MEDIOBANCA
Banca di Credito Finanziario S.p.A.

Basel II pillar 3
Disclosure to the public

Situation as at 30 June 2010

MEDIOBANCA
Banca di Credito Finanziario S.p.A.

Contents

Introduction

With the issue of Circular no.263 on 27 December 2006 ("New prudential supervisory provisions for banks", or "Circular 263"), the Bank of Italy revised its regulations for supervision of banks, transposing the amendments introduced by the Basel Committee under the "New Basel Capital Accord, Basel II" and EU directives 2006/48/CE and 2006/49/CE.

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

- "Pillar 1" introduces a capital requirement to manage typical risks of banking and financial activity, which involves the use of alternative methodologies to calculate capital requirements;

- "Pillar 2" requires banks to equip themselves with a strategy and process for controlling current and future capital adequacy;

- "Pillar 3" introduces obligations of disclosure to the public aimed at allowing market operators to make a more accurate assessment of banks' capital solidity and exposure to risks.

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

The document, which is structured into sections (the "Sections") in accordance with the provisions of Circular 263, provides 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; the figures shown are in thousands of Euros.

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

Section I – General disclosure requirement

Qualitative information

Introduction

The Group has equipped itself with a system for managing and controlling risks which is structured around the various organizational areas involved, to ensure the best possible coverage of significant risks to which the Group is or might be exposed, and at the same time to guarantee each unit's operations are consistent with their own propensity to risk as laid down in the Internal Capital Adequacy Assessment Process or ICAAP (Circular 263 - Section III). In particular, in the course of the ICAAP the governing bodies assess the Group's exposure to the various significant risks, both present and future, taking into account both strategies and developments in the reference scenario.

Group risk control and management system

Risk management involves the governing and supervisory bodies and the various operating units of Mediobanca and the other Group companies, each with different roles and responsibilities.

In view of its role in terms of strategic supervision, the Board of Directors is responsible for approval of strategic guidelines and directions, business and financial plans, budgets, and risk management and internal control policies. The Board of Directors reviews the Bank's organizational, administrative and accounting structure annually, with particular reference to the internal control system and management of conflicts of interest.

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 those duties which are the responsibility of the Board of Directors.

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

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

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

The Statutory Audit Committee monitors the risk management and control system and the internal control system, assessing the effectiveness of all units and departments involved and their co-ordination, and also monitors the ICAAP process.

The Head of Company Financial Reporting is responsible for putting in place adequate administrative and accounting procedures for the preparation of the individual and consolidated accounts, plus all other reporting which is financial in nature. The appointed bodies and the Head of Company Financial Reporting issue the statements on the company's capital, earnings and finances required by law.

The other main units of the Bank involved in risk management and control are:

- Risk management;
- Legal & compliance;
- Internal audit.

The Risk management unit presides over the Bank's risk management system, defining the appropriate methodologies to be used to measure the whole set of risks, current and future, in compliance with regulations in force and the Bank's own operating decisions, monitoring risks and checking that the limits established for the various business lines are complied with. In conjunction with the Accounting and financial reporting unit, it is also responsible for measuring the amount of internal capital to cover significant, quantifiable risks. It generates the flow of information to the governing bodies of the Bank based on the internal risk quantification models, in order for the various books' exposure to risk to be monitored.

The Risk management unit itself heads up two different units:

- the Market Risk unit, which is responsible for the system of monitoring market risks by developing and maintaining the appropriate models for measuring value-at-risk ("VaR"). The measurements recorded by the unit go to make up a regular control and analysis report of the sensitivity of the various exposures to different risk factors. The Market Risk unit is also responsible for monitoring liquidity risks and interest rate risk;
- the Credit Risk unit, which is responsible for monitoring credit risk and activities relating to the development of the "Basel II Project" (see section below on "Credit Risk"). This unit heads up activities involving the validation and monitoring of the internal models used to estimate the regulatory risk parameters used in the Bank's lending procedures; it also heads up activities in connection with ICAAP reporting, co-ordinating the activities of the different internal units involved in the process;
- the Corporate and FIG credit analysis team, which is responsible for appraising the credit standing of customers, counterparties and the issuers of the Bank's investment securities by assigning them internal credit ratings.

The Legal and Compliance unit is responsible for checking and managing compliance risk, reputational risk and legal risk, in accordance with the relevant regulations; it is tasked with the following duties in particular:

- checking and managing the compliance of the Bank and Group's activities with legal and regulatory provisions in force, with particular reference to regulations on banking and the provision of investment services and on market abuse, handling operating relations with the relevant authorities;
- implementing the measures and instruments required for the risks linked to management of conflicts of interest to be handled;

- operating responsibilities, proposing organizational and procedural changes to ensure that the risk of non-compliance is adequately managed, and preparing information flows for the governing bodies and the units involved;

- providing assistance to the various units of the Bank and the Group companies on operating issues, including through explicatory circulars or reports on significant legal or regulatory issues, ensuring a constant and up-to-date flow of information on developments in the domestic and international regulatory framework;

- reporting duties, preparing regular reports for the governing bodies on the activities carried out and on all cases of failure to comply with regulations, and highlighting new compliance risk and possible corrective action.

The Internal audit unit performs independent and ongoing control of the Bank's day-to-day operations, and assesses the functioning of the Group's internal control system as a whole, drawing on the activities of the Internal audit units of the other Group companies as well in this connection.

The Internal audit unit checks and controls (without limitation:

- that the resolutions approved by the Board of Directors with respect to operating authorizations and limits are complied with;

- that the IT systems used are reliable, including the electronic data processing and accounting systems employed and the business continuity plan;

- the core businesses (proprietary funding, lending, etc.) of the Bank itself and the Group companies;

- the effective application of operating and internal control procedures;

- the presence and effectiveness of first-level controls in the various operating units and the second-level controls carried out by the Risk management and Legal & compliance units.

- the elimination of any irregularities detected in operations and in the functioning of controls.

The Internal audit unit regularly informs the governing bodies and senior management of the activities it has carried out and prepares the reports required under regulations in force.

Strategies and procedures for managing significant risks

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

In particular, the types of risk requiring monitoring and management are credit risk, counterparty risk, market risks, operating risk, concentration risk, interest rate risk on the banking book, liquidity risk, residual risk, strategic risk, compliance risk, reputational risk, and risks deriving from securitizations.

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

Credit risk

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

As part of the "Basel II New Capital Accord II" enacted under Bank of Italy Circular no. 263, the Group has set itself the objective of measuring credit risk using internal ratings. A specific project, "Basel II Project", has therefore been launched with a view to obtaining ratification by the Bank of Italy of the internal rating models to be used in calculating the capital requirements for credit risk. The internal rating models regard the following customer segments: Banks, Insurances, Large corporate, Specialized lending (customers mostly targeted by Mediobanca S.p.A.), Mid corporate and Small businesses (customers targeted mostly by the leasing companies) and Private individuals (targeted by Compass for consumer credit and CheBanca! for mortgage lending). In addition, a plan is being implemented to comply with the experience requirement for the models to be ratified, which will involve the existing procedures for approving, monitoring and renewing loans being gradually revised with the use of the internal models that have been developed.

Given the above, considering the uncertainty over possible changes to the regulatory framework for the banking industry at the international level, the timeframe for submitting the application for the IRB system to be validated to the Bank of Italy is currently being reviewed; and until the system has been validated, the Mediobanca Group will continue to use the standardized methodology it has adopted since 1 January 2008.

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

Mediobanca

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

Leasing (SelmaBipiemme Leasing, Palladio Leasing and Teleleasing)

Individual applications are processed using similar methods to those described above for corporate banking. Applications for leases below a predetermined limit received via banks with which Mediobanca has agreements in place are approved by the banks themselves, against written guarantees from them covering a portion of the risk. At SelmaBipiemme and Teleleasing, applications for assets worth less than €75,000 are approved using a credit scoring system developed on the basis of historical series of data, tailored to both asset type and the individual applicant's sector of operation.

Sub-standard accounts are managed in a variety of ways which prioritize either recovery of the amount owed or the asset under lease, according to the specific risk profile of the account concerned. All non-performing or potential problem accounts are tested analytically to establish the relative estimated loss against the value of the security provided and/or any other form of real or personal guarantees issued. Other doubtful accounts are measured individually on the basis of statistics.

Consumer credit (Compass)

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

From the first instance of non-payment, accounts are managed using the entire range of recovery procedures, including postal and telephone reminders, external recovery agents, etc. After five overdue instalments accounts are held to be officially in default, and the customer is deemed to have lapsed from the time benefit allowed under Article 1186 of the Italian Civil Code. Between the ninth and the twelfth overdue instalments, such accounts are sold to Cofactor or to other factoring companies for a percentage of the value of the principal outstanding, which reflects their estimated realizable value.

Mortgage lending (CheBanca!)

