



MEDIOBANCA

**Basel III pillar 3
Disclosure to the public**

Situation as at 30 June 2016



Contents

| | |
|--|------------|
| Introduction | 3 |
| Section 1 – General disclosure requirement | 4 |
| Section 2 – Scope of application | 17 |
| Section 3 – Composition of regulatory capital..... | 19 |
| Section 4 – Capital adequacy | 27 |
| Section 5 – Financial leverage | 31 |
| Section 6 – Credit risk | 34 |
| 6.1 Credit risk: general information for all banks..... | 34 |
| 6.2 ECAIs | 45 |
| 6.3 Unencumbered assets..... | 48 |
| Section 7 – Counterparty risk..... | 49 |
| Section 8 – Risk mitigation techniques..... | 60 |
| Section 9 – Securitizations..... | 62 |
| Section 10 – Operational risk..... | 65 |
| Section 11 – Exposures to equities: information on banking book positions | 66 |
| Section 12 – Interest rate risk on banking book positions | 70 |
| Section 13 – Market risk | 72 |
| Section 14 - Remunerations policies | 77 |
| Declaration by Head of Company Financial Reporting..... | 112 |



Introduction

The regulations governing banking supervision have been revised with the issue of Capital Requirements Directive IV and the Capital Requirements Regulation (CRD IV/CRR), which have been incorporated into Italian legislation under Bank of Italy circular no. 285 issued in December 2013 as amended, in order to bring the national regulations into line with the changes introduced to the EU banking supervisory framework, which includes Commission Delegated Regulation (EU) 2015/62 of 10 October 2014, to harmonize the diverging interpretations by institutions of the methods by which the Leverage Ratio is calculated. The body of regulations on prudential supervision and corporate governance of banks has incorporated the changes made by the Basel Committee with its "Global regulatory framework for more resilient banks and banking systems".

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

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

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

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

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



Section 1 – General disclosure requirement

Qualitative information

Introduction

The Mediobanca Group has equipped itself with a risk governance and control system which is structured across a variety of organizational units involved in the process, with a view to ensuring that all relevant risks to which the Group is or might be exposed are managed effectively, and at the same time guaranteeing that all forms of operations are consistent with their own propensity to risk.

The Board of Directors, in view in particular of its role of strategic supervision, is responsible for approving strategic guidelines and directions of the risk appetite framework (RAF), business and financial plans, budgets, and risk management and internal control policies, and the Recovery Plan prepared in accordance with the provisions contained in EU Directive 2014/59 (the Bank Recovery and Resolution Directive, or “BRRD”).

The Executive Committee is responsible for the ordinary management of the Bank and for co-ordination and management of the Group companies, without prejudice to the matters for which the Board of Directors has sole jurisdiction.

The Risks committee assists the Board of Directors in performing duties of monitoring and instruction in respect of the internal controls, risk management, and accounting and IT systems.

The Statutory Audit Committee supervises the risk management and control system as defined by the RAF and the internal controls system generally, assessing the effectiveness of the structures and units involved in the process and co-ordinating them.

Within the framework of the risk governance system implemented by Mediobanca S.p.A., the following committees have specific responsibilities in the processes of taking, managing, measuring and controlling risks: the Group Risk Management committee, with powers of consultation on matters of credit, issuer, operational and conduct risk, and executive powers on market risks; Lending and Underwriting committee, with executive powers for matters of credit, issuer and conduct risk; Group ALM committee and Operational ALM committee, for monitoring the Group’s ALM risk-taking and management policy (treasury and funding) and approving the methodologies for measuring exposure to liquidity and interest rate risk and the internal fund transfer rate; the Investments committee for equity investments owned and banking book equities; the New Operations committee, for prior analysis of new operations and the possibility of entering new sectors, new products and the related pricing models; and the Operational risks committee, for management of operational risks in terms of monitoring risk profiles and defining mitigation actions.

Although risk management is the responsibility of each individual business unit, the Risk Management unit presides over the functioning of the Bank’s risk system, defining the appropriate global methodologies for measuring risks, current and future, in conformity with the regulatory requirements in force as well as the Bank’s own operating choices identified in the RAF, monitoring risks and ascertaining that the various limits established for the various business lines are complied with. The risk management process, which is supervised by the Chief Risk Officer, reporting directly to the Chief Executive Officer, is implemented by the following units: *i)* Enterprise Risk



Management, which helps to develop risk management policies at Group level, and is responsible for integrated Group risks monitoring, ICAAP reporting and internal risk measurement model validation; ii) Credit Risk Management, responsible for credit risk analysis, assigning internal ratings to counterparties and the loss-given default indicator (LGD); iii) Market and Liquidity Risk Management, which monitors market, counterparty, liquidity and interest rate risk on the banking book; iv) Quantitative Risk Methodologies, responsible for developing quantitative analysis and credit and market risk management methodologies; v) and Operational Risk Management, responsible for developing and maintaining the systems for measuring and managing operational risks.

Establishment of risk propensity and process for managing relevant risks

In the process of defining its Risk Appetite Framework ("RAF"), Mediobanca has established the level of risk (overall and by individual type) which it intends to assume in order to pursue its own strategic objectives, and identified the metrics to be monitored and the relevant tolerance thresholds and risk limits.

The Risk Appetite Framework ("RAF") is the reference framework which correlates risks to the corporate strategy (by translating the mission and strategy into qualitative/quantitative variables) and the risk objectives of the company's operations (by translating the risk objectives into restrictions and incentives for the organization).

As required by the prudential regulations, definition of the RAF serves to formalize risk objectives consistent with the maximum risk that can be taken, the business model and strategic guidance is a key factor in establishing a risk governance policy and an internal controls system with the objective of strengthening the Bank's capability to manage its own risks while at the same time guaranteeing sustainable growth over the medium/long term.

In this connection, the Group has developed a governance model for the Risk Appetite Framework which identifies the roles and responsibilities of the governing bodies and the units involved, and makes provision for co-ordination mechanisms to ensure that the risk propensity is integrated into the operating processes.

In the process of defining the risk appetite, the Bank:

- Identifies which risks it is willing to take;
- For each risk, defines the objectives and limits in normal and stressed conditions;
- Identifies the action necessary in operating terms to bring the risk back within the set objectives.

For purposes of defining the RAF, according to the strategic positioning and risk profile which the Group has set itself to achieve, the risk appetite statement is structured into risk metrics and limits, to be identified for each of the four framework pillars, in line with the best international practice, i.e. capital adequacy, liquidity, idiosyncratic factors, and conduct/operational risk.

The Board of Directors plays a proactive role in defining the RAF, ensuring the risk profile expected is consistent with the strategic plan, the budget, the ICAAP and the recovery plan, and is structured into risk metrics and limits which are adequate and effective.

For each area analysed, the risk taken is related to a system of objectives and limits representing the regulatory restrictions and also the Group's general attitude towards risk, defined in such a way as to be consistent with the strategic planning, ICAAP, and risk management processes.



As well as describing the rationale for the choices made in terms of identifying and setting the risk propensity indicators, the document also governs the mechanisms regulating the determination and implementation processes for the RAF, in terms of update/revision, monitoring and escalation in reporting to the company's committees and governing bodies.

Based on its operations and the markets in which it operates, the Mediobanca Group has identified the relevant risks to be submitted to specific assessment in the course of the reporting for the ICAAP (Internal Capital Adequacy Assessment Process), in accordance with the Bank of Italy instructions contained in circular no. 285 issued on 17 December 2013, "Supervisory instructions for banks" as amended ("Circular 285"), appraising its own capital adequacy from both a present and future perspective which takes into account the strategies and development of the reference scenario.

In accordance with the provisions of the Capital Requirements Directive IV ("CRD IV"), the Mediobanca Group has prepared a document describing the Internal Liquidity Adequacy Assessment Process (ILAAP), providing the set of policies, processes and instruments for governing liquidity and funding risks.

The Group's objective is to maintain a liquidity level which allows it to meet the payment commitments it has entered into, ordinary and extraordinary, while at the same time minimizing costs. The Group's liquidity management strategy is based on the desire to maintain an appropriate correlation between potential inflows and outflows, in both the short term and the medium/long term, by monitoring regulatory and operating metrics, in accordance with the risk profile defined in connection with the RAF.

Credit risk

While adopting the standardized methodology defined by the supervisory provisions in force for calculating regulatory capital, the Group has also internal rating models for operating purposes for the following customer segments: Banks, Insurances, Corporates (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, CheBanca! for mortgage lending, and Creditech for instalment factoring business).

In accordance with Bank of Italy circular 272/08, seventh update, Mediobanca has adopted the new definitions of non-performing credit exposures, now subdivided into three separate categories: non-performing, probable default and past due, plus the category of exposures subject to various kinds of tolerance measures, known as "forborne" exposures, applied to any asset (i.e. performing or non-performing).

In particular, forborne exposures are defined as debt contracts in which concessions have been granted to a borrower which is in, or is shortly to find itself in, a situation where it is unable to meet its financial commitments (referred to as "financial difficulties").

For an asset to be classified as forborne, the Group assesses whether, following possible amendments to the contract favourable to the client (typically rescheduling expiry dates, suspending payments, refinancings or waivers to covenants), a situation of difficulty arises as a result of the accumulation, actual or potential (in the latter case if the concessions are not granted) of more than thirty days past due. Assessment of the borrower's financial difficulties is based primarily on individual analysis carried out as part of corporate banking and leasing business, or alternatively, on certain predefined



conditions being recorded in consumer credit activities (e.g. the number of times overdue instalments have had to be queued) and mortgage lending (e.g. whether the borrower has been made unemployed, cases of serious illness and/or divorce and separation).

Corporate lending (Mediobanca)

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

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

For the assumption of credit risk, all counterparties must be analysed and where possible assigned an internal rating, which takes into account the specific quantitative and qualitative characteristics of the counterparty concerned. Proposed transactions are also subject to the application of LGD models where appropriate.

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

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

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

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



Leasing

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

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

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

Consumer credit (Compass)

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

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

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



Factoring (Creditech)

Factoring includes both traditional factoring (loans with very short-term disbursements, often backed by insurance cover) and non-recourse factoring (acquiring loans from the seller to be repaid via monthly instalments by the original borrower, who in virtually all cases is a retail customer).

For traditional factoring, the internal units appraise the solvency of the sellers and the original borrowers via individual analysis using methodologies similar to those adopted for corporate lending, whereas for non-recourse factoring the acquisition price is calculated following due sample-based or statistical analysis of the accounts being sold, and takes into consideration the projected recoveries, changes and margins.

Provisioning is determined collectively on the basis of historical PD and LGD values distinguished according to the ageing of the receivables. Probability of default in particular is calculated over a time horizon of less than a year, corresponding to the emergence period for hidden losses which is currently six months and calibrated based on the trend of the last fifteen months, beyond which the indicator loses significance. The LGD values are based on data for amounts collected in the last three years.

Mortgage lending (CheBanca!)

Mortgage applications are processed and approved centrally at head office. The applications are approved, using an internal rating model, based on 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 assessed.

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

Accounts, both regular and irregular, are monitored through a reporting system which allows system operators to monitor the trend in the asset quality and, with the help of the appropriate indicators, to enter risk positions, to ensure that the necessary corrective action can be taken versus the credit policies.

Non-performing accounts are managed, for out-of-court credit recovery procedures, by a dedicated organizational structure with the help of external collectors. In cases where a borrower becomes insolvent (or in fundamentally similar situations), the unavoidable property enforcement procedures are initiated through external lawyer. Procedurally mortgage loans with four or more unpaid instalments (not necessarily consecutive) are designated as probable default accounts, and generally after the tenth unpaid instalment become non-performing.

Exposures for which concessions have been granted are defined as forbore exposures, i.e. exposures subject to tolerance measures, performing or non-performing for which the Bank grants amendments to the original terms and conditions of the contract in the event of the borrower finding itself in a state (proven or assumed) of financial difficulty, by virtue of which it is considered to be unlikely to be able to meet its borrowing obligations fully or regularly.

Provisioning is determined analytically for non-performing items and collectively for probable default, other overdue and performing accounts. For the analytical provisions for the non-performing items, account is taken of the official valuations of the assets (deflated on a prudential basis), timescales and recovery costs. For the performing accounts in the Italian loan book, the Bank uses risk parameters (PD and LGD), which are estimated via the internal rating model, to determine the collective risk provisions, distinguished in order to take into account any indicators of previous difficulties (including forbearance measures).



* * *

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

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

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

Credit Value Adjustment risk ("CVA")

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

Counterparty risk

This is measured in terms of expected potential market value, thus doing away with the need to set arbitrary weightings for each type of fund employed. As far as regards derivatives and loan collateralization products (repos and securities lending), the calculation is based on determining the maximum potential exposure (assuming a 95% confidence level) at various points on a time horizon that reaches up to 30 years. The scope of application regards all groups of counterparties which have relations with Mediobanca, taking into account the existence or otherwise of netting agreements (e.g. ISDA, GMSLA or GMRA) and collateralization (e.g. CSA), plus exposures deriving from interbank market transactions. For each type of operations there are different ceilings split by counterparty and/or group.

For derivative transactions, as provided by IFRS13, the fair value reflects the impact respectively of the counterparty's credit risk (CVA) and Mediobanca's own credit risk (DVA) based on the future exposure profile of the combined contracts outstanding.

Market risks

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

Exposure to market risk on the trading book, which is faced virtually entirely by Mediobanca S.p.A., is measured on a daily basis by calculating two main indicators:

- *sensitivity* (the so-called "Greeks") to minor changes in the principal risk factors (such as interest rates, share prices, exchange rates, credit spreads, inflation and volatility, dividends and correlations);



- *value-at-risk*¹ calculated using historical scenarios which are updated daily, assuming a disposal period of a single trading day and a confidence level of 99%.

VaR is calculated daily for the Group's entire asset structure, i.e. both trading and banking books, but excluding the equity investments. A distinction is made between risks deriving from movements in market rates and those deriving from movements in credit spreads. Stress tests are also carried out once a month on the main risk factors, to show the impact which more substantial movements in the main market variables might have, such as share prices and interest or exchange rates, calibrated on the basis of the most pronounced historical oscillations.

In addition to these metrics, specific indicators are compiled to capture other risks not measured by VaR.

Apart from the overall VaR limit, there are also individual limits in force for the various trading books, the AFS securities portfolio, and the securities held to hedge interest rate risk on the Group's asset items. The individual trading books also have limits in the form of sensitivities ("Greeks") to movements in the various risk factors (1 basis point for interest rates and credit spreads, 1 percentage point for equities, exchange rates and volatility).

As from this year the method used to calculate VaR has changed from the Monte Carlo to the historical simulation method, in line with the best market practice; and the methodology used to calculate the expected shortfall has also changed accordingly. However, VaR readings are still calculated and made available to traders based on the Monte Carlo method, as is the expected shortfall (or conditional VaR) calculated to the 99th percentile, which measures average loss in 1% of the most unfavourable scenarios not included in the calculation of VaR. The new methodology generates VaR readings which are higher on average, and the figures for this year reflect this change accordingly.

Operational risk

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

Mediobanca has adopted 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 years' readings of total income. Based on this method of calculation, the capital requirement as at the reporting date was €264.7m (30/6/15: €255.5m).

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

Interest rate risk on the banking book

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

The Mediobanca Group monitors and manages interest rate risk through sensitivity testing of net interest income and economic value. The former quantifies the impact of a parallel and simultaneous 100 bps shock in the interest rate curve on current earnings. The latter is calculated by comparing the discounted value of expected cash flows using the yield curve at the current date with the value obtained using a yield curve which is 100 bps higher or lower (parallel shock).

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



With reference to the positions held as part of the banking book as at 30 June 2016, if interest rates were to rise, net interest income would fall by €12.2m, on a lower contribution by CheBanca! (down €20m), which would only in part be offset by the increase in net interest income by Compass (up €8m).

With reference to analysis of the discounted value of estimated cash flows on the Group's banking book, the instantaneous and parallel shifts of 200 basis points generate a loss of €339.6m at Group level, representing the difference between the losses recorded by Mediobanca (€374.3m) and Compass (€87.7m) and the increase for CheBanca! (up €47.6m). In the opposite scenario, i.e. if interest rates reduce, net interest income on the banking book at Group level would rise €150.7m.

At Group level, the values obtained in both scenarios continue to remain within the limits set by both the monitoring regulations and operational controls, which are respectively 7.5% (net interest income sensitivity (including trading book)/regulatory capital) and 15% (economic value sensitivity/regulatory capital).

Hedging

Hedges are intended to neutralize possible losses that may be incurred on a given asset or liability, due to the volatility of a certain financial risk factor (interest rate, exchange rate, credit or some other risk parameter), through the gains that may be realized on a hedge instrument which allow the changes in fair value or cash flows to be offset. For fair value hedges in particular, the Group seeks to minimize the financial risk on interest rates by bringing the entire interest-bearing exposure in line with Euribor (generally Euribor 3 months).²

- **Fair value hedges.** Fair value hedges are used to neutralize exposure to interest rate, price or credit risk for particular asset or liability positions, via derivative contracts entered into with leading counterparties with high credit standings. It is principally the fixed-rate, zero coupon and structured bond issues that are fair-value hedged. If structured bonds in particular do not show risks related to the main risk, the interest-rate component (hedge) is stripped out from the other risks represented in the trading book, and usually hedged by trades of the opposite sign. Fair value hedges are used by Mediobanca S.p.A. to hedge fixed-rate transactions involving corporate loans and AFS securities or positions accounted for as Loans and receivables, and also to mitigate price risk on equity investments held as available for sale. Like-for-like books of fixed-rate mortgage loans granted by CheBanca! are also fair value-hedged.
- **Cash flow hedges.** These are used chiefly as part of certain Group companies' operations, in particular those operating in consumer credit and leasing. In these cases the numerous, generally fixed-rate and relatively small-sized transactions are hedged by floating-rate deposits for large amounts. The hedge is made in order to transform floating-rate deposits into fixed rate positions, correlating the relevant cash flows. Normally the Group uses the derivative to fix the expected cost of deposits over the reference period, to cover floating-rate loans outstanding and future transactions linked to systematic renewals of such loans upon their expiring. Mediobanca S.p.A. also implements cash flow hedges to cover the equity risk linked to shares held as available for sale by executing forward contracts.

² This target is maintained even in the presence of hedging contracts with market counterparties with netting agreements and CSAs (collateralized standard agreements) have been entered into, the valuation of which is made on the basis of Eonia interest rates.



Financial leverage risk

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

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

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

Liquidity risk

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

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

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

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

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

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

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



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

In addition to the above, the Group also prepares the weekly liquidity position update required by the Bank of Italy. The maturity ladder report, prepared in accordance with the authority's guidelines, lists the principal maturities falling due in the months following the reference date, and contains a summary of the movements in both directions on the interbank market and a table showing the Group's funding balances by individual form. This monitoring instrument forms a point of contact with the other operational metrics used and promotes dialogue with the regulatory bodies regarding the trends influencing the liquidity risk profile over time. Monitoring structural liquidity, on the other hand, is intended to ensure that the structure has an adequate financial balance for maturities of more than twelve months. Maintaining an appropriate ratio between assets and liabilities in the medium/long term also serves the purpose of avoiding future pressures in the short term as well. The operating methods adopted involve analysing the maturity profiles for both assets and liabilities over the medium and long term checking that inflows cover 100% of outflows for maturities of more than one year, reduced to 90% of outflows for maturities of more than five years.

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

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

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

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

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

Other risks

As part of the process of assessing the current and future capital required for the company to perform its business (ICAAP) required by the regulations in force, the Group



identifies the following types of risk as relevant (in addition to those discussed previously, i.e. credit and counterparty risk, market risks, interest rate risk, liquidity risk and operational risk):

- **concentration risk**, i.e. risk deriving from a concentration of exposures to individual counterparties or groups of counterparties ("single name concentration risk") or to counterparties operating in the same economic sector or which operate in the same business or belong to the same geographical area (geographical/sector concentration risk);
- **expected shortfall** on credit portfolio risk – with reference to credit risk, the risk deriving from the failure to cover the positive difference between the total amount of the expected loss calculated with reference to credit exposures with performing counterparties, via the use of risk parameters (PD and LGD) estimated using internal models (not yet ratified for supervisory purposes) and the respective balance-sheet adjustments calculated according to the accounting standards in force;
- **strategic risk**, both in the sense of risk deriving from current and future changes in profits/margins compared to estimated data, due to volatility in volumes or changes in customer behaviour (business risk), and of current and future risk of reductions in profits or capital deriving from disruption to business as a result of adopting new strategic choices, wrong management decisions or inadequate execution of decisions taken (pure strategic risk);
- **basis risk**: in the context of market risk, this is the risk of losses caused by unaligned price changes in opposite directions from each other, which are similar but not identical;
- **compliance risk**, i.e. the risk of incurring legal or administrative penalties, significant financial losses or damages to the Bank's reputation as a result of breaches of external laws and regulations or self-imposed regulations;
- **reputational risk**, i.e. the current and future risk of reductions in profits or capital deriving from a negative perception of the Bank's image by customers, counterparties, shareholders, investors or regulatory authorities;
- **residual risk**, i.e. the risk that the recognized techniques used by the Bank to mitigate credit risk should prove to be less effective than anticipated;
- **country and transfer risk** – the risk of losses being caused by events in a country other than Italy, including losses due to the borrower's difficulties in converting its currency into the currency in which the exposure is denominated.

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



Adequacy of risk management metrics and overall risk profile associated with business strategy

With reference to the provisions contained in Article 435, paragraph 1, letters e) and f) of EU regulation 575/2013 ("CRR"), the paragraphs below summarize the considerations regarding the adequacy of the risk management metrics adopted and consistency of the overall risk profile with the Group's business strategy.

Adequacy of risk management metrics

During the twelve months under review, the Group has carried out the project activities required in order to adapt its risk management systems, processes and models to ensure that its risk governance measures develop in line with the business.

The activities performed by the Risk Management unit in the course of the twelve months have been focused on three areas. First of all, the business lines have been helped in developing their activities, in general by pursuing a reduction in the risk profile or at least raising awareness of the risks assumed; secondly, certain aspects of the control activities have been improved based on the regulatory authority's indications as provided both in the course of their ordinary activities and also as a result of their inspections; and thirdly, work has continued in incorporating the changes in the regulatory framework, both at the stage of implementing the various changes, and in making preparations for future changes to the regulations.

As part of the reporting on activities performed by the Group's control units, once a year, the governing bodies are required to express their assessment on the basis of the results of the reports provided by the relevant units, on the adequacy, thoroughness, functioning and reliability of the Group's risk controls system, highlighting any areas which may require improvement.

Consistency between risk profile and business strategy

In accordance with the supervisory instructions, the Group has developed its own Risk Appetite Framework is defined as a set of metrics, processes and systems to support proper management of the level and type of risk which the Group is prepared to take on in accordance with its strategic objectives.

The framework is intended to effectively align the risk profile to the objectives set by the company's Board of Directors and senior management based on the stakeholders' expectations, and allows the risk strategy to be linked to the budgeting and business planning process, to the authorization limits and performance assessment system.

The Board of Directors is responsible for checking that the implementation of the RAF is consistent with the risk objectives and tolerance thresholds that are approved, assessing its adequacy and effectiveness on a regular basis and ascertaining that the actual risk is consistent with the risk objectives.

The Risk Appetite is embedded within the corporate culture, ensuring it is shared and taken onboard across the whole organization, and that the individual actions taken are aligned with the expectation of the Board and senior management, and further ensuring that the risk profile taken on remains within the limits set as part of the framework itself.



MEDIOBANCA

In defining the RAF, preparatory analysis has been carried out to identify the principal risks to which the Group is and their potential impact in terms of profitability and capitalization, in order to translate the risk appetite framework into the various risk metrics identified.

The risk limits and tolerance thresholds are calibrated up to the maximum risk that can be taken, bearing in mind the margin of operating and strategic flexibility required in order to tackle fluctuations in the economic cycle and in crisis scenarios.

In order to ascertain that the Group's risk profile is consistent with the tolerance threshold defined, as part of the framework risk appetite monitoring reporting is structured on the basis of metrics and risk-taking limits and tolerance thresholds, which, when breached, require a specific governance process to be activated.



Section 2 – Scope of application

Qualitative information

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

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

For regulatory purposes, the investment in Banca Esperia which is subject to joint control is consolidated pro-rata; Group company Compass RE (a reinsurance company incorporated under Luxembourg law) and Ricerche e Studi are among those which are deductible from own funds.

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.

The following new companies have been included in the Group's area of consolidation since 30 June 2015:

- Cairn Capital Group Limited: asset management and advisory company based in London and specializing in credit products, which in turn owns 100% of Cairn Capital Limited, Cairn Capital North America Inc., Cairn Capital Guarantee Limited, Cairn Capital Investment Limited and Cairn Capital Managers Limited. The acquisition took place on 31 December 2015, hence the new companies' contribution is limited to the six months ended 30 June 2016;
- Quarzo MB S.r.l., for the securitization of Mediobanca S.p.A. receivables;
- CB! NewCo S.r.l., a payment institution set up to enable the technical integration of the Barclays business unit.

During the twelve months under review, Palladio Leasing and Teleleasing were both merged into SelmaBipiemme Leasing, and Sinto MB and Telco MB into Mediobanca S.p.A., all with effect from 1 July 2015. Finally, the process of winding up MB Mexico was also launched during the year.



