MEDIOBANCA

Basel II pillar 3
Disclosure to the public

Situation as at 30 June 2012

MEDIOBANCA

Contents

Introduction

With the issue of Circular no.263 on 27 December 2006 (“New prudential supervisory provisions for banks” as amended, or “Circular 263”), the Bank of Italy revised its regulations for supervision of banks, transposing inter alia 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; unless otherwise stated, the figures shown are in thousands of Euros.

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

MEDIOBANCA

Section 1 – General disclosure requirement

Qualitative information

Introduction

The Group has equipped itself with a system for managing and controlling risks which is structured around the various organizational areas involved, to ensure the best possible coverage of significant risks to which the Group is or might be exposed, and at the same time to guarantee each unit's operations are consistent with their own propensity to risk as laid down in the Internal Capital Adequacy Assessment Process or ICAAP (Circular 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, with different roles and responsibilities, the management and supervisory bodies and the various operating units of Mediobanca S.p.A. and the Group companies.

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

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

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

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

With reference to the structure of the Bank's IT and financial reporting organization, the 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 system for managing and controlling risks and the internal controls system, assessing the effectiveness of all structures and units and also their co-ordination, and supervises the ICAAP process.

The Head of Company Financial Reporting is responsible for putting in place adequate administrative and accounting procedures for the preparation of the individual and consolidated accounts. 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;
- Asset and liability management (ALM) and liquidity;
- Compliance;
- Group 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 structure of the Risk Management unit consists of the Chief Risk Officer, who reports directly to the Chief Executive Officer and is responsible for identifying and implementing an effective risk management process through the following units:

- **Enterprise risk management unit:** responsible for developing risk management policies and quantifying risk appetite, preparing the ICAAP (Internal Capital Adequacy Assessment Process) document, and validating the Group's internal rating system;
- **Credit risk management unit:** responsible for executing the credit risk analysis entailed by lending and market transactions, and for assigning internal credit ratings to the counterparties in these transactions;
- **Market risk management unit:** responsible for defining the market and counterparty/issuer risk methodologies and metrics for the Financial markets division, for validating the models and methodologies used in pricing, for managing the "Product catalogue", monitoring liquidity risk limits, managing liquidity policy and the related contingency funding plan;
- **Risk management London branch unit – Risk projects**, responsible for risk management at the London branch;
- **Operational risk management unit:** responsible for developing and maintaining the systems for measuring and managing operating risks.

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

- monitoring the ALM position at the Group level;
- estimating net interest income and the sensitivity indicators for the banking (and non-banking) book;

- monitoring compliance with the liquidity policy and the contingency funding plan (in conjunction with the Risk Management unit);

- measuring the liquidity indicators and monitoring compliance with the relevant limits, by means of the established reporting flows.

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

- checking and ensuring that the Bank's and the Group's activities are compliant with legal and regulatory requirements, with reference specifically to regulations on banking activity and the provision of investment services and on market abuse, handling operating relations with the relevant authorities;

- implementing the requisite measures and instruments to ensure that risks associated with management of conflicts of interest are controlled effectively;

- operating duties, proposing organizational and procedural changes to ensure that the risks of non-compliance are adequately covered and preparing flows of information to the governing bodies and the units involved;

- providing assistance to the units of the Bank and Group companies in operating issues, including through explanatory circulars or reports on relevant regulatory aspects, ensuring a continuous and up-to-date flow of information on developments in the domestic and international regulatory framework;

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

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

The **Group audit unit** is responsible for internal audit activities for the entire Group, in accordance with the provisions on "internal controls systems" governed in the "Supervisory instructions for Banks",[1] "Supervisory instructions for registered financial intermediaries"[2], and the "Joint Consob – Bank of Italy regulations".[3] Its duties include in particular:

- defining audit activity in line with the audit methodology adopted, and prepares a strategic and current audit plan;

- verifying compliance with the powers and operating limits assigned to the business units by the Board of Directors;

- monitoring the reliability of the IT systems including the automatic data processing and accounting systems;

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1) *Bank of Italy circular no. 229 issued on 21 April 1999 as amended – Title IV Chapter 11 Section II – "Internal controls system".*
2) *Bank of Italy circular no. 216 issued on 5 August 1996 as amended – Part 1 Chapter 6 Section II – "2. Internal controls system".*
3) *Bank of Italy/Consob measure issued on 29 October 2007 – "Regulations on organization and procedures of intermediaries providing investment or collective savings management services".*

- carrying out periodic checks on the operational and internal control procedures;
- performing activities *inter alia* with respect to specific irregularities detected, if requested by the governing bodies and/or senior management;
- checking the existence and effectiveness of first-level controls in the various operating units and the second-level controls carried out by the Risk Management and Compliance units;
- checks that irregularities detected in the operation and functioning of controls are removed;
- regularly informing the senior management of the activity it has carried out and the results thus obtained by sending specific reports;
- preparing regular summaries for the governing bodies of the Group companies, describing the main results to emerge from the audits carried out, the suggestions made and any corrective action undertaken.

Strategies and procedures for managing significant risks

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

In particular, the types of risk requiring monitoring and management are credit risk, counterparty risk, 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 has therefore been launched to obtain ratification by the Bank of Italy of the internal rating models to be used in calculating the capital requirements for credit risk. The internal rating models regard the following customer segments: Banks, Insurances, Large corporate, and Holding Companies (customers mostly targeted by Mediobanca S.p.A.), Mid corporate and Small Businesses (customers targeted mostly by the leasing companies) and Private individuals (targeted by Compass for consumer credit and CheBanca! for mortgage lending).

Given the above, the timeframe for submitting the application for the IRB system to be validated to the Bank of Italy is 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 the Executive Committee, depending on the amount required and the credit rating of the counterparty involved, which includes the rating assigned internally or taken from outside. 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 Bank's operating unit.

Leasing

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

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

Consumer credit (Compass)

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

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

Mortgage lending (CheBanca!)

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

Irregular accounts are managed through monthly reports analysing the commercial, personal and financial aspects of the accounts in order to flag up promptly any potential problem areas, including through use of advanced early warning indicator systems linked to public and private databases. 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. Impaired accounts are managed, for out-of-court credit recovery procedures, by a dedicated organizational structure with the help of external collectors. If further signs of deterioration are noted, property enforcement procedures are instigated through external lawyers.

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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.

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

Market risk

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

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

- sensitivity to 1 basis-point changes in the interest rate curve;
- the share of the value-at-risk[4] linked to interest rates as part of the global measurement of market risks.

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4) VaR: maximum potential loss over to specified time horizon and to given confidence level.

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

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

VaR is still calculated based on expected volatility and the correlation between risk factors concerned, assuming a disposal period of a single trading day and based on a 99% confidence level. The indicator used to check the limits is calculated by using Monte Carlo simulations, along with historical simulations for indicative purposes[5]. This measurement is also used to calculate the expected shortfall, which measures average loss in 1% of the most unfavourable scenarios.

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

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.

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

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

Operational risk

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.

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

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

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

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

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5) Determines portfolio values based on random and historical variations in risk factors respectively.

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

Interest rate risk on the banking book

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

The Mediobanca Group monitors and manages interest rate risk by analysing the sensitivity of net interest income and cash flow to interest rate changes. The first type of sensitivity analysis quantifies the impact of a parallel, instantaneous 100 basis point change in the interest rate curve, over a time horizon of twelve months. The second type of sensitivity is calculated by comparing the discounted value of estimated cash flows obtained with the return curve at the current date and the value obtained using a return curve increased or reduced by 100 basis points ("parallel shock"); the difference is then compared with the Group's net equity to assess the degree of capital absorption.

Mediobanca also uses hedging to manage interest rate risk:

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

- cash flow hedges – these are used chiefly as part of the Compass group's operations. The numerous, generally fixed-rate and relatively small-sized transactions are hedged by floating-rate deposits for large amounts. The hedge is made in order to transform floating-rate deposits into fixed rate positions by correlating the relevant cash flows. Mediobanca S.p.A. implemented some cash flow hedges of future transaction flows during the period under review (AFS securities disposals hedged through forward contracts).

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").

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

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

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

These indicators are complemented by a model for governing events, to be activated effectively in the event of a crisis by following an approved procedure that identifies parties, responsibilities, communication procedures and the related criteria for reporting, in an attempt to increase the likelihood of overcoming the emergency situation successfully: the contingency liquidity funding plan.

A series of early warning indicators (EWI) has been provided which, combined with the result of the stress test analysis, constitute an effective tool for early definition and evaluation of the most appropriate measures with which to tackle a specific crisis scenario. The contingency indicators are notified regularly to the Bank's governing bodies and management by the ALM and Risk management units.

The above procedures are supported by operational monitoring, which summarizes daily the timing profile of future cash requirements for both certain and estimated outflows (assumptions regarding renewals/early redemptions). The liquidity balances thus obtained are compared with the amount of the counterbalance capacity defined narrowly as cash and cash equivalents plus the aggregate of securities held which are eligible for refinancing with the monetary authorities, and more broadly with the inclusion of less liquid assets (undeliverable bonds, deliverable shares, deliverable receivables) to which major haircuts are applied.

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

The ALM monitors the liquidity situation and sustainability of business development on the Bank's capital structure once a fortnight.

During the financial year under review, the Group took part in this six-monthly Quantative Impact Study conducted by the European Banking Authority (EBA) through the Bank of Italy on the new liquidity requirements, the Liquidity Coverage Ratio (LCR) and Net Section Funding Ratio (NSFR), introduced by the Basel Committee as part of the new supervisory regulations for banks ("Basel 3").

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 in force at the time and the earnings and financial targets set in the budget, with a view to providing indications as to corrective action to be taken if appropriate;

- **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 damage. As previously mentioned, the strategies for mitigating compliance risk and the organizational measures in terms of the unit responsible (the Compliance unit), policies and processes adopted by the Group constitute instruments for mitigating reputational 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 2 – Scope of application

Qualitative information

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

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 investment in Banca Esperia which is subject to joint control is consolidated pro-rata; Group company Compass RE (a reinsurance company incorporated under Luxembourg law) and the investments held in Fidia and Athena are deducted from regulatory capital, plus the investment in Perimetro Gestione Proprietà Immobiliari SCPA in an amount of € 56m.

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

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

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

MEDIOBANCA

Quantitative information

Area of consolidation

	Name	Registered office	Type of relationship[1]	Shareholding		% voting rights[2]
				Investor company	% interest	
A.	COMPANIES INCLUDED IN AREA OF CONSOLIDATION					
A.1	Line-by-line					
1.	MEDIOBANCA - Banca di Credito Finanziario S.p.A.	Milan	1	—	—	—
2.	PROMINVESTMENT S.p.A. - in liquidation	Milan	1	A.1.1	100. —	100. —
3.	PRUDENTIA FIDUCIARIA S.p.A	Milan	1	A.1.1	100. —	100. —
4.	SETECI - Società Consortile per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.c.p.A.	Milan	1	A.1.1	100. —	100. —
5.	SPAFID S.p.A.	Milan	1	A.1.1	100. —	100. —
6.	COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A.M.	Monte Carlo	1	A.1.1	100. —	100. —
7.	C.M.I. COMPAGNIE MONEGASQUE IMMOBILIERE SCI	Monte Carlo	1	A.1.6	99.94	99.94
				A.1.8	0.06	0.06
8.	C.M.G. COMPAGNIE MONEGASQUE DE GESTION S.A.M.	Monte Carlo	1	A.1.6	99.89	99.89
9.	SMEF SOCIETE MONEGASQUE DES ESTUDIES FINANCIERE S.A.M.	Monte Carlo	1	A.1.6	99.96	99.96
10.	C.M.B. ASSET MANAGEMENT S.A.M.	Monte Carlo	1	A.1.6	99.50	99.50
11.	MONOECI SOCIETE CIVILE IMMOBILIERE	Monte Carlo	1	A.1.6	99. —	99. —
				A.1.8	1. —	1. —
12.	MOULINS 700 S.A.M.	Monte Carlo	1	A.1.7	99.90	99.90
13.	MEDIOBANCA INTERNATIONAL (Luxembourg) S.A.	Luxembourg	1	A.1.10	99. —	99. —
				A.1.14	1. —	1. —
14.	COMPASS S.p.A.	Milan	1	A.1.1	100. —	100. —
15.	CHEBANCA! S.p.A.	Milan	1	A.1.1	100. —	100. —
16.	COFACTOR S.p.A.	Milan	1	A.1.14	100. —	100. —
17.	SELMABIPIEMME LEASING S.p.A.	Milan	1	A.1.15	60. —	60. —
18.	PALLADIO LEASING S.p.A.	Vicenza	1	A.1.17	95. —	100. —
				A.1.18	5. —	
19.	TELELEASING S.p.A. - in liquidation	Milan	1	A.1.17	80. —	80. —
20.	SADE FINANZIARIA - INTERSOMER S.r.l.	Milan	1	A.1.1	100. —	100. —
21.	RICERCHE E STUDI S.p.A.	Milan	1	A.1.1	100. —	100. —
22.	CREDITECH S.p.A.	Milan	1	A.1.14	100. —	100. —
23.	MEDIOBANCA SECURITIES USA LLC	New York	1	A.1.1	100. —	100. —
24.	CONSORTIUM S.r.l.	Milan	1	A.1.1	100. —	100. —
25.	QUARZO S.r.l.	Milan	1	A.1.14	90. —	90. —
26.	QUARZO LEASE S.r.l.	Milan	1	A.1.17	90. —	90. —
27.	FUTURO S.p.A.	Milan	1	A.1.14	100. —	100. —
28.	JUMP S.r.l.	Milan	4	A.1.14	—	—
29.	MEDIOBANCA COVERED BOND S.r.l.	Milan	1	A.1.15	90. —	90. —
30.	COMPASS RE (Luxembourg) S.A.	Luxembourg	1	A.1.14	100. —	100. —
31.	MEDIOBANCA INTERNATIONAL IMMOBILIERE S.A.r.l.	Luxembourg	1	A.1.13	100. —	100. —

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 3 – 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. Once a year the supervisory authorities carry out a supervisory review and evaluation process (SREP) which includes risk profiles and the systems and controls for governing them, setting the target capitalization for the Group and its international banking subsidiaries.

Since its inception one of the distinguishing features of the Mediobanca Group has been the solidity of its financial structure, with capital ratios that have been consistently and significantly higher than those required by the regulatory guidelines, as shown by the Internal Capital Adequacy Assessment Process (ICAAP) and the information disclosed to the public as required under Pillar III of Basel II, with the latter document published on the Bank's website at www.mediobanca.it. Based on the valuations carried out in 2012, the authorities considered the capital of the Group and its non-Italian banking subsidiary to be adequate to cover the risks contemplated under Pillar I and Pillar II.

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

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

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

Tier 1 capital consists of the share attributable to the Group and to minority shareholders of capital paid up, reserves, and profit for the period net of treasury shares (€ 213.8m), intangible assets (€ 51m), goodwill (€ 411.8m), the negative share in the bond valuation reserve (€ 39.6m) including associated companies pro rata (€ 13.4m) and net of the prudential filter for EU states' government securities (€ 163.7m), plus 50% of the book value of the Bank's investments in banks and financial services companies (equal to € 55.3m).

