MEDIOBANCA

Annual Accounts and Report
as at 30 June 2011

MEDIOBANCA

LIMITED COMPANY

SHARE CAPITAL € 430,564,606

HEAD OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY

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

Annual General Meeting

28 October 2011

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BOARD OF DIRECTORS

			Term expires
*	RENATO PAGLIARO	CHAIRMAN	2011
	DIETER RAMPL	DEPUTY CHAIRMAN	2011
	MARCO TRONCHETTI PROVERA	DEPUTY CHAIRMAN	2011
*	ALBERTO NAGEL	CHIEF EXECUTIVE OFFICER	2011
*	FRANCESCO SAVERIO VINCI	GENERAL MANAGER	2011
	JEAN AZEMA	DIRECTOR	2011
	TARAK BEN AMMAR	DIRECTOR	2011
	GILBERTO BENETTON	DIRECTOR	2011
	MARINA BERLUSCONI	DIRECTOR	2011
	ANTOINE BERNHEIM	DIRECTOR	2011
	ROBERTO BERTAZZONI	DIRECTOR	2011
*	VINCENT BOLLORE’	DIRECTOR	2011
*	ANGELO CASO’	DIRECTOR	2011
*	MAURIZIO CEREDA	DIRECTOR	2011
*	MASSIMO DI CARLO	DIRECTOR	2011
	ENNIO DORIS	DIRECTOR	2011
	JONELLA LIGRESTI	DIRECTOR	2011
	FABRIZIO PALENZONA	DIRECTOR	2011
	MARCO PARLANGELI	DIRECTOR	2011
	CARLO PESENTI	DIRECTOR	2011
*	ERIC STRUTZ	DIRECTOR	2011

* Member of Executive Committee

STATUTORY AUDIT COMMITTEE

MARCO REBOA	CHAIRMAN	2011
MAURIZIA ANGELO COMNENO	STANDING AUDITOR	2011
GABRIELE VILLA	STANDING AUDITOR	2011
GUIDO CROCI	ALTERNATE AUDITOR	2011
UMBERTO RANGONI	ALTERNATE AUDITOR	2011

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MASSIMO BERTOLINI — HEAD OF COMPANY FINANCIAL REPORTING AND SECRETARY TO BOARD OF DIRECTORS

Consolidated Accounts

REVIEW OF GROUP OPERATIONS

The financial year under review saw a healthy performance in banking activities impacted, from the end of the second quarter onwards and culminating in the fourth, by the severe sovereign debt crisis affecting the so-called peripheral EU member states, which led to significant reductions in the prices of all asset classes and a hefty increase in the cost of refinancing for governments and banks.

The Mediobanca Group's results for the twelve months, which show a net profit of €368.6m (30/6/10: €400.8m), are the product of the positive trends witnessed in corporate and investment banking (net profit €242.2m, compared with €243m last year) and above all in retail and consumer banking (net profit €77.8m, compared with a €31.6m loss), but also of higher provisions for financial assets (up from €150m last year to €275.5m). Total income was down slightly, from €2,017.8m to €2,002.3m, with the main individual items performing as follows:

— net interest income climbed 16.7%, from €917m to €1,070.3m, due in particular to an impressive performance in the consumer finance area (up 25.6%, from €525.7m to €660.5m), with corporate and investment banking holding up well (at €429.3m compared to €428.9m), against stable volumes;

— net trading income declined from €353.8m to €208.7m, reflecting lower gains on disposals in the AFS segment (from €198.9m to €22.2m), but also an increase in dealing profits, which were up from €138m to €170.5m;

— net fee and commission income was virtually stable, at €520.3m, compared with €533.5m;

— profits earned by the equity-accounted companies fell from €213.5m to €203m, already reflecting €37.8m pro-rata in charges taken by Assicurazioni Generali on Greek government bonds and its investment in Telco in its interim accounts for the six months ended 30 June 2011.

Costs continued to increase, up 6.6%, from €772.9m to €823.9m, chiefly on the back of an 8% increase in staff costs linked *inter alia* to the rise in headcount, with 84 more staff in wholesale banking and 78 on the retail side.

Loan loss provisions fell significantly, by 32.5%, from €516.8m to €348.8m, in particular in the Corporate and investment banking division (down from €156m to €25.3m) in part due to a one-off writeback in an amount of €75m (net of which a 35.7% reduction would in any case have been recorded). Provisions for loan losses were also lower on the retail side, down from €360.8m to €323.5m, bearing out the improving trend witnessed in recent quarters.

As mentioned above, provisions for financial assets rose considerably, from €150m to €275.5m, €119.7m of which in respect of bonds, including €108.9m on Greek government securities (in line with market prices as at the reporting date), and €155.8m of equities, including €119.6m on Telco – which wrote down the book value of its Telecom Italia shares from €2.2 to €1.8 per share – plus €32.9m on unlisted shares and investments in private equity and venture capital funds (chiefly Delmi). After these adjustments, the net equity valuation reserve as at 30 June 2011 was positive for the equity and other securities component (at €54.6m) but still negative for the bond component (minus €105.7m). Based on current prices the value of the AFS reserve reduces by €150m for equities and by €200m for bonds.

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

— Corporate and investment banking (CIB): net interest income held up well, at €429.3m (compared with €428.9m), while net fee and commission income declined slightly, from €332.4m to €315.1m, and net trading income shrank considerably (from €244.4m to €169.4m) due to lower gains on disposals of AFS securities. Net profit of €242.2m (compared with €243m last year) was boosted by the lower loan loss provisions (down from €156m to €25.3m) which more than offset the increase in provisions for financial assets (€150.4m, compared with €135.8m last year);

— Principal investing (PI) showed a profit for the twelve months of €69.3m, lower than the €184.5m reported last year due to the writedown charged to the Telco investment (€119.6m) and the items related to Assicurazioni Generali described earlier;

— Retail and private banking (RPB) returned to profit, with a bottom line of €77.8m (compared with a €31.6m loss last year), buoyed by a 13.1% increase in total revenues, from €844.6m to €955.6m, in particular net interest income, up 25.6% from €525.7m to €660.5m due to higher volumes, against costs which were basically stable (up from €504.7m to €516.1m) and loan loss provisions down from €360.8m to €323.5m.

On the balance-sheet side, treasury assets fell from €15bn to €8.6bn, most of which were used for loans and advances to customers (up from €33.7bn to €36.2bn) and the AFS government bonds and held-to-maturity portfolios (which rose jointly from €6.7bn to €8.4bn). The decrease in funding (from €53.9bn to €51.7bn) is largely the result of reduced use of the banking system (down from €6bn to €4.7bn) and short-term paper instruments, while the CheBanca! retail channel share rose by 4.2%. Assets under management in private banking rose from €11.7bn to €12.7bn.

The Group's main capital ratios remain at high levels, with the core tier 1 ratio at 11.19%, and the total capital ratio at 14.36%.

* * *

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

— the resolutions adopted by shareholders at the annual general meeting held on 28 October 2010 in respect of:

  – Group staff remuneration policies which, in compliance with the new regulatory requirements in this area, include use of a new deferred remuneration equity instrument (performance shares), in connection with which a resolution to increase the company's share capital (with up to 20 million new Mediobanca shares being issued) and use of treasury shares owned by the Bank for this purpose was approved;

  – amendments to the company's Articles of Association, to incorporate changes introduced by Italian Legislative Decree 27/10 in the area of shareholder rights;

— approval of the procedure in respect of transactions involving related parties, after the Related Parties Committee (made up solely of independent Directors) had given its approval, to ensure that transactions with related parties executed directly by Mediobanca or via subsidiaries are managed transparently and fairly;

— approval of several amendments to the Company's Articles of Association to be submitted to shareholders at the next annual general meeting, including age limits (seventy-five years) for holding Company offices;

— issuance of two subordinated, lower tier II loans in an amount of approx. €1bn;

— approval of the ICAAP procedure required by regulations in force, and disclosure of the information required under Pillar 3 of the Basel II agreements, to provide a more accurate valuation of the Group's capital solidity and exposure to risks.

* * *

Developments in capital markets

In the year ended 30 June 2011, the financial flows generated by the risk capital market in Italy again showed a negative balance of €5.5bn, not far off the minus €6.2bn reported in 2009/10. The increase in fund flows to companies in the form of issues and placements of shares and convertible and cum warrant bonds (from €9.3bn to €13.8bn) was largely due to the higher dividends distributed (from €15.2bn to €16.3bn) and the recovery in public tender offers, albeit limited (€3.1bn):

		12 mths to 30/6/09		12 mths to 30/6/10		12 mths to 30/6/11
		€m		€m		€m
Issues and placements of: °						
convertible ordinary and savings shares		16,759		6,881		13,404
non-convertible preference and savings shares		—		121		85
convertible and cum warrant bonds		890		2,339		355
Total		17,649		9,341		13,844
of which, for rights issues: *						
par value	*6,275*		*2,674*		*7,465*	
share premium	*7,418*		*4,290*		*3,616*	
		13,693		*6,964*		11,081
Dividends distributed ^		16,685		15,169		16,316
Public tender offers		1,179		415		3,053
Balance		(215)		(6,243)		(5,525)

° Excluding placements restricted to professional investors.

* Excluding IPOs and other public offers, which raised €27m in 2009/2010, while no such offers were made in 2008/2009 or 2010/2011, offers restricted to employees, and offers without option rights.

^ For 2008/2009 the figure does not include dividends paid in the form of bonus shares, which had a stock market value of €4.5bn if measured as at the day on which they were awarded.

The capital increases have mostly been implemented by banks, with the objective of strengthening their capital base in the new regulatory scenario introduced by Basel III (nine-tenths of the total, compared with three-quarters in 2009/10). Placements offered to the general public totalled €2.2bn, as against €0.2bn the previous year. The percentage accounted for by share premium reserves virtually halved, from 62% to 33%. Share issues restricted to staff chiefly through exercise of stock options remained relatively insignificant and involved 21 companies, as opposed to 14 in 2009/10, with the amount increasing from €45m to €104m. The value of convertible bond issuance was also negligible.

Despite still being far off their pre-crisis levels, dividends reversed the downward trend witnessed in the past two financial years, rising from €15.2bn to €16.3bn, with the payout ratio declining from 54% to 49%. This increase in dividends was largely attributable to industrial companies, which distributed 79% of the total, compared with 78% the previous year (the changes recorded in absolute terms by insurance companies and banks offsetting each other), up €1.1bn, €0.7bn of which by energy companies and utilities. This 1% increase in the industrial companies' share is matched by an equivalent reduction in that of the insurances, from 6% to 5%, while the banks' share was stable, at 16%. Virtually half the companies listed on the stock market failed to pay dividends, but the same companies measured by market capitalization accounted for barely 8% of the aggregate (as against 9% for the preceding period). Public tender offers resulted in five companies being delisted (eight in 2009/10).

The net aggregate results for the 2010 financial year posted by Italian companies listed as at 30 June 2011 show signs of recovery, with net profit up 30%, from €21.5bn in 2009 to €27.3bn. The most significant contribution in relative terms came from the industrial companies, whose profits were up 30%, and even more so the insurances, which reported two-and-a-half times their bottom-line result in 2009; while the contribution from banks was marginal, up just 5%.

The banks reported aggregate profits of €6.3bn, compared with €6.2bn in 2009, and a return on equity (ROE) of 3.9% (3.8%). The €3.3bn decrease in revenues, most of which was due to reductions in net interest income (€2.9bn) and net trading income (€2.1bn), was largely offset by the result in net fee and commission income, up €1.5bn. The decline in net loan loss provisions (€3bn), along with the increase in net writebacks (€1.1bn), was decisive in bringing net profit back to 2009 levels (up €0.3bn). In 2010 regulatory capital levels increased by 4%; the concomitant, 1% reduction in risk-weighted assets led to an increase in the solvency margin, from 11.7% to 12.3%. The leverage ratio, measured by comparing total assets with tangible net equity (excluding the instruments known as "Tremonti bonds") remained unchanged at around 23 times (compared to an average of approx. 28 times for the leading European banking groups).

Insurance companies were boosted by a major increase in net profit, which reached €1.8bn, compared with €0.7bn in 2009, the return on equity climbing from 3% to 8.1%. Growth in underwriting profits (€9.9bn) was only partly swallowed up by higher net claims (€7.5bn) and operating costs (€1.1bn); while higher tax charges (€0.8bn) were in turn largely offset by the reduction in minority interest (€0.5bn).

Industrial groups showed a major improvement in their operating profit, which increased from €14.6bn to €19bn, with the return on equity up from 8.2% to 10%. The growth in value added (€9.4bn) was absorbed by higher depreciation and amortization (€1.4bn), interest (€0.4bn) and tax charges (€2bn). Net of minority interests (€1.5bn), and taking into account positive residual items, net profit improved by €4.4bn. Profits recorded by companies listed on the STAR segment also improved appreciably, from €0.5bn to €0.8bn (ROE up from 6.7% to 9.3%). Aggregate net equity for industrial companies grew by 12% as a result of undistributed profits being capitalized, with borrowings virtually unchanged (up just 1%); as a result, the debt/equity ratio reduced from 113% to 102%.

In the twelve months ended 30 June 2011, the Mediobanca share price index showed a 5% increase, rising to almost 10% in the total return version. The simple share price index confirms the trends witnessed in 2009/10: industrial companies were up 18%, while insurances and banks both showed reductions, of 3% and 21% respectively, while share prices on the STAR segment continued to rise, up 13%. The average daily value of stocks traded on the MTA for the twelve months ended 30 June 2011 was down 7% on the previous year (from €3.1bn to €2.9bn per session). The reduction in the free float (from 59% to 56%, the lowest level seen for the past six years) was met with stability in the turnover ratio, which was unchanged at 22%; while volatility again fell (1.7% in the year ended 30 June 2011, as against 2.0% the previous year and 3.4% in 2008/2009). Since the reporting date share prices have declined sharply, down 27% in the period ended 6 September 2011, chiefly due to the banking index, which declined 36% to reach its lowest level for the past 16 years.

In the twelve months ended 1 April 2011, the increase in share prices was accompanied by a recovery in the dividend yield and price/earnings index. The data for the leading western stock markets was as follows:

	Price/dividend (%)		Price/earnings (%)	
	2010	2011	2010	2011
Benelux **	3.0	3.1	6.4	7.0
France *	2.8	2.7	5.2	5.9
Germany *	1.9	2.0	4.9	5.9
Italy *	3.6	2.9	6.9	6.5
United Kingdom *	3.1	3.2	5.9	7.7
United States *	2.2	2.2	5.7	6.0
Switzerland **	2.1	2.5	5.4	5.7

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

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

NB: Median indicators based on share prices at 1 April 2011. The changes in prices on the principal stock markets between 1 April 2010 and 1 April 2011 were as follows (indexes used are in brackets): Italy down 3.9% (Mediobanca MTA), Switzerland down 6.5% (SMI), Netherlands up 5.1% (AEX), Germany up 13.4% (CDAX), United States up 13.1% (S&P 500), Belgium up 2.6% (BAS), France up 2.8% (SBF 250), United Kingdom 5.9% (FTSE All-Share).

Assets managed by mutual funds incorporated under Italian law (including funds of funds, closed and hedge funds) again shrank considerably compared to the previous year, from €178.4bn at 30 June 2010 to €204.4bn at 30 June 2011. Operating profits of €3bn offset only the huge net redemptions of €29bn only in part. With regard to portfolio composition, the situation as at the reporting date showed a reduction in the share accounted for by Italian government securities (amounting to 3 percentage points) and cash and cash equivalents (4 points), with increases predominantly in non-Italian securities (shares up 2 points, government bonds up 1 point), Italian bonds (up 1 point) and the balance of other financial assets and liabilities (up 3 points). Roundtrip funds, meanwhile, increased once again, boosted both by net subscriptions of €7bn and operating profits (totalling approx. €3bn); assets managed by such funds rose from €165.7bn at 30 June 2010 to €175.4bn as at the reporting date.

The market capitalization of listed companies rose from €389bn twelve months previously to €436bn, with the free float increasing from €231bn to €246bn. The €29bn increase, net of rights issues and changes to the composition of the stock market, is due to the changes is market prices.

* * *

The Italian consumer credit market continues to be affected by the weak economic conditions which caused it to contract sharply by 5.3% in 2010, having fallen by 11.3% in 2009. The impact of the European Consumer Credit Directive, which has forced sector operators to adopt stricter lending criteria, has been significant.

The segments which showed the largest reductions in the first six months of 2011 were vehicle credit (down 13.8%), in part due to the reduction in new car manufactures, salary-backed finance (down 4.3%), and credit cards (down 1.2%); while specific-purpose loans remained virtually stable. Conversely, the personal loans segment increased by 7.5%.

	2007		2008		2009		2010	
	€m	%	€m	%	€m	%	€m	%
Vehicle credit	21,538	36.0	18,642	30.7	15,501	28.0	13,671	26.1
Personal loans	19,588	32.7	21,718	35.8	19,431	35.1	19,232	36.7
Specific-purpose loans	5,628	9.4	5,054	8.3	4,236	7.6	4,222	8.1
Credit cards	9,264	15.5	9,928	16.4	10,605	19.2	10,350	19.7
Salary-backed finance	3,816	6.4	5,315	8.8	5,617	10.1	4,920	9.4
	59,834	100.0	60,657	100.0	55,390	100.0	52,395	100.0

Source: Assofin.

The real estate market in 2010 was largely stable in terms of the number of residential properties bought and sold (up 0.4%), while the value of the residential mortgage lending market was up more than 11%, with new loans totalling €56bn (€50bn).

After two years in which significant reductions were recorded (of 20.9% in 2008 and 32.9% in 2009), the Italian leasing industry recovered slightly in 2010, rising 4.7%. However, a further reduction, of 2.7%, has been recorded in the first six months of 2011.

	2007		2008		2009		2010	
	€m	%	€m	%	€m	%	€m	%
Vehicles	9,312	19.1	8,465	21.8	5,704	21.9	5.777	21,1
Core goods	13,794	28.2	12,233	31.6	8,539	40.5	8.898	32,6
Property	22,665	46.4	15,061	38.8	10,586	32.7	11.584	42,4
Yachts	3,090	6.3	3,018	7.8	1,288	4.9	1.077	3,9
	48,861	100.0	38,777	100.0	26,117	100.0	27.336	100.0

Source: Assilea.

CONSOLIDATED FINANCIAL STATEMENTS*

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	12 mths to 30/6/10	12 mths to 30/6/11	Y.o.Y. chg.
Profit-and-loss data	€m	€m	%
Net interest income	917.0	1,070.3	+16.7
Net trading income	353.8	208.7	–41.0
Net fee and commission income	533.5	520.3	–2.5
Equity-accounted companies	213.5	203.0	–4.9
TOTAL INCOME	**2,017.8**	**2,002.3**	**–0.8**
Labour costs	(387.9)	(418.8)	+8.0
Administrative expenses	(385.0)	(405.1)	+5.2
OPERATING COSTS	**(772.9)**	**(823.9)**	**+6.6**
Loan loss provisions	(516.8)	(348.8)	–32.5
Provisions for other financial assets	(150.0)	(275.5)	n.m.
Other gains (losses)	5.2	0.1	n.m.
PROFIT BEFORE TAX	**583.3**	**554.2**	**–5.0**
Income tax for the period	(181.2)	(180.6)	–0.3
Minority interest	(1.3)	(5.0)	n.m.
NET PROFIT	**400.8**	**368.6**	**–8.0**

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

RESTATED BALANCE SHEET

	30/6/10	30/6/11
	€ m	€ m
Assets		
Treasury funds	14,976.0	8,608.0
AFS securities	6,825.7	7,749.9
of which: fixed-income	*5,248.6*	*6,092.3*
equities	*1,538.8*	*1,643.6*
Fixed financial assets (HTM & LR)	1,455.4	2,308.1
Loans and advances to customers	33,701.5	36,225.6
Equity investments	3,348.0	3,156.1
Tangible and intangible assets	762.6	757.8
Other assets	1,188.3	1,376.7
of which: tax assets	*924.5*	*967.0*
Total assets	62,257.5	60,182.2
Liabilities and net equity		
Funding	53,852.3	51,712.9
of which: debt securities in issue	*35,193.3*	*34,460.5*
retail deposits	*9,561.1*	*9,960.3*
Other liabilities	1,387.2	1,258.9
of which: tax liabilities	*633.1*	*565.8*
Provisions	183.6	182.6
Net equity	6,433.6	6,659.2
of which: share capital	*430.5*	*430.6*
reserves	*5,899.8*	*6,113.9*
minority interest	*103.3*	*114.7*
Profit for the period	400.8	368.6
Total liabilities and net equity	62,257.5	60,182.2
Tier 1 capital	*5,924.2*	*6,156.1*
Regulatory capital	*6,927.9*	*7,899.1*
Tier 1 capital/risk-weighted assets	*11.09%*	*11.19%*
Regulatory capital/risk-weighted assets	*12.97%*	*14.36%*
No. of shares in issue (millions)	*861.1*	*861.1*

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

30 June 2011	Corporate & Investment Banking	Principal Investing	Retail & Private Banking	Group
	€m	€m	€m	€m
Profit-and-loss data				
Net interest income	429.3	(7.5)	660.5	1,070.3
Net trading income	169.4	—	49.6	208.7
Net fee and commission income	315.1	—	245.5	520.3
Equity-accounted companies	(1.2)	203.6	—	203.0
TOTAL INCOME	**912.6**	**196.1**	**955.6**	**2,002.3**
Labour costs	(234.4)	(5.5)	(192.0)	(418.8)
Administrative expenses	(106.2)	(2.5)	(324.1)	(405.1)
OPERATING COSTS	**(340.6)**	**(8.0)**	**(516.1)**	**(823.9)**
Loan loss provisions	(25.3)	—	(323.5)	(348.8)
Provisions for other financial assets	(150.4)	(124.6)	(0.6)	(275.5)
Other gains (losses)	—	—	—	0.1
PROFIT BEFORE TAX	**396.3**	**63.5**	**115.4**	**554.2**
Income tax for the period	(149.1)	5.8	(37.6)	(180.6)
Minority interest	(5.0)	—	—	(5.0)
NET PROFIT	**242.2**	**69.3**	**77.8**	**368.6**
Cost/income ratio (%)	37.3	n.m.	54.0	41.1
Balance-sheet data				
Treasury funds	9,469.5	—	4,000.7	8,608.0
AFS securities	6,550.5	134.1	1,762.0	7,749.9
Fixed financial assets (HTM & LR)	4,001.1	—	3,191.7	2,308.1
Equity investments	385.6	2,712.5	—	3,156.1
Loans and advances to customers	27,623.9	—	13,751.9	36,225.6
of which: to Group companies	*5,144.2*	—	—	—
Funding	(44,908.2)	(259.8)	(22,082.7)	(51,712.9)
Risk-weighted assets	40,349.1	3,162.3	11,498.5	55,025.5
No. of staff	964	—	2,619 *	3,452

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

Notes:

1) Divisions comprise:
   - *CIB (Corporate and investment banking)*: comprises corporate and investment banking, including leasing, plus the Group's trading investments. The companies which form part of this division are Mediobanca, Mediobanca International, MB Securities USA, Consortium, Prominvestment, SelmaBipiemme Leasing, Palladio Leasing and Teleleasing;
   - *Principal investing*: comprises the Group's shareholdings in Assicurazioni Generali, RCS MediaGroup and Telco, plus stakes acquired as part of merchant banking activity and investments in private equity funds;
   - *Retail and private banking*: businesses targeting retail customers via consumer credit products, mortgages, deposit accounts, private banking and fiduciary activities. The companies which make up this division are: Compass, CheBanca!, Cofactor, Futuro, Compass RE and Creditech (consumer credit); and Compagnie Monégasque de Banque, Spafid and Prudentia Fiduciaria, plus 50% of Banca Esperia pro-forma (private banking).
2) Sum of divisional data differs from Group total due to:
   - Banca Esperia being consolidated pro-rata (50%) rather than equity-accounted;
   - adjustments/differences arising on consolidation between business areas (€5.2m and €20.8m as at 30 June 2010 and 30 June 2011 respectively).

30 June 2010	Corporate & Investment Banking	Principal Investing	Retail & Private Banking		Group
	€m	€m	€m		€m
Profit-and-loss data					
Net interest income	428.9	(9.6)	525.7		917.0
Net trading income	244.4	—	79.2		353.8
Net fee and commission income	332.4	—	240.0		533.5
Equity-accounted companies	0.3	213.4	(0.3)		213.5
TOTAL INCOME	**1,006.0**	**203.8**	**844.6**		**2,017.8**
Labour costs	(207.2)	(5.5)	(182.5)		(387.9)
Administrative expenses	(95.9)	(2.6)	(322.2)		(385.0)
OPERATING COSTS	**(303.1)**	**(8.1)**	**(504.7)**		**(772.9)**
Loan loss provisions	(156.0)	—	(360.8)		(516.8)
Provisions for other financial assets	(135.8)	(12.2)	(1.9)		(150.0)
Other gains (losses)	—	—	5.2		5.2
PROFIT BEFORE TAX	**411.1**	**183.5**	**(17.6)**		**583.3**
Income tax for the period	(166.7)	1.0	(14.0)		(181.2)
Minority interest	(1.4)	—	—		(1.3)
NET PROFIT	**243.0**	**184.5**	**(31.6)**		**400.8**
Cost/income ratio (%)	30.1	n.m.	59.8		38.3
Balance-sheet data					
Treasury funds	16,362.2	—	4,086.8		14,976.0
AFS securities	5,122.4	114.8	2,571.8		6,825.7
Fixed financial assets (HTM & LR)	1,454.5	—	2,507.4		1,455.4
Equity investments	397.8	2,892.2	1.4		3,348.0
Loans and advances to customers	24,629.5	—	12,563.9		33,701.5
of which: to Group companies	*3,485.2*	—	—		—
Funding	(44,921.7)	(259.8)	(20,999.9)		(53,852.3)
Risk-weighted assets	39,681.7	2,928.8	10,808.1		53,426.0
No. of staff	882	—	2,478	*	3,242

* Includes 118 staff employed by the Esperia group pro-forma not included in the Group total.

BALANCE SHEET

The main balance-sheet items, to which Mediobanca contributes just over half, showed the following trends for the twelve months under review (comparative data as at 30 June 2010):

Funding — this item fell by 4%, from €53,852.3m to €51,712.9m, reflecting the reduced use of the banking system (down from €5,951.4m to €4,729.2m) and short-term debt securities (down from €798.4m to €318.4m), only in part offset by the increase in the CheBanca! retail share (up from €9,561.1m to €9,960.3m). Debt securities in issue were more or less stable at €34,142.1m, compared to €34,394.9m last year, with new issues totalling €6,826.4m, redemptions and market repurchases of €7,162.7m, and other upward adjustments (exchange rates, amortized cost and hedges) amounting to €83.5m. Two subordinated lower tier II bonds were also issued during the period, in an amount of approx. €1bn.

Loans and advances to customers — these were up €2.5bn, from €33,701.5m to €36,225.6m, with all business segments recovering: corporate finance up 8.8%, from €16,559.5m to €18,062.2m; consumer credit up 7.9%, from €8,271m to €8,926.9m; and mortgage lending up 15.7%, from €3,545.8 to €4,102.6m.

	30/6/10	30/6/11	Change
	€m	€m	%
Corporate and investment banking	21,144.2	22,479.7	+6.3
– *of which:*	*4,544.7*	*4,417.6*	*–2.8*
Retail and private banking	12,557.3	13,745.9	+9.5
– *of which: consumer credit*	*8,271.0*	*8,926.9*	*+7.9*
mortgage lending	*3,545.8*	*4,102.6*	*+15.7*
private banking	*740.5*	*716.4*	*–3.3*
TOTAL LOANS AND ADVANCES TO CUSTOMERS	33.701.5	36,225.6	+7.5

The share of the loan book accounted for by the retail segment rose from 37% to 38% (with mortgage lending rising from 10% to 11%), at the expense of corporate and investment banking, the share of which fell from 63% to 62%, reflecting the slowdown in leasing activity (down from 13% to 12%); while the contribution from corporate lending and structured finance and consumer credit was stable, at 50% and 25% of the loan book respectively.

Impaired assets (i.e. non-performing, sub-standard, restructured and overdue items) fell by 11,6%, from €803.2m to €709.9m, with a coverage ratio of over 70% for consumer finance, 45% for mortgage lending and over 30% in wholesale banking (including leasing). Asset quality remains satisfactory: impaired assets account for just 1% (1.47%) of total loans in the large corporate segment, 4.6% (4.1%) in leasing, 2% (2.9%) in consumer credit, and 2.4% (2.5%) in mortgage lending. The slight increase in non-performing accounts (from 0.56% of total loans last year to 0.59% at the reporting date) is concentrated in the leasing segment.

At the reporting date there were a total of ten significant exposures to groups of customers (including market risk and equity investments), i.e. above 10% of regulatory capital (two fewer than at 30 June 2010), giving a gross exposure of €13,767.4m (30/6/10: €14,553m).

Equity investments — these fell from €3,348m to €3,156.1m, after booking €203m in profits from the equity-accounted companies, the writedown to the Telco investment referred to above (€119.6m), and reductions in the valuation reserves totalling €169.4m net of dividends collected on Assicurazioni Generali and Pirelli & C. amounting to €92.7m and €13.1m respectively. The value of the Assicurazioni Generali investment fell from €2,317.5m to €2,241.5m due to: profits for the period (€239.4m); the writedowns charged by the company to its holdings in Telco and Greek bonds (€37.8m); the reduction in the valuation reserves (€185m); and the dividend distributed (€92.7m). The book values of the holdings in RCS MediaGroup and Burgo rose slightly as a result of profits for the period: the former from €189.3m to €191.8m, and the latter from €80.7m to €82.2m. Conversely, the book values of the investments in Gemina and Telco fell, from €199.8m to €196.4m in the case of the former and from €358.1m to €252.6m in the case of the latter, owing to losses incurred.

Based on share prices as at 30 June 2011, the surplus of market over book value on the portfolio had increased from €455.3m to €680.9m (virtually zero based on current prices). No impairment charges were taken to book values deriving from application of the equity method during the period under review; the valuations made in the course of the impairment tests are shown in part B of the notes to the accounts (see p. 90).

	Percentage share holding *	Book value	Market value at 30/6/11	Gain (loss)
	€m	€m	€m	€m
LISTED EQUITY INVESTMENTS				
Assicurazioni Generali	13.24	2,241.5	2,998.7	757.2
RCS MediaGroup, *ordinary*	14.36	191.8	125.3	(66.5)
Pirelli & C. S.p.A.	4.61 – 4.49	107.0	163.3	56.3
Gemina	12.56 – 12.53	196.4	130.3	(66.1)
		2,736.7	3,417.6	680.9
OTHER INVESTMENTS				
Telco	11.62	252.6		
Banca Esperia	50.00	57.9		
Burgo Group	22.13	82.2		
Athena Private Equity class A	24.27	25.7		
Fidia	25.00	1.0		
Other minor investments		—		
		419.4		
		3,156.1		

* Percentage of entire share capital.

Fixed financial assets — this portfolio consists of financial assets held to maturity totalling €1,643.6m (€720.7m) and unlisted debt securities (recognized at cost) worth €664.5m (€734.7m). The held-to-maturity portfolio grew during the year, as a result of market purchases and transfers from the AFS portfolio; other movements for the year included redemptions worth €151.1m, upward adjustments to reflect amortized cost amounting to €10.3m, and writedowns charged to the profit and loss account totalling €10.5m. The other securities held in this portfolio show no signs of impairment. Based on prices and holdings at the reporting date, the portfolio reflected an implicit loss of €19.6m (€22.4m). The portfolio comprises €246.8m in government bonds, €686m in corporate bonds and €1,375.3m in bank, insurance and financial bonds.

AFS securities — this portfolio is made up of debt securities totalling €6,092.3m (€5,248.6m), equities worth €1,643.6m (€1,538.8m) and stock units in funds held by Compagnie Monégasque de Banque amounting to €14m (€38.3m). On the debt securities side, trades worth €1,017.9m were recorded during the period (including the transfers referred to above and net of €18.8m in profits), writedowns charged to the profit and loss account totalling €71.8m (attributable to Greek government bonds), €2.7m in upward adjustments to reflect amortized cost and €105m in downward adjustments to reflect fair value. Some 60% of the portfolio consists of government securities (€234.8m of which Greek and €32.9m Irish), 11% of corporate bonds, and the remainder of banking, insurance and financial bonds. Movements on the equity side (which also includes bonds convertible into shares) reflect net investments of €54.4m (including €10.2m in profits) and upward adjustments to reflect fair value at the reporting date totalling €53.6m, €34.6m of which in respect of securities subject to impairment in previous years. Writedowns of €35.6m were charged to the profit and loss account at the reporting date, of which €32.9m on unlisted equities.

	Percentage share holding *	Book value as at 30/6/11	Adjustments to fair value	Impairment to P&L	Total AFS reserve
Sintonia S.A.	6.50	336.3	—	—	—
UCI cashes		251.6	(11.5)	—	(28.7)
Delmi S.p.A., *ordinary*	6.—	94.2	—	(15.8)	—
Santé S.A.	9.99	82.4	—	(0.7)	—
Italmobiliare	9.5 – 5.47	53.1	6.1	—	18.5
Other listed shares......		505.1	50.6	(2.7)	3.5
Other unlisted shares ...		320.9	8.4	(16.4)	60.2
TOTAL SHARES..........		1,643.6	53.6	(35.6)	53.5

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

The equity component valuation reserve remained in negative territory at minus €52.9m (minus €47.1m), representing the balance between a positive contribution from equities and other securities (€53.5m and €1.2m respectively) and the negative debt security reserves (minus €105.7m, €64m of which in respect of Italian government securities and €19.2m in respect of Irish government bonds).

Treasury funds — these fell from €14,976m to €8,608m. The heading comprises €469.6m (€722.3m) in cash and cash equivalents, €4,599.5m (€9,185.4m) in fixed-income securities, €2,141.6m (€1,512.4m) in equities, €541m (€430.8m) in negative value adjustments to derivatives contracts, and €1,938.3m (€3,986.7m) in net applications of treasury funds, such as repos, interbank deposits, etc. Movements during the twelve months under review and marking the portfolio, including derivatives, to market as at 30 June 2011 generated gains of €170.5m (€138m). Some

44% of the fixed-income portfolio consists of bank, insurance and financial bonds, around one-third of government securities (€25.4m of which Greek), and the remainder of corporate bonds. The increase in equities is due to increased client trading.

Tangible and intangible assets — these declined from €762.6m to €757.8m, after depreciation and amortization charges for the period totalling €42m; investments for the period chiefly involved the upgrade of the Group's IT systems (€19.3m) and the refurbishment and expansion of the Seteci property (€7.4m). Goodwill and brands continue to be carried at €365.9m and €6.3m respectively, and have both passed the impairment test.

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

	Squ.m	Book value	Book value per squ.m
		€'000	€'000
Milan:			
– Piazzetta Enrico Cuccia, 1	6,874	17,690.8	2.6
– Via Filodrammatici, 3, 5, 7 - Piazzetta Bossi, 1	11,093	62,805.0	5.7
– Piazza Paolo Ferrari, 6	1,967	4,218.8	2.1
– Foro Buonaparte, 10	3,918	7,833.8	2.0
– Via Siusi, 1-7	5,300	15,988.6	3.0
Rome:			
– Piazza di Spagna, 15	8,228	27,421.9	3.3
– Via Nomentana, 146	1,790	8,912.4	5.0
Vicenza:			
– Via Btg. Framarin, 4, 14	4,239	5,833.6	1.4
Principality of Monaco	8,166	127,324.0	15.6
Other, minor properties	5,757	2,490.6	0.4
	57,332	280,519.5	

Provisions — this comprises the provision for liabilities and charges, which stood at €156.5m (€156.3m) and the staff severance indemnity provision, amounting to €26,1m (€27.3m), both largely unchanged during the period.

Net equity — net equity rose by €214.2m, from €6,330.3m to €6,544.5m, due to the provision of undistributed 2010 earnings (€257.4m) and a €112m rise in the Group's valuation reserves, which offset the negative contribution from equity-consolidated investee companies totalling €160.6m. The AFS securities valuation reserve remained virtually stable at minus €22m (minus €22.6m), following net withdrawals totalling €12.4m in connection with the impairment charges taken at the reporting date (€36.2m) and disposals during the course of the year (€23.8m). The bond reserve remained in negative territory at €105.7m, while the equities and other securities reserve was positive at €54.6m, with €29.1m in deferred tax assets. The cash flow hedge reserve returned to positive territory at €9.8m (compared with minus €99.5m last year), while the share of the valuation reserves attributable to the equity-accounted investments fell from €162.1m to €1.5m.

Profit and loss account

Net interest income — the increase in this item, from €917m to €1,070.3m, chiefly reflects a positive performance in the retail segment, where net interest income climbed 25.6%, from €525.7m to €660.5m, due to CheBanca!, which added €79.5m as a result of its cost of funding gradually decreasing, and to consumer credit, which contributed €50.7m on the back of an upturn in volumes and a reduced cost of funding; corporate finance was stable, at €429.3m (compared with €428.9m). It should be noted that the trend in the cost of funding reversed in the latter part of the year.

Net trading income — this heading is made up of €170.5m (€138m) in dealing profits, €22.2m (€199m) in gains on disposals of AFS securities, and dividends worth a total of €18.7m (€17m). The trading result is divided between fixed-income (€75.4m) and equity (€95.1m) and was boosted by good results in the first and third quarters (€72m and €72.6m respectively), compared with a €7.5m loss in the fourth.

Net fee and commission income — this item fell 2.5%, from €533.5m to €520.3m, chiefly due to a reduction in the contribution from corporate and investment banking which was impacted by the slowdown in capital market activities (down 22%, from €121.2m to €94m) and lending (down 10%, from €132m to €119m); consumer credit fees were up slightly, from €154.2m to €158.7m, while the contribution from private banking continues to be weak, at €38.2m (€41m).

Operating costs — this item rose by 6.6%, from €772.9m to €823.9m, chiefly due to the Group's operating and geographical expansion, with the headcount increasing from 3,242 to 3,452. The various components performed as follows:

— labour costs totalled €418.8m (€387.9m), €8.1m (€10.5m) of which in emoluments paid to directors, and €13.5m (€5.2m) in implicit expenses linked to stock option schemes;

— other costs amounting to €405.1m (€385m), include €42m (€40.1m) in ordinary depreciation charges, plus administrative expenses totalling €362.1m (€343.5m), made up as follows:

	12 mths to 30/6/10	12 mths to 30/6/11
	€m	€m
Legal, tax and other professional services	37.4	48.6
Bad debt recovery	26.0	27.3
Marketing and communications	69.0	76.3
Rent and property maintenance charges	45.2	39.6
EDP	31.4	33.3
Financial information subscriptions	21.2	24.4
Banking services, collection and payment charges	20.6	20.9
Operating expenses	53.5	51.6
Other labour costs	19.1	19.7
Other costs	10.8	11.2
Direct and indirect taxes (net of amounts withheld)	9.3	9.2
TOTAL	343.5	362.1

The increase in the cost of professional services reflects growth in the product catalogue, in corporate banking and the retail segment in particular.

Loan loss provisions — this item fell from €516.8m to €348.8m, due to the gradual improvement in all business areas: consumer credit (from €336.5m to €302.3m), retail banking (from €23m to €20.8m), leasing (from €40.6m to €26.1m), and wholesale banking (from €115.4m to a net reversal of €0.8m, helped by a €75m writeback in respect of a single exposure).

Provisions for financial assets — this item covers equity investments (€119.6m in respect of Telco), the AFS portfolio (€145.1m) and securities held to maturity (€10.8m). The provisions for AFS assets refer to Greek government bonds (€108.9m) and investments in equities (€35.6m, €32.9m of which due to long-term reductions in the value of unlisted shares and private equity and venture capital funds).

Income tax for the period — this item totalled €180.6m, as against €181.2m last year. Mediobanca (as consolidating entity) has adopted tax consolidation, which includes Compass, SelmaBipiemme Leasing, Palladio Leasing, CheBanca!, Cofactor and Futuro. Relations between the consolidating and consolidated entities are governed by bilateral agreements regulating cash flows, exchanges of information and the individual companies' responsibilities versus the revenue authorities.

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

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

Corporate and investment banking (wholesale banking and leasing)

	12 mths to 30/6/10	12 mths to 30/6/11	Y.o.Y. chg.
	€m	€m	%
Profit-and-loss data			
Net interest income	428.9	429.3	+0.1
Net trading income	244.4	169.4	–30.7
Net fee and commission income	332.4	315.1	–5.2
Equity-accounted companies	0.3	(1.2)	n.m.
TOTAL INCOME	**1,006.0**	**912.6**	**–9.3**
Labour costs	(207.2)	(234.4)	+13.1
Administrative expenses	(95.9)	(106.2)	+10.7
OPERATING COSTS	**(303.1)**	**(340.6)**	**+12.4**
Loan loss provisions	(156.0)	(25.3)	n.m.
Provisions for financial assets	(135.8)	(150.4)	+10.8
Other profits (losses)	—	—	n.m.
PROFIT BEFORE TAX	**411.1**	**396.3**	**–3.6**
Income tax for the period	(166.7)	(149.1)	–10.6
Minority interest	(1.4)	(5.0)	n.m.
NET PROFIT	**243.0**	**242.2**	**–0.3**
Cost/income ratio (%)	30.1	37.3	

	12 mths to 30/6/10	12 mths to 30/6/11	Y.o.Y. chg.
Balance-sheet data	€m	€m	%
Treasury funds	16,362.2	9,469.5	–42.1
AFS securities	5,122.4	6,550.5	+27.9
Fixed assets (HTM & LR)	1,454.5	4,001.1	n.m.
Equity investments	397.8	385.6	–3.1
Loans and advances to customers	24,629.5	27,623.9	+12.2
of which to Group companies	3,485.2	5,144.2	+47.6
Funding	(44,921.7)	(44,908.2)	n.m.

Corporate and Investment Banking 30 June 2011	Wholesale	Leasing	Total
	€m	€m	€m
Net interest income	356.0	73.3	429.3
Net trading income	169.4	—	169.4
Net fee and commission income	311.1	4.0	315.1
Equity-accounted companies	(1.2)	—	(1.2)
TOTAL INCOME	**835.3**	**77.3**	**912.6**
Labour costs	(214.2)	(20.2)	(234.4)
Administrative expenses	(94.4)	(11.8)	(106.2)
OPERATING COSTS	**(308.6)**	**(32.0)**	**(340.6)**
Loan loss provisions	0.8	(26.1)	(25.3)
Provisions for financial assets	(150.4)	—	(150.4)
Other profits (losses)	—	—	—
PROFIT BEFORE TAX	**377.1**	**19.2**	**396.3**
Income tax for the period	(140.1)	(9.0)	(149.1)
Minority interest	—	(5.0)	(5.0)
NET PROFIT	**237.0**	**5.2**	**242.2**
Cost/income ratio (%)	36.9	41.4	37.3
Other assets	20,354.8	51.9	20,406.7
Loans and advances to customers	23,206.3	4,417.6	27,623.9
of which to Group companies	*5,144.2*	—	*5,144.2*
New loans	—	1,121.7	—
No. of staff	757	207	964

Corporate and Investment Banking 30 June 2010	Wholesale	Leasing	Total
	€m	€m	€m
Net interest income	353.5	75.4	428.9
Net trading income	244.7	(0.3)	244.4
Net fee and commission income	328.1	4.3	332.4
Equity-accounted companies	0.3	—	0.3
TOTAL INCOME	**926.6**	**79.4**	**1,006.0**
Labour costs	(188.0)	(19.2)	(207.2)
Administrative expenses	(83.3)	(12.6)	(95.9)
OPERATING COSTS	**(271.3)**	**(31.8)**	**(303.1)**
Loan loss provisions	(115.4)	(40.6)	(156.0)
Provisions for financial assets	(135.8)	—	(135.8)
Other profits (losses)	—	—	—
PROFIT BEFORE TAX	**404.1**	**7.0**	**411.1**
Income tax for the period	(160.7)	(6.0)	(166.7)
Minority interest	—	(1.4)	(1.4)
NET PROFIT	**243.4**	**(0.4)**	**243.0**
Cost/income ratio (%)	29.3	40.1	30.1
Other assets	23,280.0	56.9	23,336.9
Loans and advances to customers	20,084.8	4,544.7	24,629.5
of which to Group companies	*3,485.2*	—	*3,485.2*
New loans	—	1,106.0	—
No. of staff	673	209	882

This division reported a net profit of €242.2m for the twelve months, substantially in line with the €243m posted last year, despite lower gains on disposals of AFS securities (last year the final tranche of the Fiat holding was sold, generating income of over €90m) and higher provisions for financial assets, up €14.6m, which were offset by the €130.7m improvement in loan loss provisioning. Total income declined from €1,006m to €912.6m, with the main items performing as follows:

- net interest income remained stable, at €429.3m (€428.9m), in both the wholesale segment (up from €353.5m to €356m) and leasing (down from €75.4m to €73.3m);
- net trading income declined from €244.4m to €169.4m, due to the reduction in income from the banking book (€18.9m, compared with €125.3m) which outweighed the increase in dealing profits (up from €119.1m to €150.5m);
- net fee and commission income decreased by 5.2%, from €332.4m to €315.1m, reflecting the weak market in Europe for corporate and investment banking business.

The 12.4% increase in costs, from €303.1m to €340.6m, reflects the rise in labour costs (up from €207.2m to €234.4m) due largely to extremely positive performances by some of the Bank's international branches. The related increase in administrative expenses, which rose from €95.9m to €106.2m, also reflect the upgrade in IT infrastructure.

Loan loss provisions of €25.3m were drastically below the total of €156m recorded last year, due entirely to the corporate segment's provisioning being wiped out (with €0.8m being reversed, as against €115.4m set aside last year) as a result of a €75m writeback on a single exposure (net of which a 35.7% reduction would in any case have been recorded). The market crisis led to an increase in the provisions set aside for the securities portfolio, up from €135.8m to €150.4m, €108.9m of which in respect of Greek government securities, €10.8m other bonds, and €30.7m AFS equities.

Lending and structured finance — lending to corporates, excluding Group companies, grew by 8.8%, from €16,599.6m to €18,062.1m, due to an upturn in demand despite the ongoing competitive scenario on the supply side. Nearly 40% of the Group's total exposure is to non-Italian companies, in particular those based in France (9.3%), Spain (8.4%) and

Germany (8%). At the reporting date impaired loans (non-performing, sub-standard, restructured and overdue items) amounted to €183m (€243.6m), after adjustments totalling €93.1m (€32.7m); impaired assets represent just 1% (1.47%) of the total loan book, while non-performing loans were virtually nil. During the twelve months two sub-standard loans were repaid (one of which at its nominal value, in an amount of €111m), while four new such positions were recorded (for a net amount of €34.2m, with a coverage ratio of 65%). In loan syndication, where Mediobanca acts as bookrunner and arranges club deals, transactions worth a total of €55.7bn (€34bn) were arranged, in a reference market largely characterized by refinancing deals. The area generated approximately 45% of the wholesale banking division's revenues.

Funding and treasury accounts — funding remained stable, down from €44,921.7m to €44,908.2m, and comprises: €38,307.1m (€38,625.1m) in debt securities in issue, €318.4m of which in short-term funding (CDs and commercial paper); €3,949.9m (€3,099.9m) in deposits and current accounts, and €2,651.2m (€3,182.7m) in other forms of funding, chiefly bank debt used in the leasing business. Treasury accounts consist of €199.3m (€264.2m) in cash and cash equivalents, €4,031.6m (€9,002.1m) in debt securities, €1,860.9m (€1,214.2m) in equities, €576.1m (€367.5m) in downward adjustments to derivative contracts, and €3,953.8m (€6,249.2m) in net short-term applications of funds, €2,015.6m of which to Group companies. This area generated 30% of the wholesale banking division's revenues.

Fixed assets and AFS bonds — these include €1,642.9m (€719.8m) in financial assets held to maturity, €2,358.2m (€734.7m) in unlisted debt securities recognized at cost, and €5,053.5m (€3,727.3m) in AFS bonds. During the period under review, there were purchases worth €4,879.1m (mostly in the AFS segment), sales and redemptions totalling €851.5m, impairment charges amounting to €82.6m, adjustments to reflect amortized cost in an amount of €20.2m, and downward adjustments to reflect fair value totalling €87.5m. Overall, writedowns of €127.7m were charged to this portfolio at the reporting date, €93.1m of which were taken through the net equity valuation reserves.

Equity investments and AFS shares — this portfolio brings together the Group's investments in equities and convertible bonds held as available for sale, plus its equity investments in Gemina, Pirelli & C. and Burgo Group. As at 30 June 2011 the portfolio was worth €1,882.6m (€1,792.9m), following purchases of €180.1m, disposals worth €111.3m yielding gains of €10.1m (including €3m in reserves accrued in previous years), impairment charges on AFS equities totalling €30.7m, upward adjustments to reflect fair value at the reporting date of €43.9m and pro-rata downward adjustments to net equity amounting to €12.1m (€1.2m of which recorded through the profit and loss account) after booking the dividend on Pirelli & C. (€13.1m). The net equity reserve for AFS equities returned to positive territory, at €45.6m, from minus €13.2m at 30 June 2010.

As for the equity-accounted companies:

Gemina: the 12.53% stake owned in this company is recognized in consolidated net equity at €196.4m; the twelve months under review reflect a loss of €5.1m – connected with the first time adoption of the new IFRIC 12 accounting standard on service concession agreements – plus upward asset adjustments totalling €1.8m.

Pirelli & C.: the 4.49% stake owned in this company is recognized at €107m, after profit for the period totalling €2.9m (reflecting the non-recurring loss incurred in connection with the Prelios spinoff), €13.1m in dividends reversed, and writedowns to assets totalling €0.1m.

Burgo Group: the 22.13% stake in this company is recognized pro-rata to the Group's share in the net equity at €82.2m, after profits for the period totalling €0.9m and €0.6m in asset adjustments, linked to the positive performance of the valuation reserves.

Investment banking — during the twelve months Mediobanca retained its position of leadership in the domestic Italian market, and consolidated the flow of cross-border operations in those countries where it has opened branch offices, which translated to fee income totalling €65m, more than double the figure recorded last year, and equal to more than one-third of the total for this item. This performance helped net fee and commission income, which totalled €190m, to remain near last year's level (€196)m despite the weak reference market conditions, due in particular to an impressive performance in M&A (up 35%), and to offset the 25%

reduction in the equity capital market contribution. This area generated some 25% of the wholesale banking division's total income.

Leasing — this activity returned to profit in the twelve months, posting a bottom line of €5.2m, against the slight, €0.4m loss reported last year, largely as a result of the reduction in loan loss provisions, which were down from €40.6m to €26.1m. Revenues were down 3%, from €79.4m to €77.3m, due to the 2.8% fall in net interest income, from €75.4m to €73.3m, while operating costs remained stable at €32m (€31.8m). The reduction in amounts on lease to customers continued over the year, down from €4,544.7m to €4,417.6m, against new loans for the twelve months which were largely in line with the figure posted a year previously (€1,121.7m, compared with €1,106m). Net impaired assets (non-performing, sub-standard, restructured and overdue items) grew from €187.9m to €203m, or from 4.1% to 4.6% of total loans, but at a decidedly slower rate (8%, compared to 69% growth last year).

Turning now to the results of the individual Group companies:

— *Mediobanca International (Luxembourg) S.A.*, Luxembourg *(wholesale bank*; *99%-owned by Mediobanca; 1%-owned by Compass*): This company's financial statements for the twelve months ended 30 June 2010 show a net profit totalling €36.1m (€35.3m), boosted by higher net interest income (up from €28.8m to €34.9m), but also impacted by lower net fee and commission income (down from €17.8m to €15.8m) and higher operating costs (up from €2.3m to €7.2m). Loans and advances to customers were stable, at €4,081m (€4,092.9m), an increasing amount of which are financed by intercompany funding (up from €2,252.3m to €2,797.7m), with debt securities and short-term funding (CDs and Euro commercial paper) both falling (from €1,893.6m to €1,354.8m and from €741.4m to €282.2m respectively). The company's net equity stood at €166.5m (€131m).

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

— *Prominvestment in liquidation*, Rome (*100%-owned by Mediobanca*): Prominvestment reported a net loss of €738,000 (€520,000), after net fee and commission income of €351,000 (€519,000).

The company employs 6 staff.

— *MB Securities USA LLC.*, New York *(securities brokerage*; *100%-owned by Mediobanca)*: the company, which collects orders from customers, reported a profit of $946,000, compared with $12,000 last year, on the back of lower operating costs (down from $2.3m to $1.8m) and net fee and commission income up from $2.4m to $2.7m.

The company employs 4 staff, one of whom is seconded from Mediobanca S.p.A.

— *SelmaBipiemme Leasing S.p.A.*, Milan *(leasing; 60%-owned by Compass)*: this company made a slight loss of €461,700 in the twelve months ended 30 June 2011, representing a significant improvement on the last two years when losses of €7.5m and €7.7m respectively were reported. This result was boosted by lower loan loss provisions, which were down from €32.6m to €16.8m, against revenues which held up well at €77.1m (€79.4m).

During the period under review, the company executed 6,729 leases for goods worth a total of €496.6m, compared with 6,687 leases worth €559.1m last year. At the reporting date, amounts leased to customers totalled €2,368.2m, down 4.3% on the figure recorded last year (€2,474m).

The company employs a total of 118 staff.

— *Palladio Leasing S.p.A.*, Vicenza *95%-owned via SelmaBipiemme Leasing, the other shares being held by Palladio itself*): Palladio Leasing's accounts for the twelve months ended 30 June 2011 show a net profit of €6m, up slightly on the €5m recorded last year, after adjustments to receivables of €7.6m (€5.9m) and tax of €3.7m (€3.3m).

Palladio executed 2,326 leases during the period worth a total of €448.7m, compared with 1,954 leases worth €306.8m the previous year, representing a 19% increase in terms of number and 46% growth in terms of values. At the reporting date, amounts leased to customers were up 2.7% on the figure recorded one year previously, at €1,659.8m (€1,609.1m).

The company employs a total of 58 staff.

— *Teleleasing S.p.A.,* Milan *(leasing; 80%-owned via SelmaBipiemme Leasing)*: this company earned a net profit for the twelve months totalling €6.7m, basically in line with last year's result, after €1.8m (€2.1m) in adjustments to receivables and tax of €3.8m (€3.8m).

Teleleasing executed 4,511 leases during the period, worth a total of €176.4m, compared with 6,714 leases worth €240.1m the previous year. At the reporting date, amounts leased to customers were down 14.7% on the figure recorded the previous year, at €452m (€529.9m).

The company employs a total of 33 staff.

Principal investing

	12 mths to 30/6/10	12 mths to 30/6/11	Y.o.Y. chg.
	€m	€m	%
Profit-and-loss data			
Net interest income	(9.6)	(7.5)	–21.9
Net trading income	—	—	n.m.
Net fee and commission income	—	—	n.m.
Equity-accounted companies	213.4	203.6	–4.6
TOTAL INCOME	**203.8**	**196.1**	**–3.8**
Labour costs	(5.5)	(5.5)	n.m.
Administrative expenses	(2.6)	(2.5)	–3.8
OPERATING COSTS	**(8.1)**	**(8.0)**	**–1.2**
Provisions for financial assets	(12.2)	(124.6)	n.m.
PROFIT BEFORE TAX	**183.5**	**63.5**	**–65.4**
Income tax for the period	1.0	5.8	n.m.
NET PROFIT	**184.5**	**69.3**	**–62.4**

	12 mths to 30/6/10	12 mths to 30/6/11	Y.o.Y. chg.
	€m	€m	%
AFS securities	114.8	134.1	+16.8
Equity investments	2,892.2	2,712.5	–6.2

This division's results for the twelve months show a profit of €69.3m, down on the €184.5m posted last year due to higer writedowns of €124.6m (€12.2m) in respect chiefly of Telco (€119.6m). The contribution from equity consolidation was €203.6m (€213.4m), €201.6m of which (net of the €37.8m non-recurring charges brought forward) in respect of Assicurazioni Generali (€231.7m) and €2.5m (minus €17.3m) RCS MediaGroup.

The value of the equity investments (€2,712.5m, compared with €2,892.2m), reflects the dividend paid by Assicurazioni Generali (€92.7m) and the performance of the equity-accounted companies' valuation reserves (minus €179m). The remainder of the portfolio, which consists of investments made as part of merchant banking activity and in private equity funds recognized in the AFS segment, was worth €134.1m (€114.8m) at the reporting date, after purchases totalling €18.9m, adjustments of €5m, taken through the profit and loss account, and downward adjustments to reflect fair value totalling €5.6m.

With respect to the individual shareholdings:

— *Assicurazioni Generali*: at 30 June 2011, this investment, stable at 13.24% of the company's share capital, is carried at €2,241.5m (€2,317.5m) reflecting both the Group's pro-rata share in the profits earned by Generali for the period (€201.6m, adjusted to reflect the writedowns charged in respect of the company's investment in Telco and Greek bonds) and downward asset adjustments of €185m in connection with the valuation reserve's negative performance and the dividends collected (€92.7m).

— *Telco:* this investment, which represents 11.62% of Telco's share capital, is carried at €252.6m following losses on equity consolidation of €119.6m. This value corresponds to the Group's pro-rata share in the company's net equity, as Telco has written down its investment in Telecom Italia (22.4% of the ordinary share capital) which now has a book value of €1.8 per share.

— *RCS MediaGroup:* the Group holds an interest of 14.94% in the ordinary share capital of this company, and 14.36% of its total share capital, which is carried at €191.8m, following the €2.5m profit for the period.

— *Athena Private Equity*: the Group holds an interest of 24.27% in the fund, which is carried at €25.7m after a loss of €0.4m was recorded, pro-rata to the operating fees.

Retail and private banking

	12 mths to 30/6/10	12 mths to 30/6/11	Y.o.Y. chg.
	€m	€m	%
Profit-and-loss data			
Net interest income	525.7	660.5	+25.6
Net trading income	79.2	49.6	–37.4
Net fee and commission income	240.0	245.5	+2.3
Equity-accounted companies	(0.3)	—	n.m.
TOTAL INCOME	**844.6**	**955.6**	**+13.1**
Labour costs	(188.5)	(192.0)	+1.9
Administrative expenses	(316.2)	(324.1)	+2.5
OPERATING COSTS	**(504.7)**	**(516.1)**	**+2.3**
Loan loss provisions	(360.8)	(323.5)	–10.3
Provisions for financial assets	(1.9)	(0.6)	–68.4
Other profits (losses)	5.2	—	n.m.
PROFIT BEFORE TAX	**(17.6)**	**115.4**	**n.m.**
Income tax for the period	(14.0)	(37.6)	n.m.
NET PROFIT	**(31.6)**	**77.8**	**n.m.**

	12 mths to 30/6/10	12 mths to 30/6/11	Y.o.Y. chg.
	€m	€m	%
Balance-sheet data			
Treasury Funds	4,086.8	4,000.7	–2.1
AFS securities	2,571.8	1,762.0	–31.5
Fixed assets (HTM & LR)	2,507.4	3,191.7	+27.3
Equity investments	1.4	—	n.m.
Loans and advances to customers	12,563.9	13,751.9	+9.5
Funding	(20,999.9)	(22,082.7)	+5.2

The year ended 30 June 2011 shows a return to profit, with the division posting to bottom-line result of €77.8m (against a €31.6m loss last year), reflecting a good performance in consumer credit (where profits were up from €21.9m to €91.1m), a reduction in the losses incurred by CheBanca! (down from €78.6m to €38.8m), and the profit earned from private banking operations holding up well, at €25.5m (€25.1m).

Total income was up 13.1%, from €844.6m to €955.6m, driven by higher net interest income (up 25.6%, from €525.7m to €660.5m), with healthy contributions from all three business areas and despite the reduction in gains on disposals of AFS securities, which totalled €49.6m (€79.2m); net fees and commissions remained stable at €245.5m (€240m).