Quantitative information

Area of consolidation

| | Name | Registered office | Type of relationship 1 | Shareholding | | % voting rights 2 |
|--|--|----------------------|---------------------------|------------------|------------|----------------------|
| | | | | Investor company | % interest | |
| A. Companies included in area of consolidation | | | | | | |
| A.1 Line-by-line | | | | | | |
| 1. | Mediobanca - Banca di Credito Finanziario S.p.A. | Milan | 1 | — | — | — |
| 2. | Prominvestment S.p.A. - in liquidation | Milan | 1 | A.1.1 | 100.- | 100.- |
| 3. | Spafid S.p.A. | Milan | 1 | A.1.1 | 100.- | 100.- |
| 4. | Spafid Connect S.p.A. | Milan | 1 | A.1.3 | 100.- * | 70.- |
| 5. | Mediobanca Innovation Services - S.c.p.A. | Milan | 1 | A.1.1 | 100.- | 100.- |
| 6. | Compagnie Monegasque de Banque - CMB S.A.M. | Montecarlo | 1 | A.1.1 | 100.- | 100.- |
| 7. | C.M.G. Compagnie Monegasque de Gestion S.A.M. | Montecarlo | 1 | A.1.6 | 99,95 | 99,95 |
| 8. | SMEF Soci t  Monegasque des Etudes Financiere S.A.M. | Montecarlo | 1 | A.1.6 | 99,96 | 99,96 |
| 9. | CMB Asset Management S.A.M. | Montecarlo | 1 | A.1.6 | 99,30 | 99,40 |
| 10. | CMB Wealth Management Limited | London | 1 | A.1.6 | 100.- | 100.- |
| 11. | Mediobanca International (Luxembourg) S.A. | Luxembourg | 1 | A.1.1 | 99.- | 99.- |
| | | | | A.1.12 | 1.- | 1.- |
| 12. | Compass Banca ³ S.p.A. | Milan | 1 | A.1.1 | 100.- | 100.- |
| 13. | CheBanca! S.p.A. | Milan | 1 | A.1.1 | 100.- | 100.- |
| 14. | Creditech S.p.A. | Milan | 1 | A.1.12 | 100.- | 100.- |
| 15. | SelmaBipiemme Leasing S.p.A. | Milan | 1 | A.1.1 | 60.- | 60.- |
| 16. | CBI NewCo | Milan | 1 | A.1.13 | 100.- | 100.- |
| 17. | Mediobanca Securities USA LLC. | New York | 1 | A.1.1 | 100.- | 100.- |
| 18. | MB Facta S.p.A. ⁴ | Milan | 1 | A.1.1 | 100.- | 100.- |
| 19. | Quarzo S.r.l. | Milan | 1 | A.1.12 | 90.- | 90.- |
| 20. | Quarzo Lease S.r.l. | Milan | 1 | A.1.15 | 90.- | 90.- |
| 21. | Futuro S.p.A. | Milan | 1 | A.1.12 | 100.- | 100.- |
| 22. | Quarzo CQS S.r.l. | Milan | 1 | A.1.21 | 90.- | 90.- |
| 23. | Quarzo MB S.r.l. | Milan | 1 | A.1.1 | 90.- | 90.- |
| 24. | Mediobanca Covered Bond S.r.l. | Milan | 1 | A.1.13 | 90.- | 90.- |
| 25. | Mediobanca International Immobiliere S.A R.L. | Luxembourg | 1 | A.1.11 | 100.- | 100.- |
| 26. | MB Advisory Kurumsal Danismanlik Hizmetleri A.S. | Istanbul | 1 | A.1.1 | 100.- | 100.- |
| 27. | MB Messico S.A.C.V. - in liquidation | Bosques De Las Lomas | 1 | A.1.1 | 100.- | 100.- |
| 28. | Caim Capital Group Limited | London | 1 | A.1.1 | 100.- ** | 51.- |
| 29. | Caim Capital Limited | London | 1 | A.1.28 | 100.- | 100.- |
| 30. | Caim Capital North America Inc. | London | 1 | A.1.28 | 100.- | 100.- |
| 31. | Caim Capital Guarantee Limited (non operating) | London | 1 | A.1.28 | 100.- | 100.- |
| 32. | Caim Capital Investments Limited (non operating) | London | 1 | A.1.28 | 100.- | 100.- |
| 33. | Caim Investment Managers Limited (non operating) | London | 1 | A.1.28 | 100.- | 100.- |
| A.2 Pro-rata | | | | | | |
| 1. | Banca Esperia | Milan | 2 | A.1.1 | 50.- | 50.- |

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

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

³ Since 1* October 2015, having received authorization from the Bank of Italy, Compass has acquired bank status and changed its name to "Compass Banca S.p.A."

⁴ On 1^o April 2016 Consortium Srl became a limited company, taking on the name "MB Facta" and with a new corporate mission, namely factoring.

Legend

¹ Type of relationship:

1 = majority of voting rights in ordinary AGMs.

2 = dominant influence in ordinary AGMs.

² Effective and potential voting rights in ordinary AGMs.



Section 3 – Composition of regulatory capital

Qualitative information

Consolidated capital

Since its inception one of the distinguishing features of the Mediobanca Group has been the solidity of its financial structure, with capital ratios that have been consistently and significantly higher than those required by the regulatory guidelines, as shown by the comfortable margin emerging from the Internal Capital Adequacy Assessment Process (ICAAP) and the process performed by the regulator as part of the SREP 2015, which set the limit for CET1 at 8.75%, the lowest level among Italian banks. The Group has constantly improved its capital situation over the years, reducing its exposure to banks and insurances, and seeking to mitigate concentration risk versus individual borrowers and geographies/sector, as borne out by the extremely positive results of the most recent stress test exercise.

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

- weighting the investment Assicurazioni Generali at 370%, as permitted by Article 471 of the CRR ((up to the book value as at end-December 2012);
- neutralizing the valuation reserves for sovereign debt issued by EU member states and held as AFS financial assets.

As from 30 June 2016, a share of approx. 40% of the Assicurazioni Generali investment has been deducted from regulatory capital, in order to comply with the concentration limit (i.e. 25% of regulatory capital) pursuant to the rules of Article 36 of the CRR, thus bringing forward the full deduction which will be effective starting from 1 January 2019.

Common Equity Tier 1 (CET1), prior to the application of the prudential filters (€8,666.4m) consists of the share attributable to the Group and to minority shareholders of capital paid up, reserves, profit for the period net of the dividend for the year and other earnings items. From this amount the following items are deducted: the prudential filters (€0.8m), including the other prudential adjustments (€49.2m) in connection with the values of financial instruments (AVAs and DVAs), and other items for deduction (€2,109.1m), including deferred tax assets (€0.3m), intangible assets (€47.3m), goodwill (€419.5m), and €1,642.0m in interests in financial companies (banks and insurances). The following are also included: adjustments due to application of the phase-in regime (€51.7m), among which the exclusion of EU issuer's sovereign debt securities from the positive AFS reserves, and 40% of the residual reserve (€573.7m); the lower deductions of interests in financial companies (€445.0m); the higher calculation of minority interests (€12.3m); and the adjustment deriving from transition to the new IAS 19 (€64.7m).

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

Tier 2 capital includes the liabilities issued (€2,103.8m) plus 20% of the positive reserves for AFS securities (€251.3m) which does not include the net gain of EU member states' government securities subject to neutralization (€71m). Deductions of €632.8m regard the investments in Tier 2 instruments, in particular subordinated loans to Italian insurance



companies, and the share of the investments in banking, financial and insurance companies, based on the provisions of the phase-in regime; these include €257.2m in respect of the Assicurazioni Generali investment.

Quantitative information

Table 3.1 – Bank equity

| | 30/6/16 | 30/6/15 |
|---|-------------|-----------|
| A. Common equity tier 1 (CET1) prior to application of prudential filters | 8.666.398 | 8.604.990 |
| of which: CET1 instruments subject to phase-in regime | — | — |
| B. CET1 prudential filters (+/-) | (788) | 41.318 |
| C. CET1 gross of items to be deducted and effects of phase-in regime (A +/- B) | 8.665.610 | 8.646.308 |
| D. Items to be deducted from CET1 | (2.109.090) | (863.115) |
| E. Phase-in regime - impact on CET1 (+/-), including minority interests subject to phase-in regime | (51.718) | (645.698) |
| F. Total common equity tier 1 (CET1) (C-D+E) | 6.504.802 | 7.137.495 |
| G. Additional tier 1 (AT1) gross of items to be deducted and effects of phase-in regime | — | — |
| of which: AT1 instruments subject to temporary provisions | — | — |
| H. Items to be deducted from AT1 | — | — |
| I. Phase-in regime - impact on AT1 (+/-), including instruments issued by branches and included in AT1 as a result of phase-in provisions | — | — |
| L. Total additional tier 1 (AT1) (G-H+I) | — | — |
| M. Tier 2 (T2) gross of items to be deducted and effects of phase-in regime | 2.103.802 | 1.779.200 |
| of which: T2 instruments subject to phase-in regime | — | — |
| N. Items to be deducted from T2 | (315.501) | (325.827) |
| O. Phase-in regime - Impact on T2 (+/-), including instruments issued by branches and included in T2 as a result of phase-in provisions | (65.938) | 291.729 |
| P. Total T2 (M-N+O) | 1.722.363 | 1.745.102 |
| Q. Total own funds (F+L+P) | 8.227.165 | 8.882.597 |



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

| Information on own funds | (A) Amount at disclosure date | (C) Amounts subject to pre-regulation (EU) No 575/2013 or prescribed residual amount of regulation (EU) No 575/ 2013 |
|---|----------------------------------|---|
| 1 Capital instruments and the related share premium accounts of which: Instrument type 1 | 2.588.339 2.588.339 | |
| 2 Retained earnings | 5.069.429 | |
| 3 Accumulated other comprehensive income and other reserves | 1.146.216 | |
| 5 Minority Interests | 72.683 | 12.286 |
| 6. Common equity tier 1 (CET1) before regulatory adjustments | 8.876.667 | |
| Common Equity Tier 1 (CET1) capital: regulatory adjustments | (1.533.078) | |
| 7 Additional value adjustments | (36.701) | |
| 8 Intangible assets (net of related tax liability) | (466.853) | |
| 10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences | (237) | |
| 11 Fair value reserves related to gains or losses on cash flow hedges | 48.439 | |
| 14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing | (12.526) | |
| 16 Direct and indirect holdings by an institution of own CET1 instruments | (197.982) | |
| 18 Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) | (18.905) | (4.327) |
| 19 Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold) | (903.491) | |
| 26a Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468 of which: unrealized gains on debt securities issued by EU member state central administrations | (573.709) (71.012) | |
| of which: unrealized gains on debt securities referring to issuers other than EU member state central administrations | (502.697) | |
| 27 Qualifying AT1 deductions that exceed the AT1 capital of the institution | (274.604) | |
| 28 Total regulatory adjustments to Common equity Tier 1 (CET1) | (2.371.864) | |
| 29 Total Capital Tier 1 (CET1) | 6.504.803 | |



Table 3.2 (cont.)

| Information on own funds | (A) Amount at disclosure date | (C) Amounts subject to pre-regulation (EU) No 575/2013 or prescribed residual amount of regulation (EU) No 575/2013 |
|--|----------------------------------|--|
| Additional Tier 1 (AT1) capital: instruments | — | |
| 30 Capital instruments and the related share premium accounts | — | |
| Additional Tier 1 (AT1) capital: regulatory adjustments | — | |
| 45 Tier 1 capital (T1 = CET1 + AT1) | 6.504.803 | |
| Tier 2 (T2) capital: instruments and provisions | 2.103.802 | |
| 46 Capital instruments and the related share premium accounts | 2.103.802 | |
| Tier 2 (T2) capital: regulatory adjustments | (381.439) | |
| 54 Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) | (315.364) | (144.224) |
| 55 Direct and indirect holdings by the institution of the T2 instruments | (137) | |
| 56 Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts) | (313.702) | |
| 56a Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013 | (2.746) | |
| 56b Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013 | (838) | |
| of which: unrealized gains on debt securities referring to issuers other than EU member state central administrations | 251.348 | |
| Of which: ... possible filter for unrealised gains | — | |
| 58 Tier 2 (T2) capital | 1.722.363 | |
| 59 Total capital (TC = T1 + T2) | 8.227.166 | |
| 59a Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out | 48.883 | |
| of which: items not deducted from tier 1 equity (EU regulation 575/13, residual amounts) (items to be detailed line by line, e.g. deferred tax assets based on future earnings net of tax liabilities, own tier 1 equity instruments held directly, etc.). | 48.883 | |
| 60 Total risk weighted assets | 53.861.538 | |



Table 3.2 (cont.)

| Information on own funds | (A) Amount at disclosure date | (C) Amounts subject to pre-regulation (EU) No 575/2013 or prescribed residual amount of regulation (EU) No 575/ 2013 |
|---|----------------------------------|---|
| Capital ratios and buffers | | |
| 61 Common Equity tier 1 | 12.08% | |
| 62 Tier 1 | 12.08% | |
| 63 Total capital | 15.27% | |
| 64 Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount) | 700.469 | |
| 65 of which: capital conservation buffer requirement | 250.167 | |
| 66 of which: countercyclical buffer requirement | — | |
| 67 of which: systemic risk buffer requirement | — | |
| 67a of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer | — | |
| 68 Common Equity tier 1 available to meet buffers | 450.301 | |
| Applicable caps on the inclusion of provisions in Tier 2 | | |
| 72 Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions) | 777.291 | |
| 73 Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions) | 1.982.412 | |
| 74 Empty Set in the EU | | |
| 75 Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) | 103.979 | |



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

| Equity constituents | 30/6/16 |
|--|------------------|
| Share capital | 452.050 |
| Share premiums | 2.154.677 |
| Reserves | 4.765.568 |
| Equity instruments | — |
| (Treasury shares) | (197.982) |
| Valuation reserves: | 1.139.917 |
| - AFS securities | 382.899 |
| - Property, plant and equipment | — |
| - Intangible assets | — |
| - Foreign investment hedges | — |
| - Cash flow hedges | (21.365) |
| - Exchange rate differences | (3.450) |
| - Non-current assets being sold | — |
| - Actuarial profits (losses) on defined-benefit pension schemes | (6.955) |
| - Equity-accounted companies' share of valuation reserves | 779.156 |
| - Special revaluation laws | 9.632 |
| Profit (loss) for the period attributable to the Group and minorities | 607.615 |
| Net equity | 8.921.845 |
| Dividends | (230.915) |
| Share attributable to ineligible minorities | (24.531) |
| CET1 pre-application of prudential filters, phase-in adjustments and deductions | 8.666.399 |
| Prudential filters | (467.878) |
| Phase-in adjustments ¹ | (496.718) |
| Deductions ² | (1.197.000) |
| CET1 | 6.504.803 |
| Subordinated loans eligible as Tier 2 instruments | 2.103.802 |
| Phase-in adjustments ³ | 251.348 |
| Deductions ² | (632.788) |
| Tier 2 equity | 1.722.363 |
| Own funds | 8.227.166 |

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

² Includes deductions on equity investments (investments in financial sector).

³ Includes effects of phase-in on AFS reserves.



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

| Other asset items | BV | of which deducted from: | |
|--|-------------------|-------------------------|------------------|
| | | CET1 | T2 |
| Heading 20 - Financial assets held for trading | 9.742.573 | (10.865) | (7.635) |
| Headings 40/50 - AFS and HTM financial assets | 10.758.204 | (112.114) | — |
| Headings 60/70 - Due to banks and customers | 43.677.128 | — | (115.789) |
| Heading 100 - Equity investments | 3.229.667 | (1.074.021) | (240.722) |
| Heading 130 - Intangible assets | 466.853 | (466.853) | (268.642) |
| Heading 140 - advance tax assets | 752.928 | (237) | — |
| Other assets | 1.984.685 | — | — |
| Total | 70.612.038 | (1.664.090) | (632.788) |

Table 3.4 - Subordinated issues

| Name | ISIN | Currency | 30/6/15 | | 30/6/16 | |
|---|--------------|----------|------------------|------------------|------------------|------------------|
| | | | Nominal Value | Book Value * | Nominal Value | Book Value * |
| MB GBP Lower Tier II Fixed/Floating Rate Note 2018 (Not included in calculation of regulatory capital) | XS0270002669 | GBP | 22.379 | — | 22.379 | — |
| MB Secondo Atto 5% 2020 Lower Tier 2 | IT0004645542 | EUR | 739.553 | 804.446 | 745.151 | 638.274 |
| MB Quarto Atto a Tasso Variabile 2021 Lower Tier 2 | IT0004720436 | EUR | 493.205 | 481.788 | 495.289 | 479.747 |
| MB CARATTERE 5,75% 2023 Lower Tier 2 | IT0004917842 | EUR | 499.041 | 492.966 | 499.863 | 494.112 |
| MB VALORE Tasso Variabile con minimo 3% 2025 Tier 2 | IT0005127508 | EUR | — | — | 499.885 | 491.669 |
| Total Subordinated Debt Securities | | | 1.731.799 | 1.779.200 | 2.240.188 | 2.103.802 |

¹ Includes fair value component not considered for regulatory purposes.



Table 3.5 – Description of subordinated issues

| Capital instruments main features template | Tier2 IT0004720436 | Tier2 IT0004917842 | Tier2 IT0004645542 | Tier2 IT0005127508 |
|--|--|--------------------------------|--------------------------------|--------------------------------|
| 1 Issuer | Mediobanca S.p.a. | Mediobanca S.p.a. | Mediobanca S.p.a. | Mediobanca S.p.a. |
| 2 Unique identifier | IT0004720436 | IT0004917842 | IT0004645542 | IT0005127508 |
| 3 Governing law(s) of the instrument | Whole instrument - Italian law | Whole instrument - Italian law | Whole instrument - Italian law | Whole instrument - Italian law |
| <i>Regulatory treatment</i> | - | - | - | - |
| 4 Transitional CRR rules | Tier2 | Tier2 | Tier2 | Tier2 |
| 5 Post-transitional CRR rules | Tier2 | Tier2 | Tier2 | Tier2 |
| 6 Eligible at only (sub-)consolidated/ only (sub-) consolidated | Single entity and consolidated | Single entity and consolidated | Single entity and consolidated | Single entity and consolidated |
| 7 Instrument type | Bond - Article 62 CRR | Bond - Article 62 CRR | Bond - Article 62 CRR | Bond - Article 62 CRR |
| 8 Amount recognised in regulatory capital | 480 | 494 | 638 | 492 |
| | Buybacks and repayment | Buybacks and repayment | Buybacks and repayment | Buybacks and repayment |
| 9 Nominal amount of instrument | 500 | 500 | 750 | 500 |
| 9a Issue price | 100 | 100 | 100 | 100 |
| 9b Redemption price | 100 | 100 | 100 | 100 |
| 10 Accounting classification | Liability - amortized cost | Liability - amortized cost | Liability - amortized cost | Liability - amortized cost |
| 11 Original date of issuance | 13/06/2011 | 18/04/2013 | 15/11/2010 | 10/09/2015 |
| 12 Perpetual or dated | At maturity | At maturity | At maturity | At maturity |
| 13 Original maturity date | 13/06/2021 | 18/04/2023 | 15/11/2020 | 10/09/2025 |
| 14 Issuer call subject to prior supervisory approval | NO | NO | NO | NO |
| <i>Coupons / dividends</i> | - | - | - | - |
| 17 Fixed or floating dividend/coupon | Floating | Fixed | Fixed | Fixed |
| 18 Coupon rate and any related index | Euribor 3M + 2% p.a., min. rate 4.5% and max. rate 7.5% p.a. | 5.75% p.a. | 5% p.a. | 3% p.a. |
| 19 Existence of a dividend stopper | NO | NO | NO | NO |
| 20a Fully discretionary, partially discretionary or mandatory | Mandatory | Mandatory | Mandatory | Mandatory |
| 20b Fully discretionary, partially discretionary or mandatory | Mandatory | Mandatory | Mandatory | Mandatory |
| 21 Existence of step up or other incentive to redeem | NO | NO | NO | NO |
| 22 Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative |
| 23 Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 30 Write-down features | NO | NO | NO | NO |
| 35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Senior | Senior | Senior | Senior |
| 36 Non-compliant transitioned features | NO | NO | NO | NO |



Section 4 – Capital adequacy

Qualitative information

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

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

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

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

* * *

As at 30 June 2016, the Group's Common Equity Ratio, calculated as Tier 1 capital as a percentage of total risk-weighted assets, amounted to 12.08%, higher than last year (11.98%), due to the reduction in RWAs (from €59.6bn to €53.9bn), partly offset by the reduction in Tier 1 capital (from €7.1bn to €6.5bn). The new prudential treatment of the Assicurazioni Generali investment drove a €4.8bn decrease in RWAs, against a €852.1m increase in deductions. There was also a sharp contraction in market risks, which at 30 June 2016 totalled €4bn (30/6/15: €5.7bn), due to rationalization of existing positions. There was also an equivalent rise in the total capital ratio, from 14.91% to 15.27%, boosted also by the new MB Valore issue.



Quantitative information

Table 4.1 - Capital adequacy

| Categories/Values | Unweighted amounts | | Weighted amounts/requirements | |
|--|--------------------|------------|-------------------------------|------------|
| | 30/6/16 | 30/6/15 | 30/6/16 | 30/6/15 |
| A. RISK-WEIGHTED ASSETS | | | | |
| A.1 Credit and counterparty risk | 59.963.345 | 58.840.983 | 45.713.920 | 49.623.097 |
| 1. Standardized methodology | 59.802.028 | 58.686.010 | 45.320.982 | 49.243.919 |
| 2. Methodology based on internal ratings | — | — | — | — |
| 2.1 Basic | — | — | — | — |
| 2.2 Advanced | — | — | — | — |
| 3. Securitizations | 161.317 | 154.973 | 392.938 | 379.178 |
| B. REGULATORY CAPITAL REQUIREMENTS | | | | |
| B.1 Credit and counterparty risk | | | 3.657.113 | 3.969.848 |
| B.2 Credit value adjustment risk | | | 65.925 | 66.864 |
| B.3 Settlement risk | | | — | — |
| B.4 Market risks | | | 321.214 | 473.994 |
| 1. Standard methodology | | | 321.214 | 457.056 |
| 2. Internal models | | | — | — |
| 3. Concentration risk | | | — | 16.938 |
| B.5 Operational risks | | | 264.671 | 255.461 |
| 1. Basic method | | | 264.671 | 255.461 |
| 2. Standardized method | | | — | — |
| 3. Advanced method | | | — | — |
| B.6 Other prudential requirements | | | — | — |
| B.7 Total prudential requirements | | | 4.308.923 | 4.766.167 |
| C. RISK-WEIGHTED ASSETS AND REGULATORY RATIOS | | | | |
| C.1 Risk-weighted assets | | | 53.861.538 | 59.577.085 |
| C.2 CET1/RWAs (CET1 capital ratio) | | | 12,08% | 11,98% |
| C.3 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio) | | | 12,08% | 11,98% |
| C.4 Total capital/RWAs (total capital ratio) | | | 15,27% | 14,91% |



Table 4.2 – Credit risk: exposures by portfolio

| Portfolios | Amounts as at 30/6/16 | | | |
|---|--------------------------------|----------------------------|----------------------|--------------------|
| | Value of exposure gross of CRM | Exposure values net of CRM | Exposures guaranteed | |
| | | | Real guarantee | Personal guarantee |
| Exposures to or guaranteed by central administrations and central banks | 7.953.111 | 8.139.693 | — | 186.581 |
| Exposures to or guaranteed by regional entities | 9.299 | 9.299 | — | — |
| Exposures to or guaranteed by non-profit-making or public-sector entities | 502.450 | 76.810 | 425.640 | — |
| Exposures to or guaranteed by Banche multilateral development banks | — | 142 | — | 142 |
| Exposures to or guaranteed by international organizations | — | — | — | — |
| Exposures to or guaranteed by regulated intermediaries | 17.813.202 | 6.438.744 | 11.631.833 | 98.322 |
| Exposures to or guaranteed by companies | 25.698.498 | 22.912.305 | 2.601.833 | 167.162 |
| Retail exposures | 13.053.090 | 12.981.219 | 40.633 | — |
| Exposures guaranteed by properties | 5.206.540 | 5.205.260 | 30 | — |
| Overdue exposures | 1.040.632 | 1.029.842 | 659 | — |
| High-risk exposures | 58.872 | 58.872 | — | — |
| Exposures in the form of guaranteed bank debt securities | 247.585 | 247.585 | — | — |
| Short-term exposures to companies | — | — | — | — |
| Exposures to OICRs | 364.500 | 364.500 | — | — |
| Exposures to equity instruments | 3.814.116 | 3.814.116 | — | — |
| Other exposures | 2.292.599 | 2.401.665 | — | 109.066 |
| Total cash risk assets | 52.740.836 | 51.913.389 | 827.447 | 456.261 |
| Total guarantees issued and commitments to disburse funds | 10.747.302 | 7.908.816 | 2.838.485 | 30.061 |
| Total derivatives contracts | 2.223.887 | 1.803.321 | 420.566 | — |
| Total SFTs and trades with long-term settlement | 12.342.471 | 2.054.524 | 10.614.198 | 74.952 |
| Grand Total | 78.054.496 | 63.680.051 | 14.700.696 | 561.274 |

Table 4.3: Capital requirement for market risks

| Capital requirement for market risk | 30/6/16 |
|--|----------------|
| Position risk | 300.013 |
| of which relating to positions in respect of securitizations | 1.025 |
| Concentration risk | — |
| Regulatory risk for DVP transactions | — |
| Exchange rate risk | 21.201 |
| Risk on positions in commodities | — |
| Total Market Risk | 321.214 |



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

| Business Line | 30/6/16 | | | | | | | | | 30/6/15 | | | | | | | | |
|------------------------------|----------------------------|------------------|---------------|------------------|---------------|-----------------|---------------|-----------------|--------------|----------------------------|------------------|---------------|------------------|---------------|-----------------|---------------|-----------------|--------------|
| | Group Capital Requirements | CIB Requirements | % | RCB Requirements | % | PI Requirements | % | CC Requirements | % | Group Capital Requirements | CIB Requirements | % | RCB Requirements | % | PI Requirements | % | CC Requirements | % |
| Credit and Counterparty Risk | 3.723.038 | 2.053.157 | 55,15% | 977.167 | 26,25% | 525.796 | 14,12% | 166.919 | 4,48% | 4.036.712 | 2.076.310 | 51,44% | 849.883 | 21,05% | 933.772 | 23,13% | 176.747 | 4,38% |
| Market Risk | 321.214 | 321.134 | 99,98% | 80 | 0,02% | — | — | — | — | 473.994 | 473.916 | 99,98% | 79 | 0,02% | — | — | — | — |
| Operational Risk | 264.671 | 118.767 | 44,87% | 134.242 | 50,72% | — | — | 11.662 | 4,41% | 255.461 | 119.827 | 46,91% | 122.823 | 48,08% | — | — | 12.811 | 5,02% |
| Regulatory Capital | 4.308.923 | 2.493.057 | 57,86% | 1.111.488 | 25,80% | 525.796 | 12,20% | 178.581 | 4,14% | 4.766.167 | 2.670.053 | 56,02% | 972.784 | 20,41% | 933.772 | 19,59% | 189.558 | 3,98% |

* Divisions comprise:

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



Section 5 – Financial leverage

Qualitative information

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

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

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

- derivatives should be valued using the current exposure method, i.e. the sum of the net market value, if positive, and the potential future exposure;
- secured financing transactions should be valued based on the value recognized for the collateral under the regulations on credit risk mitigation;
- the other off-balance-sheet exposures should reflect credit conversion factors; and
- the other exposures should be recognized at the book value remaining after application of specific credit value adjustments, supplementary value adjustments and other reductions to own funds in relation to the asset items.