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

MEDIOBANCA

Quantitative information

Section 3.1 – Composition of regulatory capital

Regulatory capital	30/06/2012	30/06/2011
A. Tier 1 capital prior to application of prudential filters		
A.1 Positive elements in Tier 1 capital:		
A.1.1 ◆ Share capital	455,513	455,513
A.1.2 ◆ Share premium reserve	2,127,359	2,127,359
A.1.3 ◆ Reserves	4,502,779	4,279,846
A.1.4 ◆ Non-innovative equity instruments	–	–
A.1.5 ◆ Innovative equity instruments	–	–
A.1.6 ◆ Profit for the period	38,681	229,383
A.2 Negative elements:		
A.2.1 ◆ Own shares or stock units	(213,844)	(213,844)
A.2.2 ◆ Goodwill	(411,846)	(443,042)
A.2.3 ◆ Other intangible assets	(50,967)	(62,369)
A.2.4 ◆ Loss for the period	(528)	–
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 (-)	(52,959)	(165,075)
C. Tier 1 capital incl. elements to be deducted (A+B)	6,394,188	6,207,771
D. Elements to be deducted from Tier 1 capital	55,275	51,683
E. Total Tier 1 capital (TIER 1) (C-D)	**6,338,913**	**6,156,088**
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	7,188	239,446
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	1,457,912	1,643,691
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	84,796	54,356
F.2 Negative elements:		
F.2.1 ◆ Net losses on equity investments	34,975	38,156
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 (+)	–	–
G.2 IAS/IFRS negative prudential filters (-)	3,594	119,723
H. Tier 2 capital incl. elements to be deducted (F+G)	1,526,389	1,794,676
I. Elements to be deducted from Tier 2 capital	55,275	51,683
L. Total Tier 2 capital (TIER 2) (H-I)	**1,471,114**	**1,742,993**
M. Elements to be deducted from total Tier 1 and Tier 2 capital	–	–
N. Regulatory capital (E+L-M)	**7,810,027**	**7,899,081**
O. TIER 3 capital	–	–
P Regulatory capital including TIER 3 (N+O)	**7,810,027**	**7,899,081**

Section 4 – Capital adequacy

Qualitative information

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

As part of 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 2012, the Group's Tier 1 ratio, calculated as Tier 1 capital as a percentage of risk-weighted assets, amounted to 11.49%, up slightly compared to the figure posted at 30 June 2011 (11.19%), chiefly due to a reduction in negative items in connection with the improvement in the AFS reserves, with risk-weighted assets stable at € 55.2bn (€ 55bn) despite the downgrade of Italian sovereign risk (which led to an increase in the weighting of credit exposures) the deterioration in equities held for trading purposes. The decrease in the total capital ratio from 14.36% to 14.16%, meanwhile, reflects the reduction in regulatory capital (€ 209m) due to the failure to renew the subordinated issues already referred to, which amounted to € 1,457.9m as at 30 June 2012.

Subordinated issues as at 30 June 2012*

ISIN code	Currency	30/06/2012	
		Nominal value	Book value (1)
IT0004720436 - MB 4°ATTO - MINMAX2021	GBP	195,540,000	240,842,911
XS0270002669 - MEDIOB18(OT11) VAR	EUR	749,835,000	748,309,299
IT0004645542 - MB 2°ATTO 5% SUB	EUR	434,335,000	425,759,999
IT0004234008 - Linea S.p.A. (sub)	EUR	43,000,000	43,000,000
Total subordinated issues			1,457,912,209

(1) €

**Data outstanding at 30 June 2012.*

Quantitative information

Section 4 - Capital adequacy

Categories/amounts	Unweighted amounts		Weighted amounts/requirements	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
A. RISK ASSETS				
A.1 Credit and counterpart risk	70,554,508	70,797,922	44,937,731	44,406,949
1) Standard methodology	70,282,306	70,485,596	44,612,976	44,194,534
2) Internal rating methodology	–	–	–	–
2.1) Basic	–	–	–	–
2.2) Advanced	–	–	–	–
3) Securitization	272,202	312,326	324,755	212,415
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterpart risk			3,595,018	3,552,555
B.2 Market risk			552,853	586,797
1) Standard methodology			533,792	567,082
2) Internal models			–	–
3) Concentration risk			19,061	19,715
B.3 Operational risk			265,251	262,685
1) Basic Indicator Approach (BIA)			265,251	262,685
2) Standard methodology			–	–
3) Advanced methodology			–	–
B.4 Other prudential requirements			–	–
B.5 Other calculation elements			–	–
B.6 Total prudential requirements			4,413,122	4,402,037
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			55,164,025	55,025,457
C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			11.49%	11.19%
C.3 Regulatory capital/risk-weighted assets (Total capital ratio)			14.16%	14.36%

Capital requirement for market risk

Capital requirement for market risk	30/06/2012
Position risk *	**491,925**
of which relating to positions in respect of securitizations	1,252
Concentration risk *	**19,061**
Regulatory risk for DVP transactions	**–**
Exchange rate risk	**41,867**
Risk on positions in commodities	**–**

* *Includes only assets held in the regulatory trading book*

Section 5 – Credit risk: general information for all banks

Qualitative information

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

The classification of impaired exposures may be summarized as follows:

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

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

Exposure to sovereign debt risk

As requested by Consob in its communication no. DEM/11070007, the Mediobanca Group has provided information in its annual report on sovereign debt, in particular regarding which book each individual instrument is held in, the date on which it expires, its book value and fair value (as also required under sections 31-35 of IFRS7 – Financial Instruments: Disclosures).

The securities portfolio chiefly consists of financial instruments with Italy country risk (80% of the total, with an average maturity of near to three years). The investment in Greek debt securities was also reduced by a further € 19m in terms of book value following the PSI swap, while the exposure to German bonds remains substantial (at 14% of the total), buoyed by a particularly favourable market performance (the total book value of € 1,344m corresponds to a notional value of € 1,276m).

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Quantitative information

Sovereign exposures

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

Asset portfolio/quality	Impaired assets [1]				Performing assets			Total (net exposure) [2]
	Gross exposure	Specific adjustments	Collective adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
1. Financial assets held for trading	–	–	–	–	–	–	1,967,302	1,967,302
Italy	–	–	–	–	–	–	806,345	806,345
Germany	–	–	–	–	–	–	1,041,837	1,041,837
France	–	–	–	–	–	–	30,868	30,868
Brazil	–	–	–	–	–	–	54,957	54,957
Others	–	–	–	–	–	–	33,295	33,295
2. AFS securities	45,238	(26,570)	–	18,668	6,990,410	–	6,990,410	7,009,078
Italy	–	–	–	–	6,524,673	–	6,524,673	6,524,673
Greece	45,238	(26,570)	–	18,668	–	–	–	18,668
Germany	–	–	–	–	302,035	–	302,035	302,035
France	–	–	–	–	23,849	–	23,849	23,849
European Union	–	–	–	–	84,131	–	84,131	84,131
Others	–	–	–	–	55,722	–	55,722	55,722
3. Financial assets held to maturity	–	–	–	–	352,297	–	352,297	352,297
Italy	–	–	–	–	351,556	–	351,556	351,556
Others	–	–	–	–	741	–	741	741
Total at 30/06/2012	**45,238**	**(26,570)**	–	**18,668**	**7,342,707**	–	**9,310,009**	**9,328,677**

* *Does not include financial and credit derivatives.*

[1]) *The impaired assets only include the Greek government bonds held in the AFS portfolio deriving from the restructuring agreements.*

[2]) *The net exposure includes positions in securities (long and short) recognized at fair value (including the outstanding accrual) except for assets held to maturity which are stated at amortized cost, the implied fair value of which is € 7.2m.*

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Exposures to sovereign debt securities by portfolio

Asset portfolio/quality	Trading book [1]			Banking book			
	Nominal value	Book value	Duration	Nominal value	Book value	Fair value	Duration
Italy	885,780	806,345	3.75	7,142,122	6,876,229	6,867,101	2.74
Germany	1,006,167	1,041,837	2.50	270,000	302,035	302,035	3.73
France	28,587	30,868	0.03	24,595	23,849	23,849	1.75
Greece	–	–	–	254.927([2])	18,668	18,668	25.30
European Union	–	–	–	83,255	84,131	84,131	1.32
Brazil	49,936	54,957	0.70	–	–	–	–
Others	30,874	33,295	–	70,178	56,463	72,826	–
Total at 30/06/2012	**2,001,344**	**1,967,302**	**–**	**7,845,077**	**7,361,375**	**7,368,610**	**–**

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

[2]) *€ 127.5m of which in notional value allocated to the AFS securities portfolio, plus € 127.5m in GDP-linked securities carried at nil.*

Quantitative information

Section 5.1 Credit and counterparty risk

Credit risk and counterparty risk	AMOUNTS AS AT 30/06/2012				AMOUNTS AS AT 30/06/2011
	Gross amount of CRM	Unweighted amounts	Weighted amounts	Requirements	Gross amount of CRM
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	8,650,986	8,650,985	9,147	732	4,567,067
A.1.2. Exposures to or guaranteed by regional entities	51,853	51,853	25,889	2,071	53,875
A.1.3. Exposures to or guaranteed by non-profit-making and public sector entities	345,573	247,029	231,455	18,516	614,943
A.1.4. Exposures to or guaranteed by multilateral development banks	59,877	59,877	–	–	58,547
A.1.5. Exposures to or guaranteed by international organizations	10,552	10,552	–	–	9,925
A.1.6. Exposures to or guaranteed by regulated intermediaries	14,172,977	8,428,212	3,838,253	307,060	17,039,181
A.1.7. Exposures to or guaranteed by companies	28,704,462	27,826,256	23,054,995	1,844,400	29,572,281
A.1.8. Retail exposures	12,931,891	12,417,470	7,446,981	595,758	15,211,957
A.1.9. Exposures guaranteed by properties	5,029,786	5,028,354	1,930,555	154,444	4,956,992
A.1.10. Overdue exposures	912,254	916,336	1,034,769	82,782	772,690
A.1.11. High-risk exposures	555,431	555,431	1,097,959	87,837	756,794
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 (OICRs)	308,803	308,820	268,560	21,485	265,579
A.1.15. Other exposures	5,781,172	5,781,131	5,674,413	453,953	6,248,110

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

Type of exposure/book	Amounts as at 30/06/2012				
	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	–	–	–	–	–
b) Sub-standard	–	–	–	–	–
c) Restructured	–	–	–	–	–
d) Overdue	–	–	–	–	–
e) Country risk	–	–	–	–	–
f) Other assets	682,081	1,622,917	205,109	3,933,038	–
Total A	**682,081**	**1,622,917**	**205,109**	**3,933,038**	–
B. Off-balance-sheet exposures					
a) Impaired	–	–	–	–	–
b) Other	–	–	–	–	105,052,706
Total B	–	–	–	–	**105,052,706**
TOTAL A+B	**682,081**	**1,622,917**	**205,109**	**3,933,038**	**105,052,706**

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

Type of exposure/counterparty area	Amounts as at 30/06/2012						
	Cash exposures						Off-balance-sheet exposures
	Financial assets held for trading	AFS securities	AFS securities	Financial assets held to maturity	Due from customers	Non-current assets and groups	
	Gross exposure	Gross exposure	Gross exposure	Gross exposure	Gross exposure	Gross exposure	Gross exposure
A. Cash exposures							
a) Non-performing	–	–	–	–	463,406	–	–
b) Sub-standard	–	–	–	–	445,637	–	–
c) Restructured	–	–	45,238	5,055	244,365	–	–
d) Overdue	–	–	–	–	–	–	–
e) Country risk	–	–	–	–	–	–	–
f) Other exposures	4,406,423	–	7,976,402	1,328,176	41,655,325	–	–
Total A	**4,406,423**	**–**	**8,021,640**	**1,333,231**	**42,808,733**	**–**	–
B. Off-balance-sheet exposures	**–**	**–**	**–**	**–**	**–**	**–**	**–**
a) Impaired	–	–	–	–	–	–	25,665
b) Other	–	–	–	–	–	–	19,657,576
Total B	–	–	–	–	–	–	19,683,241
Total A+B	**4,406,423**	**–**	**8,021,640**	**1,333,231**	**42,808,733**	**–**	**19,683,241**

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

Type of exposure/Counterparty area	Amounts as at 30/06/2012									
	Italy		Other European countries		U.S.		Asia		Rest of world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
a) Non-performing	–	–	–	–	–	–	–	–	–	–
b) Sub-standard	–	–	–	–	–	–	–	–	–	–
c) Restructured	–	–	–	–	–	–	–	–	–	–
d) Overdue	–	–	–	–	–	–	–	–	–	–
e) Other exposures	2,928,694	2,928,090	3,267,929	3,262,648	221,011	221,011	41,652	40,848	104,073	104,073
Total A	**2,928,694**	**2,928,090**	**3,267,929**	**3,262,648**	**221,011**	**221,011**	**41,652**	**40,848**	**104,073**	**104,073**
B. Off-balance-sheet exposures										
a) Non-performing	–	–	–	–	–	–	–	–	–	–
b) Sub-standard	–	–	–	–	–	–	–	–	–	–
c) Other impaired assets	–	–	–	–	–	–	–	–	–	–
d) Other exposures	2,794,950	2,794,950	99,106,304	99,106,304	3,150,202	3,150,202	1,061	1,040	99	99
Total B	**2,794,950**	**2,794,950**	**99,106,304**	**99,106,304**	**3,150,202**	**3,150,202**	**1,061**	**1,040**	**99**	**99**
Total A + B	**5,723,644**	**5,723,040**	**102,374,233**	**102,368,952**	**3,371,213**	**3,371,213**	**42,713**	**41,888**	**104,172**	**104,172**

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

Type of exposure/counterparty area	Amounts as at 30/06/2012									
	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	420,278	225,062	30,508	8,308	4,485	4,048	–	–	8,135	4,564
b) Sub-standard	413,582	249,926	13,076	6,834	11,910	8,098	–	–	7,069	6,989
c) Restructured	152,687	124,383	141,915	78,671	56	54	–	–	–	–
d) Overdue	256,335	198,848	7,920	7,432	–	–	–	–	–	–
e) Other exposures	42,155,091	41,942,768	11,409,092	11,296,895	1,474,413	1,472,210	54,017	53,969	235,717	235,618
Total A	**43,397,973**	**42,740,987**	**11,602,511**	**11,398,140**	**1,490,864**	**1,484,410**	**54,017**	**53,969**	**250,921**	**247,171**
B. Off-balance-sheet exposures										
a) Non-performing	–	–	–	–	–	–	–	–	–	–
b) Sub-standard	130	130	8	8	–	–	–	–	–	–
c) Other impaired assets	21,952	21,337	3,575	3,125	–	–	–	–	–	–
d) Other exposures	13,404,705	13,397,310	5,730,978	5,723,283	274,780	273,986	141,552	141,552	103,481	103,481
Total B	**13,426,787**	**13,418,777**	**5,734,561**	**5,726,416**	**274,780**	**273,986**	**141,552**	**141,552**	103,481	103,481
Total A + B	**56,824,760**	**56,159,764**	**17,337,072**	**17,124,556**	**1,765,644**	**1,758,396**	**195,569**	**195,521**	**354,402**	**350,652**

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

Type of exposure/counterparty area	Amounts as at 30/06/2012											
	Governments			Other public entites			Financial companies			Insurances		
	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	–	–	–	–	–	–	11,472	(11,472)	–	–	–	–
b) Sub-standard	–	–	–	1	–	1	335	(13)	322	–	–	–
c) Restructured	45,238	(26,570)	18,668	–	–	–	66,879	(11,632)	55,247	–	–	–
d) Overdue	–	–	–	79	(79)	–	–	–	–	–	–	–
e) Other exposures	10,170,516	(4,031)	10,166,485	181,999	(827)	181,172	10,030,691	(36,371)	9,994,320	2,622,431	(4,759)	2,617,672
Total A	**10,215,754**	**-30,601**	**10,185,153**	**182,079**	**-906**	**181,173**	**10,109,377**	**-59,488**	**10,049,889**	**2,622,431**	**-4,759**	**2,617,672**
B. Off-balance-sheet exposures												
a) Non-performing	–	–	–	–	–	–	–	–	–	–	–	–
b) Sub-standard	–	–	–	–	–	–	–	–	–	–	–	–
c) Other impaired assets	–	–	–	–	–	–	–	–	–	–	–	–
d) Other exposures	3,872,791	–	3,872,791	227	–	227	3,904,558	(2,117)	3,902,441	448,759	–	448,759
Total B	**3,872,791**	**0**	**3,872,791**	**227**	**0**	**227**	**3,904,558**	**-2,117**	**3,902,441**	**448,759**	**0**	**448,759**
Total A+B	**14,088,545**	**-30,601**	**14,057,944**	**182,306**	**-906**	**181,400**	**14,013,935**	**-61,605**	**13,952,330**	**3,071,190**	**-4,759**	**3,066,431**