Mortgage applications are processed and approved centrally at head office. Approval depends partly on the outcome of a credit scoring system, which is largely determined through individual appraisal of the applicant's income and maximum borrowing levels, as well as the value of the property itself. Risks are monitored on a monthly basis, ensuring the company's loan book is regularly appraised in view of a wide range of indicators, such as amount, sales channel, loan-to-value, etc.

A project was launched during the year to implement early warning systems (with links to public and private databases), to allow irregular customer behaviour to be picked up as soon as possible.

Irregular accounts are managed through monthly reports analysing the commercial, personal and financial aspects of the accounts in order to flag up promptly any potential problem areas. Procedurally mortgage loans with four or more unpaid instalments are designated as sub-standard accounts, and after the eighth or ninth unpaid instalment become non-performing and are handed over to the company's lawyers accordingly. Credit recovery is largely managed through property enforcement procedures.

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The Group uses credit risk mitigation techniques, in accordance with the provisions of Circular 263 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 amendments 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.

Counterparty risk

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

In accordance with regulatory provisions, counterparty risk is calculated for the following categories of transaction, irrespective of the book on which the positions are held:

- financial and credit derivatives traded OTC;

- repos and reverse repos involving securities and commodities, trading or acquisition of securities and commodities, and securities financing transactions (SFT);

- trades with medium-/long-term settlement.

Counterparty risk is monitored via a system which limits exposures based on rating and on the counterparty's/issuer's sector of operation.

Market risk

Market risks are generated as a result of operating on markets using the financial instruments held as part of the regulatory trading book, foreign exchange currencies and commodities.

Mediobanca uses a risk management system that monitors market risks in general and interest rate risk on the trading book in particular, on a daily basis via two main instruments: measuring sensitivity to movements in the interest rate curve; and calculating value at risk (VaR). VaR is measured for the Bank's entire asset structure, i.e. banking as well as trading book, in order to reflect the fact that all risks, including those relating to lending and funding activities, are managed centrally at the Bank's Financial Markets division. Calculation of interest rate risk on the trading book also takes into account the effects of movements in market curves and of changes to the credit rating of individual names.

The authorization structure governing Mediobanca's operations is based on value at risk readings for the various organizational units. VaR is calculated based on expected volatility and the correlation between risk factors concerned, assuming a disposal period of a single trading day and based on a 99% confidence level. VaR is calculated using the Monte Carlo and historical simulation methods, as well as the parametric method[1]. Historical simulation is also used to calculate the expected shortfall, which measures average loss in 1% of the most unfavourable scenarios. The main risk factors on which the analysis is based are exchange rates, share prices and interest rates, with the general market component being separated from issuer-specific credit risk. Inflation and volatility trends are also factored into calculations of VaR.

In addition to these indicators, stress tests are also carried out weekly on the main risk factors, to show the impact which historical crisis scenarios being repeated and significant movements in the main market data could have on the Bank's risk positions.

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

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

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

Operating risk

Operating risk is the risk of incurring losses as a result of external events or the inadequacy or malfunctioning of procedures, staff and internal systems, or due to external events. This category includes, among other things, losses deriving from fraud, human error, interruptions to operations, system unavailability, breaches of contract, and natural catastrophes. Operating risk includes legal risk.

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[1] *Determines portfolio value based on random and historical variations in risk factors respectively.*

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

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

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

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

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

Interest rate risk on the banking book

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

At Mediobanca, interest rate risk is also focused on the Financial Markets division, and is monitored via sensitivity analysis carried out on the banking book and the entire portfolio to changes in interest rates, using internal ALM models. This model in particular allows the impact of movements in interest rate curves on net interest income and the market value of the positions to be estimated.

Mediobanca also uses hedging to manage interest rate risk:

- fair value hedges - fair value hedges are used to neutralize exposure to interest rate risk on the banking book or credit risk on particular asset or liability positions, via derivative contracts entered into with leading market counterparties. All structured bond issues are fair-value hedged as to the interest rate component, while index-linked issues are accounted for as part of the trading book. Fair value hedges are also used in corporate finance for certain bilateral, fixed-rate transactions, and to mitigate price risk on equity investments forming part of the AFS portfolio;

- cash flow hedges - these are used chiefly as part of the Compass group's operations. The numerous, generally fixed-rate and relatively small-sized transactions are hedged by floating-rate deposits for large amounts. The hedge is made in order to transform floating-rate deposits into fixed rate positions by correlating the relevant cash flows. Mediobanca S.p.A. also hedges future deal flows (AFS equities sales which are hedged through forward contracts).

Further information on interest rate risk for the banking book is provided in Section 14.

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").

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

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

These are used to generate a time profile for future cash requirements, which is produced daily for measurements based on definite cash flows (i.e. not including estimated renewals/early redemptions), and is supplemented weekly with readings incorporating the estimate component. This analysis is then used as the basis for comparison with the amount of counterbalance capacity both defined narrowly (as the aggregate of securities that may be allocated for refinancing transactions with the monetary authorities), and including more illiquid assets (undeliverable bonds, deliverable shares, deliverable receivables), to which major haircuts are applied.

In addition to the prudential approach adopted in estimating future cash flows (e.g. not assuming automatic renewal by on maturities for interbank funds), weekly stress tests are also carried out assuming extraordinary drawdowns on committed lines granted to customers and major reductions to all forms of new funding.

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

Other risks considered in preparing ICAAP reporting

In addition to the risks described above, the Group has expanded the scope of the type of risks to be managed and mitigated to include other Pillar 2 risks as well :

- concentration risk – derives from a concentration of exposures to linked 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). Mediobanca manages this form of risk by ensuring that the Bank of Italy's regulations on "large risks" are complied with and by regular monitoring of the loan book's degree of concentration;
- residual risk - the risk that the recognized techniques used by the Bank to mitigate credit risk should prove to be less effective than anticipated. Mediobanca regularly reviews the process for managing guarantees recognized as being valid for purposes of risk mitigation, identifying possible areas of improvement in operating practices so as to make the management and valuation of guarantees more effective. Specific controls are also carried out to check that operations are compliant and in line with general and specific supervisory requirements;
- strategic risk - the Group has chose to divide strategic risk into two distinct macro-categories:
    - business risk - risk of current and future changes in profits/margins compared to estimated data, due to volatility in volumes or changes in customer behaviour;
    - "pure" strategic risk- current and future risk of reductions in profits or capital deriving from business discontinuities as a result of adopting new strategic choices, wrong management decisions or inadequate execution of decisions taken.

  To monitor and manage strategic risk, the Group has implemented a regular review activity of the state of progress made in achieving its strategic objectives as defined in the business plan and the earnings and financial targets set in the budget, with a view to providing indications as to corrective action to be taken if appropriate;

- compliance risk - 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 (e.g. Articles of Association, codes of conduct, ethical codes etc.) – and reputational risk – 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. The impact of compliance risk may therefore be quantified as possible reputational or legal damages. As previously mentioned, the strategies for mitigating compliance risk and the organizational measures in terms of the unit responsible (the Legal & Compliance unit), policies and processes adopted by the Group constitute instruments for mitigating reputational and legal risk;

- risks deriving from securitizations – the risk that the economic substance of a securitization is not fully reflected in the valuation and risk management decisions taken. Further information on securitizations is provided in Section 10.

Section II – 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.

Subsidiaries are consolidated on the line-by-line basis, whereas investments in associates and jointly-controlled operations are consolidated and accounted for using the equity method. For regulatory purposes, the investments in Banca Esperia and Ducati Financial Services which are subject to joint control are consolidated pro-rata; those in Fidia and Athena are deducted from regulatory capital.

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.

Emmebi S.p.A. was deconsolidated during the twelve months ended 30 June 2010, following its liquidation, while Compass Re (Luxembourg) S.A., a reinsurance company which is not part of the Banking Group, was incorporated.

