board member	=
Alessandro TROTTER	Board member	Chairman of Statutory Audit Committee, Autostrade per l'Italia Standing Auditor, Atlantia Chairman of Statutory Audit Committee, Unicredit Banca Chairman of Statutory Audit Committee, Unicredit Servizi Retail Uno Chairman of Statutory Audit Committee, TLX Standing Auditor, Unicredit Consumer Financing Bank Standing Auditor, Schemaventotto
Francesco Saverio VINCI	Board member	Director, Italmobiliare Director, Perseo Director, Duemme Hedge Sgr Director, Duemme Sicav Director, Duemme Sgr

**ANNUAL GENERAL MEETING**  
**28 OCTOBER 2008**

## **AGENDA**

### ***Ordinary business***

1. Proposed allocation of profit for the year ended 30 June 2008 and dividend distribution.
2. Measures pursuant to Article 2409-*duodecies*, paragraph 7 of the Italian Civil Code

### ***Extraordinary business***

Adoption of new Articles of Association based on traditional corporate governance model.

### ***Ordinary business***

1. Appointments to Board of Directors for financial years ending 30 June 2009, 2010 and 2011, having previously established their number, and determining the amount of their remuneration.
2. Appointment of members and chairman of Statutory Audit Committee, and determining the amount of their remuneration.

**REPORTS TO SHAREHOLDERS IN GENERAL MEETING**

## **REPORT BY SUPERVISORY BOARD TO SHAREHOLDERS IN GENERAL MEETING**

*(as required by Article 153, paragraph 1 of the Italian Consolidated Finance Act  
and Article 14 letter d) of the company's Articles of Association)*

Dear Shareholders,

As you are aware, Mediobanca adopted a dualistic system of governance and control for the 2007-2008 financial year based on a clear distinction between the activities of supervision and direction, which are the responsibility of the Supervisory Board, and management and administration of the company, which are entrusted to the Management Board. You are referred to the annual statement on corporate governance for a more detailed description of the duties assigned to and carried out by each of the Bank's governing bodies.

Moreover, at a meeting held on 30 July 2008, the Supervisory Board of Mediobanca noted a series of critical issues arising in connection with the functioning of the dualistic system, and accordingly saw the need to review the entire governance system and thus to evaluate the suitability of adopting the traditional system. Having sought the opinion of management, the Supervisory Board resolved to draw up a new corporate governance project for the Bank, in the form best suited to ensure maximum sufficiency in terms of operation and effective control, to satisfy shareholders' interests, and leverage fully on the management. In this light, a proposal has been developed to adopt the traditional system of governance based on a Board of Directors and Statutory Audit Committee, both of which are to be appointed by shareholders in general meeting.

As required by the company's Articles of Association and in pursuance of the recommendations laid down in the Code of Conduct for Listed Companies operated by Borsa Italiana S.p.A., in the year ended 30 June 2008 the Supervisory Board established four committees from among its own number: the Internal control committee, the Appointments committee, the Remunerations committee and the Governance committee. The Board also saw fit to appoint a Secretary from outside its own number and delegate him *inter alia* to assist the Chairman in his duties, to co-ordinate the activities of the Supervisory Board and the committees set up by it, and to handle relations with institutions and authorities, including of a supervisory nature. As permitted under Article 151-bis, paragraph 3 of the Italian Consolidated Act, the Supervisory Board established a "Supervisory Board Secretary's office" under the Secretary's supervision, which is responsible for the following tasks:

- organizing meetings of the Supervisory Board and the committees established by it, and discharging all related duties;
- providing organizational support on the occasion of annual general meetings of shareholders;



- assisting the Supervisory Board, the committees and their respective Chairmen in their duties, handling every form of enquiry that is necessary or otherwise requested;
  - co-ordinating with the company divisions and other governing bodies, with particular reference to procedures requiring the authorization, approval or review of the Supervisory Board.
1. In this report, which has been drawn up to comply with the provisions of Article 153, paragraph 1 of the Italian Consolidated Finance Act, the Supervisory Board reports on the activities of supervision it has carried out and on any omissions or aspects deserving of censure noted by it; and to this end states that it has:
    - performed the activities of supervision provided for by the law, *inter alia* through the offices of the Internal control committee (the “ICC”), in compliance with the provisions issued by the Bank of Italy and Consob, and in line with the guidance drawn up by the Italian association of chartered and ordinary accountants, not to mention internal procedures and regulations;
    - received regular information from the Management Board, all of whose meetings the Chairman of the ICC has attended, on the activities and most significant transactions in earnings, financial and capital terms, carried out by the Bank and by Group companies, also as provided under Article 150, paragraph 1 of the Italian Consolidated Finance Act;
    - familiarized itself with and exercised vigilance over, within the limits of its jurisdiction, the adequacy of the Bank’s organizational structure and compliance with the principles of proper management, by means of direct observation, acquiring information, and regular meetings with the heads of the company’s divisions, with the head of company financial reporting, and with external auditors Reconta Ernst & Young S.p.A.;
    - monitored the adequacy of the internal control and administrative and accounting systems, and their reliability for the purpose of ensuring that the operating performance is accurately reflected, through regular meetings with the heads of the company’s divisions and review of the documentation drawn up;
    - checked that the corporate governance guidelines laid down by the Code of conduct for listed companies operated by Borsa Italiana have been properly implemented.
  2. The Supervisory Board also notes, including in relation to the powers specifically vested in it under law and the company’s Articles of Association, and with reference to the approval of the company’s individual and consolidated financial statements, that:
    - on 18 September 2008, the Management Board approved the draft individual and consolidated financial statements as at 30 June 2008, which

were made available to the Supervisory Board along with the respective Reviews of Operations;

- it has checked that the legal and regulatory provisions in force regarding the formation, arrangement and structure of these statements and the additional documentation accompanying them, including information on the company's ownership structure as required by Article 123 *bis* of the Italian Consolidated Finance Act;
- it has verified that the Reviews of Operations provide a clear and exhaustive illustration of the earnings, capital and financial situation of Mediobanca and the Group companies and their performance during the financial year;
- the Managing Director and Head of company financial reporting made the declarations required of them under Article 154-*bis* of the Italian Consolidated Finance Act on 18 September 2008;
- it received the audit reports from *Reconta Ernst & Young* S.p.A. required under Article 156 of the Italian Consolidated Finance Act on 19 September 2008, issued on the same date in respect of the individual and consolidated financial statements, which raise no significant issues and contain no requests for additional information;
- it approved the individual and consolidated financial statements for the year ended 30 June 2008 on 7 October 2008, agreeing with the proposals for profit allocation and dividend distribution made by the Management Board and submitted to your approval.

3. The Supervisory Board states that no significant factors have emerged that would require to be reported to the supervisory authorities or which are worthy of mention in this report.

During the financial year under review, the Supervisory Board attended the Annual General Meeting of shareholders which took place on 27 October 2007. In addition the following meetings have taken place:

- 8 Supervisory Board meetings;
- 11 ICC meetings;
- 5 Appointments committee meetings;
- 4 Remunerations committee meetings;
- 2 Governance committee meetings;
- meeting of independent Board members;
- the Supervisory Board, in the person of the Chairman of the ICC, also attended a total of 17 Management Board meetings;
- it has received from the various heads of division, in the course of the aforementioned meetings, information on the activities performed by the

company and by Group companies, and on the most significant transactions executed in capital, earnings and financial terms;

- it has had regular meetings through the ICC with the external auditors, with the head of internal control and with other heads of divisions;
- through the ICC, it has ascertained that the internal control system implemented pursuant to Italian Legislative Decree 231/01 has been approved and updated, and that the supervisory body provided for therein has been established as appropriate under the dualistic governance system.

No critical issues and/or shortcomings or reports of significant breaches of the relevant regulations have emerged.

The Supervisory Board:

- issued the mandatory opinion for appointment of the Head of company financial reporting;
- reviewed and approved the appointment of the head of the Compliance unit, in pursuance of supervisory regulations issued by the Bank of Italy on 10 July 2007. The ICC has had regular meetings with the head of Compliance;
- ascertained that transactions in potential conflict of interest were approved in accordance with the provisions of the law and the Articles of Association;
- reviewed, in conjunction with the ICC, the transactions and initiatives proposed by the Management Board, and took decisions regarding their authorization;
- performed supervisory activities on compliance with the measures envisaged in respect of the aforementioned transactions;
- ascertained that the transactions referred to above are in conformity with the provisions of the law and the company's Articles of Association and are not imprudent or unwise or in conflict of interest or contrast with the resolutions adopted by shareholders in general meeting, or otherwise such as would compromise the company's assets;
- at the Management Board's proposal, approved the 2008-2011 three-year strategic plan, the 2009 budget and the accounts for 2008;
- reviewed the Management Board's decisions, in particular those relevant to the acquisition of the Linea group and to the retail bank initiative (CheBanca!);
- noted that based on the supervisory activities carried out, no atypical or unusual transactions have emerged;
- observed that no intra-group accounts or transactions with related parties of an ordinary nature have been entered into that are not in the interests of the company or otherwise inappropriate, and that such transactions have been duly illustrated in the Reviews of Operations and the Notes to the Accounts;

- noted that the instructions provided for by Article 114, paragraph 2 of the Italian Consolidated Finance Act have duly been transmitted to all Group companies;
- appraised the company's internal control, administrative and accounting systems in view of their ability to reflect the Bank's operating performance, both through information obtained from the heads of division themselves, through the regular reports prepared by the Chairman of the ICC, and through meetings with the external auditors involving a two-way exchange of data and information, including through the ICC;
- on the issue of the adequacy of the administrative and accounting systems in place, the draft individual and consolidated financial statements as at 30 June 2008 have been drawn up, as required by Italian Legislative Decree 38/2005, with IAS/IFRS in force as established by regulation CE 1606/02 and in view of the provisions of Bank of Italy circular 262/05. In this connection, it should be noted that the Supervisory Board expressed its approval of the document adopted by the Management Board to map the Group's administrative and accounting procedures as provided under Article 154-*bis* of the Italian Consolidated Finance Act (introduced by Italian Law 262/05). This provided an opportunity to review all the administrative processes in place at Mediobanca and the Group using the methodologies adopted in international best practice (PCAOB – the Public Company Accounting Oversight Board, an independent body instituted under the Sarbanes Oxley Act of 2002). This methodology provides for procedures to be classified in order, formalized in flow charts, risks and controls for each risk to be identified for each procedure, and persons responsible for the different stages to be identified.  
The financial statements, as required by Article 154-bis of the Italian Consolidated Finance Act and by Article 81-*ter* of Consob regulation no. 11971/99 as amended, by a statement by the Managing Director and Head of company financial reporting;
- noted the absence of significant issues through the ICC via contact with the corresponding bodies at the other Group companies;
- monitored the implementation of organizational measures linked to developments in the company's business;
- appraised the external auditors' independence;
- noted that the external auditors have not expressed any opinions as permitted under law;
- noted the existence of additional mandates granted to the external auditors in respect of professional services rendered in the issue of a comfort letter in an amount of €75,000;
- noted the existence of professional mandates issued to individuals linked to the external auditors by ongoing relationships in respect of professional services rendered to complete services relating to the optimization of the

operations/accounting reconciliation process for the securities and derivatives desk, as well as assistance in preparing the administration and control procedures required under Italian Law 262/05 (Head of company financial reporting), in an aggregate amount of €561,000; such services in no way prejudice the independence of the external auditors.