Operating costs increased by 2.3%, from €504.7m to €516.1m, due chiefly to the increase in consumer finance business volumes (with new loans up 19.1%), and further development of the CheBanca! platform.

Loan loss provisions fell 10.3%, from €360.8m to €323.5m, confirming the improving trend witnessed in recent quarters.

Loans and advances to customers, virtually all of which are to consumer finance and residential mortgage lending activities, rose 9.5% from €12.6bn to €13.8bn.

Funding, which grew from €21bn to €22.1bn, consists of almost €10bn (€9.5bn) in customer deposits collected by CheBanca!, €7,649.3m (€7,161.3m) of which in the form of deposit accounts locked for twelve months, €2,033.5m in repos and €277.5m in current accounts and prepaid credit cards.

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

Retail and private banking 30 June 2011	Consumer credit	Retail banking	Private banking	Total
	€m	€m	€m	€m
Net interest income	520.2	112.1	28.2	660.5
Net trading income	0.3	38.3	11.0	49.6
Net fee and commission income	166.8	7.1	71.6	245.5
Equity-accounted companies	—	—	—	—
TOTAL INCOME	**687.3**	**157.5**	**110.8**	**955.6**
Labour costs	(84.1)	(54.8)	(53.1)	(192.0)
Administrative expenses	(165.7)	(129.2)	(29.2)	(324.1)
OPERATING COSTS	**(249.8)**	**(184.0)**	**(82.3)**	**(516.1)**
Loan loss provisions	(302.3)	(20.8)	(0.4)	(323.5)
Provisions for financial assets	—	—	(0.6)	(0.6)
Other profits (losses)	—	—	—	—
PROFIT BEFORE TAX	**135.2**	**(47.3)**	**27.5**	**115.4**
Income tax for the period	(44.1)	8.5	(2.0)	(37.6)
NET PROFIT	**91.1**	**(38.8)**	**25.5**	**77.8**
Cost/income ratio (%)	36.3	n.m.	74.3	54.0
Other financial assets	448.1	6,707.6	1,798.8	8,954.5
Loans and advances to customers	8,926.9	4,102.6	722.4	13,751.9
New loans	4,827.7	1,019.8	—	5,847.5
No. of branches	146	44	—	190
No. of staff	1,341	923	355	2,619

Retail and private banking 30 June 2010	Consumer credit	Retail banking	Private banking	Total
	€m	€m	€m	€m
Net interest income	469.5	32.6	23.6	525.7
Net trading income	6.4	60.1	12.7	79.2
Net fee and commission income	162.9	5.6	71.5	240.0
Equity-accounted companies	(0.5)	—	0.2	(0.3)
TOTAL INCOME	**638.3**	**98.3**	**108.0**	**844.6**
Labour costs	(80.1)	(56.1)	(52.3)	(188.5)
Administrative expenses	(160.2)	(123.6)	(32.4)	(316.2)
OPERATING COSTS	**(240.3)**	**(179.7)**	**(84.7)**	**(504.7)**
Loan loss provisions	(336.5)	(23.0)	(1.3)	(360.8)
Provisions for financial assets	—	—	(1.9)	(1.9)
Other profits (losses)	—	—	5.2	5.2
PROFIT BEFORE TAX	**61.5**	**(104.4)**	**25.3**	**(17.6)**
Income tax for the period	(39.6)	25.8	(0.2)	(14.0)
NET PROFIT	**21.9**	**(78.6)**	**25.1**	**(31.6)**
Cost/income ratio (%)	37.6	n.m.	78.4	59.8
Equity investments	1.4	—	—	1.4
Other financial assets	425.8	7,272.5	1,467.7	9,166.0
Loans and advances to customers	8,271.0	3,545.8	747.1	12,563.9
New loans	4,053.9	805.2	—	4,859.1
No. of branches	146	42	—	188
No. of staff	1,295	845	338	2,478

Turning to the individual business segments, consumer credit showed total income up 7.7%, from €638.3m to €687.3m, on the back of higher net interest income (up from €469.5m to €520.2m), with fee flows stable at €166.8m (€162.9m). The increase in costs, from €240.3m to €249.8m, are attributable to the upgrade in structures and the contractual increase in the cost of labour. Net profit increased from €21.9m to €91.1m, in part as a result of the lower loan loss provisions (€302.3m, as compared with €336.5m).

New loans for the twelve months totalled €4,827.7m, up 19.1% on the previous year (€4,053.9m); while loans and advances to customers outstanding at 30 June 2011 were up 7.9%, from €8,271m to €8,926.9m. Net impaired assets (i.e. non-performing, sub-standard, restructured and overdue items) fell from €238.2m to €174.5m, and account for 2% (2.9%) of the total loan book.

Retail banking showed a net loss of €38.8m, less than half the €78.6m loss reported last year, due to higher total income (up from €98.3m to €157.5m) driven by an increase in net interest income, which climbed from €32.6m to €112.1m, and offset the reduction in gains on disposals of AFS securities (€38.3m, compared with €60.1m last year). Operating costs remained roughly stable, up 2.4%, from €179.7m to €184m, while the cost of risk also improved, with loan loss provisions down from €23m to €20.8m. Mortgage lending saw 15.7% growth in loans and advances to customers, from €3,545.8m to €4,102.6m, driven by the recovery in new loans which rose 26.7%, from €805.2m to €1,019.8m; net impaired assets (i.e. non-performing, sub-standard, restructured and overdue items) increased from €90.2m to €98.6m, and now account for 2.4% (2.5%) of the total loan book. Retail deposits stood at €9,960.3m, up 4.2% on the €9,561.1m reported at 30 June 2010.

Private banking recorded a profit of €25.5m, in line with the €25.1m posted last year, helped in particular by Banca Esperia where profits increased from €0.1m to €0.6m, with Compagnie Monégasque de Banque's bottom line holding up well at €23.9m (€24.1m, but including €5.2m in one-off gains). Total income grew from €108m to €110.8m, due to the recovery in net interest income which climbed 19.5%, from €23.6m to €28.2m, against net fee and commission which was basically flat (at €71.6m, compared with €71.5m last year). Profit before tax, net of one-off items, grew from €20.1m to €27.5m, partly as a result of reduced operating costs and provisions for loan losses and financial assets, down from €84.7m to €82.3m and from €3.2m to €1m respectively. Assets under management at the year-end amounted to €12.7bn (€11.7bn), €5.8bn (€5.7bn) of which for CMB and €6.9 bn (€6bn) forr Banca Esperia.

Private banking 30 June 2011	CMB	Banca Esperia 50%	Other	Total PB
	€m	€m	€m	€m
Net interest income	25.7	2.3	0.2	28.2
Net trading income	10.8	—	0.2	11.0
Net fee and commission income	35.1	30.5	6.0	71.6
Equity-accounted companies	—	—	—	—
TOTAL INCOME	**71.6**	**32.8**	**6.4**	**110.8**
Labour costs	(28.2)	(21.2)	(3.7)	(53.1)
Administrative expenses	(18.6)	(9.7)	(0.9)	(29.2)
OPERATING COSTS	**(46.8)**	**(30.9)**	**(4.6)**	**(82.3)**
Loan loss provisions	(0.4)	—	—	(0.4)
Provisions for financial assets	(0.5)	—	(0.1)	(0.6)
Other profits (losses)	—	—	—	—
PROFIT BEFORE TAX	**23.9**	**1.9**	**1.7**	**27.5**
Income tax for the period	—	(1.3)	(0.7)	(2.0)
NET PROFIT	**23.9**	**0.6**	**1.0**	**25.5**
Assets under management	5,784.0	6,874.1	—	12,658.1
Securities held on a trustee basis	n.m.	n.m.	1,462.6	1,462.6

Private banking 30 June 2010	CMB	Banca Esperia 50%	Other	Total PB
	€m	€m	€m	€m
Net interest income	21.6	1.8	0.2	23.6
Net trading income	10.9	1.8	—	12.7
Net fee and commission income	37.2	27.6	6.7	71.5
Equity-accounted companies	0.2	—	—	0.2
TOTAL INCOME	**69.9**	**31.2**	**6.9**	**108.0**
Labour costs	(27.4)	(20.8)	(4.1)	(52.3)
Administrative expenses	(20.6)	(10.6)	(1.2)	(32.4)
OPERATING COSTS	**(48.0)**	**(31.4)**	**(5.3)**	**(84.7)**
Loan loss provisions	(1.2)	—	(0.1)	(1.3)
Provisions for financial assets	(1.7)	(0.2)	—	(1.9)
Other profits (losses)	5.2	—	—	5.2
PROFIT BEFORE TAX	**24.2**	**(0.4)**	**1.5**	**25.3**
Income tax for the period	(0.1)	0.5	(0.6)	(0.2)
NET PROFIT	**24.1**	**0.1**	**0.9**	**25.1**
Assets under management	5,672.0	6,016.0	—	11,688.0
Securities held on a trustee basis	n.m.	n.m.	1,548.6	1,548.6

Turning now to the results of the individual companies:

— *Compass S.p.A.*, Milan (*consumer credit; 100%-owned by Mediobanca*): this company's accounts for the period ended 30 June 2011 show a net profit of €85.1m, compared with €16.9m the previous year, after loan loss provisions totalling €296m (€328.2m) and tax of €36.8m (€34.2m).

During the course of the twelve months, following the acquisition of a 50% share in Ducati Financial Services, this company was merged into Compass.

During the period under review, Compass disbursed 1,175,356 new loans worth a total of €4,597m, up 39.5% in terms of number and up 19.6% in terms of value compared to the previous year (842,521 new loans worth €3,843m, including also Ducati Financial Services on a like-for-like basis). Loans and advances to customers outstanding at the reporting date were up 5.8%, from €7,918m to €8,409.4m.

The company employs a total of 1,166 staff at its head office and 146 branches.

— *Futuro S.p.A.*, Milan *(salary-backed finance; 100%-owned by Compass)*: this company posted a net profit for the twelve months of €4.7m (€2.6m), after value adjustments totalling €1.6m (€3.6m) and tax of €2.8m (€1.9m).

During the period under review, the company granted 13,495 loans worth a total of €231.2m (versus 11,350 worth €211m during the previous year). Loans and advances to customers outstanding at the reporting date were up 18% on the total recorded one year previously, from €609.8m to €720.8m.

The company employs a total of 63 staff.

— *CheBanca! S.p.A.,* Milan *(retail banking; 100%-owned by Compass)*: the company's accounts for the twelve months ended 30 June 2011 show a net loss of €39.2m, more than 50% lower than the €79.2m loss recorded a year ago, after advance tax of €8.4m (€25.8m). The improved performance at the operating level, with the loss reducing from €105m to €47.6m, was driven by higher total income (up from €98m to €157.4m), in particular net interest income, which rose from €32m to €112.1m, and to a lesser extent by lower loan loss provisions (down from €23m to €20.8m), against a modest rise in operating costs (from €179.8m to €184m).

In a real estate market that was largely stable (residential sales grew by 0.4% year-on-year in 2010), during the period under review 6,515 loans were executed for a total of €1,019.8m, up 18.7% in terms of number and 26.7% in terms of value on the previous year (5,488 loans worth €805.1m).

Retail deposits totalled €9,966.4m at the reporting date, up 4.2% on the €9,561.1m recorded twelve months previously.

The different technical forms of funding, which to date have targeted exclusively individuals, have now been expanded with the addition of a new business deposit account for companies and entrepreneurs; and in May, new operations were launched in investment services, which include subscription and/or placement, order receipt and transmission, investment advice and custody and administration of financial instruments.

At 30 June 2011 the company's headcount numbered 923 staff, distributed between headquarters and the 44 branch offices.

— *Cofactor S.p.A.*, Milan (*non-recourse factoring; 100%-owned by Compass):* this company recorded a net profit for the twelve months ended 30 June 2011 of €511,000 (€699,000), after income tax for the period amounting to €548,000 (€264,000).

  At the reporting date Cofactor's loan book was carried at €98.1m (compared with €93.5m at 30 June 2010).

  The company employs a total of 53 staff.

— *Creditech S.p.A.*, Milan *(credit management; 100%-owned by Compass)*: Creditech delivered a net profit of €3.6m (€4m), after tax of €1.9m (€2m).

  The company employs a total of 61 staff.

— *Compass RE S.A.*, Luxembourg *(reinsurance; 100%-owned by Compass)*: in its first full year of operations, this company, whose activities mainly address other Group companies, reinsured a total of €48.4m premiums (compared with €14.8m in the six months ended 30 June 2010), corresponding to net premiums (taking into account movements in the technical reserves) of €9.4m (€959,000). The company recorded an even balance, after transferring €4.7m to the reserves.

— *Compagnie Monégasque de Banque,* Monaco *(private banking; 100%-owned by Mediobanca)*: CMB's consolidated accounts for the year ended 31 December 2010 show a net profit of €24.7m (€32.6m), on net fee and commission income of €34.1m (€39.1m) and net interest income of €25.6m (€34.1m). Lendings totalled €706.6m (€631.9m) and funding €1,211.7m (€1,504.3m). Assets under management on a discretionary/non-discretionary basis totalled €5.7bn (€5.3bn), up approx. 8%.

  In the six months ended 30 June 2011, CMB posted a net profit of €15.3m (€12m) on management and brokerage fees of €18m (€17.1m); assets under management/administration were up 2%, at €5.8bn.

  At 30 June 2011, the employee headcount comprised 197 staff.

— *Banca Esperia S.p.A.*, Milan (*private banking; 50%-owned by Mediobanca*): in the year ended 31 December 2010, the Esperia group recorded a profit of €1.4m, up on the €0.4m profit recorded one year previously despite non-recurring restructuring costs and expenses totalling €7.3m (€4.3m). Revenues were up, from €57.6m to €64.6m, on higher net commissions which increased from €51.7m to €57.7m (despite the reduction in performance fees) linked to the higher assets under management/administration, up from €11.2bn to €12.7bn.

In the six months ended 30 June 2011, the Esperia group posted a pre-tax profit of €2.1m (€0.8m), boosted by total income rising to €33.4m (€31.8m), on higher net fee and commission income (up from €26.8m to €30.7m) with costs virtually stable (at €31.3m, compared with €30.7m). During the six months there was an increase in assets under management, which climbed to €13,748m (€12,032m), with a significant rise in the non-discretionary component.

The employee headcount comprises 269 staff.

— *Spafid - Società per Amministrazioni Fiduciarie S.p.A.*, Milan *(fiduciary business; 100%-owned by Mediobanca)*: in the twelve months ended 30 June 2011, Spafid earned a net profit of €1.1m, unchanged versus the previous year, on net fee and commission income totalling €3.7m (€3.6m), and after tax of €308,000 (€391,000). Securities and value items held on a fiduciary basis at the reporting date were worth €2,014.1m (€2,121.1m).

The company employs a total of 20 staff.

— *Prudentia Fiduciaria S.p.A.*, Milan *(fiduciary business; 100%-owned by Mediobanca)*: in the twelve months ended 30 June 2011, this company earned a profit of €579,000 (€209,000), after tax of €317,000 (€154,000). Securities held on a fiduciary basis at the reporting date were worth €66.9m (€66.6m).

The company employs a total of 18 staff.

Related party disclosure

Financial accounts outstanding as at 30 June 2011 between companies forming part of the Mediobanca Group and related parties, and transactions undertaken between such parties during the financial year, are illustrated in Part H of the notes to the accounts, along with all the information required in respect of transparency pursuant to Consob resolution 17221 issued on 12 March 2010.

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

* * *

Article 36 of Consob's market regulations

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

* * *

Principal risks facing the Group

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

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

* * *

Outlook

Estimates for the current financial year are strongly constrained by the risk of a new contraction in the Eurozone economy and the notable market instability. This is compounded by the specific weakness in refinancing peripheral EU member states' sovereign debt, which includes Spain and Italy, and financial institutions' liabilities. Against this backdrop, the Group expects to consolidate its banking activities through moderate growth in customer lendings (albeit with the customary rigour in risk selection) with the support of the international franchise, which is essential for coverage in corporate and investment banking activity. The performance of equity investment portfolio values and the contribution from trading activity will, as always, depend closely on stock market developments and have the potential to impact significantly on profitability.

Reconciliation of shareholders' equity and net profit

	Shareholders' equity €'000	Profit for the year €'000
Balance as at 30/6/11 as per Mediobanca IAS/IFRS-compliant statements	4,811,294	127,376
Net surplus over book value for consolidated companies	18,721	127,765
Exchange rate differences arising from translation of accounts denominated in currencies other than the Euro	2,064	—
Other adjustments and restatements on consolidation, including effects of accounting for companies on an equity basis	1,712,404	115,093
Dividends received during the year	—	(1,642)
TOTAL	6,544,483	368,592

Milan, 21 September 2011

THE BOARD OF DIRECTORS

Declaration in respect of consolidated financial statements as required by Article 81-ter of Consob resolution no. 11971 issued on 14 May 1999 as amended

1. The undersigned Alberto Nagel and Massimo Bertolini, in their respective capacities as Chief Executive Officer and Head of Company Financial Reporting of Mediobanca, hereby declare and in view *inter alia* of the provisions contained in Article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree 58/98, that the administrative and accounting procedures used in the preparation of the consolidated financial statements:
   – were adequate in view of the company's characteristics; and
   – were effectively applied during the year ended 30 June 2011.

2. Assessment of the adequacy of said administrative and accounting procedures for the preparation of the consolidated financial statements as at 30 June 2011 was based on a model defined by Mediobanca in accordance with benchmark standards for internal control systems which are widely accepted at an international level (i.e. the CoSO and CobiT frameworks).

3. It is further hereby declared that
   3.1 the consolidated financial statements:
      – have been drawn up in accordance with the International Financial Reporting Standards adopted by the European Union pursuant to CE regulation no. 1606/02 issued by the European Parliament and Council on 19 July 2002;
      – correspond to the data recorded in the company's books and accounts ledgers;
      – are adequate for the purpose of providing a truthful and accurate representation of the capital, earnings and financial situation of the issuer and the group of companies included within its area of consolidation.
   3.2 the review of operations contains reliable analysis of the Group's operating performance and results, and of the situation of Mediobanca S.p.A. and the group of companies comprised within its area of consolidation, along with a description of the main risks and uncertainties to which they are exposed.

Milan, 21 September 2011

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

AUDITORS' REPORT

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

To the Shareholders of
Mediobanca S.p.A.

1. We have audited the consolidated financial statements of Mediobanca S.p.A. and its subsidiaries ("Mediobanca Group") as of and for the year ended 30 June 2011, comprising the balance sheet, the profit and loss account, the comprehensive profit and loss account, the statement of changes to net equity, the cash flow statement and the related notes to the accounts. These financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the standards issued in accordance with article 9 of Legislative Decree n. 38 of 28 February 2005, are the responsibility of Mediobanca S.p.A.'s directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

   With respect to the consolidated financial statements of the prior year, presented for comparative purposes, reference should be made to our report dated 29 September 2010.

3. In our opinion, the consolidated financial statements of Mediobanca S.p.A. as of and for the year ended 30 June 2011 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the standards issued in accordance with article 9 of Legislative Decree n. 38 of 28 February 2005; accordingly, they present clearly and give a true and fair view of the consolidated financial position, results of operations and cash flows of Mediobanca Group as of 30 June 2011 and for the year then ended.

4. Mediobanca S.p.A.'s directors are responsible for the preparation of the Review of Group Operations and the Statement on Corporate Governance and Ownership Structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Review of Group Operations and of the Statement on Corporate Governance and Ownership Structure, limited to the information reported therein in compliance with article 123-bis of Legislative Decree n. 58 of 24 February 1998, paragraph 1, letters c), d), f), l) and m) and paragraph 2, letter b), with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion, the Review of Group Operations and the information reported in the Statement on Corporate Governance and Ownership Structure in compliance with article 123-bis of Legislative Decree n. 58 of 24 February 1998, paragraph 1, letters c), d), f), l) and m) and paragraph 2), letter b), are consistent with the consolidated financial statements of Mediobanca Group as of 30 June 2011.

Milan, 30 September 2011

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

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

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET *

	Assets	30/6/11		30/6/10	
			€'000		€'000
10.	Cash and cash equivalents		31,492		26,802
20.	Financial assets held for trading		13,716,728		16,375,379
40.	Financial assets available for sale		7,749,883		6,825,763
50.	Financial assets held to maturity		1,643,580		720,683
60.	Due from banks		5,653,214		5,380,473
70.	Due from customers		40,094,111		39,924,695
80.	Hedging derivatives		1,368,114		1,844,349
100.	Equity investments		3,156,142		3,347,983
120.	Property, plant and equipment		320,423		319,986
130.	Intangible assets		437,379		442,636
	of which:				
	goodwill	*365,934*		*365,934*	
140.	Tax assets:		967,048		914,345
	a) current	*375,597*		*290,975*	
	b) advance	*591,451*		*623,370*	
160.	Other assets		253,387		218,998
	TOTAL ASSETS		**75,391,501**		**76,342,092**

* Some derivative contracts accounted for under asset headings 20 and 80 and liability headings 40 and 60 have been netted compared to the figures published in the financial statements for the year ended 30 June 2010.

	Liabilities and net equity	30/6/11		30/6/10	
		€'000		€'000	
10.	Due to banks		8,971,225		9,730,654
20.	Due to customers		14,525,696		14,889,121
30.	Debt securities in issue		35,270,692		36,665,547
40.	Trading liabilities		7,516,595		6,108,396
60.	Hedging derivatives		647,704		556,483
80.	Tax liabilities:		565,834		633,289
	a) current	*252,773*		*318,529*	
	b) deferred	*313,061*		*314,760*	
100.	Other liabilities		628,549		726,590
110.	Staff severance indemnity provision		26,036		27,282
120.	Provisions:		156,522		156,318
	a) post-employment and similar benefits	—		—	
	b) other provisions	*156,522*		*156,318*	
130.	Insurance reserve		54,828		13,913
140.	Revaluation reserves		6,676		55,311
170.	Reserves		4,200,943		3,938,440
180.	Share premium reserve		2,120,143		2,119,913
190.	Share capital		430,565		430,551
200.	Treasury shares		(213,844)		(213,844)
210.	Minority interest		114,745		103,273
220.	Profit for the period		368,592		400,855
	TOTAL LIABILITIES AND NET EQUITY		**75,391,501**		**76,342,092**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Item	12 mths to 30/6/11		12 mths to 30/6/10	
		€'000		€'000	
10.	Interest and similar income		2,787,546		2,820,156
20.	Interest expense and similar charges		(1,655,954)		(1,764,939)
30.	**Net interest income**		**1,131,592**		**1,055,217**
40.	Fee and commission income		485,635		499,140
50.	Fee and commission expense		(48,643)		(37,757)
60.	**Net fee and commission income**		**436,992**		**461,383**
70.	Dividends and similar income		115,977		68,424
80.	Net trading income		(32,748)		(59,732)
90.	Net hedging income (expense)		80		(15,679)
100.	Gain (loss) on disposal/repurchase of:		64,056		222,607
	a) loans and advances	*586*		—	
	b) AFS securities	*22,194*		*198,924*	
	c) financial assets held to maturity	*(3,320)*		*26*	
	d) financial liabilities	*44,596*		*23,657*	
120.	**Total income**		**1,715,949**		**1,732,220**
130.	Adjustments for impairment to:		(504,701)		(666,855)
	a) loans and advances	*(343,098)*		*(461,321)*	
	b) AFS securities	*(145,096)*		*(150,019)*	
	c) financial assets held to maturity	*(10,456)*		*(934)*	
	d) financial liabilities	*(6,051)*		*(54,581)*	
140.	**Net income from financial operations**		**1,211,248**		**1,065,365**
150.	Premiums earned (net)		9,488		959
160.	Other income (net) from insurance activities		(4,653)		(353)
170.	**Net profit from financial and insurance activities**		**1,216,083**		**1,065,971**
180.	Administrative expenses:		(833,196)		(779,307)
	*a) personnel costs **	*(418,778)*		*(387,919)*	
	*b) other administrative expenses **	*(414,418)*		*(391,388)*	
190.	Net transfers to provisions		(1,012)		(1,448)
200.	Net adjustments to tangible assets		(17,444)		(17,665)
210.	Net adjustments to intangible assets		(24,506)		(22,390)
220.	Other operating income (expense)		130,804		124,655
230.	**Operating costs**		**(745,354)**		**(696,155)**
240.	Gain (loss) on equity investments		83,383		213,468
270.	Gain (loss) on disposal of investments in:		87		5
	a) property	—		—	
	b) other assets	*87*		*5*	
280.	**Profit (loss) on ordinary activities before tax**		**554,199**		**583,289**
290.	Income tax for the year on ordinary activities		(180,632)		(181,168)
300.	**Profit (loss) on ordinary activities after tax**		**373,567**		**402,121**
320.	**Net profit (loss) for the period**		**373,567**		**402,121**
330.	Net profit (loss) for the period attributable to minorities		(4,975)		(1,266)
340.	**Net profit (loss) for the period attributable to Mediobanca**		**368,592**		**400,855**

* Restated from 30 June 2010 in accordance with Bank of Italy guidance as per their circular issued on 22 February 2011.

CONSOLIDATED COMPREHENSIVE PROFIT AND LOSS ACCOUNT

	Headings	30/6/11	30/6/10
10.	Gain (loss) for the period	373,567	402,121
	Other income items net of tax		
20.	AFS securities	605	72,162
30.	Property, plant and equipment	—	—
40.	Intangible assets	—	—
50.	Foreign investment hedges	—	—
60.	Cash flow hedges	116,490	(18,641)
70.	Exchange rate differences	2,064	1,845
80.	Non-current assets being sold	—	—
90.	Actuarial gains (losses) on defined-benefit pension schemes	—	—
100.	Share of valuation reserves for equity-accounted companies	(160,620)	397,629
110.	Total other income items net of tax	(41,461)	452,995
120.	Aggregate profit (Heading 10 + Heading 110)	332,106	855,116
130.	Overall consolidated profit attrubutable to minorities	12,150	653
140.	Overall consolidated profit attributable to Mediobanca	319,956	854,463

STATEMENT OF CHANGES TO NET EQUITY

	Previously reported balance at 30/06/10	Allocation of profit for previous period		Changes during the reference period							Overall consolidated profit	Balance at 30/06/11	Net profit attributable to minorities at 30/06/11
					Transactions involving net equity								
		Reserves	Dividends and other fund applications	Changes to reserves	New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury shares derivates	Stock options [1]			
Share capital:	430,551	—	—	—	14	—	—	—	—	—	—	430,565	24,948
a) ordinary shares	430,551	—	—	—	14	—	—	—	—	—	—	430,565	24,948
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,119,913	—	—	—	230	—	—	—	—	—	—	2,120,143	7,216
Reserves:	3,938,440	257,359	—	(8,352)	—	—	—	—	—	13,496	—	4,200,943	78,903
a) retained earnings	3,895,830	257,359	—	(8,352)	—	—	—	—	—	—	—	4,144,837	78,903
b) others	42,610	—	—	—	—	—	—	—	—	13,496	—	56,106	—
Valuation reserves	55,311	—	—	—	—	—	—	—	—	—	(48,635)	6,676	(1,297)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(213,844)	—	—	—	—	—	—	—	—	—	—	(213,844)	—
Profit (loss) for the period	400,855	(257,359)	(143,496)	—	—	—	—	—	—	—	368,592	368,592	4,975
Net equity	6,731,226	—	(143,496)	(8,352)	244	—	—	—	—	13,496	319,956	6,913,074	—
Net profit attributable to minorities	103,273	—	(684)	6	—	—	—	—	—	—	12,150		114,745

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

STATEMENT OF CHANGES TO NET EQUITY FROM 1/7/09 TO 30/6/10

	Previously reported balance at 30/6/09	Allocation of profit for previous period		Changes during the reference period							Overall consolidated profit	Balance at 30/06/10	Net profit attributable to minorities at 30/06/10
					Transactions involving net equity								
		Reserves	Dividends and other fund applications	Changes to reserves	New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury share derivatives	Stock options			
Share capital:	410,028	—	—	—	20,523	—	—	—	—	—	—	430,551	25,129
a) ordinary shares	410,028	—	—	—	20,523	—	—	—	—	—	—	430,551	25,129
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,140,043	—	—	—	(20,130)	—	—	—	—	—	—	2,119,913	7,216
Reserves:	3,530,707	2,409	—	400,165	—	—	—	—	—	5,159	—	3,938,440	78,133
a) retained earnings	3,493,256	2,409	—	400,165	—	—	—	—	—	—	—	3,895,830	78,133
b) others *	37,451	—	—	—	—	—	—	—	—	5,159	—	42,610	—
Valuation reserves	(163,300)	—	—	(234,997) [1]	—	—	—	—	—	—	453,608	55,311	(8,471)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(213,844)	—	—	—	—	—	—	—	—	—	—	(213,844)	—
Profit (loss) for the period	2,409	(2,409)	—	—	—	—	—	—	—	—	400,855	400,855	1,266
Net equity	5,706,043	—	—	165,168	393	—	—	—	—	5,159	854,463	6,731,226	—
Net profit attributable to minorities	103,260	—	—	(640)	—	—	—	—	—	—	653		103,273

* Transfer of stock option scheme reserves.

[1] Equity-accounted companies' share of valuation reserves as at 30 June 2009, reclassified.

CONSOLIDATED CASH FLOW STATEMENT
Direct method

		Amounts	
		30/6/11	30/6/10
A.	**Cash flow from operating activities**		
1.	**Operating activities**	**2,135,599**	**1,148,509**
	-interest received	5,226,188	4,412,149
	-interest paid	(3,601,175)	(2,993,322)
	-dividends and similar income	115,977	68,424
	-net fees and commission income	273,757	(57,039)
	-cash payments to employees	(300,343)	(259,741)
	-net premium income	44,698	—
	-other premium from insurance activities	(94,816)	(100,980)
	-other expenses paid	(2,107,159)	(879,678)
	-other income received	2,669,269	1,166,355
	-income taxes paid	(90,797)	(207,659)
	-net expense/income from groups of assets being sold	—	—
2.	**Cash generated/absorbed by financial assets**	**(1,041,531)**	**3,235,532**
	- financial assets held for trading	2,714,179	(1,492,358)
	-financial assets recognized at fair value	—	—
	-AFS securities	(1,612,029)	17,119
	-due from customers	(1,736,816)	968,275
	-due from banks: on demand	854,611	4,851,262
	-due from banks: other	(957,531)	(1,125,500)
	-other assets	(303,945)	16,734
3.	**Cash generated/absorbed by financial liabilities**	**(606,363)**	**(4,264,039)**
	-due to banks: on demand	1,597,730	(2,263,221)
	-due to banks: other	(1,674,065)	(2,743,668)
	-due to customers	215,459	(609,683)
	-debt securities	(1,163,646)	1,021,290
	-trading liabilities	567,401	753,380
	-financial liabilities assets recognized at fair value	—	—
	-other liabilities	(149,242)	(422,137)
	Net cash flow (outflow) from operating activities	**487,705**	**120,002**
B.	**Investment activities**		
1.	**Cash generated from**	**180,746**	**77,993**
	-disposals of shareholdings	—	55
	-dividends received in respect of equity investments	105,867	75,629
	-disposals/redemptions of financial assets held to maturity	74,659	993
	-disposals of tangible assets	204	1,316
	-disposals of intangible assets	16	—
	-disposals of subsidiaries or business units	—	—
2.	**Cash absorbed by**	**(519,825)**	**(191,571)**
	-acquisitions of shareholdings	—	(1,004)
	-acquisitions of held-to-maturity investments	(483,127)	(151,050)
	-acquisitions of tangible assets	(17,366)	(21,660)
	-acquisitions of intangible assets	(19,332)	(17,857)
	-acquisitions of subsidiaries or business units	—	—
	-Net cash flow (outflow) from investment/servicing of finance	**(339,079)**	**(113,578)**
C.	**Funding activities**		
	-issuance/acquisition of treasury shares	244	393
	-issuance/acquisitions of equity instruments	—	—
	-dividends payout and other applications of funds	(144,180)	(684)
	Net cash flow (outflow) from funding activities	**(143,936)**	**(291)**
	Net cash flow (outflow) during period	**4,690**	**6,133**

RECONCILIATION OF MOVEMENTS IN CASH FLOW DURING PERIOD

	Amounts	
	30/6/11	30/6/10
Cash and cash equivalents: balance at start of period	26,802	20,653
Total cash flow (ouflow) during period	4,690	6,133
Cash and cash equivalents: exchange rate effect	—	16
Cash and cash equivalents: balance at end of period	31,492	26,802

NOTES TO THE ACCOUNTS

PART A - ACCOUNTING POLICIES

Section 1

Statement of conformity with IAS/IFRS

The Mediobanca Group's consolidated financial statements for the period ended 30 June 2011 have, as required by Italian Legislative Decree 38/05, been drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), which were adopted by the European Commission in accordance with the procedure laid down in Article 6 of regulation CE 1606/02 issued by the European Council and Commission on 19 July 2002. Adoption of the new accounting standards with respect to financial reporting by banks is governed by Bank of Italy circular no. 262 issued on 22 December 2005 (as amended on 18 November 2009).

Section 2

General principles

These consolidated financial statements comprise:

– balance sheet;

– profit and loss account;

– comprehensive profit and loss account;

– statement of changes to net equity;

– cash flow statement (direct method);

– notes to the accounts.

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

Section 3

Area and methods of consolidation

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

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

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

Control of Ducati Financial Services was acquired during the twelve months under review, which was then merged into Compass S.p.A.; the liquidation of Technostart S.p.A. was also completed during the year.

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

		Registered office	Type of relation-ship[1]	Shareholding		% voting rights[2]
				Investee company	% interest	
A.	COMPANIES INCLUDED IN AREA OF CONSOLIDATION					
A.1	*Line-by-line*					
1.	MEDIOBANCA - Banca di Credito Finanziario S.p.A.	Milan	1	—	—	—
2.	PROMINVESTMENT S.p.A. –(in liquidation)	Roma	1	A.1.1	100.00	100.00
3.	PRUDENTIA FIDUCIARIA S.p.A	Milan	1	A.1.1	100.00	100.00
4.	SETECI - Società Consortile per l'Elaborazione, Trasmissione dati, *Engineering* e Consulenza Informatica S.c.p.A.	Milan	1	A.1.1	100.00	100.00
5.	SPAFID S.p.A.	Milan	1	A.1.1	100.00	100.00
6.	COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A.M.	Monte Carlo	1	A.1.1	100.00	100.00
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 ETUDES FINANCIERE S.A.M.	Monte Carlo	1	A.1.6	99.96	99.96
10.	C.M.B. ASSET MANANGEMENT S.A.M.	Monte Carlo	1	A.1.6	99.50	99.50
11.	MONOECI SOCIETE CIVILE IMMOBILIERE	Monte Carlo	1	A.1.6	99.00	99.00
				A.1.8	1.00	1.00
12.	MOULINS 700 S.A.M.	Monte Carlo	1	A.1.7	99.90	99.90
13.	CMB BANQUE PRIVÉE (Suisse) S.A.	Lugano	1	A.1.6	100.00	100.00
14.	MEDIOBANCA INTERNATIONAL (Luxembourg) S.A.	Luxembourg	1	A.1.1	99.00	99.00
			1	A.1.15	1.00	1.00
15.	COMPASS S.p.A.	Milan	1	A.1.1	100.00	100.00
16.	CHEBANCA! S.p.A.	Milan	1	A.1.15	100.00	100.00
17.	COFACTOR S.p.A.	Milan	1	A.1.15	100.00	100.00
18.	SELMABIPIEMME LEASING S.p.A.	Milan	1	A.1.15	60.00	60.00
19.	PALLADIO LEASING S.p.A.	Vicenza	1	A.1.18	95.00	100.00
				A.1.19	5.00	
20.	TELELEASING S.p.A.	Milan	1	A.1.18	80.00	80.00
21.	SADE FINANZIARIA - INTERSOMER S.r.l.	Milan	1	A.1.1	100.00	100.00
22.	RICERCHE E STUDI S.p.A.	Milan	1	A.1.1	100.00	100.00
23.	CREDITECH S.p.A.	Milan	1	A.1.15	100.00	100.00
24.	MEDIOBANCA SECURITIES USA LLC	New York	1	A.1.1	100.00	100.00
25.	CONSORTIUM S.r.l.	Milan	1	A.1.1	100.00	100.00
26.	QUARZO S.r.l.	Milan	1	A.1.15	90.00	90.00
27.	QUARZO LEASE S.r.l.	Milan	1	A.1.18	90.00	90.00
28.	FUTURO S.P.A.	Milan	1	A.1.15	100.00	100.00
29.	JUMP S.r.l.	Milan	4	A.1.15	—	—
30.	MB COVERED BOND S.r.l.	Milan	1	A.1.16	90.00	90.00
31.	COMPASS RE (Luxembourg) S.A.	Luxembourg	1	A.1.15	100.00	100.00

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 4

Significant accounting policies

Financial assets held for trading

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

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

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

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

AFS securities

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

AFS assets comprise equities held for non-trading purposes which do not qualify as controlling interests, investments in associates or jointly-controlled operations.

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

Assets are subjected to impairment tests at annual and interim reporting dates. If there is evidence of a long-term reduction in the value of the asset concerned, this is recognized in the profit and loss account on the basis of market prices in the case of listed instruments, and of estimated future cash flows discounted according to the original effective interest rate in the case of unlisted securities. For shares, in particular, the criteria used to determine impairment are a reduction in fair value of over one half or for longer than twenty-four months,[1] compared to the initial recognition value. If the reasons for which the loss was recorded subsequently cease to apply, the impairment is written back to the profit and loss account for debt securities to and net equity for shares.

Financial assets held to maturity

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

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

[1] The quantitative limit has been established at twenty-four months (rather than eighteen) in view of the Bank' investment profile and given the market benchmark; this change has generated no impact on the current year's accounts.

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

Loans and receivables

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

Loans and receivables are booked on disbursement at a value equal to the amount drawn plus (less) any income (expenses) directly attributable to individual transactions and determinable from the outset despite being payable at a later date. The item does not, however, include costs subject to separate repayment by the borrower, or which may otherwise be accounted for as ordinary internal administrative costs. Repos and reverse repos are booked as funding or lending transactions for the spot amount received or paid. Non-performing loans acquired are booked at amortized cost on the basis of an internal rate of return calculated using estimates of expected recoverable amounts.

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

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

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

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

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

Leasing

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

Hedges

There are two types of hedge:

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

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

Hedge derivatives are recognized at fair value as follows:

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

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

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

Equity investments

This heading consists of investments in:

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

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

Property, plant and equipment

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

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

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

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

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

Intangible assets

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

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

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

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

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

Derecognition of assets

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

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

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

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

Payables, debt securities in issue and subordinated liabilities

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

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

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

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

The sale of treasury shares over the market following a buyback is treated as a new issue. The new sale price is recorded as a liability without passing through the profit and loss account.

Trading liabilities

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

Staff severance indemnity provision

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

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

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

Provisions for liabilities and charges

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

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

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

Foreign currency transactions

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

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

Tax assets and liabilities

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

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

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

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

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

Stock options and performance shares

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

Treasury shares

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

Dividends and commissions

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

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

Related parties (IAS 24)

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

a) individuals or entities which directly or indirectly:
   1. are subject to joint control by Mediobanca (including the parent company, subsidiaries and associates);
   2. hold an interest in Mediobanca which allows them to exert a significant influence over Mediobanca: significant influence is presumed to exist in cases where an individual or entity holds an interest of more than 5% in the share capital of Mediobanca, along with the entitlement to appoint at least one member of the Board of Directors;

b) associate companies;

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

d) subsidiaries, jointly-controlled companies and companies subject to significant influence by one of the individuals referred to in letter c) above, or in which they themselves hold, directly or indirectly, a significant share of the voting rights or are shareholders and hold strategic roles (Chairman or Chief Executive Officer);

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

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

PART A.3 - INFORMATION ON FAIR VALUE

A.3.1 Transfers between portfolios

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

Type of instrument	Transferred from	Transferred to	Book value at 30/6/11	Fair value at 30/6/11	Additions to P&L if assets not transferred (pre-tax)		Additions to P&L made during the year (pre-tax)	
					Valuation	Other	Valuation	Other
Debt securities [1] (ABS)	Financial assets held for trading	Due from customers	160,132	149,719	(1,584)	4,651	—	4,651
Debt securities [1] (ABS)	AFS securities	Due from customers	62,501	60,204	(1,673)	3,353	—	3,353
Debt securities [2]	AFS securities	Financial assets held to maturity	476,307	463,319	(12,988)	16,958	—	16,958
Total			698,940	673,242	(16,245)	24,962	—	24,962

1 Made during FY 08/09.

2 Made during the present year and detailed in table A.3.1.2 below.

A.3.1.2 Reclassified financial assets: value of effects on aggregate profitability prior to transfer

Type of instrument	Transferred from	Transferred to	Gain (loss) recognized in P&L (pre-tax)		Gain (loss) recognized in net equity (pre-tax)	
			30/6/11	30/6/10	30/6/11	30/6/10
Debt securities	AFS securities	Financial assets held to maturity	—	—	10,220	5,341

A.3.2 Fair value ranking

A.3.2.1 Asset portfolios by fair value ranking

	30/6/11			30/6/10		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	8,029,394	4,333,956	1,353,378 [1]	10,389,237	4,778,290	1,207,852 [1]
2. Financial assets recognized at fair value	—	—	—	—	—	—
3. AFS securities	5,932,005	717,718	1,100,159 [2]	4,653,884	1,110,594	1,061,285 [2]
4. Hedge derivatives	—	1,368,115	—	—	1,844,351	—
Total	13,961,399	6,419,789	2,453,537	15,043,121	7,733,235	2,269,137
1. Financial liabilities held for trading	(3,177,726)	(3,061,992)	(1,276,878) [1]	(1,318,754)	(3,711,064)	(1,078,579) [1]
2. Financial liabilities recognized at fair value	—	—	—	—	—	—
3. Hedge derivatives	—	(647,704)	—	—	(556,483)	—
Total	(3,177,726)	(3,709,696)	(1,276,878)	(1,318,754)	(4,267,547)	(1,078,579)

[1] Includes market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€395m at 30/6/11 and €328m at 30/6/10) as well as options traded (€670m and €319m respectively), the values of which are recorded as both assets and liabilities for the same amount.

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

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

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

	FINANCIAL ASSETS			
	Held for trading [1 3]	Recognized at fair value	AFS [2]	Hedges
1. Balance at start of period	390,066	—	1,061,285	—
2. Additions	71,347	—	136,057	—
2.1 Purchases	53,484	—	121,653	—
2.2 Profits recognized in:	17,130	—	10,590	—
2.2.1 profit and loss	17,130	—	92	—
- of which, gains	16,926	—	—	—
2.2.2 net equity	—	—	10,498	—
2.3 Transfers from other levels	—	—	—	—
2.4 Other additions	733	—	3,814	—
3. Reductions	172,895	—	97,183	—
3.1 Disposals	23,055	—	61,227	—
3.2 Redemptions	122,265	—	—	—
3.3 Losses recognized in:	22,683	—	35,956	—
3.3.1 profit and loss	22,683	—	20,956	—
- of which, losses	22,391	—	20,868	—
3.3.2 net equity	—	—	15,000	—
3.4 Transfers to other levels	—	—	—	—
3.5 Other reductions	4,892	—	—	—
4. Balance at end of period	288,518	—	1,100,159	—

1 Net of the market value of options covering those attached to bond issues by Mediobanca (€395m at 30/6/11 and €333m at 30/6/10) as well as options traded (€670m and €319m respectively), the values of which are recorded as both assets and liabilities for the same amount.

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

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

For more complex Level 3 instruments, the valuation models reflect a fine-tuning in the parameters used ("model reserve") which allows the initial mark-to-market to be reduced to zero and released pro rata for the duration of the contract. This technique has only been applied to four contracts, with an aggregate residual impact of €6m, including €2.1m already charged to the profit and loss account.

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

	FINANCIAL LIABILITIES		
	Held for trading [1 2]	Recognized at fair value	Hedges
1. Balance at start of period	260,792	—	—
2. Additions	119,021	—	—
2.1 Issues	88,662	—	—
2.2 Losses recognized in:	30,359	—	—
2.2.1 profit and loss	30,359	—	—
- of which, losses	30,359	—	—
2.2.2 net equity	—	—	—
2.3 Transfers from other levels	—	—	—
2.4 Other additions	—	—	—
3. Reductions	167,795	—	—
3.1 Redemptions	123,163	—	—
3.2 Buybacks	—	—	—
3.3 Profits recognized in:	39,740	—	—
3.3.1 profit and loss	39,740	—	—
- of which, gains	39,740	—	—
3.3.2 net equity	—	—	—
3.4 Transfers to other levels	—	—	—
3.5 Other reductions	4,892	—	—
4. Balance at end of period	212,018	—	—

1 Net of the market value of options covering those attached to bond issues by Mediobanca (€395m at 30/6/11 and €333m at 30/6/10) as well as options traded (€670m and €319m respectively), the values of which are recorded as both assets and liabilities for the same amount.

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

PART B - NOTES TO CONSOLIDATED BALANCE SHEET *

Assets

Section 1

Heading 10: Cash and cash equivalents

1.1 Cash and cash equivalents

	30/6/11	30/6/10
a) Cash	29,285	25,742
b) Demand deposits held at central banks	2,207	1,060
Total	31,492	26,802

* Figures in €'000

Section 2

Heading 20: Financial assets held for trading

2.1 Financial assets held for trading: composition

Derivative products	30/6/11			30/6/10		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	4,052,746	1,421,919	1	8,721,622	993,055	1
1.1 Structured	238,502	176,581	—	43,462	—	—
1.2 Other debt securities	3,814,244	1,245,338	1	8,678,160	993,055	1
2. Equities	1,557,899	—	164,296	844,163	34,386	190,695
3. UCITS units	332,870	287,597	36,018	335,532	298,179	13,482
4. Loans and advances	—	—	—	—	—	—
4.1 Repos	—	—	—	—	—	—
4.2 Others	—	—	—	—	—	—
Total A	5,943,515	1,709,516	200,315	9,901,317	1,325,620	204,178
B. Derivative products						
1. Financial derivatives	564,179	2,387,536	1,153,063	295,189	3,195,311	1,000,761
1.1 Trading	564,179	2,323,469	758,642 [1]	295,189	3,069,204	501,397 [1]
1.2 Linked to fair value options	—	—	—	—	—	—
1.3 Others	—	64,067	394,421 [2]	—	126,107	499,364 [2]
2. Credit derivatives	1,521,700	236,904	—	192,731	257,359	2,913
2.1 Trading	1,521,700	236,904	—	192,731	227,883	1,543
2.2 Linked to fair value options	—	—	—	—	—	—
2.3 Others	—	—	—	—	29,476	1,370
Total B	2,085,879	2,624,440	1,153,063	487,920	3,452,670	1,003,674
Total (A+B)	8,029,394	4,333,956	1,353,378	10,389,237	4,778,290	1,207,852

[1] Respectively €670,439,000 and €319,636,000 in respect of options traded, matching the amount recorded as a trading liability.

[2] Market value of options covering options matched with bonds issued by Mediobanca and Mediobanca International, against the same amount recorded as a trading liability.

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

Item/value	30/6/11	30/6/10
A. CASH ASSETS		
1. Debt securities	5,474,666	9,714,678
a. Governments and central banks	2,139,506	5,809,291
b. Other public agencies	57,857	—
c. Banks	1,014,265	936,599
d. Other issuers	2,263,038	2,968,788
2. Equities	1,722,195	1,069,244
a. Banks	221,127	267,196
b. Other issuers	1,501,068	802,048
- insurances	48,815	45,835
- financial companies	60,930	77,436
- non-financial companies	1,385,421	678,777
- others	5,902	—
3. UCITS units	656,485	647,193
4. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
Total A	7,853,346	11,431,115
B. DERIVATIVE PRODUCTS		
a. Banks	4,311,417	3,059,427
b. Customers	1,551,965	1,884,837
Total B	5,863,382	4,944,264
Total A+B	13,716,728	16,375,379

2.3 Financial assets held for trading: movements during the period

	Debt securities	Equities	UCITS units	Loans and advances	Total
A. Balance at start of period	9,714,678	1,069,244	647,193	—	11,431,115
B. Additions	36,418,095	8,396,403	1,005,429	—	45,819,927
B.1 Acquisitions	35,940,817	8,233,542	999,515	—	45,173,874
B.2 Increases in fair value	62,300	19,433	5,461	—	87,194
B.3 Other additions	414,978	143,428	453	—	558,859
C. Reductions	40,658,107	7,743,452	996,137	—	49,397,696
C.1 Disposals	33,911,844	7,589,077	969,210	—	42,470,131
C.2 Redemptions	6,507,993	—	—	—	6,507,993
C.3 Reductions in fair value	111,334	78,175	373	—	189,882
C.4 Transfers to other portfolios	—	—	—	—	—
C.5 Other reductions	126,936	76,200	26,554	—	229,690
D. Balance at end of period	5,474,666	1,722,195	656,485	—	7,853,346

Section 4

Heading 40: Available for sale (AFS) securities

4.1 AFS securities: composition

Item/value	30/6/11			30/6/10		
	Level 1	Level 2	Level 3 *	Level 1	Level 2	Level 3 *
1. Debt securities	5,373,466	707,456	11,383	4,256,159	992,470	1
1.1 Structured	—	—	—	—	—	—
1.2 Other debt securities	5,373,466	707,456	11,383	4,256,159	992,470	1
2. Equities	558,185	643	994,889	396,359	87,823	1,024,861
2.1 Recognized at fair value	558,185	643	994,837	396,359	87,823	1,024,809
2.2 Recognized at cost	—	—	52	—	—	52
3. UCITS units	355	9,619	93,887	1,366	30,301	36,423
4. Loans and advances	—	—	—	—	—	—
Total	5,932,006	717,718	1,100,159	4,653,884	1,110,594	1,061,285

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

4.2 AFS securities: by borrower/issuer

Item/value	30/6/11	30/6/10
1. Debt securities	6,092,305	5,248,630
a. Governments and central banks	3,660,775	1,892,935
b. Other public agencies	—	—
c. Banks	1,317,369	1,683,578
d. Other issuers	1,114,161	1,672,117
2. Equities	1,553,717	1,509,043
a. Banks	378,101	381,628
b. Other issuers	1,175,616	1,127,415
- insurances	—	—
- financial companies	475,035	545,231
- non-financial undertakings	699,938	582,184
- others	643	—
3. UCITS units	103,861	68,090
4. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
Total	7,749,883	6,825,763

4.3 AFS securities: assets subject to specific hedging

Item/value	30/6/11	30/6/10
1. Financial assets subject to specific fair value hedges:	438,121	576,566
a. interest rate risk	383,868	576,566
b. price risk	54,253	—
c. exchange rate risk	—	—
d. credit risk	—	—
e. more than one risk	—	—
2. Financial assets subject to specific cash flow hedges:	—	—
a. interest rate risk	—	—
b. exchange rate risk	—	—
c. other	—	—
Total	438,121	576,566

4.4 AFS securities: movements during the period

	Debt securities	Equities	UCITS units	Loans and advances	Total
A. Balance at start of period	5,248,630	1,509,043	68,090	—	6,825,763
B. Additions	3,148,231	286,876	65,520	—	3,500,627
B.1 Acquisitions	3,063,435	186,969	26,426	—	3,276,830
B.2 Increases in fair value	35,191	73,705	6,868	—	115,764
B.3 Writebacks	37,085	12,758	5,087	—	54,930
- recognized in profit and loss account	—	X	—	—	—
- recognized in net equity	37,085	12,758	5,087	—	54,930
B.4 Transfers from other asset classes	—	—	—	—	—
B.5 Other additions	12,520	13,444	27,139	—	53,103
C. Reductions	2,304,556	242,202	29,749	—	2,576,507
C.1 Disposals	965,475	122,329	24,929	—	1,112,733
C.2 Redemptions	552,068	—	—	—	552,068
C.3 Reductions in fair value	128,176	29,709	2,020	—	159,905
C.4 Writedowns due to impairment	108,903	35,335	1,553	—	145,791
- taken to profit and loss account	108,903	34,429	1,340	—	144,672
- taken to net equity	—	906	213	—	1,119
C.5 Transfers to other asset classes	522,764	—	—	—	522,764
C.6 Other reductions	27,170	54,829	1,247	—	83,246
D. Balance at end of period	6,092,305	1,553,717	103,861	—	7,749,883

Section 5

Heading 50: Financial assets held to maturity

5.1 Financial assets held to maturity: composition

Type of transactions/group components	30/6/11				30/6/10			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	1,643,580	1,412,652	202,471	22,203	720,683	549,292	151,524	9,390
1.1 Structured	—	—	—	—	—	—	—	—
1.2 Other debt securities	1,643,580	1,412,652	202,471	22,203	720,683	549,292	151,524	9,390
2. Loans and advances	—	—	—	—	—	—	—	—
Total	1,643,580	1,412,652	202,471	22,203	720,683	549,292	151,524	9,390

5.2 *Assets held to maturity: by borrower/issuer*

Type of transactions/value	30/6/11	30/6/10
1. Debt securities	1,643,580	720,683
a. Governments and central banks	246,847	871
b. Other public agencies	—	—
c. Banks	399,917	25,390
d. Other entities	996,816	694,422
2. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
Total	1,643,580	720,683

5.4 *Assets held to maturity: movements during the period*

	Debt securities	Loans and advances	Total
A. Balance at start of period	720,683	—	720,683
B. Additions	1,012,316	—	1,012,316
B.1 Acquisitions	483,127	—	483,127
B.2 Writebacks	549	—	549
B.3 Transfers from other asset classes	522,764	—	522,764
B.4 Other additions	5,876	—	5,876
C. Reductions	89,419	—	89,419
C.1 Disposal	—	—	—
C.2 Redemptions	74,658	—	74,658
C.3 Value adjustments	11,005	—	11,005
C.4 Transfers to other asset classes	—	—	—
C.5 Other reductions	3,756	—	3,756
D. Balance at end of period	1,643,580	—	1,643,580

Section 6
Heading 60 - Due from banks

6.1 *Due from banks: composition*

Type of transactions/value	30/6/11	30/6/10
A. Due from central banks	46,191	405,429
1. Term deposits	—	300,087
2. Compulsory reserves	46,191	105,342
3. Amounts due under repo agreements	—	—
4. Other amounts due	—	—
B. Due from banks	5,607,023	4,975,044
1. Current accounts and demand deposits	1,537,698	1,336,278
2. Term deposits	76,191	724,950
3. Other receivables:	3,993,131	2,913,816
3.1 amounts due under repo agreements	1,728,786	1,858,499
3.2 amounts due under finance leases	9,281	11,941
3.3 other amounts due	2,255,064	1,043,376
4. Debt securities	3	—
4.1 structured	—	—
4.2 other debt securities	3	—
Total book value	5,653,214	5,380,473
Total fair value	5,649,457	5,379,423

6.3 *Due under finance leases*

Loan term *	TOTAL 30/6/11					
	Impaired exposures	Minimum payments			Gross investment	
		Equity share		Interest share		
			of which outstanding amount guaranteed			*of which outstanding amount not guaranteed*
Up to 3 months	—	1,073	—	170	1,244	7
Between 3 months and 1 year	—	2,159	—	296	2,455	22
Between 1 year and 5 years	—	6,300	—	519	6,819	96
Over 5 years	—	6	—	—	6	—
Unspecified	—	—	—	—	—	—
Total	—	9,538	—	985	10,524	125

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

Section 7

Heading 70: Due from customers

7.1 Due from customers: composition

Type of transactions/amounts	30/6/11		30/6/10	
	Performing	Non-performing	Performing	Non-performing
1. Current accounts	34,807	—	85,581	—
2. Amounts due under repo agreements	2,560,753	—	4,439,138	—
3. Mortgages	20,764,900	281,519	19,361,803	333,717
4. Credit cards, personal loans and salary-guaranteed finance	8,718,365	208,145	7,931,884	276,192
5. Amounts due under finance leasing	4,204,672	200,234	4,342,324	189,482
6. Factoring	—	—	—	—
7. Other transactions	2,436,246	19,905	2,226,193	3,729
8. Debt securities	664,565	—	734,652	—
8.1 structured	—	—	—	—
8.2 other debt securities	664,565	—	734,652	—
Total book value	39,384,308	709,803	39,121,575	803,120
Total (fair value)	40,702,787		39,501,695	

7.2 Due from customers: by borrower/issuer

Type of transactions/value	30/6/11		30/6/10	
	Performing	Non-performing	Performing	Non-performing
1. Debt securities:	664,565	—	734,652	—
a) Governments	—	—	—	—
b) Other public agencies	—	—	—	—
c) Other issuers	664,565	—	734,652	—
- non-financial undertakings	—	—	—	—
- financial companies	617,097	—	689,445	—
- insurances	47,468	—	45,207	—
- other entities	—	—	—	—
2. Loans and advances to:	38,719,743	709,803	38,386,923	803,120
a) Governments	40,243	—	62,365	—
b) Other public agencies	107,509	29,270	120,869	29,861
c) Other issuers	38,571,991	680,533	38,203,689	773,259
- non-financial undertakings	15,713,531	310,612	16,499,557	373,449
- financial companies	7,121,642	36,905	6,451,983	8,239
- insurances	2,002,811	—	2,094,046	—
- other entities	13,734,007	333,016	13,158,103	391,571
Total	39,384,308	709,803	39,121,575	803,120

7.3 Due from customers: assets subject to specific hedging

Type of transactions/value	30/6/11	30/6/10
1. Items subject to specific fair value hedges for:	608,419	707,453
a) interest rate risk	608,419	707,453
b) exchange rate risk	—	—
c) credit risk	—	—
d) more than one risk	—	—
2. Items subject to specific cash flow hedges:	—	—
a) interest rate risk	—	—
b) exchange rate risk	—	—
c) other	—	—
Total	608,419	707,453

7.4 Due under finance leases

Loan term *	Total 30/6/11					
	Impaired Exposures	Minimum payments			Gross investment	
		Equity share		Interest share		
			of which outstanding amount guaranteed			*of which outstanding amount not guaranteed*
Up to 3 months	16,188	291,171	—	45,012	351,828	12,801
Between 3 monthsand 1 year	25,893	629,276	17	111,577	763,734	21,255
Between 1 year and 5 years	152,865	1,905,347	199	325,685	2,325,515	133,589
Over 5 years	1,506	1,290,313	—	247,108	1,538,927	310,023
Unspecified	—	—	—	—	—	—
Total	196,452	4,116,107	216	729,382	4,980,004	477,668

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

Section 8

Heading 80: Hedging derivatives

8.1 Hedging derivatives: by hedge type and level

	30/6/11 Fair value			Notional value	30/6/10 Fair value			Notional value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	1,368,114	—	17,827,652	—	1,844,349	—	19,070,004
1) Fair value	—	1,366,854	—	17,522,652	—	1,843,381	—	19,030,004
2) Cash flow	—	1,260	—	305,000	—	968	—	40,000
3) Non-Italian investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	1,368,114	—	17,827,652	—	1,844,349	—	19,070,004

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

Operations/type of hedging	Fair value hedges						Cash flow hedges		Non-Italian investments
	Specific					General	Specific	General	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. AFS securities	1,836	—	—	—	—	X	—	X	X
2. Loans and advances	—	—	—	X	—	X	—	X	X
3. Financial assets held to maturity	X	—	—	X	—	X	—	X	X
4. Portfolio	X	X	X	X	X	—	X	—	X
5. Non-Italian investments	—	—	—	—	—	X	—	X	—
Total assets	1,836	—	—	—	—	—	—	—	—
1. Financial liabilities	1,365,018	—	—	—	—	X	1,260	X	X
2. Portfolio	X	X	X	X	X	—	X	—	X
Total liabilities	1,365,018	—	—	—	—	X	1,260	X	X
1. Estimated transactions	X	X	X	X	X	X	—	—	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	—	X	—	—

Section 10

Heading 100: Equity investments

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

Name	Registered office	Type of relation ship	Shareholding		% of voting rights
			Investor company	% interest	
COMPANIES					
1. Banca Esperia S.p.A.	Milan	1	Mediobanca	50.00	50.00
2. Fidia SGR S.p.A.	Milan	2	Mediobanca	25.00	25.00
3. Athena Private Equity S.A.	Luxembourg	2	Mediobanca	24.27	24.27
4. Burgo Group S.p.A.	Altavilla Vicentina (VI)	2	Mediobanca	22.13	22.13
5. RCS MediaGroup S.p.A.	Milan	2	Mediobanca	14.36	14.94
6. Assicurazioni Generali S.p.A.	Trieste	2	Mediobanca	12.24	12.24
			Spafid	0.09	0.09
			Compass	0.91	0.91
7. Gemina S.p.A.	Milan	2	Mediobanca	12.53	12.56
8. Telco S.p.A.	Milan	2	Mediobanca	11.62	11.62
9. Pirelli & C. S.p.A.	Milan	2	Mediobanca	4.49	4.61

Legend:

1 Joint control.

2 Subject to significant influence.

3 Exclusively controlled and not consolidated.

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

Name	Key financial data [1]		Data for consolidation [2]			Fair value
	Total assets (€m)	Total income (€m)	Net profit (loss)	Net equity	Book value	
A. EQUITY-ACCOUNTED COMPANIES						
A.1 JOINTLY-CONTROLLED COMPANIES (IAS 31)						
1. Banca Esperia S.p.A.	715,194	68,578	1,297	110,910	57,937 [3]	—
A.2 COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE (IAS 28)						
1. Burgo Group S.p.A.	2,320,071	2,354,052	4,271	367,085	82,182	—
2. Assicurazioni Generali S.p.A.	422,439,425	90,779,211	1,507,256	15,249,633	2,241,462	2,998,684
3. RCS MediaGroup S.p.A.	3,380,600	2,255,300	17,071	957,268	191,772 [4]	125,299
4. Fidia SGR S.p.A.	6,914	604	(356)	4,535	1,045	—
5. Athena Private Equity S.A.	115,948	3,672	(1,608)	106,513	25,670	—
6. Pirelli & C. S.p.A.	5,618,800	5,330,207	65,328	1,811,746	107,050 [5]	163,320
7. Gemina S.p.A.	4,005,218	597,543	(40,740)	1,641,621	196,391	130,279
8. Telco S.p.A. [6]	5,474,941	178,699	(1,029,665)	6,436,121	252,576	—
Other minor investments	—	—	—	—	57	—
Total					3,156,142	

1 Based on most recent approved individual or consolidated financial statements, as the case may be.
2 Calculated pro-forma based on financial situation as at 31/3/11 or 30/6/11.
3 Includes goodwill of €1,833,000.
4 Includes goodwill of €51,003,000.
5 Includes goodwill of €24,272,000.
6 Calculated based on financial situation as at 30/4/11.