Quantitative information

Area of consolidation

	Name	Registered office	Type of relation ship[1]	Share holding		% Voting rights[2]
				Investee 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	Rome	1	A.1.1	100.00	100.00
3.	Prudentia Fiduciaria S.p.A	Milan	1	A.1.1	100.00	100.00
4.	Seteci - Società Consortile per l'Elaborazione, Trasmissione dati, *Engineering* e Consulenza Informatica S.c.p.A.	Milan	1	A.1.1	100.00	100.00
5.	Spafid S.p.A.	Milan	1	A.1.1	100.00	100.00
6.	Technostart S.p.A. – in liquidazione	Milan	1	A.1.1	69.00	69.00
7.	Compagnie Monegasque de Banque - CMB S.A.M.	Monte C arlo	1	A.1.1	100.00	100.00
8.	C.M.I. Compagnie Monegasque Immobiliere SCI	Monte Carlo	1	A.1.7	99.94	99.94
				A.1.8	0.06	0.06
9.	C.M.G. Compagnie Monegasque de Gestion S.A.M.	Monte Carlo	1	A.1.7	99.95	99.95
10.	Smef Societe Monegasque des Etudes Financiere S.A.M.	Monte Carlo	1	A.1.7	99.96	99.96
11.	CMB Asset Manangement S.A.M.	Monte Carlo	1	A.1.7	99.50	99.50
12.	Monoeci Societe Civile Immobiliere	Monte Carlo	1	A.1.7	99.00	99.00
				A.1.9	1.00	1.00
13.	Moulins 700 S.A.M.	Monte Carlo	1	A.1.8	99.90	99.90
14.	CMB Banque Privèe (Suisse) S.A.	Lugano	1	A.1.7	100.00	100.00
15.	Mediobanca International (Luxembourg) S.A.	Luxembourg	1	A.1.1	99.00	99.00
			1	A.1.16	1.00	1.00
16.	Compass S.p.A.	Milan	1	A.1.1	100.00	100.00
17.	Chebanca! S.p.A.	Milan	1	A.1.16	100.00	100.00
18.	Cofactor S.p.A.	Milan	1	A.1.16	100.00	100.00
19.	SelmaBipiemme Leasing S.p.A.	Milan	1	A.1.16	60.00	60.00
20.	Palladio Leasing S.p.A.	Vicenza	1	A.1.19	95.00	100.00
				A.1.20	5.00	
21.	Teleleasing S.p.A.	Milan	1	A.1.19	80.00	80.00
22.	Sade Finanziaria - Intersomer S.r.l.	Milan	1	A.1.1	100.00	100.00
23.	Ricerche e Studi S.p.A.	Milan	1	A.1.1	100.00	100.00
24.	Creditech S.p.A.	Milan	1	A.1.16	100.00	100.00
25.	Mediobanca Securities USA LLC	New York	1	A.1.1	100.00	100.00
26.	Consortium S.r.l.	Milan	1	A.1.1	100.00	100.00
27.	Quarzo S.r.l.	Milan	1	A.1.16	90.00	90.00
28.	Quarzo Lease S.r.l.	Milan	1	A.1.19	90.00	90.00
29.	Futuro S.p.A.	Milan	1	A.1.16	100.00	100.00
30.	Jump S.r.l.	Milan	4	A.1.16	—	—
31.	MB Covered Bond S.r.l.	Milan	1	A.1.17	90.00	90.00
32.	Compass Re (Luxembourg) S.A.	Luxembourg	1	A.1.16	100.00	100.00
	Equity-accounted companies					
33.	Banca Esperia S.p.A.	Milan	7	A.1.1	50.00	50.00
34.	Ducati Financial Services S.r.l.	Milan	7	A.1.16	50.00	50.00
35.	Fidia SGR S.p.A.	Milan	4	A.1.1	25.00	25.00
36.	Athena Private Equity S.A.	Milan	4	A.1.1	24.27	24.27
37.	Burgo Group S.p.A.	Altavilla Vicentina (VI)	4	A.1.1	22.13	22.13
38.	RCS Mediagroup S.p.A.	Milan	4	A.1.1	14.36	14.94
39.	Assicurazioni Generali S.p.A.	Trieste	4	A.1.1	12.24	12.24
			4	A.1.16	1.00	1.00
			4	A.1.5	0.10	0.10
40.	Gemina S.p.A.	Milan	4	A.1.1	12.53	12.56
41.	Telco S.p.A.	Milan	4	A.1.1	11.62	11.62
42.	Pirelli & C. S.p.A.	Milan	4	A.1.1	4.49	4.61

Legend

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

2 Effective and potential voting rights in ordinary AGMs.

Section III – Composition of regulatory capital

Qualitative information

Consolidated capital

Capital is the first and most important safeguard of a bank's stability. For this reason, the international and domestic supervisory bodies have established rigorous rules for calculating regulatory capital and the minimum capital requirements with which banks are bound to comply. In particular, the ratio between risk-weighted assets and regulatory capital must not fall below 8%. The Bank of Italy has established a prudential level of 10%, which falls to 6% if only Tier 1 capital is considered (the core Tier 1 ratio).

Since its inception one of the distinguishing features of 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. Such surplus capital is in part justified by the nature of Mediobanca's operations on corporate markets.

Regulatory capital has been calculated on the basis of Bank of Italy Circular 263 issued on 27 December 2006 (second update issued on 17 March 2008) and circular 155 (twelfth update issued on 5 February 2008), which transpose the prudential guidelines for banks and banking groups introduced by the New Basel Capital Accord (Basel II) into the Italian regulatory framework.

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

New supervisory regulations for banks are currently being defined in the form of the Basel III agreements, which will seek to strengthen the general quality of regulatory capital.

Tier 1 capital consists of the share attributable to the Group and to minority shareholders of capital paid up, reserves, and profit for the period net of treasury shares (€213.8m), intangible assets (€66m), goodwill (€466.7m), and 50% of the book value of the Bank's investments in banks and financial services companies (equal to €18.5m).

Tier 2 capital includes 50% of the positive reserves for AFS securities (€116m), the positive valuation reserves (€15.1m), Tier 2 subordinated liabilities (€965.1m), positive exchange rate differences (€26.7m) less unrealized losses on investments (€100.6m) and the remaining share of the book value of investments in banks and financial companies (€18.5m).

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Quantitative information

Section 3.1 Composition of regulatory capital

	Regulatory capital	30/6/10	30/6/09
A.	**Tier 1 capital prior to application of prudential filters**		
A.1	Positive elements in Tier 1 capital:		
A.1.1	• share capital	455,680	435,153
A.1.2	• share premium reserve	2,127,129	2,147,259
A.1.3	• reserves	3,848,632	3,788,814
A.1.4	• non-innovative equity instruments	–	–
A.1.5	• innovative equity instruments	–	–
A.1.6	• profit for the period	257,940	2,409
A.2	Negative elements:		
A.2.1	• own shares or stock units	(213,844)	(213,844)
A.2.2	• goodwill	(443,042)	(443,042)
A.2.3	• other intangible assets	(66,048)	(68,496)
A.2.4	• Loss for the period	–	(457)
A.2.5	• Other negative elements:		
	• Value adjustments to trading book for regulatory purposes	–	–
	• Other	–	–
B.	Tier 1 capital prudential filters		
B.1	IAS/IFRS positive prudential filters (+)	–	–
B.2	IAS/IFRS negative prudential filters (-)	(23,704)	(200,015)
C.	Tier 1 capital incl. elements to be deducted (A+B)	5,942,743	5,447,781
D.	Elements to be deducted from Tier 1 capital	18,538	16,336
E.	**Total Tier 1 capital (TIER 1) (C-D)**	**5,924,205**	**5,431,445**
F.	**Tier 2 capital prior to application of prudential filters**		
F.1	Positive elements in Tier 2 capital:		
F.1.1	• tangible assets valuation reserves	15,062	15,062
F.1.2	• AFS securities valuation reserves	193,845	–
F.1.3	• non-innovative equity instruments not included in Tier 1 capital	–	–
F.1.4	• innovative equity instruments not included in l Tier 1 capital	–	–
F.1.5	• hybrid equity instruments	–	–
F.1.6	• Tier 2 subordinate liabilities	965,096	951,464
F.1.7	• surplus of total value adjustments over estimated losses	–	–
F.1.8	• net gains on equity investments	–	–
F.1.9	• other positive elements	26,657	–
F.2	Negative elements:		
F.2.1	• net losses on equity investments	(100,560)	(149,710)
F.2.2	• loans and receivables	–	–
F.2.3	• other negative elements	–	–
G.	Prudential filters for Tier 2 capital		
G.1	IAS/IFRS positive prudential filters (+)	38,099	–
G.2	IAS/IFRS negative prudential filters (-)	(115,972)	–
H.	Tier 2 capital incl. elements to be deducted (F+G)	1,022,227	816,816
I.	Elements to be deducted from Tier 2 capital	(18,538)	(16,336)
L.	**Total Tier 2 capital (TIER 2) (H-I)**	**1,003,689**	**800,480**
M.	Elements to be deducted from total Tier 1 and Tier 2 capital	–	–
N.	**Regulatory capital (E+L-M)**	**6,927,894**	**6,231,925**
O.	TIER 3 capital	–	–
P	**Regulatory capital including TIER 3 (N+O)**	**6,927,894**	**6,231,925**

Section IV – 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 ICAAP, 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, 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 Bank of Italy, 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 Circular 263.

* * *

As at 30 June 2010, the Bank's total core ratio, calculated as regulatory capital as a percentage of risk-weighted assets, stood at 12.97% while the core Tier 1 ratio, calculated as Tier 1 capital as a percentage of risk-weighted assets, amounted to 11.09% up on the figures reported one year previously, that is, 11.82% and 10.30%, driven by an increase in regulatory capital, reflecting the trend in the valuation reserves of Mediobanca and the equity-accounted companies, with a slight increase in risk-weighted assets, up from €52.7bn to €53.4bn, chiefly due to growth in the trading book.