On 17 January 2015 the Commission Delegated Regulation was published in the EU Official Journal which subsequently became EU regulation 62/2015, amending the CRR (EU regulation 575/2013), with the objective of standardizing the leverage ratio calculation methodology, as the ratio is currently calculated differently by different institutions.

In particular the Commission Delegated Regulation makes certain changes to calculating the value of the exposure:

- for derivatives, the possibility of deducting the cash variation margin from the value of the exposure, if the conditions stipulated by the Commission Delegated Regulation are met;
- credit derivatives written are to be measured at the gross notional amount rather than at fair value, with the possibility of deducting changes to the fair value recorded through the profit and loss account (as negative items) from the notional amount; the purchased protection may also offset the sold protection when given conditions are met;
- exclusion of collateral received in securities financing transactions from reducing the value of the exposure of such transactions, whereas the cash receivables and payables deriving from such transactions can be netted if specific criteria specified in the Commission Delegated Regulation are met.

The Commission Delegated Regulation also provides that the leverage ratio should be calculated at the end of the quarterly reporting period, thus doing away with



the discretionary element previously provided for in the CRR, whereby calculation could either be made on the basis of the arithmetical average ratios for the three months under review, or alternatively as a point-in-time figure at the end of the period.

Following the publication of Commission Implementing Regulation (EU) 2016/200 in the Official Journal on 15 February 2016, which lays down implementing technical standards with regard to disclosure of the leverage ratio for institutions, starting 30 June 2016 the Mediobanca Group will disclose within this document its leverage ratio based on the provisions contained in the Commission Delegated Regulation, whereas the reporting flows up to 30 June 2016 re still produced based on the provisions in force at the time, as the Regulation concerned takes effect as of the first reference date six months after publication in the Official Journal, i.e. starting from 30 September 2016.

Quantitative information

The following table shows the Mediobanca Group's leverage ratio levels as at 30 June 2016, presented in accordance with the provisions of Commission Implementing Regulations (EU) 2016/200.

Table 5.1 – LRCom – Harmonized information over leverage ratio

| On-balance-sheet exposures (excluding derivatives and SFTs) | | 30/6/16 |
|---|--|-------------------|
| 1 | On-balance-sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral) | 59.018.420 |
| 2 | Asset amounts deducted in determining Basel III Tier 1 capital - phase-in regime | (1.413.466) |
| 3 | Total on-balance-sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2) | 57.604.954 |
| Derivative exposures | | |
| 4 | Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin) | 1.642.920 |
| 5 | Add-on amount for PFE associated with all derivatives transactions (mark-to-market method) | 960.438 |
| EU-5a | Exposure determined under Original Exposure Method | — |
| 6 | Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework | — |
| 7 | (Deduction of receivables assets for cash variation margin provided in derivatives transactions) | (428.221) |
| 8 | (Exempted CCP leg of client-cleared trade exposures) | (123) |
| 9 | Adjusted effective notional amount of written credit derivatives | — |
| 10 | (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | — |
| 11 | Total derivative exposures (sum of lines 4 to 10) | 2.175.014 |
| Securities financing transaction exposures (SFTs) | | |
| 12 | Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions | 6.135.652 |
| 13 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | (5.160.845) |
| 14 | CCR exposure for SFT assets | — |
| EU-14a | Exemption for SFTs: CCR exposure pursuant to Article 429-ter, para. 4, and Article 222 of regulation EU 575/2013 | — |
| 15 | Agent transaction exposures | — |
| EU-15a | (Exempted CCP leg of client-cleared SFT exposure) | — |
| 16 | Total securities financing transaction exposures (sum of lines 12 to 15a) | 974.807 |
| Other off-balance-sheet exposures | | |
| 17 | Off-balance-sheet exposure at gross notional amount | 9.888.781 |
| 18 | (Adjustments for conversion to credit equivalent amounts) | (3.206.578) |
| 19 | Off-balance-sheet items (sum of lines 17 and 18) | 6.682.203 |
| (Exposures exempt pursuant to Article 429, paras. 7 and 14 of EU regulation 575/2013 (on- and off-balance-sheet)) | | |
| EU-19a | Intra-group exposures (solo basis) exempted pursuant to Article 429, para. 7 of EU regulation 575/2013 (on- and -off-balance-sheet) | — |
| EU-19b | Exposures exempted pursuant to Article 429, para. 14 of EU regulation 575/2013 (on- and -off-balance-sheet) | — |
| Capital and total exposures | | |
| 20 | Tier 1 capital | 5.458.267 |
| 21 | Total exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b) | 67.436.978 |
| Leverage ratio | | |
| 22 | Basel III leverage ratio | 8,09% |
| Choice of transitional arrangements and amount of derecognized fiduciary items | | |
| EU-23 | Choice of transitional arrangements for definition of capital measure | Phase-in regime |
| EU-24 | Amount of derecognized fiduciary items pursuant to Article 429, para. 11 of EU regulation 575/2013 | — |

The figure has to be compared with the corresponding value at 30/6/15 of 10.9%, calculated according with former regulatory measures existing to date and phase-in requirements for what regards the equity measure.



Table 5.2 – LRSum – Summary of reconciliation between accounting assets and leverage-ratio explanation

| Summary comparison of accounting assets vs leverage ratio exposure | | 30/6/16 |
|--|---|-------------------|
| 1 | Total consolidated assets as per published financial statements * | 69.818.605 |
| 2 | Adjustment for investments that are consolidated for accounting purposes but outside the scope of regulatory consolidation | 793.435 |
| 3 | Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure pursuant to Article 429 (13) of EU regulation 575/2013 (CRR) | — |
| 4 | Adjustment for derivative financial instruments | (3.902.985) |
| 5 | Adjustment for securities financing transactions (SFTs) | (5.160.845) |
| 6 | Adjustment for off-balance-sheet items (i.e. conversion to credit equivalent amounts of off-balance-sheet exposures) | 6.685.994 |
| EU-6a | (Adjustment for intra-group exposures excluded from calculation of financial leverage pursuant to Article 429 (7) of EU regulation no. 575/2013) | — |
| EU-6b | (Adjustment for exposures excluded from calculation of financial leverage pursuant to Article 429 (14) of EU regulation no. 575/2013) | — |
| 7 | Other exposures ** | (797.226) |
| 8 | Leverage ratio exposure | 67.436.978 |

* The difference in scope is chiefly due to Banca Esperia being consolidated pro rata (50%) rather than equity-accounted;

** The heading entitled "Other adjustments" chiefly includes the amounts in respect of assets deducted from the calculation of core tier 1 equity under the phase-in regime.

Table 5.3 – LRSpI – Breakdown of on-balance-sheet exposures (without derivatives, SFTs and exempted exposures)

| | | CRR leverage ratio exposures 30/6/16 |
|-------|---|---|
| EU-1 | Total on-balance-sheet exposures (excluding derivatives, SFTs and exempted exposures), of which: | 59.018.420 |
| EU-2 | Trading book exposures | 4.550.238 |
| EU-3 | Banking book exposures, of which: | 54.468.182 |
| EU-4 | Covered bonds | 247.585 |
| EU-5 | Exposures treated as sovereigns | 7.949.288 |
| EU-6 | Exposures to regional governments, MDB, international organizations and PSE not treated as sovereigns | 10.859 |
| EU-7 | Institutions | 3.784.101 |
| EU-8 | Secured by mortgages of immovable properties | 5.206.540 |
| EU-9 | Retail exposures | 11.869.893 |
| EU-10 | Corporate | 16.440.235 |
| EU-11 | Exposures in default | 1.022.372 |
| EU-12 | Other exposures (e.g. equity, securitizations, and other non-credit obligation assets) | 7.937.309 |



Section 6 – Credit risk

6.1 Credit risk: general information for all banks

Qualitative information

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

The classification of impaired exposures may be summarized as follows:

- non-performing – cash exposures to individuals or entities in a state of insolvency (even if not certified by law) or in substantially equivalent situations. This category does not include exposures for which the irregularity relates to country risk issues;
- unlikely to pay – credit exposures not categorized as non-performing, for which the Bank considers it unlikely that without recourse to actions such as enforcement of guarantees, the borrower will be able to meet all its credit obligations fully (i.e. by way of principal and interest);
- overdue/overdrawn non-performing exposures – cash exposures not categorized as non-performing or unlikely to pay, which are overdue or overdrawn at the reference date.

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

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

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

As at 30 June 2016, the net non-performing loans classified as forborne amounted to €596m, with a coverage ratio of 50%, while the performing forborne items totalled €412m, with a coverage ratio of 11%. Overall non-performing loans classified as forborne represent 1.57% and performing forborne loans account for 1.1% of the total loan book.

Description of methodologies adopted to determine loan loss provisions

Loans and receivables are booked on disbursement at a value equal to the amount drawn plus (less) any income (expenses) directly attributable to individual transactions and determinable from the outset despite being payable at a later date. The item does not,



however, include costs subject to separate repayment by the borrower, or which may otherwise be accounted for as ordinary internal administrative costs. Repos and reverse repos are booked as funding or lending transactions for the spot amount received or paid. Non-performing loans acquired are booked at amortized cost on the basis of an internal rate of return calculated using estimates of expected recoverable amounts.

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

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

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

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

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

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

Exposure to sovereign debt risk

The securities portfolio chiefly consists of financial instruments with Italy country risk worth €5.4bn (72% of the total, with an average maturity of approx. 1.8 years. The exposure to German bonds remains substantial (at 13% of the total – the total book value is equal to €1,014m corresponding to a notional value of €932m).



Quantitative information

Exposure to sovereign debt

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

| Asset portfolio/quality | In bonis | | | Total (Net exposure) ¹ |
|--------------------------------------|------------------|----------------------|------------------|-----------------------------------|
| | Gross exposure | Specific adjustments | Net exposure | |
| 1. Financial assets held for trading | X | X | 339.329 | 339.329 |
| Italy | X | X | 263.179 | 263.179 |
| Germany | X | X | 160.436 | 160.436 |
| France | X | X | (241.516) - | 241.516 |
| Spain | X | X | 51.377 | 51.377 |
| Others | X | X | 105.853 | 105.853 |
| 2. AFS securities | 6.087.334 | — | 6.087.334 | 6.087.334 |
| Italy | 4.475.778 | — | 4.475.778 | 4.475.778 |
| Germany | 802.773 | — | 802.773 | 802.773 |
| France | 374.704 | — | 374.704 | 374.704 |
| United States | 229.297 | — | 229.297 | 229.297 |
| Spain | 179.489 | — | 179.489 | 179.489 |
| Others | 25.293 | — | 25.293 | 25.293 |
| 3. Financial assets held to maturity | 1.115.134 | — | 1.115.134 | 1.115.134 |
| Italy | 704.725 | — | 704.725 | 704.725 |
| France | 254.826 | — | 254.826 | 254.826 |
| Spain | 104.096 | — | 104.096 | 104.096 |
| Germany | 50.683 | — | 50.683 | 50.683 |
| Others | 804 | — | 804 | 804 |
| Total | 7.202.468 | — | 7.541.797 | 7.541.797 * |

Does not include financial and credit derivatives.

¹ The net exposure includes positions in securities (long and short) recognized at fair value (including the outstanding accrual) except for assets held to maturity which are stated at amortized cost, the implied fair value of which is €39.8m.

Table 6.1.2 - Exposures to sovereign debt securities by portfolio

| Asset Portfolio / quality | Trading book ¹ | | | Banking book ² | | | |
|---------------------------|---------------------------|----------------|----------|---------------------------|------------------|------------------|----------|
| | Nominal Value | Book value | Duration | Nominal Value | Book value | Fair value | Duration |
| Italy | 232.137 | 263.179 | 1,76 | 4.989.825 | 5.180.503 | 5.202.289 | 2,02 |
| Germany | 156.719 | 160.436 | 0,96 | 775.000 | 853.457 | 854.136 | 6,07 |
| France | (200.000) | (241.516) | 4,82 | 618.415 | 629.530 | 632.276 | 4,04 |
| Spain | 50.000 | 51.377 | 5,08 | 263.750 | 283.584 | 284.884 | 7,29 |
| United States | 180 | 181 | 1,00 | 225.185 | 229.297 | 229.297 | 6,75 |
| Others | 94.133 | 105.672 | — | 34.204 | 26.097 | 39.406 | — |
| Total | 333.169 | 339.329 | | 6.906.379 | 7.202.468 | 7.242.288 | |

¹ Does not include sales of €40.5m on Bund/Bobl/Schatz futures (Germany), with a fair value of minus €0.8m; or purchases of €4m on the Treasury future (United States), with a fair value of €0.01m, and sales on the BPT future (Italy) with a fair value of minus €0.7m. Net hedge buys of €210m (€200m of which on France country risk, €7m on Italy country risk and €3m on Hungary country risk) have also not been included.

² Item does not include Greek GDP-linkers securities in a notional amount of €127m recorded at a fair value of €0.3m.



Quantitative information

Table 6.1.3 - Counterparty credit risk

| Counterparty credit risk | 30/6/16 | | | | 30/6/15 | | | |
|---|---------------------|--------------------|-------------------|------------------|---------------------|--------------------|-------------------|------------------|
| | Gross amount of CRM | Unweighted amounts | Weighted amounts | Requirements | Gross amount of CRM | Unweighted amounts | Weighted amounts | Requirements |
| A. CREDIT RISK AND COUNTERPARTY RISK | | | | | | | | |
| A.1 Standardized methodology - RISK ASSETS | | | | | | | | |
| A.1.1. Exposures to or guaranteed by central administrations and central banks | 7.953.111 | 8.134.469 | 1.112 | 89 | 5.584.436 | 5.763.515 | 1.480 | 118 |
| A.1.2. Exposures to or guaranteed by regional entities | 9.299 | 9.299 | 1.860 | 149 | 12.704 | 12.704 | 2.541 | 203 |
| A.1.3. Exposures to or guaranteed by non-profit-making and public sector entities | 502.450 | 16.815 | 3.871 | 310 | 55.624 | 57.894 | 13.567 | 1.085 |
| A.1.4. Exposures to or guaranteed by multilateral development banks | — | 142 | 28 | 2 | — | 307 | 61 | 5 |
| A.1.5. Exposures to or guaranteed by international organizations | — | — | — | — | 10.107 | 10.107 | — | — |
| A.1.6. Exposures to or guaranteed by regulated intermediaries | 17.813.202 | 6.408.122 | 2.682.017 | 214.561 | 18.073.243 | 7.621.201 | 2.954.200 | 236.336 |
| A.1.7. Exposures to or guaranteed by companies | 25.698.499 | 20.138.136 | 19.947.735 | 1.595.819 | 28.019.206 | 20.205.386 | 19.815.659 | 1.585.253 |
| A.1.8. Retail exposures | 13.053.090 | 11.985.210 | 8.908.036 | 712.643 | 12.387.391 | 11.350.187 | 8.439.449 | 675.156 |
| A.1.9. Exposures guaranteed by properties | 5.206.540 | 5.205.260 | 1.866.039 | 149.283 | 4.837.277 | 4.836.915 | 1.740.042 | 139.203 |
| A.1.10. Overdue exposures | 1.040.632 | 1.026.499 | 1.155.763 | 92.461 | 1.183.669 | 1.163.961 | 1.330.280 | 106.422 |
| A.1.11. High-risk exposures | 58.872 | 58.872 | 88.309 | 7.065 | 78.974 | 78.974 | 118.461 | 9.477 |
| A.1.12. Exposures in the form of guaranteed bank obligations | 247.585 | 247.585 | 33.884 | 2.711 | 313.205 | 313.205 | 54.624 | 4.370 |
| A.1.14. Exposures to collective investment and savings organizations (OICRs) | 364.500 | 356.133 | 356.133 | 28.491 | 275.493 | 264.807 | 264.807 | 21.185 |
| A.1.15. Exposures to equity instruments | 3.814.116 | 3.814.116 | 8.256.603 | 660.528 | 4.971.985 | 4.971.985 | 13.018.832 | 1.041.507 |
| A.1.16. Other exposures | 2.292.599 | 2.401.371 | 2.019.592 | 161.567 | 1.888.971 | 2.034.863 | 1.489.916 | 119.193 |
| Total | 78.054.495 | 59.802.029 | 45.320.982 | 3.625.679 | 77.692.285 | 58.686.010 | 49.243.919 | 3.939.514 |



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

| Type of exposure/counterparty area | 30/6/16 | | | | | | |
|---------------------------------------|-----------------------------------|---|----------------|-----------------------------------|----------------|--|-----------------------------|
| | Gross cash exposures | | | | | | Off-balance-sheet exposures |
| | Financial assets held for trading | Financial assets recognised at fair value | AFS securities | Financial assets held to maturity | Due from banks | Non-current assets and groups of assets being sold | |
| A. Cash exposures | | | | | | | |
| a) Bad loans | — | — | — | — | — | — | — |
| b) Unlikely to pay | — | — | — | — | — | — | — |
| c) Overdue exposures (NPLs) | — | — | — | — | — | — | — |
| d) Other exposures | — | — | — | 856.496 | 266.077 | 5.328.686 | — |
| Total A | — | — | — | 856.496 | 266.077 | 5.328.686 | — |
| B. Off-balance-sheet exposures | | | | | | | |
| a) Impaired | — | — | — | — | — | — | — |
| b) Other | — | — | — | — | — | — | 22.476.909 |
| Total B | — | — | — | — | — | — | 22.476.909 |
| Total A+B | — | — | — | 856.496 | 266.077 | 5.328.686 | 22.476.909 |



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

| Type of exposure/counterparty area | 30/6/16 | | | | | | |
|---------------------------------------|-----------------------------------|---|------------------|-----------------------------------|-------------------|---|-----------------------------|
| | Gross cash exposures | | | | | | Off-balance-sheet exposures |
| | Financial assets held for trading | Financial assets recognised at fair value | AFS securities | Financial assets held to maturity | Due from banks | Non-current assets and group of assets being sold | |
| A. Cash exposures | | | | | | | |
| a) Bad loans | — | — | — | — | 624.532 | — | — |
| b) Unlikely to pay | — | — | — | — | 1.373.946 | — | — |
| c) Overdue exposures (NPLs) | — | — | — | — | 145.086 | — | — |
| d) Other exposures | — | — | 6.965.454 | 1.723.799 | 37.650.804 | — | — |
| Total A | — | — | 6.965.454 | 1.723.799 | 39.794.368 | — | — |
| B. Off-balance-sheet exposures | | | | | | | |
| a) Impaired | — | — | — | — | — | — | 8.854 |
| b) Other | — | — | — | — | — | — | 19.440.134 |
| Total B | — | — | — | — | — | — | 19.448.988 |
| Total A+B | — | — | 6.965.454 | 1.723.799 | 39.794.368 | — | 19.448.988 |



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

| Type of exposure/Counterparty area | 30/6/16 | | | | | | | | | |
|---------------------------------------|------------------|------------------|--------------------------|-------------------|----------------|----------------|----------------|---------------|----------------|---------------|
| | Italy | | Other European countries | | U.S. | | Asia | | Rest of world | |
| | Gross exposure | Net exposure | Gross exposure | Net exposure | Gross exposure | Net exposure | Gross exposure | Net exposure | Gross exposure | Net exposure |
| A. Cash exposures | | | | | | | | | | |
| a) Bad loans | — | — | — | — | — | — | — | — | — | — |
| b) Unlikely to pay | — | — | — | — | — | — | — | — | — | — |
| c) Overdue exposures (NPLs) | — | — | — | — | — | — | — | — | — | — |
| d) Other exposures | 2.923.656 | 2.922.076 | 3.830.583 | 3.830.108 | 156.012 | 156.000 | 14.162 | 14.139 | 36.984 | 36.985 |
| Total A | 2.923.656 | 2.922.076 | 3.830.583 | 3.830.108 | 156.012 | 156.000 | 14.162 | 14.139 | 36.984 | 36.985 |
| B. Off-balance-sheet exposures | | | | | | | | | | |
| a) Bad loans | — | — | — | — | — | — | — | — | — | — |
| b) Unlikely to pay | — | — | — | — | — | — | — | — | — | — |
| c) Overdue exposures (NPLs) | — | — | — | — | — | — | — | — | — | — |
| d) Other exposures | 3.463.743 | 3.463.610 | 18.261.011 | 18.261.011 | 752.155 | 752.155 | — | — | — | — |
| Total B | 3.463.743 | 3.463.610 | 18.261.011 | 18.261.011 | 752.155 | 752.155 | — | — | — | — |
| Total A + B | 6.387.399 | 6.385.686 | 22.091.594 | 22.091.119 | 908.167 | 908.155 | 14.162 | 14.139 | 36.984 | 36.985 |



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

| Type of exposure/Counterparty area | 30/6/16 | | | | | | | | | |
|---------------------------------------|-------------------|-------------------|--------------------------|-------------------|------------------|------------------|----------------|---------------|----------------|----------------|
| | Italy | | Other European countries | | U.S. | | Asia | | Rest of world | |
| | Gross exposure | Net exposure | Gross exposure | Net exposure | Gross exposure | Net exposure | Gross exposure | Net exposure | Gross exposure | Net exposure |
| A. Cash exposures | | | | | | | | | | |
| a) Bad loans | 606.074 | 248.913 | 16.903 | 6.534 | 582 | 473 | — | — | 975 | — |
| b) Unlikely to pay | 1.314.022 | 706.634 | 59.202 | 4.016 | 721 | 1 | — | — | — | — |
| c) Overdue exposures (NPLs) | 142.224 | 50.803 | 2.317 | 2.286 | 223 | 219 | — | — | 324 | 324 |
| d) Other exposures | 36.857.422 | 36.562.647 | 9.951.700 | 9.919.430 | 1.915.297 | 1.907.444 | 22.667 | 22.634 | 106.626 | 106.621 |
| Total A | 38.919.742 | 37.568.997 | 10.030.122 | 9.932.266 | 1.916.823 | 1.908.137 | 22.667 | 22.634 | 107.925 | 106.945 |
| B. Off-balance-sheet exposures | | | | | | | | | | |
| a) Bad loans | — | — | — | — | — | — | — | — | — | — |
| b) Unlikely to pay | 7.006 | 5.112 | — | — | — | — | — | — | — | — |
| c) Overdue exposures (NPLs) | 57 | 42 | 1.791 | 1.565 | — | — | — | — | — | — |
| d) Other exposures | 9.736.426 | 9.729.774 | 9.807.660 | 9.799.481 | 120.544 | 120.251 | 620 | 620 | 10.820 | 10.820 |
| Total B | 9.743.489 | 9.734.928 | 9.809.451 | 9.801.046 | 120.544 | 120.251 | 620 | 620 | 10.820 | 10.820 |
| Total A + B | 48.663.231 | 47.303.925 | 19.839.573 | 19.733.312 | 2.037.367 | 2.028.388 | 23.287 | 23.254 | 118.745 | 117.765 |