- reviewed the complaints made pursuant to Article 2408 of the Italian Civil Code by shareholders Mr Fabris and Mr Rimbotti at the Annual General Meeting of Mediobanca held on 27 October 2007.

Mr Fabris asked the Supervisory Board to ascertain the legitimacy of the vote cast by Mediobanca in the Extraordinary General Meeting of Assicurazioni Generali S.p.A. held on 29 June 2007 which approved various amendments to the Articles of Association of this company to bring them into line with the provisions of Italian Law 262/05 on the protection of savings, in particular those regarding the methods for election of members to the Board of Directors (Article 31) and the Statutory Audit Committee (Article 40), making provision in both cases for the Board of Directors to submit its own list of candidates. Mr Fabris was of the opinion that this vote was not legitimate in the light of the recent ruling by the First Civil Section of the Court of Cassation (no. 19160/07) which held that a similar provision made in the Articles of Association of a limited company entitling the Board of Directors to submit a list of candidates for election to the Statutory Audit Committee was not legitimate, holding it to be in breach of Article 148, paragraph 2 of Italian Legislative Decree 58/98 on the grounds that it would not ensure the presence of members voted for by minority shareholders. In this connection the Supervisory Board, via the ICC, first of all noted that the reference to the Court of Cassation ruling was filed on 13 September 2007, that is, almost three months after the Annual General Meeting of Assicurazioni Generali in which the aforementioned amendments were adopted. It noted that the ruling in fact made reference to a regulatory scenario applying before Italian Law 262/05 came into force, which, as has been well documented, introduced a mechanism for protecting minority shareholders by ensuring that the Chairman of the Statutory Audit Committee be elected from the list submitted by minorities. In view of the foregoing, given that the shareholder's complaint regarding the resolution adopted in general meeting by the shareholders of Assicurazioni Generali was deemed to be groundless, the Supervisory Board decided not to proceed with further investigations on this matter.

Mr Rimbotti submitted a complaint to the Supervisory Board of Mediobanca pursuant to Article 2408 of the Italian Code in respect of the application by Banca Popolare di Lodi, the depositor bank of Mr Rimbotti's shares in Mediobanca, to apply a commission of €7.75 to issue the certification required to be able to attend the general meeting. The Supervisory Board elected not to pursue the enquiry, as the relations between the shareholder and his own intermediary do not involve Mediobanca directly.

- monitored compliance by the company with the provisions of the law, the company's Articles of Association and its memorandum of incorporation;
- no reports of anomalies and/or irregularities have been received;
- inspection of Mediobanca's accounts and consolidated and individual financial statements under the Italian Consolidated Finance Act is the responsibility of external auditors *Reconta Ernst & Young* S.p.A. Reference is made to their reports for further information;
- the Bank's annual statement on corporate governance prepared in accordance with the instructions and regulations for markets operated and run by Borsa Italiana S.p.A. provides an illustration of Mediobanca's dualistic system of management and supervision.

The Supervisory Board agrees with the profit allocation and dividend distribution proposed by the Management Board and submitted to your approval.

Milan, 7 October 2008

THE SUPERVISORY BOARD

**Annex to report prepared pursuant to Article 153 of Italian Legislative Decree 58/98  
LIST OF POSTS HELD BY EACH SUPERVISORY BOARD MEMBER**

*(pursuant to Article 148-bis of Italian Legislative Decree 58/98 and  
Article 144-quinquiesdecies of Consob resolution - form 4)*

Name and surname	Name of company	Type of post held	Term of office expires <sup>1</sup>	No. of posts held in issuers	Total number of posts held
Cesare GERONZI	Mediobanca S.p.A.	Chairman, SB	30/6/10	1	2
	Istituto Enciclopedia Italiana Treccani S.p.A.	Deputy Chairman, BoD	30/12/10		
Dieter RAMPL	Mediobanca S.p.A.	Deputy Chairman, SB	30/6/10	2	2
	Unicredit S.p.A.	Chairman, BoD	30/12/08		
Jean AZEMA	Mediobanca S.p.A.	Director	30/6/10	1	1
Tarak BEN AMMAR	Mediobanca S.p.A.	SB member	30/6/10	2	11
	Telecom Italia S.p.A.	Director	30/12/10		
	Eagle Pictures S.p.A.	Chairman, BoD	30/12/09		
	Europa Network S.r.l.	Director	Until dismissed		
	Europa TV S.p.A.	Chairman, BoD	30/12/10		
	Holland Coordinator & Service Company Italia S.p.A.	Chairman, BoD	30/12/10		
	Imperium S.p.A.	Chairman, BoD	30/12/09		
	La Centrale Finanziaria Generale S.p.A.	Deputy Chairman, BoD	30/12/10		
	Luxvide Finanz. per Iniziative audiovisive e Telematiche S.p.A.	Director	30/12/08		
	Prima TV S.p.A.	Chairman, BoD	30/12/11		
Quinta Communications Italia Srl	Director	Until dismissed			
Gilberto BENETTON	Mediobanca S.p.A.	SB member	30/6/10	5	13
	Allianz S.p.A.	Director	30/12/08		
	Asolo Golf Club S.r.l.	Chairman, BoD	Until dismissed		
	Atlantia S.p.A.	Director	30/12/08		
	Autogrill S.p.A.	Chairman, BoD	30/12/10		
	Benetton Group S.p.A.	Director	30/12/09		
	Edizione Holding S.p.A.	Chairman, BoD	30/12/10		
	Immobiliare Marca S.r.l.	Sole director	Permanent		
	Pirelli & C. S.p.A.	Director	30/12/10		
	Ragione Soc. Accomandita per Az. di G. Benetton & C.	Acting partner	Permanent		
	REGIA S.r.l.	Sole director	Permanent		
	Sintonia S.p.A.	Chairman, BoD	30/12/09		
Verde Sport S.p.A.	Chairman, BoD	30/12/10			
Antoine BERNHEIM	Mediobanca S.p.A.	SB member	30/6/10	4	4
	Alleanza Assicurazioni S.p.A.	Director	30/12/09		
	Assicurazioni Generali S.p.A.	Chairman, BoD	30/12/09		
	Intesa SanPaolo S.p.A.	Deputy Chairman, BoD	30/12/09		

<sup>1</sup> Date indicated for term of office expiring is date on which last financial year of mandate closes, while term of office actually expires with general meeting called to approve accounts for financial year referred to.

Name and surname	Name of company	Type of post held	Term of office expires <sup>1</sup>	No. of posts held in issuers	Total number of posts held
Roberto BERTAZZONI	Mediobanca S.p.A.	SB member	30/6/10	2	6
	Smeg S.p.A.	Chairman, BoD	30/12/08		
	Erfin - Eridano Finanziaria S.p.A.	Chairman, BoD	30/12/10		
	RCS MediaGroup S.p.A.	Director	30/12/08		
	Unicredit Banca S.p.A.	Director	30/12/08		
	Unicredit Servizi Retail Uno S.p.A.	Director	30/12/08		
Vincent BOLLORE'	Mediobanca S.p.A.	SB member	30/6/10	1	1
Angelo CASO'	Mediobanca S.p.A.	SB member	30/6/10	4	15
	Alchera S.p.A.	Chairman, St. Aud. Com.	30/12/10		
	Barclays Private Equity S.p.A.	Standing auditor	30/12/09		
	Benetton Group S.p.A.	Chairman, St. Aud. Com.	30/12/10		
	Bracco Imaging S.p.A.	Chairman, St. Aud. Com.	30/12/09		
	Bracco S.p.A.	Chairman, St. Aud. Com.	30/12/10		
	Fiditalia S.p.A.	Chairman, St. Aud. Com.	30/12/10		
	Indesit Company S.p.A.	Chairman, St. Aud. Com.	30/12/10		
	Osvaldo S.r.l.	Presidente CdA	Permanent		
	Ragione Soc. Accomandita per Az. di G. Benetton & C.	Chairman, St. Aud. Com.	30/12/10		
	Ricerca S.p.A.	Chairman, St. Aud. Com.	30/12/10		
	Sintonia S.p.A.	Chairman, St. Aud. Com.	30/12/09		
	Tre Laghi S.p.A.	Director	30/12/10		
	Vestar Capital Partners Italia S.r.l.	Chairman, St. Aud. Com.	30/12/09		
Vittoria Assicurazioni S.p.A.	Chairman, St. Aud. Com.	30/12/09			
Giancarlo CERUTTI	Mediobanca S.p.A.	SB member	30/6/10	2	10
	A.S. Junior L. Pallacanestro S.r.l.	Chairman, BoD	30/6/09		
	Cerfin S.p.A.	Managing Director	30/12/08		
	Cerutti Giancarlo e Cerutti Mariella S.S.	Socio Amministratore	Unlimited		
	Componenti Grafici S.r.l.	Managing Director	30/12/10		
	Flexotecnica S.p.A.	Chairman, BoD	30/12/09		
	Il Sole 24 Ore S.p.A.	Chairman, BoD	30/12/09		
	Immobiliare PalazzoTreville S.p.A.	Director	30/12/08		
	Officine Meccaniche G. Cerutti S.p.A.	Managing Director	30/12/09		
	Toro Assicurazioni S.p.A.	Director	30/12/08		
Francesco DENOZZA	Mediobanca S.p.A.	SB member	30/6/10	1	1
Ennio DORIS	Mediobanca S.p.A.	SB member	30/6/10	3	7
	Banca Esperia S.p.A.	Director	30/12/08		
	Banca Mediolanum S.p.A.	Chairman, BoD	30/12/08		
	Fin.Prog. Italia Soc. in Accomandita per Az. di E. Doris & C.	Acting Partner	Unlimited		
	Mediolanum S.p.A.	Managing Director	30/12/10		
	Safilo S.p.A.	Director	30/12/08		
	Safilo Group S.p.A.	Director	30/12/10		