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Quantitative information

Section 4 - Capital adequacy

Categories/amounts		Unweighted amounts		Weighted amounts/requirements	
		30/6/10	30/6/09	30/6/10	30/6/09
A.	RISK ASSETS				
A.1	Credit and counterpart risk	72,387,799	90,661,074	43,773,283	44,462,612
	1. Standard methodology	72,048,600	90,267,695	43,620,095	44,281,221
	2. Internal rating methodology	–	–	–	–
	2.1 Basic	–	–	–	–
	2.2 Advanced	–	–	–	–
	3. Securitization	339,199	393,379	153,188	181,391
B.	REGULATORY CAPITAL REQUIREMENTS				
B.1	Credit and counterpart risk			3,501,863	3,557,009
B.2	Market risk			528,034	439,679
	1. Standard methodology			528,034	437,007
	2. Internal models			–	–
	3. Concentration risk			–	2,672
B.3	Operational risk			244,179	222,310
	1. Basic Indicator Approach (BIA)			244,179	222,310
	2. Standard methodology			–	–
	3. Advanced methodology			–	–
B.4	Other prudential requirements			–	–
B.5	Other calculation elements			–	–
B.6	Total prudential requirements			4,274,076	4,218,999
C.	RISK ASSETS AND REGULATORY RATIOS				
C.1	Risk-weighted assets			53,425,956	52,737,482
C.2	Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			11.09%	10.30%
C.3	Regulatory capital/risk-weighted assets (total capital ratio)			12.97%	11.82%

Section V – Credit risk: general information for all banks

Qualitative information

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

The classification of impaired exposures may be summarized as follows:

- non-performing – cash exposures to individuals or entities in a state of insolvency (even if not certified by law) or in substantially equivalent situations;
- sub-standard – exposures to individuals or entities in temporary situations of objective difficulty which may be expected to be obviated within a reasonable period of time;
- restructured – exposures for which changes are agreed to the original terms of the contract due to a deterioration in the earning and financial condition of the borrower (e.g. rescheduling of repayments, reduction of debt and/or interest) which give rise to a loss;
- overdue/overdrawn – debtor positions for an individual or entity (not classified as non-performing, sub-standard or restructured) in respect of which a condition of persistent non-payment has been recorded (overdue/overdrawn for more than 90 or 180 days consecutively).

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. The latter is defined as the rate of interest which renders the discounted value of future cash flows deriving from the loan or receivable by way of principal and interest equal to the initial recognition value of the loan or receivable.

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

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

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

Accounts for which there is 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.

Quantitative information

Section 5.1 Credit and counterparty risk

Credit risk and counterparty risk	Amounts as at 30/6/10				Amounts as at 30/6/09			
	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	3,437,874	3,437,874	4,268	341	4,192,691	4,192,691	892	71
A.1.2 Exposures to or guaranteed by regional entities	56,221	56,221	11,232	899	87,351	87,351	17,456	1,396
A.1.3 Exposures to or guaranteed by non-profit-making and public sector entities	703,416	441,764	409,599	32,768	1,626,406	692,815	617,574	49,406
A.1.4 Exposures to or guaranteed by multilateral development banks	62,340	62,340	–	–	57,627	57,627	–	–
A.1.5 Exposures to or guaranteed by international organizations	–	–	–	–	–	–	–	–
A.1.6 Exposures to or guaranteed by regulated intermediaries	30,683,678	13,646,969	4,148,136	331,851	36,390,457	21,193,101	1,190,452	95,236
A.1.7 Exposures to or guaranteed by companies	29,918,797	29,273,039	22,262,268	1,780,981	37,859,600	33,004,972	26,492,916	2,119,433
A.1.8 Retail exposures	17,512,919	13,007,901	7,336,147	586,892	11,615,027	11,653,244	7,115,910	569,273
A.1.9 Exposures guaranteed by properties	4,817,776	4,811,974	1,955,107	156,409	4,608,283	4,601,940	1,903,973	152,318
A.1.10 Overdue exposures	929,473	927,831	1,107,806	88,624	1,063,468	1,063,465	1,298,678	103,894
A.1.11 High-risk exposures	181,227	181,227	321,636	25,731	99,036	99,036	189,428	15,154
A.1.12 Exposures in the form of guaranteed bank obligations	–	–	–	–	–	–	–	–
A.1.13 Short-term exposures to companies	–	–	–	–	–	–	–	–
A.1.14 Exposures to collective investment and savings organizations (UCITS)	62,614	62,614	62,473	4,998	220,404	220,411	259,046	20,724
A.1.15 Other exposures	6,138,846	6,138,846	6,001,423	480,114	5,426,876	5,426,875	5,194,904	415,592

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

Type of exposure/book	Amounts as at 30/6/10				
	Cash exposures				Off-balance-sheet exposures
	Financial assets held for trading	AFS securities	Financial assets held to maturity	Due from banks	
	Gross exposure	Gross exposure	Gross exposure	Gross exposure	Gross exposure
A. Cash exposures					
a) Non-performing	–	–	–	127	–
b) Sub-standard	–	–	–	140	–
c) Restructured	–	–	–	–	–
d) Overdue	–	–	–	–	–
e) Country risk	–	–	–	–	–
f) Other assets	835,406	1,293,779	26,418	5,965,443	–
Total A	**835,406**	**1,293,779**	**26,418**	**5,965,710**	–
B. Off-balance-sheet exposures					
a) Impaired	–	–	–	–	–
b) Other	–	–	–	–	16,454,419
Total B	–	–	–	–	**16,454,419**
Total A+B	**835,406**	**1,293,779**	**26,418**	**5,965,710**	**16,454,419**

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

Type of exposure/counterparty area	Amounts as at 30/6/10					
	Cash exposures					Off-balance-sheet exposures
	Financial assets held for trading	AFS securities	AFS securities	Due from customers	Non-current assets and groups of assets being sold	
	Gross exposure	Gross exposure	Gross exposure	Gross exposure	Gross exposure	Gross exposure
A. Cash exposures						
a) Non-performing	–	–	–	627,476	42,901	–
b) Sub-standard	–	–	–	448,314	538	–
c) Restructured	–	–	–	61,464	–	–
d) Overdue	–	–	–	188,351	–	–
e) Other exposures	–	–	–	–	–	–
f) Other assets	257,691	731,569	5,594	19,800,226	29,569	–
Total A	**257,691**	**731,569**	**5,594**	**21,125,831**	**73,008**	**–**
B. Off-balance-sheet exposures	–	–	–	–	–	–
a) Impaired	–	–	–	–	–	8,342
b) Other	–	–	–	–	–	7,394,689
Total B	–	–	–	–	–	7,403,031
Total A+B	**257,691**	**731,569**	**5,594**	**21,125,831**	**73,008**	**7,403,031**

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

Type of exposure/counterparty area	Amounts as at 30/06/2010									
	Italy		Other European countries		U.S.		Asia		Rest of world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
a) Non-performing	–	–	127	127	–	–	–	–	–	–
b) Sub-standard	–	–	–	–	–	–	140	–	–	–
c) Restructured	–	–	–	–	–	–	–	–	–	–
d) Overdue	–	–	–	–	–	–	–	–	–	–
e) Other exposures	4,887,867	4,887,437	2,833,517	2,833,425	128,178	128,178	281,332	279,590	1	–
Total A	**4,887,867**	**4,887,437**	**2,833,644**	**2,833,552**	**128,178**	**128,178**	**281,472**	**279,590**	**1**	**–**
B. Off-balance-sheet exposures										
a) Non-performing	–	–	–	–	–	–	–	–	–	–
b) Sub-standard	–	–	–	–	–	–	–	–	–	–
c) Other impaired assets	–	–	–	–	–	–	–	–	–	–
d) Other exposures	2,566,647	2,566,647	13,779,882	13,779,882	105,187	105,187	2,704	2,704	–	–
Total B	**2,566,647**	**2,566,647**	**13,779,882**	**13,779,882**	**105,187**	**105,187**	**2,704**	**2,704**	**–**	**–**
Total A + B	**7,454,514**	**7,454,084**	**16,613,526**	**16,613,434**	**233,365**	**233,365**	**284,176**	**282,294**	**1**	**–**