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

| Type of exposure/counterparty area | 30/6/16 | | | | | | | | | | | | | | | | | |
|---------------------------------------|-------------------|-------------------------|-------------------|-----------------------|-------------------------|----------------|---------------------|-------------------------|-------------------|------------------|-------------------------|------------------|----------------------------|-------------------------|-------------------|-------------------|-------------------------|-------------------|
| | Governments | | | Other public entities | | | Financial companies | | | Insurances | | | Non-financial undertakings | | | Other entities | | |
| | Gross exposure | Total value adjustments | Net exposure | Gross exposure | Total value adjustments | Net exposure | Gross exposure | Total value adjustments | Net exposure | Gross exposure | Total value adjustments | Net exposure | Gross exposure | Total value adjustments | Net exposure | Gross exposure | Total value adjustments | Net exposure |
| A. Cash exposures | | | | | | | | | | | | | | | | | | |
| a) Bad loans | — | — | — | — | — | — | 1,093 | (604) | 489 | — | — | — | 133,628 | (67,954) | 65,674 | 489,812 | (300,056) | 189,756 |
| b) Unlikely to pay | — | — | — | 14,112 | (1,530) | 12,582 | 35,389 | (16,437) | 18,952 | — | — | — | 904,155 | (398,845) | 505,310 | 420,289 | (246,482) | 173,807 |
| c) Overdue exposures (NPLs) | — | — | — | 2,150 | (84) | 2,066 | 2,845 | (107) | 2,738 | — | — | — | 15,796 | (2,797) | 12,999 | 124,297 | (88,468) | 35,829 |
| d) Other exposures | 8,942,126 | (3,120) | 8,939,006 | 686,433 | (272) | 686,161 | 5,518,634 | (15,989) | 5,502,645 | 1,135,636 | (2,176) | 1,133,460 | 15,512,214 | (62,680) | 15,449,534 | 17,058,669 | (250,699) | 16,807,970 |
| Total A | 8.942.126 | (3.120) | 8.939.006 | 702.695 | (1.886) | 700.809 | 5.557.961 | (33.137) | 5.524.824 | 1.135.636 | (2.176) | 1.133.460 | 16.565.793 | (532.276) | 16.033.517 | 18.093.067 | (885.705) | 17.207.362 |
| B. Off-balance-sheet exposures | | | | | | | | | | | | | | | | | | |
| a) Bad loans | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| b) Unlikely to pay | — | — | — | — | — | — | — | — | — | — | — | — | 6,594 | (1,894) | 4,700 | 412 | — | 412 |
| c) Overdue exposures (NPLs) | — | — | — | — | — | — | 22 | (11) | 11 | — | — | — | 1,791 | (226) | 1,565 | 35 | (4) | 31 |
| d) Other exposures | 3,171,964 | — | 3,171,964 | 91,991 | (7) | 91,984 | 5,174,687 | (2,789) | 5,171,898 | 725,358 | (55) | 725,303 | 10,231,796 | (12,270) | 10,219,526 | 280,274 | (3) | 280,271 |
| Total B | 3.171.964 | — | 3.171.964 | 91.991 | (7) | 91.984 | 5.174.709 | (2.800) | 5.171.909 | 725.358 | (55) | 725.303 | 10.240.181 | (14.390) | 10.225.791 | 280.721 | (7) | 280.714 |
| Total A + B | 12.114.090 | (3.120) | 12.110.970 | 794.686 | (1.893) | 792.793 | 10.732.670 | (35.937) | 10.696.733 | 1.860.994 | (2.231) | 1.858.763 | 26.805.974 | (546.666) | 26.259.308 | 18.373.788 | (885.712) | 17.488.076 |



Table 6.1.9 - Financial assets by outstanding Maturity

| Type | 30/6/16 | | | | | | | | | | Total |
|---|------------|----------------------|------------------------|-------------------------|--------------------------|---------------------------|-------------------------|------------------------|-------------------|----------------------|-------------------|
| | On demand | From 1 day to 7 days | From 7 days to 15 days | From 15 days to 1 month | From 1 month to 3 months | From 3 months to 6 months | From 6 months to 1 year | From 1 year to 5 years | More than 5 years | Unspecified duration | |
| Cash assets | 7.145.330 | 482.560 | 641.709 | 1.289.064 | 3.778.330 | 4.848.007 | 5.164.608 | 23.638.022 | 10.835.044 | 166.417 | 57.989.091 |
| A.1 Government securities | 332.607 | 255.775 | 30.411 | 170.797 | 530.735 | 1.155.297 | 1.538.844 | 3.369.654 | 1.442.957 | — | 8.827.077 |
| A.2 Other debt securities | 6.314 | 15.295 | 42.841 | 66.393 | 356.886 | 410.430 | 178.793 | 1.830.709 | 1.136.842 | — | 4.044.503 |
| A.3 OICR units | 101.456 | — | — | — | — | — | — | 8 | — | — | 101.464 |
| A.4 Loans and advances | 6.704.953 | 211.490 | 568.457 | 1.051.874 | 2.890.709 | 3.282.280 | 3.446.971 | 18.437.651 | 8.255.245 | 166.417 | 45.016.047 |
| - to banks | 2.225.486 | 139.874 | 137.202 | 146.105 | 684.781 | 897.047 | 138.864 | 820.670 | 932 | 150.559 | 5.341.520 |
| - to customers | 4.479.467 | 71.616 | 431.255 | 905.769 | 2.205.928 | 2.385.233 | 3.308.107 | 17.616.981 | 8.254.313 | 15.858 | 39.674.527 |
| Cash liabilities | 13.583.296 | 1.703.533 | 1.128.722 | 819.702 | 2.614.639 | 3.601.388 | 6.455.972 | 19.108.349 | 4.657.654 | 3.803 | 53.677.058 |
| B.1 Financial derivatives with exchange of principal | 10.138.526 | 673.269 | 550.097 | 222.632 | 864.017 | 1.135.143 | 2.557.467 | 900.075 | 131.355 | — | 17.172.581 |
| - to banks | 637.938 | 20.000 | 35.000 | 2 | 50.000 | 3.988 | 2.607 | 175.000 | 79.528 | — | 1.004.063 |
| - to customers | 9.500.588 | 653.269 | 515.097 | 222.630 | 814.017 | 1.131.155 | 2.554.860 | 725.075 | 51.827 | — | 16.168.518 |
| B.2 Deposits and loans | 28.552 | 239 | 24.563 | 153.369 | 179.379 | 1.681.840 | 3.114.195 | 12.294.759 | 4.347.698 | — | 21.824.594 |
| B.3 Other liabilities | 3.416.218 | 1.030.025 | 554.062 | 443.701 | 1.571.243 | 784.405 | 784.310 | 5.913.515 | 178.601 | 3.803 | 14.679.883 |
| Off-balance-sheet transactions | 16.315.331 | 5.884.515 | 576.987 | 1.692.529 | 2.410.515 | 4.451.827 | 3.621.897 | 16.262.299 | 10.404.991 | 145.403 | 61.766.294 |
| C.1 Financial derivatives with exchange of principal | 187.104 | 98.586 | 219.033 | 624.417 | 838.284 | 604.385 | 2.197.686 | 4.330.044 | 1.848.228 | — | 10.947.767 |
| - long positions | 170.382 | 74.007 | 107.958 | 331.287 | 423.549 | 309.692 | 1.535.739 | 1.317.918 | 155.710 | — | 4.426.242 |
| - short positions | 16.722 | 24.579 | 111.075 | 293.130 | 414.735 | 294.693 | 661.947 | 3.012.126 | 1.692.518 | — | 6.521.525 |
| C.2 Financial derivatives without exchange of principal | 8.099.686 | 11.014 | 3.835 | 25.349 | 85.496 | 89.386 | 156.921 | — | 5.851 | — | 8.477.538 |
| - long positions | 4.099.836 | 5.274 | 1.696 | 8.312 | 53.801 | 32.227 | 77.888 | — | 5.851 | — | 4.284.885 |
| - short positions | 3.999.850 | 5.740 | 2.139 | 17.037 | 31.695 | 57.159 | 79.033 | — | — | — | 4.192.653 |
| C.3 Deposits and financing receivables | 2.979.557 | 3.181.095 | 222.327 | 430.144 | 645.718 | 1.504.224 | 619.169 | 3.962.032 | 3.385.365 | — | 16.929.631 |
| - long positions | 2.963.388 | 3.181.095 | 217.327 | 401.139 | 390.314 | 927.457 | 135.852 | 248.244 | — | — | 8.464.816 |
| - short positions | 16.169 | — | 5.000 | 29.005 | 255.404 | 576.767 | 483.317 | 3.713.788 | 3.385.365 | — | 8.464.815 |
| C.4 Irrevocable commitment to disburse funds * | 4.828.985 | 2.593.790 | 131.779 | 537.284 | 775.329 | 1.499.348 | 455.912 | 4.968.905 | 2.785.900 | — | 18.577.232 |
| - long positions | 2.265 | 25.012 | 35.047 | 82.140 | 460.961 | 517.437 | 420.383 | 4.959.992 | 2.785.380 | — | 9.288.617 |
| - short positions | 4.826.720 | 2.568.778 | 96.732 | 455.144 | 314.368 | 981.911 | 35.529 | 8.913 | 520 | — | 9.288.615 |
| C.5 Financial guarantees issued | 16.859 | 30 | 13 | 275 | 888 | 2.175 | 3.191 | 11.585 | 4.564 | 145.403 | 184.983 |
| C.6 Financial guarantees received | — | — | — | — | — | — | — | — | — | — | — |
| C.7 Credit derivatives with exchange of principal | — | — | — | 75.060 | 64.800 | 752.309 | 189.018 | 2.989.733 | 2.375.083 | — | 6.446.003 |
| - long positions | — | — | — | 36.030 | — | 337.351 | 76.000 | 1.516.838 | 1.256.783 | — | 3.223.002 |
| - short positions | — | — | — | 39.030 | 64.800 | 414.958 | 113.018 | 1.472.895 | 1.118.300 | — | 3.223.001 |
| C.8 Credit derivatives without exchange of principal | 203.140 | — | — | — | — | — | — | — | — | — | 203.140 |
| - long positions | 94.366 | — | — | — | — | — | — | — | — | — | 94.366 |
| - short positions | 108.774 | — | — | — | — | — | — | — | — | — | 108.774 |

* Includes hedge sales perfectly matched by purchases for the same amount.



Table 6.1.10 - Cash exposures: trends in overall value adjustments

| Description/category | 30/6/16 | | | | | | | |
|---|--------------------|-----------------|--------------------------|-------|------------------------|-----------------|--------------------------|-----------|
| | Exposures to banks | | | | Exposures to customers | | | |
| | Bad loans | Unlikely to pay | Overdue exposures (NPLs) | Total | Bad loans | Unlikely to pay | Overdue exposures (NPLs) | Total |
| A. Overall adjustments at start of period | — | — | — | — | 354.288 | 783.333 | 92.178 | 1.229.799 |
| of which: exposures sold but not derecognised | — | — | — | — | 33.300 | 69.676 | 27.153 | 130.129 |
| B. Additions | — | — | — | — | 337.628 | 484.331 | 232.625 | 1.054.584 |
| B.1 value adjustments | — | — | — | — | 100.556 | 155.088 | 120.939 | 376.583 |
| B.2 losses incurred on disposals | — | — | — | — | 109.133 | 107.346 | 1.588 | 218.067 |
| B.3 transferred from other categories of non-performing exposures | — | — | — | — | 126.061 | 202.912 | 38.597 | 367.570 |
| B.4 other additions | — | — | — | — | 1.878 | 18.985 | 71.501 | 92.364 |
| C. Reductions | — | — | — | — | 323.302 | 604.370 | 233.347 | 1.161.019 |
| C.1 amounts reversed following changes in valuation | — | — | — | — | 8.755 | 19.162 | 6.976 | 34.893 |
| C.2 amounts reversed following collection | — | — | — | — | 41.128 | 43.081 | 9.109 | 93.318 |
| C.3 gains realised on disposals | — | — | — | — | 3.054 | — | — | 3.054 |
| C.4 writeoffs | — | — | — | — | 138.273 | 256.029 | 2.894 | 397.196 |
| C.5 transferred to other categories of non-performing exposures | — | — | — | — | 8.191 | 161.856 | 197.523 | 367.570 |
| C.6 other reductions | — | — | — | — | 123.901 | 124.242 | 16.845 | 264.988 |
| D. Overall adjustments at end of period | — | — | — | — | 368.614 | 663.294 | 91.456 | 1.123.364 |
| of which: exposures sold but not derecognised | — | — | — | — | 1.966 | 21.826 | 22.535 | 46.327 |



6.2 ECAIs

Qualitative information

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

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

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

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



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

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



Quantitative information

Table 6.2.1 - Standardized methodology: risk assets

| Portfolios | 30/6/16 | | |
|--|-------------------|----------------------|--------------------|
| | Value of exposure | Exposures guaranteed | |
| | | Real guarantee | Personal guarantee |
| Exposures to or guaranteed by central administrations and central banks | 7.953.111 | — | — |
| credit rating class 1 | 7.952.308 | — | — |
| credit rating class 2 | — | — | — |
| credit rating class 3 | — | — | — |
| credit rating classes 4 and 5 | 804 | — | — |
| credit rating class 6 | — | — | — |
| Exposures to or guaranteed by regional entities | 9.299 | — | — |
| credit rating class 1 | — | — | — |
| credit rating class 2 | 9.299 | — | — |
| credit rating class 3 | — | — | — |
| credit rating classes 4 and 5 | — | — | — |
| credit rating class 6 | — | — | — |
| Exposures to or guaranteed by non-profit-making or public-sector entities | 502.450 | — | 425.640 |
| credit rating class 1 | — | — | — |
| credit rating class 2 | 75.250 | — | — |
| credit rating class 3 | 1.479 | — | — |
| credit rating classes 4 and 5 | 425.721 | — | — |
| credit rating class 6 | — | — | — |
| Exposures to or guaranteed by Banche multilateral development banks | — | — | — |
| credit rating class 1 | — | — | — |
| credit rating class 2 | — | — | — |
| credit rating class 3 | — | — | — |
| credit rating classes 4 and 5 | — | — | — |
| credit rating class 6 | — | — | — |
| Exposures to or guaranteed by international organizations | — | — | — |
| Exposures to or guaranteed by regulated intermediaries | 17.813.202 | 74.952 | 11.631.833 |
| credit rating class 1 | — | — | — |
| credit rating class 2 | 12.007.699 | — | — |
| credit rating class 3 | 3.915.576 | — | — |
| credit rating classes 4 and 5 | 1.889.927 | — | — |
| credit rating class 6 | — | — | — |
| Exposures to or guaranteed by companies | 25.698.498 | 39.204 | 2.601.901 |
| credit rating class 1 | 20.928 | — | — |
| credit rating class 2 | 358.134 | — | — |
| credit rating classes 3 and 4 | 24.942.425 | — | — |
| credit rating classes 5 and 6 | 377.012 | — | — |
| Retail exposures | 13.053.090 | 1.519 | 40.633 |
| Exposures guaranteed by properties | 5.206.540 | — | 30 |
| Overdue exposures | 1.040.632 | — | 659 |
| High-risk exposures | 58.872 | — | — |
| Exposures in the form of guaranteed bank debt securities | 247.585 | — | — |
| Short-term exposures to companies | — | — | — |
| Exposures to OICRs | 364.500 | — | — |
| credit rating class 1 | — | — | — |
| credit rating class 2 | — | — | — |
| credit rating classes 3 and 4 | 364.500 | — | — |
| credit rating classes 5 and 6 | — | — | — |
| Exposures to equity instruments | 3.814.116 | — | — |
| Other exposures | 2.292.599 | — | — |
| Total cash risk assets | 52.740.836 | 38.032 | 827.447 |
| Total guarantees issued and commitments to disburse funds | 10.747.302 | 2.691 | 2.838.485 |
| Total derivatives contracts | 12.342.471 | 74.952 | 10.614.198 |
| Total SFTs and trades with long-term settlement | 2.223.887 | — | 420.566 |
| Grand total | 78.054.496 | 115.675 | 14.700.696 |



6.3 Unencumbered assets

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

| Form | Committed | | Uncommitted | | Total as at 30/6/16 |
|------------------------------|-------------------|------------------|-------------------|------------------|---------------------|
| | Book value | Fair value | Book value | Fair value | |
| 1. Cash and cash equivalents | — | — | 156.409 | — | 156.409 |
| 2. Debt securities * | 4.083.966 | 4.099.092 | 8.911.727 | 7.714.793 | 12.995.693 |
| 3. Equities | 820.567 | 820.567 | 1.712.607 | 1.525.166 | 2.533.174 |
| 4. Loans and advances ° | 13.370.132 | — | 30.132.456 | — | 43.502.588 |
| 5. Other financial assets | — | — | 9.251.564 | — | 9.251.564 |
| 6. Non-financial assets | — | — | 2.172.611 | — | 2.172.611 |
| Total | 18.274.665 | 4.919.659 | 52.337.374 | 9.239.959 | 70.612.039 |

* €12m of which in securities and €8,031m in loans established as collateral with the ECB.

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

| Form | Committed | Uncommitted | Total as at 30/6/16 |
|-------------------------|------------------|------------------|---------------------|
| 1. Financial assets | 4.058.392 | 3.857.175 | 7.915.567 |
| - Securities | 4.058.392 | 3.857.175 | 7.915.567 |
| - Others | — | — | — |
| 2. Non-financial assets | — | — | — |
| Total | 4.058.392 | 3.857.175 | 7.915.567 |

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

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

The ratio was 28.44% as at 30 June 2016, almost equal to former year value of 28.6%.



Section 7 – Counterparty risk

Qualitative information

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

For derivative transactions, as provided by IFRS13, the fair value reflects the impact respectively of the counterparty's credit risk (CVA) and Mediobanca's own credit risk (DVA) based on the future exposure profile of the combined contracts outstanding.

Fair Value Adjustment (FVA)

Fair Value Adjustment is the correction made to the price observed on the market or to the theoretical price generated by the model in order to obtain the sale price of an actually possible market transaction. Such adjustments reflect the difficulty of valuing or selling particular instruments by quantifying counterparty risk, internal funding spread risk and other uncertainty factors on estimates generated by marking-to-model (changes in financing rates, illiquid products being held, uncertain market parameters or models chosen).

In particular the adjustments involve:

- bilateral Credit Value Adjustment (CVA or DVA), i.e. the risk of default by the counterparty (Credit Value Adjustment - CVA) and by the Bank itself (Debit Value Adjustment - DVA), as well as a Funding Value Adjustment (FVA) component linked to cash borrowed or lent;
- uncertainty over the liquidity of the market parameters;
- possible model risks;
- implicit costs for the investment and/or financing;
- risks associated with the liquidity of the product and with the possibility of early closure.

The Bank has implemented quantitative calculation methods to cover all these risks, which are illustrated in more detail in Part A.4, "Information on fair value" of the Notes to the financial statements.

* * *



MEDIOBANCA

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

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

**Quantitative information****Counterparty risk****Table 7.1 - Counterparty risk – real guarantees held**

| Counterparty risk - Real guarantees held | Amounts as at 30/6/16 | Amounts as at 30/6/15 |
|---|--------------------------|--------------------------|
| Standardized approach | | |
| - derivatives contracts | 428.157 | 707.629 |
| - SFTs and trades with long-term settlement | 14.724.526 | 14.655.030 |
| IRB approaches | | |
| - derivatives contracts | — | — |
| - SFTs and trades with long-term settlement | — | — |

Table 7.2 - Counterparty risk – risk assets

| Counterparty risk | Amounts as at 30/6/16 | Amounts as at 30/6/15 |
|---|--------------------------|--------------------------|
| Standardized approach | | |
| - derivatives contracts | 1.803.321 | 2.008.246 |
| - SFTs and trades with long-term settlement | 2.054.524 | 3.611.601 |
| IRB approaches | | |
| - derivatives contracts | — | — |
| - SFTs and trades with long-term settlement | — | — |



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

| Type of transaction | 30/6/16 | | 30/6/15 | |
|--|--------------------|------------------------|--------------------|------------------------|
| | Over the counter | Central counterparties | Over the counter | Central counterparties |
| 1. Debt securities and interest rates | 102.502.160 | 88.455.146 | 109.478.188 | 20.231.168 |
| a) Options | — | 87.729.988 | — | 19.543.795 |
| b) Swaps | 97.586.160 | — | 96.773.438 | — |
| c) Forwards | — | — | — | — |
| d) Futures | — | 725.158 | — | 687.373 |
| e) Others | 4.916.000 | — | 12.704.750 | — |
| 2. Equities and share indexes | 14.948.134 | 11.742.610 | 11.555.553 | 12.768.242 |
| a) Options | 13.978.569 | 11.508.167 | 8.638.072 | 12.534.420 |
| b) Swaps | 969.565 | — | 1.717.225 | — |
| c) Forwards | — | — | 1.200.256 | — |
| d) Futures | — | 234.443 | — | 233.822 |
| e) Others | — | — | — | — |
| 3. Exchange rates and gold | 10.156.104 | — | 11.047.949 | — |
| a) Options | 1.735.370 | — | 44.269 | — |
| b) Swaps | 3.915.853 | — | 4.524.542 | — |
| c) Forwards | 4.504.881 | — | 6.479.138 | — |
| d) Futures | — | — | — | — |
| e) Others | — | — | — | — |
| 4. Commodities | — | — | — | — |
| 5. Other assets | — | — | — | — |
| Total | 127.606.398 | 100.197.756 | 132.081.690 | 32.999.410 |

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

| Type of transaction | 30/6/16 | | 30/6/15 | |
|--|-------------------|------------------------|-------------------|------------------------|
| | Over the counter | Central counterparties | Over the counter | Central counterparties |
| 1. Debt securities and interest rates | 16.748.136 | — | 17.829.292 | — |
| a) Options | — | — | — | — |
| b) Swaps | 16.389.738 | — | 17.520.894 | — |
| c) Forwards | — | — | — | — |
| d) Futures | — | — | — | — |
| e) Others | 358.398 | — | 308.398 | — |
| 2. Equities and share indexes | 85.708 | — | 24 | — |
| a) Options | 29 | — | 24 | — |
| b) Swaps | — | — | — | — |
| c) Forwards | 85.679 | — | — | — |
| d) Futures | — | — | — | — |
| e) Others | — | — | — | — |
| 3. Exchange rates and gold | — | — | 2.782 | — |
| a) Options | — | — | — | — |
| b) Swaps | — | — | 2.782 | — |
| c) Forwards | — | — | — | — |
| d) Futures | — | — | — | — |
| e) Others | — | — | — | — |
| 4. Commodities | — | — | — | — |
| 5. Other assets | — | — | — | — |
| Total | 16.833.844 | — | 17.832.098 | — |



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

| Type of transaction | 30/6/16 | | 30/6/15 | |
|--|------------------|------------------------|------------------|------------------------|
| | Over the counter | Central counterparties | Over the counter | Central counterparties |
| 1. Debt securities and interest rates | 407.251 | — | 302.251 | — |
| a) Options | — | — | — | — |
| b) Swaps | 407.251 | — | 302.251 | — |
| c) Forwards | — | — | — | — |
| d) Futures | — | — | — | — |
| e) Others | — | — | — | — |
| 2. Equities and share indexes | 2.178.229 | — | 2.331.100 | — |
| a) Options | 2.178.229 | — | 2.331.100 | — |
| b) Swaps | — | — | — | — |
| c) Forwards | — | — | — | — |
| d) Futures | — | — | — | — |
| e) Others | — | — | — | — |
| 3. Exchange rates and gold | — | — | 2.692 | — |
| a) Options | — | — | — | — |
| b) Swaps | — | — | 2.692 | — |
| c) Forwards | — | — | — | — |
| d) Futures | — | — | — | — |
| e) Others | — | — | — | — |
| 4. Commodities | — | — | — | — |
| 5. Other assets | — | — | — | — |
| Total | 2.585.480 | — | 2.636.043 | — |



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

| Type of transaction | Positive Fair Value | | | |
|---|---------------------|------------------------|------------------|------------------------|
| | 30/6/16 | | 30/6/15 | |
| | Over the counter | Central counterparties | Over the counter | Central counterparties |
| A. Regulatory trading book | 3.847.443 | 632.131 | 4.732.092 | 621.272 |
| a) Options | 419.192 | 629.729 | 967.565 | 617.262 |
| b) Interest rate swaps | 2.910.959 | — | 3.108.280 | — |
| c) Cross currency swaps | 243.239 | — | 250.291 | — |
| d) Equity swaps | 75.174 | — | 60.960 | — |
| e) Forwards | 198.879 | — | 344.996 | — |
| f) Futures | — | 2.402 | — | 4.010 |
| g) Others | — | — | — | — |
| B. Banking book: hedge derivatives | 1.340.887 | — | 1.029.774 | — |
| a) Options | — | — | — | — |
| b) Interest rate swaps | 926.381 | — | 766.279 | — |
| c) Cross currency swaps | — | — | 19 | — |
| d) Equity swaps | — | — | — | — |
| e) Forwards | 6.623 | — | — | — |
| f) Futures | — | — | — | — |
| g) Others | 407.883 | — | 263.476 | — |
| C. Banking book: other derivatives | 64.877 | — | 66.126 | — |
| a) Options | 64.877 | — | 58.977 | — |
| b) Interest rate swaps | — | — | 7.148 | — |
| c) Cross currency swaps | — | — | 1 | — |
| d) Equity swaps | — | — | — | — |
| e) Forwards | — | — | — | — |
| f) Futures | — | — | — | — |
| g) Others | — | — | — | — |
| Total | 5.253.207 | 632.131 | 5.827.992 | 621.272 |