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Financial assets by outstanding maturity

Type	Amounts as at 30/06/2012									
	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	184,133	–	–	–	183,859	554,977	769,623	5,556,045	1,244,763	–
A.2 Listed debt securities	–	–	–	–	–	–	–	–	–	–
A.3 Other debt securities	58	24,774	53,901	24,336	161,873	324,402	969,160	4,204,245	2,391,388	–
A.4 OICR units	–	–	–	–	–	–	–	–	–	–
A.5 Loans and advances										
- to banks	2,208,873	241,500	38	36,985	154,578	312,692	27,250	680,414	192,774	99,614
- to customers	1,576,586	4,049,459	342,714	1,939,485	2,545,720	2,565,012	3,657,687	16,507,552	9,037,497	226,996
Off-balance-sheet assets										
B.1 Financial derivatives with exchange of principal										
- to banks										
- to customers	(1,766,223)	(260,536)	(24,513)	(396,884)	(145,445)	(108,080)	(890,767)	(7,919,644)	(355,434)	(58,189)
B.2 Deposits and loans	(3,237,177)	(1,768,201)	(268,533)	(428,256)	(1,851,252)	(3,576,680)	(4,850,301)	(972,058)	(446,885)	(213,665)
B.3 Other liabilities										
Operazioni fuori bilancio	(35,736)	(1,172)	(23,479)	(96,125)	(675,331)	(1,711,234)	(2,201,040)	(21,541,053)	(3,672,640)	(51)
C.1 Financial derivatives with exchange of principal	–	(267)	–	–	(7,018)	(6,611)	(29,872)	(607,981)	(425,682)	–
- long positions										
- short positions										
C.2 Financial derivatives without exchange of principal										
- long positions	–	735,356	353,189	833,347	1,067,502	823,492	1,647,261	595,941	–	–
- short positions	–	366,665	345,331	1,053,853	2,292,122	1,485,012	1,456,245	1,201,811	653,558	–
C.3 Deposits and financing receivables										
- long positions	4,620,540	4,889	2,807	19,030	136,079	155,468	354,975	5,644	–	–
- short positions	5,010,996	13,264	2,202	20,438	100,002	128,231	209,753	12,580	–	–
C.4 Irrevocable commitment to disburse funds										
- long positions	182,902	8,067,044	–	138,512	955,896	229,960	–	932,079	–	–
- short positions	–	24,046	–	146,856	1,046,694	1,421,590	546,051	4,197,942	3,123,214	–
C.5 Garanzie finanziarie rilasciate										
- long positions	274,348	–	7,344	342,331	813,529	18,532,011	7,074,105	49,908,647	11,847,019	275
- short positions	2,529,390	5,182,579	7,344	3,586	249,024	18,383,845	6,512,611	48,748,674	9,634,414	275
C.5 Financial guarantees issued	29,632	–	–	–	–	–	–	–	–	–

Cash exposures: trends in overall value adjustments

Description/category	Amounts as at 30/06/2012									
	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)**	**(325,923)**	**(174,188)**	**(160,123)**	**(15,639)**	**(675,873)**
B. Additions	**–**	**–**	**–**	**–**	**–**	**(106,235)**	**(121,369)**	**(57,796)**	**(54,939)**	**(340,339)**
B.1 value adjustments	–	–	–	–	–	(86,320)	(102,365)	(57,394)	(52,551)	(298,630)
B.2 transfers from other categories of impaired assets	–	–	–	–	–	(19,504)	(18,691)	(376)	(2,192)	(40,763)
B.3 other additions	–	–	–	–	–	(411)	(313)	(26)	(196)	(946)
C. Reductions	**–**	**–**	**–**	**–**	**–**	**210,734**	**121,767**	**126,369**	**12,603**	**471,473**
C.1 writebacks based on valuations	–	–	–	–	–	9,830	11,905	1,530	1,968	25,233
C.2 writebacks due to amounts collected	127	–	–	–	127	16,727	16,165	10,297	567	43,756
C.3 amounts written off	–	–	–	–	–	169,889	72,020	114,520	1,558	357,987
C.4 transfers to other categories of impaired assets	–	–	–	–	–	11,682	20,786	21	8,274	40,763
C.5 other reductions	–	–	–	–	–	2,606	891	1	236	3,734
D. Total adjustments at end of period	**–**	**–**	**–**	**–**	**–**	**(221,424)**	**(173,790)**	**(91,550)**	**(57,975)**	**(544,739)**
of which:										
specific adjustments	–	–	–	–	–	(221,424)	(173,790)	(91,550)	(57,975)	(544,739)
collective adjustments	–	–	–	–	–	–	–	–	–	–
E. Value adjustments taken to P/L	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Section 6 – 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 characteristic*
Exposures to central administrations and central banks	Moody’s Investors Service Standard & Poor’s Rating Services Fitch Ratings	Solicited/unsolicited
Exposures to international organizations	Moody’s Investors Service Standard & Poor’s Rating Services Fitch Ratings	Solicited/unsolicited
Exposures to multilateral development banks	Moody’s Investors Service Standard & Poor’s Rating Services Fitch Ratings	Solicited/unsolicited
Exposures to companies and other entities	Moody’s Investors Service Standard & Poor’s Rating Services Fitch Ratings	Solicited
Exposures to undertakings for collective investments in transferable securities (UCITS)	Moody’s Investors Service Standard & Poor’s Rating Services Fitch Ratings	Solicited
Positions in securitizations with short-term ratings	Moody’s Investors Service Standard & Poor’s Rating Services Fitch Ratings	
Positions in securitizations other than those with short-term ratings	Moody’s Investors Service Standard & Poor’s Rating Services Fitch Ratings	

* *“Solicited ratings” are ratings issued following a request by the entity being rated and in return for a fee. Ratings issued without such a request being made are treated as comparable to solicited ratings if the entity has previously received a solicited rating from the same ECAI. “Unsolicited ratings” are those issued without the entity being rated requesting a rating and without any fee being paid. The decision to use unsolicited ratings as well stems from some ECAIs choosing to convert the ratings of some European states from solicited to unsolicited. The Bank of Italy was notified of this decision on 14 September 2011.*

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Quantitative information

Standardized methodology: risk assets

Portafolios	Amounts as at 30/06/2012		
	Value of exposure	Exposures guaranteed	
		Real guarantee	Personal guarantee
Exposures to or guaranteed by central administrations and central banks	8,650,985	–	181,641
credit rating class 1	8,606,366		
credit rating class 2	43,878		
credit rating class 3	741		
credit rating classes 4 and 5	–		
credit rating class 6	–		
Exposures to or guaranteed by regional entities	51,853	–	–
credit rating class 1	6		
credit rating class 2	51,847		
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	247,029	127,465	–
credit rating class 1	115		
credit rating class 2	25,668		
credit rating class 3	–		
credit rating classes 4 and 5	221,246		
credit rating class 6	–		
Exposures to or guaranteed by Banche multilateral development banks	59,877	–	–
credit rating class 1	59,877		
credit rating class 2	–		
credit rating class 3	–		
credit rating classes 4 and 5	–		
credit rating class 6	–		
Exposures to or guaranteed by international organizations	10,552	–	–
Exposures to or guaranteed by regulated intermediaries	8,428,212	7,914,215	220,605
credit rating class 1	4,526,005		
credit rating class 2	1,907,764		
credit rating class 3	–		
credit rating classes 4 and 5	1,985,057		
credit rating class 6	9,386		
Exposures to or guaranteed by companies	27,826,256	1,763,105	94,713
credit rating class 1	114,102		
credit rating class 2	1,700,536		
credit rating classes 3 and 4	25,696,382		
credit rating classes 5 and 6	315,236		
Retail exposures	12,417,470	530,226	–
Exposures guaranteed by properties	5,028,354	1,432	–
Overdue exposures	916,336	973	–
High-risk exposures	555,431	–	–
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	308,820	–	–
credit rating class 1	–		
credit rating class 2	–		
credit rating classes 3 and 4	308,820		
credit rating classes 5 and 6	–		
Other exposures	5,779,050	42	–
Total cash risk assets	56,268,696	942,087	453,547
Total guarantees issued and commitments to disburse funds	11,025,047	–	43,412
Total derivatives contracts	2,152,074	684,072	–
Total SFTs and trades with long-term settlement	834,408	8,711,299	–
Netting arrangements between various products	–		
Grand total	70,280,225	10,337,458	496,959

*	*The Greek debt securities have been classified in credit rating class 1 bearing in mind their zero weighting under the prudential regulations for exposures to central administrations and central banks of EU member states (Circolar 263, Title II, Chapter 1, Sect. III).*

Section 8 – Risk mitigation techniques

Qualitative information

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

With reference to Mediobanca in particular, as a unit which is independent of the Bank's operating and commercial division s, the 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.

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

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

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

Policies and processes for valuing and managing real guarantees

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

- mortgage guarantees – the initial value of the property at the disbursement stage is based on a valuation made by independent experts. In order to ensure that the value of the collateral thus acquired is in line with the value of the underlying asset, a specific procedure has been drawn up which involves the fair value of the property being calculated and monitored on a regular basis based on market data supplied by an external information provider;

- pledge guarantees – pledge guarantees are valued on the basis of their real value, in the sense of market value for financial instruments listed on a regulated market, or presumed realization value in other cases. This value is then revised to reflect prudential margins, which vary according to the financial instrument used as the collateral in accordance with the provisions of regulatory requirements.

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

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

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

Just under 85% of the guarantees received (€ 8.7bn) involve securities in connection with securities financing transactions which are recorded among real financial guarantees; there is also € 686m (approx. 7% of the total) in cash collateral, chiefly in respect of derivatives trading and the remainder for structured finance transactions.

MEDIOBANCA

Quantitative information

Risk mitigation techniques

Exposures to	Amounts as at 30/06/2012		
	Real financial guarantees	Other guarantees	Personal guarantees and credit derivatives
Central administrations and central banks	–	–	181,641
Regulatory intermediaries	7,914,215	44,893	175,712
Regional entities	–	–	–
Non-profit-making and public sector entities	127,465	–	–
Multilteral development banks	–	–	–
International bodies	–	–	–
Companies	1,763,105	–	94,713
Retail exposures	530,226	–	–
Short-term exposures to companies	–	–	–
OICRs	–	–	–
Exposures guaranteed by properties	1,432	–	–
Exposures in the form of guaranteed bank debt securities	–	–	–
Overdue exposures	973	–	–
High-risk exposures	–	–	–
Other exposures	42	513	–
Total	10,337,458	45,406	452,066

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Section 9 – 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. As far as regards derivatives and loan collateralization products (repos and securities lending), the calculation is based on determining the maximum potential exposure (assuming a 95% confidence level) at various points on a time horizon that reaches up to 30 years. The scope of application regards all groups of counterparties which have relations with Mediobanca, taking into account the existence or otherwise of netting agreements (e.g. ISDA, GMSLA or GMRA) and collateralization (e.g. CSA), plus exposures deriving from interbank market transactions. For each type of operations there are different ceilings split by counterparty and/or group. The limits are checked daily, based on the reports produced by the Risk Management unit.

* * *

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.

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Quantitative information

Counterparty risk

Counterparty risk – real guarantees held

COUNTERPARTY RISK - REAL GUARANTEES HELD	AMOUNTS AS AT 30/06/2012
Standardized approach	
derivatives contracts	684,072
SFTs and trades with long-term settlement	8,711,299
IRB approaches	
derivatives contracts	–
SFTs and trades with long-term settlement	–

Counterparty risk – risk assets

COUNTERPARTY RISK	AMOUNTS AS AT 30/06/2012
Standardized approach	
- derivatives contracts	2,152,074
- SFTs and trades with long-term settlement	834,408
IRB approaches	
- derivatives contracts	–
- SFTs and trades with long-term settlement	–

Type of transaction	30 june 2012		30 june 2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	109,668,791	13,473,584	116,053,317	44,342,682
a) Options	–	4,225,500	–	33,748,302
b) Swaps	99,892,289	–	105,797,667	–
c) Forwards	–	–	–	–
d) Futures	–	9,248,084	–	10,594,380
e) Others	9,776,502	–	10,255,650	–
2. Equities and share indexes	43,946,742	31,844,057	40,936,388	16,526,519
a) Options	40,775,779	31,649,118	39,179,172	16,296,837
b) Swaps	3,170,842	–	1,757,216	–
c) Forwards	121	–	–	–
d) Futures	–	194,939	–	229,682
e) Others	–	–	–	–
3. Exchange rates and gold	9,522,300	132	7,084,716	–
a) Options	59,161	–	2,225,356	–
b) Swaps	1,498,372	–	1,844,250	–
c) Forwards	7,964,767	–	3,015,110	–
d) Futures	–	132	–	–
e) Others	–	–	–	–
4. Commodities	–	1,264	–	–
5. Other assets	–	–	–	–
Total	**163,137,833**	**45,319,037**	**164,074,421**	**60,869,201**
Average values	163,236,379	53,094,119	150,765,265	64,833,458

Type of transaction	30 june 2012		30 june 2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	30,998,853	–	34,665,139	–
a) Options	–	–	–	–
b) Swaps	30,807,897	–	34,465,139	–
c) Forwards	10,956	–	–	–
d) Futures	–	–	–	–
e) Others	180,000	–	200,000	–
2. Equities and share indexes	2,560	–	28,868	–
a) Options	183	–	20	–
b) Swaps	–	–	26,471	–
c) Forwards	2,377	–	2,377	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
3. Exchange rates and gold	33,539	–	29,684	–
a) Options	–	–	–	–
b) Swaps	33,539	–	29,684	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
4. Commodities	–	–	–	–
5. Other assets	–	–	–	–
Total	**31,034,952**	**–**	**34,723,691**	**–**
Average values	32,744,916	–	34,201,138	2,198

Type of transaction	30 june 2012		30 june 2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	12,251	–	12,251	–
a) Options	–	–	–	–
b) Swaps	12,251	–	12,251	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
2. Equities and share indexes	8,240,895	–	9,255,369	–
a) Options	8,240,895	–	9,255,369	–
b) Swaps	–	–	–	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
3. Exchange rates and gold	10,613	–	43,489	–
a) Options	10,613	–	43,489	–
b) Swaps	–	–	–	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
4. Commodities	–	–	–	–
5. Other assets	–	–	–	–
Total	**8,263,759**	**–**	**9,311,109**	**–**
Average values	8,783,947	–	9,630,028	–

Type of transactions	Positive fair value			
	30 june 2012		30 june 2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	4,412,338	1,096,518	3,341,307	557,639
a) Options	1,302,514	1,082,876	1,312,267	544,815
b) Interest rate swaps	2,939,169	–	1,768,448	–
c) Cross currency swaps	52,725	–	76,720	–
d) Equity swaps	41,738	–	91,032	–
e) Forwards	76,192	–	92,839	–
f) Futures	–	13,642	–	12,824
g) Others	–	–	1	–
B. Banking book: hedge derivatives	1,735,298	–	1,481,246	–
a) Options	–	–	–	–
b) Interest rate swaps	1,586,718	–	1,418,580	–
c) Cross currency swaps	1,619	–	–	–
d) Equity swaps	–	–	–	–
e) Forwards	–	–	–	–
f) Futures	–	–	–	–
g) Others	146,961	–	62,666	–
C. Banking book: other derivatives	131,863	–	117,586	–
a) Options	127,912	–	113,565	–
b) Interest rate swaps	3,951	–	4,021	–
c) Cross currency swaps	–	–	–	–
d) Equity swaps	–	–	–	–
e) Forwards	–	–	–	–
f) Futures	–	–	–	–
g) Others	–	–	–	–
Total	6,279,499	1,096,518	4,940,139	557,639