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

Type of exposure/counterparty area	Amounts as at 30/6/10									
	Italy		Other European countries		U.S.		Asia		Rest of world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
a) Non-performing	662,039	181,831	26,393	6,857	–	–	–	–	–	–
b) Sub-standard	337,623	243,325	129,628	103,502	774	532	–	–	–	–
c) Restructured	145,590	128,817	37,700	37,580	–	–	–	–	–	–
d) Overdue	103,885	97,925	3,862	3,513	–	–	–	–	–	–
e) Other exposures	38,041,404	37,881,874	12,471,447	12,377,779	1,884,639	1,884,005	89,915	89,820	134,515	134,506
Total A	**39,290,541**	**38,533,772**	**12,669,030**	**12,529,231**	**1,885,413**	**1,884,537**	**89,915**	**89,820**	**134,515**	**134,506**
B. Off-balance-sheet exposures										
a) Non-performing	–	–	–	–	–	–	–	–	–	–
b) Sub-standard	154	154	8,092	6,949	–	–	–	–	–	–
c) Other impaired assets	112,558	99,769	8,000	8,000	–	–	–	–	–	–
d) Other exposures	14,858,771	14,858,771	9,270,538	9,270,538	175,604	175,604	162,986	162,986	647	647
Total B	**14,971,483**	**14,958,694**	**9,286,630**	**9,285,487**	**175,604**	**175,604**	**162,986**	**162,986**	**647**	**647**
Total A + B	**54,262,024**	**53,492,466**	**21,955,660**	**21,814,718**	**2,061,017**	**2,060,141**	**252,901**	**252,806**	**135,162**	**135,153**

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

Type of exposure/counterparty area	Amounts as at 30/6/10																	
	Governments			Other public entites			Financial companies			Insurances			Non-financial undertakings			Other entities		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
A. Cash exposures																		
a) Non-performing	–	–	–	–	–	–	11,501	(11,483)	18	–	–	–	68,441	(33,135)	35,306	605,721	(452,357)	153,364
b) Sub-standard	–	–	–	22	(20)	2	10,030	(6,163)	3,867	–	–	–	182,822	(35,106)	147,716	275,150	(79,376)	195,774
c) Restructured	–	–	–	–	–	–	4,476	(122)	4,354	–	–	–	176,603	(16,662)	159,941	2,211	(109)	2,102
d) Overdue	–	–	–	34,561	(4,702)	29,859	376	(2)	374	–	–	(214,277)	31,135	(649)	30,486	41,675	(956)	40,719
e) Other exposures	7,718,450	(4,743)	7,713,707	124,405	(3,503)	120,902	9,272,949	(6,207)	9,266,742	2,783,828	(2,074)	2,781,754	19,192,213	(214,277)	18,977,936	13,514,419	(23,129)	13,491,290
Total A	**7,718,450**	**(4,743)**	**7,713,707**	**158,988**	**(8,225)**	**150,763**	**9,299,332**	**(23,977)**	**9,275,355**	**2,783,828**	**(2,074)**	**2,781,754**	**19,651,214**	**(299,829)**	**19,351,385**	**14,439,176**	**(555,927)**	**13,883,249**
B. Off-balance-sheet exposures																		
a) Non-performing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
b) Sub-standard	–	–	–	–	–	–	8,000	(1,143)	6,857	–	–	–	–	–	–	246	–	246
c) Other impaired assets	–	–	–	–	–	–	–	–	–	–	–	–	120,462	(12,789)	107,673	96	–	96
d) Other exposures	113,928	–	113,928	233	–	233	7,797,057	–	7,797,057	339,143	–	339,143	10,602,587	–	10,602,587	5,615,598	–	5,615,598
Total B	**113,928**	**–**	**113,928**	**233**	**–**	**233**	**7,805,057**	**(1,143)**	**7,803,914**	**339,143**	**–**	**339,143**	**10,723,049**	**(12,789)**	**10,710,260**	**5,615,940**	**–**	**5,615,940**
Total A + B	**7,832,378**	**(4,743)**	**7,827,635**	**159,221**	**(8,225)**	**150,996**	**17,104,389**	**(25,120)**	**17,079,269**	**3,122,971**	**(2,074)**	**3,120,897**	**30,374,263**	**(312,618)**	**30,061,645**	**20,055,116**	**(555,927)**	**19,499,189**

Financial assets by outstanding maturity

Type	Amounts as at 30/6/10									
	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										
A.1 Government securities	4,894	29,523	83	70,761	94,997	1,391,162	409,677	779,717	4,523,060	–
A.2 Listed debt securities	–	872	917	621	2,726	25,053	116,025	142,107	9,242	–
A.3 Other debt securities	19,365	18,670	35,753	142,119	237,716	161,067	581,926	4,457,132	3,726,457	–
A.4 OICR units	–	–	–	–	–	–	–	–	–	–
A.5 Loans and advances										
• to banks	2,947,758	272,219	366,732	357,302	304,133	88,525	96,875	434,339	130,167	99,225
• to customers	4,296,295	136,241	403,431	1,535,267	2,202,661	1,459,845	2,551,474	17,150,154	9,456,000	137,686
Off-balance-sheet assets										
B.1 Financial derivatives with exchange of principal										
• to banks	(2,864,574)	(312,990)	(521,649)	(640,497)	(713,983)	(1,284,920)	(1,790,623)	(509,389)	(391,695)	(162,733)
• to customers	(3,846,550)	(363,110)	(669,621)	(506,448)	(2,064,620)	(2,162,594)	(3,821,054)	(252,536)	(1,150,876)	(15,237)
B.2 Deposits and loans	(2,904)	(15,814)	(113,559)	(50,600)	(1,193,439)	(580,154)	(4,148,521)	(25,988,996)	(4,701,693)	(60)
B.3 Other liabilities	–	(274)	–	(53)	(5,053)	(2,846)	(521,189)	–	–	–
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
• long positions	127,180	165,257	73	409,121	777,173	418,893	541,821	1,284,892	60,605	–
• short positions	355,687	38,978	335,025	1,601,449	4,084,788	404,974	404,257	1,353,341	530,864	–
C.2 Financial derivatives without exchange of principal										
• long positions	3,592,520	7,672	971	30,366	126,967	113,375	403,972	6,253	–	–
• short positions	3,738,393	2,299	7,725	14,875	99,342	134,907	220,665	33,441	–	–
C.3 Deposits and financings receivable										
• long positions	–	–	–	–	–	–	–	–	–	–
• short positions	–	–	–	–	–	–	–	–	–	–
C.4 Irrevocable commitments to disburse funds										
• long positions	288,449	22,621	36,510	112,683	826,769	1,220,547	529,934	10,495,361	596,787	–
• short positions	30,003	33,149	–	–	4,075	11,400	358,432	10,671,889	415,142	–
C.5 Financial guarantees issued	–	–	9	–	–	1,473	120	8,045	4,109	–

Cash exposures: trends in overall value adjustments

Description/category	Amounts as at 30/6/10									
	Exposures to banks					Exposures to customers				
	Non-performing	Sub-standard	Restructured	Overdue exposures	Total	Non-performing	Sub-standard	Restructured	Overdue exposures	Total
A. Adjustments at start of period	**(127)**	–	–	–	**(127)**	**(398,513)**	**(207,543)**	**(7,931)**	**(31,572)**	**(645,559)**
B. Additions	**–**	**(140)**	**–**	**–**	**(140)**	**(471,354)**	**(55,454)**	**(21,726)**	**(8,247)**	**(556,781)**
B.1 value adjustments	–	(140)	–	–	(140)	(352,869)	(39,591)	(5,468)	(8,246)	(406,174)
B.2 transfers from other categories of impaired assets	–	–	–	–	–	(111,672)	(12,906)	(14,335)	(1)	(138,914)
B.3 other additions	–	–	–	–	–	(6,813)	(2,957)	(1,923)	–	(11,693)
C. Reductions	**–**	**–**	**–**	**–**	**–**	**370,304**	**142,706**	**12,764**	**33,589**	**559,363**
C.1 writebacks based on valuations	–	–	–	–	–	2,842	367	114	638	3,961
C.2 writebacks due to amounts collected	–	–	–	–	–	4,871	1,468	5,329	180	11,848
C.3 amounts written off	–	–	–	–	–	349,264	32,589	294	4,342	386,489
C.4 transfers to other categories of impaired assets	–	–	–	–	–	6,283	107,230	54	25,503	139,070
C.5 other reductions	–	–	–	–	–	7,044	1,052	6,973	2,926	17,995
D. Total adjustments at end of period	**(127)**	**(140)**	**–**	**–**	**(267)**	**(1,240,171)**	**(405,703)**	**(42,421)**	**(73,408)**	**(1,761,703)**
of which:										
specific adjustments	–	(140)	–	–	(140)	(499,744)	(120,666)	(16,893)	(6,309)	(643,612)
collective adjustments	–	–	–	–	–	–	–	–	–	–
E. Value adjustments taken to P/L	–	–	–	–	–	–	–	–	–	–

Section VI – Credit risk: information on books subject to the standardized method and on specialized credit exposures and in equities in connection with use of the IRB methods

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 characteristics[2]
Exposures to central administrations and central banks	Moody's Investors Service Standard & Poor's Rating Services Fitch Ratings	Solicited
Exposures to multilateral development banks	Moody's Investors Service Standard & Poor's Rating Services Fitch Ratings	Solicited
Exposures to companies and other entities	Moody's Investors Service Standard & Poor's Rating Services Fitch Ratings	Solicited
Exposures to undertakings for collective investments in transferable securities (UCITS)	Moody's Investors Service Standard & Poor's Rating Services Fitch Ratings	Solicited
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	