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

| Type of transaction | Negative Fair Value | | | |
|---|---------------------|------------------------|--------------------|------------------------|
| | 30/6/16 | | 30/6/15 | |
| | Over the counter | Central counterparties | Over the counter | Central counterparties |
| A. Regulatory trading book | (3.857.285) | (660.552) | (4.607.653) | (745.125) |
| a) Options | (454.531) | (649.353) | (738.000) | (742.326) |
| b) Interest rate swaps | (2.918.000) | — | (3.227.551) | — |
| c) Cross currency swaps | (267.668) | — | (393.640) | — |
| d) Equity swaps | (17.044) | — | (15.095) | — |
| e) Forwards | (200.042) | — | (233.367) | — |
| f) Futures | — | (11.199) | — | (2.799) |
| g) Others | — | — | — | — |
| B. Banking book: hedge derivatives | (313.519) | — | (557.604) | — |
| a) Options | (4.525) | — | — | — |
| b) Interest rate swaps | (308.994) | — | (293.181) | — |
| c) Cross currency swaps | — | — | (132) | — |
| d) Equity swaps | — | — | — | — |
| e) Forwards | — | — | — | — |
| f) Futures | — | — | — | — |
| g) Others | — | — | (264.291) | — |
| C. Banking book: other derivatives | (490.064) | — | (223.574) | — |
| a) Options | (489.008) | — | (223.284) | — |
| b) Interest rate swaps | (1.056) | — | (290) | — |
| c) Cross currency swaps | — | — | — | — |
| d) Equity swaps | — | — | — | — |
| e) Forwards | — | — | — | — |
| f) Futures | — | — | — | — |
| g) Others | — | — | — | — |
| Total | (4.660.868) | (660.552) | (5.388.831) | (745.125) |



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

| Contracts forming part of netting arrangements | 30/6/16 | | | | | | |
|--|-------------------------------|-----------------------|-------------|---------------------|------------|-------------------------|----------------------|
| | Governments and central banks | Other public agencies | Banks | Financial companies | Insurances | Non-financial companies | Other counterparties |
| 1. Debt securities and interest rates | | | | | | | |
| - notional value | — | — | 49.332.477 | 43.875.246 | 694.424 | 1.035.500 | — |
| - positive fair value | — | — | 1.877.653 | 573.520 | 55.521 | 194.787 | — |
| - negative fair value | — | — | (2.158.373) | (806.855) | (3.925) | — | — |
| 2. Equities and share indexes | | | | | | | |
| - notional value | — | — | 6.869.360 | 6.022.497 | 152.994 | — | — |
| - positive fair value | — | — | 137.166 | 111.008 | 1.672 | — | — |
| - negative fair value | — | — | (120.695) | (125.506) | (19.352) | — | — |
| 3. Exchange rates and gold | | | | | | | |
| - notional value | — | — | 7.312.727 | 875.171 | 321.885 | 492.043 | — |
| - positive fair value | — | — | 269.295 | 127.181 | 2.555 | 41.827 | — |
| - negative fair value | — | — | (267.186) | (1.479) | (349) | (58.055) | — |
| 4. Other assets | | | | | | | |
| - notional value | — | — | — | — | — | — | — |
| - positive fair value | — | — | — | — | — | — | — |
| - negative fair value | — | — | — | — | — | — | — |

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

| Contracts not forming part of netting arrangements | 30/6/16 | | | | | | |
|--|-------------------------------|-----------------------|---------|---------------------|------------|-------------------------|----------------------|
| | Governments and central banks | Other public agencies | Banks | Financial companies | Insurances | Non-financial companies | Other counterparties |
| 1. Debt securities and interest rates | | | | | | | |
| - notional value | — | — | 980.000 | 1.126.165 | — | 5.458.348 | — |
| - positive fair value | — | — | 14.177 | 34.104 | — | 299.074 | — |
| - negative fair value | — | — | (2.416) | (32.829) | — | (66.578) | — |
| - future exposure | — | — | 3.749 | 6.148 | — | 41.113 | — |
| 2. Equities and share indexes | | | | | | | |
| - notional value | — | 15.000 | 11.258 | 675.497 | 1.274 | 1.200.253 | — |
| - positive fair value | — | 262 | 65 | 21.809 | 13 | 81.100 | — |
| - negative fair value | — | — | (67) | (26.354) | (892) | (23.471) | — |
| - future exposure | — | 900 | 675 | 40.530 | 127 | 96.020 | — |
| 3. Exchange rates and gold | | | | | | | |
| - notional value | — | — | — | 89.481 | 25.130 | 1.038.785 | 882 |
| - positive fair value | — | — | — | 295 | 110 | 4.230 | 20 |
| - negative fair value | — | — | — | (6.427) | (670) | (135.804) | (2) |
| - future exposure | — | — | — | 896 | 251 | 56.170 | 9 |
| 4. Other assets | | | | | | | |
| - notional value | — | — | — | — | — | — | — |
| - positive fair value | — | — | — | — | — | — | — |
| - negative fair value | — | — | — | — | — | — | — |
| - future exposure | — | — | — | — | — | — | — |



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

| | Individual assets | Baskets | Individual assets | Baskets |
|-------------------------------|-------------------|------------------|-------------------|------------------|
| 1. Hedge buys | | | | |
| a) Credit default | 1.619.250 | 6.414.250 | 240.120 | 13.000 |
| b) Credit spread products | — | — | — | — |
| c) Total rate of return swaps | — | — | — | — |
| d) Others | — | — | — | — |
| Total A at 30/6/16 | 1.619.250 | 6.414.250 | 240.120 | 13.000 |
| Total A at 30/6/15 | 1.135.001 | 7.970.108 | 319.414 | 11.500 |
| 2. Hedge sales | | | | |
| a) Credit default | 1.287.762 | 6.382.010 | 36.200 | 2.701.937 |
| b) Credit spread products | — | — | — | — |
| c) Total rate of return swaps | — | — | — | — |
| d) Others | — | — | — | — |
| Total B at 30/6/16 | 1.287.762 | 6.382.010 | 36.200 | 2.701.937 |
| Total B at 30/6/15 | 961.977 | 7.440.465 | 36.200 | 1.151.867 |

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

| Portfolio/derivative instrument type | Positive fair value | |
|--------------------------------------|---------------------|----------------|
| | 30/6/16 | 30/6/15 |
| A. Regulatory trading book | 166.863 | 200.389 |
| a) Credit default products | 166.863 | 200.389 |
| b) Credit spread products | — | — |
| c) Total rate of returns swaps | — | — |
| d) Others | — | — |
| B. Banking book | 27.334 | 16.721 |
| a) Credit default products | 27.334 | 16.721 |
| b) Credit spread products | — | — |
| c) Total rate of returns swaps | — | — |
| d) Others | — | — |
| Total | 194.197 | 217.110 |



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

| Portfolio/derivative instrument type | Negative fair value | |
|--------------------------------------|---------------------|------------------|
| | 30/6/16 | 30/6/15 |
| A. Regulatory trading book | (521.123) | (625.723) |
| a) Credit default products | (521.123) | (625.723) |
| b) Credit spread products | — | — |
| c) Total rate of returns swaps | — | — |
| d) Others | — | — |
| B. Banking book | (15.863) | (16.729) |
| a) Credit default products | (15.863) | (16.729) |
| b) Credit spread products | — | — |
| c) Total rate of returns swaps | — | — |
| d) Others | — | — |
| Total | (536.986) | (642.452) |

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

| Contracts not forming part of netting arrangements | 30/6/16 | | | | | | |
|--|-------------------------------|-----------------------|-----------|---------------------|------------|-------------------------|----------------------|
| | Governments and central banks | Other public agencies | Banks | Financial companies | Insurances | Non-financial companies | Other counterparties |
| 1. Debt securities and interest rates | | | | | | | |
| - notional value | — | — | 850.000 | — | 200.000 | — | — |
| - positive fair value | — | — | 56.902 | — | 5.017 | — | — |
| - negative fair value | — | — | (382.361) | — | — | — | — |
| - future exposure | — | — | 42.500 | — | 10.000 | — | — |
| 2. Equities and share indexes | | | | | | | |
| - notional value | — | — | — | — | — | — | — |
| - positive fair value | — | — | — | — | — | — | — |
| - negative fair value | — | — | — | — | — | — | — |
| - future exposure | — | — | — | — | — | — | — |
| 3. Exchange rates and gold | | | | | | | |
| - notional value | — | — | — | — | — | — | — |
| - positive fair value | — | — | — | — | — | — | — |
| - negative fair value | — | — | — | — | — | — | — |
| - future exposure | — | — | — | — | — | — | — |
| 4. Other assets | | | | | | | |
| - notional value | — | — | — | — | — | — | — |
| - positive fair value | — | — | — | — | — | — | — |
| - negative fair value | — | — | — | — | — | — | — |
| - future exposure | — | — | — | — | — | — | — |



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

| | Governments and central banks | Other public agencies | Banks | Financial companies | Insurances | Non-financial companies | Other counterparties |
|--|-------------------------------|-----------------------|-----------|---------------------|------------|-------------------------|----------------------|
| 1. Bilateral agreements - Financial derivatives | | | | | | | |
| - positive fair value | — | — | — | — | — | — | — |
| - negative fair value | — | — | — | — | — | — | — |
| - future exposure | — | — | — | — | — | — | — |
| - net counterparty risk | — | — | — | — | — | — | — |
| 2. Bilateral agreements - Credit derivatives | | | | | | | |
| - positive fair value | — | — | — | — | — | — | — |
| - negative fair value | — | — | — | — | — | — | — |
| - future exposure | — | — | — | — | — | — | — |
| - net counterparty risk | — | — | — | — | — | — | — |
| 3. "Cross products" agreements | | | | | | | |
| - positive fair value | — | — | 239.665 | 176.421 | 50.372 | 183.693 | — |
| - negative fair value | — | — | (324.748) | (799.147) | (14.249) | (5.132) | — |
| - future exposure | — | — | 419.466 | 245.205 | 11.293 | 31.494 | — |
| - net counterparty risk | — | — | 429.803 | 295.646 | 49.448 | 141.397 | — |



Section 8 – Risk mitigation techniques

Qualitative information

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

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

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

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

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

Policies and processes for valuing and managing real guarantees

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

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

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

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



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

As at 30 June 2016, 72% of the guarantees received (€10.6bn) involve securities and cash in connection with securities financing transactions which are recorded among real financial guarantees; there is also €428m (approx. 3% of the total) in cash collateral, chiefly in respect of derivatives trading and the remainder for structured finance transactions.



Quantitative information

Table 8.1 - Risk mitigation techniques

| Exposures to | Amounts as at 30/6/16 | | | Amounts as at 30/6/15 | | |
|--|---------------------------|------------------|--|---------------------------|------------------|--|
| | Real financial guarantees | Other guarantees | Personal guarantees and credit derivatives | Real financial guarantees | Other guarantees | Personal guarantees and credit derivatives |
| Central administrations and central banks | — | — | 186.582 | — | — | 184.751 |
| Regulatory intermediaries | — | — | — | — | — | — |
| Regional entities | 425.640 | — | — | — | — | 2.482 |
| Non-profit-making and public sector entities | — | — | 142 | — | — | 307 |
| Multilateral development banks | — | — | — | — | — | — |
| International bodies | 11.631.833 | — | 98.322 | 11.108.329 | — | 100.564 |
| Companies | 2.601.901 | — | 167.162 | 3.408.968 | — | 163.004 |
| Retail exposures | 40.633 | — | — | 38.496 | — | — |
| Short-term exposures to companies | 30 | — | — | 353 | — | — |
| OICRs | 659 | — | — | 2.114 | — | — |
| Exposures guaranteed by properties | — | — | — | — | — | — |
| Exposures in the form of guaranteed bank debt securities | — | — | — | — | — | — |
| Overdue exposures | — | — | — | — | — | — |
| High-risk exposures | — | — | — | — | — | — |
| Exposures to equity instruments | — | — | — | — | — | — |
| Other exposures | — | — | 109.066 | — | — | 146.305 |
| Total | 14.700.696 | — | 561.274 | 14.558.260 | — | 597.413 |



Section 9 – Securitizations

Qualitative information

The Group's portfolio of securities deriving from securitizations by other issuers totalled €204.5m, lower than last year (30/6/15: €229m) following sales and repayments totalling €97.3m which were partly offset by purchases of €74.2m.

The portfolio is concentrated in the banking book (AFS and HTM) and senior-ranking securities (over 95%); there are five mezzanine issues carried at €24.2m, after purchases of €16.9m and sales totalling €7m, and one junior-ranking security (Loggi 2001-1 sub) carried at €0.9m. The majority of the securities have external ratings, and around half are eligible for refinancing transactions with the European Central Bank.

The fair value of the securities held for trading, calculated based on prices supplied by info-providers, decreased very slightly, by €0.7m. Securities held to maturity, for which internal valuation models have been used as well, reflect a notional loss of €1.4m.

Asset-backed securities (ABS) performed stably during the year under review, helped by the European Central Bank's expansive monetary policy and despite the fall in new issuance (the EU ABS market was down 13%).

The Group's portfolio remains concentrated on senior tranches of domestic stocks backed by mortgages (€72.8m) and state-owned properties (€66.4m). Most of the other exposures involve CLOs with European corporate loans as the underlying instrument (€15.1m). There is also a single synthetic security (ELM) carried at €23m).

Mediobanca has invested €11.6m in Cairn Loan Investments LLP (CLI), a CLO investment manager operating which, to be compliant with the prudential regulations in this area, invests in the junior tranches of the CLOs which it manages.

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

In the course of the twelve months under review the second portfolio call options provided for in the regulations were exercised for all three issues outstanding which have thus been closed.

This company therefore currently has no securitizations outstanding.

Quarzo S.r.l. (Compass)

Quarzo S.r.l. currently has two securitizations outstanding with performing Compass receivables as the underlying instrument in an amount of €5.5bn; both have been completed during the year under review and used by Group Treasury as collateral for refinancing with the European Central Bank, as follows:

- one, €2.2bn issue, with the revolving period expiring in January 2019, and split between €506m in junior notes and €1,694m in senior notes (all subscribed for by Compass);
- one, €3.3bn issue, with the revolving period expiring in August 2019, and split between €660m in junior notes (subscribed for by Compass) and €2,640m in senior notes (subscribed for by Mediobanca).



Quarzo CQS S.r.l. (Futuro)

Quarzo CQS S.r.l. has one securitization outstanding, initially with €820m in performing Futuro receivables as the underlying instrument, and expiring in November 2021. The securitization involves a junior tranche of €82m (subscribed for by Futuro) and senior notes in an amount of €738m listed on the Dublin stock market, and being mostly sold on the market (as at 30 June 2016 the senior notes in issue were worth €532.7m, of which €144.4m held by Group Treasury).

Accounts between the originator and the SPV during the year under review were as follows:

| SPV | Receivables ceded | Amounts collected | Servicing fees | Interest on junior amounts | Additional return accrued |
|-------------------|-------------------|-------------------|----------------|----------------------------|---------------------------|
| Quarzo CQS S.r.l. | 1.252,0 | 3.020,6 | 15,7 | 24,5 | 332,3 |
| Quarzo S.r.l. | — | 237,4 | 0,7 | 1,5 | 0,1 |

The figures for Quarzo S.r.l. also include the deal repaid in February 2016.



Quantitative information

Standardized methodology: positions in securitizations

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

| Risk weighting classes | Amounts as at 30/6/16 | | | | | | | | | |
|------------------------------------|-----------------------|-----------|--|-----------|-------------------------------|-----------|--|-----------|-------------------------|-----------|
| | Cash risk assets | | | | Off-balance-sheet risk assets | | | | Early repayment clauses | |
| | Own securitizations | | Third-party securitizations ¹ | | Own securitizations | | Third-party securitizations ¹ | | Own securitizations | |
| | Traditional | Synthetic | Traditional | Synthetic | Traditional | Synthetic | Traditional | Synthetic | Traditional | Synthetic |
| Weighting 20% | — | — | 40.550 | — | — | — | — | — | — | — |
| Weighting 50% | — | — | — | — | — | — | — | — | — | — |
| Weighting 100% | — | — | 97.805 | — | — | — | — | — | — | — |
| Weighting 350% | — | — | — | — | — | — | — | — | — | — |
| Weighting 1250% - with rating | — | — | — | — | — | — | — | — | — | — |
| Weighting 1250% - without rating | — | — | — | — | — | — | — | — | — | — |
| Look-through - second loss in ABCP | — | — | — | — | — | — | — | — | — | — |
| Look-through - other | — | — | 22.962 | — | — | — | — | — | — | — |
| Total | — | — | 161.317 | — | — | — | — | — | — | — |

¹ No off-balance-sheet risk assets (and trading book securitizations) included.

Table 9.2 - Trading book securitizations

| Risk weighting classes | Amounts as at 30/6/16 | | | |
|------------------------------------|-----------------------|-----------|-----------------------------|-----------|
| | Cash risk assets * | | | |
| | Own securitizations | | Third-party securitizations | |
| | Traditional | Synthetic | Traditional | Synthetic |
| Weighting 20% | — | — | 26.489 | — |
| Weighting 50% | — | — | 13.930 | — |
| Weighting 100% | — | — | 2.734 | — |
| Weighting 350% | — | — | — | — |
| Weighting 1250% - with rating | — | — | — | — |
| Weighting 1250% - without rating | — | — | — | — |
| Look-through - second loss in ABCP | — | — | — | — |
| Look-through - other | — | — | — | — |
| Weighting 650% | — | — | — | — |
| Total | — | — | 43.153 | — |

* No off-balance-sheet risk assets included.



Section 10 – Operational risk

Qualitative information

Operational risks are presented at the parent company level.

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

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

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

Furthermore, with reference to the possibility of losses caused by interruptions in operations or systems being unavailable, the Group, partly as a result of a centralized IT governance unit being instituted, is in the process of developing business continuity and disaster recovery plans to ensure that activity can continue and to limit operating losses in the event of serious interruptions.

Quantitative information

Mediobanca has adopted 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 years' readings of total income. Based on this method of calculation, the capital requirement as at the reporting date was €264.7m (30/6/15: €255.5m).



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

Qualitative information

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

Equity investments

This heading consists of investments in:

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

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

AFS securities

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

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



Quantitative information

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

| Items | Amounts as at 30/6/16 | | | | | | | | | | |
|------------------------------------|-----------------------|----------------|------------------|----------------|-----------------|-----------------------|----------|------------------------|------------------|--|----------------|
| | Book value | | Fair value | | Impairment | Gains/losses realized | | Gain/loss not realized | | Gain/loss not realized included in Tier 1/Tier 2 capital | |
| | Listed | Unlisted | Listed | Unlisted | | Gains | Losses | Gains | Losses | Gains | Losses |
| A. Equities | | | | | | | | | | | |
| A.1 Shares | 3.734.200 | 140.236 | 2.138.628 | 140.236 | (14.336) | 380.356 | — | 46.360 | (961.801) | 101.641 | (22) |
| A.2 Innovative equity instruments | — | — | — | — | — | — | — | — | — | — | — |
| A.3 Other equity instruments | — | — | — | — | — | — | — | — | — | — | — |
| B. OICR units | | | | | | | | | | | |
| B.1 Incorporated under Italian law | | | | | | | | | | | |
| harmonized, open | — | — | — | — | — | — | — | — | — | — | — |
| not harmonized, open | — | — | — | — | — | — | — | — | — | — | — |
| closed | — | 74.924 | — | 74.924 | (978) | — | — | 8.472 | — | 4.718 | — |
| reserved | — | 31.951 | — | 31.951 | (2.671) | 11 | — | 374 | (1.804) | 150 | (483) |
| speculative | — | 6.662 | — | 6.662 | — | — | — | (315) | — | 446 | — |
| B.2 Other EU states | | | | | | | | | | | |
| harmonized | — | 38.394 | — | 38.394 | — | — | — | 175 | (1.400) | 68 | (631) |
| not harmonized, open | — | — | — | — | — | — | — | — | — | — | — |
| not harmonized, closed | — | 68.166 | — | 68.166 | (4) | — | — | (710) | — | 923 | — |
| B.3 Non-EU states | | | | | | | | | | | |
| open | — | 13.104 | — | 13.104 | — | 558 | — | — | (1.194) | 1.129 | (20) |
| closed | — | — | — | — | — | — | — | — | — | — | — |
| Total | 3.734.200 | 373.437 | 2.138.628 | 373.437 | (17.989) | 380.925 | — | 54.356 | (966.199) | 109.075 | (1.157) |



Table 11.2 -Banking book: equity instruments

| Category | Book value as at 30/6/16 |
|--|--------------------------|
| Private equity instruments held in a sufficiently diversified form | 187.072 |
| Equity instruments listed on regulated markets | 6.546.554 |
| Other equity instruments | 40.491 |
| Total equity instruments | 6.774.117 |
| Balance-sheet values, listed and unlisted | 4.107.638 |
| Deducted equity investments | 1.438.668 |
| Difference | 2.668.970 |



Section 12 – Interest rate risk on banking book positions

Qualitative information

See the comments shown above in Section 1 “General disclosure requirement”, in particular the heading entitled “Interest rate risk on the banking book”.

Quantitative information

For exposure to interest rate risk on the banking book at the consolidated level, the simplified methodology recommended by the Bank of Italy in Circular 285 has been used. This approach is based on quantifying the changes in the economic value of the regulatory banking book following a change in interest rates.

In determining internal capital under ordinary conditions, reference has been made to the annual changes in interest rates over an observation period of six years, considering alternatively the 1st percentile (falling) and the 99th percentile (rising).³

The interest rate risk on the banking book is shown below, calculated following a shift in the interest rates considering the 99th percentile (rising) of the annual changes in interest rates recorded in the past six years:⁴

Table 12.1 – Interest rate risk on the banking book

| (€ mln) | Amounts at 30/6/16 |
|---|--------------------|
| Interest rate risk on the banking book | 172 |
| ◆ Euro | 154 |
| ◆ Other currencies | 18 |

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

Exposures to the main individual and the aggregate of less relevant currencies are shown below, along with the respective risk indicator in the event of a parallel shift of ± 200 bps in the interest rate:

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

| (€ mln) | Amounts at 30/6/16 | |
|---|--------------------|-----------------|
| | Negative shifts | Positive shifts |
| Interest rate risk on the banking book | 38 | (461) |
| ◆ Euro | 16 | (442) |
| ◆ Other currencies | 22 | (19) |
| Own Funds | 8.227 | 8.227 |
| Risk Index | – | 5,61% |

³ Calculation methods are aligned with simplified methodology provided for by Circular 285.

⁴ In the event of a reduction in interest rates, the overall value of the banking book would increase and hence would not represent a source of risk. No offset between exposures in the different currencies has been included in the calculation on prudential grounds.



MEDIOBANCA

In the event of parallel +200 bps interest rate increases, the banking book's value would reduce by €462m, with a risk indicator of 5.61%, which is comfortably below the 20% set by the Bank of Italy.



Section 13 – Market risk

Table 13.1 – Balance-sheet requirements divided by calculation method

| Description | Balance-sheet requirement | |
|--|---------------------------|----------------|
| | 30/6/16 | 30/6/15 |
| Risk-weighted exposures: concentration risk | 321.214 | 473.994 |
| Standardized methodology | 321.214 | 457.056 |
| <i>Debt-securities-exposure risk</i> | 223.684 | 297.306 |
| <i>Equity-securities-exposure risk</i> | 76.330 | 126.992 |
| <i>Exchange risk</i> | 21.201 | 32.759 |
| <i>Commodities-exposure risk</i> | — | — |
| Internal models | — | — |
| Risk-weighted exposures: concentration risk | — | 16.938 |

The Mediobanca Group uses the standardized methodology in managing market risks.

The capital requirement for market risk as at 30 June 2016 shows a sharp reduction from the previous year, due to optimization activity and the partial deduction of the Assicurazioni Generali stake in order to comply with the concentration limit, as opposed to the concentration risk component present until 30 June 2015.

Exposure to market risk on the trading book, which is faced virtually entirely by Mediobanca S.p.A., is measured on a daily basis by calculating two main indicators:

- sensitivity (the so-called “Greeks”) to minor changes in the principal risk factors (such as interest rates, share prices, exchange rates, credit spreads, inflation and volatility, dividends and correlations);
- value-at-risk⁵ calculated using historical scenarios which are updated daily, assuming a disposal period of a single trading day and a confidence level of 99%.

VaR is calculated daily for the Group’s entire asset structure, i.e. both trading and banking books, but excluding the equity investments. A distinction is made between risks deriving from movements in market rates and those deriving from movements in credit spreads. Stress tests are also carried out once a month on the main risk factors, to show the impact which more substantial movements in the main market variables might have, such as share prices and interest or exchange rates, calibrated on the basis of the most pronounced historical oscillations.

In addition to these metrics, specific indicators are compiled to capture other risks not measured by VaR.

Apart from the overall VaR limit, there are also individual limits in force for the various trading books, the AFS securities portfolio, and the securities held to hedge interest rate risk on the Group’s asset items. The individual trading books also have limits in the form of sensitivities (“Greeks”) to movements in the various risk factors (1 basis point for interest rates and credit spreads, 1 percentage point for equities, exchange rates and volatility).

As from this year the method used to calculate VaR has changed from the Monte Carlo to the historical simulation method, in line with the best market practice; and the methodology used to calculate the expected shortfall has also changed accordingly. However, VaR readings are still calculated and made available to traders based on the Monte Carlo method, as is the expected shortfall (or conditional VaR) calculated to the 99th

⁵ VaR: maximum potential loss over to specified time horizon and to given confidence level/percentile.



percentile, which measures average loss in 1% of the most unfavourable scenarios not included in the calculation of VaR. The new methodology generates VaR readings which are higher on average, and the figures for this year reflect this change accordingly.