Type of transaction	Negative fair value			
	30 june 2012		30 june 2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	(5,136,695)	(1,044,228)	(3,484,830)	(518,937)
a) Options	(1,408,537)	(1,025,783)	(1,230,067)	(511,173)
b) Interest rate swaps	(3,273,728)	—	(1,916,078)	—
c) Cross currency swaps	(108,589)	—	(62,475)	—
d) Equity swaps	(264,259)	—	(218,086)	—
e) Forwards	(81,582)	—	(58,123)	—
f) Futures	—	(18,445)	—	(7,764)
g) Others	—	—	(1)	—
B. Banking book: hedge derivatives	(507,544)	—	(707,717)	—
a) Options	(147,056)	—	(62,669)	—
b) Interest rate swaps	(357,861)	—	(639,630)	—
c) Cross currency swaps	(2,526)	—	(5,296)	—
d) Equity swaps	—	—	(122)	—
e) Forwards	(101)	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
C. Banking book: other derivatives	(119,069)	—	(291,137)	—
a) Options	(119,069)	—	(291,137)	—
b) Interest rate swaps	—	—	—	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	**(5,763,308)**	**(1,044,228)**	**(4,483,684)**	**(518,937)**

Contracts not forming part of netting arrangements	30 june 2012						
	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
notional value	–	–	1,858,378	4,413,552	948,117	7,462,843	–
positive fair value	–	–	30,557	84,850	85,028	353,650	–
negative fair value	–	–	(30,303)	(20,307)	(28,293)	(72,489)	–
future exposure	–	–	8,599	11,378	13,875	51,377	–
2. Equities and share indexes							
notional value	–	–	22,295	417,171	16,300	312,123	–
positive fair value	–	–	988	16,761	–	19,168	–
negative fair value	–	–	(7)	(7,798)	–	(40,321)	–
future exposure	–	–	1,535	25,551	1,630	18,720	–
3. Exchange rates and gold							
notional value	–	–	86,098	123,525	–	480,004	123
positive fair value	–	–	367	19	–	27,250	–
negative fair value	–	–	(184)	(1,021)	–	(51,672)	(3)
future exposure	–	–	581	4,560	–	27,397	1
4. Other assets							
notional value	–	–	–	–	–	–	–
positive fair value	–	–	–	–	–	–	–
negative fair value	–	–	–	–	–	–	–
future exposure	–	–	–	–	–	–	–
Total	**–**	**–**	**1,978,904**	**5,068,241**	**1,036,657**	**8,588,050**	**121**

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

Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
notional value	–	–	718,831	10,047	–	1,012	–
positive fair value	–	–	153,151	–	–	–	–
negative fair value	–	–	(18,301)	(25)	–	(2)	–
future exposure	–	–	2,741	–	–	–	–
2. Equities and share indexes							
notional value	–	–	–	–	–	2,377	183
positive fair value	–	–	–	–	–	–	–
negative fair value	–	–	–	–	–	–	(96)
future exposure	–	–	–	–	–	–	15
3. Exchange rates and gold							
notional value	–	–	–	–	–	–	–
positive fair value	–	–	–	–	–	–	–
negative fair value	–	–	–	–	–	–	–
future exposure	–	–	–	–	–	–	–
4. Other assets							
notional value	–	–	–	–	–	–	–
positive fair value	–	–	–	–	–	–	–
negative fair value	–	–	–	–	–	–	–
future exposure	–	–	–	–	–	–	–

Transaction categories	Regulatory trading book		Other transactions	
	Individual assets	Baskets	Individual assets	Baskets
1. Hedge buys				
a) Credit default	1,439,830	79,058,450	446,498	40,525
b) Credit spread products	–	–	–	–
c) Total rate of return swaps	–	–	–	–
d) Others	–	–	–	–
Total A at 30/6/10	**1,439,830**	**79,058,450**	**446,498**	**40,525**
Average values	1,609,098	76,248,526	408,922	27,075
Total A at 30/ 6/ 11	**1,876,220**	**73,177,102**	**401,904**	**11,500**
2. Hedge sales				
a) Credit default	1,485,945	79,485,412	110,114	1,835,000
b) Credit spread products	–	–	–	–
c) Total rate of return swaps	–	–	–	–
d) Others	–	–	–	–
Total B at 30/6/10	**1,485,945**	**79,485,412**	**110,114**	**1,835,000**
Average values	1,442,418	76,152,074	215,464	1,725,401
Total B at 30/6/11	**1,360,305**	**73,527,535**	**438,114**	**1,779,300**

Portfolio/derivative instrument type	Positive fair value	
	30 june 2012	30 june 2011
A. Regulatory trading book	1,717,268	1,631,291
a) Credit default products	1,717,268	1,631,291
b) Credit spread products	–	–
c) Total rate of returns swaps	–	–
d) Others	–	–
B. Banking book	70,901	126,905
a) Credit default products	70,901	126,905
b) Credit spread products	–	–
c) Total rate of returns swaps	–	–
d) Others	–	–
Total	**1,788,169**	**1,758,196**

Portfolios/derivative instruments type	Negative fair value	
	30 june 2012	30 june 2011
A. Regulatory trading book	(1,723,332)	(1,678,680)
a) Credit default products	(1,723,332)	(1,678,680)
b) Credit spread products	–	–
c) Total rate of returns swaps	–	–
d) Others	–	–
B. Banking book	(34,915)	(125,277)
a) Credit default products	(34,915)	(125,277)
b) Credit spread products	–	–
c) Total rate of returns swaps	–	–
d) Others	–	–
Total	**(1,758,247)**	**(1,803,957)**

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
Regulatory trading book							
1) Hedge buys							
notional value	–	–	79,339,585	1,108,696	–	–	–
positive fair value	–	–	1,201,402	18,448	–	–	–
negative fair value	–	–	(517,189)	(5,259)	–	–	–
2) Hedge sales							
notional value	–	–	79,836,123	1,118,985	–	–	–
positive fair value	–	–	489,953	4,106	–	–	–
negative fair value	–	–	(1,171,430)	(26,709)	–	–	–
Banking book							
1) Hedge buys							
notional value	–	–	–	–	–	–	–
positive fair value	–	–	–	–	–	–	–
negative fair value	–	–	–	–	–	–	–
2) Hedge sales							
notional value	–	–	–	–	–	–	–
positive fair value	–	–	–	–	–	–	–
negative fair value	–	–	–	–	–	–	–
Total	**–**	**–**	**159,178,444**	**2,218,267**	**–**	**–**	**–**

Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
Regulatory trading book							
1. Hedge buys							
notional value	–	–	–	50,000	–	–	–
positive fair value	–	–	–	3,359	–	–	–
negative fair value	–	–	–	–	–	–	–
future exposure	–	–	–	2,500	–	–	–
2. Hedge sales							
notional value	–	–	–	16,250	–	–	–
positive fair value	–	–	–	–	–	–	–
negative fair value	–	–	–	(2,745)	–	–	–
future exposure	–	–	–	–	–	–	–
Banking book							
1. Hedge buys							
notional value	–	–	–	–	–	–	–
positive fair value	–	–	–	–	–	–	–
negative fair value	–	–	–	–	–	–	–
2. Hedge sales							
notional value	–	–	–	–	–	–	–
positive fair value	–	–	–	–	–	–	–
negative fair value	–	–	–	–	–	–	–

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	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1) Financial derivatives bilateral agreements							
positive fair value	–	–	–	–	–	–	–
negative fair value	–	–	–	–	–	–	–
future exposure	–	–	–	–	–	–	–
net counterparty risk	–	–	–	–	–	–	–
2) Credit derivatives bilateral agreeements							
positive fair value	–	–	–	–	–	–	–
negative fair value	–	–	–	–	–	–	–
future exposure	–	–	–	–	–	–	–
net counterparty risk	–	–	–	–	–	–	–
3) "Cross product" agreements							
positive fair value	–	–	735,046	43,510	149,596	47,047	–
negative fair value	–	–	(576,979)	(287,933)	(8,003)	(10,610)	–
future exposure	–	–	912,675	136,019	26,711	10,170	–
net counterparty risk	–	–	975,652	176,747	164,717	57,577	–

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Section 10 – Securitizations

Qualitative information

The Group has seven securitizations outstanding through securitization vehicle companies Quarzo Lease S.r.l. (SelmaBipiemme receivables), Quarzo S.r.l. (Compass receivables), Jump S.r.l. (ex-Linea receivables). In all these securitizations, the junior tranches have been subscribed for by Group companies, while the senior tranches of the Quarzo Lease deals have been subscribed for by the European Investment Bank, and the senior tranches of the Jump transactions have been placed on the market. None of these securitizations has given rise to derecognition of the underlying assets.

Information on such deals is provided below, to provide a clearer picture of their nature in earnings terms

- **Quarzo Lease S.r.l. (securitizations originated by SelmaBipiemme Leasing receivables)** - This special purpose vehicle company currently has three securitizations outstanding, both with SelmaBipiemme as the underlying instruments, with the junior tranches underwritten by SelmaBipiemme itself and the senior tranches by the EIB: i) the first involved the issue of € 350m senior securities and € 36.9m junior securities against € 386.9m in performing receivables; the securitization, which was completed on 25 July 2007, has a revolving period until July 2016; at 30 June 2012 a further € 545m in securities was sold; ii) the second deal involved the issue of € 350m senior securities and € 100m junior securities, against performing leases worth € 450m; the securitization, completed on 19 May 2009, had a revolving period until July 2013, which closed early on 25 June this year; at 30 June 2012 a further € 357m in receivables was sold; iii) the third deal involved the issue of € 202m senior and € 123.1m junior securities, against performing leases worth € 325m; the securitization, completed on 18 July 2011, had a revolving period until July 2014; at 30 June 2012 a further € 92m in receivables was sold;

- **Quarzo s.r.l. (securitization originated by Compass receivables)** - This vehicle company currently has two deals outstanding, both of which are subscribed for directly by Group companies. The rationale for the deals is to widen the Group's sources of funding, leveraging on the possibility of refinancing the senior notes with the European Central Bank: i) the first deal involved the issue of 1 billion senior and € 250m junior securities, against performing receivables worth a total of € 1,250m; the deal was launched in August 2008, with a revolving period now extended until February 2013, which during the year under review led to receivables worth € 625m being sold; ii) the second deal involved the issue of € 690m senior and € 210m junior securities, against performing receivables worth a total of € 900m; the deal was launched in February 2009, with a revolving period now extended until February 2013, which during the year under review led to receivables worth € 472m being sold;

- **Jump s.r.l. (securitizations originated by Linea performing receivables)** - This special purpose vehicle issued two series of notes against two disposals of performing receivables by Linea: i) the first deal (launched in April 2005) involved class A securities worth € 526.8m, class B securities worth € 40.1m, and junior notes worth € 5.7m (subscribed for by Linea), all maturing on 27 April 2026, against the disposal of 102,696 receivables worth € 572.6m (equal to par value); the revolving period ended in April 2009 and the repayment stage commenced, which by 30 June 2012 had reached over 95% of the securities in circulation (€ 550m); the second deal (launched in October 2006) involved class A securities worth € 368.6m, class B securities worth € 30.6m, and junior notes worth € 0.8m, subscribed for by Linea and maturing on 27 April 2026, against the disposal of 61,751 receivables worth € 400m (equal to par value); the revolving period ended in October 2010 and the repayment stage commenced, which by 30 June 2012 had reached around 70% of the securities in circulation (€ 279m). During the year class B securities equal to € 5.2m of the nominal value were acquired, generated a gain of € 0.2m.

The Group also holds:

- a banking book of securities deriving from securitizations by other issuers amounting to € 272.2m (30/6/11: € 312.3m), following disposals and redemptions totalling € 40m (generating gains of € 0.5m) and other upward adjustments amounting to € 0.4m, € 2.5m of which in connection with adjustments to fair value; the banking book reflects notional losses of € 42.4m;

- a trading book of securities deriving from securitizations by other issuers amounting to € 52.9m (30/6/11: € 46.6m), following purchases of € 31.7m, following disposals and redemptions totalling € 23.5m (generating gains of € 0.4m), and other downward adjustments amounting to € 2.3m, € 2.6m of which in connection with adjustments to fair value.

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

The exposures to securities deriving from securitizations are monitored as part of the calculation of the market value at risk which is calculated by the Market risk management unit, and are subject to the issuer limits established.

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

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

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Quantitative information

Standardized methodology: positions in securitizations

1. *Banking book securitizations (AFS, HTM and LR portfolios)*

RISK WEIGHTING CLASSES	Amounts as at 30/06/2012 Cash risk assets			
	Own securitizations		Third-party securitizations	
	Type of securitization		Type of securitization *	
	Traditional	Synthetic	Traditional	Synthetic
Weighting 20%	–	–	60,973	–
Weighting 50%	–	–	102,644	–
Weighting 100%	–	–	50,913	–
Weighting 350%	–	–	971	–
Weighting 1250% - with rating	–	–	–	–
Weighting 1250% - without rating	–	–	2,403	–
Look-through - second loss in ABCP	–	–	–	–
Look-through - other	–	–	32,009	–
Weighting 650%	–	–	22,289	–
Total	**–**	**–**	**272,202**	**–**

* *No off-balance-sheet risk assets included.*

2. *Trading book securitizations*

RISK WEIGHTING CLASSES	Amounts as at 30/06/2012			
	Cash risk assets			
	Own securitizations		Third-party securitizations	
	Type of securitization		Type of securitization *	
	Traditional	Synthetic	Traditional	Synthetic
Weighting 20%	–	–	16,930	–
Weighting 50%	–	–	35,931	–
Weighting 100%	–	–	–	–
Weighting 350%	–	–	–	–
Weighting 1250% - with rating	–	–	–	–
Weighting 1250% - without rating	–	–	7	–
Look-through - second loss in ABCP	–	–	–	–
Look-through - other	–	–	–	–
Weighting 650%	–	–	–	–
Total	**–**	–	52,868	–

* *No off-balance-sheet risk assets included.*

Section 12 – Operational risk

Qualitative information

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

Section 13 – 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 24 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 30/06/2012										
	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	3,037,379	990,863	2,548,116	990,863	(325,585)	278,926	(79,642)	80,698	(364,224)	5,878	(34,975)
A.2 Innovative equity instruments	–	–	–	–	–	–	–	–	–	–	–
A.3 Other equity instruments	–	135,206	–	135,206	(132,713)	–	–	–	–	–	–
B. OICR units											
B.1 Incorporated under Italian law	–	83,047	–	83,047	(2,399)	3	–	2,199	(2,257)	1,100	(1,128)
harmonized, open	–	–	–	–	–	–	–	–	–	–	–
not harmonized, open	–	–	–	–	–	–	–	–	–	–	–
closed	–	68,675	–	68,675	–	–	–	2,199	(2,034)	1,100	(1,017)
reserved	–	9,598	–	9,598	(2,399)	–	–	–	–	–	–
speculative	–	4,774	–	4,774	–	3	–	–	(223)	–	(111)
B.2 Other EU states	–	22,051	–	21,701	–	–	–	893	(778)	446	(389)
harmonized	–	14,180	–	13,830	–	–	–	1	(778)	–	(389)
not harmonized, open	–	–	–	–	–	–	–	–	–	–	–
not harmonized, closed	–	7,871	–	7,871	–	–	–	892	–	446	–
B.3 Non-EU states	–	1,924	–	1,924	–	–	–	112	(9)	56	–
open	–	1,924	–	1,924	–	–	–	112	(9)	56	–
closed	–	–	–	–	–	–	–	–	–	–	–
Total	3,037,379	1,233,092	2,548,116	1,232,742	(460,698)	278,929	(79,642)	83,901	(367,266)	7,479	(36,492)

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Banking book: equity instruments

Category	Book value as at 30/06/2012
Private equity instruments held in a sufficiently diversified form	107,022
Equity instruments listed on regulated markets	3,037,379
Other equity instruments	1,126,069
Total equity instruments	**4,270,470**
Balance-sheet values, listed and unlisted	4,270,470
Difference	–

Section 14 – Interest rate risk on banking book positions

Qualitative information

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

Quantitative information

The Group’s exposure to interest rate risk has been quantified in accordance with the simplified methodology described by the Bank of Italy in Circular 263. The regulatory approach is based on quantifying the variation in the economic value of the supervisory banking book following a change in interest rates.