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Name and surname	Name of company	Type of post held	Term of office expires <sup>1</sup>	No. of posts held in issuers	Total number of posts held
Pietro FERRERO	Mediobanca S.p.A.	SB member	30/6/10	2	4
	Allianz S.p.A.	Director	30/12/08		
	Ferrero S.p.A.	Chairman, BoD	31/8/08		
	Italcementi S.p.A.	Director	30/12/09		
Jonella LIGRESTI	Mediobanca S.p.A.	SB member	30/6/10	6	9
	Milano Assicurazioni S.p.A.	Director	30/12/10		
	Finadin S.p.A.	Director	30/12/08		
	Fondiarria Sai S.p.A.	Chairman, BoD	30/12/08		
	Gilli S.r.l.	Deputy Chairman, BoD	30/12/08		
	Italmobiliare S.p.A.	Director	30/12/10		
	Premafin Finanziaria S.p.A.	Deputy Chairman, BoD	30/12/09		
	RCS MediaGroup S.p.A.	Director	30/12/08		
Sai Holding S.p.A.	Chairman, BoD	30/12/09			
Fabrizio PALENZONA	Mediobanca S.p.A.	SB member	30/6/10	2	7
	ADR S.p.A.	Chairman, BoD	30/12/09		
	AISCAT Servizi S.r.l.	Chairman, BoD	30/12/07		
	Aviva Italia S.p.A.	Chairman, BoD	30/12/08		
	F.A.I. Service Società Coop	Managing Director	30/12/10		
	Omnia FAI Soc. Cooperativa a Resp. Limitata	Director	30/12/08		
	Unicredit S.p.A.	Deputy Chairman, BoD	30/12/08		
Eugenio PINTO	Mediobanca S.p.A.	SB member	30/6/10	5	8
	Alleanza Assicurazioni S.p.A.	Standing auditor	30/12/10		
	Anas S.p.A.	Director	30/12/08		
	Ansaldo StS S.p.A.	Director	30/12/10		
	Bulgari S.p.A.	Chairman, St. Aud. Com.	30/12/10		
	Gemina S.p.A.	Director	30/12/09		
	SOFID S.p.A.	Chairman, St. Aud. Com.	30/12/08		
STOGIT S.p.A.	Chairman, St. Aud. Com.	30/12/09			
Eric STRUTZ	Mediobanca S.p.A.	SB member	30/6/10	1	1
Marco TRONCHETTI PROVERA	Mediobanca S.p.A.	SB member	30/6/10	4	11
	Camfin S.p.A.	Chairman, BoD	30/12/10		
	F.C. Internazionale Milano S.p.A.	Director	30/6/08		
	G.P.I. S.p.A.	Chairman, BoD	30/12/10		
	Marco Tronchetti Provera & C. Soc. Acc. per Azioni	Acting Partner	Unlimited		
	PIRELLI & C. AMBIENTE S.p.A.	Director	30/12/09		
	PIRELLI & ECO TECHNOLOGY S.p.A.	Chairman, BoD	30/12/09		
	PIRELLI & C. REAL ESTATE S.p.A.	Chairman, BoD	30/12/09		
	PIRELLI & C. S.p.A.	Chairman, BoD	30/12/10		
	PIRELLI LABS S.p.A.	Chairman, BoD	30/12/09		
PIRELLI TYRE S.p.A.	Chairman, BoD	30/12/10			

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Name and surname	Name of company	Type of post held	Term of office expires <sup>1</sup>	No. of posts held in issuers	Total number of posts held
Gabriele VILLA	Mediobanca S.p.A.	SB member	30/6/10	2	10
	Calcestruzzi S.p.A.	Deputy Chairman, BoD	30/12/10		
	Credito Artigiano S.p.A.	Chairman, St. Aud. Com.	30/12/09		
	Banca Fineco S.p.A.	Standing auditor	30/12/10		
	Immobiliare Cinca S.r.l.	Sole director	Until dismissed		
	Immobiliare Delvin S.r.l.	Sole director	Until dismissed		
	Otis S.r.l.	Standing auditor	30/11/09		
	Otis Servizi S.r.l.	Chairman, St. Aud. Com.	30/11/08		
	SO.FI.GE. S.p.A.	Standing auditor	30/12/09		
	UBI Fiduciaria S.p.A.	Director	30/12/08		
Luigi ZUNINO	Mediobanca S.p.A.	SB member	30/6/10	2	18
	Immobiliare Cascina Rubina S.r.l.	Chairman, BoD	30/12/08		
	Mariner S.r.l.	Chairman, BoD	30/12/08		
	Milano Santa Giulia S.p.A.	Director	30/12/08		
	MSG Residenze S.r.l.	Chairman, BoD	30/12/08		
	Nuova Parva S.p.A.	Chairman, BoD	30/12/08		
	Programma Sviluppo S.r.l.	Chairman, BoD	30/12/08		
	RI. Estate S.p.A.	Chairman, BoD	30/12/08		
	RI. Investimenti S.r.l.	Chairman, BoD	30/12/08		
	RI. Rental S.p.A.	Chairman, BoD	30/12/08		
	Risanamento S.p.A.	Chairman, BoD	30/12/08		
	SAGIM S.r.l. Soc. Agricola	Chairman, BoD	30/12/08		
	S.C. 1 S.r.l.	Chairman, BoD	30/12/08		
	S.C. 3 S.r.l.	Chairman, BoD	30/12/08		
	Sviluppo Urbe S.r.l.	Chairman, BoD	Until dismissed		
	TRADIM S.p.A.	Chairman, BoD	30/12/08		
	TRADITAL S.p.A.	Chairman, BoD	30/12/08		
ZUNINO INVESTIMENTI ITALIA S.p.A.	Chairman, BoD	30/12/09			

<sup>1</sup> Date indicated for term of office expiring is date on which last financial year of mandate closes, while term of office actually expires with general meeting called to approve accounts for financial year referred to.

Milan, 7 October 2008

## **Ordinary business**

### **1. Proposals for allocation of profit for twelve months ended 30 June 2008 and payment of dividends**

Dear Shareholders,

In the twelve months ended 30 June 2008, the Bank earned a net profit of €622,578,661.89, to be allocated as follows:

€	95,750.00	to the <i>Legal reserve</i> , which accordingly would amount to €82m, or 20% of the Bank's share capital;
€	89,446,729.64	to the <i>Statutory reserve</i> ;
€	533,036,182.25	by way of a €0.65 dividend on each of the 820,055,665 shares entitling their holders to receive dividends, provided that amounts not distributed on account of their being attributable to treasury shares, if any, shall be allocated to the <i>Statutory reserve</i> .

We therefore submit to your approval the following allocation of profit:

Net profit for the year .....	€	622,578,661.89
To the <i>Legal reserve</i> .....	€	95,750.00
To the <i>Statutory reserve</i> .....	€	89,446,729.64
Remaining profit .....	€	<u>533,036,182.25</u>
€0.65 dividend on 820,055,665 shares .....	€	<u>533,036,182.25</u>

The €0.65 per share dividend will be payable as from 27 November 2008, having gone ex-rights on 24 November 2008.

### **2. Measures under Article 2409-duodecies, paragraph 7 of the Italian Civil Code**

Mr Carlo PESENTI has resigned as a Board member of Mediobanca. We wish to place on record our thanks to him for his much-appreciated work on behalf of the Board of Directors and Supervisory Board. You are invited to appoint Board members accordingly.

Milan, 18 September 2008

THE MANAGEMENT BOARD

## ***Extraordinary business***

### **Adoption of Articles of Association based on “traditional” model**

Banks are required to submit their corporate governance projects to the Bank of Italy by end-June 2009, in respect of which the systems chosen for management and supervision assume primary importance.

At a meeting held on 30 July 2008, following a meeting of parties to the Mediobanca shareholders' agreement, the Supervisory Board of Mediobanca noted a variety of critical issues arising in connection with the functioning of the dualistic system of governance, and accordingly saw the need to review the entire governance system and thus to evaluate the suitability of adopting the traditional system. Having sought the opinion of management, the Supervisory Board resolved to draw up a new corporate governance project for the Bank, in the form best suited to ensure maximum efficiency in terms of operation and effective control, to satisfy shareholders' interests, and leverage fully on the management.

In this light, a proposal was developed to adopt the traditional system of governance based on a Board of Directors and Statutory Audit Committee, both of which are to be appointed by shareholders in general meeting. Moreover, in the Articles of Association being submitted to your approval, the traditional model provides considerably more scope than, and offers considerable innovation compared to, the system of governance adopted by Mediobanca prior to the dualistic system, and also compared with common practice.

The model of governance being proposed should therefore be seen as a natural development, which incorporates the positive aspects and principles experienced by the Bank under the dualistic system, while at the same time helping resolve various difficulties encountered in their application.

Under the proposed Articles of Association the presence of a significant number of executives on the Board of Directors is contemplated, and wide-ranging powers to be granted to the Executive Committee (made up by a majority of executives) and the Managing Director for management of ordinary activities. This provides continuity with the dualistic system, in the sense that it leverages on the management's professional capabilities, and affords them considerable autonomy in situations of potential conflict of interests with shareholders. At the same time, the new Articles reserve to the Board of Directors the traditional powers which cannot be delegated under regulations in force, both primary (e.g. approval of draft financial statements, rights issues under Article 2443 of the Italian Civil Code, etc.) and secondary (decisions concerning strategic direction and business and financial plans, acquisition and disposal of significant equity investments, appointments to the post of General Manager, etc.). Hence the duties of strategic

supervision and management find their own clearly-defined, well-balanced places, which removes the uncertainties over the respective responsibilities of the governing bodies raised by the dualistic system with respect to strategic analysis and decision-making.

The fact that the bodies responsible for managing the Bank's ordinary activities are empowered to do so by the body responsible for strategic supervision, on which they themselves are represented and to which they report, improves the flow of information and facilitates relations between them, thus doing away with complex and often redundant procedures in terms of providing information to which the division of duties of supervision and management typical of the dualistic system at times gave rise.