The value of the investment in Gemina, €196.4m, continues to be in line with the pro-rata share in its net equity. The difference between this figure and the value based on stock market prices as at 30 June 2011, reflecting an implicit loss of €66.1m, is justified by the decision to align the value of the shareholding to figures contained in audited financial statements, the size of the shareholding and the growth potential reflected in the airport system headed up by Aeroporti Di Roma, which is the main asset owned by Gemina. In this connection, it should be noted that the Italian civil aviation authority in July approved the general outline of the framework agreement for operating the Rome airport, which involves an update to the tariff scheme.

The book value of the investment in Telco fell from €358.1m to €252.6m, reflecting the €119.6m writedown charged by the company to its accounts for the period ended 30 April 2011 (drawn up in accordance with IAS) in respect of its Telecom Italia investment, the value of which was written down from €2.2 to €1.8 per share. This book value is not considered to be higher than its value in use as defined in paragraph 33 of IAS 28, for the following reasons:

— with a share of 22.4% in Telecom Italia, Telco is the main shareholder in the Telecom Italia group;

— the time horizon of the investment is medium-/long-term;

— the value assigned to the Telecom Italia share price is consistent with the results of applying a discounted cash flow model based on recent strategic guidance and targets for the 2011-2013 period presented by Telecom Italia management on 25 February 2011, given the results delivered by the Domestic business unit for the first months of the current financial year, which reflect the deterioration in the financial market and the prospects of a weaker macro-economic scenario;

— deals have been announced in the reference sector which imply valuation multiples that are significantly higher than those reflected in current stock market prices.

Based on stock market prices as at 30 June 2011, the value of Telco's net equity would be nil.

As for the Group's shareholding in RCS MediaGroup, this has a book value of €191.7m, which is not considered to be higher than its value in use based on a discounted cash flow model that takes into account the earnings prospects of the publishing industry and the company's reorganization process, which involves developing multi-media business, brand valorization and structural cost cutting. The higher value compared to stock market prices at the reporting date, which reflect an implicit loss of €66.5m, is justified by the size of the Group's holding, which constitutes a relative majority, and the unique nature of some of the company's assets.

10.3 Equity investments: movements during the period

Type of transactions/value	30/6/11	30/6/10
A. Balance at start of period	3,347,983	2,638,502
B. Additions	225,708	823,560
B.1 Acquisitions	—	1,004
B.2 Value adjustments	—	—
B.3 Revaluations	—	—
B.4 Other adjustments	225,708	822,556
C. Reductions	417,549	114,079
C.1 Disposals	—	51
C.2 Value adjustments for impairment	119,648	—
C.3 Other reductions	297,901	114,028
D. Balance at end of period	3,156,142	3,347,983
E. Total revaluations	—	—
F. Total adjustments	383,904	264,256

Section 12

Heading 120: Property, plant and equipment

12.1 Tangible assets stated at cost

Assets/value	30/6/11	30/6/10
A. Core assets		
1.1 owned by the Group	292,973	292,113
a) land	83,636	83,636
b) buildings	169,433	165,102
c) furniture	20,377	23,144
d) electronic equipment	5,764	7,622
e) other assets	13,763	12,609
1.2 acquired under finance leases:	—	25
a) land	—	—
b) buildings	—	—
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	—	25
Total A	292,973	292,138
B. Assets held for investment purposes		
2.1 owned by the Group:	27,450	27,848
a) land	20,350	20,350
b) buildings	7,100	7,498
2.2 acquired under finance leases:	—	—
a) land	—	—
b) buildings	—	—
Total B	27,450	27,848
Total (A+B)	320,423	319,986

12.3 Core tangible assets: movements during the period

	Land	Buildings	Furniture	Electronic equipment	Other assets	Total
A. Gross opening balance	83,636	190,397	47,292	25,227	52,781	399,333
A.1 Total net value reductions	—	(25,295)	(24,148)	(17,605)	(40,147)	(107,195)
A.2 Net opening balance	83,636	165,102	23,144	7,622	12,634	292,138
B. Additions:	—	7,814	2,061	1,945	6,619	18,439
B.1 Purchases	—	7,289	1,879	1,931	6,267	17,366
B.2 Improvement expenses, capitalized	—	525	—	—	—	525
B.3 Writebacks	—	—	—	—	—	—
B.4 Increases in fair value recognized in:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
B.5 Increases arising due to exchange rates	—	—	182	—	22	204
B.6 Transfers from properties held for investment purposes	—	—	—	—	—	—
B.7 Other additions	—	—	—	14	330	344
C. Reductions:	—	3,483	4,828	3,803	5,490	17,604
C.1 Disposals	—	—	138	—	66	204
C.2 Depreciation charges	—	3,261	4,569	3,803	5,413	17,046
C.3 Value adjustments for impairment taken to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
C.4 Reductions in fair value charged to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
C.5 Reductions due to exchange rates	—	—	—	—	10	10
C.6 Transfers to:	—	—	—	—	—	—
a) assets held for investment purposes	—	—	—	—	—	—
b) assets being sold	—	—	—	—	—	—
C.7 Other reductions	—	222	121	—	1	344
D. Net closing balance	83,636	169,433	20,377	5,764	13,763	292,973
D.1 Total net value reductions	—	(28,554)	(28,390)	(21,296)	(42,888)	(121,128)
D.2 Gross closing balance	83,636	197,987	48,767	27,060	56,651	414,101
E. Stated at cost	—	—	—	—	—	—

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

	Total	
	Land	Buildings
A. Gross opening balance	20,350	7,498
B. Additions	—	—
B.1 Purchases	—	—
B.2 Improvement expenses, capitalized	—	—
B.3 Net increases in fair value	—	—
B.4 Writebacks	—	—
B.5 Increases arising due to exchange rates	—	—
B.6 Transfers from core assets	—	—
B.7 Other additions	—	—
C. Reductions	—	398
C.1 Disposals	—	—
C.2 Depreciation charges	—	398
C.3 Reductions in fair value	—	—
C.4 Value adjustments for impairment	—	—
C.5 Reductions arising due to exchange rates	—	—
C.6 Transfers to other asset portfolios	—	—
a) core assets	—	—
b) non-current assets being sold	—	—
C.7 Other reductions	—	—
D. Closing balance	20,350	7,100
E. Stated at fair value	87,325	37,361

Section 13

Heading 130: Intangible assets

13.1 Intangible assets

Assets/ amounts	30/6/11		30/6/10	
	Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life
A.1 Goodwill	X	365,934	X	365,934
A.1.1 attributable to the Group	X	365,934	X	365,934
A.1.2 attributable to third parties	X	—	X	—
A.2 Other intangible assets	65,145	6,300	70,402	6,300
A.2.1 Recognized at cost:	65,145	6,300	70,402	6,300
a) intangible assets generated internally	—	—	—	—
b) other assets	65,145	6,300	70,402	6,300
A.2.2 Recognized at fair value:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
Total	65,145	372,234	70,402	372,234

13.2 *Intangible assets: movements during the period*

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life	
A. Balance at start of period	365,934	—	—	107,427	6,300	479,661
A.1 Total net value reductions	—	—	—	(37,025)	—	(37,025)
A.2 Net opening balance	365,934	—	—	70,402	6,300	442,636
B. Additions	—	—	—	19,480	—	19,480
B.1 Purchases	—	—	—	19,332	—	19,332
B.2 Increases in internally generated assets	—	—	—	—	—	—
B.3 Revaluations	—	—	—	—	—	—
B.4 Increases in fair value taken to:	—	—	—	—	—	—
– net equity	—	—	—	—	—	—
– profit and loss account	—	—	—	—	—	—
B.5 Increases arising on exchange rates	—	—	—	148	—	148
B.6 Other additions	—	—	—	—	—	—
C. Reductions	—	—	—	24,737	—	24,737
C.1 Disposals	—	—	—	16	—	16
C.2 Value adjustments	—	—	—	24,506	—	24,506
– amortization	—	—	—	24,506	—	24,506
– writedowns	—	—	—	—	—	—
+ net equity	—	—	—	—	—	—
+ profit and loss account	—	—	—	—	—	—
C.3 Reductions in fair value charged to:	—	—	—	—	—	—
– net equity	—	—	—	—	—	—
– profit and loss account	—	—	—	—	—	—
C.4 Transfers to non-current assets being sold	—	—	—	—	—	—
C.5 Reductions due to exchange rate differences	—	—	—	—	—	—
C.6 Other reductions	—	—	—	215	—	215
D. Balance at end of period	365,934	—	—	65,145	6,300	437,379
D.1 Total net value adjustments	—	—	—	(61,531)	—	(61,531)
E. Gross closing balance	365,934	—	—	126,676	6,300	498,910
F. Stated at cost	—	—	—	—	—	—

Section 14

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

14.1 Advance tax assets

	30/6/11	30/6/10
Corporate income tax (IRES)	546,500	586,926
Regional production tax (IRAP)	44,951	36,444
Total	591,451	623,370

14.2 Deferred tax liabilities

	30/6/11	30/6/10
Corporate income tax (IRES)	298,343	306,674
Regional production tax (IRAP)	14,718	8,086
Total	313,061	314,760

14.3 Changes in advance tax during the period

	30/6/11	30/6/10
1. Opening balance	512,720	413,268
2. Additions	59,245	121,731
2.1 Advance tax originating during the period	54,657	121,576
a) for previous years	—	8,101
b) due to changes in accounting policies	—	—
c) amounts written back	51	63
d) other additions	54,606	133,412
2.2 New taxes or increases in tax rates	3,822	—
2.3 Other additions	766	155
3. Reductions	49,598	22,279
3.1 Advance tax reversed during the period	41,750	17,956
a) reclassifications	40,534	17,218
b) amounts written off as unrecoverable	—	—
c) due to changes in accounting policies	—	—
d) other	1,216	738
3.2 Reductions in tax rates	—	—
3.3 Other reductions	7,848	4,323
4. Balance at end of period	522,367	512,720

14.4 Changes in deferred tax during the period

	30/6/11	30/6/10
1. Opening balance	282,662	316,256
2. Additions	2,571	3,829
2.1 Deferred tax originating during period	2,571	3,095
a) relating to previous years	864	—
b) due to changes in accounting policies	—	—
c) others	1,707	3,095
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	734
3. Reductions	14,532	37,423
3.1 Deferred tax reversed during period	5,377	9,171
a) reclassifications	5,274	8,947
b) due to changes in accounting policies	—	—
c) others	103	224
3.2 Reductions in tax rates	—	—
3.3 Other reductions	9,155	28,252
4. Balance at end of period	270,701	282,662

14.5 *Changes in advance tax during the period* [1]

	30/6/11	30/6/10
1. Opening balance	110,650	125,446
2. Additions	64,658	82,870
2.1 Advance tax originating during period	61,943	82,870
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	61,943	82,870
2.2 New taxes or increases in tax rates	2,473	—
2.3 Other additions	242	—
3. Reductions	106,224	97,666
3.1 Advance tax reversed during period	106,224	97,666
a) reclassifications	91,526	97,666
b) writedowns of non-recoverable items	—	—
c) due to changes in accounting policies	—	—
d) others	14,698	—
3.2 Reductions in tax rates	—	—
3.3 Other reductions	—	—
4. Balance at end of period	69,084	110,650

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

14.6 Changes in deferred tax during the period [1]

	30/6/11	30/6/10
1. Opening balance	32,098	31,039
2. Additions	41,430	21,747
2.1 Deferred tax originating during period	39,662	21,747
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	39,662	21,747
2.2 New taxes or increases in tax rates	1,750	—
2.3 Other additions	18	—
3. Reductions	31,168	20,688
3.1 Advance tax reversed during the period	30,311	20,688
a) reclassifications	28,332	12,052
b) due to changes in accounting policies	—	—
c) others	1,979	8,636
3.2 Reductions in tax rates	—	—
3.3 Other reductions	857	—
4. Balance at end of period	42,360	32,098

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

Section 16

Heading 160: Other assets

16.1 Other asset: composition

	30/6/11	30/6/10
1. Gold, silver and precious metals	695	695
2. Accrued income other than capitalized income from financial assets	9,620	5,696
3. Trade receivables or invoices to be issued	67,345	57,435
4. Amounts due from tax revenue authorities (not recorded under Heading 140)	72,213	16,579
5. Other items	103,514	138,589
- bills for collection	15,218	21,638
- amounts due in respect of premiums, grants, indemnities and other items in respect of lending transactions	46,615	54,494
- advance payments on deposit commissions	6,603	7,518
- amounts due to staff	6,779	21,747
- sundry other items	28,299	33,192
6. Adjustment arising on consolidation	—	4
Total	253,387	218,998

Liabilities

Section 1

Heading 10: Due to banks

1.1 Due to banks: composition

Type of transaction/amounts	30/6/11	30/6/10
1. Due to central banks	200,007	494,940
2. Due to banks	8,771,218	9,235,714
2.1 Current accounts and demand deposits	2,210,014	1,886,475
2.2 Term deposits	469,523	1,008,162
2.3 Borrowings	5,245,769	5,887,726
2.3.1 Reverse repos	1,231,144	568,134
2.3.2 Others	4,014,625	5,319,592
2.4 Liabilities in respect of assets sold but not derecognized	—	—
2.5 Other amounts due	845,912	453,351
Total book value	8,971,225	9,730,654
Total fair value	8,971,225	9,730,654

1.2 Breakdown of Heading 10: "Due to banks" – subordinated debt

Subordinated liabilities included under the heading *Due to banks* amount to €43,547,00 and refer to amounts payable by Linea to its former shareholders.

1.4 Due to banks: items subject to specific hedges

	30/6/11	30/6/10
1. Items subject to specific fair value hedges for:	155,727	187,673
a) interest rate risk	155,727	187,673
b) exchange rate risk	—	—
c) more than one risk	—	—
2. Items subject to specific cash flow hedges for:	1,371,500	2,367,884
a) interest rate risk	1,371,500	2,367,884
b) exchange rate risk	—	—
c) other	—	—

Section 2

Heading 20: Due to customers

2.1 Due to customers: composition

Type of transaction/amounts	30/6/11	30/6/10
1. Current accounts and demand deposits	2,552,079	2,335,307
2. Term deposits	7,359,144	7,199,409
3. Borrowings	3,865,952	4,958,286
3.1 Reverse repos	2,654,552	3,473,314
3.2 others	1,211,400	1,484,972
4. Liabilities in respect of assets sold but not derecognized	—	—
5. Other amounts due	748,521	396,119
Total book value	14,525,696	14,889,121
Total fair value	14,525,696	14,889,121

2.4 Due to customers: items subject to specific hedges

	30/6/11	30/6/10
1. Items subject to specific fair value hedges for:	59,124	88,479
a) interest rate risk	59,124	88,479
b) exchange rate risk	—	—
c) more than one risk	—	—
2. Items subject to specific cash flow hedges for:	328,267	614,039
a) interest rate risk	328,267	614,039
b) exchange rate risk	—	—
c) other	—	—

Section 3

Heading 30: Debt securities in issue

3.1 Debt securities in issue: composition

Type of transaction/amounts	30/6/11				30/6/10			
	Book value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Book value	Fair value Level 1	Fair value Level 2	Fair value Level 3
A. Listed securities								
1. bonds	34,952,193	4,968,645	30,487,084	—	35,867,095	7,426,808	31,101,988	—
1.1 structured	14,660,847	1,996,268	12,746,718	—	12,184,238	1,227,329	10,942,642	—
1.2 others	20,291,346	2,972,377	17,740,366	—	23,682,857	6,199,479	20,159,346	—
2. other securities	318,499	—	282,169	36,330	798,452	—	741,440	57,012
2.1 structured	—	—	—	—	—	—	—	—
2.2 others	318,499	—	282,169	36,330	798,452	—	741,440	57,012
Total	35,270,692	4,968,645	30,769,253	36,330	36,665,547	7,426,808	31,843,428	57,012

Subordinated liabilities included under the heading *Debt securities in issue* total €1,861,235,000.

3.3 Debt securities: items subject to specific hedging

	30/6/11	30/6/10
1. Securities subject to specific fair value hedges	27,986,440	24,454,488
a) interest rate risk	27,986,440	24,454,488
b) exchange rate risk	—	—
c) other	—	—
2. Securities subject to specific cash flow hedges	4,989,554	3,435,735
a) interest rate risk	4,989,554	3,435,735
b) exchange rate risk	—	—
c) other	—	—

Section 4

Heading 40: Trading liabilities

4.1 Trading liabilities: composition

Type of transaction/amounts	30/6/11					30/6/10				
	Nominal value	Fair value			Fair Value *	Nominal value	Fair value			Fair Value *
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Cash liabilities										
1. Due to banks	89,271	85,058	264	—	85,322	136,050	130,831	—	—	130,831
2. Due to customers	1,025,850	1,025,593	1,296	—	1,026,889	610,007	602,065	460	—	602,065
3. Debt securities	—	—	—	—	X	2,959	—	—	—	X
3.1 Bonds	—	—	—	—	X	—	—	—	—	X
3.1.1 Structured	—	—	—	—	X	—	—	—	—	X
3.1.2 Other	—	—	—	—	—	—	—	—	—	X
3.2 Other securities	—	—	—	—	—	2,959	—	—	—	X
3.2.1 Structured	—	—	—	—	X	—	—	—	—	X
3.2.2 Other	—	—	—	—	X	2,959	—	—	—	X
Total A	1,115,121	1,110,651	1,560	—	1,112,211	749,016	732,896	460	—	733,356
B. Derivative products										
1. Financial derivatives	X	527,127	2,563,041	1,276,578	X	X	263,973	3,594,235	1,077,426	X
1.1 Trading	X	527,127	2,499,198	879,216 [1]	X	X	263,973	3,470,438	577,551 [1]	X
1.2 Linked to fair value options	X	—	—	—	X	X	—	—	—	X
1.3 Other	X	—	63,843	397,362 [2]	X	X	—	123,797	499,875 [2]	X
2. Credit derivatives	X	1,539,947	497,391	300	—	—	321,885	116,368	1,153	X
2.1 Trading	X	1,539,947	497,391	300	X	X	321,885	105,170	1,153	X
2.2 Linked to fair value options	X	—	—	—	X	X	—	—	—	X
2.3 Other	X	—	—	—	X	X	—	11,198	—	X
Total B	X	2,067,074	3,060,432	1,276,878	X	X	585,858	3,710,603	1,078,579	X
Total (A+B)	X	3,177,725	3,061,992	1,276,878	1,112,211	749,016	1,318,754	3,711,063	1,078,579	733,356

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

[1] Respectively €670,439,000 and €319,636,000 in respect of options traded, matching the amount recorded as a trading liability.

[2] Market value of options covering options matched with bonds issued by Mediobanca and Mediobanca International, against the same amount recorded as a trading liability.

Section 6

Heading 60: Hedging derivatives

6.1 Hedging derivatives: by type of product/underlying asset

Items/amounts	30/6/11 Fair value			Nominal value	30/6/10 Fair value			Nominal value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	647,704	—	16,701,674	—	556,480	—	15,254,923
1) Fair value	—	614,981	—	15,371,174	—	450,418	—	11,941,923
2) Cash flow	—	32,723	—	1,330,500	—	106,062	—	3,313,000
3) Non-Italian investments	—	—	—	—	—	—	—	—
B. Financial derivatives	—	—	—	—	—	3	—	12,500
1) Fair value	—	—	—	—	—	3	—	12,500
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	647,704	—	16,701,674	—	556,483	—	15,267,423

6.2 Hedging derivatives: by portfolio hedged/hedge type

Operations/type of hedging	Fair value hedges						Cash flow hedges		Non-Italian investments
	Specific					General	Specific	General	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. AFS securities	4,206	—	—	123	—	X	—	X	X
2. Loans and advances	—	—	—	X	—	X	—	X	X
3. Financial assets held to maturity	X	—	—	X	—	X	—	X	X
4. Portfolio	—	—	—	—	—	—	—	—	X
5. Other operations	X	X	X	X	X	X	X	X	—
Total assets	4,206	—	—	123	—	—	—	—	—
1. Financial liabilities	605,356	5,296	—	X	—	X	32,723	X	X
2. Portfolio	—	—	—	—	—	—	—	—	X
Total liabilities	605,356	5,296	—	—	—	—	32,723	—	X
1. Expected transactions	X	X	X	X	X	X	—	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	—	X	—	—

Section 8

Heading 80 - Deferred liabilities

Please see asset section 14.

Section 10

Heading 100: Other liabilities

10.1 Other liabilities: composition

	30/6/11	30/6/10
1. Payment agreements (IFRS 2)	75	80
2. Impaired endorsements	45,012	102,510
3. Working capital payables and invoices pending receipt	199,782	191,037
4. Amounts due to revenue authorities	71,130	95,303
5. Amounts due to staff	168,798	144,552
6. Other items:	143,752	193,099
- bills for collection	22,950	24,927
- coupons and dividends pending collection	2,196	2,179
- available sums payable to third parties	42,232	41,003
- premiums, grants and other items in respect of lending transactions	26,158	67,216
- credit notes to be issued	13,146	18,532
- other	37,070	39,242
7. Adjustments upon consolidation	—	9
Total	628,549	726,590

Section 11

Heading 110: Staff severance indemnity provision

11.1 Staff severance indemnity provision: changes during the period

	30/6/11	30/6/10
A. Balance at start of period	27,282	28,898
B. Additions	12,098	12,727
B.1 Transfers during period	11,565	11,859
B.2 Other additions	533	868
C. Reductions	13,344	14,343
C.1 Indemnities paid out	1,833	5,302
C.2 Other reductions [1]	11,511	9,041
D. Balance at end of period	26,036	27,282

[1] Includes €8,833,000 in transfers to external, defined contribution pension schemes (€6,500,000 at 30/6/10).

Section 12

Heading 120: Provisions

12.1 Provisions: composition

Item/amounts	30/6/11	30/6/10
1. Company post-employment benefit provision	—	—
2. Other provisions	156,522	156,318
2.1 litigation	1,015	690
2.2 staff-related	—	—
2.3 other	155,507	155,628
Total	156,522	156,318

12.2 Provisions: movements during the period

	Post-employment benefit provision	Litigation	Other provisions	Total
A. Balance at start of period	—	690	155,628	156,318
B. Additions	—	345	826	1,171
B.1 Transfers during period	—	186	826	1,012
B.2 Changes due to passing of time	—	9	—	9
B.3 Additions due to changes in discount rate	—	—	—	—
B.4 Other additions	—	150	—	150
C. Reductions	—	20	947	967
C.1 Transfers during period	—	11	791	802
C.2 Reductions due to changes in discount rate	—	9	—	9
C.3 Other reductions	—	—	156	156
D. Balance at end of period	—	1,015	155,507	156,522

Section 13

Heading 130: Technical reserves

	Direct business	Indirect business	30/6/11	30/6/10
A. Non-life business				
A1. Reserves for premiums	—	38,838	38,838	8,609
A2. Reserves for claims	—	1,771	1,771	62
A3. Other reserves	—	—	—	—
B. Life business				
B.1 Mathematical reserves	—	14,219	14,219	5,242
B.2 Reserves for sums to be paid out	—	—	—	—
B.3 Other reserves	—	—	—	—
C. Technical reserves where risk of investment is borne by insured parties	—	—	—	—
C1. Reserves for contracts in which performance is related to investment funds and market indexes	—	—	—	—
C2. Reserves deriving from pension fund management	—	—	—	—
D. Total technical reserves	—	54,828	54,828	13,913

Section 15

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

15.1 Group capital: composition

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

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

Item/type	Ordinary
A. Shares in issue at start of period	861,102,077
– entirely unrestricted	861,102,077
– with restrictions	—
A.1 Treasury shares	(17,010,000)
A.2 Shares in issue: balance at start of period	844,092,077
B. Additions	27,135
B.1 New share issuance as a result of:	27,135
– rights issues	27,135
- business combinations	—
- bond conversions	—
- exercise of warrants	27,135
- others	—
– bonus issues	—
- to staff members	—
- to Board members	—
- others	—
B.2 Treasury share disposals	—
B.3 Other additions	—
C. Reductions	—
C.1 Cancellations	—
C.2 Treasury share buybacks	—
C.3 Disposals of businesses	—
C.4 Other reductions	—
D. Shares in issue: balance at end of period	844,119,212
D.1 Add: treasury shares	(17,010,000)
D.2 Shares in issue at end of period	861,129,212
– entirely unrestricted	861,129,212
– with restrictions	—

15.4 *Profit reserves: other information*

Item	30/6/11	30/6/10
1. Legal reserve	86,110	86,106
2. Statutory reserves	1,093,409	992,771
3. Treasury shares	213,844	213,844
4. Others	2,807,580	2,645,719
Total	4,200,943	3,938,440

Section 16

Heading 210: Net equity attributable to minorities

16.1 Net equity attributable to minorities: composition

Item/amounts	30/6/11	30/6/10
1. Share capital	24,948	25,129
2. Share premium reserve	7,216	7,216
3. Reserves	78,903	78,133
4. Treasury shares	—	—
5. Valuation reserves [1]	(1,297)	(8,471)
6. Equity instruments	—	—
7. Profit (loss) for the period attributable to minorities	4,975	1,266
Total	114,745	103,273

[1] Relates to cash flow hedges.

Other information

1. Guarantees and commitments

Transactions	30/6/11	30/6/10
1. Financial guarantees given to:	371,461	334,186
a) Banks	39,364	19,366
b) Customers	332,097	314,820
2. Commercial guarantees given to:	—	—
a) Banks	—	—
b) Customers	—	—
3. Irrevocable commitments to lend funds to:	16,259,270	21,504,580
a) Banks	2,883,245	1,795,578
i) specific	589,448	1,390,859
ii) standby basis	2,293,797	404,719
b) Customers	13,376,025	19,709,002
i) specific	8,682,848	14,349,269
ii) standby basis	4,693,177	5,359,733
4. Commitments underlying credit derivatives: hedge sales [1]	77,105,255	12,204,310
5. Assets pledged as collateral for customer obligations	—	—
6. Other commitments	4,142,757	3,886,305
Total	97,878,743	37,929,381

[1] Balance as at 30/6/11 includes €63,884,898 in deals fully matched by hedge buys.

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

Portfolios	30/6/11	30/6/10
1. Financial assets held for trading	192,200	933,329
2. Financial assets recognized at fair value	—	—
3. AFS securities	710,965	—
4. Financial assets held to maturity	83,561	—
5. Due from banks	—	—
6. Due from customers	506,401	454,275
7. Property, plant and equipment	—	—

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

Transactions	30/6/11	30/6/10
1. Securities traded on behalf of customers	27,712,307	33,528,965
a) Purchases	12,167,261	16,818,865
1. settled	12,058,180	14,700,968
2. pending settlement	109,081	2,117,897
b) Disposals	15,545,046	16,710,100
1. settled	15,435,965	14,592,203
2. pending settlement	109,081	2,117,897
2. Asset management	2,978,000	2,883,000
a) individuals	924,000	845,000
b) groups	2,054,000	2,038,000
3. Securities under custody/managed on a non-discretionary basis	39,942,756	48,177,007
a) customers' securities held on deposit: in connection with the Bank's activity as deposit bank (not including asset management)	5,014,839	6,877,572
1. securities issued by bank drawing up consolidated financial statements	352,750	783,763
2. other securities	4,662,089	6,093,809
b) other customers' securities held on deposit (not including asset management): others	4,926,601	4,968,836
1. securities issued by bank drawing up consolidated financial statements	34	82
2. other securities	4,926,567	4,968,754
c) customers' securities held on deposit with customers	7,288,472	11,241,635
d) own securities held on deposit with customers	22,712,844	25,088,964
4. Other transactions	—	—

1 The Esperia group has assets under management totalling €7,832,000 (30/6/10: €8,286,000).
2 The Esperia group manages assets on a non-discretionary basis worth €5,475,000 (30/6/10: €3,522,000).

PART C - NOTES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT

Section 1

Headings 10 and 20: Net interest income

1.1 Interest and similar income: composition

Line items/technical forms	Debt securities	Loans and advances	Other transactions	12 mths ended 30/6/11	12 mths ended 30/6/10
1. Financial assets held for trading	229,792	—	—	229,792	341,448
2. Financial assets recognized at fair value	—	—	—	—	—
3. AFS securities	235,651	—	—	235,651	218,043
4. Financial assets held to maturity	52,374	—	—	52,374	27,124
5. Due from banks	64,398	40,339	124	104,861	76,059
6. Due from customers	23,223	1,605,267	—	1,628,490	1,556,527
7. Hedge derivatives	X	X	532,083	532,083	598,056
8. Other assets	X	X	4,295	4,295	2,899
Total	605,438	1,645,606	536,502	2,787,546	2,820,156

1.2 Interest and similar income: differences arising on hedging transactions

Items/sectors	12 mths ended 30/6/11	12 mths ended 30/6/10
A. Positive differences on transactions	1,043,574	1,010,831
B. Negative differences on transactions	(511,491)	(412,775)
C. Balance of differences arising on hedges	532,083	598,056

1.3 Interest and similar income: other information

Items/sectors	12 mths ended 30/6/11	12 mths ended 30/6/10
1 Interest receivable on financial assets denominated in currencies other than the Euro	200,383	198,800
2 Interest receivable in respect of finance leasing transactions	161,326	166,442
3 Interest income on receivables involving customers' funds held on a non-discretionary basis	—	—
Total	361,709	365,242

1.4 Interest expense and similar charges: composition

Line items/technical forms	Accounts payable	Securities	Other liabilities	12 mths ended 30/6/11	12 mths ended 30/6/10
1. Due to central banks	(31)	X	—	(31)	(5,055)
2. Due to banks	(95,106)	X	—	(95,106)	(80,256)
3. Due to customers	(244,693)	X	—	(244,693)	(290,870)
4. Debt securities in issue	—	(1,316,099)	—	(1,316,099)	(1,388,715)
5. Trading liabilities	X	—	—	—	—
6. Financial liabilities recognized at fair value	—	—	—	—	—
7. Other liabilities	X	X	(25)	(25)	(43)
8. Hedging derivatives	X	X	—	—	—
Total	(339,830)	(1,316,099)	(25)	(1,655,954)	(1,764,939)

1.6 Interest expense and similar charges: other information

Items/sectors	12 mths ended 30/6/11	12 mths ended 30/6/10
1 Interest payable on liabilities denominated in currencies other than the Euro	(33,647)	(54,037)
2 Interest payable on liabilities in respect of finance leasing transactions	(1)	—
3 Interest payable on customers' funds held on a non-discretionary basis	—	—
Total	(33,648)	(54,037)

Section 2

Headings 40 and 50: Net fee and commission income

2.1 Net fee and commission income: composition

Type of service/sectors	12 mths ended 30/6/11	12 mths ended 30/6/10
a) guarantees given	2,763	3,244
b) credit derivatives	—	—
c) management, trading and advisory services:	223,746	254,860
1. securities trading	10,277	18,776
2. foreign currency trading	23	120
3. asset management [1]	7,774	6,287
3.1 individuals	7,774	6,287
3.2 groups	—	—
4. securities under custody and non-discretionary management	5,271	4,876
5. deposit bank services	8,715	8,258
6. securities placement	67,823	88,469
7. procurement of orders	10,145	8,780
8. advisory services	—	19
8.1 investment advisory services	—	19
8.2 structured finance advisory services	—	—
9. agency fees	113,718	119,275
9.1 asset management	17,535	14,759
9.1.1 individuals	17,535	14,759
9.1.2 groups	—	—
9.2 insurance products	96,183	104,492
9.3 other products	—	24
d) collection and payment services	3,680	2,060
e) securitization services	—	173
f) factoring services	—	—
g) tax collection and receipt services	—	—
h) multilateral trading systems activity	—	—
i) current account keeping and management	390	—
j) other services	255,056	238,803
Total	485,635	499,140

[1] Banca Esperia recorded net fee and commission income of €66,005,000 (30/6/10: €55,806,000).

2.2 *Fee and commission expense: composition*

Services/amounts	12 mths ended 30/6/11	12 mths ended 30/6/10
a) guarantees received	—	(262)
b) credit derivatives	—	—
c) management and trading services:	(14,659)	(7,370)
1. securities trading	(3,085)	(3,657)
2. foreign currency trading	—	—
3. asset management:[1]	—	(1)
3.1 proprietary	—	(1)
3.2 on behalf of customers	—	—
4. securities under custody/held on a non-discretionary basis	(2,688)	(2,829)
5. securities placement	(8,886)	(883)
6. door-to-door sales of securities, products and services	—	—
d) collection and payment services	(4,674)	(3,838)
e) other services	(29,310)	(26,287)
Total	(48,643)	(37,757)

[1] Banca Esperia recorded net fee and commission income of €66,005,000 (30/6/10: €55,806,000).

Section 3

Heading 70: Dividends and similar income

3.1 *Dividends and similar income: composition*

Line items/income	12 mths ended 30/6/11		12 mths ended 30/6/10	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	97,280	—	51,438	—
B. AFS securities	18,697	—	16,986	—
C. Financial assets recognized at fair value	—	—	—	—
D. Equity investments	—	—	—	—
Total	115,977	—	68,424	—

Section 4

Heading 80: Net trading income

4.1 Net trading income: composition

Transactions/income elements	Gains (A)	Dealing profits (B)	Value reductions (C)	Dealing losses (D)	Net trading income [(A+B)-(C+D)]
1. Trading assets	72,545	276,414	(280,551)	(177,821)	(109,413)
1.1 Debt securities	50,036	150,982	(223,196)	(91,011)	(113,189)
1.2 Equities	19,997	125,278	(56,982)	(86,804)	1,489
1.3 UCITS units	2,512	154	(373)	(6)	2,287
1.4 Loans and advances	—	—	—	—	—
1.5 Others	—	—	—	—	—
2. Trading liabities	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—
2.2 Debts	—	—	—	—	—
2.3 Others	—	—	—	—	—
3. Other assets and liabilities: differences	X	X	X	X	(120,944)
4. Derivative products	5,154,360	3,317,039	(5,640,920)	(2,846,784)	197,609
4.1 Financial derivatives:	3,275,751	2,024,046	(3,615,185)	(1,544,578)	353,948
– debt securities and interest rates [1]	1,595,620	768,813	(1,656,760)	(538,839)	168,834
– equities and stock market indexes	1,437,412	1,164,742	(1,497,427)	(1,005,739)	98,988
– foreign currency and gold	X	X	X	X	213,914
– others	242,719	90,491	(460,998)	—	(127,788)
4.2 Credit derivatives	1,878,609	1,292,993	(2,025,735)	(1,302,206)	(156,339)
Total	5,226,905	3,593,453	(5,921,471)	(3,024,605)	(32,748)

[1] Of which €60,430 000 in negative margins on interest rate derivatives (30/6/10: €135,627,000 minus).

Section 5

Heading 90: Net hedging income (expense)

5.1 Net hedging income (expense): composition

Income elements/amounts	12 mths ended 30/6/11	12 mths ended 30/6/10
A. Income from:		
A.1 Fair value hedge derivatives	72,966	1,178,910
A.2 Financial assets hedged (fair value)	9,710	61,330
A.3 Financial liabilities hedged (fair value)	746,474	180,682
A.4 Cash flow hedge derivatives	14	2,161
A.5 Assets and liabilities in foreign currencies	—	—
Total hedging income (A)	829,164	1,423,083
B. Expense related to:		
B.1 Fair value hedge derivatives	(709,484)	(222,053)
B.2 Financial assets hedged (fair value)	(29,269)	(17,178)
B.3 Financial liabilities hedged (fair value)	(90,320)	(1,199,503)
B.4 Cash flow hedge derivatives	(11)	(28)
B.5 Assets and liabilities in foreign currencies	—	—
Total hedging expense (B)	(829,084)	(1,438,762)
Net hedging income (A – B)	80	(15,679)

Section 6

Heading 100: Gains (losses) on disposals/repurchases

6.1 Gains (losses) on disposals/repurchases: composition

Line items/income elements	12 mths ended 30/6/11			12 mths ended 30/6/10		
	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
Financial assets						
1. Due from banks	—	—	—	—	—	—
2. Due from customers	586	—	586	—	—	—
3. AFS securities	31,396	(9,202)	22,194	207,356	(8,432)	198,924
3.1 Debt securities	20,272	(8,277)	11,995	106,621	(7,376)	99,245
3.2 Equities	10,301	(138)	10,163	100,735	(1,056)	99,679
3.3 UCITS units	823	(787)	36	—	—	—
3.4 Loans and advances	—	—	—	—	—	—
4. Financial assets held to maturity	—	(3,320)	(3,320)	32	(6)	26
Total assets	31,982	(12,522)	19,460	207,388	(8,438)	198,950
Financial liabilities						
1. Due to banks	—	—	—	—	—	—
2. Due to customers	487	—	487	5,516	—	5,516
3. Debt securities in issue	44,109	—	44,109	18,328	(187)	18,141
Total liabilities	44,596	—	44,596	23,844	(187)	23,657

Section 8

Heading 130: Adjustments for impairment

8.1 Adjustments for impairment: composition

Transactions/income elements	Value adjustments			Amounts recovered				12 mths ended 30/6/11	12 mths ended 30/6/10
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Due from banks	—	—	(2,427)	—	21	—	—	(2,406)	513
- Loans	—	—	(2,427)	—	21	—	—	(2,406)	513
- Debt securities	—	—	—	—	—	—	—	—	—
B. Due from customers	(454,478)	(240,840)	(19,562)	3,506	306,172	110	64,400	(340,692)	(461,834)
- Loans	(454,478)	(240,840)	(19,562)	3,506	306,172	110	64,400 [1]	(340,692)	(461,834)
- Debt securities	—	—	—	—	—	—	—	—	—
C. Total	(454,478)	(240,840)	(21,989)	3,506	306,193	110	64,400	(343,098)	(461,321)

[1] Of which €59,556,000 in writebacks in respect of a single item attributable to Mediobanca S.p.A.

Legend
A = interest
B = other amounts recovered

8.2 Net value adjustments for impairment to AFS securities: composition

Transactions/income elements	Value adjustments		Amounts recovered		12 mths ended 30/6/11	12 mths ended 30/6/10
	Specific		Specific			
	Writeoffs	Others	A	B		
A. Debt securities	—	(108,903)	—	—	(108,903)	—
B. Equities	—	(35,636)	—	—	(35,636)	(148,319)
C. UCITS units	—	(557)	—	—	(557)	(1,700)
D. Loans and advances to banks	—	—	—	—	—	—
E. Loans and advances to customers	—	—	—	—	—	—
F. Total	—	(145,096)	—	—	(145,096)	(150,019)

Legend
A = interest
B = other amounts recovered

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

Transactions/income elements	Value adjustments			Amounts recovered				12 mths ended 30/6/11	12 mths ended 30/6/10
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Debt securities	—	(11,005)	—	315	234	—	—	(10,456)	(934)
B. Loans and advances to banks	—	—	—	—	—	—	—	—	—
C. Loans and advances to customers	—	—	—	—	—	—	—	—	—
D. Total	—	(11,005)	—	315	234	—	—	(10,456)	(934)

Legend
A = interest
B = other amounts recovered

8.4 *Adjustments for impairment to other financial transactions: composition*

Transactions/income-linked components	Value adjustments			Amounts recovered				12 mths ended 30/6/11	12 mths ended 30/6/10
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Guarantees given	—	(39,560)	(4,094)	—	17,433	—	15	(26,206)	(23,356)
B. Credit derivatives	—	—	—	—	—	—	—	—	—
C. Commitments	—	(500)	(174)	—	1,476	—	19,353 [1]	20,155	(31,225)
D. Other transactions	—	—	—	—	—	—	—	—	—
E. Total	—	(40,060)	(4,268)	—	18,909	—	19,368	(6,051)	(54,581)

[1] Of which €15,409,000 in writebacks in respect of a single item attributable to Mediobanca S.p.A.

Legend
A = interest
B = other amounts recovered

Section 9

Heading 150: Net premium income

9.1 Net premium income: composition

Premium income from insurance operations	Direct business	Indirect business	12 mths ended 30/6/11	12 mths ended 30/6/10
A. Life business				
A.1 Gross premiums written (+)	—	2,170	2,170	311
A.2 Premiums ceded to reinsurers (–)	—	(56)	(56)	(7)
A.3 Total	—	2,114	2,114	304
B. Non-life business				
B.1 Gross premiums written (+)	—	35,882	35,882	9,312
B.2 Premiums ceded to reinsurers (–)	—	(164)	(164)	(48)
B.3 Changes in gross amount of reserve for premiums (+/–)	—	(28,344)	(28,344)	(8,609)
B.4 Changes in reserve for premiums payable by reinsurers (– /+)	—	—	—	—
B.5 Total	—	7,374	7,374	655
C. Total net premium income	—	9,488	9,488	959

Section 10

Heading 160: Income less expense from insurance operations

10.1 Income less expense from insurance operations: composition

Items	12 mths ended 30/6/11	12 mths ended 30/6/10
1. Net change in technical reserves	(504)	(69)
2. Claims paid out during the year	(2,155)	(66)
3. Other income (expense) from insurance operations	(1,994)	(218)
Total	(4,653)	(353)

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

Net changes in technical reserves	12 mths ended 30/6/11	12 mths ended 30/6/10
1. Life business		
A. Mathematical reserves	(504)	(69)
A.1 Gross annual amount	(504)	(69)
A.2 (–) Share payable by reinsurers	—	—
B. Other technical reserves	—	—
B.1 Gross annual amount	—	—
B.2 (–) Share payable by reinsurers	—	—
C. Technical reserves where the insurance risk is borne by the insured parties	—	—
C.1 Gross annual amount	—	—
C.2 (–) Share payable by reinsurers	—	—
Total, life business reserves	(504)	(69)
2. Non-life business Changes in technical reserves in non-life business other than reserves for claims net of accounts ceded to reinsurers	—	—

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

Claims expenses	12 mths ended 30/6/11	12 mths ended 30/6/10
Life business: expenses for claims net of amounts ceded to reinsurers		
A. Amounts paid	—	—
A.1 Gross annual amount	—	—
A.2 (–) Share payable by reinsurers	—	—
B. Changes to reserve due to sums to be paid	—	—
B.1 Gross annual amount	—	—
B.2 (–) Share payable by reinsurers	—	—
Total claims, life business	—	—
Non-life business: expenses for claims net of amounts recovered and ceded to reinsurers		
C. Amounts paid	(399)	(3)
C.1 Gross annual amount	(399)	(3)
C.2 (–) Share payable by reinsurers	—	—
D. Changes to amounts recovered net of shares payable by reinsurers	—	—
E. Changes to reserve for claims	(1,756)	(63)
E.1 Gross annual amount	(1,756)	(63)
E.2 Share payable by reinsurers (–)	—	—
Total claims, non-life business	(2,155)	(66)

Section 11

Heading 180: Administrative expenses

11.1 Personnel costs: composition

Type of expense/sectors	12 mths ended 30/6/11	12 mths ended 30/6/10
1. Employees	(399,169)	(367,031)
a) wages and salaries	(287,846)	(264,497)
b) social security contributions	(61,749)	(60,531)
c) severance indemnities	—	—
d) pension contributions	—	—
e) transfers to severance indemnity provisions	(11,155)	(14,108)
f) transfers to post-employment and similar benefits provisions:	—	—
– defined benefit	—	—
– defined contribution	—	—
g) amounts paid to external complementary pension schemes:	(12,598)	(11,685)
– defined benefit	(12,598)	(11,685)
– defined contribution	—	—
h) expenses incurred in connection with share payment schemes	(13,508)	(5,199)
– stock options	(9,159)	(5,199)
– performance shares	(4,349)	—
i) other staff benefits	(12,313)	(11,011)
2. Other staff	(7,888)	(6,257)
3. Board members	(8,098)	(10,640)
4. Expenses incurred in connection with staff retiring	(3,623)	(3,991)
Total	(418,778)	(387,919)

11.2 Average number of staff by category

	12 mths ended 30/6/11	12 mths ended 30/6/10
Employees:		
a) Senior executives	177	170
b) Excutives	1,089	1,035
c) Other employees	2,094	1,992
Other staff	212	202
Total	3,571	3,399

11.5 Other administrative expenses: composition

	12 mths ended 30/6/11	12 mths ended 30/6/10
OTHER ADMINISTRATIVE EXPENSES		
– marketing and communications	(51,800)	(38,228)
– loan recovery activity	(47,865)	(51,841)
– marketing and communications	(76,290)	(69,121)
– property	(39,624)	(45,196)
– EDP costs	(33,271)	(31,392)
– bank charges, collection and payment fees	(20,883)	(20,594)
– info-provider	(24,390)	(21,199)
– operating expenses	(51,648)	(53,459)
– other staff expenses	(19,717)	(19,071)
– other costs	(9,681)	(10,574)
– indirect and other taxes	(39,249)	(30,713)
Total other administrative expenses	(414,418)	(391,388)

Section 12

Heading 190: Net transfers to provisions

12.1 Net transfers to provisions: composition

	12 mths ended 30/6/11	12 mths ended 30/6/10
TRANSFERS MADE TO COVER:		
– litigation	—	—
– advertising expenses	—	—
– certain or probable exposures or commitments [1]	(1,012)	(1,448)
Total net transfers to provisions	(1,012)	(1,448)

[1] Includes the effect of discounting such items.

Section 13

Heading 200: Net adjustments to tangible assets

13.1 Net adjustments to tangible assets: composition

Assets/income elements	Depreciation	Value adjustments for impairment	Amounts recovered	Net result
A. Tangible assets				
A.1 Owned	(17,444)	—	—	(17,444)
– core	(17,046)	—	—	(17,046)
– for investment purposes	(398)	—	—	(398)
A.2 Acquired under finance leases	—	—	—	—
– core	—	—	—	—
– for investment purposes	—	—	—	—
Total	(17,444)	—	—	(17,444)

Section 14

Heading 210: Net adjustments to intangible assets

14.1 Net adjustments to intangible assets

Assets/income elements	Amortization	Value adjustments for impairment	Amounts recovered	Net result
A. Intangible assets				
A.1 Owned	(24,506)	—	—	(24,506)
– software	(15,874)	—	—	(15,874)
– other	(8,632)	—	—	(8,632)
A.2 Goodwill	—	—	—	—
Total	(24,506)	—	—	(24,506)

Section 15

Heading 220: Other operating income (expense)

15.1 Other operating expense: composition

Income-based components/values	12 mths ended 30/6/11	12 mths ended 30/6/10
a) Leasing activity	(23,427)	(22,642)
b) Sundry costs and expenses	(3,668)	(3,238)
Total	(27,095)	(25,880)

15.2 Other operating income: composition

Income-based components/values	12 mths ended 30/6/11	12 mths ended 30/6/10
a) Amounts recovered from customers	55,025	49,106
b) Other income	102,874	101,429
Total	157,899	150,535

Section 16

Heading 240: Gains (losses) on equity investments

16.1 Gains (losses) on equity investments: composition

Income-based components/values	12 mths ended 30/6/11	12 mths ended 30/6/10
1. Jointly-controlled companies		
A. Income	—	—
1. Revaluations	—	—
2. Gains on disposals	—	—
3. Amounts recovered	—	—
4. Other increases	—	—
B. Expenses	—	—
1. Writedowns	—	—
2. Adjustments for impairment	—	—
3. Losses from disposals	—	—
4. Other reductions	—	—
Net income	—	—
2. Companies subject to significant influence		
A. Income	208,616	235,399
1. Revaluations	208,616	235,199
2. Gains on disposals	—	200
3. Amounts recovered	—	—
4. Other increases	—	—
B. Expenses	(125,233)	(21,931)
1. Writedowns	(125,233)	(21,931)
2. Adjustments for impairment	—	—
3. Losses from disposals	—	—
4. Other reductions	—	—
Net income	83,383	213,468
Total	83,383	213,468

Section 19

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

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

Income elements/sectors	12 mths ended 30/6/11	12 mths ended 30/6/10
A. Properties	—	—
– gains on disposals	—	—
– losses on disposals	—	—
B. Other assets	87	5
– gains on disposals	94	3
– losses on disposals	(7)	2
Net gain (loss)	87	5

Section 20

Heading 290: Income tax on ordinary activities

20.1 Income tax on ordinary activities: composition

Income elements/sectors	12 mths ended 30/6/11	12 mths ended 30/6/10
1. Current taxes	(199,850)	(282,409)
2. Changes in current taxes for previous financial years	(546)	(89)
3. Reductions in current tax for the period	215	332
4. Changes in advance tax	5,184	99,419
5. Changes in deferred tax	14,365	1,579
Income tax for the year	(180,632)	(181,168)

20.2 Reconciliation between theoretical and effective tax burden

	12 mths ended 30/6/11	
	Amounts %	Absolute values
Total profit or loss before tax from current operations	100.00%	554,199
Theoretical tax rate	27.50%	X
Theoretical computed taxes on income	27.50%	152,405
Dividends (–)	-6.00%	(33,256)
Gains on disposals of equity investments (PEX) (–)	-0.47%	(2,587)
Gains on disposal of investments (equity method) (–)	-5.31%	(29,410)
Other taxes (non-Italian companies) (–)	-1.86%	(10,331)
Non-taxable income 10% IRAP (–)	-0.20%	(1,111)
Interest on exempt securities (–)	-0.11%	(616)
Tax losses (–)	-0.03%	(143)
Tax sparing credit	-0.23%	(1,301)
Non-deductible interest expense 3% (+)	3.87%	21,438
Benefit from tax consolidation (–)	-0.67%	(3,730)
Impairment (+/–)	9.63%	53,384
Other differences	1.06%	5,857
TOTAL IRES	27.17%	150,599
IRAP	5.42%	30,033
TOTAL FOR HEADING [1]	32.59%	180,632

[1] Compared with a tax rate of 31.06% in the previous financial year.

Section 22

Heading 330: Net profit (loss) attributable to minorities

22.1 Breakdown of profit for the year attributable to minorities

	12 mths ended 30/6/11	12 mths ended 30/6/10
Palladio Leasing S.p.A.	2,415	2,000
SelmaBipiemme Leasing S.p.A.	185	(2,983)
Teleleasing S.p.A.	3,471	3,439
Other companies	(2)	(96)
Adjustments on consolidation	(1,094)	(1,094)
Total	4,975	1,266

Section 24

Earnings per share

24.1 Average number of ordinary shares on a diluted basis

	12 mths ended 30/6/11	12 mths ended 30/6/10
Net profit	368,592	400,855
Avg. no. of shares in issue	844,099,719	834,153,396
Avg. no. of potentially diluted shares	42,896,940	149,140,954
Avg. no. of diluted shares	886,996,659	983,294,350
Earnings per share	0.43	0.481
Earnings per share, diluted	0.41	0.408

PART D - CONSOLIDATED COMPREHENSIVE PROFIT AND LOSS ACCOUNT

BREAKDOWN OF CONSOLIDATED COMPREHENSIVE PROFIT AND LOSS CONSTITUENTS

	Items	Before tax effect	Tax effect	After tax effect
10.	Net profit (loss)	X	X	373,567
	Other comprehensive income			
20.	AFS securities:	5,167	4,562	605
	a) changes in fair value:	13,390	25,147	(11,757)
	b) reclassifications through profit or loss account	(8,223)	(20,585)	12,362
	- due to impairment	23,452	(12,743)	36,195
	- gain/losses on disposals	(31,675)	(7,842)	(23,833)
	c) other variations	—	—	—
30.	Property, plant and equipment	—	—	—
40.	Intangible assets	—	—	—
50.	Hedges of non-Italian investments:	—	—	—
	a) changes in fair value:	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
60.	Cash flow hedges:	170,399	53,909	116,490
	a) changes in fair value:	170,399	53,909	116,490
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
70.	Exchange differences:	2,064	—	2,064
	a) changes in fair value:	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	2,064	—	2,064
80.	Non-current assets classified as held for sale:	—	—	—
	a) changes in fair value:	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
90.	Actuarial gains (losses) on defined benefits schemes	—	—	—
100.	Valuation reserves from equity-accounted investments:	(160,620)	—	(160,620)
110.	Total other comprehensive income after tax	17,010	58,471	(41,461)
120.	Comprehensive income after tax (10 + 110)	X	X	332,106
130.	Consolidated comprehensive income attributable to minorities	X	X	12,150
140.	Consolidated comprehensive income attributable to parent company	X	X	319,956

PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Section 1

Banking Group risks

1.1 Credit risk

QUALITATIVE INFORMATION

Basel II project

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

A specific project has therefore been launched with a view to obtaining ratification by the Bank of Italy of the internal rating models to be used in calculating the capital requirements for credit risk. The internal rating models regard the following customer segments: Banks, Insurances, Large corporate, Holding companies and Specialized lending (customers mostly targeted by Mediobanca S.p.A.), Mid corporate and Small businesses (customers targeted mostly by the leasing companies) and Private individuals (targeted by Compass for consumer credit and CheBanca! for mortgage lending). In addition, a plan is being implemented to comply with the experience requirement for the models to be ratified, which will involve the existing procedures for approving, monitoring and renewing loans (described below) being gradually revised to incorporate the risk parameters calculated via the internal models that have been developed.

Given the above, and considering the uncertainty due to the current turmoil on financial markets and the finalization of the reference regulatory framework at the international level, the timeframe for submitting the application for the IRB system to be validated to the Bank of Italy is currently being reviewed; and until the system has been validated, the Mediobanca Group will continue to use the standardized methodology it has adopted since 1 January 2008.

Corporate banking (Mediobanca)

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

Leasing

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

Sub-standard accounts are managed in a variety of ways which prioritize either recovery of the amount owed or the asset under lease, according to the specific risk profile of the account concerned. All non-performing, sub-standard and restructured accounts plus 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 five overdue instalments (or three 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.

A project is underway to implement early warning systems (with links to public and private databases), to allow irregular customer behaviour to be picked up as soon as possible.

Irregular accounts are managed through monthly reports analysing the commercial, personal and financial aspects of the accounts in order to flag up promptly any potential problem areas. Procedurally mortgage loans with four or more unpaid instalments are designated as sub-standard accounts, and after the eighth or ninth unpaid instalment become non-performing. Impaired accounts are managed, for out-of-court credit recovery procedures, by a dedicated organizational structure with the help of external collectors. If further signs of deterioration are noted, property enforcement procedures are instigated through external lawyers.

QUANTITATIVE INFORMATION

CREDIT QUALITY

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

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

Portfolio/quality	Banking Group [1]					Others [2]		Total
	Non-performing	Potential problem	Restructured	Overdue	Other assets	Overdue	Other assets	
1. Financial assets held for trading	—	—	—	—	11,412,456	—	—	11,412,456
2. AFS securities	—	—	234,778	—	5,824,028	—	33,683	6,092,489
3. Financial assets held to maturity	—	—	1,806	—	1,641,774	—	—	1,643,580
4. Due from banks	127	—	—	—	5,778,884	—	14,632	5,793,643
5. Due from customers	214,557	233,083	189,066	73,108	39,640,572	—	20,067	40,370,453
6. Financial assets recognized at fair value	—	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	1,368,114	—	—	1,368,114
Total at 30/6/11	214,684	233,083	425,650	73,108	65,665,828	—	68,382	66,680,735
Total at 30/6/10	188,815	347,359	166,397	101,438	67,714,472	—	30,013	68,548,494

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

[2] Includes Creditech, R&S, Sade and Compass RE.

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

Portfolio/quality	Impaired assets			Performing			Total
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
A. Banking group							
1. Financial assets held for trading	—	—	—	X	X	11,412,456	11,412,456
2. AFS securities	343,681	(108,903)	234,778	5,824,028	—	5,824,028	6,058,806
3. Financial assets held to maturity	5,122	(3,316)	1,806	1,652,984	(11,210)	1,641,774	1,643,580
4. Due from banks	127	—	127	5,782,964	(4,080)	5,778,884	5,779,011
5. Due from customers	1,273,467	(563,653)	709,814	39,881,959	(241,387)	39,640,572	40,350,386
6. Financial assets recognized at fair value	—	—	—	X	X	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	X	X	1,368,114	1,368,114
Total A	1,622,397	(675,872)	946,525	53,141,935	(256,677)	65,665,828	66,612,353
B. Others							
1. Financial assets held for trading	X	X	—	X	X	—	—
2. AFS securities	—	—	—	33,683	—	33,683	33,683
3. Financial assets held to maturity	—	—	—		—	—	—
4. Due from banks	—	—	—	14,632	—	14,632	14,632
5. Due from customers	—	—	—	20,067	—	20,067	20,067
6. Financial assets recognized at fair value	X	X	—	—	—	—	—
7. Financial assets being sold			—	—	—	—	—
8. Hedging derivatives	X	X	—	X	X	—	—
Total B	—	—	—	68,382	—	68,382	68,382
Total at 30/6/11	1,622,397	(675,872)	946,525	53,210,317	(256,677)	65,734,210	66,680,735
Total at 30/6/10	1,447,760	(643,751)	804,009	51,027,833	(256,198)	67,744,485	68,548,494

* Performing loans include €97.7m in unpaid instalments (half of which fewer than 3 months and half of which fewer than 6 months) corresponding to a gross exposure (including the share not yet overdue) equal to €812m (or 2% of the total performing assets), €371.9m refers to consumer credit (4% of the performing loans in this segment), €307.2m to leasing (15%), and €104.8m to mortgages lent by CheBanca! (3%). Gross exposures subject to renegotiation in respect of collective agreements amount to €8.5m, all of which refers to mortgages lent by CheBanca!.