The trend in VaR in the course of the financial year under review was marked by the addition of the Atlantia shares deriving from the SintoMB merger, and from the strong volatility on equity and forex markets which affected three quarters of the year out of four (the Chinese crisis in Q1, rumours regarding the resilience of the Italian banking system in Q3, and Brexit in Q4). The overall VaR reading recorded a high of €83m at the beginning of March April 2016, before falling back to just over €50m at the balance-sheet date, helped by the reduction in directional positions. Conversely, the quantitative easing measures promoted by the ECB meant that the interest rates on Italian and peripheral EU member states' sovereign debt remained basically stable.

The average reading for the twelve months was €41.8m, much higher than the €23.1m for last year. All asset classes contributed to this increase, in particular equities, for which the reading rose from €10.5m to €16.7m (due to the addition of the Atlantia shares to the banking book), and fixed-income securities, up from €15.3m to €30m due to the increase in the credit component (it is worth noting that compared to last year the individual items are open and in particular the fact that the diversification effect cannot be associated with a single asset class). The forex component remains stable at €4m despite the pronounced volatility, on account of the main positions being closed (with only the long USD position still open, which acts as a macro hedge on crisis situations in the European currency markets). The volatility and inflation factors also showed increases.

Table 13.2

| Balance-sheet structure Value at Risk and Expected Shortfall | 30/6/16 | | | | 12 mths to |
|--|----------------|---------------|----------------|---------------|---------------|
| | 30 June | Min | Max | Avg | 30/6/15 |
| (€'000) | | | | | |
| Interest rates | 4.047 | 2.175 | 18.757 | 9.780 | 15.339 * |
| Credit | 28.749 | 6.218 | 36.463 | 20.320 | |
| Shares prices | 27.327 | 6.644 | 39.302 | 16.798 | 10.544 |
| Exchange rates | 3.759 | 609 | 19.715 | 4.133 | 4.253 |
| Inflation | 4.154 | 1.864 | 8.379 | 4.104 | 2.809 |
| Volatility | 2.248 | 1.050 | 5.537 | 2.870 | 1.628 |
| Diversification effect ** | (17.521) | (598) | (33.515) | (16.343) | (11.468) |
| Total | 52.763 | 21.040 | 83.084 | 41.664 | 23.106 |
| Expected Shortfall | 117.410 | 25.402 | 122.708 | 51.502 | 41.115 |

* The figure for FY 2014/15 was combined, including the diversification effect (i.e. interest rates plus credit spread), whereas the new application shows only the individual and not the combined readings. Hence the average readings for last year and this year are not fully comparable.

** Due to mismatch between risk factors.

The expected shortfall, too, showed a sharp increase in the average reading, from €41.1m to €51.4m, on account of the strong market volatility which resulted in extreme historical scenarios.

The average VaR reading on the trading increased from €3.3m to €6.2m, despite the reduction in directional positions. The share price component in particular rose from €1.3m to €3.2m, and the fixed-income component from €2.5m to €5.4m without the benefit of the diversification effect. Conversely, vega risk declined as a result of the reduction in the positions.



Table 13.3

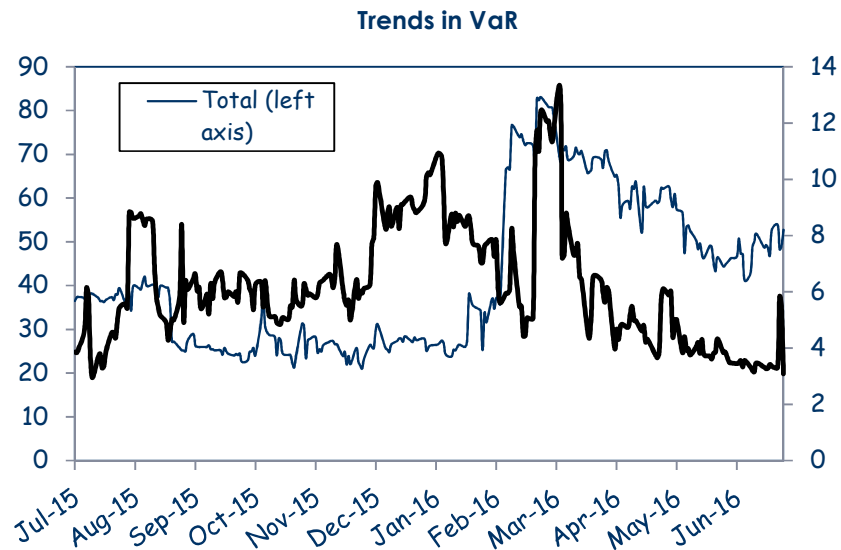
| Trading-portfolio Value at Risk and Expected Shortfall | | 30/6/16 | | | 12 mths to |
|--|--------------|--------------|---------------|--------------|--------------|
| Risk factors | 30 June | Min | Max | Avg | 30/6/15 |
| (€'000) | | | | | |
| Interest rates | 880 | 642 | 9,513 | 2,671 | 2,552 * |
| Credit | 1,020 | 734 | 5,823 | 2,760 | |
| Shares prices | 2,819 | 590 | 9,690 | 3,226 | 1,300 |
| Exchange rates | 885 | 138 | 5,179 | 1,249 | 739 |
| Inflation | 1,413 | 239 | 5,153 | 1,726 | 860 |
| Volatility | 2,104 | 1,117 | 2,686 | 1,796 | 2,278 |
| Diversification effect ** | (6,037) | (4,587) | (14,727) | (7,221) | (4,435) |
| Total | 3,084 | 2,947 | 13,215 | 6,207 | 3,294 |
| Expected Shortfall | 3,766 | 3,114 | 19,587 | 7,476 | 7,448 |

* The figure for FY 2014/15 was combined, including the diversification effect (i.e. interest rates plus credit spread), whereas the new application shows only the individual and not the combined readings. Hence the average readings for last year and this year are not fully comparable.

** Due to mismatch between risk factors.

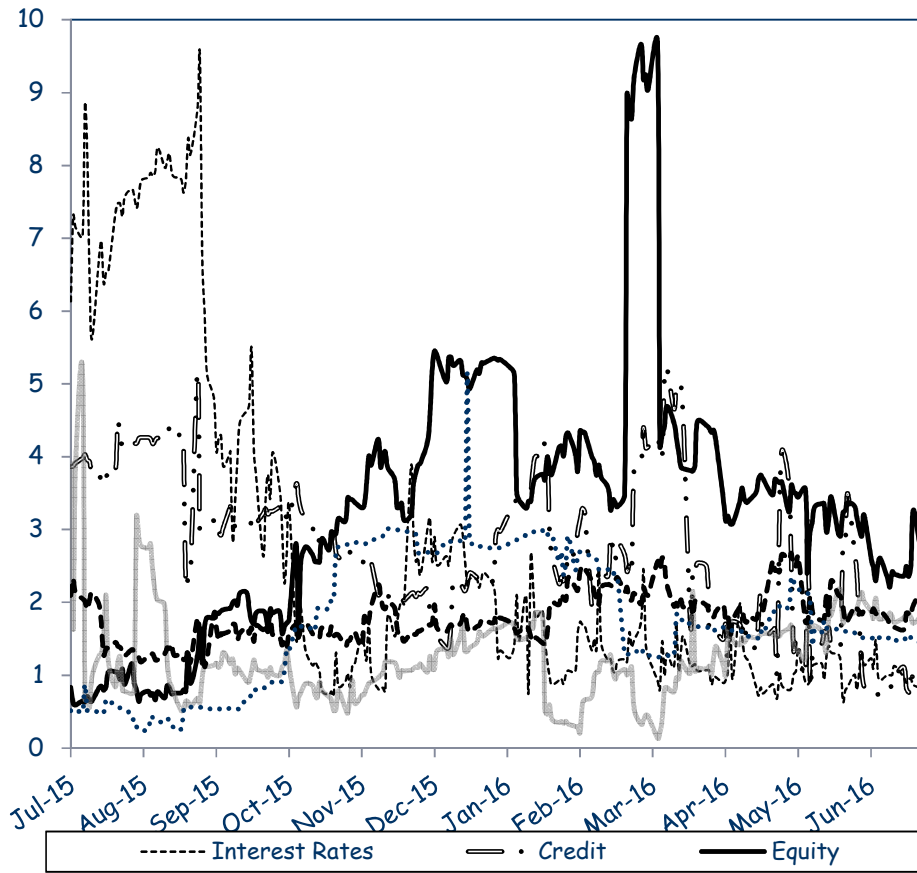
The average expected shortfall on the trading book remained stable at €7.5m, despite the higher volatility.

The trading books of other Mediobanca Group companies remain extremely limited. Apart from the Mediobanca VaR, the only other company to contribute is Compagnie Monégasque de Banque. CMB's average VaR reading, calculated at the 99th percentile, was approx. €764,000, down slightly on the average figure of €800,000 reported last year, due to the bond positions and volatility on bond markets remaining basically flat.





Trends in VaR constituents (trading book)





The results of the daily back-testing based on calculations of theoretical profits and losses⁶ show only three breaches in the course of the twelve months, in line with the theoretical level of 1% of the readings, in September 2015 and again near the end of the financial year as a result of the Brexit effect.

The trading books of other Mediobanca Group companies remain extremely limited. Apart from the Mediobanca VaR, the only other company to contribute is Compagnie Monégasque de Banque. CMB's average VaR reading, calculated at the 99th percentile, was approx. €731,000, down slightly on the average figure of €800,000 reported last year, due to the bond positions and volatility on bond markets remaining basically flat.

With reference to the sensitivity of net interest income, the trading book (Mediobanca only) as at 30 June 2016 showed a loss of €6.3m in the event of a 100 bps rise in interest rates, compared with a €0.6m gain in the opposite scenario (100 bps reduction).

Table 13.4

| Data at 30/6/16 | | Trading Book |
|---|-----------|--------------|
| €/mln | | |
| Net interest income sensitivity | + 100 bps | (6,25) |
| | - 100 bps | 0,67 |
| Discounted value of Cash Flows sensitivity | + 200 bps | (56,17) |
| | - 200 bps | 21,24 |

⁶ Based on repricing the previous days' positions using data from the following business day, in order to eliminate intraday trading items.



Section 14 – Remuneration and incentivization systems and practices

Section 1

A) Staff remuneration policies for FY 2015/16

Introduction

The Mediobanca Group posted improved results, and hence was able to distribute a higher dividend, for FY 2015/16, a year marked by significant market turmoil, on the back of its distinctive positioning in the banking sector. Mediobanca's business model has proved to be profitable even in the current scenario of subdued economic growth and low interest rates, due to the following distinctive features:

Focus on three diversified, specialist businesses (CIB, Consumer Credit and Wealth Management) unaffected by restructuring processes;

Excellent asset quality (Texas ratio 16%);

High capital solidity levels (CET1 above 12%, leverage ratio approx.10%);

Low cost/income ratio (44%).

The decisions regarding staff remuneration have been taken in view of the above business, which requires the contribution of high-quality professional skills.

Governance

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

In particular, as described in the Annual statement on corporate governance and ownership structure, the Remunerations committee has met on seven occasions in the course of the year, and the meetings on average lasted around 1 hour and 45 minutes. The Committee is made up of five non-executive members, a majority of whom qualify as independent under the Code of conduct for listed companies operated by Borsa Italiana. The Statutory Audit Committee also participates in Committee meetings, as do the Chief Executive Officer and the General Manager, the Chief Risk Officer and the head of Human Resources, as guests.

The main items on the agenda in Committee meetings are: formulation of proposals to the Board of Directors regarding the variable remuneration of directors who are members of the Group's management (defining and marking their scorecards); assessment of the proposals made by the Chief Executive Officer regarding the variable remuneration of the other staff; review of the internal processes and procedures adopted in connection with the remuneration system; review of developments in the regulatory framework; analysis of market compensation; application of the severance policy; and drafting the new remuneration policies to be submitted to the approval of the Board of Directors and shareholders in general meeting.

The Group Human Resources department has provided support on the above governance activities in co-ordinating the process of formulating the proposals and



resolutions, and executing them. The services of leading external consultants have also been used in the course of various activities, in particular market benchmark analysis and finalizing the remunerations new policies

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

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

The variable component remuneration component to be assigned to the "identified staff"⁷ constitutes the so-called "bonus pool". Payment is conditional upon certain conditions, or "gateways", which consist of the following indicators approved by shareholders at the last general meeting, being met:

- capital adequacy and liquidity requirements ⁸ adopted in the Risk Appetite Framework⁹ approved by the Board of Directors;
- positive operating profit delivered at Group level.¹⁰

The Chief Executive Officer allocates the aggregate bonus pool to be awarded on the basis of the Economic Profit ¹¹ earned by the Wholesale Banking division (the area in which most staff with the potential to impact on Mediobanca's risk profile are employed) according to quantitative and qualitative indicators. The bonus pool for the individual business areas is calculated on the basis of scorecards which generally use Economic Profit as their primary metric as well as other secondary quantitative and qualitative metrics, whereas individual awards are made on the basis of overall assessment of personal performance, with particular attention being paid to reputational and compliance issues as well. The bonus pool for staff employed by the control units and staff and support areas is established based on qualitative considerations, to limit the correlation between bonuses paid and the results delivered by the Bank and so guarantee the independence of their role. The Chief Executive Officer's decisions are illustrated to the Remunerations Committee and the Board of Directors. The remuneration paid to the head of company financial reporting and the heads of the control units is approved by the Board.

The Group's results for the year ended 30 June 2016 were as follows:

7) The Mediobanca Group's most relevant staff as at 30 June 2016 comprised 78 employees, representing 1.94% of the total headcount of the Group 10.5% of that of Mediobanca S.p.A., compared with 2% and 11% at 30 June 2015.

8) CET 1 ratio > 8,75% ex SREP, Leverage ratio, AFR/ECAP, Liquidity Coverage Ratio \geq 100%, Net Stable Funding Ratio \geq 100%, Retail funding ratio.

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

10) Total income less operating costs and loan loss provisions, as shown in the restated financial statements.

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



MEDIOBANCA

- GOP of €735m, up over 10% on last year, with revenues stable at €2bn and loan loss provisions down from €533m to €419m;
- a stable contribution from the securities portfolio (representing the difference between gains on disposal and writedowns to equity investments and AFS securities);
- gross operating profit down 2.8%, due to contributions of approx. €91m to the Bank Resolution Fund and the Deposit Guarantee Fund (approx. two-thirds of which non-recurring).

The various items performed as follows:

- net interest income rose 6%, driven by the consumer segment which grew 12%, with wholesale business down 18%;
- net fee and commission income down 5%, with significant growth in asset management business, mass market and affluent, which offset the reduction in capital market activities;
- net treasury income declining, in part due to reduced gains on AFS securities (from €76m to €16m);
- increase in the contribution from equity-accounted companies (from €224m to €257m);
- further reduction in loan loss provisions, from €533m to €419m, on a 7% increase in lending;
- cost/income and compensation/income ratios stable at 2014 levels.

The Wholesale Banking division's results in the twelve months ended 30 June 2016 reflect:

- pre-tax profit of €165m, down 41% on last year following a 23% reduction in revenues due to the approx. 18% decrease in net interest income, hit by asset repricing and the reduction in market rates, gains on forex trading (down from €57m to approx. €14m) and gains on AFS securities (from €75m to €16m), and a contraction in equity capital market fees;
- reduction in loan loss provisions (from €74m to €29m);
- strengthening of headcount (some 20 staff added).

For the Retail and Consumer Banking division, the results for the year ended 30 June 2016 were as follows for the main companies:

- for the Compass Group, a net profit €171m, twice the figure reported last year, and a ROAC of 20%, reflecting growth in assets (CAGR: +8%) and revenues (9.9%), alongside a further reduction in the cost of risk (from 369 bps to 317 bps) and a cost/income ratio which remains below 35%;
- for CheBanca!, the completion of the process which has led to the creation of a profitable digital bank, with a net profit of €7.5m for the twelve months (ROAC 5%), having achieved size in terms of direct funding (€10.7bn), indirect funding (€3.9bn) and mortgage lending (€5bn) which drove a 15% increase in revenues; the cost of risk declined, from 45 bps to 34 bps, as did the cost/income ratio (from 96% to 84%);



Private Banking delivered a €29.5m net profit and 22% ROAC, down on last year due to a lower contribution from treasury income.

Principal Investing contributed €370m in profits to the Group's results (30/6/15: €335m), on an improved performance by Assicurazioni Generali.

All the Group's gateways for the year ended 30 June 2016 were thus met.¹²

The Economic Profit earned by the Wholesale Banking division as stated in the accounts, which is not one of the gateways but is used as a risk-adjusted indicator in assessing the sustainability of the bonus pool, totalled €126m.

The other quantitative and qualitative metrics were also met, in the sense that the Group's results reflected the required risk/return balance, in compliance with all the objectives set in the Risk Appetite Framework. From a qualitative perspective, Mediobanca confirmed its positioning and market share in a difficult market scenario.

Having therefore ascertained that all the conditions precedent to the distribution of the bonus pool had been met, and in application of the criteria provided for in the remuneration policies, the Chief Executive Officer, after consulting with the General Manager, established an aggregate variable remuneration component of €57.5m for Mediobanca (compared to €69m in 2015), €25m of which for identified staff (approx. €34m), corresponding to a payout ratio 40% and 20% of the WB Economic Profit respectively, and down 17% and 23% on last year. These amounts include the variable component reserved to directors who are members of the Mediobanca Group's senior management. The aggregate variable component amounts to 92% of the fixed component for identified staff¹³ (124% last year). Considering the headcount as a whole for Mediobanca, the ratio is 66%, compared to 76% in 2015. One of the main objectives in making the award of the variable component was to maintain a competitive compensation package for younger and business staff from a talent retention perspective.

For the Retail and Consumer division, the risk-adjusted earnings performances delivered in the year were positive too. The total variable remuneration component awarded to the division was €11.7m, basically flat versus 2015, €1.3m (€1.1m) was the bonus pool for identified staff, up 18% in line with the division's excellent results. The bonus pool for identified staff represented approx. 98% of the fixed remuneration, whereas for the headcount as a whole the ratio fell from 9% in 2015 to 8%.

As at 30 June 2016, management with strategic responsibilities other than the executive directors and referred to in the Consob resolution issued in 2011, consisted of five persons: the three heads of the control units, the head of company financial reporting and the co-head of the Corporate and Investment Banking division. Their remuneration package reflects the provisions of the Remuneration policies, based on the individual category of identified staff to which they belong.

Variable remuneration of the Chief Executive Officer and General Manager of Mediobanca S.p.A.

The annual variable remuneration component for directors who are members of the Group's senior management is included in the aggregate bonus pool and reflects the achievement of the quantitative and qualitative targets assigned in the individual

12) CET 1 ratio 12.08%; leverage ratio 9.52%; AFR/ECAP 212%; liquidity coverage ratio 244%; retail funding ratio 62%; net stable funding ratio 111%; Group operating profit €735m.

13) Excluding identified staff working in control and support units.



scorecards approved by the Board of Directors. In general terms, If the quantitative objectives are met, the amount of the bonus payable to the CEO and the General Manager may be between 50% and 200% of their gross annual salary. This amount may be adjusted by the BoD according to whether or not the qualitative objectives are also met (without prejudice to the 2:1 cap).

The quantitative performance indicators assigned for the financial year ended 30 June 2016 involved: for the CEO, Group risk-adjusted profitability indicators (profit before tax earned from Group banking activities/capital absorbed), consolidated revenues, consolidated cost of risk; and for the General Manager, Group risk-adjusted profitability indicators (profit before tax earned from Group banking activities/capital absorbed), consolidated revenues from money management activities (net interest income and trading income generated by the Mediobanca Group), consolidated revenues, Mediobanca Group cost/income ratio. For the CEO the qualitative objectives involved consolidation in the initiatives in the asset management area and the Group's non-Italian operations, and maintaining an adequate regulatory capital level (CET 1 ratio); and for the General Manager effective management of the Group's project spending, support in achieving the Capital Market Solutions platform's objectives, and coverage of the Private Banking scope of operations.

Based on the results of the scorecards, the Board of Directors, at the Remunerations Committee's proposal, resolved to award variable remuneration of €2,100,000 and of €1,046,000 to the General Manager (equal to 115% and 70% respectively of their fixed salaries, down from the 125% awarded to both last year. Contributions to the complementary pension scheme are also paid in both cases on the upfront cash component. Of the variable remuneration awarded, half in cash and half shares, 60% will be deferred over a five-year time horizon and is subject to performance conditions being met. The upfront equity component is subject to a two-year holding period.

Means of distributing the variable component

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

The bonus pool consists of the variable remuneration to be paid to identified staff and consists of the equity component ("performance shares") equal to approx. €13m (approx. 50% of the bonus pool), which in part will be booked to the accounts over the next four financial years under the accounting standards currently in force.

Accordingly, the Board of Directors adopted a resolution to award Group staff a total of 2.208.774 performance shares¹⁴ (at the average stock market value of Mediobanca shares in the month prior to the award, i.e. €5.7079) including those awarded to identified staff employed at Group companies.¹⁵

14) 183,956 of which to the CEO and 91,627 to the General Manager.

15) In January 2016 a further 18,465 performance shares were awarded to identified staff at CMB, a Mediobanca Group company whose financial year and performance cycle ended on 31 December 2015. A further 129,650 performance shares were also awarded in the course of the year under the terms of severance agreements.



B) New staff remuneration policies

Introduction

As in the past, the new Remunerations policies:

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

The main change compared to the previous versions involves the introduction of a more detailed description of the process used for defining the variable component and bonus pool for identified staff, structured according to the Group's divisional organization (Wholesale Banking, Principal Investing, Retail & Consumer, Private Banking, and Corporate Centre).

The cap of 200% of fixed remuneration has been adopted on the variable component continues to be adopted.

Governance

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

a) Corporate governance

Under the current Articles of Association:

- shareholders in general meeting establish the annual fixed fee payable to members of the Board of Directors when they are appointed, and for the entire duration of their term of office, to be allocated among the individual members based on the Board's own decision. Directors who are not members of the Group's senior management are entitled to refunds on expenses incurred by them in the performance of their duties.
- shareholders in general meeting, within the terms set by the regulations in force at the time, also approve the remuneration policies and compensation schemes based on financial instruments for Group directors, staff and collaborators, and set the criteria for establishing compensation to be agreed in the event of a beneficiary leaving the company or office.
- at the Board of Directors' proposal, shareholders in general meeting may, with the requisite majorities, establish the variable remuneration of Group staff and collaborators up to the limit of 200% of their fixed salaries or any other limit set by the regulations in force at the time.
- the Board of Directors institutes the committees envisaged by the regulations in force from among its own number, including the Remunerations Committee, establishing their composition and powers.



Under the regulations in force:

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

b) Organizational governance

- Human Resources directs and governs the entire remuneration process, involving the governing bodies, control units and other teams responsible for verifying the Group's earnings and financial data.
- The Accounting and Financial Reporting and Planning and Control units provide the data for ascertaining that the gateways have been met and for determining the business areas' and divisions' performances based on the results achieved.
- The Risk Management unit helps in defining the metrics to be used to calculate the risk-adjusted company performance, in validating the results and the gateways, and in checking that these are consistent with the provisions of the Risk Appetite Framework.
- The Compliance unit carries out an annual assessment of the remuneration policies' compliance with the sector regulatory framework. It is also responsible, after consulting with the other control units, for checking whether or not any compliance breaches have been committed with relevance for purposes of assessing the performance and award of the variable remuneration component. The Compliance unit is involved in the processes of revising, adapting and managing the



remuneration systems to ensure these are in line with the regulations in force at the time, including in terms of establishing the identified staff, analysing the metrics adopted, and the practice in cases where the beneficiary has left the company.

- The Group Audit unit makes a statement declaring that the staff remuneration and incentivization policy adopted by the Bank complies with the Instructions. It also carries out annual controls on the data and process, and brings any irregularities to the attention of the relevant bodies for the appropriate corrective action to be taken.

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

Definition of "identified staff"

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

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

Mediobanca regularly carries out analysis of the Group's organizational structure via a documented process. At 30 June 2016 the Group's "identified staff" (including non-executive directors) broke down as follows:



| Cluster | Definition | EBA regulations | PPR No. (2016) |
|---|---|---|----------------|
| 1) Non-executive directors | Non-executive members of BoD, including Chairman | Article 3.2 | 1 (+13) |
| 2) Directors with executive duties | Management who are members of Executive Committee | Article 3.1 | 4 |
| 3) Senior management and heads of relevant BUs (principal business lines, geographical areas and other senior business figures) | <ul style="list-style-type: none"> ◆ Co-Head CIB ◆ Head Principal Investing ◆ Head Finance Division ◆ Head Corporate Finance ◆ Head Equity Capital Markets ◆ Head Debt Capital Markets ◆ Head Lending and Structured Finance ◆ Head CMS/London ◆ Head Financial Institutions Group ◆ Head Global Coverage ◆ Head Frankfurt ◆ Head Madrid ◆ Head Paris ◆ Head MB Turkey CEO, CMB | Article 3.3 Article 3.6 | 15 |
| 4) Heads and senior staff of internal control units | <ul style="list-style-type: none"> ◆ Compliance ◆ Risk Management ◆ Group Audit | Article 3.4 Article 3.5 Article 3.7 Article 3.15 | 9 |
| 5) Staff with managerial responsibilities in relevant business units | <ul style="list-style-type: none"> ◆ Heads of trading desks, liquidity and trading origination ◆ Staff with significant responsibility in the Lending and Structured Finance and Corporate Finance areas ◆ Other heads of product areas (MB Securities, Research) ◆ General Managers, Compass, CB! and CMB; CEOs of SelmaBPM and Spafid | Article 3.8 Article 3.15 | 22 |
| 6) Heads and senior staff in Staff and support units | <ul style="list-style-type: none"> ◆ Human Resources ◆ Head of company financial reporting ◆ Accounting/financial reporting ◆ Budget/Planning and control ◆ Legal counsel ◆ COO ◆ CIO | Article 3.9 Article 3.15 | 7 |
| 7) Quantitative criteria | Roles with total compensation \geq €500,000 or same remuneration bracket in previous financial year not included in categories listed above | Article 4 | 20 |
| TOTAL at 30/6/16¹⁶ | | | 78 (91) |
| % of total Mediobanca S.p.A. staff | | | 10.5% |
| % of total Mediobanca Group staff | | | 1.94% |

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

16) As at 30 June 2015, the Mediobanca Group had a total of 76 (89) identified staff, representing 2% of the total Group headcount and 11% of the total staff employed by Mediobanca S.p.A.