The multitude of activities carried out by the Banking Group headed up by Mediobanca may also make it advisable to appoint a General Manager.

Clear provision being made at the statutory level between the respective responsibilities of the Board of Directors and the various governing bodies and their distribution between them, ensures unity of direction for the Bank and the Group, and avoids problems in terms of liaison and agreement between bodies which the dualistic system may present, and the need this occasions for complex procedures. All this is to the benefit of speeding up the Bank's and Group's operations.

Assigning the duty of control to a separate body, in the form of the Statutory Audit Committee, also introduces a clear distinction between this and the duty of strategic supervision, thereby helping to distinguish more precisely between the responsibilities of the bodies to which the two duties are entrusted.

The main points of the new Articles to be submitted to the approval of shareholders in general meeting are as follows:

The **Board of Directors**, to be appointed by shareholders in general meeting by means of a voting list, in line with provisions currently in force, shall consist of up to twenty-three members, one of whom shall be reserved to minority shareholders. Of the Directors thus appointed, five shall be managers with at least three years' experience of working for the Mediobanca Banking Group, three shall qualify as independent as defined by Article 148, paragraph 3 of Italian Legislative Decree 58/98, and two, who may coincide with the three qualifying as independent referred to above, shall qualify as independent as defined by the Code of Conduct for Listed Companies issued by Borsa Italiana.

The Board of Directors shall be responsible for management of the company, and shall exercise such management through the Executive Committee and the Managing Director.

The Board of Directors shall be responsible for approving business and financial plans, individual and consolidated financial statements, interim reports, budgets, proposals to be submitted to shareholders in general meeting, and internal regulations. It shall also adopt resolutions in respect of: trading involving equity investments in excess of 15% of the holdings owned at the start of each financial year in Assicurazioni Generali, RCS MediaGroup and Telco; and acquisition or disposal of stakes that lead to alterations in the Banking Group's scope of consolidation in amounts of over €500m, or otherwise of investments worth in excess of €750m. In addition, it will be responsible for appointing and dismissing the Executive Committee, the Managing Director and General Manager, the head of company financial reporting, and the heads of the internal audit and compliance units.

The Board of Directors shall normally adopt resolutions on proposals from the Executive Committee or the Managing Director, with a majority of those in attendance voting in favour, while a majority of all directors in office shall be required for resolutions on appointments to the Executive Committee or to the posts of Managing Director or General Manager. The same majority will be required where the Board is to take resolutions in respect of transactions that fall within the jurisdiction of the appointed governing bodies.

The Board shall establish three committees from among its own number:

- an *Internal control committee*, with three independent members, which shall have powers of consultation and enquiry with respect to the Bank's systems of internal control and risk management, and the structure of its IT and financial reporting organization;
- a *Remunerations committee*, made up of seven non-executive members, a majority of whom shall be independent, with powers of consultation and enquiry to determine the remuneration of directors vested with particular duties and the General Manager; the committee will also give its opinion on the guidelines for remuneration and staff retention policies operated by the Group;
- an *Appointments committee*, made up of six members and including *de jure* the Chairman of the Board of Directors, the Deputy Chairman of the Executive Committee and the Managing Director. This committee, based on the Managing Director's proposal having first sought the Chairman's opinion, shall adopt decisions to be taken in general meetings of companies deemed to be strategic and/or permanent investments as far as Mediobanca is concerned with respect to appointments to their governing bodies. The Committee shall also have powers of enquiry for proposals to submit lists for the Board of Directors, and for appointments to the Executive Committee, and to the posts of Managing Director and General Manager.

The **Chairman** of the Board of Directors shall be responsible for ensuring that the governance system runs smoothly in practice, guaranteeing due balance between the powers of the Managing Director and those of the other executive directors.

The **Executive Committee** shall comprise a total of nine members, including *de jure* the Chairman of the Board of Directors and the five directors from the Mediobanca Group management. The Executive Committee shall appoint a Deputy Chairman from among its own number, and will be responsible for managing the ordinary activities of the Bank, without prejudice to those issues over which the Board of Directors shall have sole jurisdiction. In particular the Executive Committee will be responsible for operating performance, approving resolutions to grant loans, and trading involving the Group's interests in Assicurazioni Generali, RCS MediaGroup and Telco, as well as the other shareholdings for amounts and percentage values not to exceed those over which the Board of Directors alone has jurisdiction.

The Executive Committee adopts resolutions with a majority of its members voting in favour.

**The Managing Director**, who shall be chosen from among the Mediobanca Group's senior management, will have executive powers and be responsible for staff management and implementation of resolutions adopted by the Board of Directors and Executive Committee. He shall be empowered to make proposals to the latter, in particular with reference to management direction, proposed strategic plans and budgets, draft financial statements and interim accounts.

The Board of Directors may also appoint a **General Manager** and establish his powers.

The **Statutory Audit Committee**, which will comprise three standing and three alternate auditors, shall be 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. Appointments to the Statutory Committee are also made on the basis of lists submitted by shareholders in general meeting representing at least the percentage of the company's share capital stipulated in regulatory provisions in force at the time (currently one percent). The mechanism for appointments provides that the Chairman of the Statutory Audit Committee shall be chosen from the minority list.

Changes to the company's Articles of Association required as a result of the reintroduction of the traditional model pursuant to regulations currently in force

regard: Articles 12-18 (Supervisory Board) and Articles 19-25 (Management Board, Management), to be replaced by new Articles 13-25 (Board of Directors, Executive Committee, Managing Director and General Manager); and the addition of new Articles 28 and 29 (Statutory Audit Committee); with the subsequent renumbering of Articles 28-32, which become Articles 30-34. The following amendments have also been made to bring the rest of the Articles in line with the new governance, in particular Article 4, paragraphs 5, 6 and 7; Article 6, paragraphs 1, 2 and 3; Article 9, paragraph 1, Article 10, paragraph 2; Article 26; Article 27; Article 30 (renumbered as 32), and Article 31 (renumbered as 33).

Finally, it should be noted that the proposed new Articles of Association being submitted to your adoption are conditional upon the authorization of the supervisory authorities, and will become effective upon the resolution being filed with the Companies' Register.

Accordingly you are invited to adopt the following resolution:

“The shareholders of MEDIOBANCA, gathered in extraordinary general meeting,

– having heard the Management Board's report,

*hereby resolves:*

with effect from the date on which this resolution is lodged in the Companies' Register:

1. to amend Article 4, paragraphs 5, 6 and 7; Article 6, paragraphs 1, 2 and 3; Article 9, paragraph 1; Article 10, paragraph 2; and the title of SECTION II - Share capital and shares; to add, in the new SECTION IV - Management, Article 25 (Sub-section IV – General Manager), Article 26 (Sub-section V - Head of financial reporting) and Article 27 (Sub-section VI - Power to represent the bank); to add, in SECTION III, a new Article 12 on directors' remuneration and remuneration policies, and a new Article 13 on governing bodies responsible for company management; to replace SECTION IV - Supervisory Board (Articles 12-18) with a new SECTION IV - Management, to be subdivided into Sub-Section I - Board of Directors (Articles 14-20), Sub-Section II - Executive Committee (Articles 21-23), Sub-Section III - Managing Director (Article 24); to replace SECTION V - Management Board (Articles 19-21) with a new SECTION V - Statutory Audit Committee (Articles 28-29); to renumber Articles 28-32, which henceforth will be numbered as follows: Article 30 (SECTION VI - Auditing); Article 31, and with various formal amendments, Article 32 and Article 33 (SECTION VII – Financial year and



balance sheet); and Article 34 (SECTION VIII - Winding-up), adopting the new text of the Articles of Association set forth attached hereto.

## ARTICLES OF ASSOCIATION

### 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

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A Company is hereby established under the name of MEDIOBANCA - Banca di Credito Finanziario Società per Azioni, in abbreviated form MEDIOBANCA S.p.A.

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The Company's Head Office is located at Piazzetta Enrico Cuccia 1, Milan.

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###### Article 2

###### Article 2

The duration of the Company shall be until 30 June 2050.

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###### Article 3

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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.

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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.

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.

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 61/4 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.

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#### SECTION II

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##### **Share Capital, Shares and Bonds**

##### **Share Capital and Shares**

###### Article 4

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The Company's subscribed and fully paid up share capital is Euro 410,027,832.50, represented by 820,055,665 Euro 0.50 par value shares.

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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.

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The shares shall be registered.

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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.

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, now Management Board members, carrying out particular duties. Of these, a total of 2,500,000 new shares have still to be subscribed.

The Management Board is also authorized under Article 2443 of the Italian Civil Code, subject to prior approval from the Supervisory Board from time to time, to increase the Bank's share capital by means of rights or bonus issues in one or more tranches by and no later than 27 June 2012, 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 with warrants attached in one or more tranches by and no later than 27 June 2012, 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 Management Board is also authorized under Article 2443 of the Italian Civil Code, subject to prior approval from time to time by the Supervisory Board, to increase the Bank's share capital by means of rights issues in one or more tranches by and not later than

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The ~~Management Board~~ **of Directors** is also authorized under Article 2443 of the Italian Civil Code; ~~subject to prior approval from the Supervisory Board from time to time;~~ to increase the Bank's share capital by means of rights or bonus issues in one or more tranches by and no later than 27 June 2012, 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 with warrants attached in one or more tranches by and no later than 27 June 2012, 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; ~~subject to prior approval from time to time by the Supervisory Board;~~ 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.

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.

### 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, or wherever special circumstances so require, within 180 days thereof.

Ordinary and Extraordinary General Meetings shall pass resolutions on matters attributable to each under the Italian Civil Code.

Resolutions in respect of i) mergers, as provided for by Articles 2505 and 2505-bis of the Civil Code, ii) the institution or removal of branch offices, iii) reductions in the Company's share capital as a result of shareholders exercising their right of withdrawal, iv) amendments to the Company's Articles of Association to comply with regulatory requirements, and v) transfer of the Company's headquarters within Italian territory, are by law the sole competence of the Management Board.

The procedures for calling and powers to call meetings shall be those laid down by the law.

Such notice may also include indication of any further Meetings to be held should the Meeting in question be adjourned, failing which the terms provided by law shall apply.

##### Article 7

The right to attend and vote at General Meetings shall be governed by the law.