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

Asset portfolio/quality	Impaired assets [1]				Performing assets			Total (net exposure) [2]
	Gross exposure	Specific adjustments	Collective adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	—	—	—	1,422,892	1,422,892
Italy	—	—	—	—	—	—	352,491	352,491
Greece	—	—	—	—	—	—	25,432	25,432
Germany	—	—	—	—	—	—	951,983	951,983
Hungary	—	—	—	—	—	—	15,820	15,820
Brazil	—	—	—	—	—	—	57,857	57,857
Others	—	—	—	—	—	—	19,309	19,309
2. AFS securities	343,680	(108,903)	—	234,777	3,425,998	—	3,425,998	3,660,775
Italy	—	—	—	—	2,894,876	—	2,894,876	2,894,876
Greece	343,680	(108,903)	—	234,777	—	—	—	234,777
Germany	—	—	—	—	497,801	—	497,801	497,801
Ireland	—	—	—	—	32,912	—	32,912	32,912
Others	—	—	—	—	409	—	409	409
3. Financial assets held to maturity	—	—	—	—	246,847	—	246,847	246,847
Italy	—	—	—	—	246,153	—	246,153	246,153
Others	—	—	—	—	694	—	694	694
Total at 30/6/11	343,680	(108,903)	—	234,777	3,672,845	—	5,095,737	5,330,514

* Does not include financial and credit derivatives.

[1] The impaired assets only include securities subject to restructuring, namely the bonds issued by Greece held in the AFS portfolio falling due in December 2020.

[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 €14.2m; financial and credit derivatives are not included.

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

Asset portfolio/quality	Trading book [1]			Banking book			
	Nominal value	Book value	Duration	Nominal value	Book value	Fair value	Duration
Italy	383,831	352,491	(1.26)	3,175,814	3,141,029	3,140,125	5.34
Greece	50,139	25,432	9.90	350,000	234,777	234,777	3.58
Ireland	—	—	—	52,500	32,912	32,912	11.38
Germany	919,489	951,983	2.34	468,720	497,801	497,801	4.53
Hungary	16,344	15,820	1.04	—	—	—	—
Brazil	52,038	57,857	0.87	—	—	—	—
Others	30,406	19,309	—	13,798	1,103	16,176	—
Total at 30/6/11	1,452,247	1,422,892		4,060,832	3,907,622	3,921,791	

[1] This item does not include €1.5bn in purchases of the *Bund/Schatz* future (Germany) and €0.6bn in sales of the T-note future (U.S.), both of which with a positive fair value of €0.6m and €3m respectively; and net hedge buys of €192.6m with a positive fair value of €1.8 m have not been included either.

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

Type of exposure/amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing	127	—	X	127
b) Potential problem	—	—	X	—
c) Restructured	—	—	X	—
d) Overdue	—	—	X	—
e) Other assets	8,567,705	X	(4,080)	8,563,625
Total A	8,567,832	—	(4,080)	8,563,752
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	—	—	X	—
b) Other assets [1]	88,963,771	X	—	88,963,771
Total B	88,963,771	—	—	88,963,771
Total (A + B)	97,531,603	—	(4,080)	97,527,523

[1] The balance as at 30/6/11 includes €63,884,898 in deals matched 100% by hedge buys.

A.1.4 Banking Group – cash exposures to banks: trends in gross impaired positions

Description/category	Non-performing	Potential problem	Restructured	Overdue
A. Gross exposure at start of period	127	140	—	—
of which: accounts sold but not derecognized	—	—	—	—
B. Additions	—	—	—	—
B.1 transfers from performing loans	—	—	—	—
B.2 transfers from other categories of impaired assets	—	—	—	—
B.3 other additions	—	—	—	—
C. Reductions	—	(140)	—	—
C.1 transfers to performing loans	—	—	—	—
C.2 amounts written off	—	(119)	—	—
C.3 amounts collected	—	(21)	—	—
C.4 gains realized on disposals	—	—	—	—
C.5 transfers to other categories of impaired assets	—	—	—	—
C.6 other reductions	—	—	—	—
D. Gross exposure at end of period	127	—	—	—
of which: accounts sold but not derecognized	—	—	—	—

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

Description/category	Non-performing	Potential problem	Restructured	Overdue
A. Adjustments at start of period	—	(140)	—	—
of which: accounts sold but not derecognized	—	—	—	—
B. Additions	—	—	—	—
B.1 value adjustments	—	—	—	—
B.2 transfers from other categories of impaired assets	—	—	—	—
B.3 other additions	—	—	—	—
C. Reductions	—	140	—	—
C.1 writebacks based on valuations	—	—	—	—
C.2 writebacks due to amounts collected	—	21	—	—
C.3 amounts written off	—	119	—	—
C.4 transfers to other categories of impaired assets	—	—	—	—
C.5 other reductions	—	—	—	—
D. Adjustments at end of period	—	—	—	—
of which: accounts sold but not derecognized	—	—	—	—

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

Type of exposure/amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing [1]	540,480	(325,923)	X	214,557
b) Potential problem	407,271	(174,188)	X	233,083
c) Restructured	585,773	(160,123)	X	425,650
d) Overdue	88,747	(15,639)	X	73,108
e) Other assets	50,124,042	X	(253,404)	49,870,638
Total A	51,746,313	(675,873)	(253,404)	50,817,036
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	102,541	—	X	102,541
b) Other assets	18,235,334	X	—	18,235,334
Total B	18,337,875	—	—	18,337,875
Total (A+B)	70,084,188	(675,873)	(253,404)	69,154,911

[1] Includes accounts acquired by third parties as part of Cofactor's activity.

A.1.7 Banking Group – Cash exposures to customers: trends in gross impaired positions/accounts

Description/category	Non-performing	Potential problem	Restructured	Overdue
A.1 Gross exposure at start of period	688,432	468,025	183,290	107,747
of which: accounts sold but not derecognized	*29,687*	*16,895*	*1,938*	*3,868*
B. Additions	416,486	390,548	415,603	49,700
B.1 transfers from performing loans	187,776	329,358	352,058	37,989
B.2 transfers from other categories of impaired assets	192,338	29,342	45,411	2,628
B.3 other additions	36,372	31,848	18,134	9,083
C. Reductions	(564,438)	(451,302)	(13,120)	(68,700)
C.1 transfers to performing loans	(14,032)	(38,655)	(1,362)	(21,892)
C.2 amounts written off	(460,343)	(18,296)	(418)	(501)
C.3 amounts collected	(52,527)	(157,185)	(6,334)	(15,636)
C.4 gains realized on disposals	(21,705)	—	—	—
C.5 transfers to other categories of impaired assets	(10,797)	(228,476)	(3,204)	(27,239)
C.6 other reductions	(5,034)	(8,690)	(1,802)	(3,432)
D. Gross exposure at end of period	540,480	407,271	585,773	88,747
of which: accounts sold but not derecognized	*22,891*	*17,570*	*2,120*	*3,511*

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

Description/category	Non-performing	Potential problem	Restructured	Overdue
A.1 Adjustments at start of period	(499,744)	(120,666)	(16,893)	(6,309)
of which: accounts sold but not derecognized	*(27,896)*	*(4,585)*	—	—
B. Additions	(152,346)	(153,744)	(143,769)	(11,581)
B.1 value adjustments	(94,217)	(138,444)	(143,692)	(6,210)
B.2 transfers from other categories of impaired assets	(54,727)	(13,436)	(53)	(1,896)
B.3 other additions	(3,402)	(1,864)	(24)	(3,475)
C. Reductions	326,167	100,222	539	2,251
C.1 writebacks based on valuations	14,273	8,350	330	847
C.2 writebacks due to amounts collected	18,711	22,799	14	158
C.3 amounts written off	269,421	12,044	182	36
C.4 transfers to other categories of impaired assets	12,649	56,461	13	988
C.5 other reductions	11,113	568	—	222
D. Adjustments at end of period	(325,923)	(174,188)	(160,123)	(15,639)
of which: accounts sold but not derecognized	*(20,022)*	*(5,417)*	—	*(391)*

A.2 *Exposures by internal and external ratings*

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

Exposures	External rating category						Unrated	Total
	AAA / AA+	A+ / A-	BBB+ / BBB-	BB+ / BB-	B+ / B-	Lower than B-		
A. Cash exposures	9,714,583	7,094,756	3,130,239	2,098,471	220,426	281,573	36,840,740	59,380,788
B. Derivatives	13,676,491	72,527,981	475,404	357,964	—	—	3,623,484	90,661,324
B.1 financial derivatives	4,876,822	4,360,859	475,404	357,964	—	—	2,861,763	12,932,812
B.2 credit derivatives[1]	8,799,669	68,167,122	—	—	—	—	761,721	77,728,512
C. Guarantees	2,727	6,884	—	14,643	861	34,654	330,938	390,707
D. Commitments to lend funds	1,493,278	4,289,253	2,603,277	348,751	76,956	5,955	7,432,145	16,249,615
Total at 30/6/11	24,887,079	83,918,874	6,208,920	2,819,829	298,243	322,182	48,227,307	166,682,434
Total at 30/6/10	18,690,094	20,845,812	8,080,143	1,967,962	721,160	36,888	51,966,390	102,308,449

1 The balance as at 30/6/11 includes €63,884,898 in deals matched 100% by hedge buys.

A.3 Secured exposures by type of security

A.3.1 Banking Group – secured cash exposures to banks

	Amount	Real guarantees (1)			Personal guarantees (2)									Total (1) + (2)
					Credit derivatives					Endorsements				
						Other credit derivatives								
		Properties	Securities	Other assets	CLN	Govern-ments	Other public agencies	Banks	Others	Govern-ments	Other public agencies	Banks	Others	
1. Secured balance sheet credit exposures:														
1.1 completely secured	783,711	—	653,234	—	—	—	—	—	—	—	363,783	1,031	66,722	1,084,770
- of which impaired	127	—	—	—	—	—	—	—	—	—	—	—	127	127
1.2 partly secured	1,418,150	—	1,329,435	—	—	—	—	—	—	—	—	—	59,975	1,389,410
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Secured off balance sheet credit exposures:														
2.1 completely secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.2 partly secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—

A.3.2 *Banking Group – secured cash exposures to customers*

	Amount	Real guarantees (1)			Personal guarantees (2)									Total (1) + (2)
					Credit derivatives					Endorsements				
						Other credit derivatives								
		Properties	Securities	Other assets	CLN	Govern-ments	Other public agencies	Banks	Others	Govern-ments	Other public agencies	Banks	Others	
1. Secured balance sheet credit exposures:														
1.1 completely secured	13,246,710	8,255,343	5,510,545	46,291	—	—	—	106,797	—	—	172,008	2,178,827	3,883,880	20,153,691
- of which impaired	321,208	363,257	8,841	4	—	—	—	—	—	—	—	55,876	72,465	500,443
1.2 partly secured	6,184,996	517,779	1,949,985	354,030	—	—	—	6,493	—	—	143	1,100,960	1,210,703	5,140,093
- of which impaired	83,446	6,336	2,128	—	—	—	—	—	—	—	—	820	57,287	66,571
2. Secured off balance sheet credit exposures:														
2.1 completely secured	1,408,526	95,093	—	—	—	—	—	—	—	—	118,762	1,205,987	13,901	1,433,743
- of which impaired	4,694	1,333	—	—	—	—	—	—	—	—	—	3,473	100	4,906
2.2 partly secured	414,719	37,288	—	—	—	—	—	—	—	—	—	253,742	34	291,064
- of which impaired	89	91	—	—	—	—	—	—	—	—	—	—	—	91

B. Loan distribution and concentration

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

Exposures/counterparties	Governments	Other public agencies	Financial companies	Insurances	Non-financial undertakings	Other entities
A. Cash exposures						
A.1 Non-performing						
Net exposure	—	—	—	—	46,016	168,541
Value adjustments to gross exposure	—	—	(11,483)	—	(37,583)	(276,857)
Value adjustments to portfolio	—	—	—	—	—	—
A.2 Potential problem						
Net exposure	—	—	72	—	94,982	138,029
Value adjustments to gross exposure	—	(20)	(1,932)	—	(56,557)	(115,680)
Value adjustments to portfolio	—	—	—	—	—	—
A.3 Restructured						
Net exposure	234,778	—	40,849	—	148,121	1,902
Value adjustments to gross exposure	(108,903)	—	(5,091)	—	(46,122)	(7)
Value adjustments to portfolio	—	—	—	—	—	—
A.4 Overdue						
Net exposure	—	29,270	308	—	19,486	24,043
Value adjustments to gross exposure	—	(6,232)	(2)	—	(649)	(8,756)
Value adjustments to portfolio	—	—	—	—	—	—
A.5 Other exposures						
Net exposure	5,842,466	165,367	9,444,181	2,678,002	17,691,892	14,048,430
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	(3,781)	(3,853)	(19,007)	(3,897)	(201,958)	(20,908)
Total A						
Net exposure	6,077,244	194,637	9,485,410	2,678,002	18,000,497	14,380,945
Value adjustments to gross exposure	(108,903)	(6,252)	(18,508)	—	(140,911)	(401,300)
Value adjustments to portfolio	(3,781)	(3,853)	(19,007)	(3,897)	(201,958)	(20,908)
B. Off-balance-sheet exposures						
B.1 Non-performing						
Net exposure	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
B.2 Potential problem						
Net exposure	—	—	—	—	54	237
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
B.3 Other impaired assets						
Net exposure	—	—	—	—	102,250	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
B.4 Other exposures						
Net exposure	970,097	—	4,449,606	287,161	9,603,410	2,925,060
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
Total B						
Net exposure	970,097	—	4,449,606	287,161	9,705,714	2,925,297
Value adjustments to gross exposure	—	—		—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
Total at 30/6/11						
Net exposure	7,047,341	194,637	13,935,016	2,965,163	27,706,211	17,306,242
Value adjustments to gross exposure	(108,903)	(6,252)	(18,508)	—	(140,911)	(401,300)
Value adjustments to portfolio	(3,781)	(3,853)	(19,007)	(3,897)	(201,958)	(20,908)
Total at 30/6/10	7,827,635	150,996	25,364,008	2,680,227	30,061,645	19,499,189

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

Exposure/geographical areas	Italy		Other European countries		United States		Asia		Rest of world	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A) Cash exposures										
A.1 Non-performing	205,380	(302,037)	8,831	(23,502)	346	(384)	—	—	—	—
A.2 Potential problem	201,261	(156,444)	16,029	(17,203)	8,930	(542)	—	—	6,863	—
A.3 Restructured	130,847	(27,843)	294,735	(132,279)	68	(1)	—	—	—	—
A.4 Overdue	69,751	(15,611)	3,357	(28)	—	—	—	—	—	—
A.5 Other exposures	34,714,294	(164,497)	12,797,779	(87,064)	1,747,780	(1,555)	406,018	(86)	204,767	(202)
Total A	35,321,533	(666,432)	13,120,731	(260,076)	1,757,124	(2,482)	406,018	(86)	211,630	(202)
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	267	—	24	—	—	—	—	—	—	—
B.3 Other impaired assets	98,277	—	3,973	—	—	—	—	—	—	—
B.4 Other exposures	10,054,259	—	7,834,732	—	222,950	—	123,393	—	—	—
Total B	10,152,803	—	7,838,729	—	222,950	—	123,393	—	—	—
Total at 30/6/11	45,474,336	(666,432)	20,959,460	(260,076)	1,980,074	(2,482)	529,411	(86)	211,630	(202)
Total at 30/6/10	53,492,467	(769,558)	21,814,718	(140,942)	2,060,141	(876)	252,806	(95)	135,153	(9)

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

Exposure/geographical areas	Italy		Other European countries		United States		Asia		Rest of world	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A) Cash exposures										
A.1 Non-performing	—	—	127	—	—	—	—	—	—	—
A.2 Potential problem	—	—	—	—	—	—	—	—	—	—
A.3 Restructured	—	—	—	—	—	—	—	—	—	—
A.4 Overdue	—	—	—	—	—	—	—	—	—	—
A.5 Other exposures	3,665,028	(790)	4,622,641	(2,558)	198,301	—	65,170	(732)	13,485	—
Total A	3,665,028	(790)	4,622,768	(2,558)	198,301	—	65,170	(732)	13,485	—
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—	—
B.4 Other exposures [1]	5,054,683	—	81,172,603	—	2,735,424	—	1,061	—	—	—
Total B	5,054,683	—	81,172,603	—	2,735,424	—	1,061	—	—	—
Total at 30/6/11	8,719,711	(790)	85,795,371	(2,558)	2,933,725	—	66,231	(732)	13,485	—
Total at 30/6/10	7,453,096	(430)	16,610,259	(92)	233,365	—	282,294	(1,882)	1	—

[1] The balance as at 30/6/11 includes €63,884,898 in deals matched 100% by hedge buys.

B.4.a Credit risk indicators

	30/6/11	30/6/10
a) Gross NPLs/total loans	1.21%	2.04%
b) Irregular items/cash exposures	3.03%	3.19%
c) Net NPLs/regulatory capital	2.72%	2.72%

B.4.b Large risks

	30/6/11	30/6/10
a) Book value	13,767,406	14,553,015
b) Weighted value	12,816,243	11,491,066
c) No. of exposures	10	12
d) Large risks/regulatory capital	1.6	1.6

Leveraged finance transactions

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

As at 30 June 2011, deals of this nature amounted to €2,421.2m, up slightly on the figure of €2,380m, reported last year approx. 13% of the corporate loan book, half of which in relation to domestic transactions, with the vast majority of the remainder for deals within the confines of the Eurozone. Movements during the period under review included the addition of five new deals worth a total of €223.2m, full repayment of seven loans (in an amount of approx. €270m), and other changes (use of credit lines and capitalization of interest) up €88m.

The portfolio does not contain any positions with companies in financial difficulties, while restructuring agreements for three accounts worth a total of €277.4m have been reached, one of which during the course of the financial year.

C. Securitizations and asset disposals

C.1 Securitizations

Qualitative information

No new securitizations were implemented during the financial year, except for the €1.7bn renewal of the Quarzo deal (Compass receivables), subscribed for in full by Mediobanca S.p.A..

The Group has a portfolio of securities deriving from securitizations by other issuers which is worth €360.3m (30/6/10: €444.5m). The main movements during the period involved acquisitions of €52.8m, disposals and repayments totalling €132.2m (generating gains of €1.8m), and downward adjustments as at the reporting date amounting to €6.6m (€7.4m of which relating to the partial writedown to the ELM security), €1.2m by way of increase in amortized cost, and €1.3m in downward adjustment to fair value as at the reporting date; the implicit loss on the fixed portfolio amounts to €20.6m. Over 70% of the acquisitions involved Italian-originated deals (in particular the securitization of Telecom Italia commercial properties through vehicle company IMSER), and all refer to the first half of the year when signs of recovery were apparent in both the primary market (with new deals on European portfolios, and the launch of the first issue backed by Italian mortgages since the Lehman crisis) and the secondary market (with investor interest focused on the mezzanine and junior classes which offer the highest returns). In the second half-year the market slowed, among other things following the introduction of stricter regulations for issuers and investors, the latter shifting their focus to more efficient funding instruments (e.g. covered bonds).

Mediobanca does not have on its books, and indeed never has had, any credit exposures backed by subprime or Alt-A (Alternative – A, i.e. positions with underlying mortgages featuring incomplete documentation that does not allow them to be classified). Neither does it have any exposures to monoline insurers, i.e. insurance companies specializing in covering default risk on public and corporate bond issues, with the exception of one credit default swap worth a nominal $10m entered into with MBIA (Municipal Bond Insurance Association), with a positive fair value of €0.7m (minus €4.6m at 30 June 2010).

The portfolio is still concentrated (more than 85%) on securities with domestic underlying assets: over 40% mortgage receivables, around 30% state-owned properties and the remainder leasing receivables plus a restructured securitization formerly promoted by Capitalia (Entasi). The other deals involve a synthetic security (ELM), UK mortgage loans (Permanent and RMAC) and German mortgage loans (E-MAC). Holdings in junior and mezzanine tranches total approx. €32.1m, and chiefly involve mezzanine tranches in Italian mortgage loans (Bpm Securitisation Srl, €4.7m) and UK mortgage receivables (RMAC PLC (€3.9m) as well as commercial properties (IMSER, €18.1m); the other tranches involve junior positions in securitizations of mortgage receivables implemented by BCC Mortgages PLC (€1.5m), Loggi (€1.4m) and Casaforte (€2.4m). These valuations have been made based on prices supplied by the leading financial information providers, i.e. Reuters, Bloomberg and Mark-it, giving priority to marked-to-market data rather than fair value models (which have been used only for certain unlisted positions), and for the most part made using a pricing model supplied by the main rating agencies.

Some 85% of the portfolio has a rating consistent with securities of high credit standing attributed by at least one of the main credit rating agencies (Standard & Poor's, Moody's and Fitch) and is eligible for refinancing with the European Central Bank. During the period under review no particular action was taken by any of the rating agencies, apart from the odd adjustment made as a result of the stricter rating criteria. The only positions which are either unrated or have non-performing assets underlying them are in deals where Mediobanca played an active role in the securitization, e.g. as sponsor, manager, etc.

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

— mortgage loans: the prospects of low interest rates have helped delinquency and default rates to stabilize (albeit at historically high levels), but also reflect an increase in average duration (forecasts of stable interest rates are a disincentive to prepayment on existing mortgages, with the ratio remaining at 5–6%); introduction of the "plan for families" has helped keep down delays in short-term payment (30 days), even though long-term delays (above 90 days) are increasing;

— state-owned and Italian commercial properties: these reflect the widening returns on Italian securities and the related credit default swaps; there were no downgrades during the period, although sales of properties were below expectations, and hence the timescale for repayment is bound to increase.

Quantitative information

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

Type of underlying asset/exposures	Cash exposure [1]					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposures	Gross exposure	Net exposures	Gross exposure	Net exposures
A) Using own underlying assets:	—	—	—	—	—	—
a) Impaired	—	—	—	—	—	—
b) Other	—	—	—	—	—	—
B) Using customers' underlying assets	328,249	328,249	26,716	26,716	5,343	5,343
a) Impaired	95,028	95,028	—	—	—	—
b) Other	233,221	233,221	26,716	26,716	5,343	5,343

[1] No off-balance-sheet exposure.

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

Type of securitized asset/exposure	Cash exposures [1]					
	Senior		Mezzanine		Junior	
	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks
A. Mortgage loans on properties						
A.1 Argo Mortgage srl 1 A IT0003246276	198	1	—	—	—	—
A.2 Mantegna-37 A2 ind IT0003443527	446	(41)	—	—	—	—
A.3 CASAFORT2010-1Z Mortgage IT0004644677	—	—	—	—	2,403	—
A.4 DOMOS 2001-1-A Mortgage FR0000487589	233	20	—	—	—	—
A.5 E-MAC XS0475282322	7,921	(18)	—	—	—	—
A.6 BMP Securitisation srl IT0004083033	—	—	4,695	(42)	—	—
A.7 Velah 4 A2 IT0004102007	26,694	—	—	—	—	—
A.8 Cordusio 3 A2 06-42 IT0004144892	113	(4)	—	—	—	—
A.9 BP MORTG-43 A2 ind IT0004215320	8,951	79	—	—	—	—
A.10 Cassa 2007-1 A1 IT0004247687	31	—	—	—	—	—
A.11 Island Ref-25 A FRN IT0004293558	18,457	—	—	—	—	—
A.12 Zeus F07-25 A FRN IT0004306186	35,520	—	—	—	—	—
A.13 Cassa 2007-1 A1 07-43 IT0004247687	420	3	—	—	—	—
A.14 LOGGI 2001-1 SUB FR0000488470	—	—	—	—	1,407	25
A.15 Sintonia Finance srl 2030 XS0163298432	420	3	—	—	—	—
A.16 BCC Mrtg-38 A FRN XS0256813048	5,357	(46)	—	—	—	—
A.17 BCCM1B 0 Mar38 XS0256815688	—	—	—	—	1,533	205
A.18 RCMAC2005-NS4XM2A XS0235778106	—	—	3,906	577	—	—
A.19 Imser21(ST18) 5.830 IT0003382972	—	—	18,115	—	—	—
A.20 Permanent2009-1A3 MTG XS0454744458	15,221	(88)	—	—	—	—
A.21 Imser-2A2B MTG IT0004082746	4,470	17	—	—	—	—
TOTAL A MORTGAGE LOANS ON PROPERTIES	124,452	(74)	26,716	535	5,343	230
B. State-owned properties						
B.1 Fip Fund-23 A2 FRN IT0003872774	100,911	—	—	—	—	—
B.2 SCCI11(LG31) FLT IT0003953384	104	4	—	—	—	—
TOTAL B STATE-OWNED PROPERTIES	101,015	4	—	—	—	—
C. Leasing receivables						
C.1 Locat MTGE 04-24 FLT IT0003733083	3,198	25	—	—	—	—
C.2 Split 2-18 A FRN IT0003763882	704	(152)	—	—	—	—
C.3 Agri 2006-1 A2 IT0004137417	7,104	(46)	—	—	—	—
C.4 ASSET-BA2A MTG XS023267631	496	(482)	—	—	—	—
C.5 Locat 2006-4A2 MTG IT0004153679	565	5	—	—	—	—
C.6 Quarzo 2003-CL1A MTG IT0003487011	14,995	11	—	—	—	—
TOTAL C LEASING RECEIVABLES	27,062	(639)	—	—	—	—
D. Other receivables						
D.1 Entasi 2001-11 MTG IT0003142996	52,433	(1,389)	—	—	—	—
D.2 Astrea srl 17/01/2013 IT0003331292	154	5	—	—	—	—
D.3 Elm BB.V. FL XS0247902587	22,203	—	—	—	—	—
D.4 Romulus13 (FB20) 4.940 XS0161620439	930	—	—	—	—	—
TOTAL D OTHER RECEIVABLES	75,720	(1,384)	—	—	—	—
Total at 30/6/11	328,249	(2,093)	26,716	535	5,343	230
Total at 30/6/10	435,048	1,129	8,156	1,734	1,327	697

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

Exposure/portfolio	Held for trading	Recognized at fair value	Available for sale	Held to maturity	Loans and advances	30/6/11	30/6/10
1. Cash exposures	46,619	—	49,809	41,248	222,632	360,308	444,531
- Senior	35,078	—	47,406	23,133	222,632	328,249	435,048
- Mezzanine	8,601	—	—	18,115	—	26,716	8,156
- Junior	2,940	—	2,403	—	—	5,343	1,327
2. Off-balance-sheet exposures	—	—	—	—	—	—	145,091
- Senior	—	—	—	—	—	—	145,091
- Mezzanine	—	—	—	—	—	—	—
- Junior	—	—	—	—	—	—	—

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

Assets/amounts	Traditional securitizations	Synthetic securitizations
A. Own underlying assets:		
A.1 Fully derecognized		
1. Non-performing	—	X
2. Potential problem	—	X
3. Restructured	—	X
4. Overdue	—	X
5. Other assets	—	X
A.2 Partly derecognized		
1. Non-performing	—	X
2. Potential problem	—	X
3. Restructured	—	X
4. Overdue	—	X
5. Other assets	—	—
A.3 Not derecognized		
1. Non-performing	—	—
2. Potential problem	—	—
3. Restructured	—	—
4. Overdue	—	—
5. Other assets	—	—
B. Customer underlying assets:		
B.1 Non-performing	—	—
B.2 Potential problem	—	—
B.3 Restructured	—	—
B.4 Overdue	—	—
B.5 Other assets	5,343	—

C.1.6 Banking Group – Interests in vehicle companies

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

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

Servicer	Vehicle company	Securitized assets 30/6/11		Receivables collected during the year		Percentage share of securities repaid 30/6/11					
		Impaired	Performing	Impaired	Performing	Senior		Mezzanine		Junior	
						Impaired assets	Perform -ing assets	Impaired assets	Perform -ing assets	Impaird assets	Perform ing assets
SelmaBipiemme S.p.A.	Quarzo Lease S.r.l.	—	378,585	3,252	126,734	—	—	—	—	—	—
SelmaBipiemme S.p.A.	Quarzo Lease S.r.l.	—	439,692	4,210	139,071	—	—	—	—	—	—
Compass S.p.A.	Jump S.r.l.	3,881	475,944	2,284	343,500	—	45.0%	—	—	—	—
Compass S.p.A.	Quarzo S.r.l.	18,836	2,195,117	6,277	1,054,626	—	—	—	—	—	—

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

This special purpose vehicle company currently has two securitizations outstanding, both with SelmaBipiemme as the underlying assets, with the senior tranches on both being underwritten by the EIB:

— the first, which was completed on 25 July 2007, involved the issue of 350 million senior securities and 36.9 million junior securities subscribed for by Selma itself, against €386.9m in performing receivables; the securitization has a revolving period until July 2016; as at 30 June 2011, a further €426m in securities had been sold;

— the second deal, completed on 19 May 2009, involved the issue of 350 million senior securities and 100 million junior securities subscribed for by Selma itself, against performing leases worth €450m; the securitization has a revolving period until July 2013; as at 30 June 2011 a further €266m in receivables had been sold.

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

2007 securitization:

Amounts collected on behalf of Quarzo Lease	€	145.0m
Servicing fee	€	0.09m
Interest accruing on junior notes – fixed amount	€	0.75m
Interest accruing on junior notes – additional amount	€	11.2m

May 2009 securitization 2009:

Amounts collected on behalf of Quarzo Lease	€	165.0m
Servicing fee	€	0.1m
Interest accruing on junior notes – fixed amount	€	4.1m
Interest accruing on junior notes – additional amount	€	9.0m

Since the reporting date, a third deal was completed, on 18 July 2011, with the European Investment Bank which involved the issuance of 202 million senior and 123 million junior securities, subscribed for by Selma against performing leases worth a total of €325m; the terms of the deal provide for disposals starting from September 2011 and a revolving period until July 2014.

Quarzo s.r.l. (Compass)

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

— the first deal was completed on 13 August 2008, with the issue of 1 billion senior securities and 250 million junior securities, against performing receivables worth a total of €1,250m; the deal had a revolving period until February 2010, subsequently extended to 21 February 2011; in the twelve months ended 30 June 2011 receivables worth a further €629m were sold;

— the second deal, which was completed on 26 February 2009, involves a portfolio of performing receivables worth €900m, against which 690 million senior and 210 million junior securities were issued; the securitization had a revolving period until August 2010, subsequently extended until February 2011 and thereafter for another two years until February 2013; in the twelve months ended 30 June 2011 receivables worth a further €485m were sold.

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

Amounts collected on behalf of Quarzo:	€	1,280.4m
Servicing fee (net of VAT):	€	11.3m
Interest accruing on class B notes:	€	18.6m

Jump s.r.l. (formerly Linea)

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

— on 18 April 2005, a total of 102,696 receivables were sold by Linea worth a total of €572.6m (equal to their nominal value), revolving until 18 April 2009; Jump issued class A securities worth €526.8m, class B securities worth €40.1m, and junior notes worth €5.7m (subscribed for by Linea), all maturing on 27 April 2026; the repayment stage commenced on 27 April 2009 (approx. €475m as at 30 June 2011). During the year, Compass acquired class B securities worth a nominal €3.2m, realizing a gain of €0.1m;

— on 27 October 2006, Linea sold 61,751 receivables for €400m (equal to their nominal value), revolving until 27 October 2010, against which class A securities worth €368.6m, class B securities worth €30.6m, and junior notes worth €0.8m were issued, subscribed for by Linea and maturing on 27 April 2026; the repayment phase commenced on 27 October 2010 (approx. €130m as at 30 June 2011). During the year, class A securities worth a nominal €8m and class B securities worth a nominal €3.3m were acquired, realizing a gain of €0.4m.

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

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

Amounts collected on behalf of Jump:	€	400.0m
Servicing fee:	€	2.4m
Interest accruing on junior notes:	€	14.0m

C.2 Asset disposals

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

Type/portfolio	Financial assets held for trading	Financial assets at fair value through profit and loss account	AFS securities	Financial assets held to maturity	Due from banks	Due from customers	Total	
							30/6/11	30/6/10
A. Cash assets								
1. Debt securities								
a) financial assets sold but recorded in full (book value)	192,200	—	710,965	83,561	X	X	986,726	3,623,142
2. Equities	—	—	—	X	X	X	—	—
3. UCITS units	—	—	—	—	—	—	—	—
4. Loans and advances	—	—	—	—	—	—	—	—
a) financial assets sold but recorded in full (book value)	—	—	—	—	833,561	316,725	1,150,286	158,825
B. Derivative products	—	—	—	—	—	—	—	—
Total at 30/6/11	192,200	—	710,965	83,561	833,561	316,725	2,137,012	X
- *of wich impaired*	—	—	—	—	—	—	—	—
Total at 30/6/10	784,291	—	1,140,477	—	1,698,374	158,825	—	3,781,967
- *of wich impaired*	—	—	—	—	—	—	—	—

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

Liabilities/asset portfolios	Financial assets held for trading	AFS securities	Financial assets held to maturity	Due from banks	Due from customers	Total
1. Cash assets	159,048	100,044	2,035	—	110,325	371,452
a) in respect of fully recognized assets	159,048	100,044	2,035	—	110,325	371,452
b) in respect of partly recognized assets	—	—	—	—	—	—
2. Due to banks	33,152	610,921	81,526	833,561	206,400	1,765,560
a) in respect of fully recognized assets	33,152	610,921	81,526	833,561	206,400	1,765,560
3. Debt securities in issue	—	—	—	—	—	—
a) in respect of fully recognized assets	—	—	—	—	—	—
Total at 30/6/11	192,200	710,965	83,561	833,561	316,725	2,137,012
Total at 30/6/10	784,291	1,140,477	—	1,698,374	158,825	3,781,967

1.2 BANKING GROUP – MARKET RISK

1.2.1 INTEREST RATE RISK AND PRICE RISK – TRADING BOOK

QUALITATIVE INFORMATION

Mediobanca controls market risk on a daily basis by measuring sensitivity to movements in the interest rate curve; and calculating value at risk (VaR).[1] VaR is measured not only for the trading book but is extended to cover the Bank's entire asset structure, i.e. banking as well as trading book, net of the strategic investments, to ensure that AFS positions are monitored as well, for which changes in market value, while not impacting on the profit and loss account, still bring about changes in net equity.

The authorization structure governing Mediobanca's operations is based on value at risk readings for the various organizational units. VaR is calculated based on expected volatility and the correlation between risk factors concerned, assuming a disposal period of a single trading day and based on a 99% confidence level. As from this financial year, the parametric method has been abandoned, and VaR is now calculated exclusively using the Monte Carlo method.[2] This method is complemented by a VaR figure based on historical simulation, also used to calculate the expected shortfall, which measures average loss in 1% of the most unfavourable scenarios. All measurements are made using the following as risk factors: exchange rates, share prices (at level of individual stock level), volatility surfaces, inflation curves and interest rates, with mapping on the different maturities, and for interest rates the general market component is also separated from issuer-specific risk.

In addition to these indicators, stress tests are also carried out weekly on the main risk factors, to show the impact which historical crisis scenarios being repeated and significant movements in the main market data could have. These include the shock induced by the terrorist attacks on September 11, 2001, the bankruptcy of Lehman Brothers and the recent Greek crisis.

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1 VaR: maximum potential loss over a specified time horizon and a given confidence level.

2 Determines portfolio value assuming normal distribution of returns on elementary risk factors. Trends for these factors are simulated using a volatility matrix and correlations which is updated daily. This method allows non-linear positions to be calibrated more effectively to risk factors.

QUANTITATIVE INFORMATION

This year has been marked by phases of extreme volatility alternating with periods of more controlled movements in prices. The financial year began with relatively high value at risk levels, due to the market shock from the Greek crisis (May 2010). Another widening was seen at end-2010, due to the increasing difficulties encountered by Ireland and Portugal in cleaning up their finances, but the culmination of the crisis came in June 2011 and the first months of the new financial year, with contagion spreading to all other peripheral EU member states, which meant prices for Italian government securities collapsed, and the crisis spread to stock markets as well.

For the third year running the average value at risk for the aggregate, i.e. comprising not just the trading portfolio but also the holdings in equities and bonds classified as available for sale, was well above €30m (€34.7m, compared with €34.8m last year, and €34.7m in 2009). This year, however, showed greater instability over the twelve months, with the VaR reading at the reporting date lower (€48.7m,compared with €72.1m), the high for the year virtually half that reported twelve months previously (€71.1m, compared with the exceptional peak of €140m in the final two months of the previous financial year), and a low which was a good 50% higher than last year (€21.6m, compared with €14.1m).

By individual risk factor, the contribution from interest rate risk remained at the high levels witnessed last year (the average reading rose from €18.6m to €18.9m), while the contribution from specific risk increased, from €9.3m to €14.3m. This was marked by two factors: the reduction in exposure to peripheral EU member states' sovereign risk, and the extension in interest rate volatility to corporate paper as well, in particular that of banks and financial companies. The contribution from equities rose from €20.6m to €22.1m, exclusively as a result of certain arbitrage positions on securities linked to M&A transactions. The higher contributions from exchange rates and volatility are accounted for respectively by the increase in foreign exchange positions and positions in options, equity options in particular. Meanwhile, the inflation component fell to its lowest levels.

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

Risk factors	12 mths to 30/6/11				12 mths to 30/6/10
(€'000)	30/6	Min.	Max.	Avg.	Avg.
Interest rates	30,619	12,244	42,726	18,926	18,644
- of which: specific risk	*19,861*	*7,695*	*28,278*	*14,335*	*9,348*
Share prices	21,566	12,392	37,716	22,176	20,585
Exchange rates	6,730	909	7,427	3,366	1,999
Inflation	280	200	979	436	1,566
Volatility	3,987	1,218	4,794	2,528	1,490
*Diversification effect **	(14,217)	(4,533)	(21,057)	(12,306)	(9,479)
TOTAL	48,685	21,606	71,126	34,691	34,805
Expected shortfall	*86,166*	*65,472*	*88,402*	*78,270*	*65,098*

* Due to mismatches between risk factors.

The average expected shortfall[3] reading was up 20%, from €65.1m to €78.3m, due chiefly to last year's data being affected by the sharp rises in volatility, which were not reflected accurately in the calculation method based on historical simulation.

Analysis of VaR for the trading book (cf. Table 2 below) overall reflects the trends witnessed in the various different risk factors at the aggregate level. The increase of around 10% in the average data, from €18.1m to €20.1m, compared to the stability of the aggregate data, is exclusively due to the contribution of the arbitrage positions on equities, the overall effect of which is mitigated by the presence of AFS equity positions.

Of the other risk factors, there was an increase in the exchange rates and volatility components and a reduction in inflation, and although the interest rate curves' contribution reflect higher specific risk (up from €6.5m to €10.7m), overall it was down from €17m to €15.6m. The highs and lows for VaR readings were also less pronounced: the high for the period was just under €40m (compared with over €90m last year), and the low over €11m (€4.7m). Conversely, there was a substantial increase in the expected shortfall.

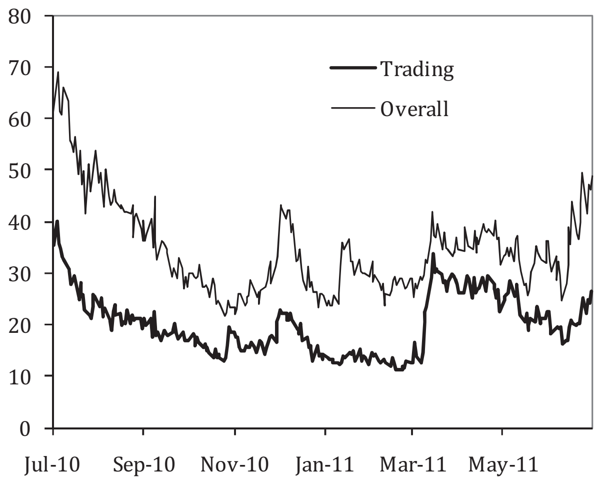
3 Average of losses recorded in 1% of the most unfavourable scenarios.

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

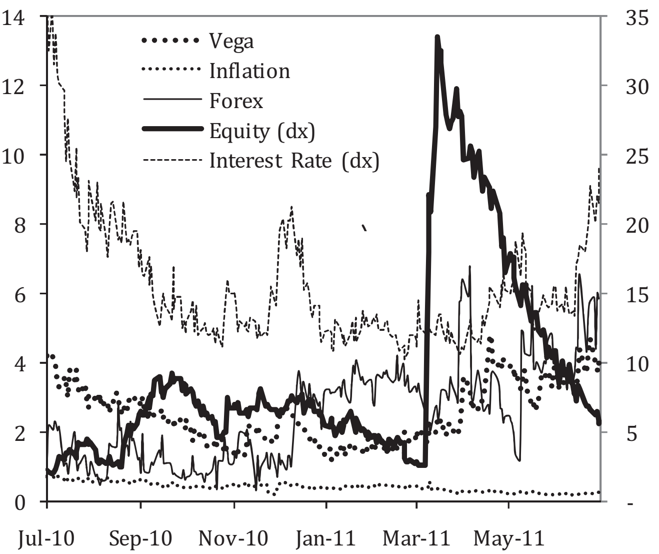
Risk factors	12 mths to 30/6/11				12 mths to 30/6/10
(€'000)	30/6	Min.	Max.	Avg.	Avg.
Interest rates	24,091	10,241	36,212	15,588	16,976
- of which: specific risk	*13,815*	*5,718*	*20,589*	*10,653*	*6,468*
Share prices	5,592	2,027	33,550	9,114	2,378
Exchange rates	5,831	312	6,687	2,494	1,638
Inflation	280	200	979	436	1,566
Volatility	3,987	1,218	4,794	2,528	1,455
Diversification effect *	(13,041)	(3,303)	(20,785)	(9,637)	(5,879)
TOTAL	26,468	11,196	39,854	20,088	18,134
Expected shortfall	*58,709*	*37,447*	*60,404*	*45,941*	*30,186*

* Due to mismatches between risk factors.

Trends in VaR



Trends in VaR constituents



Although these data refer only to Mediobanca S.p.A., it is worth stressing the fact that the market risks faced by the other Group companies on their trading books are negligible: for example, bonds held by CheBanca! are not part of the trading book, and the most significant contributor is Compagnie Monégasque de Banque, whose average VaR reading for the year, again based on a 99% confidence level, was €114,000, with a low of €76,000 and a high of €159,000.

The effectiveness of VaR as a risk management instrument is confirmed by the results of the daily back-testing, which is based on the calculation of implied profits and losses.[4] In a scenario where volatility was consistently at high levels, the VaR limit for losses was breached on only one occasion with reference to the aggregate portfolio (compared with four breaches last year, which were exceptional) and twice for the trading book (as against three times last year). Both figures are perfectly in line with the theoretical level of 2-3 breaches per financial year implied in a value-at-risk model at 99%. The specific causes of the breaches were the sharp changes in prices on share and bond markets, especially in Italy, which took place when the crisis involving peripheral Eurozone member states flared up again and spreads on government bonds widened as a consequence.

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

QUANTITATIVE INFORMATION

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

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	98,439	1,127,787	590,354	491,960	1,577,437	324,903	168,370	—
1.1 Debt securities	98,439	1,127,787	590,354	491,960	1,577,437	324,903	168,370	—
– with early redemption option	—	168	—	—	—	—		—
– others	98,439	1,127,619	590,354	491,960	1,577,437	324,903	168,370	—
1.2 Other assets	—	—	—	—	—	—	—	
2. Cash liabilities	—	6,966	70,978	14,245	259,616	363,776	159,412	—
2.1 Reverse Report	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	6,966	70,978	14,245	259,616	363,776	159,412	—
3. Financial derivatives	110,000	119,290,526	53,153,460	28,478,165	74,461,933	22,747,681	5,902,100	—
3.1 With underlying securities	—	2,454,870	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	2,454,870	—	—	—	—	—	—
+ long positions	—	1,227,435	—	—	—	—	—	—
+ short positions	—	1,227,435	—	—	—	—	—	—
3.2 Without underlying securities	110,000	116,835,656	53,153,460	28,478,165	74,461,933	22,747,681	5,902,100	—
– Options	—	42,234,936	21,034,744	6,723,904	11,336,972	1,380,000	1,520,000	—
+ long positions	—	21,117,468	10,517,372	3,361,952	5,668,486	690,000	760,000	—
+ short positions	—	21,117,468	10,517,372	3,361,952	5,668,486	690,000	760,000	—
– Others	110,000	74,600,720	32,118,716	21,754,261	63,124,961	21,367,681	4,382,100	—
+ long positions	20,000	41,298,191	17,082,345	9,306,703	28,431,480	10,034,571	2,556,971	—
+ short positions	90,000	33,302,529	15,036,371	12,447,558	34,693,481	11,333,110	1,825,129	—

Currency of denomination: US DOLLAR

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	—	161,015	2,282	71,700	420,687	114,728	13,502	—
1.1 Debt securities	—	161,015	2,282	71,700	420,687	114,728	13,502	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	—	161,015	2,282	71,700	420,687	114,728	13,502	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	—	156	—	—	—	—	—
2.1 Reverse Report	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	—	156	—	—	—	—	—
3. Financial derivatives	630,096	8,372,308	340,345	106,774	5,507,947	1,483,069	—	—
3.1 With underlying securities	—	1,237,852	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	1,237,852	—	—	—	—	—	—
+ long positions	—	618,926	—	—	—	—	—	—
+ short positions	—	618,926	—	—	—	—	—	—
3.2 Without underlying securities	630,096	7,134,456	340,345	106,774	5,507,947	1,483,069	—	—
– Options	—	1,660,554	—	—	—	—	—	—
+ long positions	—	830,277	—	—	—	—	—	—
+ short positions	—	830,277	—	—	—	—	—	—
– Others	630,096	5,473,902	340,345	106,774	5,507,947	1,483,069	—	—
+ long positions	315,048	2,792,303	152,714	37,501	2,726,763	745,686	—	—
+ short positions	315,048	2,681,599	187,631	69,273	2,781,184	737,383	—	—

Currency of denomination: OTHER

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	—	161,351	34,720	77,575	112,193	—	—	—
1.1 Debt securities	—	161,351	34,720	77,575	112,193	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	—	161,351	34,720	77,575	112,193	—	—	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	—	—	—	—	—	—	—
2.1 Reverse Report	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivatives	224,382	9,668,851	508,964	754,776	3,061,239	—	158,810	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	224,382	9,668,851	508,964	754,776	3,061,239	—	158,810	—
– Options	—	6,567,504	—	—	—	—	—	—
+ long positions	—	3,283,752	—	—	—	—	—	—
+ short positions	—	3,283,752	—	—	—	—	—	—
– Others	224,382	3,101,347	508,964	754,776	3,061,239	—	158,810	—
+ long positions	112,191	1,513,732	263,724	377,388	1,558,329	—	79,405	—
+ short positions	112,191	1,587,615	245,240	377,388	1,502,910	—	79,405	—

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

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities			
A.1 Shares [1]	1,320,836	—	1
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	—	164,295
B. UCITS units			
B.1 Italian	211	—	35,518
- harmonized open	211	—	9,482
- non-harmonized open	—	—	—
- closed	—	—	—
- reserved	—	—	—
- speculative	—	—	26,036
B.2 Other EU states	332,659	287,597	500
- harmonized	332,634	15,428	—
- non-harmonized open	25	272,169	500
- non-harmonized closed	—	—	—
B.3 Non-EU states	—	—	—
- open	—	—	—
- closed	—	—	—
Total	1,653,706	287,597	200,314

[1] Over 25% of which Italian and 65% Eurozone countries.

1.2.2 INTEREST RATE RISK AND PRICE RISK – BANKING BOOK

QUALITATIVE INFORMATION

Interest rate risk on the banking book continues to be strongly influenced by the presence of a sizeable bond trading portfolio (equal to around 25% of the total assets of Mediobanca S.p.A.). This generates a mismatch between the banking book's assets and liabilities, accentuating the difference between an increase/decrease in interest rates on the banking book alone, compared to that for the Group's entire asset structure.

Compared to last year, when the overall picture was substantially balanced (with a slight positive correlation between net interest income and interest rates), the increased weight of fixed-income securities in the banking book accentuated the negative impact which a 100 basis point increase in the yield curves would have on it, thus reversing the overall exposure. Indeed, the loss now on the banking book deriving from a rise in interest rates would amount to €84.9m (as against €59m last year), only in part offset by the €60.4m gain on the trading book (down from €65m last year), generating a net loss of €24.5m. Conversely, the general rise in interest rates reduced the mismatch in the case of a shock in the opposite direction: a 100 basis point reduction in the curve produces an overall profit of €24.1m, representing the balance between €84.7m on the banking book and €60.6m (minus) on the trading book.

As for the other Group companies, the most significant exposures are concentrated at CheBanca! and Compass, albeit in opposite directions. For CheBanca!, which has a funding model based on demand deposits by customers, the impact is the opposite of that for Mediobanca S.p.A., with an increase of approx. €11.3m in net interest income in the event of a 100 basis point rise in interest rates, and a slightly larger reduction, of €13.2m, in the opposite case. For Compass, meanwhile, an increase in interest rates generates a reduction in net interest income due to the presence of floating-rate funding: a 100 basis point rise in the curves generates a reduction of over €43m in net interest income, whereas the gain in the event of a similar downward movement would be €43.6m.

In addition to the sensitivity of net interest income to interest rates, the impact which a 100 basis point shock would have on the discounted value of future cash flows from the banking book has also been estimated. In this case, the increase in the weight of fixed-income securities mentioned above is offset by a reduction in their average duration, which, however, is not sufficient to prevent the aggregate asset value remaining above that of the liabilities. This explains why an upward movement in the interest rate curves generates a loss on the banking book's discounted value amounting to €91.9m (compared with €99m minus last year). As is the case with net interest income, here too the mismatch in the event of a reduction in interest rates has reduced, with a gain of €91.6m compared with €90m as at 30 June 2010.

The sensitivity of CheBanca!'s banking book is equally significant, owing to its containing a sizeable portfolio of medium-term securities and its funding having a shorter-term profile, leading to results similar to those shown by Mediobanca (that is, a negative correlation), despite having much smaller asset levels: a 100 bps increase in the interest rate curve generates a loss of €124.3m, compared to a gain of €124.8m in the opposite scenario.

Hedging

Fair value hedges

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

Cash flow hedges

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

Counterparty risk

This is measured in terms of expected potential market value, thus doing away with the need to set arbitrary weightings for each type of fund employed, and identifies a maximum potential exposure to groups of the Bank's counterparties based on a given confidence level and over a specific time horizon. Towards the end of the financial year an overall review of the powers assigned to the Bank's various bodies was approved, with limits in terms of exposures being divided into three areas based on the product traded: 1) money market, which includes deals made on the interbank market and short-term financing in general; 2) repos and securities lending, including loans guaranteed by both bonds and equities; and 3) derivatives, which includes all exposures deriving from derivative contracts net of any collateral.

QUANTITATIVE INFORMATION

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

Type	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	5,055,549	22,344,376	6,627,288	2,402,270	9,474,207	2,927,928	434,252	226,492
1.1 Debt securities	317,542	2,259,300	452,284	522,913	2,686,322	1,865,733	161,092	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	317,542	2,259,300	452,284	522,913	2,686,322	1,865,733	161,092	—
1.2 Loans to banks	1,684,504	1,492,685	585,217	12,381	65,591	4,111	—	128,565
1.3 Loans to customers	3,053,503	18,592,391	5,589,787	1,866,976	6,722,294	1,058,084	273,160	97,927
– current accounts	271,087	—	—	—	—	—	—	—
– other loans	2,782,416	18,592,391	5,589,787	1,866,976	6,722,294	1,058,084	273,160	97,927
– with early repayment option	579,441	3,180,708	45,245	71,916	269,883	83,761	218,252	—
– others	2,202,975	15,411,683	5,544,542	1,795,060	6,452,411	974,323	54,908	97,927
2. Cash liabilities	5,264,405	17,373,238	6,733,182	11,831,382	9,739,840	3,206,825	287,899	97,776
2.1 Due to customers	3,309,813	4,108,380	2,049,460	3,456,687	11,711	702,328	17,955	52,494
– current accounts	1,166,325	194,862	—	—	—	—	—	—
– other amounts due	2,143,488	3,913,518	2,049,460	3,456,687	11,711	702,328	17,955	52,494
2.2 Due to banks	1,932,302	4,224,679	295,912	17,213	793	1,013	156,243	45,227
– current accounts	1,871,779	—	—	—	—	—	—	—
– other amounts due	60,523	4,224,679	295,912	17,213	793	1,013	156,243	45,227
2.3 Debt securities	22,290	9,040,179	4,387,810	8,357,482	9,727,336	2,503,484	113,701	55
– with early repayment option	—	384,954	4,605	—	—	—	—	—
– others	22,290	8,655,225	4,383,205	8,357,482	9,727,336	2,503,484	113,701	55
2.4 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivative products	—	35,882,958	6,747,821	10,290,340	12,551,642	2,886,367	486,447	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—					—	—	—
+ short positions	—					—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	35,882,958	6,747,821	10,290,340	12,551,642	2,886,367	486,447	—
– Options	—	—	—	—	—	—	200,000	—
+ long positions	—	—	—	—	—	—	100,000	—
+ short positions	—	—	—	—	—	—	100,000	—
– Others	—	35,882,958	6,747,821	10,290,340	12,551,642	2,886,367	286,447	—
+ long positions	—	9,076,776	2,256,509	10,099,047	10,275,642	2,428,367	186,447	—
+ short positions	—	26,806,182	4,491,312	191,293	2,276,000	458,000	100,000	—

Currency of denomination: US DOLLAR

Type	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	108,514	898,020	85,671	7,467	31,230	766	180	—
1.1 Debt securities	—	30,995	17,294	3,589	29,216	273	180	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	30,995	17,294	3,589	29,216	273	180	—
1.2 Loans to banks	89,180	28,601	1,882	247	1,973	493	—	—
1.3 Loans to customers	19,334	838,424	66,495	3,631	41	—	—	—
– current accounts	117	—	—	—	—	—	—	—
– other loans	19,217	838,424	66,495	3,631	41	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	19,217	838,424	66,495	3,631	41	—	—	—
2. Cash liabilities	421,966	389,084	24,589	10,365	27,710	—	—	1,214
2.1 Due to customers	159,052	176,714	24,589	10,365	81	—	—	1,214
– current accounts	159,052	55,137	—	—	—	—	—	—
– other amounts due	—	121,577	24,589	10,365	81	—	—	1,214
2.2 Due to banks	262,911	30,866	—	—	—	—	—	—
– current accounts	262,910	—	—	—	—	—	—	—
– other amounts due	1	30,866	—	—	—	—	—	—
2.3 Debt securities	3	181,504	—	—	27,629	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	3	181,504	—	—	27,629	—	—	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivative products	—	35,564	—	—	28,645	—	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	35,564	—	—	28,645	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	35,564	—	—	28,645	—	—	—
+ long positions	—	3,459	—	—	28,645	—	—	—
+ short positions	—	32,105	—	—	—	—	—	—

Currency of denomination: OTHER

Type	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	148,127	525,207	13,587	—	6,125	—	—	—
1.1 Debt securities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
1.2 Loans to banks	73,824	11,746	—	—	—	—	—	—
1.3 Loans to customers	74,303	513,461	13,587	—	6,125	—	—	—
– current accounts	3	—	—	—	—	—	—	—
– other loans	74,300	513,461	13,587	—	6,125	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	74,300	513,461	13,587	—	6,125	—	—	—
2. Cash liabilities	47,704	438,424	229,319	27,201	9,767	—	—	—
2.1 Due to customers	46,821	16,471	3,980	2,553	—	—	—	—
– current accounts	46,821	3,929	—	—	—	—	—	—
– other amounts due	—	12,542	3,980	2,553	—	—	—	—
2.2 Due to banks	883	354,283	—	—	—	—	—	—
– current accounts	883	—	—	—	—	—	—	—
– other amounts due	—	354,283	—	—	—	—	—	—
2.3 Debt securities	—	67,670	225,339	24,648	9,767	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	67,670	225,339	24,648	9,767	—	—	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivative products	—	239,931	—	8,310	231,621	—	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	239,931	—	8,310	231,621	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	239,931	—	8,310	231,621	—	—	—
+ long positions	—	—	—	8,310	231,621	—	—	—
+ short positions	—	239,931	—	—	—	—	—	—

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

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities [1]			
A.1 Shares	558,185	643	743,248
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	—	251,589
B. UCITS units			
B.1 Italian	—	—	72,350
- harmonized open	—	—	—
- non-harmonized open	—	—	—
- closed	—	—	56,445
- reserved	—	—	10,905
- speculative	—	—	5,000
B.2 Other EU states	355	9,619	15,745
- harmonized	355	9,619	15,745
- non-harmonized open	—	—	—
- non-harmonized closed	—	—	—
B.3 Non-EU states	—	—	5,792
- open	—	—	—
- closed	—	—	5,792
Total	558,540	10,262	1,088,724

[1] Of which 82% Italian.

1.2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

A. General aspects, operating processes and measurement techniques

B. Hedging activity

Risks deriving from movements in exchange rates for all the Bank's positions are managed by the Financial Markets division. The VaR measurements shown on page 179 show an increase in the risk deriving from foreign exchange markets: this is due both to the increased volatility affecting the main exchange rates, and to the presence of more substantial directional positions taken with a view to diversifying the portfolio. The average VaR reading thus rose from €2m to €3.4m including all portfolios, with a high of above €7m, and from €1.6m to €2.5m for the trading book alone.