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

The calculation of the interest rate risk on interest on the banking book is shown below, following a shift in the interest rate considering the 99th percentile (increase) in the annual changes in interest rates recorded in the last 6 years[8]:

(€ mln)	Amounts at 30.06.12
Interest rate risk on the banking book	**376**
◆ Euro	**376**
◆ Other currencies	(5)

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, assuming a parallel shift in interest rates of +200 bps:

(€ mln)	Amounts at 30.06.12
Interest rate risk on the banking book	**665**
◆ Euro	**665**
◆ Other currencies	**(11)**
Regulatory capital	**7,810**
Risk Index	**8.51%**

The riskiness index is approx. 8.51%, far below the 20% attention threshold set by the Bank of Italy.

7) *The calculation methods are in line with the simplified methodology provided for in Circular 263.*
8) *In the event of interest rates falling, there would be an overall increase in the value of the banking book which does not represent a source of risk. On prudential grounds, no offset between exposures in different currencies has been offset included in the calculation.*

Section 15 – Remuneration and incentivization systems and practices

Qualitative information

Introduction

During the year under review, the governing bodies of Mediobanca have continued to devote particular attention to the issue of remuneration, including in the light of the new documents published by the supervisory authorities on this subject. The Bank of Italy in particular, in updating its circular no. 263 (issued in December 2006) in December 2011, established that information on remuneration should be made public as part of the disclosure required under the Basel III Pillar 3 regulatory provisions. Furthermore, in a memo issued on 2 March 2012, the Bank of Italy also reminded banking groups to pay special attention to the costs associated with variable remuneration and to ensure performance is measured correctly, ensuring that due account is taken of liquidity and capitalization objectives.

With respect to issues of transparency and disclosure, under resolution no. 18049 issued on 23 December 2011, Consob established the methods by which the report on remuneration is to be disclosed to the public, which, in the case of banks, adds to the provisions established by the sector regulations.

At an annual general meeting held on 27 October 2012, the shareholders of Mediobanca approved the Group's new remunerations policies, which had been approved by the Board of Directors on 20 September 2012, and which are set forth below.

Staff remuneration policies for FY 2011/2012

Remuneration of non-executive directors

The Board of Directors, at the Remuneration Committee's proposal, has adopted a resolution to reduce their remuneration for 2012–2014 by some 30% compared to the previous three-year period.

Group	Compensation 2012-2014 (€)		Total (€)
Directors	22	100,000	2,200,000
Deputy Chairman	2	35,000	70,000
Executive Committee	3	60,000	180,000
Remunerations Committee	4	20,000	80,000
Appointments Committee	4	20,000	80,000
Internal Control and Related Parties Committees	4	75,000	300,000
Total			**2,910,000**

Executive directors' remuneration

The remuneration paid to those of the directors who are also members of the Group's senior management has also been revised during the year by the Board of Directors (in agreement with and at the proposal of the interested parties), subject to approval by the Remunerations Committee, to bring the package into line with the Bank of Italy's guidance and the Group remuneration policy approved on 28 October 2011.

In particular, as from this year their fixed annual salary has been reduced from the amounts previously stipulated in their contracts and set at the following rates:

Executive Director	Gross annual salary (€)
Renato Pagliaro - Chairman	1,800,000
Alberto Nagel - Chief Executive Officer	1,800,000
Francesco Saverio Vinci – General Manager	1,500,000
Massimo Di Carlo	1,260,000
Maurizio Cereda	1,170,000

The methods used to measure their individual bonuses have also been revised, so that payment of bonuses will depend on specific, individual quantitative and qualitative performance objectives assigned from year to year starting from 2012/2013 being reached. Payment of bonuses will take place in accordance with the terms, conditions and methods set forth in the Group's remuneration policies in force from time to time. The Chairman's remuneration package does not include any variable component. Certain contractual clauses relative to termination of employment have also been revised, so that such cases are now governed exclusively by the provisions of the law and the national collective contract, without any separate arrangements being in place.

For the financial year ended 30 June 2012, as for the previous year, the Group's executive directors did not receive any variable compensation.

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

The bonus pool serves to pay the variable component to be assigned annually to those of Mediobanca's staff who, on account of their responsibilities, role or level of remuneration, are closely associated with the Bank's earnings performance. Such staff are defined as "most relevant", in accordance with the definitions provided in the Bank of Italy regulations. Save where certain pre-existing contractual obligations still apply, the bonus pool is paid only upon a series a conditions, or gates, being met, which consist of the following indicators:

- positive economic profit earned by the CIB division[9];
- consolidated financial statements reflecting a profit;
- core tier 1 ratio above regulatory threshold;
- compliance with adequate liquidity coverage ratio level[10].
- The bonus pool is also calculated by taking into account:
- other quantitative aspects: results achieved compared to budget objectives, performance compared to historical precedents

9) *Economic profit (EP) consists of the profit earned by the CIB division, not including the contribution from leasing operations or the equity investments attributable to the division (equity investments and AFS shares), adjusted for the cost of capital (regulatory) required to carry out such activity. The metric therefore measures the extra profit created after the return on capital, with the cost of capital being calculated on the basis of the medium-/long-term risk-free rate plus returns for general and specific risk. The EP metric was chosen in order to take into account, as required by the supervisory authorities, current and potential risks and sustainability of results over time.*

10) *Coincides with the liquidity coverage ratio, a short-term liquidity indicator calculated from the ratio between the amount of highly liquid securities (or "counterbalance capacity", largely consisting of core European government bonds) and the balance of net outflows in the next 30 days, and using certain stress assumptions for the demand items. This indicator is considered to be adequate if above 100%, that is, the amount of the counterbalance capacity has to exceed the expected net outflows. Alternatively another indicator could be used which is more representative of the Group's liquidity situation.*

- qualitative considerations: payment of a dividend, Mediobanca's positioning and market share, evaluation of stock market performance, cost/income and compensation/income ratio levels with a view to their sustainability over time, loyalty retention among top performers and key staff, as well as the need to add new professional talent.
- The performance of the CIB division (excluding items in respect of equity investments and leasing) in the twelve months ended 30 June 2012 shows:
- revenues flat, including as a result of the contribution from trading;
- administrative costs flat, with labour costs declining;
- a good performance in normalized profit before tax, which was up 9%;
- loan loss provisions up 5% net of the non-recurring writebacks seen last year; while the gross result was down on account of the writedowns charged to the securities portfolio;
- cost/income and compensation/income ratios down compared to last year.
- At the Group level the following results should be noted:
- flat revenues, reflective resilience in net interest and fee income as well as the contribution from trading, which as a result of the recovery posted in the final quarter, offset the reduced contribution from the equity investments (in particular Assicurazioni Generali);
- significant impact of adjustments to securities, which almost doubled due to the poor performance of financial markets;
- costs were down 9.5%, with labour costs down 5% in particular;
- higher loan loss provisions, reflecting the deterioration in the risk profile of corporates and households;
- profit from ordinary activities up 3.6%.
- As for the other conditions precedent to distribution of the bonus pool, at 30 June 2012:
- the core tier 1 ratio was equal to 11.5%;
- the liquidity ratio was equal to approx. 114%, net of the LTROs, compared with the regulatory minimum of 100%.

Given that all the conditions precedent to distribution of the bonus pool had been met, applying all the criteria provided and taking into account the Remunerations Committee's and the Board of Directors' recommendations, the Chief Executive Officer decided to award a bonus pool amounting to € 44m for Mediobanca, down 50% on last year, with a payout ratio equal to approx. 26% of the economic profit (compared with 37% last year). This amount includes the share paid in equity (performance shares) totalling around € 12m (approx. 30% of the bonus pool) to be booked in part over the next three financial years, in accordance with the international accounting standards. In addition, of the cash component (€ 32m), only around € 20m was actually paid, with the remainder deferred to subsequent years.

There were a total of 119 recipients of the bonus pool (compared with 133 last year): in addition to the six senior Mediobanca executives, these include risk-takers with variable remuneration of above € 500,000 (nine staff members employed on the trading desks of the Financial markets division), staff belonging to control units (14), other staff with variable remuneration of above € 500,000 (3), and other staff (87) who, on account of the type of activity carried out and the seniority of their role, have a significant impact on the Bank's risk profile (market, reputational and operational risk).

Management with strategic responsibilities other than the executive directors as at 30 June 2012 consisted of ten persons: the heads of the control units plus the principal staff and support areas, the head of financial reporting, and other staff in charge of important business areas considered strategic for the Bank's functioning. Their remuneration package reflects the provisions of the Remuneration policies, based on the individual category of most relevant staff to which they belong.

Deferral of annual bonus over several years and malus conditions for deferred annual bonus

For the most important figures in the "most relevant staff" the share accounted for by the deferred bonus amounts to 60%, falling to 40% or 30% for the other categories impacting less substantially on the risks faced by the Bank, in accordance with the Remunerations policies approved on 28 October 2011. The time horizon for deferral is in all cases three years, with payments made annually pro rata.

The share paid in the form of equity instruments for staff with variable remuneration of over is 50%, for both the upfront component (i.e. paid in the same year as the award itself is made) and the deferred share; the balance is paid in cash.

Conditions of retention and conservation are applied to the equity component of the remuneration once the respective rights have vested, for an addition period of time (known as the holding period), for purposes of retention. The holding period has been set at two years for the upfront component and one year for the deferred component.

For the group of staff identified internally based on the criterion of proportionality[11] (with deferred share equal to 30% if the amount of the variable remuneration exceeds € 200,000), the payment is made entirely in cash.

The 53 Mediobanca staff subject to deferral are divided as follows:

Senior figures, Italy and international	6	Equity/cash
Senior risk-takers	9	Equity/cash
Senior bankers (non-risk-takers)	3	Equity/cash
Others	35	Cash
Total	**53**	

From the bonus pool described in the previous section, the Board of Directors therefore approved the award of 3,104,678 performance shares to Group staff, worth a total value of approx. € 12m based on the average stock market price of Mediobanca shares in the month prior to the award, i.e. € 3.73 per share. Furthermore, pursuant to contractual clauses entered into for recruitment purposes, a total of 2,756,816 performance shares were awarded, in this case with a holding period of either two or three years.

The staff remuneration policies also provide for the deferred bonus to be subject to further performance conditions which, in the years of the deferral period, could result in its being cancelled. In this way remuneration takes account into account the performance of the risks assumed by the Bank, the divisional results and individual behaviour, over time. Deferred bonuses, in cash or equity, are thus conditional upon the staff member concerned still being in the Bank's

11) *Criterion identified by the supervisory authorities to graduate application of the regulation based on the complexity and type of company.*

employ at the time of their distribution, but also to the following performance conditions being met in the year of distribution:

- positive economic profit earned by the CIB division;
- consolidated financial statements reflecting a profit;
- core tier 1 ratio above regulatory threshold;
- compliance with adequate liquidity coverage ratio level;
- possible additional individual performance conditions;
- proper conduct by the individual (i.e. not having been subject to disciplinary measures) in view, *inter alia*, of the provisions of the Group audit regulations, Code of ethics, Organizational model and the other internal Mediobanca regulations.

Certain contracts entered into with staff employed at the Bank's international offices have also been revised during the year, bringing them into line with the provisions of the Remuneration policies currently in force.

Assessment of individual quantitative/qualitative performance in awarding annual bonuses

The Chief Executive Officer and the senior managers have granted bonuses to individual beneficiaries based on assessment of their performances, with a view to retaining the best key staff. This includes qualitative criteria (development of product offering, professional conduct and reliability, quality in terms of customer relationships, technical and analytical skills in the field of finance, ability to control costs, importance placed on achieving operating efficiency, and co-operation with other areas of the Bank), and also earnings results achieved.

Involvement of control units in validation of remuneration process

The Group audit and Compliance units have issued reports on the controls carried out by them, which show that the remuneration and incentivization policy adopted by Mediobanca complies with the Bank of Italy's guidance.

The Risk management unit also took part in the Remunerations Committee meetings at which the amount of the remuneration assigned was established.

New staff remuneration policies

Governance

The governance for the Mediobanca remuneration policy and decisions regarding the "most relevant staff" is structured across two levels: i) corporate; and ii) organizational.

Corporate

The corporate governance of the remuneration policies guarantees that the policies are based on clear and prudent guidelines which ensure the policies are consistent, avoiding situations of conflicts of interest arising, and transparent, through suitable reporting.

Under the current Articles of Association:

- shareholders in general meeting determine the fixed annual remuneration payable to members of the Board of Directors, upon their appointment for the entire duration of their term of office, to be divided among the individual Board members according to the decisions of the Board of Directors itself (Article 13);

- shareholders in general meeting also approve remunerations policies and share-based compensation schemes for Directors and Group staff (Article 13).

- the Board of Directors determines the Chairman's, the Chief Executive Officer's and General Manager's remuneration (Article 18).

- the Remunerations Committee has powers of consultation and enquiry to determine the remuneration of Directors vested with particular duties and the General Manager. The Remunerations Committee also gives its opinion on the staff remuneration and retention policies operated by the Group and presented by the Chief Executive Officer (Article 19).

- the Chief Executive Officer presents the Group staff remuneration and retention policies to the governing bodies (Article 19), is responsible for staff management, and having sought the opinions of the General Manager, determines the bonus pool based on the criteria established by the Board of Directors (Article 25) and then distributes it.

Remunerations committee

The committee is made up of six non-executive members, and as mentioned previously, has powers of consultation and enquiry to determine the remuneration of Directors vested with particular duties and the General Manager. The Remunerations Committee also gives its opinion on the staff remuneration and retention policies operated by the Group.

The Chairman of the Statutory Audit Committee, the Managing Director and the General Manager take part in meetings of the Remunerations Committee (the latter two in an advisory capacity).

The Committee met five times in the period from 1 July 2011 to 30 June 2012. The average duration of Committee meetings was roughly one hour.

Remunerations Committee	Indipendent (Code)*	Indipendent (Finance Act)**
Angelo Casò (Chairman)	x	x
Roberto Bertazzoni	x	x
Anne Marie Idrac	x	x
Vanessa Labérenne	x	x
Renato Pagliaro		
Carlo Pesenti		x

* *Independent as defined in Code of conduct for listed companies.*
** *Independent as defined in Article 148, para. 3 of Italian Legislative Decree 58/98.*

Organizational governance

The process by which the Mediobanca remuneration policies are formulated, which involves the approval procedure described above, requires the involvement of various individuals and bodies. The Human resources department is responsible for overseeing and managing the process by which proposals are formulated. The internal control units are also involved in this process.

The Risk management unit is responsible for identifying potential events that could impact on the company's business, managing the risk within acceptable limits; it therefore helps in defining the metrics to be used to calculate the risk-adjusted company performance (i.e. economic profit or other indicators, plus other quantitative and qualitative aspects, if any) and in validating the results.

The Group audit unit reports at least once a year on the controls it has carried out, including a statement to the effect that the staff remuneration and incentivization policy adopted by the Bank complies with the Instructions. It also carries out annual controls on the data and process, and brings any irregularities to the attention of the relevant bodies for the appropriate corrective action to be taken.

The Compliance unit too carries out an annual assessment of the remuneration policies' compliance with the reference regulatory framework with a view to containing any legal or reputational risks. The Compliance unit is involved in the processes of revising, adapting and managing the remuneration systems to ensure these are in line with the regulations in force at the time. The review carried out by the unit of the new remuneration policies showed that the policies are consistent with the regulatory instructions presently in force.

Correlation between remuneration, risks and performance

The correlation between remuneration, risks and performance is achieved by a system which:

- benchmarks the variable remuneration to risk-adjusted performance indicators over several years; variable remuneration is determined on the basis of indicators recorded at Group, CIB division and individual business area level;
- ensures that the award of variable compensation is subject to the conditions of capital solidity, liquidity and risk-adjusted profitability being met continuously;
- makes payment of the deferred bonus subject to maintaining: the conditions of capital solidity, liquidity and risk-adjusted profitability at Group and possibly also business area level; adequate levels of individual performance; and appropriate individual behaviour (compliance breaches);
- reflects a discretionary assessment of individual results.