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Ordinary and Extraordinary General Meetings shall pass resolutions on matters attributable to each **under the Italian Civil Code regulations in force or these Articles of Association.**

Resolutions in respect of i) mergers, as provided for by Articles 2505 and 2505-bis of the Civil Code, ii) the institution or removal of branch offices, iii) reductions in the Company's share capital as a result of shareholders exercising their right of withdrawal, iv) amendments to the Company's Articles of Association to comply with regulatory requirements, and v) transfer of the Company's headquarters within Italian territory, are by law the sole competence of the Board **of Directors.**

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##### Article 7

The right to attend and vote at General Meetings shall be governed by the law.

Shareholders in possession of voting rights may take part in General Meetings, provided they:

- present a copy of the notification issued by their authorized agent to the Company at its Head Office as required by legal provisions in force;
- such notification is received by the Company no later than two working days prior to the date set for such Meeting.

Any Shareholder may delegate any other person to represent him at a General Meeting by means of a proxy in writing, subject to cases of incompatibility and the limits prescribed by law.

#### Article 8

Shareholders shall be entitled to one vote for each share held.

#### Article 9

General Meetings shall be presided over by the Chairman of the Supervisory Board 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.

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.

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.

#### 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.

Members of the Supervisory Board shall be appointed in accordance with the procedures set out in Article 13 hereof.

#### Article 11

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.

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.

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,

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#### 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.

Members of the **Board of Directors and Statutory Audit Committee** shall be appointed **in accordance with the procedures set out respectively in Articles 14 and 28 hereof.**

#### Article 11

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.

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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.

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.

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#### **SECTION IV**

##### **Supervisory Board**

###### Article 12

The Supervisory Board shall consist of between eleven and twenty-one members, from among whom shareholders in general meeting shall appoint a Chairman.

Members of the Supervisory Board shall possess the requisite qualifications for holding such office, including with respect to the total number of posts allowed to be held under regulations (including parliamentary) in force at the time, failure to do which shall result in their being ineligible to hold such office, or in the event of such circumstances materializing subsequently, in their being disqualified from office.

At least three Supervisory Board members shall be chosen from among those recorded in the register of auditors established by the Italian Ministry of Justice.

At least four Supervisory Board members (who may be the same persons as those with the qualifications specified in the previous point) must also qualify as independent under the requirements expressly stipulated in the Code of Conduct for Listed Companies issued by Borsa Italiana S.p.A.

Activities closely related to those carried out by the company shall, for the purposes hereof, be understood to be those listed under Article 1 of the Italian Consolidated Banking Act, and the provision of investment or collective management of savings as defined in both cases by Italian Legislative Decree 58/98.

###### Article 13

Members of the Supervisory Board are appointed from lists in which the candidates are numbered consecutively. Each list 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 from time to time and specified in the notice of general meeting. To prove ownership of the number of shares required for said lists to be submitted, shareholders must also submit all documentation necessary to enable them to take part legitimately in the general meeting.

The lists undersigned by the shareholder or shareholders submitting them (including by means of a proxy issued to one such shareholder) shall contain at least two names and, without prejudice to the foregoing, shall contain a number of names not to exceed the

*deleted*

*deleted*

maximum number of members permitted to be elected. Such lists shall be lodged at the Company's Head Office at least fifteen days prior to the date scheduled for the general meeting in the first instance, mention of which shall be made in the notice of meeting.

Along with each list and within the same fifteen-day term, a *curriculum vitae* shall be filed for each individual candidate, in addition to all 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 accepts his/her candidature to the post and declares under his/her own responsibility that there are no grounds for his/her being incompatible with or ineligible for the post under consideration, 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.

Lists submitted which do not conform to the foregoing provisions shall not be accepted.

Members of the Supervisory Board who have completed their terms of office may be reappointed.

A shareholder may not submit or vote for more than one list, including by means of an intermediary or through the agency of a trustee company. Shareholders belonging to the same group and shareholders who are party to a shareholders' agreement in respect of shares in the issuer may not submit or vote for more than one list, including by means of an intermediary or through the agency of a trustee company. A candidate may only be included in one list, otherwise he/she becomes ineligible.

The procedure for electing Supervisory Board members is as follows: all Board members are taken from the list which obtains the highest number of votes, based on the order in which they are numbered consecutively, with the exception of two, which two members are elected from the list ranking second in terms of number of votes cast not submitted by parties related to the shareholders who submitted or voted for the list ranking first in terms of number of votes cast, as required under regulations currently in force. In the event of more than one minority list being voted for, all of which comply with the foregoing requirements, the votes cast for each list are divided by one and by two and the candidates with the highest quotients are duly elected.

If the same number of votes is cast for more than one list, a ballot vote is held. If this involves minority lists, the voting shall take place with the abstentions required under the fifteenth paragraph of this Article.

If, on the basis of the foregoing procedure an insufficient number of Supervisory Board members in possession of the requisites specified under Article 12, paragraphs 3 and 4 hereof is appointed, as many elected candidates as is necessary shall be excluded, to be taken from among those numbered last on the majority list, and replaced by

candidates from the same list in possession of the requisites based on the order of consecutive numbering. If using such criteria it does not prove possible to appoint the other Supervisory Board members, shareholders themselves shall take steps to appoint the missing members during the meeting by means of a resolution to be adopted by a simple majority at the proposal of the shareholders present.

The first candidate on the list obtaining the highest number of votes shall be appointed as Chairman of the Supervisory Board.

If only one list is submitted, the Supervisory Board shall be taken from it in its entirety. In the event of only one list having been filed by the term set under paragraph 2 hereof, or only lists having been submitted by shareholders who, based on arrangements in force at the time, qualify as related parties, lists of candidates may continue to be submitted until the fifth day subsequent to that date. Under such circumstances, the minimum shareholding threshold requirements stipulated in paragraph 1 hereof shall be reduced by one half.

For the appointment of those Supervisory Board members or of the Chairman of the Supervisory Board who, for whatever reason, were not able to be elected by means of the procedure described in the preceding paragraphs, or in the event that no lists are submitted, shareholders shall pass resolutions in general meetings on a relative majority basis.

In the event of a Supervisory Board member elected from a minority list leaving office before the end of his/her term, the candidate ranking next on the list from which the departing Board member was elected shall take his/her place. The latter shall then remain in office until the next general meeting, where shareholders shall take steps without delay for the departed Supervisory Board member to be replaced.

In the event of the Chairman leaving office, his post shall be taken by the elder Deputy Chairman, the other Deputy Chairman, if appointed, or by the most senior of the other Supervisory Board members.

Voting by means of lists does not take place for appointments to the Supervisory Board following individual members and/or the Chairman leaving office, in respect of which votes are cast rather by shareholders in general meeting. In such cases shareholders pass resolutions in general meeting on a relative majority basis, appointing the Chairman in this way as well if appropriate. If the Supervisory Board member being replaced had been elected from a minority list, shareholders shall adopt the relevant resolution with the following abstaining: a) the shareholder or shareholders belonging to the same group in possession of the relative majority of the voting rights that may be exercised in general meeting; b) those shareholders who have entered into a shareholders' agreement as defined under Article 122 of Italian Legislative Decree 58/98 in respect of shares which would represent a relative majority of

voting rights that may be exercised in general meeting; such obligation to abstain extends to all entities belonging to the same group as each and all of the parties similarly obliged.

For the purposes hereof, control shall be defined, including with reference to entities not incorporated as companies, as in the cases listed under Article 93 of Italian Legislative Decree 58/98.

The foregoing shall be without prejudice to other and/or further provisions regarding the appointment of and qualifications for Supervisory Board members required without exception under law and/or regulations in force.

#### Article 14

The Supervisory Board is responsible for the duties attributable to it under law and pursuant to these Articles. In particular the Supervisory Board: *deleted*

- a) at the Appointment Committee's proposal, appoints one or two Deputy Chairmen of the Supervisory Board;
- b) at the Appointment Committee's proposal, appoints and dismisses members of the Management Board and its Chairman, indicates which members should be entrusted with specific duties, and, having heard the Remuneration Committee's recommendations in this respect, fixes their remuneration;
- c) exercises, where provided by law, including severally by each individual Supervisory Board member, all powers of supervision and control provided by regulations in force, with particular attention to:
  - adequacy of the internal control system, with particular emphasis on risk control;
  - adequacy of the organizational, administrative and accounting arrangements put in place by the Company and their functioning in practice;
  - correct exercise of activities of management and co-ordination of companies forming part of the Group;
- d) reports in writing to shareholders in general meeting called pursuant to Article 2364-bis of the Italian Civil Code on the supervisory activities carried out by it, on omissions and aspects deserving of censure detected by it, and, at all other ordinary or extraordinary general meetings, on the issues which in its view fall within its own remit;
- e) promotes the taking of disciplinary action vis-à-vis members of the Management Board;
- f) submits reports to the Bank of Italy as required under Article 70, para. 7 of Italian Legislative Decree 385/93.

In addition, at the Management Board's proposal the Supervisory Board:

1. approves the statutory and consolidated financial statements and reviews the half-yearly and quarterly statements;



2. passes resolutions on the strategic direction, business and financial plans and budgets of the Company and the Group, without prejudice to the Management Board's responsibility for deeds carried out;
3. passes resolutions on trading involving more than 15% of any equity investment deemed to be strategic based on holdings as at the start of each financial year;
4. passes resolutions on transactions involving changes to the Group's area of consolidation for individual amounts of over Euro 750m;
5. approves individual rights issues and issues of convertible bonds or bonds with warrants attached which are delegated to the Management Board;
6. examines proposals which the Management Board intends to submit to shareholders in ordinary general meetings;
7. passes resolutions in respect of proposed amendments to the Company's Articles of Association, mergers and spinoffs, and rights issues and issues of convertible bonds and/or bonds with warrants attached to be submitted to shareholders in general meeting.

The Supervisory Board shall be responsible for all other duties, including with respect to authorization, provided for under law and these Articles of Association.