[2] *"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.*

Quantitative information

Standardized methodology: risk assets

Portafolios	Amounts as at 30/6/10		
	Value of exposure	Exposures guaranteed	
		Real guarantee	Personal guarantee
Exposures to or guaranteed by central administrations and central banks	**3,437,873**	**–**	**389,962**
• credit rating class 1	3,433,171	–	–
• credit rating class 2	–	–	–
• credit rating class 3	869	–	–
• credit rating classes 4 and 5	3,833	–	–
• credit rating class 6	–	–	–
Exposures to or guaranteed by regional entities	**56,221**	**–**	**–**
• credit rating class 1	56,221	–	–
• credit rating class 2	–	–	–
• 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	**441,765**	**130,893**	**–**
• credit rating class 1	39,425	–	–
• credit rating class 2	–	–	–
• credit rating class 3	–	–	–
• credit rating classes 4 and 5	402,340	–	–
• credit rating class 6	–	–	–
Exposures to or guaranteed by multilateral development banks	**62,340**	**–**	**–**
• credit rating class 1	62,340	–	–
• 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	**13,663,472**	**8,580,505**	**296,711**
• credit rating class 1	12,608,273	–	–
• credit rating class 2	–	–	–
• credit rating class 3	–	–	–
• credit rating classes 4 and 5	1,055,199	–	–
• credit rating class 6	–	–	–
Exposures to or guaranteed by companies	**29,273,041**	**495,114**	**666,184**
• credit rating class 1	1,583,150	–	–
• credit rating class 2	4,867,342	–	–
• credit rating classes 3 and 4	22,543,986	–	–
• credit rating classes 5 and 6	278,563	–	–
Retail exposures	**13,007,902**	**2,368,730**	**3,199**
Exposures guaranteed by properties	**4,811,974**	**2,901**	**–**
Overdue exposures	**927,828**	**829**	**–**
High-risk exposures	**181,227**	**–**	**–**
Exposures in the form of guaranteed bank debt securities	**–**	**–**	**–**
Short-term exposures to companies	**–**	**–**	**–**
• credit rating class 1	–	–	–
• credit rating class 2	–	–	–
• credit rating class 3	–	–	–
• credit rating classes from 4 to 6	–	–	–
Exposures to OICRs	**62,614**	**–**	**–**
• credit rating class 1	–	–	–
• credit rating class 2	–	–	–
• credit rating classes 3 and 4	62,614	–	–
• credit rating classes 5 and 6	–	–	–
Other exposures	**6,138,932**	**–**	**–**
Total cash risk assets	**50,461,090**	**449,558**	**922,925**
Total guarantees issued and commitments to disburse funds	**13,805,372**	**–**	**433,131**
Total derivatives contracts	**7,139,004**	**1,343,829**	**–**
Total SFTs and trades with long-term settlement	**643,134**	**9,785,585**	**–**
Netting arrangements between various products	**–**	**–**	**–**
Grand total	**72,048,600**	**11,578,972**	**1,356,056**

Section VIII – 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, as a unit which is independent of the Bank's operating and commercial division s, the Legal & Compliance unit has been tasked with checking the eligibility of guarantees made for purposes of credit risk mitigation, in relation to the instructions provided by the Bank of Italy for banks or groups adopting the standardized method. The unit is also responsible for monitoring adequacy of the procedures in place for the purpose of applying the credit risk mitigation techniques.

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.

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.

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

More than three-quarters of the guarantees received (€9.8bn) involve securities in connection with repo transactions which are recorded among real financial guarantees; there is also €1.3bn (10% of the total) in cash collateral, chiefly in respect of derivatives trading and the remainder for structured finance transactions.

Quantitative information

Risk mitigation techniques

Exposures to	Amounts as at 30/6/10		
	Real financial guarantees	Other guarantees	Personal guarantees and credit derivatives
Central administrations and central banks	–	–	389,962
Regulatory intermediaries	8,580,505	156,965	139,746
Regional entities	–	–	–
Non-profit-making and public sector entities	130,893	–	–
Multilteral development banks	–	–	–
International bodies	–	–	–
Companies	495,114	–	666,184
Retail exposures	2,368,730	–	3,199
Short-term exposures to companies	–	–	–
UCITS Units	–	–	–
Exposures guaranteed by properties	2,901	–	–
Exposures in the form of guaranteed bank debt securities	–	–	–
Overdue exposures	829	–	–
High-risk exposures	–	–	–
Other exposures	–	–	–
Total	**11,578,972**	**156,965**	**1,199,091**

Section IX – Counterparty risk

Qualitative information

This is measured in terms of expected potential market value, thus doing away with the need to set arbitrary weightings for each type of fund employed, and identifies a maximum potential exposure to groups of the Bank's counterparties based on a given confidence level and over a specific time horizon.

Counterparty risk is monitored via a system of exposure limits which are based on the counterparty's/issuer's credit rating and sector of operation.

* * *

For regulatory purposes, counterparty risk is calculated by applying the methodologies stipulated in Circular 263. 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.

MEDIOBANCA
Banca di Credito Finanziario S.p.A.

Quantitative information

Counterparty risk

Counterparty risk – real guarantees held

Counterparty risk - Real guarantees held	Amounts as at 30/6/10
Standardized approach	
• derivatives contracts	1,343,829
• SFTs and trades with long-term settlement	9,785,585
IRB approaches	
• derivatives contracts	–
• SFTs and trades with long-term settlement	–

Counterparty risk – risk assets

Counterparty risk	Amounts as at 30/6/10
Standardized approach	
• derivatives contracts	7,139,004
• SFTs and trades with long-term settlement	643,134
IRB approaches	
• derivatives contracts	–
• SFTs and trades with long-term settlement	–

Type of transaction	30/6/10		30/6/09	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1 Debt securities and interest rates	**108,320,896**	**45,676,567**	**73,510,813**	**9,271,315**
a) Options	–	34,609,375	–	17,775
b) Swaps	94,267,070	–	69,588,926	–
c) Forwards	1,917,648	165,254	1,785,709	5,772,136
d) Futures	–	10,901,938	–	3,481,404
e) Others	12,136,178	–	2,136,178	–
2 Equities and share indexes	**22,528,544**	**23,121,148**	**8,569,581**	**1,081,401**
a) Options	20,061,175	23,031,364	7,133,491	894,291
b) Swaps	2,467,369	–	1,281,441	–
c) Forwards	–	6,903	154,649	20,433
d) Futures	–	82,881	–	166,677
e) Others	–	–	–	–
3 Exchange rates and gold	**6,049,748**	**–**	**4,244,478**	**–**
a) Options	1,881,017	–	1,330,662	–
b) Swaps	1,118,033	–	591,118	–
c) Forwards	3,050,698	–	2,322,698	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
4 Commodities	**–**	**–**	**–**	**–**
5 Other assets	**–**	**–**	**–**	**–**
Total	**136,899,188**	**68,797,715**	**86,324,872**	**10,352,716**
Average values	**110,156,539**	**39,575,216**	**64,450,718**	**15,068,305**

Type of transaction	30/6/10		30/6/09	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1 Debt securities and interest rates	**35,221,809**	**–**	**34,166,937**	**19,914**
a) Options	–	–	–	–
b) Swaps	35,021,809	–	33,960,573	–
c) Forwards	–	–	6,364	19,914
d) Futures	–	–	–	–
e) Others	200,000	–	200,000	–
2 Equities and share indexes	**–**	**6,774**	**203,865**	**–**
a) Options	–	4,397	102,000	–
b) Swaps	–	–	–	–
c) Forwards	–	2,377	101,865	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
3 Exchange rates and gold	**43,716**	**–**	**36,994**	**–**
a) Options	–	–	–	–
b) Swaps	43,716	–	36,994	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
4 Commodities	**–**	**–**	**–**	**–**
Other assets	**–**	**–**	**–**	**–**
Total	**35,265,525**	**6,774**	**34,407,796**	**19,914**
Average values	**33,756,115**	**3,387**	**34,786,866**	**1,660**

Type of transaction	30/6/10		30/6/09	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1 Debt securities and interest rates	**12,251**	**–**	**–**	**–**
a) Options	–	–	–	–
b) Swaps	12,251	–	–	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
2 Equities and share indexes	**10,673,581**	**–**	**24,257,568**	**–**
a) Options	10,673,581	–	24,257,568	–
b) Swaps	–	–	–	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
3 Exchange rates and gold	**51,489**	**–**	**141,202**	**–**
a) Options	51,489	–	141,202	–
b) Swaps	–	–	–	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
4 Commodities	**–**	**–**	**–**	**–**
Other assets	**–**	**–**	**–**	**–**
Total	**10,737,321**	**–**	**24,398,770**	**–**
Average values	**17,872,889**	**–**	**22,286,428**	**–**