QUANTITATIVE INFORMATION

1. *Assets, liabilities and derivatives by currency*

Line items	Currency				
	US dollars	Pounds sterling	Japanese yen	Swiss francs	Other
A. Financial assets	2,214,416	899,699	105,662	155,621	72,421
A.1 Debt securities	870,440	262,674	96,166	42,572	14,619
A.2 Equities	225,736	92,002	—	36,534	9,323
A.3 Loans and advances to banks	42,855	5,439	5,518	32,384	15,911
A.4 Loans and advances to customers	917,926	539,584	3,978	44,131	32,568
A.5 Other financial assets	157,459	—	—	—	—
B. Other assets	—	—	—	—	—
C. Financial liabilities	(778,902)	(636,996)	(4,333)	(88,364)	(33,056)
C.1 Due to banks	(19,359)	—	(3,958)	(49)	(3,541)
C.2 Due to customers	(381,245)	(378,817)	(375)	(25,623)	(11,250)
C.3 Debt securities	(378,298)	(258,179)	—	(62,692)	(18,265)
C.4 Other financial liabiilities	—	—	—	—	—
D. Other liabilities	—	—	—	—	—
E. Financial derivative products	(1,180,312)	(199,484)	(87,742)	(64,021)	(17,385)
- Options	—	—	—	—	—
+ Long positions	—	—	—	—	—
+ Short positions	—	—	—	—	—
- Other derivatives	(1,180,312)	(199,484)	(87,742)	(64,021)	(17,385)
+ Long positions	939,828	431,932	—	167,559	399,816
+ Short positions	(2,120,140)	(631,416)	(87,742)	(231,580)	(417,201)
Total assets	3,154,244	1,331,631	105,662	323,180	472,237
Total liabilities	(2,899,042)	(1,268,412)	(92,075)	(319,944)	(450,257)
Difference (+/-)	255,202	63,219	13,587	3,236	21,980

1.2.4 FINANCIAL DERIVATIVE PRODUCTS

A. FINANCIAL DERIVATIVES

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

Type of transaction	30/6/11		30/6/10	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	116,053,317	44,342,682	108,320,896	45,676,567
a) Options	—	33,748,302	—	34,609,375
b) Swaps	105,797,667	—	94,267,070	—
c) Forwards	—	—	1,917,648	165,254
d) Futures	—	10,594,380	—	10,901,938
e) Others	10,255,650	—	12,136,178	—
2. Equities and share indexes	40,936,388	16,526,519	22,528,544	23,121,148
a) Options	39,179,172	16,296,837	20,061,175	23,031,364
b) Swaps	1,757,216	—	2,467,369	—
c) Forwards	—	—	—	6,903
d) Futures	—	229,682	—	82,881
e) Others	—	—	—	—
3. Exchange rates and gold	7,084,716	—	6,049,748	—
a) Options	2,225,356	—	1,881,017	—
b) Swaps	1,844,250	—	1,118,033	—
c) Forwards	3,015,110	—	3,050,698	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	164,074,421	60,869,201	136,899,188	68,797,715
Average values	150,765,265	64,833,458	110,156,539	39,575,216

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

A.2.1 *Hedge derivatives*

Type of transaction	30/6/11		30/6/10	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	34,665,139	—	35,221,809	—
a) Options	—	—	—	—
b) Swaps	34,465,139	—	35,021,809	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	200,000	—	200,000	—
2. Equities and share indexes	28,868	—	2,377	4,397
a) Options	20	—	—	4,397
b) Swaps	26,471	—	—	—
c) Forwards	2,377	—	2,377	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and gold	29,684	—	43,716	—
a) Options	—	—	—	—
b) Swaps	29,684	—	43,716	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	34,723,691	—	35,267,902	4,397
Average values	34,201,138	2,198	33,756,115	3,387

A.2.2 Other derivatives

Type of transaction	30/6/11		30/6/10	
	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	9,255,369	—	10,673,581	—
a) Options	9,255,369	—	10,673,581	—
b) Swaps	—	—	—	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and gold	43,489	—	51,489	—
a) Options	43,489	—	51,489	—
b) Swaps	—	—	—	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	9,311,109	—	10,737,321	—
Average values	9,630,028	—	17,872,889	—

A.3 *OTC financial derivatives: positive fair value – counterparty risk*

Type of transactions	Positive fair value			
	30/6/11		30/6/10	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	3,341,307	557,639	3,777,654	294,494
a) Options	1,312,267	544,815	919,433	288,325
b) Interest rate swaps	1,768,448	—	2,453,180	—
c) Cross currency swaps	76,720	—	30,053	—
d) Equity swaps	91,032	—	315,821	—
e) Forwards	92,839	—	59,117	1,122
f) Futures	—	12,824	—	5,047
g) Others	1	—	50	—
B. Banking book: hedge derivatives	1,481,246	—	1,961,652	—
a) Options	—	—	—	—
b) Interest rate swaps	1,418,580	—	1,960,333	—
c) Cross currency swaps	—	—	1,319	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	62,666	—	—	—
C. Banking book: other derivatives	117,586	—	286,284	—
a) Options	113,565	—	286,284	—
b) Interest rate swaps	4,021	—	—	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	4,940,139	557,639	6,025,590	294,494

A.4 Financial derivatives: negative fair value – financial risk

Type of transaction	Negative fair value			
	30/6/11		30/6/10	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	(3,484,830)	(518,937)	(4,154,396)	(255,896)
a) Options	(1,230,067)	(511,173)	(905,586)	(239,051)
b) Interest rate swaps	(1,916,078)	—	(2,730,724)	—
c) Cross currency swaps	(62,475)	—	(135,793)	—
d) Equity swaps	(218,086)	—	(223,127)	—
e) Forwards	(58,123)	—	(159,127)	(126)
f) Futures	—	(7,764)	—	(16,719)
g) Others	(1)	—	(39)	—
B. Banking book: hedge derivatives	(707,717)	—	(789,716)	—
a) Options	(62,669)	—	(92,311)	—
b) Interest rate swaps	(639,630)	—	(689,757)	—
c) Cross currency swaps	(5,296)	—	(5,483)	—
d) Equity swaps	(122)	—	—	—
e) Forwards	—	—	(2,165)	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
C. Banking book: other derivatives	(291,137)	—	(343,651)	—
a) Options	(291,137)	—	(340,251)	—
b) Interest rate swaps	—	—	(3,400)	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	(4,483,684)	(518,937)	(5,287,763)	(255,896)

A.5 *OTC financial derivatives: trading book – notional values, positive and negative fair values by counterparty, contracts not forming part of netting arrangements*

Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	2,302,656	5,802,796	1,335,454	8,059,425	—
- positive fair value	—	—	20,144	53,347	27,928	163,687	—
- negative fair value	—	—	(37,279)	(78,621)	(5,113)	(36,681)	—
- future exposure	—	—	12,741	33,967	19,801	54,971	—
2. Equities and share indexes							
- notional value	—	—	319,475	626,747	176,351	607,774	904
- positive fair value	—	—	6,226	82,262	1,177	35,204	—
- negative fair value	—	—	(17,862)	(14,210)	—	(86)	(22)
- future exposure	—	—	19,282	43,498	16,891	37,901	54
3. Exchange rates and gold							
- notional value	—	—	58,506	79,742	—	403,254	43
- positive fair value	—	—	317	547	—	28,972	—
- negative fair value	—	—	(503)	(256)	—	(14,729)	(1)
- future exposure	—	—	392	620	—	20,778	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

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

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	83,867,476	14,285,509	400,001	—	—
- positive fair value	—	—	1,364,084	244,444	26,866	—	—
- negative fair value	—	—	(1,610,072)	(192,198)	—	—	—
2. Equities and share indexes							
- notional value	—	—	14,008,618	25,085,400	111,118	—	—
- positive fair value	—	—	389,149	732,791	14,027	—	—
- negative fair value	—	—	(316,203)	(1,044,989)	(487)	—	—
3. Exchange rates and gold							
- notional value	—	—	6,168,119	375,051	—	—	—
- positive fair value	—	—	106,967	43,168	—	—	—
- negative fair value	—	—	(112,235)	(3,282)	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

A.7 *OTC financial derivatives: banking book – notional value, positive and negative fair values by counterparty, contracts not forming part of netting arrangements*

Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	1,766,875	5,085	—	—	—
- positive fair value	—	—	73,999	—	—	—	—
- negative fair value	—	—	(18,391)	(110)	—	—	—
- future exposure	—	—	2,867	25	—	—	—
2. Equities and share indexes							
- notional value	—	—	—	—	—	2,377	20
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	(4)
- future exposure	—	—	—	—	—	—	1
3. Exchange rates and gold							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

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

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	30,758,152	2,135,027	—	—	—
- positive fair value	—	—	1,385,106	22,139	—	—	—
- negative fair value	—	—	(637,009)	(46,786)	—	—	—
2. Equities and share indexes							
- notional value	—	—	26,471	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	(122)	—	—	—	—
3. Exchange rates and gold							
- notional value	—	—	29,684	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	(5,296)	—	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

A.9 OTC financial derivatives by maturity: notional values

Underlying/residual maturity	Up to 1 year	From 1 to 5 years	Over 5 years	Total
A. Regulatory trading book				
A.1 Financial derivatives on debt securities and interest rates	25,452,717	64,233,348	26,367,253	116,053,318
A.2 Financial derivatives on equities and share indexes	8,122,043	26,147,852	6,666,494	40,936,389
A.3 Financial derivatives on foreign currency and gold	5,608,604	1,141,874	334,237	7,084,715
A.4 Financial derivatives on other assets	—	—	—	—
B. Banking book:				
B.1 Financial derivatives on debt securities and interest rates	4,478,339	24,753,258	5,445,792	34,677,389
B.2 Financial derivatives on equities and share indexes	435,887	8,440,133	408,217	9,284,237
B.3 Financial derivatives on foreign currency and gold	32,876	40,297	—	73,173
B.4 Financial derivatives on other assets	—	—	—	—
Total at 30/6/11	44,130,466	124,756,762	39,221,993	208,109,221
Total at 30/6/10	43,966,359	105,991,352	32,944,323	182,902,034

B. CREDIT DERIVATIVES

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

Transaction categories	Regulatory trading book		Other transactions	
	Individual assets	Baskets	Individual assets	Baskets
1. Hedge buys				
a) Credit default	1,876,220	73,177,102	401,904	11,500
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total A at 30/6/11	1,876,220	73,177,102	401,904	11,500
Average values	2,007,591	41,286,643	327,964	11,500
Total A at 30/6/10	2,109,324	9,355,437	403,429	40,746
2. Hedge sales				
a) Credit default	1,360,305	73,527,535	438,114	1,779,300
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total B at 30/6/11	1,360,305	73,527,535	438,114	1,779,300
Average values	1,349,352	41,321,308	472,464	1,038,800
Total B at 30/6/10	1,176,265	9,615,081	510,964	902,000

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

Portfolio/derivative instruments type	Positive fair value	
	30/6/11	30/6/10
A. Regulatory trading book	1,631,291	382,619
a) Credit default products	1,631,291	382,619
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
B. Banking book	126,905	69,481
a) Credit default products	126,905	69,481
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
Total	1,758,196	452,100

B.3 *OTC credit derivatives: gross negative fair value – break down by product*

Portfolio/derivative instruments type	Negative fair value	
	30/6/11	30/6/10
A. Regulatory trading book	(1,678,680)	(397,501)
a) Credit default products	(1,678,680)	(397,501)
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
B. Banking book	(125,277)	(39,139)
a) Credit default products	(125,277)	(39,139)
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
Total	(1,803,957)	(436,640)

B.4 *OTC credit derivatives: gross positive and negative fair values by counterparty – contracts not forming part of netting arrangements*

Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
Regulatory trading book							
1. Hedge buys							
- notional value	—	—	20,000	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	(15)	—	—	—	—
- future exposure	—	—	1,000	—	—	—	—
2. Hedge sales							
- notional value	—	—	—	21,467	—	—	—
- positive fair value	—	—	—	24	—	—	—
- negative fair value	—	—	—	(315)	—	—	—
- future exposure	—	—	—	1,073	—	—	—
Banking book *							
1. Hedge buys							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
2. Hedge sales							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

* Derivatives embedded in bonds issued not included.

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

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
Regulatory trading book							
1. Hedge buys							
- notional value	—	—	73,759,526	1,273,797	—	—	—
- positive fair value	—	—	607,589	12,355	—	—	—
- negative fair value	—	—	(1,040,611)	(15,131)	—	—	—
2. Hedge sales							
- notional value	—	—	73,608,384	1,257,989	—	—	—
- positive fair value	—	—	1,001,907	9,415	—	—	—
- negative fair value	—	—	(609,933)	(12,676)	—	—	—
Banking book *							
1. Hedge buys							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
2. Hedge sales							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

* Derivatives embedded in bonds issued not included.

B.6 Credit derivatives: outstanding life – notional values

Underlying/residual maturity	Up to 1 year	From 1 year to 5 years	Over 5 years	Total
A. Regulatory trading book	14,678,839	114,272,546	20,989,778	149,941,163
A.1 Credit derivatives with "qualified" reference obligation	690,366	1,991,331	284,327	2,966,024
A.2 Credit derivatives with "unqualified" reference obligation	13,988,473	112,281,215	20,705,451	146,975,139
B. Banking book	272,900	1,768,718	589,200	2,630,818
B.1 Credit derivatives with "qualified" reference obligation	230,900	1,548,164	53,000	1,832,064
B.2 Credit derivatives with "unqualified" reference obligation	42,000	220,554	536,200	798,754
Total at 30/6/11	14,951,739	116,041,264	21,578,978	152,571,981
Total at 30/6/10	1,310,186	21,779,404	1,023,656	24,113,246

C. CREDIT AND FINANCIAL DERIVATIVES

C.1 OTC financial and credit derivatives: net fair values and future exposure by counterparty

	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1) Financial derivatives bilateral agreements							
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
- net counterparty risk	—	—	—	—	—	—	—
2) Credit derivatives bilateral agreeements							
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
- net counterparty risk	—	—	—	—	—	—	—
3) "Cross product" agreements *							
- positive fair value	—	—	828,403	5,634	40,406	—	—
- negative fair value	—	—	(338,119)	(337,284)	—	—	—
- future exposure	—	—	2,232,259	472,087	5,295	—	—
- net counterparty risk	—	—	2,261,046	462,650	39,421	—	—

* Net of cash collateral amounting to €820,968,000.

1.3 BANKING GROUP: LIQUIDITY RISK

QUALITATIVE INFORMATION

Liquidity risk is currently measured at Group level through two indicators.

The first is a regulatory indicator, based on a scheme recommended by the Bank of Italy and sent to the supervisory authority once a week. This focuses on operations with institutional counterparties and corporate and large corporate customers, plus flows deriving from treasury movements and management of securities and finance. The movements generated by contractual deadlines are supplemented with forecast data over a quarterly time horizon, which, although based on conservative assumptions, do not contemplate extreme stress situations.

The regulatory indicator is complemented by an operating indicator, based on a six-month time horizon, which in addition to the base-case scenario created by adopting a prudential approach (e.g. not assuming automatic renewal of maturities on interbank deals), does contemplate stressful situations involving the main risk factors, such as:

— extension of maturities on all the main corporate customer loans and extraordinary drawdowns on committed lines;
— major reductions in renewals of interbank funds raised by Group companies (most of which are generally renewed on the basis of the existing commercial relationships);
— significant failure to renew CheBanca! funding when term deposits expire.

In both cases, 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.

Over the course of the year under review, both liquidity monitoring indicators have reflected a counterbalance capacity, defined narrowly, far superior to the anticipated net outflow of funds. In terms of survival days, both the indicator generated for the Bank of Italy's records and the operating indicator have reached highs (3 months and 6 months respectively), without the entire amount of even just the securities eligible for refinancing with the European Central Bank being exhausted completely. Despite declining in the latter part of the financial year, even in the most stressful scenario the residual amount of the counterbalance capacity totalled over €3bn at the reporting date.

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

Items/maturities	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	4,204,889	630,284	676,141	2,414,553	1,734,820	3,393,290	5,179,903	21,757,278	13,531,286	226,492
A.1 Government securities	4,271	—	—	3,197	92,318	562,879	117,870	1,538,338	1,505,590	—
A.2 Other debt securities	3,110	8,992	15,915	20,280	81,554	161,895	1,013,988	4,112,742	2,913,144	—
A.3 UCITS units	—	—	—	—	—	—	—	—	—	—
A.4 Loans and advances	4,197,508	621,292	660,226	2,391,076	1,560,948	2,668,516	4,048,045	16,106,198	9,112,552	226,492
– to banks	1,583,608	208,784	9,661	900,205	141,739	291,650	371,335	139,330	196,851	128,565
– to customers	2,613,900	412,508	650,565	1,490,871	1,419,209	2,376,866	3,676,710	15,966,868	8,915,701	97,927
Cash liabilities	5,497,901	1,450,265	525,547	2,830,107	3,263,124	4,202,516	7,137,431	22,708,125	7,393,823	97,775
B.1 Deposits and current accounts	5,196,294	1,409,203	517,293	2,054,311	2,718,206	2,311,982	4,406,567	622,119	1,322,368	97,720
– to banks	1,930,477	871,767	187,831	1,369,765	428,378	160,287	877,215	483,687	372,986	45,227
– to customers	3,265,817	537,436	329,462	684,546	2,289,828	2,151,695	3,529,352	138,432	949,382	52,493
B.2 Debt securities	2,191	623	331	721,583	282,511	1,659,536	2,730,864	22,086,006	6,071,455	55
B.3 Other liabilities	299,416	40,439	7,923	54,213	262,407	230,998	—	—	—	—
Off-balance-sheet transactions	7,465,184	1,878,402	601,274	3,207,622	2,731,856	6,108,895	3,765,126	49,123,059	12,875,329	—
C.1 Financial derivatives with exchange of principal	—	57,429	29,271	1,175,835	2,321,531	973,954	831,678	881,671	103,000	—
– long positions	—	18,722	16,170	—	1,602,568	537,887	690,610	278,454	—	—
– short positions	—	38,707	13,101	1,175,835	718,963	436,067	141,068	603,217	103,000	—
C.2 Financial derivatives without principal exchange of	5,088,589	10,132	9,072	52,549	265,909	1,004,492	742,054	17,123	—	—
– long positions	2,726,829	6,368	1,008	29,715	126,538	829,365	427,700	7,258	—	—
– short positions	2,361,760	3,764	8,064	22,834	139,371	175,127	314,354	9,865	—	—
C.3 Deposits and loans for collection	1,454,195	704,748	481,574	1,406,958	79,698	291,724	17,526	167,567	3,586,589	—
– long positions	1,454,195	704,748	481,574	1,406,958	47,815	—	—	—	—	—
– short positions	—	—	—	—	31,883	291,724	17,526	167,567	3,586,589	—
C.4 Irrevocable commitments to disburse funds *	899,531	1,106,093	81,357	572,280	64,718	3,838,725	2,173,868	48,056,698	9,185,740	—
– long positions	9,122	25,000	—	3,215	1,996	2,027,540	1,131,668	24,128,612	5,662,352	—
– short positions	890,409	1,081,093	81,357	569,065	62,722	1,811,185	1,042,200	23,928,086	3,523,388	—
C.5 Financed guarantees issued	22,869	—	—	—	—	—	—	—	—	—

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

Currency of denomination: US DOLLARS

Items/maturities	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	180,125	75,297	83,931	361,611	43,848	35,734	179,434	767,442	169,009	—
A.1 Government securities	—	—	—	—	24	—	24	193	453	—
A.2 Other debt securities	—	—	74,442	—	24,216	13,241	146,477	449,663	128,476	—
A.3 UCITS units	—	—	—	—	—	—	—	—	—	—
A.4 Loans and advances	180,125	75,297	9,489	361,611	19,608	22,493	32,933	317,586	40,080	—
– to banks	89,180	28,086	—	247	79	485	806	2,933	493	—
– to customers	90,945	47,211	9,489	361,364	19,529	22,008	32,127	314,653	39,587	—
Cash liabilities	421,967	82,533	21,146	19,491	105,679	26,362	21,053	180,002	—	1,214
B.1 Deposits and current accounts	421,964	82,533	21,146	19,474	84,435	24,589	10,365	81	—	1,214
– to banks	262,911	3,673	15,279	11,921	—	—	—	—	—	—
– to customers	159,053	78,860	5,867	7,553	84,435	24,589	10,365	81	—	1,214
B.2 Debt securities	3	—	—	17	21,244	1,617	10,688	179,921	—	—
B.3 Other liabilities	—	—	—	—	—	156	—	—	—	—
Off-balance-sheet transactions	824,426	615,684	102,954	27,048	1,374,529	716,023	8,503,834	66,402,555	15,244,330	—
C.1 Financial derivatives with exchange of principal	315,048	615,684	102,954	26,984	1,374,529	56,999	121,995	554,211	163,101	—
– long positions	284,493	376,802	—	26,984	49,993	55,961	—	11,347	—	—
– short positions	30,555	238,882	102,954	—	1,324,536	1,038	121,995	542,864	163,101	—
C.2 Financial derivatives without exchange of principal	495,540	—	—	64	—	38	282	—	—	—
– long positions	57,896	—	—	26	—	—	206	—	—	—
– short positions	437,644	—	—	38	—	38	76	—	—	—
C.3 Deposits and loans for collection	—	—	—	—	—	—	—	—	—	—
– long positions	—	—	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds *	13,838	—	—	—	—	658,986	8,381,557	65,848,344	15,081,229	—
– long positions	6,919	—	—	—	—	329,493	4,208,076	32,903,415	7,544,074	—
– short positions	6,919	—	—	—	—	329,493	4,173,481	32,944,929	7,537,155	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—

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

Currency of denomination: OTHER

Items/maturities	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	82,008	11,290	35,282	159,305	51,235	112,009	197,455	485,784	49,059	—
A.1 Government securities	—	—	—	—	—	—	—	—	—	—
A.2 Other debt securities	—	—	9,646	55,384	13,425	104,974	163,856	120,049	3,329	—
A.3 UCITS units	—	—	—	—	—	—	—	—	—	—
A.4 Loans and advances	82,008	11,290	25,636	103,921	37,810	7,035	33,599	365,735	45,730	—
– to banks	73,763	11,255	492	—	—	—	—	—	—	—
– to customers	8,245	35	25,144	103,921	37,810	7,035	33,599	365,735	45,730	—
Cash liabilities	47,703	4,254	88,869	177,171	192,170	14,730	2,554	36,562	216,615	—
B.1 Deposits and current accounts	47,703	4,254	26,737	171,633	192,170	3,980	2,554	1	—	—
– to banks	883	—	—	166,262	188,021	—	—	1	—	—
– to customers	46,820	4,254	26,737	5,371	4,149	3,980	2,554	—	—	—
B.2 Debt securities	—	—	62,132	5,538	—	10,750	—	36,561	216,615	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	882,628	408,018	411	107,070	239,892	251,859	327,084	4,052,734	171,136	—
C.1 Financial derivatives with exchange of principal	112,191	408,018	—	107,070	239,892	241,401	326,258	586,068	171,136	—
– long positions	82,687	349,763	—	43,661	120,458	129,898	45,134	97,571	—	—
– short positions	29,504	58,255	—	63,409	119,434	111,503	281,124	488,497	171,136	—
C.2 Financial derivatives without exchange of principal	770,437	—	411	—	—	10,458	826	—	—	—
– long positions	315,115	—	—	—	—	10,043	—	—	—	—
– short positions	455,322	—	411	—	—	415	826	—	—	—
C.3 Deposits and loans for collection	—	—	—	—	—	—	—	—	—	—
– long positions	—	—	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds *	—	—	—	—	—	—	—	3,466,666	—	—
– long positions	—	—	—	—	—	—	—	1,733,333	—	—
– short positions	—	—	—	—	—	—	—	1,733,333	—	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—

1.4 BANKING GROUP – OPERATING RISK

QUALITATIVE INFORMATION

Definition

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

Capital requirements for operating risk

Mediobanca has decided to adopt the Basic Indicator Approach (BIA) in order to calculate the capital requirement for covering operating risk, applying a margin of 15% to the average of the last three years' readings of total income. Based on this method of calculation, the capital requirement as at 30 June 2011 was €262.7m (€244.2m).

Risk mitigation

In the review of its internal procedures as part of the "Head of company financial reporting" project, the Group has sought to identify the major sources of possible risk and the relevant measures to be taken in order to control and mitigate it, by formulating company procedures and focusing mitigation activity on the most serious aspects.

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.

Internal access to computer systems is also monitored, in particular attacks from outside, using the appropriate IT and observation instruments.

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

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

Legal risk: risks deriving from litigation pending

Apart from the claim pending against Mediobanca for the alleged failure to launch a full takeover bid for La Fondiaria in 2002 (cf. p. 257), the Group faces no litigation risk worthy of note.

1.5 BANKING GROUP – OTHER RISKS

QUALITATIVE INFORMATION

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

- interest rate risk on the banking book, deriving from possible changes in interest rates;
- concentration risk, i.e. risk deriving from a concentration of exposures to individual counterparties or groups of counterparties ("single name concentration risk") or to counterparties operating in the same economic sector or which operate in the same business or belong to the same geographical area (geographical/sector concentration risk);
- strategic risk, both in the sense of risk deriving from current and future changes in profits/margins compared to estimated data, due to volatility in volumes or changes in customer behaviour (business risk), and of current and future risk of reductions in profits or capital deriving from disruption to business as a result of adopting new strategic choices, wrong management decisions or inadequate execution of decisions taken (pure strategic risk);
- compliance risk, i.e. the risk of incurring legal or administrative penalties, significant financial losses or damages to the Bank's reputation as a result of breaches of external laws and regulations or self-imposed regulations;
- reputational risk, i.e. the current and future risk of reductions in profits or capital deriving from a negative perception of the Bank's image by customers, counterparties, shareholders, investors or regulatory authorities;
- residual risk, i.e. the risk that the recognized techniques used by the Bank to mitigate credit risk should prove to be less effective than anticipated.

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

PART F - INFORMATION ON CONSOLIDATED CAPITAL

Section 1

Consolidated capital

B. Quantitative information

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

Net equity constituents	Banking group [1]	Insurance companies	Other companies	Elisions/adjustments upon-consolidation	Total
Share capital	430,565	—	—	—	430,565
Share premium	2,120,143	—	—	—	2,120,143
Reserves	4,200,943	—	—	—	4,200,943
Equity instruments	—	—	—	—	—
Treasury shares	(213,844)	—	—	—	(213,844)
Valaution reserves:	6,676	—	—	—	6,676
- AFS securities	(23,875)	—	—	1,893	(21,982)
- Property, plant and equipment	—	—	—	—	—
- Intangible assets	—	—	—	—	—
- Foreign investment hedges	—	—	—	—	—
- Cash flow hedges	9,787	—	—	—	9,787
- Exchange rate differences	3,909	—	—	—	3,909
- Non-current assets being sold	—	—	—	—	—
- Actuarial gains (losses) on defined-benefit pension schemes	—	—	—	—	—
- Share of valuation reserves represented by equity-accounted companies	3,385	—	—	(1,893)	1,492
- Special valuation laws	13,470	—	—	—	13,470
Gain (loss) for the period attributable to the Group/minorities	368,592	—	—	—	368,592
Total	6,913,075	—	—	—	6,913,075

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

B.2 AFS valuation reserves: composition

Assets/amounts	Banking group		Insurance companies		Other companies		Elisions/adjustments upon consolidation		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	20,659	(92,045)	—	—	—	—	—	6	20,659	(92,039)
2. Equities	144,001	(104,094)	—	—	—	—	—	—	144,001	(104,094)
3. UCITS units	13,836	(6,232)	—	—	—	—	—	1,887	13,836	(4,345)
4. Loans and advances	—	—	—	—	—	—	—	—	—	—
Total at 30/6/11	178,496	(202,371)	—	—	—	—	—	1,893	178,496	(200,478)
Total at 30/6/10	146,026	(170,296)	—	—	—	—	—	2,322	146,026	(168,614)

B.3 AFS valuation reserves: movements during the period

	Debt securities	Equities	UCITS units	Total
1. Opening balance	(21,542)	(4,374)	3,328	(22,588)
2. Additions	52,165	87,017	11,037	150,219
2.1 Increases in fair value	23,671	68,558	10,751	102,980
2.2 Negative reserves charged back to profit and loss as a result of	27,052	15,583	286	42,921
– impairment	25,099	12,144	—	37,243
– disposals	1,953	3,439	286	5,678
2.3 Other additions	1,442	2,876	—	4,318
3. Reductions	102,003	42,736	4,874	149,613
3.1 Reductions in fair value	86,484	27,968	656	115,108
3.2 Adjustments for impairment	—	850	198	1,048
3.3 Positive reserves credited back to profit and loss as a	15,519	13,918	73	29,510
3.4 Other reductions	—	—	3,947	3,947
4. Balance at end of period	(71,380)	39,907	9,491	(21,982)

Section 2

REGULATORY AND SUPERVISORY CAPITAL REQUIREMENTS FOR BANKS

A. Qualitative information

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

Since its inception one of the distinguishing features of 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.

2.1 Scope of application of regulations

Regulatory capital has been calculated on the basis of Bank of Italy circulars no. 263 issued on 27 December 2006 (seventh update issued on 28 January 2011) and no. 155 (thirteenth update issued on 9 February 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.

In July 2011 the draft regulations on banks' capital and corporate governance known as the Capital Requirements Directive ("CRD IV") was published. This document represents the European Commission's transposition of the new prudential guidelines for banks known as Basel III, which involve a general strengthening of the quality of regulatory capital. The new regulations should be ready by end-2012 and applied gradually starting from January 2013, becoming fully operative as from 2019.

2.2 *Regulatory capital requirements for banks*

A. Qualitative information

1. *Tier 1 and tier 2 capital*

Tier 1 capital consists of the share attributable to the Group and to minority shareholders of capital paid up, reserves, and profit for the period net of treasury shares (€213.8m), intangible assets (€62.4m), goodwill (€443m), the negative share in the bond valuation reserve (€183.8m, including associated companies pro rata and net of the prudential filter for EU states' government securities), plus 50% of the book value of the Bank's investments in banks and financial services companies (equal to €51.7m, up as a result of purchases during the period).

Tier 2 capital includes 50% of the positive reserves for AFS securities (€119.7m), reserves for property valuations (€15.1m), Tier 2 subordinated liabilities (€1,643.7m, up after new issuance in an amount of €750m), positive exchange rate differences (€54.4m) less unrealized losses on investments (€38.2m) and the remaining share of the book value of investments in banks and financial companies (€51.7m).

B. Quantitative information

	30/6/11	30/6/10
A. Tier 1 capital prior to application of prudential filters	6,372,846	5,966,447
B. Tier 1 prudential filters:		
B.1 IAS/IFRS positive filters	—	—
B.2 IAS/IFRS negative filters	(165,075)	(23,704)
C. Tier 1 capital gross of items to be deducted	6,207,771	5,942,743
D. Items for deduction from Tier 1 capital	(51,683)	(18,538)
E. Total Tier 1 capital	6,156,088	5,924,205
F. Tier 2 capital prior to application of prudential filters	1,853,808	1,100,100
G. Tier 2 prudential filters:		
G.1 IAS/IFRS positive filters	60,590	38,099
G.2 IAS/IFRS negative filters	(119,722)	(115,972)
H. Tier 2 capital gross of items to be deducted	1,794,676	1,022,227
I. Items for deduction from Tier 2 capital	(51,683)	(18,538)
L. Total Tier 2 capital	1,742,993	1,003,689
M. Items for deduction from Total Tier 1 and Tier 2 capital	—	—
N. Regulatory capital	7,899,081	6,927,894
O. Total Tier 3 capital	—	—
P. Total regulatory capital including Tier 3	7,899,081	6,927,894

2.3 Capital adequacy

A. Qualitative information

As at 30 June 2011, the Bank's total core ratio, calculated as regulatory capital as a percentage of risk-weighted assets, stood at al 14.36%, while the core Tier 1 ratio, calculated as Tier 1 capital as a percentage of risk-weighted assets, amounted to 11.19%, up on the figures reported one year previously, that is, 12.97% and 11.09%, driven by an increase in regulatory capital (chiefly in connection with self-financing and the issue of the new subordinated liability), which comfortably offset the slight increase in risk-weighted assets, up from €53.4bn to €55bn, chiefly due to growth in the trading book.

B. Quantitative information

Categories/amounts	Unweighted amounts		Weighted amounts/requirements	
	30/6/11	30/6/10	30/6/11	30/6/10
A. RISK ASSETS				
A.1 Credit and counterpart risk	70,797,922	72,387,799	44,406,949	43,773,283
1. Standard methodology	70,485,596	72,048,600	44,194,534	43,620,095
2. Internal rating methodology	—	—	—	—
2.1 Basic	—	—		—
2.2 Advanced	—	—		—
3. Securitization	312,326	339,199	212,415	153,188
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterpart risk			3,552,555	3,501,863
B.2 Market risk			586,797	528,034
1. Standard methodology			567,082	528,034
2. Internal models			—	—
3. Concentration risk			19,715	—
B.3 Operational risk			262,685	244,179
1. Basic Indicator Approach (BIA)			262,685	244,179
2. Standard methodology			—	—
3. Advanced methodology			—	—
B.4 Other prudential requirements			—	—
B.5 Other calculation elements			—	—
B.6 Total prudential requirements			4,402,037	4,274,076
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			55,025,457	53,425,956
C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			11.19%	11.09%
C.3 Regulatory capital/risk-weighted assets (total capital ratio)			14.36%	12.97%

PART G - COMBINATIONS INVOLVING GROUP COMPANIES OR BUSINESS UNITS

Section 1

Transactions completed during the year

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

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

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

The intangible assets with defined lives have an average duration of 7.8 years (up to a maximum of ten years), and have been amortized over the three years as to approx. €17.5m; at 30 June 2011 they were valued at €26.7m. All brands have been considered as having indefinite lives, and involve consumer credit as to €3.6m and credit cards as to €2.7m. The goodwill has been allocated to the following cash generating units:

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

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

Cash generating units	CAGR			Cost of borrowing
	New loans	Total loans		
		30/6/11	Avg.	
Consumer credit	3.7%	5.5%	5.6%	3.0%
Credit cards	5.4%	3.0%	1.8%	2.9%
Salary-backed finance	5.2%	7.5%	9.4%	3.0%

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

– cost of capital (Ke): 11.5%, deriving from a risk premium of 5.75%, a risk-free rate of 4.07% and levered beta of 1.29;

– growth rate (g): 2%.

These values have been borne out even in a stressed scenario for both cost of capital and growth rates (+/–0.5% and +/–0.25% respectively).

PART H - RELATED PARTY DISCLOSURE

1. Related party disclosure

At a Board meeting held on 23 November 2010, the Directors of Mediobanca approved the procedure in respect of transactions involving related parties, after the Related Parties Committee (made up solely of independent Directors) had given its approval; the procedure, adopted in pursuance of Consob resolution no. 17221 issued on 12 March 2010, is intended to ensure that transactions with related parties executed directly by Mediobanca or via subsidiaries are managed transparently and fairly. The full document is published on the Bank's website at www.mediobanca.it.

The procedure came into force on 1 January 2011, without prejudice to the advertising profiles in force since 1 December 2010.

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

Accounts with related parties fall within the ordinary operations of the Group companies, are maintained on an arm's length basis, and are entered into in the interests of the individual companies concerned. Details of Directors' and strategic management compensation are provided in a footnote to the table. No transactions were entered into with related parties during the period that could have impacted significantly on the Group's assets or earnings results.

The exposure to related parties (defined as the sum of assets plus guarantees and commitments) fell from €4.1bn to €3.9bn, due to the reduction in treasury positions.

Overall, accounts with related parties represent approx. 5% of the total balance-sheet aggregates and net interest income.

During the period under review, a transaction was executed which qualified as relevant under Consob regulations (in an amount of €450m), which was exempt from the related party procedure because of its ordinary nature and because it was completed on an arm's length basis; Consob was in any case informed of the transaction.

Situation at 30 June 2011

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

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

Situation at 30 June 2010

	Directors, statutory auditors and strategic management	Associates	Other related parties	Total
	€m	€m	€m	€m
Assets	—	1,733.9	1,980.1	3,714.0
of which: other assets	—	*281.3*	*699.9*	*981.2*
loans and advances	—	*1,452.6*	*1,280.2*	*2,732.8*
Liabilities	27.1	258.0	134.4	419.5
Guarantees and commitments	—	62.2	330.5	392.7
Interest income	—	76.7	73.2	149.9
Interest expense	(0.9)	(0.3)	(0.2)	(1.4)
Net fee income	—	31.7	38.2	69.9
Other income (costs)	(19.2) [1]	39.4	21.1	41.3

[1] Of which: short-term benefits amounting to €18.6m, and stock options worth €0.5m

PART I - SHARE-BASED PAYMENT SCHEMES

A. QUALITATIVE INFORMATION

1. Description

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

Extraordinary general meeting held on	No. of shares approved	Awards expire on	Deadline for exercising options	No. of shares awarded
29 March 1999	3,130,000	Expired	31 December 2011	3,130,000
30 July 2001	50,000,000	Expired	1 July 2015	49,634,000
28 October 2004	15,000,000	Expired	1 July 2020	14,150,000
of which to directors [1]	*4,000,000*	*Expired*	*1 July 2020*	*3,375,000* [2]
27 June 2007	40,000,000	27 June 2012	1 July 2022	16,531,000
TOTAL	**108,130,000**			**83,445,000**

The schemes provide for a maximum duration of ten years and a vesting period of thirty-six months.

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

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

A total of 16,330,000 stock options were awarded during the six months, as part of variable staff remuneration for 2010. Of these new options, 950,000 were granted to Directors (all of which from the amount approved by shareholders at a general meeting held on 27 June 2007) at a price of €6.537, vesting for three years and exercisable in eight years.

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

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

Subsequent to the reporting date, on 2 August 2011 a total of 650,000 performance stock options were awarded to Group employees, all from the scheme approved by shareholders at an annual general meeting held on 27 June 2007, at a price of €6.430, vesting in three years (based on the achievement of the performance conditions for each of the three concerned) and exercisable as from eight years.

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

2. Description of performance share scheme

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

— bring the Bank's remuneration structure into line with guidance issued by regulatory authorities requiring that significant percentages of the variable remuneration component annually assigned be paid in the form of equity instruments, making it consistent with results sustainable over time;

— encourage the involvement of key staff in a mechanism for co-investing in the share capital of Mediobanca;

— introduce a new instrument alongside the stock options, with a limited number of newly-issued shares and by using the treasury shares owned by the Bank, in order to limit the dilutive impact on the ownership structure.

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

On 27 July 2011, as part of staff variable remuneration for the 2011 financial year, a total of 2,521,697 performance shares were awarded; the shares, which are conditional upon certain performance targets being met over a three-year time horizon, will be made available in tranches in November 2013 (up to 1,194,889), November 2014 (up to 663,404) and November 2015 (up to 663,404), considering the additional holding period of one year. A part of the overall notional cost, €4.3m out of a total of €15.7m, has been charged to this year's accounts.

B. QUANTITATIVE INFORMATION

1. Changes during the period

	30/6/10			30/6/11		
	No. of options	Avg. price	Avg. expiry	No. of options	Avg. price	Avg. expiry
A. Balance at start of period	24,610,750	12.23	May 2015	24,365,750	12.21	June 2015
B. Additions						
B.1 New issues	310,000	7.84	July 2017	16,330,000	6.54	August 2018
B.2 Other additions	—	—	—	—	—	—
C. Reductions						
C.1 Options cancelled	525,000	6.67	November 2015	340,000	6.67	November 2015
C.2 Options exercised	—	—	—	—	—	—
C.3 Options expired	—	—	—	—	—	—
C.4 Other reductions	30,000	7.84	—	—	—	—
D. Balance at end of period	24,365,750	12.21	June 2015	40,355,750	9.90	September 2016
E. Options exercisable as at reporting date	12,029,750	13.64	June 2014	13,569,750	13.69	August 2014

PART L - SEGMENT REPORTING

A. PRIMARY SEGMENT REPORTING

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

Profit-and-loss figures	Corporate & Investment Banking €m	Principal Investing €m	Retail & Private banking €m	Others €m	Writeoffs [1] €m	Group €m
Net interest income	429.3	(7.5)	660.5	(0.1)	(11.9)	1,070.3
Net trading income	169.4	—	49.6	—	(10.3)	208.7
Net fee and commission income	315.1	—	245.5	14.4	(54.7)	520.3
Share in profits earned by equity-accounted companies	(1.2)	203.6	—	—	0.6	203.0
Total income	**912.6**	**196.1**	**955.6**	**14.3**	**(76.3)**	**2,002.3**
Personnel costs	(234.4)	(5.5)	(192.0)	(5.3)	18.4	(418.8)
Administrative expenses	(106.2)	(2.5)	(324.1)	(8.8)	36.5	(405.1)
Operating costs	**(340.6)**	**(8.0)**	**(516.1)**	**(14.1)**	**54.9**	**(823.9)**
Gain (loss) on disposal of AFS securities	(25.3)	—	(323.5)	—	—	(348.8)
Gain (loss) on disposal of other securities	(150.4)	(124.6)	(0.6)	—	0.1	(275.5)
Others	—	—	—	—	0.1	0.1
Profit before tax	**396.3**	**63.5**	**115.4**	**0.2**	**(21.2)**	**554.2**
Income tax for the period	(149.1)	5.8	(37.6)	(0.2)	0.5	(180.6)
Minority interest	(5.0)	—	—	—	—	(5.0)
Net profit	**242.2**	**69.3**	**77.8**	**—**	**(20.7)**	**368.6**
Cost/income ratio (%)	*37.3*	*n.m.*	*54.0*	*n.m.*	*n.m.*	*41.1*

Divisions comprise:

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

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

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

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

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

Balance-sheet data	Corporate & Investment Banking	Principal Investing	Retail & Private banking	Others	Writeoffs [1]	Group
	€m	€m	€m	€m	€m	€m
Treasury funds	9,469.5	—	4,000.7	0.7	(4,862.9)	8,608.0
AFS securities	6,550.5	134.1	1,762.0	—	(696.7)	7,749.9
Equity investments	4,001.1	—	3,191.7	—	(4,884.7)	2,308.1
Funding	385.6	2,712.5	—	—	58.0	3,156.1
Loans and advances to customers	27,623.9	—	13,751.9	—	(5,150.2)	36,225.6
Financial assets held to maturity (HTM & LR)	(44,908.2)	(259.8)	(22,082.7)	(16.6)	15,554.4	(51,712.9)

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

B. SECONDARY SEGMENT REPORTING

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

	Italy	Europe [1]	Group
	€m	€m	€m
Profit-and-loss figures			
Net interest income	1,008.2	62.1	1,070.3
Net trading income	174.9	33.8	208.7
Net fee and commission income	403.5	116.8	520.3
Share in profits earned by equity-accounted companies	203.0	—	203.0
Total income	**1,789.6**	**212.7**	**2,002.3**
Personnel costs	(311.3)	(107.5)	(418.8)
Administrative expensives	(366.2)	(38.9)	(405.1)
Operating costs	**(677.5)**	**(146.4)**	**(823.9)**
Gain (loss) on disposal of AFS securities	(348.8)	—	(348.8)
Gain (loss) on disposal of other securities	(274.9)	(0.6)	(275.5)
Others	0.1	—	0.1
Profit before tax	**488.5**	**65.7**	**554.2**
Income tax for the period	(167.7)	(12.9)	(180.6)
Minority interest	(5.0)	—	(5.0)
Net profit	**315.8**	**52.8**	**368.6**
Cost/income ratio (%)	*37.9*	*68.8*	*41.1*

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

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

	Italy	Europe [1]	Group
	€m	€m	€m
Balance-sheet data			
Treasury funds	7,761.1	846.9	8,608.0
AFS securities	7,514.9	235.0	7,749.9
Financial assets held to maturity (HTM & LR)	2,308.1	—	2,308.1
Equity investments	3,156.1	—	3,156.1
Loans and advances to customers	31,504.8	4,720.8	36,225.6
Funding	(48,348.2)	(3,364.7)	(51,712.9)

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

Annual General Meeting
28 October 2011

AGENDA

Ordinary business

1. Financial statements for the year ended 30 June 2011, the Board of Directors' Review of Operations, the external auditors' report and the Statutory Audit Committee's report; associated resolutions.
2. Appointments to the Board of Directors having established their number and determined the amount of their remuneration.
3. Appointments to the Statutory Audit Committee; determining the amount of their remuneration.
4. Staff remuneration policies.

Extraordinary business

1. Proposal to amend Articles 6, 10, 14, 15, 17, 18, 19, 21, 22, 23, 24, 25, 28, 29 and 30 of the company's Articles of Association; and to introduce a new Article 11, with Articles 12 through to 35 to be renumbered accordingly.
2. Authorization to the Board of Directors to increase the company's share capital by means of a rights and/or bonus issue in a nominal amount of up to €100m, and to issue bonds convertible into ordinary shares and/or bonds *cum* warrant, in an amount of up to €2bn, as permitted under Articles 2443 and 2420-ter of the Italian Civil Code, having first revoked the existing powers granted under a resolution adopted by shareholders in general meeting on 27 June 2007 as amended by shareholders in general meeting on 28 October 2008. Amendments to Article 4 of the Company's Articles of Association and related resolutions.

Ordinary business

ACCOUNTS OF THE BANK

REVIEW OF OPERATIONS

Overview

In the twelve months ended 30 June 2011, Mediobanca earned a net profit of €127.4m (30/6/10: €244.1m). The year saw a good performance in current activities, with total income up 25.7% net of non-recurring gains on disposals of AFS equities, but at the same time higher provisions for financial assets, *inter alia* as a result of the market crisis, up from €165.3m to € 313.9m. The main income items performed as follows:

— net interest income was up 4.9%, from €294.6m to €309.1m, helped among other things by the reduced cost of funding from CheBanca!;

— net trading income decreased from €277m to €180.2m, reflecting the reduction in gains on disposals of AFS securities to €11.3m (compared with €138.8m last year, €91.1m in respect of the Fiat stake disposal), which offset the rise in dealing profits (from €121.2m to €152.9m);

— net fee and commission income was stable at €297.6m (€308.5m) despite the difficult economic conditions;

— dividends on equity investments increased from €70.2m to €98.9m due to €85.8m from Assicurazioni Generali (€66.7m) and €13.1m from Pirelli & C. (€3.5m).

The 13.3% rise in operating costs, from €280.4m to €317.8m, is attributable as to €27m to labour costs (with 83 more staff on the books) and €10.4m to other administrative expenses.

Loan loss provisions totalled just €0.3m, boosted by a one-off writeback amounting to €75m; even net of this item, there would in any case have been a 34% reduction from last year, when the cost of risk totalled €113.3m, confirming the improving trend witnessed in recent quarters.

Provisions for financial assets increased to €313.9m (€165.3m), €108.9m of which in writedowns to Greek government securities and the AFS portfolio to reflect market prices as at the reporting date, €158.6m in adjustments to equity investments (chiefly the Telco stake), €10.8m in other longer-term bond investments, and the remaining €35.6m for AFS equities.

The main balance-sheet headings show rises in loans and advances to customers (from €20.2bn to €22.9bn) and the AFS and fixed portfolios (up from €6.7bn to €10.7bn due exclusively to fixed-income securities), an increase in funding (from €40.7bn to €41.8bn), and a reduction in treasury funds (from €16.2bn to €10.7bn).

FINANCIAL HIGHLIGHTS

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

RESTATED PROFIT AND LOSS ACCOUNT

	12 mths to 30/6/10	12 mths to 30/6/11	Y.o.Y. chg.
	€m	€m	%
Net interest income	294.6	309.1	+4.9
Net trading income	277.0	180.2	–34.9
Net fee and commission income	308.5	297.6	–3.5
Equity-accounted companies	70.2	98.9	+40.9
TOTAL INCOME	**950.3**	**885.8**	**–6.8**
Labour costs	(194.8)	(221.8)	+13.9
Administrative expenses	(85.6)	(96.0)	+12.1
OPERATING COSTS	**(280.4)**	**(317.8)**	**+13.3**
Loan loss provisions	(113.3)	0.3	n.m.
Provisions for financial assets	(165.3)	(313.9)	n.m.
Other profits (losses)	(0.2)	—	n.m.
PROFIT BEFORE TAX	**391.1**	**254.4**	**35.0**
Income tax for the period	(147.0)	(127.0)	–13.5
NET PROFIT	**244.1**	**127.4**	**–47.8**

RESTATED BALANCE SHEET

	30/6/10	30/6/11
	€m	€m
Assets		
Treasury funds	16,241.4	10,660.8
AFS securities	5,237.1	6,684.7
Fixed financial assets (HTM & LR)	1,454.5	4,001.1
Loans and advances to customers	20,194.7	22,891.8
Equity investments	2,828.3	2,671.0
Tangible and intangible assets	130.6	132.8
Other assets	519.6	660.9
Total assets	46,606.2	47,703.1
Liabilities and net equity		
Funding	40,737.6	41,843.9
Other liabilities	788.3	760.5
Provisions	160.7	160.0
Net equity	4,675.5	4,811.3
Profit for the period	244.1	127.4
Total liabilities and net equity	46,606.2	47,703.1

Key indices and ratios for the period are as follows:

	30/6/10	30/6/11
Regulatory capital	5,511.7	6,362.0
Solvency margin (%)	14.59	16.46
Market capitalization (€m)	5,312.3	5,962.6
No. of shares in issue (millions)	861.1	861.1
Average no. of staff in year ended at 30/6/11	600	683

Review of key items

Loans and advances to customers

The Bank's loan book has shown the following trends in the past three years:

	2008-09		2009-10		2010-11	
	€m	%	€m	%	€m	%
Balance disbursed at start of period	24,235	100.0	23,283	100.0	20,195	100.0
Movements during the twelve months:						
– net new loans	(773)	(3.2)	(2,976)	(12.8)	2,670	13.2
– adjustments to amortized cost	(179)	(0.7)	(112)	(0.5)	27	0.2
Balance disbursed at end of period	23,283	96.1	20,195	86.7	22,892	113.4

Loans and advances to customers recovered during the year under review, from €20,194.7m to €22,891.8m, roughly half of which (€1.2bn) lent to other Group companies, in particular Compass (up €1,621m). Amounts lent to corporate clients were nonetheless up around 12%, from €12,552.7m to €14,053.8m; while the share accounted for by non-Italian customers stood at 25%, concentrated primarily in countries where Mediobanca has offices, namely France, Spain and Germany.

Loans and advances to Group companies were as follows:

	30/6/10	30/6/11
	€m	€m
Compass	2,761.1	4,382.1
Mediobanca International	2,108,1	1,690.8
Palladio Leasing	983.2	1,027.9
SelmaBipiemme Leasing	750.8	702.4
Futuro	450.0	474.9
Teleleasing	313.0	271.3
CheBanca!	215.4	215.7
Cofactor	52.8	54.9
Seteci	6.0	16.6
MB Securities USA (subordinated)	1.6	1.4
	7,642.0	8,838.0

Impaired assets (i.e. non-performing, sub-standard, restructured and overdue accounts) involved a single non-performing item in an amount of €127,000 covered by SACE insurance, plus six positions (two more than last year) for a total cash exposure of €127.5m plus a further €137.2m in endorsements, down from the figures recorded twelve months previously (€131.9m and €252.4m respectively); provisions of over €100m have been set aside in respect of these positions. Since the balance-sheet date a total of four new positions have been added (with a coverage ratio of over 60%) and two exposures repaid (the main one of which without losses and at the net value).

As at 30 June 2011, there were fifteen significant exposures, i.e. above 10% of the Bank's regulatory capital (including market risks and equity investments), two fewer than at end-June 2010, worth a nominal amount of €15,788.4m (€16,202.1m) and a weighted amount of €14,547.2m (€13,858.9m).

Funding

	30/6/10	30/6/11
	€m	€m
Deposits and current accounts	3,689.6	4,311.8
Bonds and other debt securities	36,093.4	36,747.6
Other funds	954.6	784.5
	40,737.6	41,843.9

Deposits and current accounts rose from €3,689.6m to €4,311.8m, on the back of €3,391.7m in liquidity provided to Mediobanca by Group company CheBanca!.

Bonds and other debt securities rose from €36,093.4m to €36,747.6m as a result of new issuance worth €6,705.9m, redemptions and repayments (including early redemptions) of €6,203.2m and upward adjustments (to reflect amortized cost, exchange rates and hedging effects) totalling €151.5m.

Other funds, by contrast, fell from €954.6m to €784.5m, chiefly due to the decrease in EIB funding, from €621.5m to €485.2m.

Treasury accounts

	30/6/10	30/6/11
Cash and bank balances	218.2	170.8
Fixed-income securities	8,748.2	3,940.0
Equities	1,214.2	1,845.5
Other treasury items	6,060.8	4,704.5
	16,241.4	10,660.8

During the year the fixed-income securities portfolio was reorganized in favour of the banking book (AFS securities and fixed assets), the Bank's liquidity position remaining comfortable.

Cash and bank balances include €170m in current account balances held at banks, plus €116,000 held in compulsory reserves.

Fixed-income securities declined from €8,748.2m to €3,940m; around 43% of the portfolio consists of bonds issued by banks, insurances and financial companies (including €46.6m in ABS), around one-third of government securities (including €350m Italian and €25.4m in Greek bonds), and the remainder bonds issued by corporates. The Bank has no positions in securities that might directly or indirectly contain risks relating to US sub-prime mortgages.

Equities totalled €1,845.5m, higher than the €1,214.2m recorded last year, due to the increase in client trades matched by positions in derivatives.

Other treasury items include: repo trades (including securities lending) worth €6,795.9m (€8,357.7m) and reverse repos totalling €3,195.1m (€2,270.7m); deposits amounting to €4,645.3m (€3,980.9m) and shortfalls of €2,393.8m (€3,053.1m); and negative valuations of derivatives contracts totalling €1,147.8m (€954m minus); the repos include €3,678.9m with Group companies.

Treasury management and adjustments to prices at the reporting date generated net trading income of €152.9m, up on the €121.2m reported last year due largely to the results posted in the first and third quarters (in which profits of €70.5m and €73.5m respectively were recorded).

Equity investments

	Percentage shareholding *	Book value	Market value based on prices at 30/6/11	Gain
	€m	€m	€m	€m
LISTED INVESTMENTS				
Assicurazioni Generali	12.24	836.2	2,772.0	1,935.9
RCS MediaGroup, *ordinary* ..	14.36	191.8	125.3	(66.5)
Gemina, *ordinary*	12.53	196.4	130.3	(66.1)
Pirelli & C., *ordinary*	4.49	115.7	163.3	47.6
		1,340.1	3,190.9	1,850.9
OTHER INVESTMENTS				
Telco	11.62	252.6		
Banca Esperia	50.00	29.1		
Burgo Group	22.13	54.6		
Athena Private Equity class A	24.27	23.7		
Fidia	25.00	1.0		
		361.0		
TOTAL INVESTMENTS IN ASSOCIATES		1,701.1		
TOTAL INVESTMENTS IN SUBSIDIARIES		969.8		
TOTAL INVESTMENTS		2,670.9		

* Of entire share capital.

The main movements involved value adjustments to bring the Telco (€125.6m), RCS Mediagroup (€16.7m) and Gemina (€14.9m) investments into line with net equity. Telco in particular wrote down its Telecom Italia shareholding, which amounts to 22.4% of that company's share capital, from €2.2 to €1.8 per share.

Comparison of the book value and fair value of the listed securities (Assicurazioni Generali, RCS MediaGroup, Gemina and Pirelli & C.) as at the reporting date shows a net surplus of €1,850.9m (€1,121.7m based on current prices). Further explanation of the criteria adopted for the valuations and impairment tests is provided in section 10, part B of the notes to the accounts.

Fixed financial assets

This heading comprises financial assets held to maturity totalling €1,642.9m (€719.8m) and unlisted debt securities recognized at cost worth €2,358.2m (€734.7m). The latter include €1,693.7m in Quarzo securities, following a securitization of Compass receivables which was subscribed for entirely by Mediobanca. In addition to the Quarzo investment, market acquisitions and transfers from the AFS portfolio of €1,007.8m were made during the year, along with redemptions and disposals totalling €150.8m, with other changes amounting to €2.5m (representing the balance of €13.2m in adjustments to reflect amortized cost and €10.8m in value adjustments). Based on prices and holdings at the reporting date, the portfolio reflected an implicit loss of €34.6m (€40.4m). The portfolio comprises €2,805m in bank, insurance and financial bonds, €686m in corporate bonds, €246.2m in Italian government securities and €263.9m in asset-backed securities, the latter consisting largely of securities transferred in September 2008, which saw redemptions totalling €60m in the twelve months.

AFS securities

	30/6/10	30/6/11
Fixed-income securities	3,727.2	5,053.5
Equities	1,509.9	1,631.2
	5,237.1	6,684.7

Holdings in bonds rose from €3,727.2m to €5,053.5m, following purchases worth €2,704.4m, disposals, redemptions and transfers of €1,220.1m (including gains of €18m), and other downward adjustments (to reflect amortized cost and/or fair value) totalling €158.1m. Of the writedowns charged at the reporting date, €108.9m involved Greek government securities being adjusted to reflect market prices. Overall, the valuation reserve was in negative territory, at minus €93.1m, following downward adjustments for the year totalling €87.5m. Some 57% of the portfolio consists of government securities (over 70% of which Italian), 29% banking, insurance and financial bonds (including €17.6m in asset-backed securities), and the remainder of corporate bonds; the portfolio includes €234.8m in Greek government bonds and €32.9m in Irish government bonds.

Investments in equities increased from €1,509.9m to €1,631.2m, following purchases worth €209.7m, disposals amounting to €122.3m (yielding gains of €13.1m) and adjustments totalling €20.7m. Writedowns of €35.6m were made during the period, €32.9m of which in respect of unlisted shares, and upward adjustments to reflect fair value at the reporting date totalling €49.5m.

Accordingly, the AFS securities portfolio as at 30 June 2011 was made up as follows:

	Percentage shareholding *	Book value at 30/6/11	Adjustments to fair value	Impairment recognized in P&L	Aggregate AFS reserve
Sintonia S.A.	6.58	336.3	—	—	—
UCI cashes		251.6	(11.5)	—	(28.7)
Delmi S.p.A., ordinary	6.00	94.2	—	(15.8)	—
Santé S.A.	9.99	82.4	—	(0.7)	—
Italmobiliare	9.5 – 5.47	53.1	6.1	—	18.5
Other listed securities		505.1	50.6	(2.7)	3.5
Other unlisted securities		308.5	4.3	(16.4)	54.8
TOTAL		1,631.2	49.5	(35.6)	48.1

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

Fixed assets

These consist of:

— *Properties*, carried at €112.1m, including the value of land owned (€81.2m); depreciation charges for the year totalled €1.5m;

— *Furniture* and *intangible assets*, consisting of furniture, office equipment, computers and software owned by the Bank worth a total of €20.7m, amortized as to €11.7m over the period.

Other liabilities and provisions

These comprise:

— provision for taxation, current and deferred, amounting to €454.3m, including €42.6m in amounts payable on behalf of Group companies involved in the tax consolidation;

— staff severance indemnity provision, totalling €9.2m;

— provision for liabilities and charges, unchanged at €150.8m.

Net equity, subordinated liabilities, regulatory capital and solvency margin

The Bank's net equity of €4,811.3m (30/6/10: €4,675.5m) includes:

— share capital amounting to €430.6m;

— reserves and retained earnings of €4,380.7m, up €135.8m; these consist of the following items:

  – *Legal reserve*, €86.1m;

  – *Share premium reserve*, €2,120.1m (€2,119.9m);

  – *Other reserves*, €2,187.1m, up €114.1m, due to allocation of the profit earned during the previous year (€100.6m), increases of €9.2m relating to the cost of stock options (including the share payable to other Group companies' employees) and of performance shares of €4.3m;

  – *Valuation reserves*, minus €12.6m, but up €21.4m on last year due to adjustments of AFS securities to fair value and to use of cash flow hedges.

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

It should be noted that the warrants issued in September 2009 expired in March 2011. Only a few of these were exercised, with 70,764 new shares issued which increased the Company's share capital by €35,382.

Regulatory capital stood at €6,362m (€5,511.7m), including the new placement of a subordinated, lower tier 2 issue in an amount of €750m; the solvency margin increased from 14.59% to 16.46%.

* * *

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

Net interest income

	12 mths to 30/6/10	12 mths to 30/6/11
	€m	€m
Interest income	1,768.9	1,759.7
(Interest expense)	(1,474.3)	(1,450.6)
Net interest income	294.6	309.1

Growth of 4.9% in net interest income reflects the lower cost of funding, in particular deposits from CheBanca!

Net trading income

This heading, which totals €180.2m, includes €152.9m (€121.2m) in dealing profits, plus €11.3m (€138.8m) in gains on disposals of AFS securities and €18.7m (€17m) in dividends. The trading result reflects the positive performance recorded in the first and third quarters, while the minus €10.1m reported in the fourth was attributable to the market crisis. The fixed-income side contributed €57.8m (€67.6m), and the equity side €95.1m (€51.1m).

Net fee and commission income

This heading includes €284.2m (€296.9m) in corporate and investment banking fees, in line with the ongoing weak market conditions. Other items include €4m (€4.3m) in renting income and €9.4m (€7.3m) in sundry other income.

Operating costs

The growth in operating costs, from €280.4m to €317.8m, is mostly due to higher labour costs, which rose from €194.8m to €221.8m, including fees paid to directors down from €7.2m to €4.6m, stock option scheme costs of €9.2m (€4.8m), and performance share scheme expenses totalling €4.3m. This growth reflects an increase in the employee headcount, with 683 staff on the books as opposed to 600 last year.

Sundry costs and expenses increased, from €87.6m to €96m, and include €13.2m (€9.1m) in depreciation and amortization, and €82.8m in administrative expenses net of amounts recovered (€76.5m), made up as follows:

	12 mths to 30/6/10	12 mths to 30/6/11
	€m	€m
Legal, tax and professional services	12.7	15.6
Marketing and communications	3.8	4.4
Rent and property maintenance	7.9	8.0
EDP	13.1	13.8
Financial information subscriptions	11.9	13.2
Bank services, collection and payment commissions	4.0	3.8
Operating expenses	4.5	4.6
Other labour costs	6.5	6.3
Other expenses	10.8	11.2
Direct and indirect taxes	1.3	1.9
TOTAL	76.5	82.8

Loan loss provisions

Loan loss provisions were virtually nil, with €0.3m reversed, as opposed to the €113.3m provisions set aside last year, due to a one-off writeback in an amount of €75m involving a single counterparty; even net of this item the heading would show a 34% reduction compared to last year.