The Supervisory Board may establish committees from among its own number, and grant them, within the limits permitted, special powers and/or advisory or co-ordinating duties. In particular it establishes:

- i) an Appointments Committee, comprising four members, which formulates proposals for the appointment of the Deputy Chairman/Chairmen and appointment and dismissal of members of the Management Board and identification of members with particular duties. The Appointments Committee also passes resolutions on proposals made by the Management Board for appointments to posts held at companies qualifying as strategic investments as defined under point 3) of this Article;
- ii) a Remuneration Committee, with administrative responsibilities in determining the fees payable to the Management Board and those of its members vested with particular responsibilities. The Remuneration Committee also gives its opinions on the remuneration system for senior management and the Group staff loyalty retention policy presented by the Management Board;
- iii) an Internal Control Committee, which has powers of proposal, consultation and administration with respect to the Bank's systems of internal control and risk management and the arrangement of its IT and financial reporting organization. The Internal Control Committee is chaired by a member of the Supervisory Board who is registered as an auditor.

#### Article 15

The Chairman of the Supervisory Board calls and chairs Board meetings and meetings of the Appointments and Remuneration Committees, fixes the agenda and co-ordinates proceedings. He is responsible for ensuring that all Supervisory Board members are provided with adequate information regarding the items on the agenda. *deleted*

He maintains regular contact with the Management Board via its Chairman, and normally takes part in Management Board meetings. The Chairman also ensures that the Supervisory Board is kept abreast of the Bank's and the Group's operating performance on an ongoing basis.

#### Article 16

Meetings of the Supervisory Board are called at the Head Office of the Company or elsewhere by the Chairman or the Acting Chairman of the Supervisory Board, on his own initiative or where requisitioned by at least three members or otherwise as required by law. Supervisory Board meetings will normally be held at least five times a year. *deleted*

Supervisory Board meetings shall be called by notice in writing 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.

Supervisory Board meetings may be held by 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 is in attendance at the place where the meeting is being held.

The Supervisory Board may draw up its own internal regulations to govern its functioning.

The Supervisory Board is regularly constituted when a majority of Board members in office at the time is in attendance, and passes resolutions with an absolute majority of those present voting in favour.

Where one or more Supervisory Board member is required to abstain from voting due to the subsistence of an interest which they or a third party may have in the transaction concerned, such Supervisory Board shall be counted for purposes of establishing the quorum required for the constitution of the meeting, but shall not be counted for purposes of determining the majority required to pass such resolution.

#### Article 17

Shareholders in general meeting shall determine the fixed annual remuneration payable to the members of the Supervisory Board, upon their appointment for the

#### Article 12

Shareholders in general meeting shall determine the fixed annual remuneration payable to **members of the Board of Directors**, upon their appointment for

entire duration of their term of office, to be shared in accordance with the decisions of the Supervisory Board.

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.**

**Shareholders in general meeting also approve remuneration policies and compensation schemes based on financial instruments operated for Directors and Group staff.**

#### Article 18

Information on activities performed and the most significant transactions in earnings, financial and capital terms carried out by the Company or its subsidiaries, in particular on transactions in which members of the Management Board themselves or a third party have an interest, is furnished to the Supervisory Board *inter alia* by the bodies mandated to do so pursuant to Article 2381 of the Italian Civil Code, under ordinary circumstances upon the occasion of approval of the quarterly financial statements.

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Unless provided otherwise by the Supervisory Board, meetings of the Supervisory Board shall also be attended by the Chairman of the Management Board, the Managing Director and General Manager, if appointed, who may be requested to provide information and data with a view to enabling the Supervisory Board to perform its own duties.

### SECTION V

#### Management Board

#### Article 19

The Management Board comprises a minimum of three and a maximum of nine members.

*deleted*

Members of the Management Board remain in office for a period of three financial years, lapse from office at the date scheduled for the Supervisory Board meeting called to approve the financial statements for the last year of their term of office, and may be reappointed. However, when the final year of office for the Management Board coincides with the final year of office for the Supervisory Board, the new Management Board shall be appointed in the first Supervisory Board meeting following its renewal by shareholders in general meeting. Until their appointment the outgoing members of the Management Board shall remain in office on an extended basis with full powers.

The Supervisory Board may also increase the number of Management Board members in the course of a mandate up to the maximum number allowed under these Articles.

In respect of individual Management Board members ceasing to hold office, the provisions of Article 2385 of the Italian Civil Code shall apply.

The Supervisory Board shall take steps to replace members of the Management Board but may also

choose to reduce the number of Management Board members, while continuing to comply with the minimum number stipulated in the first paragraph of this Article.

#### Article 20

Without prejudice to regulatory restrictions and the right to appoint a Management Board member from outside the management of the Banking Group, the members of the Management Board shall be chosen from among the management of the companies comprising the Mediobanca Banking Group. *deleted*

Persons ineligible to hold the post of Management Board member or who have ceased to be eligible pursuant to Article 2382 of the Italian Civil Code, or who do not qualify as fit and proper persons or hold the professional qualifications or meet any other requirements stipulated under legal or regulatory provisions to hold such a post, may not be appointed as Management Board members.

Members of the Management Board may not be appointed as members of governing, management or supervisory bodies and may not be employees of companies which carry out banking activity directly or indirectly, including via subsidiaries, without the express authorization of the Management Board and the Supervisory Board.

Members of the Management Board who are chosen from among the management of the Banking Group lapse from office with immediate effect and with no right to compensation upon their working relationship with the Banking Group coming to an end for whatever reason.

#### Article 21

Management Board meetings are called at the initiative of the Chairman – or at the initiative of the Managing Director or of another two members of the Management Board – and as a rule at least once a month. Notice of meeting is sent by any documentable method of communication to each Management Board member and the Supervisory Board at least three days prior to the date set for the meeting, or in urgent cases, one day prior to the meeting. Management Board meetings may also be called by the Supervisory Board or any one of its members individually, subject to prior notice being given to the Management Board Chairman. *deleted*

The Management Board passes resolutions with a majority of serving members in attendance and voting in favour.

The Chairman of the Management Board shall be responsible for chairing the meeting, co-ordinating the proceedings, and ensuring that participants receive adequate information in timely fashion.

Management Board meetings may be held by 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.

The Management Board shall adopt its own internal regulations to govern its operations.

#### Article 22

The Management Board is responsible for managing the Company in implementing the strategic direction approved by the Supervisory Board at the recommendation of the Management Board itself. To this end, and without prejudice once again to matters which are the responsibility of the Supervisory Board (including authorization-related), the Management Board carries out all transactions it deems necessary, useful, or otherwise appropriate in order to achieve the Company's objectives, including both ordinary and extraordinary transactions: in particular the following areas are reserved to the sole jurisdiction of the Management Board without possibility of delegation, in addition to matters otherwise specified under law as not able to be delegated:

- 1) the drawing up of proposals to the Supervisory Board in respect of strategic direction, long-term plans, and budgets;
- 2) risk management and internal control policies;
- 3) preparation of operating guidelines to which the workforce is bound to conform, and control of the Company's affairs through drawing up specific internal regulations where appropriate;
- 4) implementation of strategic direction approved by the Supervisory Board, establishment of criteria by which to co-ordinate and manage the companies which go to make up the Group, and decisions regarding action to be taken in response to statements from the Bank of Italy laying down principles and/or providing specific instructions of primary and not secondary importance that raise problems with regard to their method of execution;
- 5) preparation of quarterly and six-monthly financial statements and draft statutory and consolidated financial statements;
- 6) subject to the opinion of the Supervisory Board, which is obligatory, appointment and dismissal of the head of financial reporting described under Article 26 hereof;
- 7) proposals to be submitted to the Supervisory Board with respect to issues listed under Article 14, paragraph 2, numbers 6 and 7 hereof;
- 8) proposals to be submitted to the Appointments Committee of the Supervisory Board in respect of appointments to posts at companies deemed to be strategic investments as defined under Article 14, point 3 hereof;
- 9) subject to prior approval from the Supervisory Board, capital increases and convertible bond issuance provided for under Articles 2443 and 2420-ter of the Italian Civil Code.

The Management Board may establish committees from among its own number, delegating specific duties or assigning advisory and/or co-ordination duties to them.

*deleted*

Article 23

The Chairman of the Management Board:

*deleted*

- a) handles relations with the Chairman of the Supervisory Board;
- b) handles, in conjunction with the Managing Director and the General Manager, if appointed, relations with and information to be provided to the Supervisory Board with reference to the Company's general operating performance on a quarterly basis, and on the most significant transactions in terms of amount or importance carried out by the Company or any of its subsidiaries pursuant to Article 150, para. 2 of Italian Legislative Decree 58/98 and Article 18 hereof;
- c) handles, in conjunction with the Managing Director, if appointed:
  - relations with the supervisory and in general the institutional authorities, reporting regularly to the Chairman of the Supervisory Board thereon;
  - external communications.

In the event of the Chairman being absent or otherwise indisposed, his duties shall be carried out by the Managing Director or General Manager if appointed.

Article 24

The Management Board may delegate to one or more of its members such duties or powers as it deems appropriate, without prejudice to the restrictions established under law and these Articles.

*deleted*

The Management Board may, without prejudice to the provisions of Article 14, para. 1 letter b) hereof, appoint a Managing Director from among its members who are managers of the Banking Group, who shall remain in office for the entire duration of his mandate.

If appointed, the Managing Director shall, in particular:

- a) be responsible for the executive and for execution of resolutions approved by the Management Board;
- b) exercise powers to make proposals to the Management Board with particular reference to operating direction, proposed strategic plans and budgets, draft financial statements and interim reports;
- c) be in charge of staff management and, having heard the opinion of the General Manager, make proposals to the Management Board for appointments to managerial staff;
- d) ensure that the organizational, administrative and accounting arrangements of the Company are adequate for its operations and size;
- e) report, with the General Manager, to the Management Board on each quarter, the general operating performance and its foreseeable developments, and on the most significant transactions carried out by the Company and its subsidiaries;
- f) handle, in conjunction with the Chairman, relations with the supervisory and in general the institutional authorities, and external communications. In particular, he shall be responsible in conjunction with the General Manager, if appointed, for financial communications.

In the event that the posts of Chairman and Managing Director are held by the same person, the person concerned shall carry out the duties required of both roles under these Articles. Under such circumstances, duties which these Articles provide shall be carried out jointly between the Chairman and the Managing Director shall be carried out jointly with the General Manager if appointed.

## **SECTION IV**

### **Management**

#### **Article 13**

**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 14**

**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 two 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.**

**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. To prove ownership of the number of shares required for said lists to be submitted, shareholders must also submit all documentation necessary for them to take part legitimately in the general 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 fifteen days prior to the date scheduled for the general meeting to take place in the first 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 twenty days prior to the date scheduled for the general meeting to take place in the first instance.