Pay mix

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

a) Remuneration structure for non-executive directors

The non-executive directors' emolument is fixed by the shareholders in general meeting, and no provision is made for incentives linked to the Bank's performance.

As from this year, the D&O insurance policy has been extended to cover all the directors of all Group companies.

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

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

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

The scorecards consist of performance objectives identified within each individual manager's sphere of responsibility (for example these may regard risk-adjusted profitability or revenues, Group-wide or for particular divisions, Economic Profit of individual areas for which they are responsible, other objectives consistent with the guidelines of the strategic plan with respect to capitalization, liquidity or new business initiatives) and weighted according to the relevance assigned to them by the Board of Directors and the actual margin of autonomy in terms of decision-making. If the objectives are met, this triggers the payment of a variable bonus ranging from 50% (or lower) of the gross annual salary on certain minimum objectives being reached (usually related to the budget objectives) to a maximum of 200% in the event of outstanding performances.

Of the variable component, 50% is paid in cash and 50% in equity, and 60% is deferred over a five-year time horizon. All the deferred items are subject to the performance and malus conditions stipulated in these Policies (see below the section entitled "Performance conditions, malus condition and clawback").

- 3) upon the approval of a long-term Group plan, the Board of Directors may choose to award an extraordinary bonus conditional upon the objectives set out in the plan itself being reached (long-term incentives). In such cases, the short-term scheme described



under the previous point will be linked to the provisions of the long-term scheme, without prejudice to the 200% cap on variable remuneration, which must be complied with in each financial year. Actual payment will be made on the terms, conditions and methods provided for the variable remuneration component referred to above, unless provided otherwise by the Board of Directors, having consulted with the Remunerations Committee, in accordance with the regulations in force for long-term incentivization schemes.

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

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

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

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

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

d) Remuneration structure for other "identified staff"

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

The variable component is paid in cash and equity instruments, in part upfront and in part in subsequent years, subject to performance conditions being met. Any shares awarded are subject, after the respective rights have vested, to an additional holding period for retention purposes. The section entitled "Variable component structure" describes the criteria and means of deferral in more detail.



Benefits: in line with the market, compensation package is completed by a series of fringe benefits which are evidence of the ongoing attention paid by Mediobanca to the personal needs and welfare of its own staff, even after retirement. The benefits chiefly consist of pension, insurance and healthcare schemes. The benefit schemes are sometimes distinguished by families of professionals and geographical areas, but do not make provision for individual discretionary systems. The Bank's supplementary pension scheme was established in December 1998 for all staff, with contribution rates distinguished by category and length of time employed by the company. Company cars are provided only for the most senior figures.

e) Other information on remuneration structure

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

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

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

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

Limit on variable remuneration

Subject to approval by shareholders in general meeting, and in accordance with the national and supranational regulations, the upper limit on the variable remuneration component for all staff belonging to the Mediobanca Group¹⁷ and hence for all identified staff has been set at 200% the amount of their fixed remuneration (without prejudice to the provisions in place for staff employed in the control units, Human Resources and the Head of company financial reporting).¹⁸

The reasons justifying this proposed limit are primarily:

- the need to attract and retain the most talented staff, in investment banking especially, by aligning the Bank's practice with that of its competitors;
- the need to maintain the appropriate operating flexibility, minimizing the risks that would be associated with increasing the fixed labour cost component excessively;
- to ensure that the remuneration policy is consistent with incentives which seek to promote virtuous conduct in the pursuit of business objectives and value creation;
- to align the Bank with the policies adopted by the leading Italian and international banks;

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

18) The Group's headcount currently comprises approx. 4,036 staff made up as follows: 938 in Wholesale Banking (with 73 qualifying as identified staff), 2,593 in Consumer and Retail Banking (3 identified staff), 308 in Private Banking (3 identified staff), and 197 in the services company



- the increasing presence of competitors in sectors (financial institutions which are not banks, private equity, hedge funds) or geographies (Far East, the Americas) with a liberalized regulatory framework;
- the possibility of ensuring that funds are distributed appropriately between the most deserving candidates.

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

Determination of variable remuneration and the bonus pool and correlation between risks and performance

Determination of the bonus pool and the correlation between risks and performance is achieved via a process which has the objective of rewarding staff based on the Bank's and the Group's risk-adjusted performances, in accordance with the risk profile defined in the Risk Appetite Framework (RAF), from the perspective of business continuity and sustainable results over the long term.

In more detail:

a) Gateways

Distribution of the bonus pool (which comprises the variable component earmarked for the remuneration of the "identified staff" in each Group organizational division) only takes place if the following indicators or "gateways" are met:

- a) capital adequacy and liquidity requirements¹⁹ indicated by the risk metrics adopted in the Risk Appetite Framework²⁰ approved by the Board of Directors, which are the primary indicators taken into consideration in the ICAAP;
- b) positive operating profit delivered at Group level.²¹

b) Budgeting phase

Under the process for determining the variable remuneration and the divisional bonus pools, in preparing the budget the Board of Directors approves the cost of labour for the financial year to come, including the amount of variable component, determined on the basis of the all the Mediobanca Group divisions' expected earnings performance targets, the market scenario and historical pay trends.

c) Determination of variable remuneration and divisional bonus pools

Once the final results have been closed, the variable remuneration and the bonus pool payable to the Group's various business divisions are calculated based on the risk-adjusted earnings performances of the respective divisional areas (Economic Profit and/or ROAC) and on other secondary quantitative and qualitative objectives.

19) CET 1 ratio, leverage ratio, AFR/ECAP, liquidity coverage ratio, net stable funding ratio, retail funding ratio.

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

21) Total income less operating costs and loan loss provisions, as shown in the consolidated restated financial statements.



For the Wholesale Banking division²² (the area in which the highest number of staff with a substantial impact on Mediobanca's risk profile are employed), the Chief Executive Officer of Mediobanca identifies the share of the share of the division's Economic Profit to be used for the bonus pool and variable remuneration. The amount reflects assessment of quantitative parameters (Group results, Risk Appetite Framework indicators other than those already included among the gateways, comparison of performances delivered versus annual budget objectives and the three-year business plan, comparison versus historical performances, and cost/income and compensation/income ratios) and qualitative parameters (market positioning and market share, retention of key staff, need to recruit new professional talent). The amount thus determined is measured against the bonus pools resulting from the scorecards for the individual business units, which may be fine-tuned to ensure that overall sustainability is maintained.

For the other divisions (Retail & Consumer and Private Banking), the amounts are determined by the Chief Executive Officers of the legal entities forming part of them, who to this end liaise with the General Manager and Human Resources department of Mediobanca S.p.A. (see section entitled "Remuneration policies for staff employed at Group companies").

The variable remuneration and bonus pool to be allocated to the Corporate Centre and Principal Investing are established by the Chief Executive Officer of Mediobanca, on the basis – for the former – of general earnings sustainability with limited correlation to the Group's results, and – for the latter – of qualitative criteria and specific qualitative and quantitative performance indicators.

d) Distribution and allocation of variable remuneration and bonus pools

The variable remuneration and bonus pool for the individual business units of the Wholesale Banking division and the units which provide services to the Group as a whole comprised within the Corporate Centre are calculated on the basis of scorecards which use Economic Profit as the primary metric and other secondary quantitative metrics (such as reference to budget objectives and historical results performances) and qualitative metrics with the institution of a cap.

For the other divisions (see section entitled "Remuneration policies for staff employed at Group companies"), the variable remuneration and bonus pool are allocated based on internal organizational structure: for senior management, on the basis *inter alia* of individual scorecards; for the commercial branch network and credit management, based on reaching specific business indicators applicable individually or collectively by organizational unit. For the staff, support and control units, allocation is based primarily on qualitative criteria.

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

The Board of Directors, at the Chief Executive Officer's proposal and with the Remunerations Committee in favour, may authorize payment of a bonus pool for identified staff for retention purposes even if the gateways have not been met. The possibility of paying a retention bonus pool is assessed in the light of the reasons why the individual gateways were not met, and the impact of the individual indicator on the Group's capital adequacy, liquidity and profitability. The scope of the staff and the amount involved is based mainly on the following criteria: the contribution of the individual beneficiary to the overall results of the division and the Group, the importance of the profile to the sustainability of future results,

²²) Economic Profit (EP) is defined as the pre-tax profit earned by the Wholesale Banking division, net of variable labour costs and the cost of regulatory capital (not represented in the accounts) required to perform such activities. It therefore measures the additional profit generated after the return on capital, the cost of which is calculated based on a risk-free rate in the medium/long term, the risk premium and taking into account the Division's cost of funding. As required by the supervisory authorities, the EP metric reflects both present and future risks and the sustainability of results over time.



benchmark analysis of the market and competitive scenario, the need to ensure business continuity, and consistency with the succession planning policy.

Furthermore, if the gateways are met but an Economic Profit or other divisional indicator is delivered which is negative or small, the Chief Executive Officer may also propose a variable remuneration floor pool for identified staff, agreeing the rationale for distributing the proceeds with the governing bodies based on the individual contributions of the business activities to the company's results.

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

Annual bonuses are awarded to the individual beneficiaries via an annual performance assessment process based on merit and professional quality, with particular attention to reputational issues: indeed, the bonus may either not be paid or be reduced for staff guilty of committing compliance breaches of either internal or external regulations in the course of the year. The entitlement to receive variable remuneration is subject to the beneficiary fully maintaining their status as employee of the Mediobanca Group throughout the assessment period and still being in the company's employment at the actual date of distribution and/or not serving a period of notice for resignation or dismissal. For identified staff, the performance assessments are ratified individually by the Chief Executive Officer and General Manager of Mediobanca.

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

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

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

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

earnings results achieved, e.g. reaching or not reaching budget targets and objectives in terms of improvement from the previous year, with reference to the risk/return and cost/income ratios;

qualitative criteria: development of product offering, professional conduct and reliability, quality in terms of customer relationships, technical and analytical skills in the field of finance, ability to control costs, importance placed on achieving operating efficiency, and



co-operation with other areas of the Bank, reputational and compliance issues, and adherence to the Bank's values.

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

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

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

Variable component structure: timescale for distribution and instruments

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

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

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



MEDIOBANCA

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

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

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

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

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

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



Performance conditions, malus condition and clawback

The deferred variable remuneration component is paid, provided that:

the beneficiary is still a Group employee and not serving a period of notice for resignation or dismissal;

the beneficiaries' business units post a positive risk-adjusted result net of extraordinary items and the effects of strategic decisions, as ratified by the Risk Management unit and the Control and Risks Committee;

the beneficiary has not committed any compliance breaches (i.e. has not been subject to disciplinary measures under the terms, inter alia, of Mediobanca's Code of ethics, Organizational model, Business conduct policy and other internal regulations²³) and no losses have been incurred which were attributable to their actions.

This method is consistent with the requirement for staff, in accordance with their role and business activity, to conduct themselves at all times in such a way as to ensure that Mediobanca retains a solid capital base, a strong liquidity position and close control of all risks as well as positive earnings results, thus guaranteeing that the remuneration systems remain sustainable over the long term.

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

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

Mediobanca reserves the right to take all measures necessary to claim back variable remuneration already paid (the "clawback" mechanism) in the event of damages emerging to the integrity of its capital, profitability and earnings/financial or reputational situation, which are attributable to the conduct of individual staff members even without fraud and/or wilful misconduct being established. In particular, provision for such measures is made in cases involving breach of the obligations imposed under Article 26 of the Italian banking act (company representatives – personal and professional qualifications and independence) or, where relevant to the party involved, Article 53, paras. 4ff (regulatory supervision), of the obligations in respect of remuneration and incentivization.

²³) The relevant cases for application of compliance breaches are assessed internally, through an appraisal of the regulatory areas which are most relevant to the Bank's reputational risk and the gravity of the breach, as well as the process for evaluating them correctly and potentially taking action, involving the control units and governing bodies as well. Relevant factors for applying the malus and/or clawback mechanisms include not only the application of penalties as provided by the various disciplinary codes, but also warnings or reminders sent by the control units regarding the most relevant instances, or the outcomes of audits conducted again by the control units. The Compliance unit, after consulting with the other control units, once a year prepares a summary report of the relevant events that have taken place, at both the individual and business unit level.



Performance share schemes

In order to have equity instruments for use as components of staff remuneration, Mediobanca has adopted a performance share scheme, approved by shareholders at the annual general meeting to be held on 28 October 2015, to which reference is made for all further details.

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

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

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

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

Performance shares are awarded from capital increases approved by the shareholders in general meeting or from any treasury shares the Bank may possess (once again subject to a resolution being passed in general meeting). The maximum number of shares that may be awarded under the terms of the existing scheme is 20 million, from the capital increase reserved for award to Mediobanca Group staff members before 28 October 2020, pursuant to Article 2349 of the Italian Civil Code, which was approved by shareholders on 28 October 2015. Alternatively and/or in



addition, those of the 15,736,786 treasury shares held by the Bank and not reserved for other purposes may be used to this end. At present a total of 9.586.670 shares have been awarded but not assigned, 65,177 from the treasury share holdings and the other 9.543.219 from the limit approved by shareholders in general meeting.

Performance stock option scheme

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

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

Remuneration policies for staff employed at Group companies

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

Mediobanca approves the amount of the variable remuneration and bonus pools for identified staff in the various divisions and their allocation; establishes the objectives for the CEOs and/or General Managers of the Group companies, and ascertains whether they have been met; and defines the basic principles of the

24) As at 15 September 2016, a total of 10,167,500 stock options and/or performance stock options, as yet unexercised, had been assigned to Mediobanca Group staff, at an average price of €6.554 per share, from the schemes approved by the shareholders in general meetings held on 28 October 2004 and 27 June 2007. As mentioned earlier, a total of 9.586.670 performance shares have been allocated but not yet awarded on the grounds that they are still subject to either vesting or holding periods. The fully-diluted percentage of the company's share capital represented by equity instruments issued to Group staff therefore amounts to 2,13%. The impact on the shares' market value and the possible dilution of the share capital is not material, given the fact that several schemes and several instruments are in operation across different years and vesting and holding periods spread across a medium-/long-term time horizon.



guidelines of the incentives mechanism for the other staff at the companies, leaving the specific decisions up to their respective Boards of Directors.

The incentivization system is reserved specifically to staff who, on account of their professional specialization, organizational role and importance to the business, have an impact on their companies' performance and value creation. The beneficiaries are identified by the Chief Executive Officer and/or General Managers of the companies themselves, after consulting with the General Manager and the Human Resources department of Mediobanca. Each beneficiary is notified of their inclusion in the incentives scheme, with a defined annual bonus target and calculation method. The bonus is determined annually on an individual basis in view of the risk-adjusted earnings performance delivered by the company (the indicator used for the Group companies is usually the economic profit earned by the business area and/or the ROAC delivered by the business division in which they work) and other secondary, quantitative objectives. Other assessment criteria are also adopted linked to quality of performance, for example indicators of customer satisfaction, and to the achievement of individual qualitative and project-based objectives. The work once complete is subject to ratification by Mediobanca. For the commercial branch network and credit management, establishment of the variable component is based on reaching specific business indicators applicable individually or collectively by organizational unit. For the staff, support and control units, allocation is based primarily on qualitative criteria.

Below given limits, the bonus is paid entirely in cash in the year in which it accrues. Above such limits provision is made for forms of deferral, on a three-year basis. In the event of losses related to provisions which prove to be insufficient, contingent liabilities or other items which might prejudice the integrity of the accounts (such instances not to be construed restrictively; the "malus conditions"), all or part of the deferred share may not be paid.

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

Policies in the event of employment being terminated or otherwise ending

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

a) Treatment for directors leaving office early

Mediobanca does not make payments to directors who leave office for any reason.

b) Treatment for employees

Treatment for individuals linked to Mediobanca Group companies under the terms of employment contracts (i.e. including directors who are members of the



Group's senior management and all identified staff, including the aggregate of management with strategic responsibilities) requires payment of:

the amount established and due in accordance with the provisions of law and the locally applicable contractual regulations in respect of the cost of the failure to provide notice and other entitlements payable upon termination (severance provision, holiday leave etc.);

- a possible additional amount by way of severance: severance pay is the main instrument recognized in the various jurisdictions for cases where the employment relationship is terminated by mutual consent, with a view to minimizing the earnings and reputational risks, present and future, which the Bank might face as a result of possible disputes;
- other types of arrangement, e.g. to cover non-competition agreements or settlements paid in respect of potential moral or material damages.

c) Severance pay amount

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

The basis for calculating the additional monthly salaries to be paid by way of severance is usually the most recent fixed salary, the average variable remuneration paid over a given time horizon (generally the last three years), and in some cases the value of fringe benefits.

Mediobanca, apart from the exceptions contemplated under point g) below, defines the total maximum amount payable by way of severance as 24 monthly salaries, as previously defined and in any case no more than €5m, unless provided otherwise by shareholders in general meeting. This amount includes any non-competition agreements, but does not include any amounts paid as indemnity for failure to give notice and the other amounts due in connection with termination of the employment relationship (severance provision, holiday leave etc.).²⁵ Severance payments may not under any circumstances exceed the limits set by the applicable laws, regulations and collective contracts.

Severance may not be paid in cases where the conduct of individual staff members has resulted in damages to the integrity of the Bank's capital, profitability and

²⁵⁾ In terms of the number of years' fixed remuneration, if an employee has received variable remuneration throughout the time horizon considered equal to twice their annual fixed salary (cf. 2:1 cap), a total of six years' annual salary would be considered. This provision, which is entirely theoretical, is balanced by the maximum amount payable in absolute terms established by the remuneration policies.



earnings/financial or reputational situation, whether or not fraud and/or wilful misconduct is established.

d) Timescales for payment and instruments used

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

The Bank also reserves the right to use the claw back mechanism in the cases provided for in the applicable employment law regulations.

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

Entitlement to any deferred variable remuneration components, in cash and/or equity, awarded in previous years but not yet paid, is forfeited in cases where staff tender their resignations or are dismissed, as the entitlement to any company benefits.

Cases where termination of the employment relationship is by mutual consent, for more favourable treatment in individual cases and the possibility of applying more favourable local legislations, are handled by the governing bodies within their respective areas of responsibility, namely the Board of Directors, Remunerations Committee and Chief Executive Officer, based on the powers vested in them.

f) Decisions by third parties

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

g) Exceptions and involvement of governing bodies

Possible exceptions to the foregoing, applicable under the terms of this policy in cases of particular importance (e.g. identified staff belonging to clusters 2 and 3), are handled by the Board of Directors, after consulting with the Remunerations Committee, based on assessments provided by the relevant internal units, in particular the control units, and if appropriate external lawyers.

Regular reporting is made to the Remunerations Committee on any decisions taken vis-à-vis employees qualifying as identified staff, and the Committee itself is involved promptly in deciding on the treatment of the most significant individual cases.

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

In cases where the Chairman (if a member of the Group's management), Chief Executive Officer and/or General Manager leave the Bank's employment for any



MEDIOBANCA

reason, the provisions of the Group's remuneration policies for identified staff and the sector regulations in force from time to time shall apply. Any amounts paid in cash, in addition to notice, shall be subject to contributions to the company's complementary pension scheme, and save in cases of dismissal for just cause, the said persons will be allowed to retain any financial instruments assigned to them up to the time when the employment relationship is terminated.



Section 2

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

| (A) Name and surname | (B) Post | (C) Period for which post has been held | Term of office expires | (1) Fixed compensation | | | (2) Fees payable for participation in committees | (3) Variable compensation (non-equity) | | (4) Non-cash benefits | (5) Other forms of compensation | (6) Total | (7) Fair value of equity compensation | (8) Indemnity payable on leaving office/severance (1) |
|--------------------------|--|--|------------------------|---------------------------|--------------|-----------|---|---|----------------------|--|------------------------------------|--------------|--|--|
| | | | | Emolu-ments | Fixed salary | Total | | Bonus and other incentives | Interest in earnings | | | | | |
| | | | | | | | | | | | | | | |
| Renato Pagliaro | Chairman of Board of Directors | 01/07/2015 - 30/06/2016 | 30/06/2017 | 100.000 | 1.800.000 | 1.900.000 | | | | 350.369 of which complementary pension scheme 346.417 | 2.250.369 | - | - | |
| | (I) Compensation in company preparing the accounts | | | 100.000 | 1.800.000 | 1.900.000 | | | | 350.369 | 2.250.369 | - | - | |
| | (II) Compensation from subsidiaries/associates at 30/06/2016 | | | | | | | | | | | | | |
| Maurizia Angelo Comneno | Deputy Chairman of Board of Directors | 01/07/2015 - 30/06/2016 | 30/06/2017 | 135.000 | | 135.000 | | | | | 135.000 | - | - | |
| | Member of Executive Committee | 01/07/2015 - 30/06/2016 | 30/06/2017 | 90.000 | | 90.000 | | | | | 90.000 | - | - | |
| | (I) Compensation in company preparing the accounts | | | 225.000 | | 225.000 | | | | | 225.000 | - | - | |
| Marco Tronchetti Provera | Deputy Chairman of Board of Directors | 01/07/2015 - 30/06/2016 | 30/06/2017 | 135.000 | | 135.000 | | | | | 135.000 | - | - | |
| | (I) Compensation in company preparing the accounts (1) | | | 135.000 | | 135.000 | | | | | 135.000 | - | - | |
| | (II) Compensation from subsidiaries/associates at 30/06/2016 | | | | | | | | | | | - | - | |
| Alberto Nagel | CEO | 01/07/2015 - 30/06/2016 | 30/06/2017 | 100.000 | 1.800.000 | 1.900.000 | | 420.000 | | 433.304 of which complementary pension scheme 428.486 | 2.753.304 | 505.894 | - | |
| | (I) Compensation in company preparing the accounts | | | 100.000 | 1.800.000 | 1.900.000 | | 420.000 | | 433.304 | 2.753.304 | 505.894 | - | |
| | (II) Compensation from subsidiaries/associates at 30/06/2016 | | | | | | | | | | | | - | |
| Francesco Saverio Vinci | General Manager | 01/07/2015 - 30/06/2016 | 30/06/2017 | 100.000 | 1.500.000 | 1.600.000 | | 420.000 | | 334.965 of which complementary pension scheme 329.087 | 2.144.165 | 347.671 | - | |
| | (I) Compensation in company preparing the accounts | | | 100.000 | 1.500.000 | 1.600.000 | | 209.200 | | 334.965 | 2.144.165 | 347.671 | - | |
| | (II) Compensation from subsidiaries/associates at 30/06/2016 (1) (2) | | | 20.000 | | 20.000 | | | | | 20.000 | | - | |
| Tarak Ben Ammar | Director | 01/07/2015 - 30/06/2016 | 30/06/2017 | 100.000 | | 100.000 | | | | | 100.000 | - | - | |
| | (I) Compensation in company preparing the accounts | | | 100.000 | | 100.000 | | | | | 100.000 | - | - | |
| | (II) Compensation from subsidiaries/associates at 30/06/2016 | | | | | | | | | | | - | - | |
| Gilberto Benetton | Director | 01/07/2015 - 30/06/2016 | 30/06/2017 | 100.000 | | 100.000 | | | | | 100.000 | - | - | |
| | (I) Compensation in company preparing the accounts | | | 100.000 | | 100.000 | | | | | 100.000 | - | - | |
| | (II) Compensation from subsidiaries/associates at 30/06/2016 | | | | | | | | | | | - | - | |
| Mauvo Bini | Director | 01/07/2015 - 30/06/2016 | 30/06/2017 | 100.000 | | 100.000 | | | | | 100.000 | - | - | |
| | Member of Risks committee and Related parties committee | 01/07/2015 - 30/06/2016 | 30/06/2017 | 80.000 | | 80.000 | | | | | 80.000 | - | - | |
| | Chairman of Appointments committee | 01/07/2015 - 30/06/2016 | 30/06/2017 | 20.000 | | 20.000 | | | | | 20.000 | - | - | |
| Marie Bofforé | Director | 01/07/2015 - 30/06/2016 | 30/06/2017 | 100.000 | | 100.000 | | | | | 100.000 | - | - | |
| | Member of Appointments committee | 28/10/2015 - 30/06/2016 | 30/06/2017 | 13.425 | | 13.425 | | | | | 13.425 | - | - | |
| | (I) Compensation in company preparing the accounts | | | 113.425 | | 113.425 | | | | | 113.425 | - | - | |
| Maurizio Carliogno | Director | 01/07/2015 - 30/06/2016 | 30/06/2017 | 100.000 | | 100.000 | | | | | 100.000 | - | - | |
| | Member of Risks committee and Related parties committee | 28/10/2015 - 30/06/2016 | 30/06/2017 | 53.700 | | 53.700 | | | | | 53.700 | - | - | |
| | Member of Remunerations committee | 01/07/2015 - 30/06/2016 | 30/06/2017 | 30.000 | | 30.000 | | | | | 30.000 | - | - | |
| | (I) Compensation in company preparing the accounts | | | 183.700 | | 183.700 | | | | | 183.700 | - | - | |
| | (II) Compensation from subsidiaries/associates at 30/06/2016 (2) | | | 20.000 | | 20.000 | 10.000 | | | | 30.000 | - | - | |
| | (III) Total | | | 203.700 | | 203.700 | 10.000 | | | | 213.700 | - | - | |