Provisions for other financial assets

This item regards equity investments (€158.6m), shares owned as part of the AFS portfolio (€35.6m) and AFS and held-to-maturity bonds (€119.7m); in particular the provisions have been made in respect of the Telco investment (€125.6m), Greek government securities (€108.9m) and unlisted AFS equities (€32.9m).

Income tax for the period

Income tax for the period amounted to €127m, reflecting the fact that the provisions for equity investments and AFS shares are not tax deductible and that interest payable can only be deducted in part. For the third year running Mediobanca is the lead company for the Group's tax consolidation, which includes Compass, SelmaBipiemme Leasing, Palladio Leasing, CheBanca!, Cofactor and Futuro; the existing agreement expires shortly and will be renewed for the next three financial years.

* * *

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

— the court of appeals in Milan has ruled in favour of Mediobanca on four claims, three of which rulings have been challenged in the court of cassation;

— the court of appeals in Milan has ruled against the Bank on seven claims, in respect of which appeals have been submitted;
— the court of Florence has ruled in favour of Mediobanca on one claim, which has been appealed by plaintiff.

With regard to securities trading, a total of 42.3m Mediobanca shares were traded on behalf of customers, worth €299.1m.

Significant events during the period under review include:

— the resolutions adopted by shareholders at the annual general meeting held on 28 October 2010 in respect of:
  – Group staff remuneration policies which, in compliance with the new regulatory requirements in this area, include use of a new deferred remuneration equity instrument (performance shares), in connection with which a resolution to increase the company's share capital (with up to 20 million new Mediobanca shares being issued) and use of treasury shares owned by the Bank for this purpose was approved;
  – amendments to the company's Articles of Association, to incorporate changes introduced by Italian Legislative Decree 27/10 in the area of shareholder rights;
— approval of the procedure in respect of transactions involving related parties, after the Related Parties Committee (made up solely of independent Directors) had given its approval, to ensure that transactions with related parties executed directly by Mediobanca or via subsidiaries are managed transparently and fairly;
— approval of several amendments to the Company's Articles of Association to be submitted to shareholders at the next annual general meeting, including age limits (seventy-five years) for holding Company offices;
— issuance of two subordinated, lower tier II loan in an amount of approx. €1bn;

— approval of the ICAAP procedure required by regulations in force, and disclosure of the information required under Pillar 3 of the Basel II agreements, to provide a more accurate valuation of the Group's capital solidity and exposure to risks.

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

* * *

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

Credit rating

Mediobanca continues to be rated A+ for medium-/long-term debt by Standard & Poor's, and A-1 for short-term debt. On 24 May 2011 the outlook was downgraded from stable to negative, as part of a rating revision for Italian banks in view of the prospects for Italian sovereign debt.

Research

On the research side, work has continued as in the past on company and capital market surveys, by both Mediobanca's Research Department and the Group's research arm R&S. R&S produced the thirty-fifth edition of its Annual Directory, which includes analysis of leading Italian listed companies, and published the profiles of over a hundred other industrial and financial groups online. A new edition of its survey of the world's leading industrial multinationals was completed, as were two updates of its survey of European banks based on interim and annual data, and in co-operation with Italian daily newspaper *Il Sole 24 Ore*, its publication of the quarterly survey of blue chip companies' results continued. It also published and presented the volume which closes the first stage in the research project on medium-sized European companies (in Italy, Germany and Spain). The company's accounts for the twelve months ended 30 June 2011 show an even balance, after charging Mediobanca €1.5m (€1.6m) for services and expenses. R&S employs 12 staff.

Related party disclosure

Financial accounts outstanding as at 30 June 2011 between companies forming part of the Mediobanca Group and related parties, and transactions undertaken between such parties during the financial year, are illustrated in Part H of the notes to the accounts, along with all the information required in respect of transparency pursuant to Consob resolution 17221 issued on 12 March 2010.

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

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

* * *

OUTLOOK

Estimates for the current financial year are strongly constrained by the risk of a new contraction in the Eurozone economy and the notable market instability. This is compounded by the specific weakness in refinancing peripheral EU member states' sovereign debt, which includes Spain and Italy, and financial institutions' liabilities. Against this backdrop, the Bank will continue to focus on banking activities, maintaining its customary rigour in risk selection while pursuing selective growth in customer lendings, including with the support of the international franchise. The impact of equity investment portfolio valuations and the contribution from trading activity on profitability will, as always, depend closely on stock market developments.

Proposed allocation of profit for the year ended 30 June 2011

Dear Shareholders,

The net profit for the year was €127,375,541.23, to be allocated as follows:

€	2,638.00	to the *Legal reserve*;
€	12,734,916.12	to the *Statutory reserve*;
€	114,637,987.11	residual amount

We therefore proposed to distribute a dividend of €0.17 on each of the 844,119,212 shares granting entitlement, given the redistribution of amounts due in respect of treasury shares, for a total amount of €143,500,266.04, made up of the residual profit plus €28,862,278.93 withdrawn from the *Statutory reserve*, as per the following table:

Net profit for the year	€	127,375,541.23
To the *Legal reserve*	€	2,638.00
To the *Statutory reserve*	€	12,734,916.12
Residual amount	€	114,637,987.11
From the *Statutory reserve*	€	28,862,278.93
Dividend of €0.17 on 844,119,212 shares	€	143,500,266.04

The dividend of € 0,17 per share will be paid on 24 November 2011, with the shares going ex-rights on 21 November 2011.

Milan, 21 September 2011

THE BOARD OF DIRECTORS

Declaration in respect of individual financial statements as required by Article 81-ter of Consob resolution no. 11971 issued on 14 May 1999 as amended

1. The undersigned Alberto Nagel and Massimo Bertolini, in their respective capacities as Chief Executive Officer and Head of Company Financial Reporting of Mediobanca, hereby declare and in view *inter alia* of the provisions contained in Article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree 58/98, that the administrative and accounting procedures used in the preparation of the individual financial statements:
   - were adequate in view of the company's; and
   - were effectively applied during the year ended 30 June 2011.
2. Assessment of the adequacy of said administrative and accounting procedures for the preparation of the individual financial statements as at 30 June 2011 was based on a model defined by Mediobanca in accordance with benchmark standards for internal control systems which are widely accepted at an international level (i.e. the CoSO and CobiT frameworks).
3. It is further hereby declared that

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

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

Milan, 21 September 2011

Chief Executive Officer *Head of Company Financial Reporting*

Alberto Nagel Massimo Bertolini

STATUTORY AUDIT COMMITTEE'S REPORT

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

Dear Shareholders,

This report, which has been prepared as required under Article 153 of Italian Legislative Decree 58/98 (the "Italian Consolidated Finance Act"), refers to the activities carried out by the Statutory Audit Committee of Mediobanca S.p.A. ("Mediobanca", the "Bank" or the "Company") during the financial year ended 30 June 2011.

1. In performing its duties of supervision and control, the Statutory Audit Committee has:
   a) monitored compliance with the provisions of the law, the company's Articles of Association and deed of incorporations;
   b) received regular information from the directors on the activities and the most significant transactions in earnings, financial and capital terms carried out by the Bank and the other Group companies, including in compliance with Article 150, paragraph 1 of the Italian Consolidated Finance Act. In particular the issuance of two lower Tier II loans in an amount of approx. €1bn should be noted.

      Based on the information available, the Statutory Audit Committee can provide reasonable assurance that these transactions have been carried out in compliance with the provisions of the law and the company's Articles of Association, and are not manifestly imprudent or risky or such as may compromise the integrity of the Company's assets. Furthermore, all transactions giving rise to potential conflicts of interest have been approved in compliance with the provisions of the law, the regulations in force and the company's Articles of Association;
   c) noted that no atypical or unusual transactions with Group companies, third parties or related parties have taken place. In its Review of Operations and Notes to the Accounts, the Board of Directors has provided an exhaustive illustration of the effects of the most significant of the ordinary transactions carried out by the Bank in earnings, financial and capital terms with other Group companies and related parties on an arm's length basis.

      Furthermore, on 23 November 2010 the new Related Parties procedure was adopted, under which *inter alia* a Related Parties committee was instituted. The Statutory Audit Committee also participates in these meetings, and accordingly receives regular information regarding such transactions. The Statutory Audit Committee noted that no intra-group transactions or transactions with related parties have been entered into that are in conflict with the interests of the company. The Statutory Audit Committee also checked that the Related Parties procedure complies with the regulations in force and was applied correctly, in the sense that transactions were carried out on an arm's length basis. Based *inter alia* on the activity carried out by the Internal Audit unit, the Statutory Audit Committee believes that relations with related parties have been monitored appropriately;

d) been informed regarding, and has monitored the adequacy of, the Bank's organizational structure, its compliance with the principles of proper management, and the adequacy of the instructions given by the company to its subsidiaries, as required by Article 114, paragraph 2 of Italian Legislative Decree 58/98, by acquiring information from the heads of the relevant company divisions and meetings with the External Auditors involving the mutual exchange of relevant data and information. No critical issues emerged from our review of the annual reports by the Statutory Audit Committees of the Group companies;

e) monitored the adequacy of the internal control and administrative/accounting systems in place, and the reliability of the latter in particular with respect to its ability to accurately represent operations, by:
   - *i)* review of the statements issued by the Chief Executive Officer and the Head of Company Financial Reporting as required by the provisions of Article 154-*bis* of the Italian Consolidated Finance Act;
   - *ii)* review of the Internal Audit unit's reports and of information on the outcome of monitoring activity for the corrective action highlighted as a result of its audits;
   - *iii)* review of reports prepared by the Compliance unit;
   - *iv)* review of reports prepared by the Risk management unit;
   - *v)* receiving information from the heads of the various divisions of the company;
   - *vi)* meetings with the heads of the supervisory bodies of the Group companies, in accordance with the provisions of Article 151, paragraphs 1 and 2 of the Italian Consolidated

Finance Act, in the course of which the Statutory Audit Committee received information on developments involving the Group companies considered to be significant;

vii) review of the activities performed by the External Auditors, and analysis of the results of their work;

viii) taking part in meetings of the Internal Control Committee, and dealing with issues in conjunction with it where necessary.

No irregularities emerged from our activity such as may be considered to be indicative of major inadequacies in the internal control system;

f) met regularly with the heads of the External Auditors, including with reference to Article 150, paragraph 2, of the Italian Consolidated Finance Act, during the course of which no facts or situations emerged that would require inclusion in this report;

g) monitored the methods utilized in complying with the Code of Conduct issued by Borsa Italiana and adopted by Mediobanca as illustrated in the Annual Report on Corporate Governance. The Statutory Audit Committee also checked that the procedures established by the Board of Directors for ascertaining the independence of its members have been applied, and checked the criteria laid down by the Code of Conduct in respect of its own members' independence have been complied with;

h) viewed and obtained information regarding the organizational and procedural activity implemented in compliance with Italian Legislative Decree 231/01 regarding corporate administrative liability. The supervisory body reported on the activities performed by it during the year ended 30 June 2011, without highlighting any critical issues worthy of note;

i) ascertained that the flows provided by the Group's non-EU companies are sufficient to carry out supervision of the annual and interim accounting situations, as required by Article 36 of the Regulations for Markets;

j) followed the inspection carried out by the Bank of Italy during the year, to assess the state of progress in implementing a credit risk management system based on internal ratings, and check that the measures taken in response to the previous inspection were adequate. After the inspection, recommendations were made on action required to upgrade the Bank's organizational structure *inter alia* in relation to the diversification of the Group's activities in progress. The Statutory Audit Committee is systematically monitoring the initiatives being implemented by the company in response to these recommendations.

The Statutory Audit Committee did not issue any opinions required by law.

The Statutory Audit Committee met on a total of 31 occasions, 9 of which in conjunction with the Internal Control Committee. It has also taken part in 9 meetings of the Board of Directors and 12 Executive Committee meetings, and has met with the Statutory Audit Committees of the other Group companies and the supervisory body established pursuant to Italian Legislative Decree 231/01. The Chairman of the Statutory Audit Committee has also taken part in the Remunerations Committee meetings.

With regard to the information it has received, the Statutory Audit Committee considers that the Group's activities have been conducted in compliance with the principles of proper management, and that its organizational structure, its internal control system and accounting/administrative procedures as a whole are adequate for the company's requirements.

2. With reference to relations with the External Auditors, the Statutory Audit Committee reports that:

   a) on 30 September 2011 External Auditors Reconta Ernst & Young S.p.A., charged with the duties of legal audit of the company's individual and consolidated financial statements pursuant to a resolution adopted by shareholders at an ordinary general meeting held on 28 October 2006, issued the reports required by Article 14 of the Italian Legislative Decree 39/10, stating that the individual and consolidated financial statements for the financial year ended 30 June 2011 have been drawn up transparently and constitute a truthful and proper reflection of the company's and Group's capital and financial situation, their earnings results, changes to their net equity and cash flows during the year under review;

   b) on the same date the External Auditors also submitted their report prepared in accordance with Article 19 of Italian Legislative Decree 39/10 to the Statutory Audit Committee, which revealed no shortcomings or irregularities worthy of note;

   c) in addition to the duties prescribed by regulations for listed companies, External Auditors Reconta Ernst & Young S.p.A. and the other companies forming part of its network have received other mandates, the fees paid in respect of which have been recognized in the consolidated profit and loss as follows:

Type of service	Reconta Ernst & Young €m	Reconta Ernst & Young network €m
Statements	97	3
Other services:	85	150
Total	182	153

Given the mandates conferred on Reconta Ernst & Young S.p.A. and its network by Mediobanca S.p.A. and the other Group companies, the Statutory Audit Committee does not consider that there are any critical issues arising with respect to the external auditor's independence;

d) no external opinions have been expressed by the External Auditors as required by law in the course of the financial year under review, in the absence of any grounds for such opinions.

3. During the twelve months under review, a total of eight complaints pursuant to Article 2408 of the Italian Civil Code have been received:

   The first complaint, referring to the fine applied to Mediobanca in respect of Consob-Seat Pagine Gialle in August 2010, involved the alleged lack of adequate internal control procedures and the absence of appropriate disciplinary action and stricter organizational measures.

   The Statutory Audit Committee had already ascertained that the fine derived from the conduct of individual traders rather than from inadequate procedures. Disciplinary measures had been taken against the traders involved in the case. The Statutory Audit Committee accordingly decided there were no grounds for pursuing the matter further.

   The second complaint regarded the reasons supplied by the directors who did not take part in the general meeting held on 28 October 2010.

   The Statutory Audit Committee noted that there is no obligation on directors to take part in general meetings, and those who were absent had sent notice in good time of their intention not to attend. The Statutory Audit Committee accordingly decided there were no grounds for pursuing the matter further.

   The third complaint regarded alleged improper treatment of the profit attributable to treasury shares relative to a resolution adopted in a previous year.

   The Statutory Audit Committee referred to the comments on this issue contained in the annual report for the year ended 30 June 2009, and confirmed that the various methods adopted are considered to be legitimate and equivalent for the shareholders. The Statutory Audit Committee accordingly decided there were no grounds for pursuing the matter further.

The fourth complaint referred to the lack of an insurance policy to cover the fine applied by Consob with respect to the Seat-Pagine Gialle case.

The Statutory Audit Committee noted that the fine, which was applied to the company and not the Board of Directors, was not an insurable risk as it constituted an administrative sanction. The Statutory Audit Committee accordingly decided there were no grounds for pursuing the matter further.

Fifthly, the Statutory Audit Committee was asked to check whether the Directors' duties included knowing the remuneration paid to the Chairman of a Group company, with reference in particular to the emolument receivable by Cesare Geronzi in respect of his position as Chairman of Assicurazioni Generali.

The Statutory Audit Committee, having noted that the Board of Directors of Mediobanca has no jurisdiction in matters for which the governing bodies of Assicurazioni Generali are responsible, accordingly decided there were no grounds for pursuing the matter further.

The sixth complaint regarded the alleged unfairness of the book values for the Group's shareholdings in RCS and Telco reflected in the accounts for the period ending 30 June 2010, vis-à-vis their recoverable value.

The Statutory Audit Committee ascertained that the book values had been subject to impairment tests in accordance with the criteria established by the accounting standards and in compliance with the procedure conforming to said standards approved by the Board of Directors as required by the joint Consob-Bank of Italy-ISVAP circular issued on 3 March 2010. The criteria adopted in applying the impairment tests had been examined specifically by the Internal Control Committee, the Statutory Audit Committee and the External Auditors. The Statutory Audit Committee accordingly decided there were no grounds for pursuing the matter further.

The seventh complaint regarded the alleged breach of IAS 24 and Article 2391 bis of the Italian Civil Code in respect of the resolution adopted by the Board of Directors of Mediobanca on 18 September 2009 altering the scope of transactions with related parties.

The Statutory Audit Committee ascertained that the resolution adopted was compliant with the regulations in force at the time, and accordingly decided there were no grounds for pursuing the matter further.

The eighth complaint regarded an alleged irregularity in Article 28 of the company's Articles of Association as amended by shareholders in extraordinary general meeting on 28 October 2010. In particular the complaint regarded the deadline for submitting lists for appointment to the Statutory Audit Committee, which requires as a general rule that such lists be deposited at the company's headquarters within the twenty-five days prior to the date set for the general meeting, with a special provision of an additional five days in the event of no minority lists being submitted. The complaint noted that such a provision would be in breach of the "consultation document" issued by Consob on 5 August 2010, in which the deadline for reopening the term for submitting lists, as governed by Article 144-sexies of Consob's Regulations for Issuers, had been reduced from five to four days. In relation to this issue, the Statutory Audit Committee acknowledged that: i) firstly, the consultation document was circulated by Consob on 5 August 2010, that is, after the proposed amendments had been approved by the Mediobanca Board of Directors di Mediobanca (30 July 2010), and after the relevant application for authorization had been sent to the Bank of Italy (4 August 2010); ii) secondly, consultation documents are only documents presented to the financial community for observations and comments, and for this reason are inevitably subject to change and amendment.

The Statutory Audit Committee thus noted that the amendment to the Articles of Association under discussion is in no way censurable; on the contrary, it corresponded to the state of the regulations as they were in force at the time (Article 147-ter, paragraph 1-bis of the Italian Consolidated Finance Act, and Article 144-sexies, paragraph 5 of the Regulations for Issuers). It should also be noted that the Board of Directors duly amended the Articles of Association in line with the regulations for submission of lists released by Consob on 14 December 2010. Accordingly, the Statutory Audit Committee felt there were no grounds for proceeding further with the matter.

4. The agenda for the ordinary and extraordinary general meetings to be held on 28 October 2011 includes the following resolutions:

   – approval of the Staff remuneration policies, with reference to which the Statutory Audit Committee has no observations to make, having checked that the process adopted in finalizing them was fair and substantially in conformity to the regulations in force;

– authorization to the Board of Directors to increase the company's share capital by means of a rights and/or bonus issue in a nominal amount of up to €100m, and to issue bonds convertible into ordinary shares and/or bonds *cum* warrant, in an amount of up to €2bn, as permitted under Articles 2443 and 2420-ter of the Italian Civil Code, having first revoked the existing powers granted under a resolution adopted by shareholders in general meeting on 27 June 2007 as amended by shareholders in general meeting on 28 October 2008;
– appointments to the Board of Directors and the Statutory Audit Committee, with voting by list, in accordance with the regulations in force;
– proposal to amend various of the company's Articles of Association on which the Statutory Audit Committee has no comments; these amendments in particular regard Articles i) 6 and 10 (*General Meetings*); ii) 14, 15, 17, 18 and 19 (*Board of Directors*); iii) 21, 22 and 23 (*Executive Committee*); iv) 24 (*Managing Director*); v) 25 (*General Manager*); vi) 28 and 29 (*Statutory Audit Committee*); vii) 30 (*Auditing*); viii) the introduction of a new Article 11 (*Transactions with related parties*), with Articles 12 through to 35 to be renumbered accordingly.

5. The Statutory Audit Committee is not aware of any facts or complaints, other than those referred to above, to be reported on to shareholders in general meeting. No omissions, censurable facts, irregularities or other significant circumstances such as would require the supervisory authorities to be notified or as would warrant inclusion in this report have come to the Statutory Audit Committee's attention in the course of its activities or on the basis of the information it has received.

6. Lastly, in view of the specific duties assigned to the External Auditors in terms of auditing the Group's accounts and appraising the reliability of its financial statements, the Statutory Audit Committee has no observations to make to shareholders in general meeting regarding approval of the financial statements for the year ended 30 June 2011 and the Review of Operations as presented by the Board of Directors, or on the proposed profit allocation and dividend distribution formulated by the Board.

Milan, 3 October 2011

THE STATUTORY AUDIT COMMITTEE

AUDITORS' REPORT

ERNST & YOUNG

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

To the Shareholders of
Mediobanca S.p.A.

1. We have audited the financial statements of Mediobanca S.p.A. as of and for the year ended 30 June 2011, comprising the balance sheet, the profit and loss account, the comprehensive profit and loss account, the statement of changes to net equity, the cash flow statement and the related notes to the accounts. These financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the standards issued in accordance with article 9 of Legislative Decree n. 38 of 28 February 2005, are the responsibility of Mediobanca S.p.A.'s directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

   With respect to the financial statements of the prior year, presented for comparative purposes, reference should be made to our report dated 29 September 2010.

3. In our opinion, the financial statements of Mediobanca S.p.A. as of and for the year ended 30 June 2011 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the standards issued in accordance with article 9 of Legislative Decree n. 38 of 28 February 2005; accordingly, they present clearly and give a true and fair view of the financial position, results of operations and cash flows of Mediobanca S.p.A. as of 30 June 2011 and for the year then ended.

4. Mediobanca S.p.A.'s directors are responsible for the preparation of the Review of Operations and the Statement on Corporate Governance and Ownership Structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Review of Operations and of the Statement on Corporate Governance and Ownership Structure, limited to the information reported therein in compliance with article 123-bis of Legislative Decree n. 58 of 24 February 1998, paragraph 1, letters c), d), f), l) and m) and paragraph 2, letter b), with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion, the Review of Operations and the information reported in the Statement on Corporate Governance and Ownership Structure in compliance with article 123-bis of Legislative Decree n. 58 of 24 February 1998, paragraph 1, letters c), d), f), l) and m) and paragraph 2), letter b), are consistent with the financial statements of Mediobanca S.p.A. as of 30 June 2011.

Milan, 30 September 2011

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

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

Reconta Ernst & Young S.p.A.
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INDIVIDUAL FINANCIAL STATEMENTS *

(*) Figures in €.

MEDIOBANCA S.p.A. BALANCE SHEET *

	Assets	30/6/11		30/6/10	
10.	Cash and cash equivalents		643,450		40,875
20.	Financial assets held for trading		12,725,808,070		15,705,020,734
40.	Financial assets available for sale		6,684,673,918		5,237,181,302
50.	Financial assets held to maturity		1,642,883,595		719,814,254
60.	Due from banks		9,821,623,966		7,527,034,331
70.	Due from customers		27,410,971,024		26,280,176,331
80.	Hedging derivatives		1,386,423,418		1,879,212,310
100.	Equity investments		2,670,985,322		2,828,287,118
110.	Property, plant and equipment		119,048,322		118,897,029
120.	Intangible assets		13,772,669		11,683,192
130.	Tax assets:		428,427,514		331,542,230
	a) current	*277,277,467*		*178,763,483*	
	b) advance	*151,150,047*		*152,778,747*	
150.	Other assets		26,523,180		52,950,912
	TOTAL ASSETS		**62,931,784,448**		**60,691,840,618**

* Some derivative contracts accounted for under asset headings 20 and 80 and liability headings 40 and 60 have been netted compared to the figures published in the financial statements for the year ended 30 June 2010.

	Liabilities and net equity	30/6/11		30/6/10	
10.	Due to banks		8,960,747,054		7,954,674,675
20.	Due to customers		1,812,219,183		2,051,945,438
30.	Debt securities in issue		37,514,330,145		37,518,164,270
40.	Trading liabilities		8,088,139,056		6,696,577,767
60.	Hedging derivatives		725,390,425		601,749,137
80.	Tax liabilities:		453,670,355		517,168,339
	a) current	*195,548,837*		*254,465,623*	
	b) deferred	*258,121,518*		*262,702,716*	
100.	Other liabilities		278,627,633		271,266,996
110.	Staff severance indemnity provision		9,215,080		9,874,124
120.	Provisions:		150,776,000		150,776,000
	a) post-employment and similar benefits	—		—	
	b) other provisions	*150,776,000*		*150,776,000*	
130.	Revaluation reserves		(12,566,516)		(33,972,127)
160.	Reserves		2,486,562,854		2,372,423,708
170.	Share premium reserve		2,120,143,393		2,119,912,747
180.	Share capital		430,564,606		430,551,039
190.	Treasury shares		(213,410,361)		(213,410,361)
200.	Profit for the period		127,375,541		244,138,866
	TOTAL LIABILITIES AND NET EQUITY		**62,931,784,448**		**60,691,840,618**

MEDIOBANCA S.p.A. PROFIT AND LOSS ACCOUNT

	Item	12 mths to 30/6/11		12 mths to 30/6/10	
10.	Interest and similar income		1,765,376,499		1,824,150,944
20.	Interest expense and similar charges		(1,453,720,140)		(1,473,243,488)
30.	**Net interest income**		**311,656,359**		**350,907,456**
40.	Fee and commission income		300,309,381		303,921,333
50.	Fee and commission expense		(16,116,964)		(7,000,425)
60.	**Net fee and commission income**		**284,192,417**		**296,920,908**
70.	Dividends and similar income		214,826,700		138,592,745
80.	Net trading income		33,291,254		9,949,475
90.	Net hedging income (expense)		(977,387)		(15,987,333)
100.	Gain (loss) on disposal/repurchase of:		29,295,047		158,318,141
	a) loans and advances	*585,591*		—	
	b) AFS securities	*11,328,205*		*138,767,751*	
	c) financial assets held to maturity	*(3,320,498)*		*26,350*	
	d) financial liabilities	*20,701,749*		*19,524,040*	
120.	**Total income**		**872,284,390**		**938,701,392**
130.	Adjustments for impairment to:		(154,951,418)		(261,285,081)
	a) loans and advances	*6,433,299*		*(57,672,748)*	
	b) AFS securities	*(144,538,751)*		*(148,016,782)*	
	c) financial assets held to maturity	*(10,754,494)*		*(1,402,497)*	
	d) financial liabilities	*(6,091,472)*		*(54,193,054)*	
140.	**Net income from financial operations**		**717,332,972**		**677,416,311**
150.	Administrative expenses:		(309,714,067)		(271,609,551)
	*a) personnel costs **	*(221,764,495)*		*(194,827,555)*	
	*b) other administrative expenses **	*(87,949,572)*		*(76,781,996)*	
170.	Net adjustments to tangible assets		(3,047,558)		(3,062,156)
180.	Net adjustments to intangible assets		(10,125,291)		(6,023,974)
190.	Other operating income (expense)		18,546,048		11,851,974
200.	**Operating costs**		**(304,340,868)**		**(268,843,707)**
210.	Gain (loss) on equity investments		(158,647,205)		(17,432,654)
240.	Gain (loss) on disposal of investments in:		30,642		(1,084)
	a) property	—		—	
	b) other assets	*30,642*		*(1,084)*	
250.	**Profit (loss) on ordinary activities before tax**		**254,375,541**		**391,138,866**
260.	Income tax for the year on ordinary activities		(127,000,000)		(147,000,000)
270.	**Profit (loss) on ordinary activities after tax**		**127,375,541**		**244,138,866**
290.	**Net profit (loss) for the period**		**127,375,541**		**244,138,866**

* Restated from 30 June 2010 in accordance with Bank of Italy guidance as per their circular issued on 22 February 2011.

COMPREHENSIVE PROFIT AND LOSS ACCOUNT

	Headings	30/6/11	30/6/10
10.	Gain (loss) for the period	127,375,541	244,138,866
	Other income items net of tax		
20.	AFS securities	14,493,498	92,690,335
30.	Property, plant and equipment	—	—
40.	Intangible assets	—	—
50.	Foreign investment hedges	—	—
60.	Cash flow hedges	6,912,113	(63,966,680)
70.	Exchange rate differences	—	—
80.	Non-current assets being sold	—	—
90.	Actuarial gains (losses) on defined-benefit pension schemes	—	—
100.	Share of valuation reserves for equity-accounted companies	—	—
110.	Total other income items net of tax	21,405,611	28,723,655
120.	Aggregate profit (Heading 10 + Heading 110)	148,781,152	272,862,521

STATEMENT OF CHANGES TO AVERAGE MEDIOBANCA NET EQUITY

	Previously reported balance at 30/6/10	Allocation of profit for previous period		Changes during the reference period							Overall consolidated profit	Balance at 30/6/11
				Changes to reserves	Transactions involving net equity							
		Reserves	Dividends and other fund applications		New shares issued	Treasury shares acquired	Extra ordinary dividend payouts	Changes to equity instruments	Treasury shares derivatives	Stock options [1]		
Share capital:	430,551,039	—	—	—	13,567	—	—	—	—	—	—	430,564,606
a) ordinary shares	430,551,039	—	—	—	13,567	—	—	—	—	—	—	430,564,606
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,119,912,746	—	—	—	230,647	—	—	—	—	—	—	2,120,143,393
Reserves:	2,372,423,708	100,643,084	—	—	—	—	—	—	—	13,496,062	—	2,486,562,854
a) retained earnings	2,329,813,794	100,643,084	—	—	—	—	—	—	—	—	—	2,430,456,878
b) others	42,609,914	—	—	—	—	—	—	—	—	13,496,062	—	56,105,976
Valuation reserves	(33,972,127)	—	—	—	—	—	—	—	—	—	21,405,611	(12,566,516)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(213,410,361)	—	—	—	—	—	—	—	—	—	—	(213,410,361)
Profit (loss) for the period	244,138,866	(100,643,084)	(143,495,782)	—	—	—	—	—	—	—	127,375,541	127,375,541
Net equity	4,919,643,871	—	(143,495,782)	—	244,214	—	—	—	—	13,496,062	148,781,152	4,938,669,517

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

STATEMENT OF CHANGES TO MEDIOBANCA NET EQUITY FROM 1/7/09 TO 30/6/10

	Previously reported balance at 30/6/09	Allocation of profit for previous period		Changes during the reference period							Overall consolidated profit	Balance at 30/6/10
					Transactions involving net equity							
		Reserves	Dividends and other fund applications	Changes to reserves	New shares issued	Treasury shares acquired	Extra ordinary dividend payouts	Changes to equity instruments	Treasury shares derivatives	Stock options		
Share capital:	410,027,832	—	—	—	20,523,207	—	—	—	—	—	—	430,551,039
a) ordinary shares	410,027,832	—	—	—	20,523,207	—	—	—	—	—	—	430,551,039
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,140,043,291	—	—	—	(20,130,545)	—	—	—	—	—	—	2,119,912,746
Reserves:	2,346,457,008	—	20,807,708	—	—	—	—	—	—	5,158,992	—	2,372,423,708
a) retained earnings	2,309,006,086	—	20,807,708	—	—	—	—	—	—	—	—	2,329,813,794
b) others*	37,450,922	—	—	—	—	—	—	—	—	5,158,992	—	42,609,914
Valuation reserves	(62,695,782)	—	—	—	—	—	—	—	—	—	28,723,655	(33,972,127)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(213,410,361)	—	—	—	—	—	—	—	—	—	—	(213,410,361)
Profit (loss) for the period	20,807,708	—	(20,807,708)	—	—	—	—	—	—	—	244,138,866	244,138,866
Net equity	4,641,229,696	—	—	—	392,662	—	—	—	—	5,158,992	272,862,521	4,919,643,871

* Transfer to the stock option schemes.

MEDIOBANCA CASH FLOW STATEMENT
Direct method

		Amounts	
		30/6/11	30/6/10
A.	**Cash flow from operating activities**		
1.	**Operating activities**	**1,920,687,012**	**1,646,766,622**
	-interest received	3,770,191,647	3,513,887,930
	-interest paid	(2,867,179,170)	(2,626,255,495)
	-dividends and similar income	115,969,377	68,415,320
	-net fees and commission income	226,876,215	379,959,196
	-cash payments to employees	(121,898,061)	(82,240,655)
	-net premium income	—	—
	-other premium from insurance activities	—	—
	-other expenses paid	(1,754,547,942)	(664,661,002)
	-other income received	2,551,832,812	1,058,082,520
	-income taxes paid	(557,866)	(421,192)
	-net expense/income from groups of assets being sold	—	—
2.	**Cash generated/absorbed by financial assets**	**(2,975,389,796)**	**(2,566,848,456)**
	- financial assets held for trading	2,848,927,121	(2,288,572,050)
	-financial assets recognized at fair value	—	—
	-AFS securities	(2,094,421,116)	(781,629,874)
	-due from customers	(1,358,013,370)	2,328,272,793
	-due from banks: on demand	744,128,007	14,379,690
	-due from banks: other	(2,867,224,418)	(1,721,258,830)
	-other assets	(248,786,020)	(118,040,185)
3.	**Cash generated/absorbed by financial liabilities**	**1,523,439,828**	**1,017,308,459**
	-due to banks: on demand	1,142,366,318	4,508,774,809
	-due to banks: other	(500,218,768)	(2,758,183,851)
	-due to customers	(192,827,545)	(992,491,309)
	-debt securities	484,348,590	(260,393,146)
	-trading liabilities	700,043,201	780,505,383
	-financial liabilities assets recognized at fair value	—	—
	-other liabilities	(110,271,968)	(260,903,427)
	Net cash flow (outflow) from operating activities	**468,737,044**	**97,226,625**
B.	**Investment activities**		
1.	**Cash generated from**	**173,394,856**	**70,796,921**
	-disposals of shareholdings	72,000	55,041
	-dividends received in respect of equity investments	98,857,323	70,177,424
	-disposals/redemptions of financial assets held to maturity	74,342,533	476,032
	-disposals of tangible assets	107,000	88,424
	-disposals of intangible assets	16,000	—
	-disposals of subsidiaries or business units	—	—
2.	**Cash absorbed by**	**(498,277,759)**	**(168,413,127)**
	-acquisitions of shareholdings	—	(138,257)
	-acquisitions of held-to-maturity investments	(483,127,000)	(151,054,942)
	-acquisitions of tangible assets	(2,920,000)	(3,966,020)
	-acquisitions of intangible assets	(12,230,759)	(13,253,908)
	-acquisitions of subsidiaries or business units	—	—
	-Net cash flow (outflow) from investment/servicing of finance	**(324,882,903)**	**(97,616,206)**
C.	**Funding activities**		
	-issuance/acquisition of treasury shares	244,215	392,661
	-issuance/acquisitions of equity instruments	—	—
	-dividends payout and other applications of funds	(143,495,781)	—
	Net cash flow (outflow) from funding activities	**(143,251,566)**	**392,661**
	Net cash flow (outflow) during period	**602,575**	**3,080**

RECONCILIATION OF MOVEMENTS IN CASH FLOW DURING PERIOD

	Amounts	
	30/6/11	30/6/10
Cash and cash equivalents: balance at start of period	40,875	37,795
Total cash flow (ouflow) during period	602,575	3,080
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at end of period	643,450	40,875

NOTES TO THE ACCOUNTS

Page no.

PART A - ACCOUNTING POLICIES

Section 1

Statement of conformity with IAS/IFRS

The financial statements of Mediobanca S.p.A. for the period ended 30 June 2011 have, as required by Italian Legislative Decree 38/05, been drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), which were adopted by the European Commission in accordance with the procedure laid down in Article 6 of regulation CE 1606/02 issued by the European Council and Commission on 19 July 2002. Adoption of the new accounting standards with respect to financial reporting by banks was governed by Bank of Italy circular no. 262 issued on 22 December 2005.

Section 2

General principles

These consolidated financial statements comprise:

– balance sheet;
– profit and loss account;
– comprehensive profit and loss account;
– statement of changes in net equity;
– cash flow statement (direct method);
– notes to the accounts.

All the statements have been drawn up in conformity with the general principles provided for under IAS and the accounting policies illustrated in section 3, and show data for the period under review compared with that for the previous financial year.

Section 3

Significant accounting policies

Financial assets held for trading

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

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

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

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

AFS securities

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

AFS assets are initially recognized at fair value, which includes transaction costs and income directly attributable to them. Thereafter they continue to be 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. For shares, in particular, the criteria used to determine impairment are a reduction in fair value of over one half or for longer than twenty-four months, [1] compared to the initial recognition value. If the reasons for which the loss was recorded subsequently cease to apply, the impairment is written back to the profit and loss account for debt securities to and net equity for shares.

Financial assets held to maturity

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

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

[1] The quantitative limit has been established at twenty-four months (rather than eighteen) in view of the Bank' investment profile and given the market benchmark; this change has generated no impact on the current year's accounts.

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

Loans and receivables

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

Loans and receivables are looked on disbursement at a value equal to the amount drawn plus (less) any income (expenses) directly attributable to individual transactions and determinable from the outset despite being payable at a later date. The item does not, however, include costs subject to separate repayment by the borrower, or which may otherwise be accounted for as ordinary internal administrative costs. Repos and reverse repos are booked as funding or lending transactions for the spot amount received or paid. Non-performing loans acquired are booked at amortized cost on the basis of an internal rate of return calculated using estimates of expected recoverable amounts.

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

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

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

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

Accounts for which there is objective evidence of impairment, including those involving counterparties in countries deemed to be at risk, are subject to collective tests. Loans are grouped on the basis of similar credit risk characteristics, and the related loss percentages are estimated at the impairment date on the basis of historical series of internal and external data. Collective value adjustments are credited or charged to the profit and loss account, as appropriate. At each annual and interim reporting date, any writedowns or writebacks are remeasured on a differentiated basis with respect to the entire portfolio of loans deemed to be performing at that date.

Leasing

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

Hedges

There are two types of hedge:

– fair value hedges, which are intended to offset the exposure of recognized assets and liabilities to changes in their fair value;

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

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

Hedge derivatives are recognized at fair value as follows:

– changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset, where a difference between the two emerges as a result of the partial ineffectiveness of the hedge;

– the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in net equity, while the gain or loss deriving from the ineffective portion is recognized through the profit and loss account only as and when, with reference to the hedged item, the change in cash flow to be offset crystallizes.

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

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

Equity investments

This heading consists of investments in:

– subsidiaries;

– associates, defined as companies in which at least 20% of the voting rights are held, and those in which the size of the investment is sufficient to ensure an influence in the governance of the investee company;

– jointly-controlled companies;

– other investments of negligible value.

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

Property, plant and equipment

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

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

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

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

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

Intangible assets

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

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

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

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

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

Derecognition of assets

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

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

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

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

Payables, debt securities in issue and subordinated liabilities

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

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

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

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

The sale of treasury shares over the market following a buyback is treated as a new issue. The new sale price is recorded as a liability without passing through the profit and loss account.

Trading liabilities

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

Staff severance indemnity provision

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

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

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

Provisions for liabilities and charges

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

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

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

Foreign currency transactions

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

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

Tax assets and liabilities

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

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

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

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

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

Stock options and performance shares

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

Treasury shares

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

Dividends and commissions

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

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

Related parties (IAS 24)

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

a) individuals or entities which directly or indirectly:
   1. are subject to joint control by Mediobanca (including the parent company, subsidiaries and associates);
   2. hold an interest in Mediobanca which allows them to exert a significant influence over Mediobanca: significant influence is presumed to exist in cases where an individual or entity holds an interest of more than 5% in the share capital of Mediobanca, along with the entitlement to appoint at least one member of the Board of Directors

b) associate companies;

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

d) subsidiaries, jointly-controlled companies and companies subject to significant influence by one of the individuals referred to in letter c) above, or in which they themselves hold, directly or indirectly, a significant share of the voting rights or are shareholders and hold strategic roles (Chairman or Chief Executive Officer);

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

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

PART A.3 - INFORMATION ON FAIR VALUE

A.3.1 Transfers between portfolios

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

Type of instrument	Transferred from	Transferred to	Book value at 30/6/11	Fair value *at* 30/6/11	Additions to P&L if assets not transferred (pre-tax)		Additions to P&L made during the year (pre-tax)	
					Valuation	Other	Valuation	Other
Debt securities (ABS)	Financial assets held for trading	Due from customers	160,132	149,719	(1,584)	4,651	—	4,651
Debt securities (ABS)	AFS securities	Due from customers	62,501	60,204	(1,673)	3,353	—	3,353
Debt securities	AFS securities	Financial assets held to maturity	476,307	463,319	(12,988)	16,958	—	16,958
Total			698,940	673,242	(16,245)	24,962	—	24,962

[1] *Made during FY 08/09.*
[2] Made during the present year and detailed in table A.3.1.2 below.

A.3.1.2 Reclassified financial assets: impact on comprehensive profitability prior to transfer

Type of instrument	Transferred from	Transferred to	Gain (loss) recognized in P&L (pre-tax)		Gain (loss) recognized in net equity (pre-tax)	
			30/6/11	30/6/10	30/6/11	30/6/10
Debt securities	AFS securities	Financial assets held to maturity	—	—	10,220	5,341

A.3.2 *Fair value ranking*

A.3.2.1 *Asset portfolios by fair value ranking*

	30/6/11			30/6/10		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	7,907,377	3,465,553	1,352,878 [1]	10,133,408	4,374,014	1,197,599 [1]
2. Financial assets recognized at fair value	—	—	—	—	—	—
3. AFS securities	5,149,361	462,333	1,072,980 [2]	3,539,713	648,813	1,048,655 [2]
4. Hedge derivatives	—	1,386,423	—	—	1,879,212	—
Total	13,056,738	5,314,309	2,425,858	13,673,121	6,902,039	2,246,254
1. Financial liabilities held for trading	(3,177,725)	(3,633,535)	(1,276,879) [1]	(1,318,754)	(4,309,498)	(1,068,326) [1]
2. Financial liabilities recognized at fair value	—	—	—	—	—	—
3. Hedge derivatives	—	(725,390)	—	—	(601,749)	—
Total	(3,177,725)	(4,358,925)	(1,276,879)	(1,318,754)	(4,911,247)	(1,068,326)

[1] Includes market value of options covering those attached to bond issues by Mediobanca (€395m at 30/6/11 and €333m at 30/6/10) as well as options traded (€670m and €319m respectively), the values of which are recorded as both assets and liabilities for the same amount.

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

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

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

	FINANCIAL ASSETS			
	Held for trading [1 3]	Recognized at fair value	AFS [2]	Hedges
1. Balance at start of period	390,066	—	1,048,655	—
2. Additions	70,847	—	115,204	—
2.1 Purchases	53,484	—	105,409	—
2.2 Profits recognized in:	17,130	—	6,152	—
2.2.1 profit and loss account	17,130	—	—	—
- of which, gains	16,926	—	—	—
2.2.2 net equity	—	—	6,152	—
2.3 Transfers from other levels	—	—	—	—
2.4 Other additions	233	—	3,643	—
3. Reductions	172,895	—	90,879	—
3.1 Disposals	23,055	—	56,616	—
3.2 Redemptions	122,265	—	—	—
3.3 Losses recognized in:	22,683	—	34,263	—
3.3.1 profit and loss account	22,683	—	20,868	—
- of which, losses	22,391	—	20,868	—
3.3.2 net equity	—	—	13,395	—
3.4 Transfers to other levels	—	—	—	—
3.5 Other reductions	4,892	—	—	—
4. Balance at end of period	288,018	—	1,072,980	—

[1] Net of the market value of options covering those attached to bond issues by Mediobanca (€395m at 30/6/11 and €333m at 30/6/10) as well as options traded (€670m and €319m respectively), the values of which are recorded as both assets and liabilities for the same amount.

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

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

For more complex Level 3 instruments, the valuation models reflect a fine-tuning in the parameters used (“model reserve”) which allows the initial mark-to-market to be reduced to zero and released pro rata for the duration of the contract. This technique has only been applied to four contracts, with an aggregate residual impact of €6m, including €2.1m already charged to the profit and loss account.

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

	FINANCIAL LIABILITIES		
	Held for trading [1] [2]	Recognized at fair value	Hedges
1. Balance at start of period	260,792	—	—
2. Additions	119,021	—	—
2.1 Issues	88,662	—	—
2.2 Losses recognized in:	30,359	—	—
2.2.1 profit and loss account	30,359	—	—
- of which, losses	30,359	—	—
2.2.2 net equity	—	—	—
2.3 Transfers from other levels	—	—	—
2.4 Other additions	—	—	—
3. Reductions	167,795	—	—
3.1 Redemptions	123,163	—	—
3.2 Buybacks	—	—	—
3.3 Profits recignized in:	39,740	—	—
3.3.1 profit and loss account	39,740	—	—
- of which, gains	39,740	—	—
3.3.2 net equity	—	—	—
3.4 Transfers to other levels	—	—	—
3.5 Other reductions	4,892	—	—
4. Balance at end of period	212,018	—	—

1 Net of the market value of options covering those attached to bond issues by Mediobanca (€395m at 30/6/11 and €333m at 30/6/10) as well as options traded (€670m and €319m respectively), the values of which are recorded as both assets and liabilities for the same amount.

2 The amount of the issues is entirely due to the sale of options on listed securities dynamically hedged with the underlying share.

PART B - NOTES TO BALANCE SHEET *

Segmental information

Assets

Section 1

Heading 10: Cash and cash equivalents

1.1 Cash and cash equivalents

	30/6/11	30/6/10
a) Cash	82	41
b) Demand deposits held at central banks	561	—
Total	643	41

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

Section 2

Heading 20: Financial assets held for trading

2.1 Financial assets held for trading: composition

Derivative products	30/6/11				30/6/10			
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Cash assets								
1. Debt securities	3,938,730	876,142	1		8,465,791	811,764	1	
1.1 Structured	244,838	196,129	—		43,462	—	—	
1.2 Other debt securities	3,693,892	680,013	1		8,422,329	811,764	1	
2. Equities	1,549,923	—	164,296		844,163	34,386	190,695	
3. UCITS units	332,845	—	35,518		335,532	—	13,482	
4. Loans and advances	—	—	—		—	—	—	
4.1 Repos	—	—	—		—	—	—	
4.2 Others	—	—	—		—	—	—	
Total A	5,821,498	876,142	199,815		9,645,486	846,150	204,178	
B. Derivative products								
1. Financial derivatives	564,179	2,399,568	1,153,063		295,189	3,281,611	990,508	
1.1 Trading	564,179	2,335,833	758,642	1	295,189	3,157,679	501,397	1
1.2 Linked to fair value options	—	—	—		—	—	—	
1.3 Others	—	63,735	394,421	2	—	123,932	489,111	2
2. Credit derivatives	1,521,700	189,843	—		192,731	246,253	2,913	
2.1 Trading	1,521,700	189,843	—		192,731	246,253	2,913	
2.2 Linked to fair value options	—	—	—		—	—	—	
2.3 Others	—	—	—		—	—	—	
Total B	2,085,879	2,589,411	1,153,063		487,920	3,527,864	993,421	
Total (A+B)	7,907,377	3,465,553	1,352,878		10,133,406	4,374,014	1,197,599	

[1] Respectively €670,439,000 and €319,636,000 in respect of options traded, matching the amount recorded as a trading liability.

[2] Market value of options covering options matched with bonds issued by Mediobanca and Mediobanca International, against the same amount recorded as a trading liability.

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

Item/value	30/6/11	30/6/10
A. CASH ASSETS		
1. Debt securities	4,814,873	9,277,558
a. Governments and central banks	1,922,496	5,771,181
b. Other public agencies	57,857	—
c. Banks	694,284	800,141
d. Other issuers	2,140,236	2,706,236
2. Equities	1,714,219	1,069,244
a. Banks	219,053	267,196
b. Other issuers	1,495,166	802,048
- insurances	48,815	45,835
- financial companies	60,930	77,436
- non-financial companies	1,385,421	678,777
- others	—	—
3. UCITS units	368,363	349,014
4. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
Total A	6,897,455	10,695,816
B. DERIVATIVE PRODUCTS		
a. Banks	4,268,056	3,288,065
b. Customers	1,560,297	1,721,140
Total B	5,828,353	5,009,205
Total (A+B)	12,725,808	15,705,021

2.3 Financial assets held for trading: derivative products

	Debt securities	Equities	UCITS units	Loans and advances	Total
A. Balance at start of period	9,277,558	1,069,244	349,014	—	10,695,816
B. Additions	25,462,030	8,341,740	31,221	—	33,834,991
B.1 Acquisitions	25,051,521	8,179,214	28,555	—	33,259,290
B.2 Increases in fair value	43,953	19,098	2,512	—	65,563
B.3 Other additions	366,556	143,428	154	—	510,138
C. Reductions	29,924,715	7,696,765	11,872	—	37,633,352
C.1 Disposals	23,371,352	7,543,212	11,814	—	30,926,378
C.2 Redemptions	6,403,841	—	—	—	6,403,841
C.3 Reductions in fair value	77,317	78,175	51	—	155,543
C.4 Transfers to other portfolios	—	—	—	—	—
C.5 Other reductions	72,205	75,378	7	—	147,590
D. Balance at end of period	4,814,873	1,714,219	368,363	—	6,897,455

Section 4

Heading 40: Available for sale (AFS) securities

4.1 AFS securities: composition

Item/value	30/6/11			30/6/10		
	Level 1	Level 2	Level 3 *	Level 1	Level 2	Level 3 *
1. Debt securities	4,591,176	462,333	1	3,143,354	583,934	—
1.1 Structured	—	—	—	—	—	—
1.2 Other debt securities	4,591,176	462,333	1	3,143,354	583,934	—
2. Equities	558,185	—	994,837	396,359	64,879	1,024,766
2.1 Recognized at fair value	558,185	—	994,837	396,359	64,879	1,024,766
2.2 Recognized at cost	—	—	—	—	—	—
3. UCITS units	—	—	78,142	—	—	23,889
4. Loans and advances	—	—	—	—	—	—
Total	5,149,361	462,333	1,072,980	3,539,713	648,813	1,048,655

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

4.2 *AFS securities: by borrower/issuer*

Item/value	30/6/11	30/6/10
1. Debt securities	5,053,510	3,727,288
a. Governments and central banks	2,853,111	912,864
b. Other public agencies	—	—
c. Banks	1,127,867	1,248,570
d. Other issuers	1,072,532	1,565,854
2. Equities	1,553,022	1,486,004
a. Banks	378,101	381,628
b. Other issuers	1,174,921	1,104,376
- insurances	—	—
- financial companies	475,035	545,188
- non-financial undertakings	699,886	559,188
- others	—	—
3. UCITS units	78,142	23,889
4. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other issuers	—	—
Total	6,684,674	5,237,181

4.3 *AFS securities: assets subject to specific hedging*

Item/value	30/6/11	30/6/10
1. Financial assets subject to specific fair value hedges:	438,121	255,640
a. interest rate risk	383,868	255,640
b. price risk	54,253	—
c. exchange rate risk	—	—
d. credit risk	—	—
e. more than one risk	—	—
2. Financial assets subject to specific cash flow hedges:	—	—
a. interest rate risk	—	—
b. exchange rate risk	—	—
c. other	—	—
Total	438,121	255,640

4.4 AFS securities: movements during the period

	Debt securities	Equities	UCITS units	Loans and advances	Total
A. Balance at start of period	3,727,288	1,486,004	23,889	—	5,237,181
B. Additions	2,778,081	286,876	55,849	—	3,120,806
B.1 Acquisitions	2,704,418	186,969	22,739	—	2,914,126
B.2 Increases in fair value	33,995	73,705	6,103	—	113,803
B.3 Writebacks	37,085	12,758	—	—	49,843
- recognized in profit and loss account	—	X	—	—	—
- recognized in net equity	37,085	12,758	—	—	49,843
B.4 Transfers from other asset classes	—	—	—	—	—
B.5 Other additions	2,583	13,444	27,007	—	43,034
C. Reductions	1,451,859	219,858	1,596	—	1,673,313
C.1 Disposals	668,376	122,329	—	—	790,705
C.2 Redemptions	29,000	—	—	—	29,000
C.3 Reductions in fair value	109,486	29,709	600	—	139,795
C.4 Writedowns due to impairment	108,903	35,335	996	—	145,234
- taken to profit and loss account	108,903	34,429	783	—	144,115
- taken to net equity	—	906	213	—	1,119
C.5 Transfers to other asset classes	522,764	—	—	—	522,764
C.6 Other reductions	13,330	32,485	—	—	45,815
D. Balance at end of period	5,053,510	1,553,022	78,142	—	6,684,674

Section 5

Heading 50: Financial assets held to maturity

5.1 Financial assets held to maturity

Type of transactions/group components	30/6/11				30/6/10			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	1,642,884	1,396,883	202,471	22,203	719,814	527,501	151,524	9,390
1.1 Structured	—	—	—	—	—	—	—	—
1.2 Other debt securities	1,642,884	1,396,883	202,471	22,203	719,814	527,501	151,524	9,390
2. Loans and advances	—	—	—	—	—	—	—	—
Total	1,642,884	1,396,883	202,471	22,203	719,814	527,501	151,524	9,390

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

Type of transactions/value	30/6/11	30/6/10
1. Debt securities	1,642,884	719,814
a. Governments and central banks	246,151	—
b. Other public agencies	—	—
c. Banks	399,917	25,392
d. Other entities	996,816	694,422
2. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
Total	1,642,884	719,814

5.4 *Assets held to maturity: movements during the period*

	Debt securities	Loans and advances	Total
A. Balance at start of period	719,814	—	719,814
B. Additions	1,011,486	—	1,011,486
B.1 Acquisitions	483,127	—	483,127
B.2 Writebacks	—	—	—
B.3 Transfers from other asset classes	522,764	—	522,764
B.4 Other additions	5,595	—	5,595
C. Reductions	88,416	—	88,416
C.1 Disposal	—	—	—
C.2 Redemptions	74,342	—	74,342
C.3 Value adjustments	10,754	—	10,754
C.4 Transfers to other asset classes	—	—	—
C.5 Other reductions	3,320	—	3,320
D. Balance at end of period	1,642,884	—	1,642,884

Section 6

Heading 60 - Due from banks

6.1 Due from banks

Type of transactions/value	30/6/11	30/6/10
A. Due from central banks	116	354,668
1. Term deposits	—	300,087
2. Compulsory reserves	116	54,581
3. Amounts due under repo agreements	—	—
4. Other amounts due	—	—
B. Due from banks	9,821,508	7,172,366
1. Current accounts and demand deposits	1,350,453	997,863
2. Term deposits	1,184,081	917,708
3. Other receivables:	7,286,974	5,256,795
3.1 amounts due under repo agreements	3,309,953	2,140,784
3.2 amounts due under finance leases	—	—
3.3 other amounts due	3,977,021	3,116,011
4. Debt securities	—	—
4.1 structured	—	—
4.2 other debt securities	—	—
Total book value	9,821,624	7,527,034
Total fair value	9,817,870	7,526,750

Section 7

Heading 70: Due from customers

7.1 Due from customers: composition

Type of transactions/amounts	30/6/11		30/6/10	
	Performing	Non-performing	Performing	Non-performing
1. Current accounts	179,204	—	64,330	—
2. Amounts due under repo agreements	2,560,753	—	6,117,994	—
3. Mortgages	19,762,314	127,326	17,450,534	116,895
4. Credit cards, personal loans and salary-guaranteed finance	—	—	—	—
5. Amounts due under finance leasing	—	—	—	—
6. Factoring	—	—	—	—
7. Other transactions	2,423,156	—	1,795,771	—
8. Debt securities	2,358,218	—	734,652	—
8.1 structured	—	—	—	—
8.2 other debt securities	2,358,218 [1]	—	734,652	—
Total book value	27,283,645	127,326	26,163,281	116,895
Total (fair value)		27,268,738		26,138,053

[1] Of which €1,693,653 in securities issued by Quarzo as part of a securitization of Compass receivables.