In particular:

1) The bonus pool pays the variable component to be awarded annually to those staff, in Italy and elsewhere, who because of the size of their compensation, management of business activities, assumption of specific risks and/or organizational role, are strongly linked to the Bank's results – that is, those who qualify as the "most relevant staff". Distribution of the bonus pool, apart from in cases of pre-existing contractual obligations in respect of certain individuals, only takes place provided a series of conditions, or gates, are met, i.e. if the following indicators are respected:
   - positive economic profit earned by the CIB division;
   - consolidated financial statements reflecting a profit;
   - core tier 1 ratio above regulatory threshold;
   - compliance with adequate liquidity coverage ratio level".

   The Chief Executive Officer may in any case choose to pay a variable component, solely for retention purposes, in respect of individual performances that are decisive for the sustainability of results over time, even in the event of the conditions or gates failing to me met if this is due to extraordinary events and if the Bank's performance in its banking activities is positive.

2) Variable remuneration (the bonus pool) is established annually by the Chief Executive Officer, by applying:
   a) the quantitative metric represented by the economic profit earned by the Corporate and investment banking division, plus:
   b) other quantitative aspects:
      - comparison with budget objectives;
      - performance compared to historical precedents;

c) qualitative considerations:
   - possibility of distributing a dividend;
   - Mediobanca's positioning and market share;
   - appraisal of the Mediobanca share stock market performance, including relative to the market and the Bank's main competitors, Italian and international;
   - cost/income and compensation/income ratio levels, to take into account sustainability over time;
   - developing product offering and new businesses;
   - cross-selling activity;
   - quality of relations with customers;
   - staff professionalism and reliability, with reference in particular to reputational and compliance issues;
   - securing loyalty of top performers and retaining key staff, plus the need to add new professional talents.

3) The Chief Executive Officer allocates the bonus pool to the individual business areas of the CIB division based on the economic profit earned by each area as the reference metric and other secondary quantitative and qualitative metrics, with the provision of a cap. individual awards are made on the basis of an overall assessment of personal performance in quantitative and qualitative terms.

4) The satisfaction of performance conditions, and provision of subsequent correction mechanisms (malus conditions), are intended to ensure that the deferred bonuses in equity and cash forms are paid in time only if the results achieved prove to be sustainable, if the company continues to be solid and liquidity, and the individual concerned continues to behave appropriately. Accordingly, the following conditions must be satisfied at the time when the deferred component is to be paid, and provided that the beneficiary is still in the Group's employ:
   - positive economic profit earned by the CIB division;
   - consolidated financial statements reflecting a profit;
   - core tier 1 ratio above regulatory threshold;
   - compliance with adequate liquidity coverage ratio level;
   - possible additional individual performance conditions;
   - proper conduct by the individual (i.e. not having been subject to disciplinary measures) in view, *inter alia*, of the provisions of the Group audit regulations, Code of ethics, Organizational model and the other internal Mediobanca regulations.[12]

   The Board of Directors may also identify additional performance indicators upon the occasion of each individual award cycle. For any employees of Group companies who may be included in the scheme, the Chief Executive Officer will identify one or more specific economic indicators to replace those set forth above.

Most significant features of remuneration system

Remuneration structure for non-executive directors

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12) In particular the relevant cases of application for compliance breaches are identified internally, via an assessment of the most relevant areas of the regulations with respect to the Bank's reputational risk and the gravity of the breach concerned, as well as the process for evaluating them correctly and correcting them if appropriate, which involves the control units and governing bodies.

The non-executive directors’ remuneration is fixed by the shareholders in general meeting, and no provision is made for incentives linked to the Bank’s performance. An insurance policy is available to cover such directors against civil liability.

Remuneration structure for directors who are members of the Group’s senior management

The remuneration for directors who are members of the Group’s senior management is fixed by the Board of Directors. Their remuneration structure comprises:

1) a fixed salary;
2) an annual variable component which accrues only upon the accrual of the aggregate bonus pool for the company as a whole, as established by the Remuneration policies approved by shareholders in general meaning. The amount of the individual bonus will depend on specific quantitative and qualitative performance indicators being reached which are assigned individually by the relevant bodies from year to year. If the individually assigned quantitative and qualitative targets are met, the amount of the bonus may reach a maximum of two times the annual fixed salary. Payment of the bonus is made according to the terms, conditions and methods set forth in the Remuneration policies: this currently involves deferral of 60% over a three-year time horizon, 50% cash 50% equity for both the upfront and deferred components, with a holding period for the equity part;
3) upon the approval of the three-year Group plan, the Board of Directors may choose to award an additional lump-sum extraordinary bonus, or long-term incentive, upon the objectives set forth in the plan itself being reached. The actual payment of the long-term incentive will take place in accordance with the terms, conditions and methods provided for in the Group’s remuneration policies.

No variable remuneration is provided for the Chairman.

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

Identification of “most relevant staff”

The Bank of Italy regulations lay down the criteria (responsibility, role and level of compensation) and principles by which the “most relevant staff” are to be identified. Accordingly, based on these criteria and principles, and with particular attention to those profiles for which the annual variable component represents a significant proportion of their total remuneration (the application threshold), relevant staff have been identified and assigned to the following categories.

Group	Mediobanca identification	No. positions
1) Executive directors	Directors who are members of Group senior management	5
2) Heads of principal business lines, geographical areas and other senior figures	◆ Heads of Principal Investing and Mid Corporate divisions ◆ CEOs/GMs of leading Group companies ◆ International branch managers	11
3) Heads of internal control units and most senior staff	◆ Human resources ◆ Compliance ◆ Risk management ◆ Group audit ◆ Head of company financial reporting	14
4) Risk-takers	Risk desks (market and liquidity risks) with variable remuneration ≥	9
5) Staff with remuneration equal to other risk-takers	Staff with variable remuneration ≥ €500,000 not included in previous categories	3
6) Other relevant staff identified discretionally by the company based on "proportionality" criterion	◆ Risk desks (market and liquidity risks) with variable remuneration between €200,000 and €500,000 ◆ Indirect impact on reputational risk ◆ Impact on operational risks ◆ Relevance and support to strategic businesses	87
Total at 30/6/12		**129**
at 30/6/11		**135**

As far as regards the remuneration package for management with strategic responsibilities other than the executive directors (the heads of the control units plus the principal staff and support areas, the head of financial reporting, and other staff in charge of important business areas considered strategic for the Bank's functioning), the composition of their remuneration package reflects the provisions of the Remuneration policies, based on the individual category of most relevant staff to which they belong.

Pay mix

The Mediobanca Group Remuneration policy is intended to attract and retain highly qualified and professional staff, in particular for key positions and roles, who are suited to the complexity and specialization of corporate and investment banking business, based on a rationale of prudent management and sustainability of costs and results over time. The increasingly international dimension of the Bank's operations means that constant monitoring of the individual geographical areas is required to safeguard adequate professional standards, in a competitive market scenario. The structure of the Mediobanca staff remuneration is based on various components, with the objective of: balancing the fixed and variable components over time (pay mix), implementing a flexible approach to remuneration, and gearing compensation towards performance in view of the significance of role within the company without encouraging risky and/or short-term behaviour. Each year the staff compensation package's positioning is assessed compared to its reference market, including with the assistance of outside advisors.

The typical components of remuneration in Mediobanca are as follows:

- fixed salary: for the non-executive directors, this is established by the shareholders in general meeting. For the executive directors, the Group's strategic management and the remaining staff, the fixed salary is determined by their specialization, role carried out in the organization and related responsibilities. It reflects technical, professional and managerial capabilities. Mediobanca devotes continuous attention to the value of the fixed salaries it pays, which are monitored in relation to its competitors and adapted to changes in the market scenario from time to time, avoiding excessive reliance on annual bonuses but at the same time being careful not to make the overall remuneration package unduly inflexible;
- variable remuneration: the annual bonus, which the non-executive directors and the Chairman do not receive, for the other staff functions as recognition and reward for targets set and results achieved, and is calculated based on indicators reflecting a risk-weighting system and correlation to results actually achieved over time. It is an important motivational factor. For

some business figures, this may still form the majority of their annual pay, in line with market practice (Corporate and investment banking).

The variable component is paid: in part upfront during the relevant financial year, and in part in deferred form over a three-year period, subject to certain performance conditions being met; in terms of the instruments used, part of the variable remuneration is paid in cash form, part in equity. A further time period is applied to the equity component of the remuneration once the respective rights have vested, during which the instruments must be kept (known as the holding period), for purposes of retention. The remuneration cannot be paid in forms, instruments or other means with the intention of avoiding the regulatory instructions.

For a restricted number of young staff with high potential, who occupy key positions and are on a fast-track career plan, a long-term incentive is applied in the form of deferred cash (a bonus which accrues over three years and is paid in the following two years) in addition to the annual bonus.

The correlation between fixed and variable components, with the variable component pre-eminent in accordance with sector practice in corporate and investment banking, is balanced in Mediobanca by the presence of a cap on the variable part to be assigned to the business units;

- Benefits: in line with the market, the Mediobanca staff compensation package is completed by a series of fringe benefits which constitute an integral part thereof. These chiefly consist of pension, insurance and healthcare schemes. The benefit schemes may be distinguished by families of professionals, but do not make provision for individual discretionary systems. The Bank’s supplementary pension scheme was established in December 1998 for all staff, with contribution rates distinguished by category and length of time employed by the company. Company cars are provided only for the most senior figures.

Structure of variable component

A significant part of the variable remuneration is deferred and distributed *inter alia* in the form of equity instruments, to ensure that the incentives are linked to the objective of value creation in the long term and ongoing, sustainable company results.

For the key figures among the “most relevant staff” (i.e. groups 1 and 2 – if the variable component is above € 500,000 - and 4 in the table shown under point d) above, the deferred component of the bonus amounts to 60%, and falls to 40% (group 5) or 30% for the other groups impacting less significantly on company risks. The time horizon for the deferral is three years for everyone, with annual payments made pro rata.

The share awarded in the form of equity instruments is equal to 50% of the variable remuneration, for both the upfront component (i.e. distributed in the year in which it is awarded) and the deferred component; the balance is paid in cash.

The equity component of the remuneration is subject, once the rights have vested, to restrictions in terms of retaining and continuing to hold the shares for retention purposes, for a further period of time (the holding period). This has been set at two years for the upfront component and one year for the deferred component.

For other relevant staff (group 6) with a deferred share of 30%, if the variable component exceeds the amount of € 200,000, the distribution is made entirely in the form of cash.

Performance share scheme

In connection with the equity instruments to be used as components of staff remuneration, Mediobanca has adopted a performance share scheme, which was approved by shareholders at a general meeting held on 28 October 2010 and revised by the Board of Directors on 24 June 2011, in exercise of the powers granted to it, to bring it in line with the Instructions.

The scheme involves the award of shares to employees. The shares will be awarded at the end of a three-year vesting period (save as provided below for the upfront component) provided that the beneficiary is still employed by the Group and further provided that certain conditions are met at the time of the award. The performance conditions are identified in the Remunerations policies in force at the time. The performance shares are allocated as a deferred equity component, subsequent to the performance conditions for the relevant year being met, are subject to a further holding period (the beneficiary continuing to be an employee of Mediobanca) of at least one year prior to their actual assignation. The performance shares allocated as an upfront equity component are subject to a two-year holding period prior to their actual assignation. The competent governing bodies award quantities of performance shares on a regular basis, generally once a year, from the upper limit approved by shareholders in the general meeting held on 28 October 2010 or alternatively from the treasury shares owned by the Bank. The maximum number of shares that may be awarded under the terms of this scheme is 20 million (a total of 11,686,506 are outstanding) pursuant to the resolution approved on 28 October 2010, plus up to 17,010,000 treasury shares owned by the Bank, provided that the use of the latter remains uncertain because the resolution adopted by shareholders in the general meeting held on 27 October 2007 in respect of them specified other possible uses as well (consideration to acquire investments, possible assignment to shareholders).

The Chief Executive Officer may also use this instrument to define remuneration packages upon the occasion of recruiting new key staff, including outside the annual award cycle.

Performance stock option scheme

At an extraordinary general meeting held on 27 June 2007, the shareholders of Mediobanca approved a capital increase involving the issue of 40,000,000 shares (to be awarded by June 2014), for use as part of a stock option scheme; at total of 23,454,000 are outstanding. At an ordinary general meeting held on 27 October 2007, in accordance with the provisions of the regulatory instructions, the shareholders of Mediobanca approved a resolution to adopt the scheme and its methods of implementation. At a Board meeting held on 24 June 2011, in exercise of the powers granted to them, the directors of Mediobanca revised the stock option scheme to bring it in line with the Instructions, making provision for performance conditions for exercise in addition to those of a purely temporal nature, thereby effectively transforming the scheme into a performance stock option scheme.

The essential characteristics of the scheme, which is for staff with roles key to the achievement of the Group's objectives, are: a vesting period of three years from the award date, subject to the performance conditions being met; an exercise period of up to the end of year 8 (three years' vesting plus five years' exercise); a holding period of at least 18 months for Mediobanca shares corresponding to at least half of the capital gain achieved, irrespective of tax profiles, for certain participants in the scheme who perform significant roles. Stock options awarded can be exercised based on the performance conditions for each of the three years of the vesting period being met. In each year the performance conditions must be met for one-third of the stock options awarded. Failure to meet the performance conditions in any one year will result in the relevant share being cancelled. The performance conditions are identified in the remuneration policies in force at the time.

Remuneration structure for staff employed in control and support capacities

The remuneration package for the Head of company financial reporting, the heads of the internal control units (Group audit, Compliance and Risk management), the head of Human Resources and the most senior staff in the areas referred to above is structured so as to ensure that the majority of the compensation is fixed, with a small variable component to be revised on a year-to-year basis in view of quality and efficiency criteria. The remuneration of the heads of these offices (with the fixed component comprised in a range from between 75% and 85% of their total compensation), which may be reviewed annually, is approved by the Board of Directors subject to the Remunerations Committee's favourable opinion.

In general the remuneration of individuals employed in staff and support areas is determined based on positioning relative to the reference market (gradated according to the value of the staff, their role and the retention strategies in place). The variable component for such staff, which is normally of modest proportions, tends to increase on the basis of the quality of individual performance rather than in relation to the Group's earnings.

Remunerations policies at Group companies

Mediobanca has set the guidelines for the incentives mechanism of management at the various Group companies, leaving the specific decisions up to their respective Boards of Directors with the objective of attracting and motivating key staff. The incentivization system is and importance to the business, have an impact on their companies' performance and value creation. The beneficiaries are therefore senior and key management staff.

Beneficiaries, identified by the Chief Executive Officer of Mediobanca, having sought the opinion of the General Manager at the proposal of the Chief Executive Officer of the company concerned, are included in the incentive scheme subject to approval from the management of the Retail and private banking and the head of Human resources of Mediobanca. Each beneficiary is included in the incentives scheme with a defined individual annual bonus target and calculation method. The bonus is determined annually on an individual basis in view of the risk-adjusted earnings performance delivered by the company (the indicator used for the Group companies is the economic profit earned by the business area in which they operate). Other assessment criteria are also adopted linked to quality of performance, for example indicators of customer satisfaction, and to the achievement of individual qualitative and project-based objectives. In line with the provisions of the scheme operated by Mediobanca S.p.A., the incentivization schemes implemented at the other Group companies also devote special attention to the issue of correct evaluation of individual conduct (e.g. compliance with regulations and internal procedures, as well as transparency towards customers) through the adoption of compliance breaches.

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

Policies in the event of employment being terminated or otherwise ended

No special treatment is provided for directors in the event of their ceasing to work for Mediobanca.

For the executive directors and management with strategic responsibilities, in the event of their ceasing to work for the Bank for any reason, only the provisions of the law and the national collective contract apply.

Other information

Caps on variable remuneration: for some staff in some business segments where there is a closer correlation to results, a cap has been provided as a precaution.

Guaranteed bonuses: these may be considered for particularly important profiles but only at the recruitment stage and for the first year of their employment by the company, as per the regulations in force.

Staff are not allowed to use personal hedging or insurance strategies involving remuneration or other aspects which could alter or otherwise distort the fundamental alignment of the compensation mechanisms with the company's risk. The remuneration cannot be paid in forms, instruments or other means with the intention of avoiding the regulatory instructions.