Lists containing a number of candidates equal to or above two-thirds of the Directors to be appointed shall contain five candidates numbered consecutively starting from the second in possession of the requisites stipulated under the foregoing paragraph 4.

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.

Lists submitted which do not conform to the above specifications shall be treated as null and void.

Outgoing Directors who have served their terms of office may be re-elected.

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.

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.

In the event of an equal number of votes being cast, a ballot shall be held.

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 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.

For the appointment of those Directors who for whatever reason could not be elected to 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 the said paragraphs 3 and 4 hereof.

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 14, 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 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.

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.

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.

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.

#### Article 15

The Board of Directors shall approve from among its own number one or two Deputy Chairmen and the Managing Director provided for in Article 24 hereunder, who shall remain in office for the entire duration of their terms as Directors.

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.

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.

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.

The Board also appoints a Secretary, who may be chosen from outside their number. In the event of the Secretary being absent or otherwise impeded, the Board designates the person to replace him/her.

#### Article 16

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.

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.

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.

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.

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.

#### Article 17

The Board of Directors, as described below, delegates management of the Company's 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 Euro 500m or otherwise of investments worth in excess of Euro 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 21 with the powers described under Article 22 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 24 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;
- 10) approval or amendment of any internal regulations;
- 11) ascertaining that Directors upon their appointment or without prejudice to the foregoing at least on an annual basis, are in possession of the requisite professional credentials 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.

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.

#### Article 18

The Board of Directors shall establish three committees from among its own number:

- i) an Appointments committee, made up of six members and including *de jure* the Chairman of the Board of Directors, the Deputy Chairman of the Executive Committee and the Managing Director. 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.

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 17 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 seven non-executive members, at least a majority of whom shall be independent, 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 three independent members, 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 19

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 17, paragraph 2, points 5, 6 and 7, the Board shall adopt resolutions based on the quorum stipulated in Article 17, paragraph 4.

In the event of an equal number of votes being cast, the Chairman of the Board of Directors shall have the deciding vote.

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.

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.

#### Article 20

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.

Excerpts from the minutes signed by the Chairman or by two Directors and countersigned by the Secretary constitute full proof.

#### Sub-Section II – Executive Committee

#### Article 21

The Board of Directors appoints an Executive Committee to comprise a total of nine members, establishing their powers in accordance with the provisions of Article 22, paragraph 1 hereunder.

The Chairman of the Board of Directors and the five directors with the requisites stipulated under the foregoing Article 14 and elected from the list which receives the highest number of votes are members of the Executive Committee *de jure*.

Executive Committee members in possession of the requisites stipulated under the foregoing Article 14 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.

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.

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.

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.

The Executive Committee is chaired by the Chairman of the Board of Directors.

The Executive Committee appoints a Deputy Acting Chairman of the Executive Committee from among its own number who shall be in possession of the requisites provided for under Article 14, paragraph 4 hereof.

The Committee shall remain in office for the entire duration of the Board of Directors which appointed it.

The Statutory Audit Committee takes part in Executive Committee meetings.

The Committee appoints a Secretary, who does not necessarily have to be one of its own number.

#### Article 22

Without prejudice to the provisions of the foregoing Article 17 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, including 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 17, 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.

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.

Resolutions are approved by the Executive Committee with the majority of its members in attendance and voting in favour.

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.

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.

#### Article 23

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.

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.

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.

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.

Committee meetings are presided over by the Chairman of the Board of Directors, coordinates 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 Deputy Chairman of the Committee.

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.

Excerpts from the minutes signed by the Chairman or by the Managing Director and countersigned by the Secretary constitute full proof.

#### Sub-section III - Managing Director

##### Article 24

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 14, paragraph 4 hereof.

Without prejudice to the provisions of Article 17, 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.

## SECTION VI

### Management

#### Article 25

The Management Board may appoint, without prejudice to the provisions of Article 14, para. 1, letter b) hereof, a General Manager from among its members who are members of the Banking Group's senior management and establish his powers, and such Managers as it deems advisable.

The Management Board shall authorize the the Managers to sign jointly or severally on behalf of the Company as laid down in Article 27, and thereby vest them with some or all of the powers to carry out the day-to-day administration of the Company's business and to implement resolutions passed by the Management Board or the Supervisory Board.

## SECTION VII

### Head of company financial reporting

#### Article 26

Subject to prior approval from the Supervisory Board, the Management Board 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 Management Board 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 IV – General Manager

#### Articles 25

**The Board of Directors may appoint, at the Managing Director's proposal and without prejudice to the provisions of Article 18, paragraph 1, letter i) hereof, a General Manager and establish his powers. If appointed, the General Manager will be one of the Directors in possession of the requisites specified under Article 14, paragraph 4 of these Articles.**

**The Board of Directors shall authorize the General Manager to sign jointly or severally on behalf of the Company as laid down in Article 27, 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 V - Head of company financial reporting

#### Article 26

**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.

## SECTION VIII

### Power to represent the Bank

#### Article 27

The corporate signature shall be vested in the Chairman of the Managing Board, the Managing Director, the General Manager 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 the two signatures is that of the Chairman of the Managing Board, the Managing Director, or the General Manager or one of the employees of the Bank in whom such right has been specifically vested.

The Management Board 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 Management Board 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. The Management Board 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.

The Management Board 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.

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 of the Management Board, the Managing Director, the General Manager or by employees of the Bank specifically designated by the Management Board.

The power to represent the Company in judicial and administrative procedures shall be vested severally in the Chairman of the Management Board, the Managing Director and General Manager if appointed, and in employees of the Bank specifically designated by the Management Board for such purpose.

### Sub-section VI - Powers to represent the Bank

#### Article 27

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 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. 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.

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.

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**.

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, and in employees of the Bank specifically designated by the Board **of Directors** for such purpose.

## SECTION V

### Statutory Audit Committee

#### Article 28

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 powers and term of office are 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.

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.

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.

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 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.

Appointments to the Statutory Audit Committee are made on the basis of lists in which each candidate is numbered consecutively. Each list is in two sections, one for candidates for the post of standing auditor, one for candidates for the post of alternate auditor. Each list may be submitted only 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.

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.

Lists are deposited at the Company's head office at least fifteen calendar days prior to the date scheduled for the general meeting to be held in the first 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 and certification providing proof of ownership;
- 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 fifth 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.

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.

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.

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.

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.

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 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 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.

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.

In the event that the Chairman of the Committee has to be replaced, the alternate auditor taking his place shall also take on the role of Chairman to the Statutory Audit Committee.

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 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 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 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.

#### Article 29

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, 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 19 hereof; 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.

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.

### SECTION IX

#### Auditing

##### Article 28

Inspection of the Company's accounts shall be carried out by a duly registered external auditor, whose terms of appointment, duties and responsibilities shall be governed by law.

### SECTION X

#### Financial Year and Balance Sheet

##### Article 29

The Company's financial year shall begin on 1 July of each year and shall end on 30 June of the following year.

### SECTION VI

#### Auditing

##### Article 30

Inspection of the Company's accounts shall be carried out by a duly registered external auditor, whose terms of appointment, duties and responsibilities shall be governed by law.

### SECTION VII

#### Financial Year and Balance Sheet

##### Article 31

The Company's financial year shall begin on 1 July of each year and shall end on 30 June of the following year.



Article 30

The Management Board shall draw up the balance sheet for the year and shall submit it to the Supervisory Board for approval.

In its Report, the Management 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.

In the event of the said balance sheet not being approved or if at least one-third of the members of the Management Board or the Supervisory Board request it, responsibility for approving the balance sheet for the year shall be attributed to shareholders in general meeting.

Article 31

At least 10% of the net profit for each financial year shall be deducted therefrom and taken 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 Management Board so propose, having consulted with the Supervisory Board, 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.

**SECTION XI**

**Winding-up**

Article 32

The liquidation of the Company shall be governed by the provisions of the law.

Article 32

The Board **of Directors** shall draw up the balance sheet for the year and shall submit it to **shareholders in general meeting** for approval.

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.

*deleted*

Article 33

At least 10% of the net profit for each financial year shall be deducted therefrom and taken 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.

**SECTION VIII**

**Winding-up**

Article 34

The liquidation of the Company shall be governed by the provisions of the law.

2. to vest the Chairman, the Managing Director and the General Manager, when appointed, 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.”

## ***Ordinary business***

### **1. Appointments to Board of Directors for financial years ending 30 June 2009, 2010 and 2011, having previously established their number; and determining the amount of their remuneration.**

Dear Shareholders,

If the resolution to adopt new Articles of Association based on the “traditional” model of governance is approved, it will be necessary to appoint a Board of Directors for the financial years ending 30 June 2009, 2010 and 2011, having previously established their number. You are also called to determine their annual remuneration for the entire duration of their mandate.

The procedure for appointing the Board of Directors shall be in compliance with the provisions laid down in Consob regulation no. 11971/1999.

Appointments to the Board of Directors shall be made on the basis of lists in which the candidates are numbered consecutively. Each list may be submitted only by shareholders representing in the aggregate at least one percent of the company’s share capital. In order to demonstrate effective ownership of the requisite number of shares to be eligible for submission of lists, shareholders must at the same time deposit all necessary documentation to prove they are entitled to take part in general meetings at the company’s head office.

The lists, which are to be undersigned by the shareholder or shareholders submitting them (including by proxy to one of them), must contain no more than twenty-three candidates, and must be deposited at the company’s head office at least fifteen days prior to the date scheduled for the general meeting to be held in the first instance.

With each list, and by the end of the same, fifteen-day term, the following documentation must be presented for each candidate:

- a *curriculum vitae* containing a description of the candidate’s professional qualifications and a list of the managerial and supervisory posts held by him/her at other companies;
- a statement accepting the post, and declaring that there are no grounds which would make the candidate concerned incompatible with, or ineligible for, the post of director, and further stating that the candidate is in possession of the requisites specified under law currently in force;

- a statement regarding whether or not the candidate qualifies as independent pursuant to Article 148, paragraph 3, of Italian Legislative Decree 58/98 and/or the Code of conduct for listed companies operated by Borsa Italiana;
- a statement as to whether or not the candidate has been a member of the Mediobanca Banking Group's senior management for a period of more than three years.

Lists submitted which do not conform to the above specifications shall be treated as null and void.