7.2 *Due from customers: by borrower/issuer*

Type of transactions/value	30/6/11		30/6/10	
	Performing	Non-performing	Performing	Non-performing
1. Debt securities:	2,358,218	—	734,652	—
a) Governments	—	—	—	—
b) Other public agencies	—	—	—	—
c) Other issuers	2,358,218	—	734,652	—
- non-financial undertakings	—	—	—	—
- financial companies	2,310,750	—	689,445	—
- insurances	47,468	—	45,207	—
- other entities	—	—	—	—
2. Loans and advances to:	24,925,427	127,326	25,428,629	116,895
a) Governments	40,243	—	62,365	—
b) Other public agencies	—	—	—	—
c) Other issuers	24,885,184	127,326	25,366,264	116,895
- non-financial undertakings	9,091,245	122,655	9,096,057	108,917
- financial companies	13,751,245	4,671	14,113,257	7,978
- insurances	1,986,161	—	2,081,470	—
- other entities	56,533	—	75,480	—
Total	27,283,645	127,326	26,163,281	116,895

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

Type of transactions/value	30/6/11	30/6/10
1. Items subject to specific fair value hedges for :	237,173	266,197
a) interest rate risk	237,173	266,197
b) exchange rate risk	—	—
c) credit risk	—	—
d) more than one risk	—	—
2. Items subject to specific cash flow hedges:	—	—
a) interest rate risk	—	—
b) exchange rate risk	—	—
c) other	—	—
Total	237,173	266,197

Section 8

Heading 80: Hedging derivatives

8.1 Hedging derivatives by type of contract and underlying asset

	30/6/11				30/6/10			
	Fair value			Notional value	Fair value			Notional value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivates	—	1,386,423	—	18,608,442	—	1,879,212	—	20,549,862
1) Fair value	—	1,386,423	—	18,608,442	—	1,879,212	—	20,549,862
2) Cash flow	—	—	—	—	—	—	—	—
3) Non-Italian investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	1,386,423	—	18,608,442	—	1,879,212	—	20,549,862

8.2 Hedging derivatives: by portfolio hedged and hedge type

Operations/type of hedging	Fair value hedges						Cash flow hedges		Non-Italian investments
	Specific					General	Specific	General	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. AFS securities	1,836	—	—	—	—	X	—	X	X
2. Loans and advances	3,627	—	—	X	—	X	—	X	X
3. Financial assets held to maturity	X	—	—	X	—	X	—	X	X
4. Portfolio	X	X	X	X	X	—	X	—	X
5. Non-Italian investments	—	—	—	—	—	X	—	X	—
Total assets	5,463	—	—	—	—	X	—	—	—
1. Financial liabilities	1,379,439	1,521	—	—	—	X	—	X	X
2. Portfolio	X	X	X	X	X	—	X	—	X
Total liabilities	1,379,439	1,521	—	—	—	—	—	—	X
1. Estimated transactions	X	X	X	X	X	X	—	—	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	—	X	—	—

Section 10

Heading 100: Equity investments

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

Name	Registered office	Percentage shareholding	Percentage voting rights
A. SUBSIDIARIES			
Directly held investments			
1. Compass S.p.A. Share capital €587.5m, in par value €5 shares	Milan	100.00	100.00
2. Prominvestment S.p.A. (in liquidation) Share capital €743,000, in par value €0.52 shares	Rome	100.00	100.00
3. Prudentia Fiduciaria S.p.A. Share capital €100,000, in par value €5 shares	Milan	100.00	100.00
4. Ricerche e Studi S.p.A. Share capital €100,000, in par value €5 shares	Milan	100.00	100.00
5. Sade Finanziaria - Intersomer S.r.l. Share capital €25,000	Milan	100.00	100.00
6. Seteci - Società Consortile per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.c.p.A. Share capital €500,000, in par value €5 shares	Milan	99.99	99.99
7. Spafid S.p.A. Share capital €100,000, in par value €10 shares	Milan	100.00	100.00
8. Compagnie Monegasque de Banque - CMB S.A.M. Share capital €111.1m, in par value€200 shares	Monte Carlo	100.00	100.00
9. Mediobanca International (Luxembourg) S.A. Share capital €10m, in par value €10 shares	Luxembourg	99.00	99.00
10. MB Securities USA LLC Share capital $2.25m	New York	100.00	100.00
11. Consortium S.r.l. Share capital €8.6m	Milan	100.00	100.00
B. JOINTLY-CONTROLLED COMPANIES			
1. Banca Esperia S.p.A. Share capital €13m, in par value €0.52 shares	Milan	50.00	50.00
C. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE			
1. Athena Private Equity S.A. Share capital €151.1m, in par value €2 shares	Luxembourg	24.27	24.27
2. Burgo Group S.p.A. Share capital €205.4m, in par value €0.52 shares	Altavilla Vicentina (VI)	22.13	22.13
3. Fidia - Fondo Interbancario d'Investimento Azionario SGR S.p.A. Share capital €4.9m, in par value €520 shares	Milan	25.00	25.00
4. Assicurazioni Generali S.p.A. Share capital €1,556.9m, in par value €1 shares	Trieste	12.24	12.24
5. RCS MediaGroup S.p.A. Share capital €762m, in par value €1 shares	Milan	14.36	14.94
6. Pirelli & C. S.p.A. Share capital €1,556.7m, in par value €0.29 shares	Milan	4.49	4.61
7. Gemina S.p.A. Share capital €1,473m, in par value €1 shares	Milan	12.53	12.56
8. Telco S.p.A. Share capital €3,287.2m	Milan	11.62	11.62

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

	Total assets	Total income	Net equity (€'000) (For. curr. '000)	Net profit (loss) (€'000) (For. curr. '000)	Book value (€'000)
A. SUBSIDIARIES (IAS 27)					
DIRECTLY OWNED					
1. Compass S.p.A. Share capital €587.5m, in par value €5 shares	10,252,613	935,755	1,028,211	85,116	580,627
2. Prominvestment S.p.A. (in liquidation) Share capital €743,000, in par value €0.52 shares	4,982	704	(520)	(738)	—
3. Prudentia Fiduciaria S.p.A. Share capital €100,000, in par value €5 shares	2,706	3,551	1,007	579	103
4. Ricerche e Studi S.p.A. Share capital €100,000, in par value €5 shares	917	1,865	108	11	103
5. Sade Finanziaria - Intersomer S.r.l. Share capital €25,000	25	—	25	(7)	25
6. Seteci - Società Consortile per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.c.p.A. Share capital €500,000, in par value €5 shares	27,970	12,596	3,181	2	522
7. Spafid S.p.A. Share capital €100,000, in par value €10 shares	46,367	7,933	41,234	1,062	191
8. Compagnie Monegasque de Banque - CMB S.A.M. Share capital €111.1m, in par value€200 shares	2,049,414	80,399	429,060	25,034	371,513
9. Mediobanca International (Luxembourg) S.A. Share capital €10m, in par value €10 shares	5,795,242	178,062	166,519	36,105	5,942
10. MB Securities USA L.L.C. Share capital $2.25m	4,471	2,713	392	946	163
11. Consortium S.r.l. Share capital €8.6m	11,053	69	11,024	11	10,650
Total subsidiaries					969,839

	Significant data [1]					
	Total assets	Total income	Net profit (loss)	Net equity	Book value	Fair value
B. COMPANIES SUBJECT TO JOINT CONTROL (IAS 31)						
1. Banca Esperia S.p.A.	715,194	68,578	106	109,448	29,129	—
C. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE (IAS 28)						
1. Burgo Group S.p.A.	2,320,071	2,354,052	2,152	355,177	54,628	—
2. Assicurazioni Generali S.p.A.	422,439,425	90,779,211	1,701,900	15,787,900	836,151	2,772,018
3. RCS MediaGroup S.p.A.	3,380,600	2,255,300	7,200	984,000	191,772	125,299
4. Fidia SGR S.p.A.	6,914	604	(266)	4,935	1,045	—
5. Athena Private Equity S.A.	115,948	3,672	(2,926)	103,340	23,705	—
6. Gemina S.p.A.	4,005,218	597,543	(37,267)	1,609,291	196,391	130,279
7. Pirelli & C. S.p.A.	5,618,800	5,330,207	21,752	1,969,079	115,749	163,320
8. Telco S.p.A.	5,474,941	178,699	(1,149,981)	3,335,512	252,576	—
Total					1,701,146	

[1] From most recent approved consolidated financial statements.

During the year the Bank's investments in Telco (€125.7m), RCS MediaGroup (€16.7m) and Gemina (€14.9m) were written down to bring them into line with the Bank's pro rata share in the investee companies' net equity (taking into account the initial goodwill, if any), as follows:

— the cost at which the Gemina investment is recognized fell from €211.3m to €196.4m – higher than its market value (€130.3m based on stock market prices as at 30 June 2011). However, this is still lower than its value in use as determined via a discounted cash flow model, which takes account of the growth potential reflected in the airport system headed up by Aeroporti Di Roma, which is the main asset owned by Gemina. In this connection, it should be noted that the Italian civil aviation authority in July approved the general outline of the framework agreement for operating the Rome airport, which involves an update to the tariff scheme.

— The book value of the investment in Telco fell from €378.2m to €252.6m, in line with the company's financial statements as at 30 April 2011, in which the value of the Telecom Italia investment was written down from €2.2 to €1.8 per share. This book value is not considered to be higher than its value in use as defined in paragraph 33 of IAS 28, for the following reasons:

  — with a share of 22.4% in Telecom Italia, Telco is the main shareholder in the Telecom Italia group;

— the time horizon of the investment is medium-/long-term;

— the value assigned to the Telecom Italia share price is consistent with the results of applying a discounted cash flow model based on recent strategic guidance and targets for the 2011-2013 period presented by Telecom Italia management on 25 February 2011, given the results delivered by the Domestic business unit for the first months of the current financial year, which reflect the deterioration in the financial market and the prospects of a weaker macro-economic scenario;

— deals have been announced in the reference sector which imply valuation multiples that are significantly higher than those reflected in current stock market prices.

— the book value of the Bank's shareholding in RCS MediaGroup fell from €208.5m to €191.8m, which is not considered to be higher than its value in use based on a discounted cash flow model that takes into account the earnings prospects of the publishing industry and the company's reorganization process, which involves developing multi-media business, brand valorization and structural cost cutting. The higher value compared to stock market prices at the reporting date, which reflect an implicit loss of €66.5m, is justified by the size of the Group's holding, which constitutes a relative majority, and the unique nature of some of the company's assets.

10.3 Equity investments: movements during the period

Type of transactions/value	30/6/11	30/6/10
A. Balance at start of period	2,828,287	2,845,233
B. Additions	404	541
B.1 Acquisitions	—	138
B.2 Value adjustments	—	—
B.3 Revaluations	—	—
B.4 Other adjustments	404	403
C. Reductions	157,706	17,487
C.1 Disposals	72	55
C.2 Value adjustments for impairment	157,634	17,432
C.3 Other reductions	—	—
D. Balance at end of period	2,670,985	2,828,287
E. Total revaluations	—	—
F. Total adjustments	411,897	254,263

Section 11

Heading 110: Property plant and equipment

11.1 Tangible assets stated at cost

Assets/value	30/6/11	30/6/10
A. Core assets		
1.1 owned by the Group	91,626	91,078
a) land	60,858	60,858
b) buildings	23,857	24,567
c) furniture	1,644	1,574
d) electronic equipment	1,662	1,185
e) other assets	3,605	2,894
1.2 acquired under finance leases:	—	—
a) land	—	—
b) buildings	—	—
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	—	—
Total A	91,626	91,078
B. Assets held for investment purposes		
2.1 owned by the Group:	27,422	27,819
a) land	20,350	20,350
b) buildings	7,072	7,469
2.2 acquired under finance leases:	—	—
a) land	—	—
b) buildings	—	—
Total B	27,422	27,819
Total (A+B)	119,048	118,897

11.3 Core tangible assets: movements during the period

	Land	Buildings	Furniture	Electronic equipment	Other assets	Total
A. Gross opening balance	60,858	36,376	3,986	4,864	14,910	120,994
A.1 Total net value reductions	—	(11,809)	(2,412)	(3,679)	(12,016)	(29,916)
A.2 Net opening balance	60,858	24,567	1,574	1,185	2,894	91,078
B. Additions:	—	386	383	767	1,770	3,306
B.1 Purchases	—	—	383	767	1,770	2,920
B.2 Improvement expenses, capitalized	—	386	—	—	—	386
B.3 Writebacks	—	—	—	—	—	—
B.4 Increases in fair value recognized in:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
B.5 Increases arising due to exchange rates	—	—	—	—	—	—
B.6 Transfers from properties held for investment purposes	—	—	—	—	—	—
B.7 Other additions	—	—	—	—	—	—
C. Reductions:	—	1,096	313	290	1,059	2,758
C.1 Disposals	—	—	61	—	46	107
C.2 Depreciation charges	—	1,096	252	290	1,013	2,651
C.3 Value adjustments for impairment taken to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
C.4 Reductions in fair value charged to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
C.5 Reductions due to exchange rates	—	—	—	—	—	—
C.6 Transfers to:	—	—	—	—	—	—
a) assets held for investment purposes	—	—	—	—	—	—
b) assets being sold	—	—	—	—	—	—
C.7 Other reductions	—	—	—	—	—	—
D. Net closing balance	60,858	23,857	1,644	1,662	3,605	91,626
D.1 Total net value reductions	—	(12,904)	(2,593)	(4,029)	(12,404)	(31,930)
D.2 Gross closing balance	60,858	36,761	4,237	5,691	16,009	123,556
E. Stated at cost	—	—	—	—	—	—

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

	Total	
	Land	Buildings
A. Gross opening balance	20,350	7,469
B. Additions	—	—
B.1 Purchases	—	—
B.2 Improvement expenses, capitalized	—	—
B.3 Net increases in fair value	—	—
B.4 Writebacks	—	—
B.5 Increases arising due to exchange rates	—	—
B.6 Transfers from core assets	—	—
B.7 Other additions	—	—
C. Reductions	—	397
C.1 Disposals	—	—
C.2 Depreciation charges	—	397
C.3 Reductions in fair value	—	—
C.4 Value adjustments for impairment	—	—
C.5 Reductions arising due to exchange rates	—	—
C.6 Transfers to other asset portfolios	—	—
a) core assets	—	—
b) non-current assets being sold	—	—
C.7 Other reductions	—	—
D. Closing balance	20,350	7,072
E. Stated at fair value	87,325	37,361

Section 12

Heading 120: Intangible assets

12.1 Intangible assets stated at cost

Assets/ amounts	30/6/11		30/6/10	
	Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life
A.1 Goodwill	X	—	X	—
A.2 Other intangible assets	13,773	—	11,683	—
A.2.1 Recognized at cost:	13,773	—	11,683	—
a) intangible assets generated internally	—	—	—	—
b) other assets	13,773	—	11,683	—
A.2.2 Recognized at fair value:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
Total	13,773	—	11,683	—

12.2 Core intangible assets: movements during the period

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life	
A. Balance at start of period	—	—	—	24,174	—	24,174
A.1 Total net value reductions	—	—	—	(12,491)	—	(12,491)
A.2 Net opening balance	—	—	—	11,683	—	11,683
B. Additions	—	—	—	12,231	—	12,231
B.1 Purchases	—	—	—	12,231	—	12,231
B.2 Increases in internally generated assets	—	—	—	—	—	—
B.3 Revaluations	—	—	—	—	—	—
B.4 Increases in fair value taken to:	—	—	—	—	—	—
– net equity	—	—	—	—	—	—
– profit and loss account	—	—	—	—	—	—
B.5 Increases arising on exchange rates	—	—	—	—	—	—
B.6 Other additions	—	—	—	—	—	—
C. Reductions	—	—	—	10,141	—	10,141
C.1 Disposals	—	—	—	16	—	16
C.2 Value adjustments	—	—	—	10,125	—	10,125
– amortization	—	—	—	10,125	—	10,125
– writedowns	—	—	—	—	—	—
+ net equity	—	—	—	—	—	—
+ profit and loss account	—	—	—	—	—	—
C.3 Reductions in fair value charged to:	—	—	—	—	—	—
– net equity	—	—	—	—	—	—
– profit and loss account	—	—	—	—	—	—
C.4 Transfers to non-current assets being sold	—	—	—	—	—	—
C.5 Reductions due to exchange rate differences	—	—	—	—	—	—
C.6 Other reductions	—	—	—	—	—	—
D. Balance at end of period	—	—	—	13,773	—	13,773
D.1 Total net value adjustments	—	—	—	(22,614)	—	(22,614)
E. Gross closing balance	—	—	—	36,387	—	36,387
F. Stated at cost	—	—	—	—	—	—

Section 13

Asset heading 130 and Liability heading 80: Tax assets and liabilities

13.1 Advance tax assets

	30/6/11	30/6/10
Corporate income tax (IRES)	112,875	127,826
Regional production tax (IRAP)	38,275	24,953
Total	151,150	152,779

13.2 Deferred tax liabilities

	30/6/11	30/6/10
Corporate income tax (IRES)	246,408	255,197
Regional production tax (IRAP)	11,714	7,506
Total	258,122	262,703

13.3 Changes in advance tax during the period

	30/6/11	30/6/10
1. Opening balance	92,390	83,567
2. Additions	12,481	15,412
2.1 Advance tax originating during the period	8,921	15,412
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) amounts written back	—	—
d) other additions	8,921	15,412
2.2 New taxes or increases in tax rates	3,560	—
2.3 Other additions	—	—
3. Reductions	5,988	6,589
3.1 Advance tax reversed during the period	5,988	3,650
a) reclassifications	5,988	3,650
b) amounts written off as unrecoverable	—	—
c) due to changes in accounting policies	—	—
d) other	—	—
3.2 Reductions in tax rates	—	—
3.3 Other reductions	—	2,939
4. Balance at end of period	98,883	92,390

13.4 Changes in deferred tax during the period

	30/6/11	30/6/10
1. Opening balance	234,371	240,880
2. Additions	—	—
2.1 Deferred tax originating during period	—	—
a) relating to previous years	—	—
b) due to changes in accounting policies	—	—
c) others	—	—
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	2,567	6,509
3.1 Deferred tax reversed during period	2,567	6,509
a) reclassifications	2,567	6,509
b) due to changes in accounting policies	—	—
c) others	—	—
3.2 Reductions in tax rates	—	—
3.3 Other reductions	—	—
4. Balance at end of period	231,804	234,371

13.5 Changes in advance tax during the period [1]

	30/6/11	30/6/10
1. Opening balance	60,389	61,348
2. Additions	52,267	60,389
2.1 Advance tax originating during period	50,204	60,389
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	50,204	60,389
2.2 New taxes or increases in tax rates	2,063	—
2.3 Other additions	—	—
3. Reductions	60,389	61,348
3.1 Advance tax reversed during period	60,389	61,348
a) reclassifications	60,389	61,348
b) writedowns of non-recoverable items	—	—
c) due to changes in accounting policies	—	—
d) others	—	—
3.2 Reductions in tax rates	—	—
3.3 Other reductions	—	—
4. Balance at end of period	52,267	60,389

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

13.6 Changes in deferred tax during the period [1]

	30/6/11	30/6/10
1. Opening balance	28,332	18,223
2. Additions	26,318	21,747
2.1 Deferred tax originating during period	24,598	21,747
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	24,598	21,747
2.2 New taxes or increases in tax rates	1,720	—
2.3 Other additions	—	—
3. Reductions	28,332	11,638
3.1 Advance tax reversed during the period	28,332	11,638
a) reclassifications	28,332	11,638
b) due to changes in accounting policies	—	—
c) others	—	—
3.2 Reductions in tax rates	—	—
3.3 Other reductions	—	—
4. Balance at end of period	26,318	28,332

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

Section 15

Heading 150: Other assets

15.1 Other assets

	30/6/11	30/6/10
1. Gold, silver and precious metals	—	—
2. Accrued income other than capitalized income from financial assets	5,644	2,829
3. Trade receivables or invoices to be issued	10,357	20,762
4. Amounts due from tax revenue authorities (not recorded under Heading 140)	164	11,126
5. Other items	10,358	18,234
- futures and other securities transactions	858	3,318
- advance payments on deposit commissions	25	60
- other items in transit	—	7,350
- amounts due to staff	69	43
- sundry other items	9,406	7,463
Total	26,523	52,951

Liabilities

Section 1

Heading 10: Due to banks

1.1 Due to banks: composition

Type of transaction/amounts	30/6/11	30/6/10
1. Due to central banks	200,007	494,940
2. Due to banks	8,760,740	7,459,735
2.1 Current accounts and demand deposits	5,606,807	4,791,531
2.2 Term deposits	513,410	908,545
2.3 Borrowings	1,895,794	1,334,628
2.3.1 Reverse repos	1,155,169	476,037
2.3.2 Others	740,625	858,591
2.4 Liabilities in respect of assets sold but not derecognized	—	—
2.5 Other amounts due	744,729	425,031
Total book value	8,960,747	7,954,675
Total fair value	8,960,747	7,954,675

Section 2

Heading 20: Due to customers

2.1 Due to customers: composition

Type of transaction/amounts	30/6/11	30/6/10
1. Current accounts and demand deposits	285,238	302,870
2. Term deposits	23,193	106,599
3. Borrowings	755,267	1,246,357
3.1 Reverse repos	602,188	1,164,721
3.2 others	153,079	81,636
4. Liabilities in respect of assets sold but not derecognized	—	—
5. Other amounts due	748,521	396,119
Total book value	1,812,219	2,051,945
Total fair value	1,812,219	2,051,945

Section 3

Heading 30: Debt securities in issue

3.1 Debt securities in issue: composition

Type of transaction/amounts	30/6/11				30/6/10			
	Book value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Book value	Fair value Level 1	Fair value Level 2	Fair value Level 3
A. Listed securities								
1. bonds	37,478,000	4,354,935	33,746,592	—	37,461,152	5,994,030	31,685,337	—
1.1 structured	13,563,590	1,096,874	12,506,693	—	10,936,835	259,042	10,645,655	—
1.2 others	23,914,410	3,258,061	21,239,899	—	26,524,317	5,734,988	21,039,682	—
2. other securities	36,330	—	—	36,330	57,012	—	—	57,012
2.1 structured	—	—	—	—	—	—	—	—
2.2 others	36,330	—	—	36,330	57,012	—	—	57,012
Total	37,514,330	4,354,935	33,746,592	36,330	37,518,164	5,994,030	31,685,337	57,012

Subordinated liabilities included under the heading *Debt securities in issue* total €1,861,235,000.

3.3 Debt securities: items subject to specific hedging

	30/6/11	30/6/10
1. Securities subject to specific fair value hedges	28,698,205	27,385,044
a) interest rate risk	28,698,205	27,385,044
b) exchange rate risk	—	—
c) other	—	—
2. Securities subject to specific cash flow hedges	637,513	675,735
a) interest rate risk	637,513	675,735
b) exchange rate risk	—	—
c) other	—	—

Section 4

Heading 40: Trading liabilities

4.1 Trading liabilities: composition

Type of transaction/amounts	30/6/11					30/6/10				
	Nominal value	Fair value			Fair Value *	Nominal value	Fair value			Fair Value *
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Cash liabilities										
1. Due to banks	88,962	85,058	—	—	85,058	136,050	130,831	—	—	130,831
2. Due to customers	1,025,850	1,025,593	1,296	—	1,026,889	610,007	602,065	460	—	602,525
3. Debt securities	—	—	—	—	—	—	—	—	—	—
3.1 Bonds	—	—	—	—	—	—	—	—	—	—
3.1.1 Structured	—	—	—	—	X	—	—	—	—	X
3.1.2 Other	—	—	—	—	X	—	—	—	—	X
3.2 Other securities	—	—	—	—	X	—	—	—	—	X
3.2.1 Structured	—	—	—	—	X	—	—	—	—	X
3.2.2 Other	—	—	—	—	X	—	—	—	—	X
Total A	1,114,812	1,110,651	1,296	—	1,111,947	746,057	732,896	460	—	733,356
B. Derivative products										
1. Financial derivatives	X	527,127	2,878,594	1,276,579	X	X	263,973	3,907,649	1,067,173	X
1.1 Trading	X	527,127	2,814,859	880,818 [1]	X	X	263,973	3,783,818	578,019 [1]	X
1.2 Linked to fair value options	X	—	—	—	X	X	—	—	—	X
1.3 Other	X	—	63,735	395,761 [2]	X	X	—	123,831	489,154 [2]	X
2. Credit derivatives	X	1,539,947	753,645	300	X	X	321,885	401,389	1,153	X
2.1 Trading	X	1,539,947	753,645	300	X	X	321,885	401,389	1,153	X
2.2 Linked to fair value options	X	—	—	—	X	X	—	—	—	X
2.3 Other	X	—	—	—	X	X	—	—	—	X
Total B	X	2,067,074	3,632,239	1,276,879	X	X	585,858	4,309,038	1,068,326	X
Total (A+B)	X	3,177,725	3,633,535	1,276,879	X	X	1,318,754	4,309,498	1,068,326	X

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

[1] Respectively €670,439,000 and €319,636,000 in respect of options traded, matching the amount recorded as a trading liability.

[2] Market value of options covering options matched with bonds issued by Mediobanca and Mediobanca International, against the same amount recorded as a trading liability.

Section 6

Heading 60: Hedging derivatives

6.1 Hedging derivatives: by type of product/underlying asset

Items/amounts	30/6/11 Fair value			Nominal value	30/6/10 Fair value			Nominal value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	725,390	—	16,537,602	—	601,746	—	12,475,041
1) Fair value	—	711,041	—	16,307,602	—	577,256	—	12,245,041
2) Cash flow	—	14,349	—	230,000	—	24,490	—	230,000
3) Non-Italian investments	—	—	—	—	—	—	—	—
B. Financial derivatives	—	—	—	—	—	3	—	12,500
1) Fair value	—	—	—	—	—	3	—	12,500
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	725,390	—	16,537,602	—	601,749	—	12,487,541

6.2 Hedging derivatives: by portfolio hedged/hedge type

Operations/type of hedging	Fair value hedges						Cash flow hedges		Non-Italian investments
	Specific					General	Specific	General	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. AFS securities	4,206	—	—	123	—	X	—	X	X
2. Loans and advances	—	—	—	X	—	X	—	X	X
3. Financial assets held to maturity	X	—	—	X	—	X	—	X	X
4. Portfolio	—	—	—	—	—	—	—	—	X
5. Other operations	X	X	X	X	X	X	X	X	—
Total assets	4,206	—	—	123	—	—	—	—	—
1. Financial liabilities	701,416	5,296	—	X	—	X	14,349	X	X
2. Portfolio	—	—	—	—	—	—	—	—	X
Total liabilities	701,416	5,296	—	—	—	—	14,349	—	X
1. Expected transactions	X	X	X	X	X	X	—	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	—	X	—	—

Section 8

Heading 80 - Deferred liabilities

See Assets, section 13.

Section 10

Heading 100: Other liabilities

10.1 Other liabilities

	30/6/11	30/6/10
1. Payment agreements (IFRS 2)	75	80
2. Impaired endorsements	110,198	120,309
3. Working capital payables and invoices pending receipt	18,878	15,886
4. Prepaid expenses other than capitalized expenses on related financial assets	310	107
5. Amounts due to revenue authorities	543	6,841
6. Amounts due to staff	132,708	109,721
7. Other items:	15,916	18,323
- coupons and dividends pending collection	2,196	2,179
- underwriting syndicate commissions payable	11	890
- available sums payable to third parties	13,709	15,254
Total	278,628	271,267

Section 11

Heading 110: Staff severance indemnity provision

11.1 Staff severance indemnity provision

	30/6/11	30/6/10
A. Balance at start of period	9,874	9,836
B. Additions	5,137	3,858
B.1 Transfers during period	5,137	3,858
B.2 Other additions	—	—
C. Reductions	5,796	3,820
C.1 Indemnities paid out	603	659
C.2 Other reductions [1]	5,193	3,161
D. Balance at end of period	9,215	9,874

[1] Includes €5,118,000 in transfers to external, defined contribution pension schemes (€3,129,000 at 30 June 2010).

11.2 Other information

The staff severance indemnity provision, calculated according to the provisions of the Italian Civil Code, amounts to €11,301,000. Following regulatory changes, new interest accrued during the year has not been included (service cost).

In order to determine the actuarial value, the provision has been revalued assuming a return of 2% for the current year and discounted using the government bonds interest rate curve as at 30 June 2011, which shows an interest cost of €187,000.

Section 12

Heading 120: Provisions

12.1 Provisions

Item/amounts	30/6/11	30/6/10
1. Company post-employment benefit provision	—	—
2. Other provisions	150,776	150,776
2.1 litigation	—	—
2.2 staff-related	—	—
2.3 other	150,776	150,776
Total	150,776	150,776

12.4 Other provisions

	Post-employment benefit provision	Litigation	Other provisions	Total
A. Balance at start of period	—	—	150,776	150,776
B. Additions	—	—	—	—
B.1 Transfers during period	—	—	—	—
B.2 Changes due to passing of time	—	—	—	—
B.3 Additions due to changes in discount rate	—	—	—	—
B.4 Other additions	—	—	—	—
C. Reductions	—	—	—	—
C.1 Transfers during period	—	—	—	—
C.2 Reductions due to changes in discount rate	—	—	—	—
C.3 Other reductions	—	—	—	—
D. Balance at end of period	—	—	150,776	150,776

Section 14

Headings 130, 150, 160, 170, 180, 190 and 200: Net equity

14.1 Net equity

See part F for the composition of net equity.

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

Item/type	Ordinary
A. Shares in issue at start of period	861,102,077
– entirely unrestricted	861,102,077
– with restrictions	—
A.1 Treasury shares	(17,010,000)
A.2 Shares in issue: balance at start of period	844,092,077
B. Additions	27,135
B.1 New share issuance as a result of:	27,135
– rights issues	27,135
- business combinations	—
- bond conversions	—
- exercise of warrants	27,135
- others	—
– bonus issues	—
- to staff members	—
- to Board members	—
- others	—
B.2 Treasury share disposals	—
B.3 Other additions	—
C. Reductions	—
C.1 Cancellations	—
C.2 Treasury share buybacks	—
C.3 Disposals of businesses	—
C.4 Other reductions	—
D. Shares in issue: balance at end of period	844,119,212
D.1 Add: treasury shares	(17,010,000)
D.2 Shares in issue at end of period	861,129,212
– entirely unrestricted	861,129,212
– with restrictions	—

14.3 Regulatory capital requirements for banks (pursuant to Article 2427, paragraph 7-bis of the Italian Civil Code)

	Amount	Possible uses	Portion available	Summary of uses over three previous years	
				To cover losses	Other
Share capital	430,565	—	—	—	—
Share premium reserve	2,120,143	A – B – C	2,120,143	—	—
Reserves:					
- Legal reserve	86,110	B	86,110	—	—
- Statutory reserve	1,093,409	A – B – C	1,093,409	—	—
- Treasury share reserve	213,410	A – B – C	213,410	—	—
- Other reserves	1,093,633	A – B – C	1,093,633	—	—
Valuation reserves:					
- AFS securities	(10,794)	—	—	—	—
- Cash flow hedges	(9,359)	—	—	—	—
- Special laws	7,587	A – B – C	7,587	—	—
- Treasury shares	(213,410)	—	—	—	—
Total	4,811,294	—	4,614,292	—	—
Portion unavailable	—	—	299,520	—	—
Remainder distributable	—	—	4,314,772	—	—

Legend:

A: due to rights issues

B: to cover losses

C: due to distribution to shareholders

Other information

1. Guarantees and commitments

Transactions	30/6/11	30/6/10
1. Financial guarantees given to:	5,565,414	6,481,508
a) Banks	4,958,876	5,884,486
b) Customers	606,538	597,022
2. Commercial guarantees given to:	11,147	43,756
a) Banks	470	504
b) Customers	10,677	43,252
3. Irrevocable commitments to lend funds to:	25,763,709	27,287,122
a) Banks	16,624,344	12,064,604
i) specific	6,265,442	4,671,649
ii) standby basis	10,358,902	7,392,955
b) Customers	9,139,365	15,222,518
i) specific	7,570,094	13,360,675
ii) standby basis	1,569,271	1,861,843
4. Commitments underlying credit derivatives: hedge sales	76,529,340	11,778,680
5. Assets pledged as collateral for customer obligations	—	—
6. Other commitments	4,142,757	3,886,305
Total	112,012,367	49,477,371

2. Assets pledged as collateral for own liabilities and commitments

Portfolios	30/6/11	30/6/10
1. Financial assets held for trading	192,200	933,329
2. Financial assets recognized at fair value	—	—
3. AFS securities	201,371	—
4. Financial assets held to maturity	83,561	—
5. Due from banks	—	—
6. Due from customers	506,401	454,275
7. Property, plant and equipment	—	—

4. *Assets managed and traded on behalf of customers*

Transactions	30/6/11	30/6/10
1. Securities traded on behalf of customers	27,712,307	33,534,381
a) Purchases	12,167,261	16,821,573
1. settled	12,058,180	14,700,968
2. pending settlement	109,081	2,120,605
b) Disposals	15,545,046	16,712,808
1. settled	15,435,965	14,592,203
2. pending settlement	109,081	2,120,605
2. Asset management	—	—
a) individuals	—	—
b) groups	—	—
3. Securities under custody/managed on a non-discretionary basis	32,671,783	38,944,011
a) customers' securities held on deposit: in connection with the Bank's activity as deposit bank (not including asset management)	5,014,839	7,710,986
1. securities issued by bank drawing up consolidated financial statements	352,750	783,763
2. other securities	4,662,089	6,927,223
b) other customers' securities held on deposit (not including asset management): others	—	—
1. securities issued by bank drawing up consolidated financial statements	—	—
2. other securities	—	—
c) customers' securities held on deposit with customers	5,262,740	7,382,685
d) own securities held on deposit with customers	22,394,204	23,850,340
4. Other transactions	—	—

PART C - NOTES TO PROFIT AND LOSS ACCOUNT

Section 1

Headings 10 and 20: Net interest income

1.1 Interest and similar income

Line items/technical forms	Debt securities	Loans and advances	Other transactions	12 mths ended 30/6/11	12 mths ended 30/6/10
1. Financial assets held for trading	203,819	—	—	203,819	309,956
2. Financial assets recognized at fair value	—	—	—	—	—
3. AFS securities	176,927	—	—	176,927	150,698
4. Financial assets held to maturity	50,635	—	—	50,635	25,293
5. Due from banks	—	117,761	—	117,761	92,070
6. Due from customers	34,395	572,988	—	607,383	523,521
7. Hedge derivatives	X	X	608,851	608,851	722,613
8. Other assets	X	X	—	—	—
Total	465,776	690,749	608,851	1,765,376	1,824,151

1.2 Interest and similar income: differences arising on hedging transactions

Items/sectors	12 mths ended 30/6/11	12 mths ended 30/6/10
A. Positive differences on transactions	1,155,450	1,163,893
B. Negative differences on transactions	(546,599)	(441,280)
C. Balance of differences arising on hedges	608,851	722,613

1.3 Interest and similar income: other information

Items/sectors	12 mths ended 30/6/11	12 mths ended 30/6/10
1 Interest receivable on financial assets denominated in currencies other than the Euro	113,848	108,275
2 Interest receivable in respect of finance leasing transactions	—	—
3 Interest income on receivables involving customers' funds held on a non-discretionary basis	—	—
Total	113,848	108,275

1.4 Interest expense and similar charges

Line items/technical forms	Accounts payable	Securities	Other liabilities	12 mths ended 30/6/11	12 mths ended 30/6/10
1. Due to central banks	(31)	X	—	(31)	(5,055)
2. Due to banks	(153,915)	X	—	(153,915)	(124,017)
3. Due to customers	(7,396)	X	—	(7,396)	(5,620)
4. Debt securities in issue	—	(1,292,378)	—	(1,292,378)	(1,338,551)
5. Trading liabilities	X	—	—	—	—
6. Financial liabilities recognized at fair value	—	—	—	—	—
7. Other liabilities	X	X	—	—	—
8. Hedging derivatives	X	X	—	—	—
Total	(161,342)	(1,292,378)	—	(1,453,720)	(1,473,243)

1.6 Interest expense and similar charges: other information

Items/sectors	12 mths ended 30/6/11	12 mths ended 30/6/10
1 Interest payable on liabilities denominated in currencies other than the Euro	(16,562)	(18,525)
2 Interest payable on liabilities in respect of finance leasing transactions	—	(57)
3 Interest payable on customers' funds held on a non-discretionary basis	—	—
Total	(16,562)	(18,582)

Section 2

Headings 40 and 50: Net fee and commission income

2.1 Net fee and commission income

Type of service/sectors	12 mths ended 30/6/11	12 mths ended 30/6/10
a) guarantees given	4,402	2,103
b) credit derivatives	—	—
c) management, trading and advisory services:	89,930	111,287
1. securities trading	10,278	10,844
2. foreign currency trading	—	—
3. asset management	—	—
3.1 individuals	—	—
3.2 groups	—	—
4. securities under custody and non-discretionary management	—	—
5. deposit bank services	7,458	7,458
6. securities placement	67,725	88,469
7. procurement of orders	4,469	4,516
8. advisory services	—	—
8.1 investment advisory services	—	—
8.2 structured finance advisory services	—	—
9. agency fees	—	—
9.1 asset management	—	—
9.1.1 individuals	—	—
9.1.2 groups	—	—
9.2 insurance products	—	—
9.3 other products	—	—
d) collection and payment services	—	—
e) securitization services	—	—
f) factoring services	—	—
g) tax collection and receipt services	—	—
h) multilateral trading systems activity	—	—
i) current account keeping and management	—	—
j) other services	205,977	190,531
Total	300,309	303,921

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

Channels/Sectors	12 mths ended 30/6/11	12 mths ended 30/6/10
a) on the Bank's own premises:	67,725	88,469
1. asset management	—	—
2. securities placement	67,725	88,469
3. agency fees	—	—
b) elsewhere:	—	—
1. asset management	—	—
2. securities placement	—	—
3. agency fees	—	—
c) other distribution channels:	—	—
1. asset management	—	—
2. securities placement	—	—
3. agency fees	—	—
Total	67,725	88,469

2.3 *Fee and commission expense*

Services/amounts	12 mths ended 30/6/11	12 mths ended 30/6/10
a) guarantees received	—	—
b) credit derivatives	—	—
c) management and trading services:	(12,739)	(4,949)
1. securities trading	(2,273)	(2,708)
2. foreign currency trading	—	—
3. asset management:	—	—
3.1 proprietary	—	—
3.2 on behalf of customers	—	—
4. securities under custody/held on a non-discretionary basis	(1,469)	(1,358)
5. securities placement	(8,997)	(883)
6. door-to-door sales of securities, products and services	—	—
d) collection and payment services	(2,863)	(1,891)
e) other services	(515)	(160)
Total	(16,117)	(7,000)

Section 3

Heading 70: Dividends and similar income

3.1 Dividends and similar income

Line items/income	12 mths ended 30/6/11		12 mths ended 30/6/10	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	97,280	—	51,430	—
B. AFS securities	18,690	—	16,986	—
C. Financial assets recognized at fair value	—	—	—	—
D. Equity investments	98,857	—	70,177	—
Total	214,827	—	138,593	—

Section 4

Heading 80: Net trading income

4.1 Net trading income

Transactions/income elements	Gains (A)	Dealing profits (B)	Value reductions (C)	Dealing losses (D)	Net trading income [(A+B)-(C+D)]
1. Trading assets	66,583	269,113	(156,563)	(177,803)	1,330
1.1 Debt securities	44,074	143,682	(99,530)	(90,993)	(2,767)
1.2 Equities	19,997	125,278	(56,982)	(86,804)	1,489
1.3 UCITS units	2,512	153	(51)	(6)	2,608
1.4 Loans and advances	—	—	—	—	—
1.5 Others	—	—	—	—	—
2. Trading liabities	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—
2.2 Debts	—	—	—	—	—
2.3 Others	—	—	—	—	—
3. Other assets and liabilities: differences arising on exchange rates	X	X	X	X	(160,739)
4. Derivative products	5,156,053	3,391,036	(5,752,829)	(2,849,350)	192,700
4.1 Financial derivatives:	3,280,723	2,097,716	(3,724,858)	(1,549,013)	352,358
– debt securities and interest rates [1]	1,600,624	842,253	(1,768,578)	(543,264)	131,035
– equities and stock market indexes	1,435,453	1,164,752	(1,495,282)	(1,005,749)	99,174
– foreign currency and gold	X	X	X	X	247,790
– others	244,646	90,711	(460,998)	—	(125,641)
4.2 Credit derivatives	1,875,330	1,293,320	(2,027,971)	(1,300,337)	(159,658)
Total	5,222,636	3,660,149	(5,909,392)	(3,027,153)	33,291

[1] Of which €2,157,000 in positive margins on interest rate derivatives (30/6/10: €53,593,000).

Section 5

Heading 90: Net hedging income

5.1 Net hedging income

Income elements/amounts	12 mths ended 30/6/11	12 mths ended 30/6/10
A. Income from:		
A.1 Fair value hedge derivatives	130,788	1,190,529
A.2 Financial assets hedged (fair value)	99	38,759
A.3 Financial liabilities hedged (fair value)	665,614	99,510
A.4 Cash flow hedge derivatives	—	—
A.5 Assets and liabilities in foreign currencies	—	—
Total hedging income (A)	796,501	1,328,798
B. Expense related to:		
B.1 Fair value hedge derivatives	(731,997)	(281,872)
B.2 Financial assets hedged (fair value)	(9,254)	(2,482)
B.3 Financial liabilities hedged (fair value)	(56,227)	(1,060,431)
B.4 Cash flow hedge derivatives	—	—
B.5 Assets and liabilities in foreign currencies	—	—
Total hedging expense (B)	(797,478)	(1,344,785)
Net hedging income (A – B)	(977)	(15,987)

Section 6

Heading 100: Gains (losses) on disposals/repurchases

6.1 Gains (losses) on disposals/repurchases

Line items/income elements	12 mths ended 30/6/11			12 mths ended 30/6/10		
	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
Financial assets						
1. Due from banks	—	—	—	—	—	—
2. Due from customers	586	—	586	—	—	—
3. AFS securities	19,724	(8,396)	11,328	147,200	(8,432)	138,768
3.1 Debt securities	9,423	(8,258)	1,165	47,331	(7,376)	39,955
3.2 Equities	10,301	(138)	10,163	99,869	(1,056)	98,813
3.3 UCITS units	—	—	—	—	—	—
3.4 Loans and advances	—	—	—	—	—	—
4. Financial assets held to maturity	—	(3,320)	(3,320)	32	(6)	26
Total assets	20,310	(11,716)	8,594	147,232	(8,438)	138,794
Financial liabilities						
1. Due to banks	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—
3. Debt securities in issue	20,701	—	20,701	19,524	—	19,524
Total liabilities	20,701	—	20,701	19,524	—	19,524

Section 8

Heading 130: Adjustments for impairment

8.1 Adjustments for impairment

Transactions/income elements	Value adjustments			Amounts recovered				12 mths ended 30/6/11	12 mths ended 30/6/10
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Due from banks	—	—	(2,427)	—	21	—	—	(2,406)	513
- Loans	—	—	(2,427)	—	21	—	—	(2,406)	513
- Debt securities	—	—	—	—	—	—	—	—	—
B. Due from customers	—	(39,412)	(12,385)	—	1,080	—	59,556	8,839	(58,186)
- Loans	—	(39,412)	(12,385)	—	1,080	—	59,556 [1]	8,839	(58,186)
- Debt securities	—	—	—	—	—	—	—	—	—
C. Total	—	(39,412)	(14,812)	—	1,101	—	59,556	6,433	(57,673)

[1] In respect of single item.

Legend
A = interest
B = other amounts recovered

8.2 Net adjustments for impairment to AFS securities

Transactions/income elements	Value adjustments		Amounts recovered		12 mths ended 30/6/11	12 mths ended 30/6/10
	Specific		Specific			
	Writeoffs	Others	A	B		
A. Debt securities	—	(108,903)	—	—	(108,903)	—
B. Equities	—	(35,636)	—	—	(35,636)	(148,017)
C. UCITS units	—	—	—	—	—	—
D. Loans and advances to banks	—	—	—	—	—	—
E. Loans and advances to customers	—	—	—	—	—	—
F. Total	—	(144,539)	—	—	(144,539)	(148,017)

Legend
A = interest
B = other amounts recovered

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

Transactions/income elements	Value adjustments			Amounts recovered				12 mths ended 30/6/11	12 mths ended 30/6/10
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Debt securities	—	(10,754)	—	—	—	—	—	(10,754)	(1,402)
B. Loans and advances to banks	—	—	—	—	—	—	—	—	—
C. Loans and advances to customers	—	—	—	—	—	—	—	—	—
D. Total	—	(10,754)	—	—	—	—	—	(10,754)	(1,402)

Legend

A = interest

B = other amounts recovered

8.4 *Adjustments for impairment to other financial transactions: composition*

Transactions/income-linked components	Value adjustments			Amounts recovered				12 mths ended 30/6/11	12 mths ended 30/6/10
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Guarantees given	—	(39,560)	(4,061)	—	17,433	—	—	(26,188)	(23,334)
B. Credit derivatives	—	—	—	—	—	—	—	—	—
C. Commitments	—	(500)	—	—	1,476	—	19,121 [1]	20,097	(30,859)
D. Other transactions	—	—	—	—	—	—	—	—	—
E. Total	—	(40,060)	(4,061)	—	18,909	—	19,121	(6,091)	(54,193)

[1] Of which €15,409,000 in writebacks in respect to a single item.

Legend

A = interest

B = other amounts recovered

Section 9

Heading 150: Administrative expenses

9.1 Personnel costs

Type of expense/sectors	12 mths ended 30/6/11	12 mths ended 30/6/10
1. Employees	(208,335)	(178,906)
a) wages and salaries	(153,430)	(133,254)
b) social security contributions	(28,098)	(27,293)
c) severance indemnities	—	—
d) pension contributions	—	—
e) transfers to severance indemnity provisions	(5,153)	(5,835)
f) transfers to post-employment and similar benefits provisions:	—	—
– defined benefit	—	—
– defined contribution	—	—
g) amounts paid to external complementary pension schemes:	(6,563)	(6,146)
– defined benefit	(6,563)	(6,146)
– defined contribution	—	—
h) expenses incurred in connection with share payment schemes	(13,103)	(4,756)
– stock options	(8,754)	(4,756)
– performance shares	(4,349)	—
i) other staff benefits	(1,988)	(1,622)
2. Other staff	(6,780)	(5,521)
3. Board members	(4,583)	(7,340)
4. Expenses incurred in connection with staff retiring	(2,619)	(3,570)
5. Expenses recovered in respect of staff seconded to other companies	553	509
6. Refunds of expenses for other companies' staff seconded to Mediobanca	—	—
Total	(221,764)	(194,828)

9.2 *Average number of staff by category*

	12 mths ended 30/6/11	12 mths ended 30/6/10
Employees:		
a) Senior executives	118	112
b) Excutives	377	325
c) Other employees	144	140
Other staff	73	64
Total	712	641

9.5 *Other administrative expenses*

	12 mths ended 30/6/11	12 mths ended 30/6/10
OTHER ADMINISTRATIVE EXPENSES		
– legal, tax and professional services	(18,895)	(12,852)
– loan recovery activity	—	—
– marketing and communications	(4,433)	(3,764)
– property	(7,966)	(7,901)
– EDP	(13,773)	(13,049)
– info-provider	(13,241)	(11,918)
– bank charges, collection and payment fees	(3,759)	(4,047)
– operating expenses	(4,592)	(4,529)
– other staff expenses	(6,341)	(6,456)
– other costs	(10,408)	(10,421)
– indirect and other taxes	(4,542)	(1,845)
Total other administrative expenses	(87,950)	(76,782)

Section 11

Heading 170: Net adjustments to tangible assets

11.1 Net adjustments to tangible assets

Assets/income elements	Depreciation	Value adjustments for impairment	Amounts recovered	Net result
A. Tangible assets				
A.1 Owned	(3,048)	—	—	(3,048)
– core	(2,651)	—	—	(2,651)
– for investment purposes	(397)	—	—	(397)
A.2 Acquired under finance leases	—	—	—	—
– core	—	—	—	—
– for investment purposes	—	—	—	—
Total	(3,048)	—	—	(3,048)

Section 12

Heading 180: Net adjustments to intangible assets

12.1 Net adjustments to intangible assets

Assets/income elements	Amortization	Value adjustments for impairment	Amounts recovered	Net result
A. Intangible assets				
A.1 Owned	(10,125)	—	—	(10,125)
– software	(10,125)	—	—	(10,125)
– other	—	—	—	—
A.2 Goodwill	—	—	—	—
Total	(10,125)	—	—	(10,125)

Section 13

Heading 130: Other operating income (expense)

13.1 Other operating expense: composition

Income-based components/values	12 mths ended 30/6/11	12 mths ended 30/6/10
a) Leasing activity	—	—
d) Sundry costs and expenses	(801)	(1,081)
Total	(801)	(1,081)

13.2 Other operating income: composition

Income-based components/values	12 mths ended 30/6/11	12 mths ended 30/6/10
a) Amounts recovered from customers	5,876	1,369
b) Other income	13,471	11,564
Total	19,347	12,933

Section 14

Heading 210: Gains (losses) on equity investments

14.1 Gains (losses) on equity investments: composition

Income-based components/values	12 mths ended 30/6/11	12 mths ended 30/6/10
A. Income	—	—
1. Revaluations	—	—
2. Gains on disposals	—	—
3. Amounts recovered	—	—
4. Other increases	—	—
B. Expenses	(158,647)	(17,433)
1. Writedowns	—	—
2. Adjustments for impairment	(158,647)	(17,433)
3. Losses from disposals	—	—
4. Other reductions	—	—
Net income	(158,647)	(17,433)

Section 17

Heading 240: Net gain (loss) upon disposal of investments

17.1 Net gain (loss) upon disposal of investments

Income elements/sectors	12 mths ended 30/6/11	12 mths ended 30/6/10
A. Properties	—	—
– gains on disposals	—	—
– losses on disposals	—	—
B. Other assets	31	(1)
– gains on disposals	38	—
– losses on disposals	(7)	(1)
Net gain (loss)	31	(1)

Section 18

Heading 260: Income tax on ordinary activities

18.1 Income tax on ordinary activities

Income elements/sectors	12 mths ended 30/6/11	12 mths ended 30/6/10
1. Current taxes	(136,061)	(162,334)
2. Changes in current taxes for previous financial years	—	—
3. Reductions in current tax for the period	—	—
4. Changes in advance tax	6,494	8,824
5. Changes in deferred tax	2,567	6,510
Income tax for the year	(127,000)	(147,000)

18.2 *Reconciliation between theoretical and effective tax burden*

	12 mths ended 30/6/11	
	Amounts %	Absolute values
Total profit or loss before tax from current operations	100.00%	254,376
Theoretical tax rate	27.50%	X
Theoretical computed taxes on income	27.50%	69,953
Dividends (–)	-12.07%	(30,709)
Gains on disposals of equity investments (PEX) (–)	-1.02%	(2,587)
Non-taxable income 10 % IRAP (–)	-0.35%	(881)
Interest on exempt securities (–)	-0.24%	(614)
Tax sparing credit	-0.51%	(1,301)
Non-deductible interest expense 3 % (+)	6.29%	15,991
Benefit from tax consolidation (–)	-0.68%	(1,718)
Impairment (+/–)	21.00%	53,428
Other differences	0.36%	916
TOTAL IRES	40.29%	102,478
IRAP	9.64%	24,522
TOTAL FOR HEADING [1]	49.93%	127,000

[1] Compared with a tax rate of -37.58% in the previous financial year.

Section 21

Earnings per share

21.1 *Average number of ordinary shares on a diluted basis*

	12 mths ended 30/6/11	12 mths ended 30/6/10
Net profit	127,376	244,139
Avg. no. of shares in issue	844,099,719	834,153,396
Avg. no. of potentially diluted shares	42,896,940	149,140,954
Avg. no. of diluted shares	886,996,659	983,294,350
Earnings per share	0.15	0.29
Earnings per share, diluted	0.14	0.25

PART D - COMPREHENSIVE PROFIT AND LOSS ACCOUNT

BREAKDOWN OF COMPREHENSIVE PROFIT AND LOSS CONSTITUENTS

	Items	Before tax effect	Tax effect	After tax effect
10.	Net profit (loss)	X	X	127,376
	Other comprehensive income			
20.	AFS securities:	17,472	(2,979)	14,493
	a) changes in fair value:	(24,349)	19,939	(4,410)
	b) reclassifications through profit or loss account	41,821	(22,918)	18,903
	- due to impairment	48,937	(12,743)	36,194
	- gain/losses on disposals	(7,116)	(10,175)	(17,291)
	c) other variations	—	—	—
30.	Property, plant and equipment	—	—	—
40.	Intangible assets	—	—	—
50.	Hedges of non-Italian investments:	—	—	—
	a) changes in fair value:	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
60.	Cash flow hedges:	10,041	(3,129)	6,912
	a) changes in fair value:	10,041	(3,129)	6,912
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
70.	Exchange differences:	—	—	—
	a) changes in fair value:	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
80.	Non-current assets classified as held for sale:	—	—	—
	a) changes in fair value:	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
90.	Actuarial gains (losses) on defined benefits plans	—	—	—
100.	Valuation reserves from equity-accounted investments:	—	—	—
	a) changes in fair value:	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	- due to impairment	—	—	—
	- gain/losses on disposals	—	—	—
	c) other variations	—	—	—
110.	Total other comprehensive income after tax	27,513	(6,108)	21,405
120.	Comprehensive income after tax (10 + 110)	X	X	148,781

PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Section 1

Credit risk

QUALITATIVE INFORMATION

Basel II project

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

A specific project has therefore been launched with a view to obtaining ratification by the Bank of Italy of the internal rating models to be used in calculating the capital requirements for credit risk. The internal rating models regard the following customer segments: Banks, Insurances, Large corporate, Holding companies, Specialized lending and Mid corporate. In addition, a plan is being implemented to comply with the experience requirement for the models to be ratified, which will involve the existing procedures for approving, monitoring and renewing loans (described below) being gradually revised to incorporate the risk parameters calculated via the internal models that have been developed.

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

1. General aspects

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

QUANTITATIVE INFORMATION

A. Credit quality

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

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

Portfolio/quality	Non-performing	Potential problem	Restructured	Overdue	Other assets	Total
1. Financial assets held for trading	—	—	—	—	10,643,226	10,643,226
2. AFS securities	—	—	234,778	—	4,818,732	5,053,510
3. Financial assets held to maturity	—	—	1,806	—	1,641,078	1,642,884
4. Due from banks	127	—	—	—	9,821,497	9,821,624
5. Due from customers	—	12,968	114,358	—	27,283,645	27,410,971
6. Financial assets recognized at fair value	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	1,386,423	1,386,423
Total at 30/6/11	127	12,968	350,942	—	55,594,601	55,958,638
Total at 30/6/10	127	3,699	113,196	—	54,496,371	54,613,393

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

Portfolio/quality	Impaired assets			Performing			Total
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	X	X	10,643,226	10,643,226
2. AFS securities	343,681	(108,903)	234,778	4,818,732	—	4,818,732	5,053,510
3. Financial assets held to maturity	5,122	(3,316)	1,806	1,648,516	(7,438)	1,641,078	1,642,884
4. Due from banks	127	—	127	9,825,084	(3,587)	9,821,497	9,821,624
5. Due from customers *	186,841	(59,515)	127,326	27,431,241	(147,596)	27,283,645	27,410,971
6. Financial assets recognized at fair value	—	—	—	X	X	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	X	X	1,386,423	1,386,423
Total at 30/6/11	535,771	(171,734)	364,037	43,723,573	(158,621)	55,594,601	55,958,638
Total at 30/6/10	143,417	(26,395)	117,022	38,319,207	(181,917)	54,496,369	54,613,391

* No exposures are subject to renegotiation under collective agreements.

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

Asset portfolio/quality	Impaired assets [1]				Performing assets			Total (net exposure) [2]
	Gross exposure	Specific adjustments	Collective adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	—	—	—	1,203,818	1,203,818
Italy	—	—	—	—	—	—	349,679	349,679
Greece	—	—	—	—	—	—	25,432	25,432
Germany	—	—	—	—	—	—	759,481	759,481
Hungary	—	—	—	—	—	—	15,820	15,820
Brazil	—	—	—	—	—	—	57,857	57,857
Others	—	—	—	—	—	—	(4,451)	(4,451)
2. AFS securities	343,680	(108,903)	—	234,777	2,623,366	—	2,623,366	2,858,143
Italy	—	—	—	—	2,107,685	—	2,107,685	2,107,685
Greece	343,680	(108,903)	—	234,777	—	—	—	234,777
Germany	—	—	—	—	482,769	—	482,769	482,769
Ireland	—	—	—	—	32,912	—	32,912	32,912
Others	—	—	—	—	—	—	—	—
3. Financial assets held to maturity	—	—	—	—	246,151	—	246,151	246,151
Italy	—	—	—	—	246,151	—	246,151	246,151
Others	—	—	—	—	—	—	—	—
Total at 30/6/11	343,680	(108,903)	—	234,777	2,869,517	—	4,073,335	4,308,112

[1] The impaired assets only include securities subject to restructuring, namely the bonds issued by Greece held in the AFS portfolio falling due in December 2020.

[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 €14.2m; financial and credit derivatives are not included.

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

Asset portfolio/quality	Trading book [1]			Banking book			
	Nominal value	Book value	Duration	Nominal value	Book value	Fair value	Duration
Italy	381,031	349,679	(1.27)	2,360,671	2,353,836	2,352,933	5.59
Greece	50,139	25,432	9.90	350,000	234,777	234,777	3.58
Ireland	—	—	—	52,500	32,912	32,912	11.38
Germany	734,877	759,481	2.91	453,720	482,769	482,769	4.65
Hungary	16,344	15,820	1.04	—	—	—	—
Brazil	52,038	57,857	0.87	—	—	—	—
Others	3,466	(4,451)	—	—	—	—	—
Total at 30/6/11	1,237,895	1,203,818		3,216,891	3,104,294	3,103,391	

[1] This item does not include €1.5bn in purchases of the *Bund/Schatz* future (Germany) and €0.6bn in sales of the T-note future (U.S.), both of which with a positive fair value of €0.6m and €3m respectively; and net hedge buys of €192.6m with a positive fair value of €1.8 m have not been included.

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

Type of exposure/amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing	127	—	X	127
b) Potential problem	—	—	X	—
c) Restructured	—	—	X	—
d) Overdue	—	—	X	—
ef) Other assets	12,047,153	X	(3,587)	12,043,566
Total A	12,047,280	—	(3,587)	12,043,693
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	91,817	—	X	91,817
b) Other assets [1]	107,381,180	X	—	107,381,180
Total B	107,472,997	—	—	107,472,997
Total (A + B)	119,520,277	—	(3,587)	119,516,690

[1] The balance as at 30/6/11 includes €63,884,898 in deals matched 100% by hedge buys.