Type of transactions	Positive fair value			
	30/6/10		30/6/09	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**3,777,654**	**294,494**	**2,061,407**	**31,685**
a) Options	919,433	288,325	640,927	28,712
b) Interest rate swaps	2,453,180	–	1,055,513	–
c) Cross currency swaps	30,053	–	1,595	–
d) Equity swaps	315,821	–	276,301	–
e) Forwards	59,117	1,122	87,071	–
f) Futures	–	5,047	–	2,973
g) Others	50	–	–	–
B. Banking book: hedge derivatives	**1,961,652**	**–**	**1,550,369**	**–**
a) Options	–	–	11,768	–
b) Interest rate swaps	1,960,333	–	1,478,717	–
c) Cross currency swaps	1,319	–	–	–
d) Equity swaps	–	–	–	–
e) Forwards	–	–	59,884	–
f) Futures	–	–	–	–
g) Others	–	–	–	–
C. Banking book: other derivatives	**286,284**	**–**	**244,652**	**–**
a) Options	286,284	–	244,652	–
b) Interest rate swaps	–	–	–	–
c) Cross currency swaps	–	–	–	–
d) Equity swaps	–	–	–	–
e) Forwards	–	–	–	–
f) Futures	–	–	–	–
g) Others	–	–	–	–
Total	**6,025,590**	**294,494**	**3,856,428**	**31,685**

Type of transactions	Negative fair value			
	30/6/10		30/6/09	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**(4,154,396)**	**(255,896)**	**(1,591,165)**	**(45,083)**
a) Options	(905,586)	(239,051)	(359,951)	(40,103)
b) Interest rate swaps	(2,730,724)	–	(1,082,044)	–
c) Cross currency swaps	(135,793)	–	(80,214)	–
d) Equity swaps	(223,127)	–	(25,732)	–
e) Forwards	(159,127)	(126)	(43,224)	–
f) Futures	–	(16,719)	–	(4,980)
g) Others	(39)	–	–	–
B. Banking book: hedge derivatives	**(787,551)**	**(2,165)**	**(1,210,559)**	**–**
a) Options	(92,311)	–	(79,314)	–
b) Interest rate swaps	(689,757)	–	(1,121,189)	–
c) Cross currency swaps	(5,483)	–	(10,056)	–
d) Equity swaps	–	–	–	–
e) Forwards	–	(2,165)	–	–
f) Futures	–	–	–	–
g) Others	–	–	–	–
C. Banking book: other derivatives	**(343,651)**	**–**	**(404,376)**	**–**
a) Options	(340,251)	–	(404,376)	–
b) Interest rate swaps	(3,400)	–	–	–
c) Cross currency swaps	–	–	–	–
d) Equity swaps	–	–	–	–
e) Forwards	–	–	–	–
f) Futures	–	–	–	–
g) Others	–	–	–	–
Total	**(5,285,598)**	**(258,061)**	**(3,206,100)**	**(45,083)**

Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1 Debt securities and interest rates							
• notional value	1,394,091	–	3,319,848	5,704,032	1,334,178	7,454,637	–
• positive fair value	–	–	38,617	65,495	91,542	298,610	–
• negative fair value	–	–	(76,696)	(49,996)	(4,992)	(59,051)	–
• future exposure	–	–	17,613	6,576	15,782	58,700	–
2 Equities and share indexes							
• notional value	–	–	225,343	1,216,593	24,450	890,223	22
• positive fair value	–	–	8,578	236,445	–	126,570	–
• negative fair value	–	–	(32)	(209,243)	(4,294)	(248)	(4)
• future exposure	–	–	980	95,605	1,467	53,923	2
3 Exchange rates and gold							
• notional value	–	4,891	1,335,188	81,238	–	598,256	2,681
• positive fair value	–	86	6,188	1,720	–	1,576	18
• negative fair value	–	(17)	(31,258)	(39)	–	(45,114)	(125)
• future exposure	–	49	13,697	813	–	18,028	25
4 Other assets							
• notional value	–	–	–	–	–	–	–
• positive fair value	–	–	–	–	–	–	–
• negative fair value	–	–	–	–	–	–	–
• future exposure	–	–	–	–	–	–	–

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1 Debt securities and interest rates							
• notional value	–	–	75,953,705	13,160,405	–	–	–
• positive fair value	–	–	1,776,707	227,044	–	–	–
• negative fair value	–	–	(2,408,988)	(261,558)	–	–	–
2 Equities and share indexes							
• notional value	–	–	15,272,534	4,787,507	–	111,872	–
• positive fair value	–	–	464,912	338,925	–	9,732	–
• negative fair value	–	–	(330,435)	(502,020)	–	–	–
3 Exchange rates and gold							
• notional value	–	–	3,622,631	404,864	–	–	–
• positive fair value	–	–	55,761	29,130	–	–	–
• negative fair value	–	–	(146,756)	(23,536)	–	–	–
4 Other assets							
• notional value	–	–	–	–	–	–	–
• positive fair value	–	–	–	–	–	–	–
• negative fair value	–	–	–	–	–	–	–

Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1 Debt securities and interest rates							
• notional value	–	–	3,772,718	520,715	–	–	–
• positive fair value	–	–	29,562	804	–	–	–
• negative fair value	–	–	(97,374)	(13,267)	–	–	–
• future exposure	–	–	11,698	25	–	–	–
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	–	–	–	–	–	–	–

Transaction categories	Regulatory trading book		Other transactions	
	Individual assets	Baskets	Individual assets	Baskets
1 Hedge buys				
a) Credit default	2,109,324	9,355,437	403,429	40,746
b) Credit spread products	–	–	–	–
c) Total rate of return swaps	–	–	–	–
d) Others	–	–	–	–
Total A at 30/6/10	**2,109,324**	**9,355,437**	**403,429**	**40,746**
Average values	**2,438,569**	**8,068,729**	**134,991**	**67,096**
Total A at 30/6/09	**–**	**–**	**–**	**–**
2 Hedge sales				
a) Credit default	1,176,265	9,615,081	510,964	902,000
b) Credit spread products	–	–	–	–
c) Total rate of return swaps	–	–	–	–
d) Others	–	–	–	–
Total B at 30/6/10	**1,176,265**	**9,615,081**	**510,964**	**902,000**
Average values	**1,579,364**	**8,446,012**	**181,650**	**289,250**
Total B at 30/6/09	**–**	**–**	**–**	**–**

Portfolio/derivative instrument type		Positive fair value	
		30/6/10	30/6/09
A	Regulatory trading book	382,619	442,875
	a) Credit default products	382,619	442,875
	b) Credit spread products	–	–
	c) Total rate of returns swaps	–	–
	d) Others	–	–
B	Banking book	69,481	3,967
	a) Credit default products	69,481	3,967
	b) Credit spread products	–	–
	c) Total rate of returns swaps	–	–
	d) Others	–	–
Total		**452,100**	**446,842**

Portfolios/derivative instruments type		Negative fair value	
		30/6/10	30/6/09
A	Regulatory trading book	(397,501)	(431,207)
	a) Credit default products	(397,501)	(431,207)
	b) Credit spread products	–	–
	c) Total rate of returns swaps	–	–
	d) Others	–	–
B	Banking book	(39,139)	(1,256)
	a) Credit default products	(39,139)	(1,256)
	b) Credit spread products	–	–
	c) Total rate of returns swaps	–	–
	d) Others	–	–
Total		**(436,640)**	**(432,463)**

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
Regulatory trading book							
1) Hedge buys							
• notional value	–	–	10,031,217	1,413,544	–	–	–
• positive fair value	–	–	282,426	27,990	–	–	–
• negative fair value	–	–	(77,610)	(10,231)	–	–	–
2) Hedge sales							
• notional value	–	–	9,620,073	1,171,272	–	–	–
• positive fair value	–	–	68,646	3,386	–	–	–
• negative fair value	–	–	(280,076)	(29,584)	–	–	–
Banking book							
1) Hedge buys							
• notional value	–	–	12,500	–	–	–	–
• positive fair value	–	–	–	–	–	–	–
• negative fair value	–	–	–	–	–	–	–
2) Hedge sales							
• notional value	–	–	–	–	–	–	–
• positive fair value	–	–	–	–	–	–	–
• negative fair value	–	–	–	–	–	–	–

Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
Regulatory trading book							
1) Hedge buys							
• notional value	–	–	20,000	–	–	–	–
• positive fair value	–	–	171	–	–	–	–
• negative fair value	–	–	–	–	–	–	–
• future exposure	–	–	1,000	–	–	–	–
2) Hedge sales							
• notional value	–	–	–	–	–	–	–
• positive fair value	–	–	–	–	–	–	–
• negative fair value	–	–	–	–	–	–	–
• future exposure	–	–	–	–	–	–	–
Banking book							
1) Hedge buys							
• notional value	–	–	–	–	–	–	–
• positive fair value	–	–	–	–	–	–	–
• negative fair value	–	–	–	–	–	–	–
2) Hedge sales							
• valore nozionale	–	–	–	–	–	–	–
• fair value positivo	–	–	–	–	–	–	–
• fair value negativo	–	–	–	–	–	–	–

		Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1)	Financial derivatives bilateral agreements							
	• positive fair value	–	–	–	–	–	–	–
	• negative fair value	–	–	–	–	–	–	–
	• future exposure	–	–	–	–	–	–	–
	• net counterparty risk	–	–	–	–	–	–	–
2)	Credit derivatives bilateral agreeements							
	• positive fair value	–	–	–	–	–	–	–
	• negative fair value	–	–	–	–	–	–	–
	• future exposure	–	–	–	–	–	–	–
	• net counterparty risk	–	–	–	–	–	–	–
3)	"Cross product" agreements							
	• positive fair value	2,478	–	108,078	33,776	–	–	–
	• negative fair value	–	–	(143,955)	(19,660)	–	(552)	–
	• future exposure	990	–	145,443	86,824	–	6,712	–
	• net counterparty risk	3,468	–	297,593	48,367	–	6,161	–

Section X – Securitizations

Qualitative information

No new securitizations were implemented during the twelve months under review.