MEDIOBANCA

| (A) Name and surname | (B) Post | (C) Period for which post has been held | | Term of office expires | (1) Fixed compensation | | | (2) Fees payable for participation in committees | (3) Variable compensation (non-equity) | | (4) Non-cash benefits | (5) Other forms of compensation | (6) Total | (7) Fair value of equity compensation | (8) Indemnity payable on leaving office/severance (1) |
|---|---|--|------------|------------------------|---------------------------|--------------|----------------|---|---|----------------------|--------------------------|------------------------------------|----------------|--|--|
| | | | | | Emolu-ments | Fixed salary | Total | | Bonus and other incentives | Interest in earnings | | | | | |
| | | | | | | | | | | | | | | | |
| Angelo Casò | Director | 01/07/2015 | 30/06/2016 | 30/06/2017 | 100.000 | | 100.000 | | | | | | 100.000 | | |
| | Member of Executive Committee | 01/07/2015 | 30/06/2016 | 30/06/2017 | 90.000 | | 90.000 | | | | | | 90.000 | | |
| | (I) Compensation in company preparing the accounts | | | | | | | | | | | | | | |
| | (II) Compensation from subsidiaries/associates at 30/06/2016 | | | | | | | | | | | | | | |
| (III) Total | | | | | 190.000 | - | 190.000 | - | - | - | - | - | 190.000 | - | - |
| Maurizio Costa | Director | 01/07/2015 | 30/06/2016 | 30/06/2017 | 100.000 | | 100.000 | | | | | | 100.000 | | |
| | Member of Remunerations committee | 01/07/2015 | 30/06/2016 | 30/06/2017 | 30.000 | | 30.000 | | | | | | 30.000 | | |
| | Member of Appointments committee | 01/07/2015 | 30/06/2016 | 30/06/2017 | 20.000 | | 20.000 | | | | | | 20.000 | | |
| | (I) Compensation in company preparing the accounts | | | | | | | | | | | | | | |
| (II) Compensation from subsidiaries/associates at 30/06/2016 | | | | | | | | | | | | | | | |
| (III) Total | | | | | 150.000 | - | 150.000 | - | - | - | - | - | 150.000 | - | - |
| Alessandro Decio | Director | 01/07/2015 | 16/03/2016 | | 71.037 | | 71.037 | | | | | | 71.037 | | |
| | (I) Compensation in company preparing the accounts (3) | | | | | | | | | | | | | | |
| | (II) Compensation from subsidiaries/associates at 30/06/2016 | | | | | | | | | | | | | | |
| (III) Total | | | | | 71.037 | - | 71.037 | - | - | - | - | - | 71.037 | - | - |
| Massimiliano Fossati | Director | 16/03/2016 | 30/06/2016 | 30/06/2016 | 29.041 | | 29.041 | | | | | | 29.041 | | |
| | (I) Compensation in company preparing the accounts (1) | | | | | | | | | | | | | | |
| | (II) Compensation from subsidiaries/associates at 30/06/2016 | | | | | | | | | | | | | | |
| (III) Total | | | | | 29.041 | - | 29.041 | - | - | - | - | - | 29.041 | - | - |
| Vanessa Labérenne | Director | 01/07/2015 | 30/06/2016 | 30/06/2017 | 100.000 | | 100.000 | | | | | | 100.000 | | |
| | Chairman of Remunerations committee | 01/07/2015 | 30/06/2016 | 30/06/2017 | 30.000 | | 30.000 | | | | | | 30.000 | | |
| | Member of Risks committee and Related parties committee | 01/07/2015 | 30/06/2016 | 30/06/2017 | 80.000 | | 80.000 | | | | | | 80.000 | | |
| | Member of Appointments committee | 01/07/2015 | 28/10/2015 | | 6.575 | | 6.575 | | | | | | 6.575 | | |
| (I) Compensation in company preparing the accounts | | | | | | | | | | | | | | | |
| (II) Compensation from subsidiaries/associates at 30/06/2016 | | | | | | | | | | | | | | | |
| (III) Total | | | | | 216.575 | - | 216.575 | - | - | - | - | - | 216.575 | - | - |
| Elisabetta Magistrelli | Director | 01/07/2015 | 30/06/2016 | 30/06/2017 | 100.000 | | 100.000 | | | | | | 100.000 | | |
| | Chairman of Risks committee and Related parties committee | 01/07/2015 | 30/06/2016 | 30/06/2017 | 80.000 | | 80.000 | | | | | | 80.000 | | |
| | Member of Appointments committee | 01/07/2015 | 30/06/2016 | 30/06/2017 | 20.000 | | 20.000 | | | | | | 20.000 | | |
| | Member of Remunerations committee | 01/07/2015 | 30/06/2016 | 30/06/2017 | 30.000 | | 30.000 | | | | | | 30.000 | | |
| (I) Compensation in company preparing the accounts | | | | | | | | | | | | | | | |
| (II) Compensation from subsidiaries/associates at 30/06/2016 | | | | | | | | | | | | | | | |
| (III) Total | | | | | 230.000 | - | 230.000 | - | - | - | - | - | 230.000 | - | - |



| (A) Name and surname | (B) Post | (C) Period for which post has been held | | Term of office expires | (1) Fixed compensation | | | (2) Fees payable for participation in committees | (3) Variable compensation (non-equity) | | (4) Non-cash benefits | (5) Other forms of compensation | (6) Total | (7) Fair value of equity compensation | (8) Indemnity payable on leaving office/severance (1) |
|--|--|--|------------|------------------------|---------------------------|--------------|-----------|---|---|----------------------|--------------------------|------------------------------------|--------------|--|--|
| | | | | | Emolu-ments | Fixed salary | Total | | Bonus and other incentives | Interest in earnings | | | | | |
| | | | | | | | | | | | | | | | |
| Alberto Pecci | Director | 01/07/2015 | 30/06/2016 | 30/06/2017 | 100.000 | | 100.000 | | | | | 100.000 | | | |
| | Member of Remunerations committee | 01/07/2015 | 30/06/2016 | 30/06/2017 | 30.000 | | 30.000 | | | | | 30.000 | | | |
| | (I) Compensation in company preparing the accounts | | | | 130.000 | | 130.000 | | | | | 130.000 | | | |
| | (II) Compensation from subsidiaries/associates at 30/06/2016 | | | | | | | | | | | | | | |
| | (III) Total | | | | 130.000 | | 130.000 | | | | | 130.000 | | | |
| Gian Luca Sichel | Director | 01/07/2015 | 30/06/2016 | 30/06/2017 | 100.000 | | 100.000 | | | | | 100.000 | 190.630 | | |
| | (I) Compensation in company preparing the accounts | | | | 100.000 | | 100.000 | | | | | 100.000 | | | |
| | (II) Compensation from subsidiaries/associates at 30/06/2016 | | | | | 568.681 | 568.681 | 263.215 | | 5.732 | | 837.628 | 190.630 | | |
| | (III) Total | | | | 100.000 | 568.681 | 668.681 | 263.215 | | 5.732 | | 937.628 | 190.630 | | |
| Alexandra Young | Director | 01/07/2015 | 30/06/2016 | 30/06/2017 | 100.000 | 340.000 | 440.000 | | 57.360 | | | 537.314 | 55.478 | | |
| | (I) Compensation in company preparing the accounts | | | | 100.000 | 340.000 | 440.000 | | 57.360 | | 39.954 | 537.314 | 55.478 | | |
| | (II) Compensation from subsidiaries/associates at 30/06/2016 | | | | | | | | | | | | | | |
| | (III) Total | | | | 100.000 | 340.000 | 440.000 | | 57.360 | | 39.954 | 537.314 | 55.478 | | |
| Management with strategic responsibilities | | | | | | 2.531.620 | 2.531.620 | 424.400 | | | | 233.061 | 1.526.741 | | |
| | (I) Compensation in company preparing the accounts | | | | | 2.531.620 | 2.531.620 | 424.400 | | | | 216.775 | 1.526.741 | | |
| | (II) Compensation from subsidiaries/associates at 30/06/2016 | | | | | | | | | | | | | | |
| | (III) Total | | | | | 2.531.620 | 2.531.620 | 424.400 | | | | 233.061 | 1.526.741 | | |
| Natale Freddi | Chairman of Statutory Audit Committee | 01/07/2015 | 30/06/2016 | 30/06/2017 | 140.000 | | 140.000 | | | | | 140.000 | | | |
| | (I) Compensation in company preparing the accounts | | | | 140.000 | | 140.000 | | | | | 140.000 | | | |
| | (II) Compensation from subsidiaries/associates at 30/06/2016 | | | | | | | | | | | | | | |
| | (III) Total | | | | 140.000 | | 140.000 | | | | | 140.000 | | | |
| Laura Guallieri | Member of Statutory Audit Committee | 01/07/2015 | 30/06/2016 | 30/06/2017 | 105.000 | | 105.000 | | | | | 105.000 | | | |
| | (I) Compensation in company preparing the accounts | | | | 105.000 | | 105.000 | | | | | 105.000 | | | |
| | (II) Compensation from subsidiaries/associates at 30/06/2016 | | | | | | | | | | | | | | |
| | (III) Total | | | | 105.000 | | 105.000 | | | | | 105.000 | | | |
| Gabriele Villa | Member of Statutory Audit Committee | 01/07/2015 | 30/06/2016 | 30/06/2017 | 105.000 | | 105.000 | | | | | 105.000 | | | |
| | (I) Compensation in company preparing the accounts | | | | 105.000 | | 105.000 | | | | | 105.000 | | | |
| | (II) Compensation from subsidiaries/associates at 30/06/2016 | | | | | | | | | | | | | | |
| | (III) Total | | | | 105.000 | | 105.000 | | | | | 105.000 | | | |

- 1) Fees are paid directly to the company of origin.
- 2) Fees due in respect of position held in Banca Esperia.
- 3) Of which € 50,819 paid directly to the company of origin.

As shown in the Report on remuneration, the definition of "management with strategic responsibilities other than directors", as at 30 June 2016 involved five staff members: the three heads of the control units, the head of company financial reporting and the co-head of the Corporate and Investment Banking division.



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

| A | B | (1) | Options held at start of financial year | | | Options awarded during the year | | | | | | Options exercised during the year | | | Options expired during the year | Options held at year-end | Options attributable to the year |
|--|------|----------|---|--------------|-------------------------------------|---------------------------------|--------------|------------------------------------|--------------------------|------------|---|-----------------------------------|--------------|--|---------------------------------|--------------------------|----------------------------------|
| | | | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) | (15) = (2)+(5)-(11)-(14) | (16) |
| Name and surname | Post | Scheme | No. of options | Strike price | Possible exercise period (from-to) | No. of options | Strike price | Possible exercise period (from-to) | Fair value at award date | Award date | Market price of shares underlying award | No. of options | Strike price | Market price of underlying shares at exercise date | No. of options | No. of options | Fair value |
| Renato Pagliaro Chairman | | 28/10/04 | 275.000 | €10,31 | From 1 July 2011 to 30 June 2016 | | | | | | | | | | 275.000 | | |
| | | 27/10/07 | 350.000 | €6,54 | From 2 August 2013 to 1 August 2018 | | | | | | | | | | | | 350.000 |
| Alberto Nagel CEO | | 28/10/04 | 275.000 | €10,31 | From 1 July 2011 to 30 June 2016 | | | | | | | | | | 275.000 | | |
| | | 27/10/07 | 350.000 | €6,54 | From 2 August 2013 to 1 August 2018 | | | | | | | | | | | | 350.000 |
| Francesco Saverio Vinci GM | | 28/10/04 | 275.000 | €10,31 | From 1 July 2011 to 30 June 2016 | | | | | | | | | | 275.000 | | |
| | | 27/10/07 | 250.000 | €6,54 | From 2 August 2013 to 1 August 2018 | | | | | | | | | | | | 250.000 |
| Gianluca Sichel Director | | 28/10/04 | 100.000 | €10,31 | From 1 July 2011 to 30 June 2016 | | | | | | | | | | 100.000 | | |
| Managerial staff with strategic responsibilities | | 28/10/04 | 160.000 | €10,31 | From 1 July 2011 to 30 June 2016 | | | | | | | | | | 160.000 | | |
| | | 27/10/07 | 80.000 | €6,54 | From 2 August 2013 to 1 August 2018 | | | | | | | | | | | | 80.000 |
| (III) Total | | | 2.115.000 | | | | | | | | | | | 1.085.000 | 1.030.000 | | |



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

| A | B | (1) | Financial instruments awarded in previous years which have not vested during the course of the year | | Financial instruments awarded during the year | | | | | Financial instruments vested during the year and not allocated | Financial instruments vested during the year and not allocated | (11) | Financial instruments attributable to the year |
|--|------|-----------|---|--------------------------|---|--------------------------|--------------------------|------------|-----------------------|--|--|--------------------|--|
| | | | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | | (12) |
| Name and surname | Post | Scheme | No. and type of instrument | Vesting period | No. and type of financial instrument | Fair value at award date | Vesting period | Award date | Market price at award | No. and type | No. and type | Value upon vesting | Fair value |
| Alberto Nagel CEO | | 28-ott-10 | 122.605 Performance shares | Nov. 2017 – Nov. 2019 | | | | | | | | | 262.442 |
| | | 28-ott-15 | | | 183.956 Performance shares | 922.642 | Nov. 2018 – Nov. 2021 | 27-set-16 | €5,960 | | | | 243.452 |
| Francesco Saverio Vinci GM | | 28-ott-10 | 101.898 Performance shares | Nov. 2017 – Nov. 2019 | | | | | | | | | 226.410 |
| | | 28-ott-15 | | | 91.627 Performance shares | 459.561 | Nov. 2018 – Nov. 2021 | 27-set-16 | €5,960 | | | | 121.261 |
| Gian Luca Sichel Director | | 28-ott-10 | 29.494 Performance Shares | Nov. 2016 – Nov. 2018 | | | | | | | | | 50.299 |
| | | 28-ott-10 | 29.970 Performance shares | Nov. 2017 – Nov. 2019 | | | | | | | | | 66.592 |
| | | 28-ott-15 | | | 55.719 Performance shares | 279.462 | Nov. 2018 – Nov. 2021 | 27-set-16 | €5,960 | | | | 73.739 |
| Alexandra Young Director | | 28-ott-10 | 11.089 Performance shares | Nov. 2017 – Nov. 2019 | | | | | | | | | 26.034 |
| | | 28-ott-15 | | | 21.181 Performance shares | 106.887 | Nov. 2018 – Nov. 2021 | 27-set-16 | €5,960 | | | | 29.444 |
| Managerial staff with strategic responsibilities | | 28-ott-10 | 390.840 Performance Shares | Nov. 2016 – Nov. 2018 | | | | | | | 243.273 | 2.197.972 | 1.131.949 |
| | | 28-ott-10 | 100.809 Performance shares | Nov. 2017 – Nov. 2019 | | | | | | | | | 229.617 |
| | | 28-ott-15 | | | 122.462 Performance shares | 615.652 | Nov. 2018 – Nov. 2021 | 27-set-16 | €5,960 | | | | 165.175 |
| Total | | | | | 474.945 | 2.384.204 | | | | | 243.273 | 2.197.972 | 2.626.414 |

Included awards made on 27 September 2016 for FY ending 30 June 2016.



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

| A | B | (1) | (2) | | | (3) | | | (4) |
|---|--------------|---------|--------------------|-------------------|-----------------|-------------------------|------------------|----------------|---------------|
| Name and surname | Post | Scheme | Bonus for the year | | | Previous years' bonuses | | | Other bonuses |
| | | | (A) | (B) | (C) | (A) | (B) | (C) | |
| | | | Payable/paid | Deferred | Deferral period | No longer payable | Payable/paid | Still deferred | |
| Alberto Nagel CEO | FY 2015/2016 | 420.000 | 630.000 | Nov.2017-Nov.2021 | | | | | |
| | FY 2014/2015 | | | | | | 675.000 | | |
| Francesco Saverio Vinci GM | FY 2015/2016 | 209.200 | 313.800 | Nov.2017-Nov.2021 | | | | | |
| | FY 2014/2015 | | | | | | 561.000 | | |
| Gianluca Sichel Director | FY 2015/2016 | 127.215 | 190.822,5 | Nov.2017-Nov.2021 | | | | | |
| | FY 2014/2015 | | | | | | 165.000 | | |
| | FY 2013/2014 | | | | | 80.000 | 40.000 | | |
| | FY 2012/2013 | | | | | 30.000 | 30.000 | | |
| | FY 2011/2012 | | | | | 26.000 | | | |
| Alexandra Young Director | FY 2015/2016 | 57.360 | 63.540 | Nov.2017-Nov.2021 | | | | | |
| | FY 2014/2015 | | | | | | 49.850 | | |
| Management with strategic responsibilities | FY 2015/2016 | 424.400 | 399.600 | Nov.2017-Nov.2021 | | | | | |
| | FY 2014/2015 | | | | | | 545.000 | | |
| Total compensation in company preparing the accounts | | | 1.238.175 | 1.597.763 | | 136.000 | 2.065.850 | | |



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

| Name and surname | Post | Investee company | No. of shares held at end of previous year | No. of shares acquired | No. of shares sold | No. of shares owned at end of present year |
|-------------------------|----------|------------------|--|------------------------|--------------------|--|
| PAGLIARO RENATO | Chairman | MEDIOBANCA | 2.730.000 | == | 130.000 | 2.600.000 |
| NAGEL ALBERTO | CEO | MEDIOBANCA | 2.626.050 | == | == | 2.626.050 |
| VINCI FRANCESCO SAVERIO | GM | MEDIOBANCA | 945.000 | == | == | 945.000 |
| MAURIZIO CARFAGNA | Director | MEDIOBANCA | 28.000 * | 5.000 | == | 33.000 ** |
| PECCI ALBERTO | Director | MEDIOBANCA | 4.757.500 *** | == | 50.000 | 4.707.500 *** |
| GIAN LUCA SICHEL | Director | MEDIOBANCA | 7.600 | == | == | 7.600 |

NB - for directors appointed or whose positions ended in the course of the year, the initial/final holding refer to the dates of appointment or resignation/disposal accordingly.

* of which n. 8.000 shares owned through subsidiaries.

** of which n. 13.000 shares owned through subsidiaries.

*** Investment owned through subsidiaries.

Investments held by other managerial staff with strategic responsibilities

| No. of managerial staff with strategic responsibilities | Investee company | No. of shares owned at end of previous year | No. of shares acquired | No. of shares sold | No. of shares owned at end of present year |
|---|------------------|---|------------------------|--------------------|--|
| 5* | MEDIOBANCA | 97.125 | 243.273 ** | 243.273 ** | 97.125 |

N.B. Values at start and end of period vary according to changes in composition of aggregate of managerial staff with strategic responsibilities.

* Managerial staff with strategic responsibilities as at 30.6.2016.

** Shares awarded in execution of performance share scheme.



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

| Mediobanca area of activity | Fixed Salary | Variable | % variable maximum | % variable on fixed salary | Cash Upfront | Equity Upfront | Deferred Cash | Deferred equity |
|--|------------------|-----------------|--------------------|----------------------------|-----------------|----------------|-----------------|-----------------|
| 1) Management body Supervisory function - Mediobanca | 3.993,8 | - | - | - | - | - | - | - |
| 2) Management body Management function - Mediobanca | 4.640 | 4.024 | 200% | 87% | 813,8 | 813,8 | 1.198,2 | 1.198,2 |
| 3) Staff and support | 89.687,6 | 13.714,1 | 200% | 15% | 13.382,4 | 96 | 171,70 | 64 |
| 4) Control functions | 13.203,6 | 2.360,4 | 33% | 18% | 2.291,8 | 29,4 | 19,6 | 19,6 |
| 7) Investment Banking - business | 58.069,8 | 46.317 | 200% | 80% | 26.866,1 | 4.696,6 | 9.316,9 | 5.437,4 |
| 8) Retail e Consumer - business | 53.083 | 2.909,3 | 200% | 5% | 2.379,55 | 151,5 | 277,3 | 101 |
| 9) Private Banking / Asset Management - business | 13.795 | 4.656 | 200% | 34% | 4.416,3 | 60 | 90 | 90 |
| | 236.472,8 | 73.981,1 | - | 31,3% | 50.149,9 | 5.847,3 | 11.073,7 | 6.910,2 |

EBA classification

Gross amounts in €'000.

Includes Group companies which ended FY on 31 December 2015.

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

| Mediobanca Group | # | Fixed Salary | Variable | % variable maximum | % variable on fixed salary | Cash Upfront | Equity Upfront | Deferred Cash | Deferred equity |
|---|-----------|-----------------|-----------------|--------------------|----------------------------|----------------|----------------|----------------|-----------------|
| 1) Non-executive directors (non-executive members of BoD, including Chairman) | 1 | 1.800 | - | - | - | - | - | - | - |
| CEO | 1 | 1.800 | 2.100 | 200% | 117% | 420 | 420 | 630 | 630 |
| 2) GM | 1 | 1.500 | 1.046 | 200% | 70% | 209,2 | 209,2 | 313,8 | 313,8 |
| Other Directors with executive duties (management who are members of Ex | 2 | 940 | 877,9 | 200% | 93% | 184,6 | 184,6 | 254,4 | 254,4 |
| 3) Senior management and heads of relevant BUs (principle business lines, geo | 13 | 9.406,5 | 7.980 | 200% | 85% | 1.596 | 1.596 | 2.394 | 2.394 |
| 4) Heads and senior staff of Internal control units (Compliance, Risk Managem | 9 | 1.395 | 427,5 | 33% | 31% | 359 | 29,4 | 19,6 | 19,6 |
| 5) Staff with managerial responsibilities in relevant business units | 21 | 6.042 | 6.745 | 200% | 112% | 1.608 | 1.608 | 1.764,5 | 1.764,5 |
| 6) Heads and senior staff in Staff and support units (Head of company financial | 7 | 1.757,9 | 587,8 | 200% | 33% | 364 | 96 | 64 | 64 |
| 7) Quantitative criteria | 20 | 5.763,4 | 5.920 | 200% | 103% | 1.618,5 | 1.618,5 | 1.341,5 | 1.341,5 |
| | 75 | 30.404,8 | 25.684,1 | - | 84% | 6.358,9 | 5.761,7 | 6.781,8 | 6.781,8 |

Gross amounts in €'000.

For Group Directors does not include emoluments payable in respect of their office.

Includes relevant staff (one person) employed at Group company which financial year ended 31 December 15.



| Mediobanca Group | # | Deferred from previous years and paid during the year in cash ¹ | # | Deferred from previous years and paid during the year in number of MB shares ² | # | Deferred from previous years due for cash payment during the year being cancelled |
|---|-----------|--|-----------|---|---|---|
| 1) Non-executive directors (non-executive members of BoD, including Chairman) | - | - | - | - | - | - |
| 2) Directors with executive duties (management who are members of Executive Committee) | 1 | 136 | - | - | - | - |
| 3) Senior management and heads of relevant BUs (principle business lines, geographical areas and other senior business figures) | 8 | 1.572 | 6 | 712.854 | - | - |
| 4) Heads and senior staff of Internal control units (Compliance, Risk Management, Group Audit) | - | - | - | - | - | - |
| 5) Staff with managerial responsibilities in relevant business units | 20 | 2.105 | 9 | 467.858 | - | - |
| 6) Heads and senior staff in Staff and support units (Head of company financial reporting, HR, Operations and IT, Legal) | - | - | - | - | - | - |
| 7) Quantitative criteria | 16 | 1.710 | 5 | 397.635 | - | - |
| | 45 | 5.523 | 20 | 1.578.347 | - | - |

¹ Gross amounts in €'000.

² Number of Mediobanca shares.

| Group | # | Treatment at start of relationship | # | Treatment at end of relationship ¹ |
|---|----------|------------------------------------|----------|---|
| 1) Non-executive directors (non-executive members of BoD, including Chairman) | - | - | - | - |
| 2) Directors with executive duties (management who are members of Executive Committee) | - | - | - | - |
| 3) Senior management and heads of relevant BUs (principle business lines, geographical areas and other senior business figures) | - | - | 1 | 4.000* |
| 4) Heads and senior staff of Internal control units (Compliance, Risk Management, Group Audit) | - | - | 1 | 310 |
| 5) Staff with managerial responsibilities in relevant business units | 1 | 1.321 | 3 | 1.083 |
| 6) Heads and senior staff in Staff and support units (Head of company financial reporting, HR, Operations and IT, Legal) | - | - | - | - |
| 7) Quantitative criteria | - | - | 3 | 1.059** |
| | 1 | 1.321 | 8 | 6.452 |

Gross amounts in €'000.

¹ With reference to the identified staff identified as of 30 June 2015.

* Of which € 2,297 by way of incentive, deferred as to 60% over the three-year cash/equity horizon.

** Of which € 298 by way of incentive, deferred as to 40% over the three-year cash horizon.



MEDIOBANCA

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



MEDIOBANCA

Declaration by Head of Company Financial Reporting

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

Head of
Company Financial
Reporting

Massimo Bertolini