Assessment of individual quantitative/qualitative performance in awarding annual bonuses

The Chief Executive Officer and the senior managers have granted bonuses to individual beneficiaries based on assessment of their performances, with a view to retaining the best key staff.

For the business units the following are considered:

- strictly qualitative criteria: development of product offering, professional conduct and reliability, quality in terms of customer relationships, technical and analytical skills in the field of finance, ability to control costs, importance placed on achieving operating efficiency, and co-operation with other areas of the Bank, valuation criteria linked to reputational and compliance issues (in view, *inter alia*, of the provisions of the Group audit regulations, Code of ethics, Organizational model and the other internal Mediobanca regulations), and adherence to the Bank's values;
- earnings results achieved, e.g. reaching or not reaching budget targets and objectives in terms of improvement from the previous year, with reference to the risk/return and cost/income ratios, and to value generation in accordance with the risk-adjusted principles referred to above.
- For all the other units, the main aspects of assessment are based on qualitative objectives and a broader appraisal regarding control of costs, efficient management of areas and compliance with regulations.
- The following in particular are assessed:

a) For professionals employed in the accounts areas:
   - that the earnings and financial results and information are accurately represented in the Group's and the Bank's financial statements;
   - that all obligatory, supervisory and market disclosure requirements are complied with;
   - that all the accounting processes and related electronic procedures are managed efficiently and accurately;
   - that company strategies are correctly aligned to the policies regarding their representation in the accounts, and compliance with tax and legal requirements;
   - reliability of the budget and pre-closing data;

b) for professionals employed in the internal control units (Group audit, Compliance and Risk management):
   - continuous monitoring and control of the Bank's processes and operations, carried out independently and autonomously to prevent risk situations developing and ensure irregular behaviour is picked up swiftly;
   - continuous assessment of compliance with the regulations in the form of appropriate audit plans, updates to internal guidance, training of internal units, business and non-business;
   - correct development of models, methodologies and metrics with which to measure market, credit and operating risks, producing adequate reporting for monitoring processes and accurate analysis of new products and their risk profiles.

Within the system of assessment described above, the management's discretionary evaluation remains a central part of the awards made to individuals.

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Quantitative information

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

(A)	(B)	(C)		(1)			(2)	(3)		(4)	(6)	(7)
				Compensi fissi				Variable compensation (non-				
Name and surname	Post	Period for which post has been held	Term of office expires	Emoluments	Fixed salary *	Total	Fees payable for participation in committees	Bonuses and other incentives	Interest in earnings	Non-cash benefits	Total	Fair value of equity compensation
Renato Pagliaro	Chairman, Board of Directors	01/07/2011 30/06/2012	30/06/2014	116,438	2,016,000	2,132,438				351,558	2,483,996	113,677
										of which complementary pension 346,410		
	(I) Compensation in company preparing the accounts			116,438	2,016,000	2,132,438				351,558	2,483,996	113,677
	(II) Compensation from subsidiaries and associates (1) (2)			62,562		62,562	50,123				112,685	
	(III) Total			179,000	2,016,000	2,195,000	50,123	0	0	351,558	2,596,681	113,677
Dieter Rampl	Deputy Chairman, Board of Directors	01/07/2011 30/06/2012	30/06/2014	156,369		156,369					156,369	
	Member of Appointments Committee	01/07/2011 28/10/2011	–	8,219		8,219					8,219	
	(I) Compensation in company preparing the accounts			164,588	0	164,588	0				164,588	0
	(II) Compensation from subsidiaries and associates											
	(III) Total			164,588	0	164,588	0	0	0	0	164,588	0
Marco Tronchetti Provera	Deputy Chairman, Board of Directors	01/07/2011 30/06/2012	30/06/2014	156,369		156,369					156,369	
	Member of Appointments Committee	01/07/2011 28/10/2011	–	8,219		8,219					8,219	
	(I) Compensation in company preparing the accounts (1)			164,588	0	164,588					164,588	0
	(II) Compensation from subsidiaries and associates (3)			3,312,970		3,312,970		18,671,840		4,887	21,989,697	
	(III) Total			3,477,558		3,477,558	0	18,671,840	0	4,887	22,154,285	0
Alberto Nagel	Chief Executive Officer	01/07/2011 30/06/2012	30/06/2014	116,438	1,800,000	1,916,438				352,156	2,268,594	113,677
										of which complementary pension 346,508		
	(I) Compensation in company preparing the accounts			116,438	1,800,000	1,916,438	0	0	0	352,156	2,268,594	113,677
	(II) Compensation from subsidiaries and associates (1) (4)			114,732		114,732	84,000		2,518		201,250	
	(III) Total			231,170	1,800,000	2,031,170	84,000	0	2,518	352,156	2,469,844	113,677

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(A)	(B)	(C)		(1)			(2)	(3)		(4)	(6)	(7)
				Compensi fissi				Variable compensation (non-				
Name and surname	Post	Period for which post has been held	Term of office expires	Emoluments	Fixed salary *	Total	Fees payable for participation in committees	Bonuses and other incentives	Interest in earnings	Non-cash benefits	Total	Fair value of equity compensation
Francesco Saverio Vinci	General Manager	01/07/2011 30/06/2012	30/06/2014	116,438	1,500,000	1,616,438			2,518	294,424 of which complementary pension 288,133	1,913,380	81,198
	(I) Compensation in company preparing the accounts			116,438	1,500,000	1,616,438	0	0		294,424	1,910,862	81,198
	(II) Compensation from subsidiaries and associates (1) (4)			116,740		116,740	67,233		2,518		186,491	
	(III) Total			233,178	1,500,000	1,733,178	67,233	0	2,518	294,424	2,097,353	81,198
Jean Azema	Board Director	01/07/2011 28/10/2011	–	49,315		49,315					49,315	
	(I) Compensation in company preparing the accounts			49,315	0	49,315	0			0	49,315	
	(II) Compensation from subsidiaries and associates											
	(III) Total			49,315	0	49,315	0	0	0	0	49,315	0
Tarak Ben Ammar	Board Director	01/07/2011 30/06/2012	30/06/2014	116,438		116,438					116,438	
	Member of Remunerations Committee	01/07/2011 28/10/2011	–	8,219		8,219					8,219	
	Member of Internal Control and Related Parties Committees	01/07/2011 28/10/2011	–	24,658		24,658					24,658	
	(I) Compensation in company preparing the accounts			149,315	0	149,315					149,315	0
	(II) Compensation from subsidiaries and associates											
	(III) Total			149,315	0	149,315	0	0	0	0	149,315	0
Gilberto Benetton	Board Director	01/07/2011 30/06/2012	30/06/2014	116,438		116,438					116,438	
	(I) Compensation in company preparing the accounts			116,438	0	116,438	0			0	116,438	
	(II) Compensation from subsidiaries and associates (5)			50,000		50,000					50,000	
	(III) Total			166,438	0	166,438	0	0	0	0	166,438	0
Marina Berlusconi	Board Director	01/07/2011 26/04/2012	–	98,630		98,630					98,630	
	(I) Compensation in company preparing the accounts			98,630	0	98,630	0			0	98,630	
	(II) Compensation from subsidiaries and associates											
	(III) Total			98,630	0	98,630	0	0	0	0	98,630	0

(A)	(B)	(C)		(1)			(2)	(3)		(4)	(6)	(7)
Name and surname	Post	Period for which post has been held	Term of office expires	Compensi fissi			Fees payable for participation in committees	Variable compensation (non-		Non-cash benefits	Total	Fair value of equity compensation
				Emoluments	Fixed salary *	Total		Bonuses and other incentives	Interest in earnings			
Pier Silvio Berlusconi	Board Director	09/05/2012 30/06/2012	27/10/2012	14,520		14,520					14,520	
	(I) Compensation in company preparing the accounts			**14,520**	**0**	**14,520**	**0**			**0**	**14,520**	
	(II) Compensation from subsidiaries and associates											
	(III) Total			**14,520**	**0**	**14,520**	**0**	**0**	**0**	**0**	**14,520**	**0**
Antoine Bernheim	Board Director	01/07/2011 28/10/2011	–	49,315		49,315					49,315	
	(I) Compensation in company preparing the accounts			**49,315**	**0**	**49,315**	**0**			**0**	**49,315**	
	(II) Compensation from subsidiaries and associates											
	(III) Total			**49,315**	**0**	**49,315**	**0**	**0**	**0**	**0**	**49,315**	**0**
Roberto Bertazzoni	Board Director	01/07/2011 30/06/2012	30/06/2014	116,438		116,438					116,438	
	Member of Internal Control and Related Parties Committees	01/07/2011 30/06/2012	30/06/2014	75,000		75,000					75,000	
	Member of Remunerations Committee	01/07/2011 30/06/2012	30/06/2014	21,644		21,644					21,644	
	Appointments Committee (6)	01/07/2011 30/06/2012	30/06/2014	21,644		21,644					21,644	
	(I) Compensation in company preparing the accounts			**234,726**	**0**	**234,726**					**234,726**	**0**
	(II) Compensation from subsidiaries and associates (7)			**12,565**		**12,565**					**12,565**	
	(III) Total			**247,291**	**0**	**247,291**	**0**	**0**	**0**	**0**	**247,291**	**0**
Vincet Bolloré	Board Director	01/07/2011 24/04/2012	–	98,082		98,082					98,082	
	Member of Executive Committee	01/07/2011 24/04/2012	–	53,918		53,918					53,918	
	Member of Remunerations Committee	01/07/2011 24/04/2012	–	17,972		17,972					17,972	
	Appointments Committee	01/07/2011 28/10/2011	–	8,219		8,219					8,219	
	(I) Compensation in company preparing the accounts			**178,191**	**0**	**178,191**					**178,191**	**0**
	(II) Compensation from subsidiaries and associates (8)			**132,000**		**132,000**	**82,000**		**2,518**		**216,518**	
	(III) Total			**310,191**	**0**	**310,191**	**82,000**	**0**	**2,518**	**0**	**394,709**	**0**

(A)	(B)	(C)		(1)			(2)	(3)		(4)	(6)	(7)
				Compensi fissi				Variable compensation (non-				
Name and surname	Post	Period for which post has been held	Term of office expires	Emoluments	Fixed salary *	Total	Fees payable for participation in committees	Bonuses and other incentives	Interest in earnings	Non-cash benefits	Total	Fair value of equity compensation
Angelo Casò	Board Director	01/07/2011 30/06/2012	30/06/2014	116,438		116,438					116,438	
	Chairman of Internal Control and Related Parties Committees	01/07/2011 30/06/2012	30/06/2014	75,000		75,000					75,000	
	Member of Executive Committee	01/07/2011 30/06/2012	30/06/2014	64,932		64,932					64,932	
	Chairman of Remunerations Committee	01/07/2011 30/06/2012	30/06/2014	21,644		21,644					21,644	
	Appointments Committee	28/10/2011 30/06/2012	30/06/2014	13,425		13,425					13,425	
	(I) Compensation in company preparing the accounts			291,439	0	291,439					291,439	0
	(II) Compensation from subsidiaries and associates											
	(III) Total			291,439	0	291,439	0	0	0	0	291,439	0
Maurizio Cereda	Board Director	01/07/2011 30/06/2012	30/06/2014	116,438	1,482,000	1,598,438				193,949	1,792,387	
										of which complementary pension 188,432		
	(I) Compensation in company preparing the accounts			116,438	1,482,000	1,598,438	0			193,949	1,792,387	
	(II) Compensation from subsidiaries and associates											
	(III) Total			116,438	1,482,000	1,598,438	0	0	0	193,949	1,792,387	0
Christian Collin	Board Director	27/06/2012 30/06/2012	27/10/2012	1,096		1,096					1,096	
	(I) Compensation in company preparing the accounts (1)			1,096	0	1,096	0			0	1,096	
	(II) Compensation from subsidiaries and associates											
	(III) Total			1,096	0	1,096	0	0	0	0	1,096	0
Alessandro Decio	Board Director	27/06/2012 30/06/2012	27/10/2012	1,096		1,096					1,096	
	(I) Compensation in company preparing the accounts (1)			1,096	0	1,096	0			0	1,096	
	(II) Compensation from subsidiaries and associates											
	(III) Total			1,096	0	1,096	0	0	0	0	1,096	0

(A)	(B)	(C)		(1)			(2)	(3)		(4)	(6)	(7)
				Compensi fissi				Variable compensation (non-				
Name and surname	Post	Period for which post has been held	Term of office expires	Emoluments	Fixed salary *	Total	Fees payable for participation in committees	Bonuses and other incentives	Interest in earnings	Non-cash benefits	Total	Fair value of equity compensation
Massimo Di Carlo	Board Director	01/07/2011 30/06/2012	30/06/2014	116,438	1,260,000	1,376,438				209,615	1,586,053	
										of which complementary pension 203,398		
	(I) Compensation in company preparing the accounts			116,438	1,260,000	1,376,438				209,615	1,586,053	
	(II) Compensation from subsidiaries and associates											
	(III) Total			116,438	1,260,000	1,376,438	0	0	0	209,615	1,586,053	0
Ennio Doris	Board Director	01/07/2011 23/04/2012	—	97,808		97,808					97,808	
	(I) Compensation in company preparing the accounts			97,808	0	97,808	0			0	97,808	
	(II) Compensation from subsidiaries and associates (9)			7,992		7,992					7,992	
	(III) Total			105,800	0	105,800	0	0	0	0	105,800	0
Bruno Ermolli	Board Director	27/06/2012 30/06/2012	27/10/2012	1,096		1,096					1,096	
	(I) Compensation in company preparing the accounts			1,096	0	1,096	0			0	1,096	
	(II) Compensation from subsidiaries and associates											
	(III) Total			1,096	0	1,096	0	0	0	0	1,096	0
Anne Marie Idrac	Board Director	28/10/2011 30/06/2012	30/06/2014	67,123		67,123					67,123	
	Member of Remunerations Committee	28/10/2011 30/06/2012	30/06/2014	13,425		13,425					13,425	
	Appointments Committee (6)	28/10/2011 30/06/2012	30/06/2014	13,425		13,425					13,425	
	(I) Compensation in company preparing the accounts			93,973	0	93,973					93,973	0
	(II) Compensation from subsidiaries and associates											
	(III) Total			93,973	0	93,973	0	0	0	0	93,973	0
Vanessa Laberenne	Board Director	09/05/2012 30/06/2012	27/10/2012	14,520		14,520					14,520	
	Member of Executive Committee	09/05/2012 30/06/2012	27/10/2012	8,712		8,712					8,712	
	Member of Remunerations Committee	09/05/2012 30/06/2012	27/10/2012	2,904		2,904					2,904	
	Member of Internal Control and Related Parties Committees	09/05/2012 30/06/2012	27/10/2012	10,890		10,890					10,890	
	(I) Compensation in company preparing the accounts (1)			37,026	0	37,026					37,026	0
	(II) Compensation from subsidiaries and associates											
	(III) Total			37,026	0	37,026	0	0	0	0	37,026	0