One single shareholder may not submit or vote for any more than one list, including via proxies or trustee companies. Shareholders belonging to the same group of shareholders, or shareholders who are parties to a shareholders' agreement in respect of the issuer's share capital, 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.

The procedure for the appointment of Directors (whose number may vary from fifteen to twenty-three) is as follows: all Directors save one are chosen on the basis of the consecutive order in which they are numbered 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 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.

In the event of just one list being submitted, the Board of Directors in its entirety is taken from this list, provided that the quorum established by law for ordinary general meetings has been reached.

## **2. Appointment of members and Chairman of Statutory Audit Committee; and determining the amount of their remuneration.**

Dear Sirs,

If the resolution to adopt new Articles of Association based on the “traditional” model of governance is approved, it will be necessary to appoint a Statutory Audit Committee for the financial years ending 30 June 2009, 2010 and 2011. You are also called to determine their annual remuneration for the entire duration of their mandate.

The procedure for appointing the Statutory Audit Committee shall be in compliance with the provisions laid down in Consob regulation no. 11971/1999.

Appointments to the Statutory Audit Committee shall be made on the basis of lists in two sections, one for candidates for the post of standing auditor, the other for candidates for the post of alternate auditor, in which the candidates are numbered consecutively. Each list may be submitted only by shareholders representing in the aggregate at least one percent of the company’s share capital. . In order to demonstrate effective ownership of the requisite number of shares to be eligible for submission of lists, shareholders must at the same time deposit all necessary documentation to prove they are entitled to take part in general meetings at the company’s head office.

The lists, which are to be undersigned by the shareholder or shareholders submitting them (including by proxy to one of them), must contain one or more candidates for the post of standing auditor and the post of alternate auditor, and be deposited at the company’s head office at least fifteen days prior to the date scheduled for the general meeting to be held in the first instance.

Members of the Statutory Audit Committee must be in possession of the requisite qualifications for holding such office, including in terms of the aggregate number of posts held expressly provided for such members under regulations currently in force, failing which they become ineligible or, if they should cease to hold such qualifications subsequently, lapse from office.

Professional qualifications in this context are understood as being strictly pertinent to the activities of the company, those listed under Article 1 of the Italian Consolidated Banking Act, and the provision of investment services or collective management of savings, both of which as defined in Italian Legislative Decree 58/98.

Members of the Statutory Audit Committee may not hold posts in governing bodies other than those with responsibility for control in any company deemed to

be a strategic investment as defined in the supervisory requirements laid down by the Bank of Italy.

In addition, candidates who hold the post of Director, manager or office in companies or organizations or who otherwise collaborate in the management of companies operating directly or indirectly in the same sectors as Mediobanca, including by means of subsidiaries, may not be appointed as Statutory Auditors, and if previously appointed, lapse from office.

The lists must be deposited at the company's head office at least fifteen calendar days prior to the date scheduled for the general meeting in the first instance called to adopt resolutions in respect of appointment of statutory auditors, complete with:

- a) information on the identity of the shareholders submitting the lists, with indication of the aggregate percentage shareholding represented and certification providing proof of ownership;
- b) a statement from the shareholders submitting the list other than those who own, including jointly, a controlling interest or relative majority, declaring the inexistence 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 resolution 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 the present Articles of Association and agree to stand as candidates.

Lists submitted which do not conform to the above specifications shall be treated as null and void.

One single shareholder may not submit or vote for any more than one list, including via proxies or trustee companies. Shareholders belonging to the same group of shareholders, or shareholders who are parties to a shareholders' agreement in respect of the issuer's share capital, 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.

In the event that by the date on which the term of fifteen days prior to the date scheduled for the general meeting in the first instance has passed, only one list has been submitted, or only lists submitted by shareholders who are related based on the statements referred to under the foregoing point b), lists may be presented up to the fifth day subsequent to such date. In this case the minimum percentage shareholding for submitting lists is reduced by half from the previous one percent.

The following procedure is adopted for the appointment of statutory auditors: two standing auditors and one alternate auditor are chosen based on the consecutive numbering in which they are ordered from the list obtaining the highest number of votes; and one standing auditor and one alternate auditor are chosen based on the consecutive numbering in which they are ordered from the list ranking second in terms of number of votes, 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 first-ranking list in terms of number of votes. It should be noted that under Article 148 of Italian Legislative Decree 58/98, the post of Chairman of the Statutory Audit Committee shall be assigned to the standing auditor appointed from the minority list, if any.

In the event of their being an equal number of votes for more than one list, a ballot will be held.

In the event of just one list being submitted, the Statutory Audit Committee is taken from this list in its entirety.

Milan, 18 September 2008

THE MANAGEMENT BOARD

**RESOLUTIONS PASSED BY SHAREHOLDERS  
IN AN ANNUAL GENERAL MEETING  
HELD ON 28 OCTOBER 2008**

At the Annual General Meeting held on 28 October 2008, the shareholders of Mediobanca passed the following resolutions:

*as ordinary business:*

- to pay a dividend of €0.65 per share on the 820,055,665 shares in issue, of which €10,530,000 assigned to the “Statutory reserve” by way of the amount not distributed in respect of treasury shares held by the Bank;
- to allocate €95,750 to the “Legal reserve” and €89,446,729.64 to the “Statutory reserve”;

*as extraordinary business:*

- to adopt new Articles of Association based on the so-called “traditional” method of corporate governance featuring a Board of Directors and Statutory Audit Committee, and to make the following amendments to the text shown on pp.486-488-490, as requested by the Bank of Italy:

**Article 17**

The Board of Directors, as described below, delegates management of the Company’s 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:

*omissis*

- 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.

*omissis*

**Article 18**

The Board of Directors shall establish three committees from among its own number:

- i) an Appointments committee, made up of six members and including *de jure* the Chairman of the Board of Directors, the Deputy Chairman of the Executive Committee and the Managing Director. 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 a Director qualifying as independent is added to the committee if none are already represented on it.**

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 17 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;

*omissis*

#### **Article 22**

Without prejudice to the provisions of the foregoing Article 17 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, ~~including as a rule~~ through the proposals of the Managing Director and in co-operation with him;

*omissis*

*as ordinary business:*

- to appoint Cesare Geronzi, Alberto Nagel, Renato Pagliaro, Maurizio Cereda, Massimo Di Carlo, Francesco Saverio Vinci, Dieter Rampl, Marco Tronchetti Provera, Jean Azema, Tarak Ben Ammar, Gilberto Benetton, Marina Berlusconi, Antoine Bernheim, Roberto Bertazzoni, Vincent Bolloré, Angelo Caso, Ennio Doris, Pietro Ferrero, Jonella Ligresti, Fabrizio Palenzona, Carlo Pesenti, Eric Strutz and Marco Parlangeli as Directors of Mediobanca for the financial years ending 30 June 2009, 2010 and 2011, and to fix the amount available to the Board of Directors for remuneration of all members at €10m, authorizing and mandating the Board or Directors itself to apportion such fees from this amount among its own number as it sees fit;
- to appoint the following persons to the Statutory Audit Committee: Marco Reboa - Chairman, Gabriele Villa and Maurizia Angelo Comneno – Standing Auditors, Guido Croci and Umberto Rangoni – Alternate Auditors, for the financial years ending 30 June 2009, 2010 and 2011, fixing their annual remuneration in an amount of €300,000, €120,000 of which payable to the Chairman and €90,000 to each Standing Auditor.



**BALANCE SHEET  
AND  
FUND ALLOCATION ANALYSES**

BALANCE SHEET ANALYSIS

ASSETS

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**

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	Memorandum accounts	GRAND TOTAL
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	73,415,149	101,602,271
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	43,168,344	77,317,549
2008	8,845,365	2,846,738	577,419	24,235,221	969,612	1,752,778	113,818	7,756	462,386	37,085,997	208,361,023	245,447,020

§ IAS/IFRS-compliant.

BALANCE SHEET ANALYSIS

LIABILITIES

As at 30 June	Shareholders' equity			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
	Share capital	Reserves, provi- sions qualifying as reserves* and retained earnings	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	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 <sup>2</sup>	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 <sup>1</sup>	6,137 <sup>3</sup>	131,073 <sup>1</sup>	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	71,254,282
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).

<sup>1</sup> Taken to Reserve.

<sup>2</sup> Of which €3.6m taken to Reserve.

<sup>3</sup> Of which €12.5m taken to Reserve and the balance to write down the book value of securities.

BALANCE SHEET ANALYSIS §  
**LIABILITIES**

At year-end	Capital		TOTAL	Provisions	Debt securities in issue	Other funding forms	Other liabilities	Profit for the year	Total liabilities	Memorandum accounts	GRAND TOTAL
	Share capital	Reserves, other provisions with capital content* and retained earnings									
2006	405,999	4,527,856	4,933,855	165,712	20,192,077	1,811,063	538,895	545,520	28,187,122	73,415,149	101,602,271
2007	408,781	5,128,989	5,537,770	162,433	23,027,454	4,077,662	782,776	561,110	34,149,205	43,168,344	77,317,549
2008	410,028	4,217,383	4,627,411	161,452	30,541,427	3,199,445	658,779	622,579	39,811,093	37,085,997	76,897,090

§ 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

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 <sup>1</sup>	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 <sup>2</sup>	Increase (decrease) in retained earnings
1947	(15)	—	(15)	—	—	—	—	—	—	—
1948	23	—	23	2	—	21 <sup>3</sup>	—	—	—	—
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) <sup>4</sup>	—	—	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	—

<sup>1</sup> 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.

<sup>2</sup> Plus fixed fee of €258,000 as from 30/6/89 and €1.5m as of 30/6/02.

<sup>3</sup> Of which €15,000 to absorb prior year loss.

<sup>4</sup> Of which €14,027,000 to cover loss for the year, and €140,139,000 for payment of dividend.

FUND ALLOCATION ANALYSIS §

FINANCIAL YEAR	Profit before tax for the year	Transfers to risk provisions	Net profit	ALLOCATION OF NET PROFIT				Changes in retained earnings
				To reserves	Dividends paid out	%	Remuneration due to Board <sup>1</sup>	
2006	545,520	—	545,520	66,244	473,003	116	6,273	—
2007	561,110	—	561,110	22,423	532,414	130	6,273	—
2008	622,579	—	622,579	89,543	533,036	130	—	—

§ IAS/IFRS-compliant.

<sup>1</sup> Plus fixed fee of €258,000 as from 30/6/89 and €1.5m as of 30/6/02.