In addition to its traditional activity as sponsor and lead manager, Mediobanca also invests in securities originating from securitizations by other issuers. As at the reporting date these totalled €429.6m (30/6/09: €524.6m). The main movements during the period involved repayments – all at face value – totalling €111m (€35m of which in respect of the Alpha Sires synthetic securitization), purchases and disposals worth €6m, gains on disposal amounting to €6.5m, and upward adjustments as at the reporting date amounting to €3.7m.

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

Quantitative information

Standardized methodology: positions in securitizations

Risk Weighting classes	Consistenze al 30/06/2010									
	Cash risk assets				Off-balance-sheet risk assets				Early repayment clauses	
	Own securitizations		Third-party securitizations		Own securitizations		Third-party securitizations		Own securitizations	
	Type of securitization		Type of securitization		Type of securitization		Type of securitization		Type of securitization	
	Traditional	Synthetic	Traditional	Synthetic	Traditional	Synthetic	Traditional	Synthetic	Traditional	Synthetic
Weighting 20%	14,980	–	192,058	–	–	–	– *	–	–	–
Weighting 50%	–	–	40,762	–	–	–	–	–	–	–
Weighting 100%	–	–	91,399	–	–	–	– *	–	–	–
Weighting 350%	–	–	–	–	–	–	–	–	–	–
Weighting 1250% - with rating	–	–	–	–	–	–	–	–	–	–
Weighting 1250% - without rating	–	–	–	–	–	–	–	–	–	–
Look-through - second loss in ABCP	–	–	–	–	–	–	–	–	–	–
Look-through - other	–	–	–	–	–	–	–	–	–	–
Total	**14,980**	**–**	**324,219**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

** Includes a commitment of €123.2m to subscribe for Zeus F07-25 A FRN, and a refinancing credit line to Island in an amount of €21.9m, both included in credit risk.*

Section XII – Operating risk

Qualitative information

Mediobanca has decided to adopt the Basic Indicator Approach ("BIA") in order to calculate the capital requirement for covering operating risk, applying a margin of 15% to the average of the last three readings of total income. Based on this method of calculation, the capital requirement as at 30 June 2010 was €244m.

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

Qualitative information

Equity instruments refer mostly to those assets recognized in the accounts either as "Equity investments" or "AFS securities". The accounting policies adopted in respect of these two 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, also equity-accounted;
- other investments of negligible value, measured 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

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

AFS assets are initially recognized at fair value, which includes transaction costs and income directly attributable to them. Thereafter they continue to be measured at fair value. Changes are recognized in a separate net equity reserve, which is then eliminated against the corresponding item in the profit and loss account as and when an asset is disposed of or impairment is recognized. Fair value is measured on the same principles as described for trading instruments. Equities for which it is not possible to reliably determine fair value are stated at cost. For debt securities included in this category the value of amortized cost is also recognized against the corresponding item in the profit and loss account.

Assets are subjected to impairment tests at annual and interim reporting dates. If there is evidence of a long-term reduction in the value of the asset concerned, this is recognized in the profit and loss account on the basis of market prices in the case of listed instruments, and of estimated future cash flows discounted according to the original effective interest rate in the case of unlisted securities. In particular, the criteria for measuring impairment for shares are a reduction in fair value of more than one third, or a reduction versus the initial recognition value of more than eighteen months. If the reasons for which the loss was recorded subsequently cease to apply, the impairment is written back to the profit and loss account for debt securities to and net equity for shares.

Quantitative information

Banking book: cash exposures in equities and UCITS

Items	Amounts as at 30/6/10										
	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	3,220,325	1,255,733	3,279,253	1,255,733	(148,017)	335,523	(21,589)	740,098	(232,275)	27,814	(100,560)
A.2 Innovative equity instruments	–	–	–	–	–	–	–	–	–	–	–
A.3 Other equity instruments	–	380,984	–	380,984	–	–	–	–	(70,468)	–	(9,838)
B. UCITS Units											
B.1 Incorporated under Italian law	–	–	–	–	–	–	–	–	–	–	–
• harmonized, open	–	–	–	–	–	–	–	–	–	–	–
• not harmonized, open	–	–	–	–	–	–	–	–	–	–	–
• closed	24	23,889	24	23,889	–	–	–	1,889	–	944	–
• reserved	–	–	–	–	–	–	–	–	–	–	–
• speculative	–	–	–	–	–	–	–	–	–	–	–
B.2 Other EU states	–	–	–	–	–	–	–	–	–	–	–
• harmonized	–	–	–	–	–	–	–	–	–	–	–
• not harmonized, open	1,342	–	1,342	–	–	–	–	–	(68)	–	(34)
• not harmonized, closed	–	–	–	–	–	–	–	–	–	–	–
B.3 Non-EU states	–	–	–	–	–	–	–	–	–	–	–
• open	–	30,301	–	30,301	–	–	–	419	–	210	–
• closed	–	12,534	–	12,534	–	–	–	1,203	–	602	–
Total	**3,221,691**	**1,703,441**	**3,280,619**	**1,703,441**	**(148,017)**	**335,523**	**(21,589)**	**743,609**	**(302,811)**	**29,569**	**(110,432)**

Banking book: equity instruments

Category	Book value as at 30/6/10
Private equity instruments held in sufficiently diversified form	68,090
Equity instruments listed on regulated markets	3,220,325
Other equity instruments	1,636,717
Total equity instruments	**4,925,132**
Balance-sheet values, listed and unlisted	4,925,132
Difference	–

Section XIV – Interest rate risk on banking book positions

Qualitative information

Interest rate risk management for the banking book is focused on the Bank's Financial Markets division. This allowed the liquidity crisis which exploded last year to be tackled effectively.

The size of the trading book, which already served as a liquidity buffer, was strengthened during the course of the year, with bonds eligible for refinancing with the monetary authorities targeted in particular. However, this increased the mismatch between assets and liabilities on the banking book, accentuating the gap between an increase/decrease in interest rates on the banking book alone as opposed to the entire asset base.

In Mediobanca, the risk rate is monitored via sensitivity analysis of the banking book and the entire portfolio to changes in interest rates using internal ALM models. This model allows the impact of movements in the interest rate curve on net interest income and the market value of positions to be estimated.

Quantitative information

The Group's exposure to interest rate risk has been quantified via a sensitivity analysis in a scenario of a 100 basis point shift in reference interest rates, according to the simplified methodology described by the Bank of Italy in Circular 263, calculating the change in the economic value of the banking book.

Interest rate risk on interest on the banking book following a 100 basis point shift in the interest rate is shown below:

€ mln	Amounts at 30.06.10
Interest rate risk on the banking book	**123**
• Euro	114
• Other currencies	9

In addition, stress tests have been carried out on the interest rate on the banking book at the consolidated level, with the aim of quantifying the effect of a parallel shift of 200 basis points in the interest rate curve as required by Circular 263, in order to calculate the risk indicator.

A breakdown of the exposures in the individual relevant currencies and the aggregate of non-relevant currencies is provided below, along with a calculation of the risk indicator:

€ mln	Amounts at 30.06.10
Interest rate risk on the banking book	**245**
• Euro	228
• Other currencies	17
Regulatory capital	**6,928**
Risk Index	**3.54%**

The riskiness index is approx. 3.54%, far below the 20% attention threshold set by the Bank of Italy.

Declaration by Head of Company Financial Reporting

As required by Article 154-*bis*, para. 2 of Italian Legislative Decree 58/98, the undersigned hereby declares that the accounting information contained in this document conforms to the documents, account ledgers and book entries kept by the company.

Head of Company Financial Reporting

Massimo Bertolini