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(A)	(B)	(C)		(1)			(2)	(3)		(4)	(6)	(7)
Name and surname	Post	Period for which post has been held	Term of office expires	Compensi fissi Emoluments	Fixed salary *	Total	Fees payable for participation in committees	Variable compensation (non- Bonuses and other incentives	Interest in earnings	Non-cash benefits	Total	Fair value of equity compensation
Pierre Lefevré	Board Director	28/10/2011 09/05/2012	–	53,151		53,151					53,151	
	Member of Internal Control and Related Parties Committees	28/10/2011 09/05/2012	–	39,863		39,863					39,863	
	(I) Compensation in company preparing the accounts			93,014	0	93,014					93,014	0
	(II) Compensation from subsidiaries and associates											
	(III) Total			93,014	0	93,014	0	0	0	0	93,014	0
Jonella Ligresti	Board Director	01/07/2011 14/06/2012	–	112,054		112,054					112,054	
	Member of Remunerations Committee	01/07/2011 28/10/2011	–	8,219		8,219					8,219	
	(I) Compensation in company preparing the accounts			120,273	0	120,273					120,273	0
	(II) Compensation from subsidiaries and associates (7)			12,565		12,565					12,565	
	(III) Total			132,838	0	132,838	0	0	0	0	132,838	0
Elisabetta Magistretti	Board Director	28/10/2011 30/06/2012	30/06/2014	67,123		67,123					67,123	
	Member of Internal Control and Related Parties Committees	28/10/2011 30/06/2012	30/06/2014	50,342		50,342					50,342	
	Member of Appointments Committee	28/10/2011 30/06/2012	30/06/2014	13,425		13,425					13,425	
	(I) Compensation in company preparing the accounts			130,890	0	130,890					130,890	0
	(II) Compensation from subsidiaries and associates (5)			50,000		50,000	30,000				80,000	
	(III) Total			180,890	0	180,890	30,000	0	0	0	210,890	0
Fabrizio Palenzona	Board Director	01/07/2011 26/04/2012	–	98,630		98,630					98,630	
	(I) Compensation in company preparing the accounts			98,630	0	98,630	0			0	98,630	
	(II) Compensation from subsidiaries and associates (10)			65,000		65,000				3,367	68,367	
	(III) Total			163,630	0	163,630	0	0	0	3,367	166,997	0
Marco Parlangeli	Board Director	01/07/2011 28/10/2011	–	49,315		49,315					49,315	
	(I) Compensation in company preparing the accounts			49,315	0	49,315	0			0	49,315	
	(II) Compensation from subsidiaries and associates					0					0	
	(III) Total			49,315	0	49,315	0	0	0	0	49,315	0
Carlo Pesenti	Board Director	01/07/2011 30/06/2012	30/06/2014	116,438		116,438					116,438	
	Member of Remunerations Committee	01/07/2011 30/06/2012	30/06/2014	21,644		21,644					21,644	
	(I) Compensation in company preparing the accounts (1)			138,082	0	138,082					138,082	0
	(II) Compensation from subsidiaries and associates (7)			15,021		15,021	15,021				30,041	
	(III) Total			153,103	0	153,103	15,021	0	0	0	168,123	0

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(A)	(B)	(C)		(1)			(2)	(3)		(4)	(6)	(7)
				Compensi fissi				Variable compensation (non-				
Name and surname	Post	Period for which post has been held	Term of office expires	Emoluments	Fixed salary *	Total	Fees payable for participation in committees	Bonuses and other incentives	Interest in earnings	Non-cash benefits	Total	Fair value of equity compensation
Fabio Roversi Monaco	Board Director	28/10/2011 30/06/2012	30/06/2014	67,123		67,123					67,123	
	(I) Compensation in company preparing the accounts			**67,123**	**0**	**67,123**	**0**			**0**	**67,123**	
	(II) Compensation from subsidiaries and associates											
	(III) Total			**67,123**	**0**	**67,123**	**0**	**0**	**0**	**0**	**67,123**	**0**
Eric Strutz	Board Director	01/07/2011 30/06/2012	30/06/2014	116,438		116,438					116,438	
	Member of Comitato Esecutivo	01/07/2011 30/06/2012	30/06/2014	64,932		64,932					64,932	
	(I) Compensation in company preparing the accounts			**181,370**	**0**	**181,370**					**181,370**	**0**
	(II) Compensation from subsidiaries and associates											
	(III) Total			**181,370**	**0**	**181,370**	**0**	**0**	**0**	**0**	**181,370**	**0**

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(A) Name and surname	(B) Post	(C) Period for which post has been held	Term of office expires	(1) Compensi fissi: Emoluments	(1) Compensi fissi: Fixed salary *	(1) Compensi fissi: Total	(2) Fees payable for participation in committees	(3) Variable compensation (non-: Bonuses and other incentives	(3) Variable compensation (non-: Interest in earnings	(4) Non-cash benefits	(6) Total	(7) Fair value of equity compensation
Management with strategic responsibilities (10 staff)					3,951,114	3,951,114		2,447,000		607,275 of which complementary pension 557,355	7,005,389	1,017,753
	(I) Compensation in company preparing the accounts				3,951,114	3,951,114		2,447,000		607,275	7,005,389	1,017,753
	(II) Compensation from subsidiaries and associates (11)			40,151		40,151	21,575				61,726	
	(III) Total			40,151	3,951,114	3,991,265	21,575	2,447,000	0	607,275	7,067,115	1,017,753
Marco Reboa	Chairman of Statutory Audit Committee	01/07/2011 28/10/2011		39,452		39,452					39,452	
	(I) Compensation in company preparing the accounts			39,452	0	39,452					39,452	0
	(II) Compensation from subsidiaries and associates											
	(III) Total			39,452	0	39,452	0	0	0	0	39,452	0
Natale Freddi	Chairman of Statutory Audit Committee	28/10/2011 30/06/2012	30/06/2014	80,548		80,548					80,548	
	(I) Compensation in company preparing the accounts			80,548	0	80,548		0		0	80,548	0
	(II) Compensation from subsidiaries and associates					0					0	
	(III) Total			80,548	0	80,548	0	0	0	0	80,548	0
Maurizia Angelo Comneno	Member of Statutory Audit Committee	01/07/2011 30/06/2012	30/06/2014	90,000		90,000					90,000	
	(I) Compensation in company preparing the accounts			90,000	0	90,000		0		0	90,000	0
	(II) Compensation from subsidiaries and associates					0					0	
	(III) Total			90,000	0	90,000	0	0	0	0	90,000	0
Gabriele Villa	Member of Statutory Audit Committee	01/07/2011 30/06/2012	30/06/2014	90,000		90,000					90,000	
	(I) Compensation in company preparing the accounts			90,000	0	90,000		0		0	90,000	0
	(II) Compensation from subsidiaries and associates					0					0	
	(III) Total			90,000	0	90,000	0	0	0	0	90,000	0

** Fixed salaries for Renato Pagliaro include one-off payment of €216,000 for thirty years' service and for Maurizio Cereda of €312,000 for twenty years' service.*

1) Fees are paid directly to the company of origin.

2) Fees due in respect of position held in Pirelli & C. and RCS MediaGroup.

3) Fees relate to post held in the Pirelli group. Further details available in the report on remuneration prepared by Pirelli & C.

4) Fees due in respect of position held in Banca Esperia and Assicurazioni Generali.

5) Fees due in respect of position held in Pirelli & C.

6) Independent director who is added to the Appointments Committee as required by the Articles of Association for certain resolutions only.

7) Fees due in respect of position held in RCS MediaGroup.

8) Fees due in respect of position held in Assicurazioni Generali.

9) Fees due in respect of position held in Banca Esperia.

10) Fees due in respect of position held in Gemina.

11) Fees due in respect of position held in Gemina and Assicurazioni Generali.

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

			Options held at start of period			Options awarded during period						Options exercised during period			Options expired during period	Options held at end period	Options attributable to period
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = (2)+(5)-(11)-(14)	(16)
Name and surname	Post	Scheme	No. of options	Strike price	Period of possible exercise (from - to)	No. of options	Strike price	Period of possible exercise (from - to)	Fair value at the award date	Award date	Market price of shares underlying options awarded	No. of options	Strike price	Market price of underlying shares at exercise date	No. of options	No. of options	Fair value
R. Pagliaro	Chairman																
Compensation in company preparing the accounts		30 luglio 2001	300,000	€14.25	From 29 June 2009 to 28 June 2014											300,000	-
		28 ottobre 2004	275,000	€10.31	From 1 July 2011 to 30 June 2016											275,000	-
		27 ottobre 2007	350,000	€6.54	From 2 August 2013 to 1 August 2016											350,000	113,677
A. Nagel	CEO																
Compensation in company preparing the accounts		30 luglio 2001	300,000	€14.25	From 29 June 2009 to 28 June 2014											300,000	-
		28 ottobre 2004	275,000	€10.31	From 1 July 2011 to 30 June 2016											275,000	-
		27 ottobre 2007	350,000	€6.54	From 2 August 2013 to 1 August 2016											350,000	113,677
F. S. Vinci	GM																
Compensation in company preparing the accounts		30 luglio 2001	300,000	€14.25	From 29 June 2009 to 28 June 2014											300,000	-
		28 ottobre 2004	275,000	€10.31	From 1 July 2011 to 30 June 2016											275,000	-
		27 ottobre 2007	250,000	€6.54	From 2 August 2013 to 1 August 2016											250,000	81,198

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			Options held at start of period			Options awarded during period						Options exercised during period			Options expired during period	Options held at end period	Options attributable to period
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = (2)+(5)-(11)-(14)	(16)
Name and surname	Post	Scheme	No. of options	Strike price	Period of possible exercise (from - to)	No. of options	Strike price	Period of possible exercise (from - to)	Fair value at the award date	Award date	Market price of shares underlying options awarded	No. of options	Strike price	Market price of underlying shares at exercise date	No. of options	No. of options	Fair value
M. Cereda	Director																
(I) Compensation in company preparing the accounts		30 luglio 2001	300,000	€14.25	From 29 June 2009 to 28 June 2014											300,000	-
		28 ottobre 2004	275,000	€10.31	From 1 July 2011 to 30 June 2016											275,000	-
M. Di Carlo	Director																
Compensation in company preparing the accounts		30 luglio 2001	300,000	€14.25	From 29 June 2009 to 28 June 2014											300,000	-
		28 ottobre 2004	275,000	€10.31	From 1 July 2011 to 30 June 2016											275,000	-
Management with strategic responsibilities																	
Compensation in company preparing the accounts		30 luglio 2001	1,340,000	€14.25	From 29 June 2009 to 28 June 2014											1,340,000	-
		28 ottobre 2004	1,015,000	€10.31	From 1 July 2011 to 30 June 2016											1,015,000	-
		27 ottobre 2007	1,660,000	€6.54	From 2 August 2013 to 1 August 2016											1,660,000	539,154
		27 ottobre 2007				200,000	€6.43	From 1 August 2014 to 31 July 2019	192,000	1 agosto 2011	€6.249					200,000	58,535
(III) Totale			7,840,000			200,000			192,000							8,040,000	906,241

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

			Financial instruments awarded in previous years which have not vested during the course of the year		Financial instruments awarded during the year					Financial instruments vested during the course of the year not assigned	Financial instruments vested during the course of the year assigned		Financial instruments assigned to the year
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Name and surname	Post	Scheme	No. and type of instruments	Vesting period	No. and type of financial instruments	Fair value at award date	Vesting period	Award date	Market price at award	No. and type	No. and type	Value at vesting date	Fair value
Management with strategic responsibilities													
Compensation in company preparing the accounts		Scheme approved 28 October 2010	-	-	240,304 performance shares	1,497,695	Nov. 2013 – Nov. 2015	27 luglio 2011	6.342		-	-	420,064
Total						1,497,695							420,064

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

A	B	(1)	(2)			(3)			(4)
Surname and name	Post	Scheme	Bonus for the year			Previous years' bonuses			Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/paid	Deferred	Deferall period	No longer payable	Payable/paid	Still deferred	
Marco Tronchetti Provera	Deputy Chairman, Board of Directors	MBO 2011	4,530,000						
		LTI scheme2009/2011	10,235,651				3,906,189		
Total compensation from subsidiaries and associates *			**14,765,651**				**3,906,189**	**0**	**0**
Managerial staff with strategic responsibilities		FY 2011/2012	1,296,000	852,000	2013-2015				136,000
		FY 2010/2011						260,000	
		FY 2009/2010					615,000	615,000	
		FY 2008/2009					400,000		
Total compensation in company preparing the accounts			**1,296,000**	**852,000**			**1,015,000**	**875,000**	**136,000**

** Fees relate to post held in the Pirelli group. Further details available in the report on remuneration prepared by Pirelli & C.*

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

Surname and name	Post	Investee company	No. of shares held at end of previous year	No. of shares acquired	No. of shares sold	No. of shares held at end of present year
RENATO PAGLIARO	Chairman	MEDIOBANCA	2,730,000	==	==	2,730,000
ALBERTO NAGEL	Chief Executive Officer	MEDIOBANCA	2,626,050	==	==	2,626,050
FRANCESCO SAVERIO VINCI	General Manager	MEDIOBANCA	945,000	==	==	945,000
GILBERTO BENETTON	Director	MEDIOBANCA	562,800	==	==	562,800
MARINA BERLUSCONI	Director	MEDIOBANCA	40,000	==	==	40,000
ANTOINE BERNHEIM	Director	MEDIOBANCA	63,000	==	==	63,000
ROBERTO BERTAZZONI	Director	MEDIOBANCA	1,050,000	==	==	1,050,000
VINCENT BOLLORE'	Director	MEDIOBANCA	43,602,652	8,065,523	==	51,668,175
MAURIZIO CEREDA	Director	MEDIOBANCA	619,500	==	==	619,500
MASSIMO DI CARLO	Director	MEDIOBANCA	556,500	==	==	556,500
ENNIO DORIS	Director	MEDIOBANCA	1,818,886	==	==	1,818,886
MARCO PARLANGELI	Director	MEDIOBANCA	315	==	==	315
FABIO ALBERTO ROVERSI MONACO	Director	MEDIOBANCA	172,000	==	==	172,000

NB - for directors appointed or whose positions ended in the course of the year, the initial/final holdings refer to the dates of appointment or resignation/dismissal

Investments held by other managerial staff with strategic responsibilities

No. of managerial staff with strategic responsibilities	Investee company	No. of shares held at end of previous year	No. of shares acquired	No. of shares sold	No. of shares held at end of present year
6	MEDIOBANCA	283,082	==	==	283,082

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

Mediobanca area of activity	Fixed salary	Variable	Variable Cash	Variable Equity	Variable Upfront	Variable Deferred
1) Financial markets	34%	66%	74%	26%	64%	36%
2) Advisory	46%	54%	77%	23%	71%	29%
3) Lending and structured finance	57%	43%	100%	-	93%	7%
4) Staff and support	77%	23%	100%	-	100%	-

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

Gruppo	#	Fixed salary	Variable	Cash Upfront	Equity Upfront	Cash Deferred	Equity Deferred
1) Executive directors (Group managers)	5	7,530	-	-	-	-	-
2) Heads of principal business lines, geographical areas and other senior figures	11	4,316	13,270	3,282	2,403	3,981	3,604
3) Heads of internal control units and most senior staff	14	2,659	900	900	-	-	-
4) Risk-takers	11	1,776	8,510	1,702	1,702	2,553	2,553
5) Employees whose remuneration is equal to that of other risk-takers	3	820	3,000	900	900	600	600
6) Other relevant staff identified discretionally by the company based on "proportionality" criterion	85	11,849	15,623	12,532		3,091	-
	129	**28,950**	**41,303**	**19,316**	**5,005**	**10,225**	**6,757**

Gross amounts in € '000.

For 2012, Group 2 includes the remuneration paid to the CEOs/general managers of Compass and CheBanca! and the heads of MB Securities USA and of Mediobanca's office in Turkey, non-Mediobanca staff, not included in the Mediobanca bonus pool for the variable component.

Gruppo	No.	Deferred from previous years and paid during the year
1) Executive directors (Group managers)		-
2) Heads of principal business lines, geographical areas and other senior figures	2	1,690
3) Heads of internal control units and most senior staff		-
4) Risk-takers	12	4,406
5) Employees whose remuneration is equal to that of other risk-takers	1	101
6) Other relevant staff identified discretionally by the company based on "proportionality" criterion	17	977
	32	**7,174**

Gross amounts in € '000.

Group	No.	Treatment at start of relationship	No.	Treatment at end of relationship
1) Executive directors (Group managers)		-		-
2) Heads of principal business lines, geographical areas and other senior figures		-		-
3) Heads of internal control units and most senior staff	1	25		-
4) Risk-takers		-	1	486
5) Employees whose remuneration is equal to that of other risk-takers	1	450		-
6) Other relevant staff identified discretionally by the company based on “proportionality” criterion		-	3	1,590
	2	**475**	**4**	**2,076**

Gross amounts in € ’000.

1) *Includes amounts required by the Italian Civil Code and the provisions of law. The highest amount paid to an individual person was € 573,515.*

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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