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

Description/category	Non-performing	Potential problem	Restructured	Overdue
A. Gross exposure at start of period	127	140	—	—
of which: accounts sold but not derecognized	—	—	—	—
B. Additions	—	—	—	—
B.1 transfers from performing loans	—	—	—	—
B.2 transfers from other categories of impaired assets	—	—	—	—
B.3 other additions	—	—	—	—
C. Reductions	—	(140)	—	—
C.1 transfers to performing loans	—	—	—	—
C.2 amounts written off	—	(119)	—	—
C.3 amounts collected	—	(21)	—	—
C.4 gains realized on disposals	—	—	—	—
C.5 transfers to other categories of impaired assets	—	—	—	—
C.6 other reductions	—	—	—	—
D. Gross exposure at end of period	127	—	—	—
of which: accounts sold but not derecognized	—	—	—	—

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

Description/category	Non-performing	Potential problem	Restructured	Overdue
A. Gross exposure at start of period	—	(140)	—	—
of which: accounts sold but not derecognized	—	—	—	—
B. Additions	—	—	—	—
B.1 transfers from performing loans	—	—	—	—
B.2Interests	—	—	—	—
B.2 transfers from other categories of impaired assets	—	—	—	—
B.3 other additions				
C. Reductions	—	140	—	—
C.1 transfers to performing loans	—	21	—	—
C.2 amounts written off	—	119	—	—
C.3 amounts collected	—	—	—	—
C.4 gains realized on disposals	—	—	—	—
C.5 transfers to other categories of impaired assets	—	—	—	—
C.6 other reductions	—	—	—	—
D. Gross exposure at end of period	—	—	—	—
of which: accounts sold but not derecognized	—	—	—	—

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

Type of exposure/amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing	11,472	(11,472)	X	—
b) Potential problem	43,255	(30,287)	X	12,968
c) Restructured	480,917	(129,975)	X	350,942
d) Overdue	—	—	X	—
e) Other assets	36,491,293	X	(155,034)	36,336,259
Total A	37,026,937	(171,734)	(155,034)	36,700,169
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	98,277	—	X	98,277
b) Other assets	17,708,029	X	—	17,708,029
Total B	17,806,306	—	—	17,806,306
Total (A+B)	54,833,243	(171,734)	(155,034)	54,506,475

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

Description/category	Non-performing	Potential problem	Restructured	Overdue
A. Gross exposure at start of period	11,472	9,852	121,826	—
of which: accounts sold but not derecognized	—	—	—	—
B. Additions	—	43,255	360,258	—
B.1 transfers from performing loans	—	43,255	348,803	—
B.2 transfers from other categories of impaired assets	—	—	—	—
B.3 other additions	—	—	11,455	—
C. Reductions	—	(9,852)	(1,167)	—
C.1 transfers to performing loans	—	—	(1,167)	—
C.2 amounts written off	—	(7,804)	—	—
C.3 amounts collected	—	(2,048)	—	—
C.4 gains realized on disposals	—	—	—	—
C.5 transfers to other categories of impaired assets	—	—	—	—
C.6 other reductions	—	—	—	—
D. Gross exposure at end of period	11,472	43,255	480,917	—
of which: accounts sold but not derecognized	—	—	—	—

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

Description/category	Non-performing	Potential problem	Restructured	Overdue
A. Adjustments at start of period	(11,472)	(6,153)	(8,630)	—
of which: accounts sold but not derecognized	—	—	—	—
B. Additions	—	(30,287)	(121,345)	—
B.1 value adjustments	—	(30,287)	(121,345)	—
B.2 transfers from other categories of impaired assets	—	—	—	—
B.3 other additions	—	—	—	—
C. Reductions	—	6,153	—	—
C.1 writebacks based on valuations	—	—	—	—
C.2 writebacks due to amounts collected	—	1,080	—	—
C.3 amounts written off	—	5,073	—	—
C.4 transfers to other categories of impaired assets	—	—	—	—
C.5 other reductions	—	—	—	—
D. Adjustments at end of period	(11,472)	(30,287)	(129,975)	—
of which: accounts sold but not derecognized	—	—	—	—

A.2 Exposures by internal and external ratings

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

Exposures	External rating category						Unrated	Total
	AAA / AA-	A+ / A-	BBB+ / BBB-	BB+ / BB-	B+ / B-	Lower than B-		
A. Cash exposures	8,266,469	21,397,832	2,464,111	1,819,075	119,080	274,882	14,402,413	48,743,862
B. Derivatives	13,676,491	75,806,239	475,404	357,964	—	—	3,622,935	93,939,033
B.1 financial derivatives	4,876,822	8,211,054	475,404	357,964	—	—	2,861,214	16,782,458
B.2 credit derivatives	8,799,669	67,595,185	—	—	—	—	761,721	77,156,575
C. Guarantees	—	5,380,127	—	—	—	34,654	161,780	5,576,561
D. Commitments to lend funds	1,493,278	18,318,085	2,241,289	112,236	48,311	—	3,550,510	25,763,709
Total at 30/6/11	23,436,238	120,902,283	5,180,804	2,289,275	167,391	309,536	21,737,638	174,023,165
Total at 30/6/10	16,460,936	52,670,864	6,563,959	1,589,567	529,570	36,888	27,192,237	105,044,021

A.3 Secured exposures by type of security

A.3.1 Secured cash exposures to banks and customers

	Amount	Real guarantees (1)			Personal guarantees (2)									Total (1) + (2)
					Credit derivatives					Endorsements				
						Other credit derivatives								
		Properties	Securities	Other assets	CLN	Govern-ments	Other public agencies	Banks	Others	Govern-ments	Other public agencies	Banks	Others	
1. Secured balance sheet credit exposures:														
1.1 completely secured	1,319,340	—	1,396,684	—	—	—	—	—	—	—	163,771	—	66,722	1,627,177
- of which impaired	127	—	—	—	—	—	—	—	—	—	—	—	127	127
1.2 partly secured	2,253,563	—	2,161,580	—	—	—	—	—	—	—	—	—	54,572	2,216,152
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Secured off balance sheet credit exposures:														
2.1 completely secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.2 partly secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—

A.3.2 Secured impaired cash exposures to banks and customers

	Amount	Real guarantees (1)			Personal guarantees (2)									Total (1)+(2)
					Credit derivatives					Endorsements				
						Other credit derivatives								
		Properties	Securities	Other assets	CLN	Govern-ments	Other public agencies	Banks	Others	Govern-ments	Other public agencies	Banks	Others	
1. Secured balance sheet credit exposures:														
1.1 completely secured	5,938,692	1,696,910	5,510,545	46,291	—	—	—	—	—	—	—	6,568	2,413,892	9,674,206
- of which impaired	121,650	127,443	8,841	4	—	—	—	—	—	—	—	—	15,466	151,754
1.2 partly secured	2,500,659	—	1,913,085	2,048	—	—	—	—	—	—	—	34,531	3,241	1,952,905
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	2,250	2,250
2. Secured off balance sheet credit exposures:														
2.1 completely secured	41,343	23,982	—	—	—	—	—	—	—	—	—	8,040	10,816	42,838
- of which impaired	1,020	1,050	—	—	—	—	—	—	—	—	—	—	—	1,050
2.2 partly secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—

B. Loan distribution and concentration

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

Exposures/counterparts	Governments	Other public agencies	Financial companies	Insurances	Non-financial undertakings	Other entities
A. Cash exposures						
A.1 Non-performing						
Net exposure	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	(11,472)	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
A.2 Potential problem						
Net exposure	—	—	—	—	12,968	—
Value adjustments to gross exposure	—	—	—	—	(30,287)	—
Value adjustments to portfolio	—	—	—	—	—	—
A.3 Restructured						
Net exposure	234,778	—	6,477	—	109,687	—
Value adjustments to gross exposure	(108,903)	—	(3,446)	—	(17,626)	—
Value adjustments to portfolio	—	—	—	—	—	—
A.4 Overdue						
Net exposure	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
A.5 Other exposures						
Net exposure	4,827,222	57,857	17,654,051	2,677,911	10,888,570	230,648
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	(9)	—	(8,354)	(3,896)	(142,715)	(60)
Total A						
Net exposure	5,062,000	57,857	17,660,528	2,677,911	11,011,225	230,648
Value adjustments to gross exposure	(108,903)	—	(14,918)	—	(47,913)	—
Value adjustments to portfolio	(9)	—	(8,354)	(3,896)	(142,715)	(60)
B. Off-balance sheet exposures						
B.1 Non-performing						
Net exposure	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
B.2 Potential problem						
Net exposure	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
B.3 Other impaired assets						
Net exposure	—	—	—	—	98,277	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
B.4 Other exposures						
Net exposure	970,097	—	8,927,199	287,161	7,523,552	20
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
Total B						
Net exposure	970,097	—	8,927,199	287,161	7,621,829	20
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
Total at 30/6/11						
Net exposure	6,032,097	57,857	26,587,727	2,965,072	18,633,054	230,668
Value adjustments to gross exposure	(108,903)	—	(14,918)	—	(47,913)	—
Value adjustments to portfolio	(9)	—	(8,354)	(3,896)	(142,715)	(60)
Total at 30/6/10	6,860,336	—	31,389,397	3,109,757	20,261,344	274,107

B.2 *Cash and off-balance-sheet exposures to customers by geography (book value)*

Exposure/geographical areas	Italy		Other European countries		United States		Asia		Rest of world	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A) Cash exposures										
A.1 Non-performing	—	—	—	(11,472)	—	—	—	—	—	—
A.2 Potential problem	3,614	(25,589)	7,258	(4,397)	2,096	(301)	—	—	—	—
A.3 Restructured	111,493	(20,942)	239,449	(109,033)	—	—	—	—	—	—
A.4 Overdue	—	—	—	—	—	—	—	—	—	—
A.5 Other exposures	26,328,917	(105,684)	8,198,435	(49,121)	1,330,302	(152)	404,686	(77)	73,919	—
Total A	26,444,024	(152,215)	8,445,142	(174,023)	1,332,398	(453)	404,686	(77)	73,919	—
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	98,277	—	—	—	—	—	—	—	—	—
B.4 Other exposures	11,549,827	—	6,011,912	—	22,983	—	123,307	—	—	—
Total B	11,648,104	—	6,011,912	—	22,983	—	123,307	—	—	—
Total at 30/6/11	38,092,128	(152,215)	14,457,054	(174,023)	1,355,381	(453)	527,993	(77)	73,919	—
Total at 30/6/10	44,481,143	(120,811)	15,362,728	(116,484)	1,695,033	(568)	252,172	(90)	103,865	—

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

Exposure/geographical areas	Italy		Other European countries		United States		Asia		Rest of world	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A) Cash exposures										
A.1 Non-performing	—	—	127	—	—	—	—	—	—	—
A.2 Potential problem	—	—	—	—	—	—	—	—	—	—
A.3 Restructured	—	—	—	—	—	—	—	—	—	—
A.4 Overdue	—	—	—	—	—	—	—	—	—	—
A.5 Other exposures	5,088,159	(514)	6,710,803	(2,341)	180,042	—	64,561	(732)	1	—
Total A	5,088,159	(514)	6,710,930	(2,341)	180,042	—	64,561	(732)	1	—
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	—	—	10,313	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	81,504	—	—	—	—	—	—	—
B.4 Other exposures	5,305,947	—	99,338,748	—	2,735,424	—	1,061	—	—	—
Total B	5,305,947	—	99,430,565	—	2,735,424	—	1,061	—	—	—
Total at 30/6/11	10,394,106	(514)	106,141,495	(2,341)	2,915,466	—	65,622	(732)	1	—
Total at 30/6/10	7,590,998	(117)	35,247,540	(92)	228,990	—	81,550	(1,882)	1	—

B.4 Large risks

	30/6/11	30/6/10
a) Book value	15,788,398	16,202,067
b) Weighted value	14,547,226	13,858,910
c) No. of exposures	15	17

Leveraged finance transactions

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

As at 30 June 2011, deals of this nature amounted to €2,239.9m, up slightly on the figure of €2,054.5m, reported last year approx. 13% of the corporate loan book, half of which in relation to domestic transactions, with the vast majority of the remainder for deals within the confines of the Eurozone. Movements during the period under review included the addition of six new deals worth a total of €232.9m, full repayment of seven loans (in an amount of approx. €132.5m), and other changes (use of credit lines and capitalization of interest) up €85m.

The portfolio does not contain any positions with companies in financial difficulties, while restructuring agreements for three accounts worth a total of €277.4m have been reached, one of which during the course of the financial year.

C. Securitizations and asset disposals

C.1 Securitizations

Qualitative information

In addition to its €1.7bn investment in the Quarzo securitization of Compass receivables, Mediobanca S.p.A. has a portfolio of securities deriving from securitizations by other issuers worth €328.1m (30/6/10: €417.3m). The main movements during the period involved acquisitions of €31.7m, disposals and repayments totalling €116.5m (generating gains of €1.7m) and downward adjustments at the period-end totaling €6.1m (€7.4m of which relating to the partial writedown to the ELM security), €1.1m by way of increase in amortized cost, and €0.2m in upward adjustment to fair value as at the reporting date; the implicit loss on the fixed portfolio amounts to €20.6m. Over 70% of the acquisitions involved Italian-originated deals (in particular the securitization of Telecom Italia commercial properties through vehicle company IMSER), and all refer to the first half of the year when signs of recovery were apparent in both the primary market (with new deals on European portfolios, and the launch of the first issue backed by Italian mortgages since the Lehman crisis) and the secondary market (with investor interest focused on the mezzanine and junior classes which offer the highest returns). In the second half-year the market slowed, among other things following the introduction of stricter regulations for issuers and investors, the latter shifting their focus to more efficient funding instruments (e.g. covered bonds).

Mediobanca does not have on its books, and indeed never has had, any direct credit exposures backed by subprime or Alt-A (Alternative – A, i.e. positions with underlying mortgages featuring incomplete documentation that does not allow them to be classified). Neither does it have any exposures to monoline insurers, i.e. insurance companies specializing in covering default risk on public and corporate bond issues, with the exception of one credit default swap worth a nominal $10m entered into with MBIA (Municipal Bond Insurance Association), with a positive fair value of €0.7m (minus €4.6m at 30 June 2010).

The portfolio is still concentrated (more than 85%) on securities with domestic underlying assets: over 40% mortgage receivables, around 30% state-owned properties and the remainder leasing receivables plus a restructured securitization formerly promoted by Capitalia (Entasi). The other deals involve a synthetic security (ELM), UK mortgage loans (Permanent and RMAC) and German mortgage loans (E-MAC). Holdings in junior and mezzanine tranches total approx. €32.1m, and chiefly involve mezzanine tranches in Italian mortgage loans (Bpm Securitisation Srl, €4.7m) and UK mortgage receivables (RMAC PLC (€3.9m) as well as commercial properties (IMSER, €18.1m); the other tranches involve junior positions in securitizations of mortgage receivables implemented by BCC Mortgages PLC (€1.5m), Loggi (€1.4m) and Casaforte (€2.4m). These valuations have been made based on prices supplied by the leading financial information providers, i.e. Reuters, Bloomberg and Mark-it, giving priority to marked-to-market data rather than fair value models (which have been used only for certain unlisted positions), and for the most part made using a pricing model supplied by the main rating agencies.

Some 85% of the portfolio has a rating consistent with securities of high credit standing attributed by at least one of the main credit rating agencies (Standard & Poor's, Moody's and Fitch) and is eligible for refinancing with the European Central Bank. During the period under review no particular action was taken by any of the rating agencies, apart from the odd adjustment made as a result of the stricter rating criteria. The only positions which are either unrated or have non-performing assets underlying them are in deals where Mediobanca played an active role in the securitization, e.g. as sponsor, manager, etc.

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

— mortgage loans: the prospects of low interest rates have helped delinquency and default rates to stabilize (albeit at historically high levels), but also reflect an increase in average duration (forecasts of stable interest rates are a disincentive to prepayment on existing mortgages, with the ratio remaining at 5–6%); introduction of the "plan for families" has helped keep down delays in short-term payment (30 days), even though long-term delays (above 90 days) are increasing;

— state-owned and Italian commercial properties: these reflect the widening returns on Italian securities and the related credit default swaps; there were no downgrades during the period, although sales of properties were below expectations, and hence the timescale for repayment is bound to increase.

Quantitative information

C.1.1 Exposures deriving from securitizations by underlying asset

Type of underlying asset/exposures	Cash exposure[1]					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Using own underlying assets	—	—	—	—	—	—
a) Impaired	—	—	—	—	—	—
b) Other	—	—	—	—	—	—
B) Using customers' underlying assets	1,989,717	1,989,717	26,716	26,716	5,343	5,343
a) Impaired	95,028	95,028	—	—	—	—
b) Other	1,894,689	1,894,689	26,716	26,716	5,343	5,343

[1] No off-balance-sheet exposure.

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

Type of securitized asset/exposure	Cash exposures [1]					
	Senior		Mezzanine		Junior	
	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks
A. Mortgage loans on Italian properties						
A.1 Argo Mortgage srl 1 A IT0003246276	198	1	—	—	—	—
A.2 Mantegna-37 A2 ind IT0003443527	446	(41)	—	—	—	—
A.3 CASAFORT2010-1Z Mortgage IT0004644677	—	—	—	—	2,403	—
A.4 DOMOS 2001-1-A Mortgage FR0000487589	233	20	—	—	—	—
A.5 BMP Securitisation srl IT0004083033	—	—	4,695	(42)	—	—
A.6 Velah 4 A2 IT0004102007	26,694	—	—	—	—	—
A.7 Cordusio 3 A2 06-42 IT0004144892	113	(4)	—	—	—	—
A.8 BP MORTG-43 A2 ind IT0004215320	8,950	79	—	—	—	—
A.9 Cassa 2007-1 A1 IT0004247687	31	—	—	—	—	—
A.10 Island Ref-25 A FRN IT0004293558	18,457	—	—	—	—	—
A.11 Zeus F07-25 A FRN IT0004306186	35,520	—	—	—	—	—
A.12 LOGGI 2001-1 SUB FR0000488470	—	—	—	—	1,407	25
A.13 Sintonia Finance srl 2030 XS0163298432	420	3	—	—	—	—
A.14 BCCM1B 0 Mar38 XS0256815688	—	—	—	—	1,533	205
A.15 RCMAC2005-NS4XM2A XS0235778106	—	—	3,906	577	—	—
A.16 Imser-2A2B MTG IT0004082746	4,470	17	—	—	—	—
A.17 Imser21(ST18) 5.830 IT0003382972	—	—	18,115	—	—	—
A.18 Permanent2009-1A3 MTG XS0454744458	15,221	(88)	—	—	—	—
TOTAL A MORTGAGE LOANS ON PROPERTIES	110,753	(13)	26,716	535	5,343	230
B. State-owned properties						
B.1 Fip Fund-23 A2 FRN IT0003872774	100,911	—	—	—	—	—
B.2 SCCI11(LG31) FLT IT0003953384	104	4	—	—	—	—
TOTAL B STATE-OWNED PROPERTIES	101,015	4	—	—	—	—
C. Leasing receivables						
C.1 Locat MTGE 04-24 FLT IT0003733083	3,198	25	—	—	—	—
C.2 Split 2-18 A FRN IT0003763882	705	(152)	—	—	—	—
C.3 ASSET-BA2A MTG XS023267631	495	(482)	—	—	—	—
C.4 Locat 2006-4A2 MTG IT0004153679	565	5	—	—	—	—
C.5 Quarzo 2003-CL1A MTG IT0003487011	14,995	11	—	—	—	—
TOTAL C LEASING RECEIVABLES	19,958	(593)	—	—	—	—
D. Other receivables						
D.1 Entasi 2001-11 MTG IT0003142996	41,051	—	—	—	—	—
D.2 Astrea srl 17/01/2013 IT0003331292	154	5	—	—	—	—
D.3 Elm BB.V. FL XS0247902587	22,203	—	—	—	—	—
D.4 Quarzo 2008-1A MTG IT0004397359	1,002,427	—	—	—	—	—
D.5 Quarzo 2009-1A MTG IT0004467442	691,226	—	—	—	—	—
D.6 Romulus13 (FB20) 4.940 XS0161620439	930	—	—	—	—	—
TOTAL D OTHER RECEIVABLES	1,757,991	5	—	—	—	—
Total at 30/6/11	1,989,717	(597)	26,716	535	5,343	230
Total at 30/6/10	407,811	1,489	8,156	1,734	1,327	697

[1] No off-balance-sheet exposure.

C.1.4 Exposures to securitizations by asset/portfolio type

Exposure/portfolio	Held for trading	Recognized at fair value	Available for sale	Held to maturity	Loans and advances	30/6/11	30/6/10
1. Cash exposures	46,619	—	17,624	41,248	1,916,285	2,021,776	417,294
- Senior	35,078	—	15,221	23,133	1,916,285	1,989,717	407,811
- Mezzanine	8,601	—	—	18,115	—	26,716	8,156
- Junior	2,940	—	2,403	—	—	5,343	1,327
2. Off-balance-sheet exposures	—	—	—	—	—	—	145,091
- Senior	—	—	—	—	—	—	145,091
- Mezzanine	—	—	—	—	—	—	—
- Junior	—	—	—	—	—	—	—

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

Assets/amounts	Traditional securitizations	Synthetic securitizations
A. Own underlying assets:		
A.1 Fully derecognized		
1. Non-performing	—	X
2. Potential problem	—	X
3. Restructured	—	X
4. Overdue	—	X
5. Other assets	—	X
A.2 Partly derecognized		
1. Non-performing	—	X
2. Potential problem	—	X
3. Restructured	—	X
4. Overdue	—	X
5. Other assets	—	—
A.3 Not derecognized		
1. Non-performing	—	—
2. Potential problem	—	—
3. Restructured	—	—
4. Overdue	—	—
5. Other assets	—	—
B. Customer underlying assets:		
B.1 Non-performing	—	—
B.2 Potential problem	—	—
B.3 Restructured	—	—
B.4 Overdue	—	—
B.5 Other assets	5,343	—

C.2 Asset disposals

C.2.1 Financial assets sold but not derecognized

Type/portfolio	Financial assets held for trading	Financial assets at fair value through profit and loss account	AFS securities	Financial assets held to maturity	Due from banks	Due from customers	Total	
							30/6/11	30/6/10
A. Cash assets								
a) financial assets sold but recorded in full (book value)	192,200	—	201,371	83,561	833,561	297,762	1,608,455	1,191,089
1. Debt securities	192,200	—	201,371	83,561	833,561	297,762	1,608,455	1,032,264
2. Equities	—	—	—	X	X	X	—	—
3. UCITS units	—	—	—	X	X	X	—	—
4. Loans and advances	—	—	—	—	—	—	—	158,825
B. Derivative products	—	X	X	X	X	X	—	—
Total at 30/6/11	192,200	—	201,371	83,561	833,561	297,762	1,608,455	—
a) financial assets sold but recorded in full (book value)	192,200	—	201,371	83,561	833,561	297,762	1,608,455	—
- of which impaired	—	—	—	—	—	—	—	—
Total at 30/6/10	784,291	—	149,037	—	98,936	158,825		1,191,089
a) financial assets sold but recorded in full (book value)	784,291	—	149,037	—	98,936	158,825		1,191,089
- of which impaired	—	—	—	—	—	—		—

Legend:
A = Financial assets sold but recognized in full (book value).
B = Financial assets sold but recognized in part (book value).
C = Financial assets sold but recognized in part (full value).

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

Liabilities/asset portfolios	Financial assets held for trading	AFS securities	Financial assets held to maturity	Due from banks	Due from customers	Total
1. Cash assets	159,048	100,044	2,035	—	91,362	352,489
a) in respect of fully recognized assets	159,048	100,044	2,035	—	91,362	352,489
b) in respect of partly recognized assets	—	—	—	—	—	—
2. Due to banks	33,152	101,327	81,526	833,561	206,400	1,255,966
a) in respect of fully recognized assets	33,152	101,327	81,526	833,561	206,400	1,255,966
b) in respect of partly recognized assets	—	—	—	—	—	—
3. Debt securities in issue	—	—	—	—	—	—
a) in respect of fully recognized assets	—	—	—	—	—	—
b) in respect of partly recognized assets	—	—	—	—	—	—
Total at 30/6/11	192,200	201,371	83,561	833,561	297,762	1,608,455
Total at 30/6/10	784,291	149,037	—	98,936	158,825	1,191,089

Section 2

Market risk

2.1 INTEREST RATE RISK - TRADING BOOK

QUALITATIVE INFORMATION

Mediobanca controls market risk on a daily basis by measuring sensitivity to movements in the interest rate curve; and calculating value at risk (VaR).[1] VaR is measured not only for the trading book but is extended to cover the Bank's entire asset structure, i.e. banking as well as trading book, net of the strategic investments, to ensure that AFS positions are monitored as well, for which changes in market value, while not impacting on the profit and loss account, bring about changes in net equity.

The authorization structure governing Mediobanca's operations is based on value at risk readings for the various organizational units. VaR is calculated based on expected volatility and the correlation between risk factors concerned, assuming a disposal period of a single trading day and based on a 99% confidence level. As from this financial year the parametric method has been abandoned, and values have been calculated exclusively using the Monte Carlo method [2]. This is complemented by a VaR figure based on historical simulation, also used to calculate the expected shortfall, which measures average loss in 1% of the most unfavourable scenarios. All measurements are made using the following as risk factors: exchange rates, share prices (at level of individual stock level), volatility surfaces, inflation curves and interest rates, with mapping on the different maturities, and for interest rates the general market component is also separated from issuer-specific risk.

In addition to these indicators, stress tests are also carried out weekly on the main risk factors, to show the impact which historical crisis scenarios being repeated and significant movements in the main market data could have. These include the shock induced by the terrorist attacks on September 11, 2001, the bankruptcy of Lehman Brothers and the recent Greek crisis.

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1 *VaR*: maximum potential loss over a specified time horizon and a given confidence level.

2 The portfolio values are calculated based on the assumption that returns on the elementary risk factors, the performance of which is simulated using a volatility matrix and correlations updated daily, will be distributed normally; this allows non-linear positions to be calibrated to risk factors more fully.

QUANTITATIVE INFORMATION

This year has been marked by phases of extreme volatility alternating with periods of more controlled movements in prices. The start of the financial year saw relatively high value at risk levels, due to the fallout on the market of the shockwaves from the Greek crisis which peaked in May 2010. Another widening was seen at end-2010, due to the increasing difficulties encountered by Ireland and Portugal in cleaning up their finances, but the culmination came at the end of the financial year and beyond, when prices collapsed for Italian government securities in particular, and the crisis extending to stock markets as well.

For the third year running the average value at risk for the aggregate, i.e. comprising not just the trading portfolio but also the holdings in equities and bonds classified as available for sale, was well above €30m (€34.7m, €34.8m and €34.7m respectively). However, this year saw greater instability over the twelve months. Indeed, against a lower VaR reading at the reporting date (€48.7m, versus €72.1m) and a high that was almost half that recorded the previous year (€71.1m, compared with the exceptional peak of €140m in the final two months of the last financial year), the low was a good 50% higher than in the preceding twelve months (€21.6m, compared with €14.1m).

By individual risk factor, the contribution from interest rate risk remained at the high levels witnessed last year (the average reading rose from €18.6m to €18.9m), while the contribution from specific risk increased, from €9.3m to €14.3m. This confirms two factors: the reduction in exposure to peripheral EU member states' sovereign risk, and the extension in interest rate volatility to corporate paper as well, in particular that of banks and financial companies debt. The contribution from equities rose from €20.6m to €22.1m, exclusively due to arbitrage positions on securities linked to M&A transactions. The higher contributions from exchange rates and volatility are accounted for by the increase in foreign exchange positions and positions in options, equity options in particular. Meanwhile, the inflation component fell to its lowest levels.

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

Risk factors	12 mths to 30/6/11				12 mths to 30/6/10
(€'000)	30/6	Min	Max	Avg.	Avg.
Interest rates	30,619	12,244	42,726	18,926	18,644
- of which: specific risk	*19,861*	*7,695*	*28,278*	*14,335*	*9,348*
Share prices	21,566	12,392	37,716	22,176	20,585
Exchange rates	6,730	909	7,427	3,366	1,999
Inflation	280	200	979	436	1,566
Volatility	3,987	1,218	4,794	2,528	1,490
Diversification effect *	(14,217)	(4,533)	(21,057)	(12,306)	(9,479)
TOTAL	48,685	21,606	71,126	34,691	34,805
Expected shortfall	*86,166*	*65,472*	*88,402*	*78,270*	*65,098*

* Due to mismatches between risk factors.

The average expected shortfall [3] was up 20%, from €65.1m to €78.3m, chiefly due to last year's result being impacted by the sharp changes in volatility which are not accurately reflected in the calculation model based on the historical simulation method.

Analysis of VaR for the trading book (cf. Table 2 below) overall reflects the trends witnessed in the various different risk factors at the aggregate level. The increase of around 10% in the average data, from €18.1m to €20.1m, compared to the stability of the aggregate data, is merely the result of the increase in the stock market component which in turn was caused by the arbitrage positions on equities referred to above, the overall effect of which is mitigated by the presence of AFS equity positions

Of the other risk factors, there was an increase in the exchange rates and volatility components and a reduction in inflation, and although the interest rate curves' contribution reflect higher specific risk (up from €6.5m to €10.7m), overall it was down from €17m to €15.6m. The highs and lows for VaR readings were also less pronounced: the high for the period was just under €40m (compared with over €90m last year), and the low over €11m, compared with just €4.7m in 2009-10. Equally, there was a significant increase in the expected shortfall,

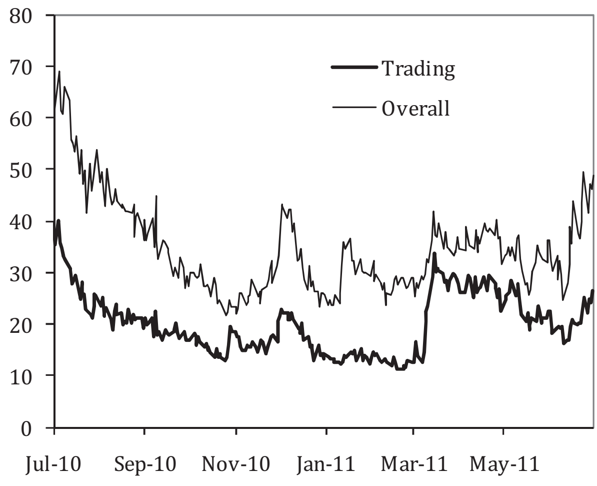
3 Average of losses recorded in 1% of the most unfavourable scenarios.

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

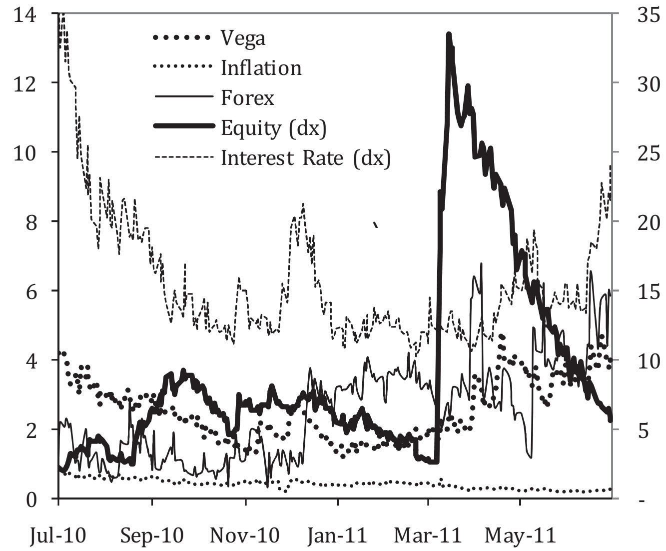
Risk factors	12 mths to 30/6/11				12 mths to 30/6/10
(€'000)	30/6	Min.	Max.	Avg.	Avg.
Interest rates	24,091	10,241	36,212	15,588	16,976
- of which: specific risk	*13,815*	*5,718*	*20,589*	*10,653*	*6,468*
Share prices	5,592	2,027	33,550	9,114	2,378
Exchange rates	5,831	312	6,687	2,494	1,638
Inflation	280	200	979	436	1,566
Volatility	3,987	1,218	4,794	2,528	1,455
Diversification effect *	(13,041)	(3,303)	(20,785)	(9,637)	(5,879)
TOTAL	26,468	11,196	39,854	20,088	18,134
Expected shortfal	*58,709*	*37,447*	*60,404*	*45,941*	*30,186*

* Due to mismatches between risk factors.

Trend in VaR



Trend in VaR constituents



The effectiveness of VaR as a risk management instrument is confirmed by the results of the daily back-testing, which is based on the calculation of implied profits and losses.[4] In a scenario where volatility was consistently at high levels, the VaR limit for losses was breached on only one occasion with reference to the aggregate portfolio (compared to four breaches last year, which was exceptional) and twice for the trading book (as against three times last year). Both figures are perfectly in line with the theoretical level of 2-3 breaches per financial year implied in a value-at-risk model at 99%. The specific causes of the breaches were the sharp changes in prices on share and bond markets, especially in Italy, which took place when the crisis involving peripheral Eurozone member states flared up again and spreads on government bonds widened as a consequence.

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

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

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	98,439	651,074	569,645	425,046	1,508,862	320,111	168,370	—
1.1 Debt securities	98,439	651,074	569,645	425,046	1,508,862	320,111	168,370	—
– with early redemption	—	—	—	—	—	—	—	—
– others	98,439	651,074	569,645	425,046	1,508,862	320,111	168,370	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	6,858	70,978	14,245	259,616	363,776	159,412	—
2.1 Reverse repos	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	6,858	70,978	14,245	259,616	363,776	159,412	—
3. Financial derivatives	110,000	127,713,429	52,517,640	29,859,939	85,763,713	22,774,681	5,935,300	—
3.1 With underlying securities	—	2,454,870	—	—	6,760,000	—	—	—
– Options	—	—	—	—	6,760,000	—	—	—
+ long positions	—	—	—	—	3,380,000	—	—	—
+ short positions	—	—	—	—	3,380,000	—	—	—
– Others	—	2,454,870	—	—	—	—	—	—
+ long positions	—	1,227,435	—	—	—	—	—	—
+ short positions	—	1,227,435	—	—	—	—	—	—
3.2 Without underlying securities	110,000	125,258,559	52,517,640	29,859,939	79,003,713	22,774,681	5,935,300	—
– Options	—	42,234,936	21,034,744	6,723,904	11,336,972	1,380,000	1,520,000	—
+ long positions	—	21,117,468	10,517,372	3,361,952	5,668,486	690,000	760,000	—
+ short positions	—	21,117,468	10,517,372	3,361,952	5,668,486	690,000	760,000	—
– Others	110,000	83,023,623	31,482,896	23,136,035	67,666,741	21,394,681	4,415,300	—
+ long positions	20,000	42,177,901	16,798,585	10,640,940	33,325,470	10,061,571	2,590,171	—
+ short positions	90,000	40,845,722	14,684,311	12,495,095	34,341,271	11,333,110	1,825,129	—

Currency of denomination: US DOLLARS

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	—	134,727	2,282	64,453	437,823	114,569	13,502	—
1.1 Debt securities	—	134,727	2,282	64,453	437,823	114,569	13,502	—
– with early redemption	—	—	—	—	—	—	—	—
– others	—	134,727	2,282	64,453	437,823	114,569	13,502	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	—	—	—	—	—	—	—
2.1 Reverse repos	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivatives	630,096	8,404,426	340,345	113,693	5,507,947	1,483,069	—	—
3.1 With underlying securities	—	1,237,852	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	1,237,852	—	—	—	—	—	—
+ long positions	—	618,926	—	—	—	—	—	—
+ short positions	—	618,926	—	—	—	—	—	—
3.2 Without underlying securities	630,096	7,166,574	340,345	113,693	5,507,947	1,483,069	—	—
– Options	—	1,660,554	—	—	—	—	—	—
+ long positions	—	830,277	—	—	—	—	—	—
+ short positions	—	830,277	—	—	—	—	—	—
– Others	630,096	5,506,020	340,345	113,693	5,507,947	1,483,069	—	—
+ long positions	315,048	2,805,954	152,714	44,420	2,726,763	745,686	—	—
+ short positions	315,048	2,700,066	187,631	69,273	2,781,184	737,383	—	—

Currency of denomination: OTHERS

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	—	83,545	32,658	77,575	112,193	—	—	—
1.1 Debt securities	—	83,545	32,658	77,575	112,193	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	—	83,545	32,658	77,575	112,193	—	—	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	—	—	—	—	—	—	—
2.1 Reverse repos	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivatives	224,382	9,672,163	513,622	770,302	3,064,345	—	158,810	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	224,382	9,672,163	513,622	770,302	3,064,345	—	158,810	—
– Options	—	6,567,504	—	—	—	—	—	—
+ long positions	—	3,283,752	—	—	—	—	—	—
+ short positions	—	3,283,752	—	—	—	—	—	—
– Others	224,382	3,104,659	513,622	770,302	3,064,345	—	158,810	—
+ long positions	112,191	1,515,378	266,053	385,151	1,559,882	—	79,405	—
+ short positions	112,191	1,589,281	247,569	385,151	1,504,463	—	79,405	—

2.1 *Regulatory trading book: cash exposures of equities and UCITS units*

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities			
A.1 Shares [1]	1,312,860	—	1
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	—	164,295
B. UCITS units			
B.1 Italian	211	—	35,518
- harmonized open	211	—	9,482
- non-harmonized open	—	—	—
- closed	—	—	—
- reserved	—	—	—
- speculative	—	—	26,036
B.2 Other EU states	332,634	—	—
- harmonized	332,634	—	—
- non-harmonized open	—	—	—
- non-harmonized closed	—	—	—
B.3 Non-EU states	—	—	—
- open	—	—	—
- closed	—	—	—
Total	1,645,705	—	199,814

[1] Over 25% of which Italian and 65% Eurozone countries.

2.2 INTEREST RATE AND PRICE RISK - BANKING BOOK

QUALITATIVE INFORMATION

Interest rate risk on the banking book continues to be strongly influenced by the presence of a sizeable bond trading portfolio (equal to around 25% of the total assets of Mediobanca S.p.A.). This generates a mismatch between the banking book's assets and liabilities, accentuating the difference between an increase/decrease in interest rates on the banking book alone, compared to that for the Group's entire asset structure.

Compared to last year, when the overall picture was substantially balanced (with a slight positive correlation between net interest income and interest rates), the increased weight of fixed-income securities in the banking book accentuated the negative impact which a 100 basis point increase in the yield curves would have on it, thus reversing the overall exposure. Indeed, the loss now on the banking book deriving from a rise in interest rates would amount to €84.9m (as against €59m last year), only in part offset by the €60.4m gain on the trading book (down from €65m last year), generating a net loss of €24.5m. Conversely, the general rise in interest rates reduced the mismatch in the case of a shock in the opposite direction: a 100 basis point reduction in the curve produces an overall profit of €24.1m, representing the balance between an €84.7m gain on the banking book and a €60.6m loss on the trading book.

In addition to the sensitivity of net interest income to interest rates, the impact which a 100 basis point shock would have on the discounted value of future cash flows from the banking book has also been estimated. In this case, the increase in the weight of fixed-income securities mentioned above is offset by a reduction in their average duration, which, however, is not sufficient to prevent the aggregate asset value remaining above that of the liabilities. This explains why an upward movement in the interest rate curves generates a loss on the banking book's discounted value amounting to €91.9m (compared with €99m last year). As is the case with net interest income, here too the mismatch in the event of a reduction in interest rates has reduced, with a gain of €91.6m compared with €90m as at 30 June 2010.

Hedging

Fair value hedges

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

Cash flow hedges

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

Counterparty risk

This is measured in terms of expected potential market value, thus doing away with the need to set arbitrary weightings for each type of fund employed, and identifies a maximum potential exposure to groups of the Bank's counterparties based on a given confidence level and over a specific time horizon. Towards the end of the financial year an overall review of the powers assigned to the Bank's various bodies was approved, with limits in terms of exposures being divided into three areas based on the product traded: 1) money market, which includes deals made on the interbank market and short-term financing in general; 2) repos and securities lending, including loans guaranteed by both bonds and equities; and 3) derivatives, which includes all exposures deriving from derivative contracts net of any collateral.

QUANTITATIVE INFORMATION

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

Type	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	3,433,429	25,044,240	4,858,731	1,009,429	3,260,390	2,042,584	164,210	152,006
1.1 Debt securities	123,657	3,454,515	276,959	522,913	2,646,583	1,835,627	161,090	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	123,657	3,454,515	276,959	522,913	2,646,583	1,835,627	161,090	—
1.2 Loans to banks	1,549,109	4,968,852	474,418	68,406	59,971	4,105	—	137,116
1.3 Loans to customers	1,760,663	16,620,873	4,107,354	418,110	553,836	202,852	3,120	14,890
– current accounts	126	—	—	—	179,078	—	—	—
– other loans	1,760,537	16,620,873	4,107,354	418,110	374,758	202,852	3,120	14,890
– with early repayment option	—	—	—	—	—	—	—	—
– others	1,760,537	16,620,873	4,107,354	418,110	374,758	202,852	3,120	14,890
2. Cash liabilities	6,195,154	9,553,402	5,090,069	9,688,421	10,773,834	2,702,549	113,701	104,604
2.1 Due to customers	791,217	26,077	—	101,053	31	—	—	52,494
– current accounts	285,040	—	—	—	—	—	—	—
– other amounts due	506,177	26,077	—	101,053	31	—	—	52,494
– with early repayment option	—	—	—	—	—	—	—	—
– others	506,177	26,077	—	101,053	31	—	—	52,494
2.2 Due to banks	5,381,647	989,649	295,529	10,524	—	—	—	52,055
– current accounts	5,271,645	—	—	—	—	—	—	—
– other amounts due	110,002	989,649	295,529	10,524	—	—	—	52,055
2.3 Debt securities	22,290	8,537,676	4,794,540	9,576,844	10,773,803	2,702,549	113,701	55
– with early repayment option	—	384,954	4,605	—	—	—	—	—
– others	22,290	8,152,722	4,789,935	9,576,844	10,773,803	2,702,549	113,701	55
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products	—	35,777,769	6,303,276	10,357,340	13,839,947	2,996,367	715,409	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	35,777,769	6,303,276	10,357,340	13,839,947	2,996,367	715,409	—
– Options	—	—	—	—	—	—	400,000	—
+ long positions	—	—	—	—	—	—	200,000	—
+ short positions	—	—	—	—	—	—	200,000	—
– Others	—	35,777,769	6,303,276	10,357,340	13,839,947	2,996,367	315,409	—
+ long positions	—	8,196,012	2,330,464	10,299,047	11,250,567	2,538,367	180,597	—
+ short positions	—	27,581,757	3,972,812	58,293	2,589,380	458,000	134,812	—

Currency of denomination: US DOLLARS

Type	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	101,758	657,892	73,468	6,181	31,037	493	—	—
1.1 Debt securities	—	679	—	3,565	29,023	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	679	—	3,565	29,023	—	—	—
1.2 Loans to banks	83,887	242,868	71,241	247	1,973	493	—	—
1.3 Loans to customers	17,871	414,345	2,227	2,369	41	—	—	—
– current accounts	—	—	—	—	—	—	—	—
– other loans	17,871	414,345	2,227	2,369	41	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	17,871	414,345	2,227	2,369	41	—	—	—
2. Cash liabilities	266,712	129,621	—	—	9,768	—	—	1,214
2.1 Due to customers	189	—	—	—	—	—	—	1,214
– current accounts	136	—	—	—	—	—	—	—
– other amounts due	53	—	—	—	—	—	—	1,214
– with early repayment option	—	—	—	—	—	—	—	—
– others	53	—	—	—	—	—	—	1,214
2.2 Due to banks	266,520	25,761	—	—	—	—	—	—
– current accounts	266,520	—	—	—	—	—	—	—
– other amounts due	—	25,761	—	—	—	—	—	—
2.3 Debt securities	3	103,860	—	—	9,768	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	3	103,860	—	—	9,768	—	—	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products	—	59,780	—	—	45,942	—	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	59,780	—	—	45,942	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	59,780	—	—	45,942	—	—	—
+ long positions	—	24,216	—	—	28,645	—	—	—
+ short positions	—	35,564	—	—	17,297	—	—	—

Currency of denomination: OTHERS

Type	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	125,238	558,402	—	—	44	—	—	—
1.1 Debt securities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
1.2 Loans to banks	118,752	518,106	—	—	44	—	—	—
1.3 Loans to customers	6,486	40,296	—	—	—	—	—	—
– current accounts	—	—	—	—	—	—	—	—
– other loans	6,486	40,296	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	6,486	40,296	—	—	—	—	—	—
2. Cash liabilities	68,703	347,600	225,339	18,484	9,767	—	—	—
2.1 Due to customers	62	—	—	—	—	—	—	—
– current accounts	62	—	—	—	—	—	—	—
– other amounts due	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
2.2 Due to banks	68,641	347,600	—	—	—	—	—	—
– current accounts	68,641	—	—	—	—	—	—	—
– other amounts due	—	347,600	—	—	—	—	—	—
2.3 Debt securities	—	—	225,339	18,484	9,767	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	225,339	18,484	9,767	—	—	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products	—	248,241	—	16,620	231,621	—	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	248,241	—	16,620	231,621	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	248,241	—	16,620	231,621	—	—	—
+ long positions	—	8,310	—	8,310	231,621	—	—	—
+ short positions	—	239,931	—	8,310	—	—	—	—

2. *Banking book: cash exposures of equities and UCITS units*

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities			
A.1 Shares [1]	558,185	—	743,248
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	—	251,589
B. UCITS units			
B.1 Italian	—	—	72,350
- harmonized open	—	—	—
- non-harmonized open	—	—	—
- closed	—	—	56,445
- reserved	—	—	10,905
- speculative	—	—	5,000
B.2 Other EU states	—	—	—
- harmonized (2)	—	—	—
- non-harmonized open	—	—	—
- non-harmonized closed	—	—	—
B.3 Non-EU states	—	—	5,792
- open	—	—	—
- closed	—	—	5,792
Total	558,185	—	1,072,979

[1] Of which 82% Italian.

2.3 EXCHANGE RATE RISK

Risks deriving from movements in exchange rates for all the Bank's positions are managed by the Financial Markets division. The VaR measurements shown on page 382 show an increase in the risk deriving from foreign exchange markets: this is due both to the increased volatility affecting the main exchange rates, and to the presence of more substantial directional positions taken with a view to diversifying the portfolio. The average VaR reading thus rose from €2m to €3.4m including all portfolios, with a high of above €7m, and from €1.6m to €2.5m for the trading book alone

QUANTITATIVE INFORMATION

1. *Assets, liabilities and derivatives by currency*

Line items	Currency				
	US dollars	Pounds sterling	Japanese yen	Swiss francs	Other
A. Financial assets	1,777,012	866,207	101,222	117,237	55,305
A.1 Debt securities	806,157	231,933	96,166	7,805	255
A.2 Equities	224,928	92,002	—	35,699	9,323
A.3 Loans and advances to banks	320,521	490,048	5,056	73,148	40,636
A.4 Loans and advances to customers	425,406	52,224	—	585	5,091
A.5 Other financial assets	—	—	—	—	—
B. Other assets	—	—	—	—	—
C. Financial liabilities	(330,634)	(598,365)	—	(63,500)	(19,960)
C.1 Due to banks	(19,287)	(5,622)	—	(62,904)	(1,695)
C.2 Due to customers	(10,578)	(346,266)	—	(36)	—
C.3 Debt securities	(300,769)	(246,477)	—	(560)	(18,265)
C.4 Other financial liabiilities	—	—	—	—	—
D. Other liabilities	—	—	—	—	—
E. Financial derivative products	(1,191,108)	(207,818)	(87,742)	(57,990)	(17,385)
- Options	—	—	—	—	—
+ Long positions	—	—	—	—	—
+ Short positions	—	—	—	—	—
- Other derivatives	(1,191,108)	(207,818)	(87,742)	(57,990)	(17,385)
+ Long positions	862,383	430,137	—	167,559	399,816
+ Short positions	(2,053,491)	(637,955)	(87,742)	(225,549)	(417,201)
Total assets	2,639,395	1,296,344	101,222	284,796	455,121
Total liabilities	(2,384,125)	(1,236,320)	(87,742)	(289,049)	(437,161)
Difference (+/-)	255,270	60,024	13,480	(4,253)	17,960

2.4 FINANCIAL DERIVATIVE PRODUCTS

A. FINANCIAL DERIVATIVES

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

Type of transaction	30/6/11		30/6/10	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	126,396,836	44,342,682	118,489,053	45,676,567
a) Options	3,380,000	33,748,302	3,342,234	34,609,375
b) Swaps	112,761,186	—	99,140,620	—
c) Forwards	—	—	3,870,021	165,254
d) Futures	—	10,594,380	—	10,901,938
e) Others	10,255,650	—	12,136,178	—
2. Equities and share indexes	41,286,251	16,526,519	23,005,701	23,121,148
a) Options	39,520,020	16,296,837	20,460,332	23,031,364
b) Swaps	1,766,231	—	2,545,369	—
c) Forwards	—	—	—	6,903
d) Futures	—	229,682	—	82,881
e) Others	—	—	—	—
3. Exchange rates and gold	7,039,433	—	6,334,804	—
a) Options	2,225,356	—	1,879,876	—
b) Swaps	1,857,932	—	1,563,195	—
c) Forwards	2,956,145	—	2,891,733	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	174,722,520	60,869,201	147,829,558	68,797,715
Average values	161,719,368	64,833,458	121,647,459	39,575,216

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

A.2.1 *Hedge derivatives*

Type of transaction	30/6/11		30/6/10	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	35,258,162	—	33,172,012	—
a) Options	—	—	—	—
b) Swaps	35,058,162	—	32,972,012	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	200,000	—	200,000	—
2. Equities and share indexes	28,868	—	2,377	4,397
a) Options	20	—	—	4,397
b) Swaps	26,471	—	—	—
c) Forwards	2,377	—	2,377	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and gold	37,994	—	52,891	—
a) Options	—	—	—	—
b) Swaps	37,994	—	52,891	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	35,325,024	—	33,227,280	4,397
Average values	34,300,911	2,198	31,095,714	3,387

A.2.2 *Other derivatives*

Type of transaction	30/6/11		30/6/10	
	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	8,902,363	—	10,250,423	—
a) Options	8,902,363	—	10,250,423	—
b) Swaps	—	—	—	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and gold	43,489	—	51,489	—
a) Options	43,489	—	51,489	—
b) Swaps	—	—	—	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	8,958,103	—	10,314,163	—
Average values	9,630,008	—	17,340,929	—

A.3 *Financial derivatives: positive fair value – breakdown by product*

Type of transactions	Positive fair value			
	30/6/11		30/6/10	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	3,446,351	557,639	4,004,542	294,494
a) Options	1,408,624	544,815	1,059,971	288,325
b) Interest rate swaps	1,777,010	—	2,530,859	—
c) Cross currency swaps	76,720	—	40,614	—
d) Equity swaps	91,485	—	315,821	—
e) Forwards	92,512	—	57,277	1,122
f) Futures	—	12,824	—	5,047
g) Others	—	—	—	—
B. Banking book: hedge derivatives	1,499,999	—	2,100,160	—
a) Options	—	—	—	—
b) Interest rate swaps	1,435,812	—	2,005,569	—
c) Cross currency swaps	1,521	—	2,284	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	62,666	—	92,307	—
C. Banking book: other derivatives	20,907	—	53,355	—
a) Options	16,886	—	53,355	—
b) Interest rate swaps	4,021	—	—	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	4,967,257	557,639	6,158,057	294,494

A.4 Financial derivatives: negative fair value – breakdown by product

Type of transaction	Negative fair value			
	30/6/11		30/6/10	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	3,800,477	518,937	4,488,821	255,896
a) Options	1,232,702	(511,173)	(906,774)	(239,051)
b) Interest rate swaps	(2,229,451)	—	(3,022,713)	—
c) Cross currency swaps	(62,600)	—	(159,201)	—
d) Equity swaps	(218,086)	—	(223,127)	—
e) Forwards	(57,638)	—	(177,006)	(126)
f) Futures	—	(7,764)	—	(16,719)
g) Others	—	—	—	—
B. Banking book: hedge derivatives	(786,112)	—	(845,481)	—
a) Options	(62,669)	—	(92,311)	—
b) Interest rate swaps	(718,025)	—	(745,522)	—
c) Cross currency swaps	(5,296)	—	(5,483)	—
d) Equity swaps	(122)	—	—	—
e) Forwards	—	—	(2,165)	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
C. Banking book: other derivatives	(288,502)	—	(342,345)	—
a) Options	(288,502)	—	(338,945)	—
b) Interest rate swaps	—	—	(3,400)	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	(4,875,091)	(518,937)	(5,676,647)	(255,896)

A.5 OTC financial derivatives: trading book – notional values, positive and negative fair values by counterparty, contracts not forming part of netting arrangements

Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	2,409,406	16,379,296	1,335,454	7,709,694	—
- positive fair value	—	—	20,483	66,802	27,928	158,454	—
- negative fair value	—	—	(306,622)	(122,551)	(5,113)	(36,681)	—
- future exposure	—	—	12,860	76,420	19,801	53,222	—
2. Equities and share indexes							
- notional value	—	—	672,338	623,747	176,351	607,774	904
- positive fair value	—	—	103,036	82,262	1,177	35,204	—
- negative fair value	—	—	(20,497)	(14,210)	—	(86)	(22)
- future exposure	—	—	26,368	43,498	16,891	37,901	54
3. Exchange rates and gold							
- notional value	—	—	13,838	39,399	—	388,764	—
- positive fair value	—	—	—	39	—	28,972	—
- negative fair value	—	—	(125)	(117)	—	(14,612)	—
- future exposure	—	—	138	456	—	20,571	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

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

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	83,877,476	14,285,509	400,001	—	—
- positive fair value	—	—	1,364,084	244,444	26,866	—	—
- negative fair value	—	—	(1,610,172)	(192,198)	—	—	—
2. Equities and share indexes							
- notional value	—	—	14,008,618	25,085,400	111,118	—	—
- positive fair value	—	—	389,149	732,791	14,027	—	—
- negative fair value	—	—	(316,203)	(1,044,989)	(487)	—	—
3. Exchange rates and gold							
- notional value	—	—	6,222,381	375,051	—	—	—
- positive fair value	—	—	107,464	43,168	—	—	—
- negative fair value	—	—	(112,509)	(3,282)	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

A.7 OTC financial derivatives: banking book – notional value, positive and negative fair valuesby counterparty, contracts not forming part of netting arrangements

Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	2,159,898	205,085	—	—	—
- positive fair value	—	—	89,851	1,380	—	—	—
- negative fair value	—	—	(96,786)	(110)	—	—	—
- future exposure	—	—	12,778	25	—	—	—
2. Equities and share indexes							
- notional value	—	—	—	—	—	2,377	20
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	(4)
- future exposure	—	—	—	—	—	—	1
3. Exchange rates and gold							
- notional value	—	—	8,310	—	—	—	—
- positive fair value	—	—	1,521	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	415	—	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

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

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	30,758,152	2,135,027	—	—	—
- positive fair value	—	—	1,385,106	22,139	—	—	—
- negative fair value	—	—	(637,009)	(46,786)	—	—	—
2. Equities and share indexes							
- notional value	—	—	26,471	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	(122)	—	—	—	—
3. Exchange rates and gold							
- notional value	—	—	29,684	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	(5,296)	—	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

A.9 OTC financial derivatives by maturity: notional values

Underlying/residual maturity	Up to 1 year	From 1 to 5 years	Over 5 years	Total
A. Regulatory trading book				
A.1 Financial derivatives on debt securities and interest rates	27,744,936	72,224,160	26,427,741	126,396,837
A.2 Financial derivatives on equities and share indexes	8,116,042	26,503,716	6,666,494	41,286,252
A.3 Financial derivatives on foreign currency and gold	5,563,322	1,141,874	334,237	7,039,433
A.4 Financial derivatives on other assets	—	—	—	—
B. Banking book:				
B.1 Financial derivatives on debt securities and interest rates	3,433,339	26,062,319	5,774,754	35,270,412
B.2 Financial derivatives on equities and share indexes	429,887	8,384,182	117,162	8,931,231
B.3 Financial derivatives on foreign currency and gold	32,876	48,607	—	81,483
B.4 Financial derivatives on other assets	—	—	—	—
Total at 30/6/11	45,320,402	134,364,858	39,320,388	219,005,648
Total at 30/6/10	48,998,725	109,153,984	33,215,915	191,368,624

B. CREDIT DERIVATIVES

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

Transaction categories	Regulatory trading book		Other transactions	
	Individual assets	Baskets	Individual assets	Baskets
1. Hedge buys				
a) Credit default	2,060,988	73,438,602	210,050	—
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total A at 30/6/11	2,060,988	73,438,602	210,050	—
Average values	2,192,359	41,548,143	163,715	—
Total A at 30/6/10	2,323,730	9,657,683	117,379	—
2. Hedge sales				
a) Credit default	1,473,104	74,027,535	288,200	740,500
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total B at 30/6/11	1,473,104	74,027,535	288,200	740,500
Average values	1,462,151	41,821,308	322,550	—
Total B at 30/6/10	1,451,199	9,615,081	356,900	355,500

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

Portfolio/derivative instruments type	Positive fair value	
	30/6/11	30/6/10
A. Regulatory trading book	1,656,128	382,619
a) Credit default products	1,656,128	382,619
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
B. Banking book	55,003	38,635
a) Credit default products	55,003	38,635
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
Total	1,711,131	421,254

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

Portfolio/derivative instruments type	Negative fair value	
	30/6/11	30/6/10
A. Regulatory trading book	(1,939,210)	(397,501)
a) Credit default products	(1,939,210)	(397,501)
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
B. Banking book	(121,002)	(27,941)
a) Credit default products	(121,002)	(27,941)
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
Total	(2,060,212)	(425,442)

B.4 OTC credit derivatives: gross positive and negative fair values by counterparty – contracts not forming part of netting arrangements

Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
Regulatory trading book							
1. Hedge buys							
- notional value	—	—	466,268	—	—	—	—
- positive fair value	—	—	3,978	—	—	—	—
- negative fair value	—	—	(252,703)	—	—	—	—
- future exposure	—	—	23,313	—	—	—	—
2. Hedge sales							
- notional value	—	—	612,799	21,467	—	—	—
- positive fair value	—	—	20,858	24	—	—	—
- negative fair value	—	—	(7,842)	(315)	—	—	—
- future exposure	—	—	31,538	1,073	—	—	—
Banking book *							
1. Hedge buys							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
2. Hedge sales							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

* Does not include implied derivatives of bonds issued.

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

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
Regulatory trading book							
1. Hedge buys							
- notional value	—	—	73,759,526	1,273,797	—	—	—
- positive fair value	—	—	607,589	12,355	—	—	—
- negative fair value	—	—	(1,040,611)	(15,131)	—	—	—
2. Hedge sales							
- notional value	—	—	73,608,384	1,257,989	—	—	—
- positive fair value	—	—	1,001,907	9,415	—	—	—
- negative fair value	—	—	(609,933)	(12,676)	—	—	—
Banking book *							
1. Hedge buys							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
2. Hedge sales							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

* Does not include implied derivatives of bonds issued.

B.6 Credit derivatives: outstanding life – notional values

Underlying/residual maturity	Up to 1 year	From 1 year to 5 years	Over 5 years	Total
A. Regulatory trading book	14,741,058	115,269,394	20,989,778	151,000,230
A.1 Credit derivatives with "qualified" reference obligation	752,585	2,973,179	284,327	4,010,091
A.2 Credit derivatives with "unqualified" reference obligation	13,988,473	112,296,215	20,705,451	146,990,139
B. Banking book	175,600	473,950	589,200	1,238,750
B.1 Credit derivatives with "qualified" reference obligation	175,600	306,450	53,000	535,050
B.2 Credit derivatives with "unqualified" reference obligation	—	167,500	536,200	703,700
Total at 30/6/11	14,916,658	115,743,344	21,578,978	152,238,980
Total at 30/6/10	1,363,862	21,489,955	1,023,655	23,877,472

C. CREDIT AND FINANCIAL DERIVATIVES

C.1 OTC financial and credit derivatives: net fair values and future exposure by counterparty

	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1) Financial derivatives bilateral agreements							
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
- net counterparty risk	—	—	—	—	—	—	—
2) Credit derivatives bilateral agreeements							
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
- net counterparty risk	—	—	—	—	—	—	—
3) "Cross product" agreements *							
- positive fair value	—	—	828,403	5,634	40,406	—	—
- negative fair value	—	—	(422,615)	(337,284)	—	—	—
- future exposure	—	—	2,234,326	472,087	5,295	—	—
- net counterparty risk	—	—	2,263,113	462,650	39,421	—	—

* Net of cash collateral received amounting to €820,968,000.

Section 3

Liquidity risk

QUALITATIVE INFORMATION

Liquidity risk is currently measured through two indicators.

The first is a regulatory indicator, based on a scheme recommended by the Bank of Italy and sent to the supervisory authority once a week. This focuses on operations with institutional counterparties and corporate and large corporate customers, plus flows deriving from treasury movements and management of securities and finance. The movements generated by contractual deadlines are supplemented with forecast data over a quarterly time horizon, which, although based on conservative assumptions, do not contemplate extreme stress situations.

The regulatory indicator is complemented by an operating indicator, based on a six-month time horizon, which in addition to the base-case scenario created by adopting a prudential approach (e.g. not assuming automatic renewal of maturities on interbank deals), does contemplate stressful situations involving the main risk factors, such as:

- extension of maturities on all the main corporate customer loans and extraordinary drawdowns on committed lines;
- major reductions in renewals of interbank funds raised by Group companies (most of which are generally renewed on the basis of the existing commercial relationships);
- significant failure to renew CheBanca! funding when term deposits expire.

In both cases, 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.

Over the course of the year under review, both liquidity monitoring indicators have reflected a counterbalance capacity, defined narrowly, far superior to the anticipated net outflow of funds. In terms of survival days, both the indicator generated for the Bank of Italy's records and the operating indicator have reached highs (3 months and 6 months respectively), without the entire amount of even just the securities eligible for refinancing with the European Central Bank being exhausted completely. Despite declining in the latter part of the financial year, even in the most stressful scenario the residual amount of the counterbalance capacity totalled over €3bn at the reporting date.

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

Type	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	3,291,658	1,595,501	1,082,476	2,407,123	1,482,336	3,945,931	4,818,755	15,273,512	9,787,542	152,007
A.1 Government securities	2,271	—	—	—	86,029	549,317	91,704	929,602	1,315,588	—
A.2 Other debt securities	3,110	8,992	15,915	20,283	61,455	133,720	973,415	3,980,890	4,582,670	—
A.3 UCITS units	—	—	—	—	—	—	—	—	—	—
A.4 Loans and advances	3,286,277	1,586,509	1,066,561	2,386,840	1,334,852	3,262,894	3,753,636	10,363,020	3,889,284	152,007
– to banks	1,549,350	1,270,267	214,492	1,024,152	730,283	338,054	188,664	1,566,939	236,095	137,116
– to customers	1,736,927	316,242	852,069	1,362,688	604,569	2,924,840	3,564,972	8,796,081	3,653,189	14,891
Cash liabilities	6,474,471	300,332	92,119	964,862	498,274	2,377,148	4,064,274	23,020,833	6,620,106	104,603
B.1 Deposits	6,172,864	254,532	81,236	197,264	82,024	12,692	172,364	368,555	242,749	104,548
– to banks	5,381,647	249,089	81,236	196,641	62,014	12,692	71,311	368,524	242,749	52,055
– to customers	791,217	5,443	—	623	20,010	—	101,053	31	—	52,493
B.2 Debt securities	2,191	5,361	2,960	713,385	153,843	2,133,566	3,891,910	22,652,278	6,377,357	55
B.3 Other liabilities	299,416	40,439	7,923	54,213	262,407	230,890	—	—	—	—
Off-balance-sheet transactions	7,877,840	2,528,011	809,394	3,362,694	3,566,718	6,173,432	4,265,329	51,203,156	14,653,077	—
C.1 Financial derivatives with exchange of principal	—	20,000	29,311	1,174,800	2,319,720	971,666	823,995	4,335,618	203,000	—
– long positions	—	—	16,210	—	1,602,568	537,928	690,690	278,454	100,000	—
– short positions	—	20,000	13,101	1,174,800	717,152	433,738	133,305	4,057,164	103,000	—
C.2 Deposits and loans for collection	5,507,816	11,262	12,514	55,606	269,367	1,021,689	776,229	—	—	—
– long positions	2,831,750	6,498	2,357	32,021	127,510	836,612	442,955	—	—	—
– short positions	2,676,066	4,764	10,157	23,585	141,857	185,077	333,274	—	—	—
C.3 Irrevocable commitments to disburse funds	1,454,195	1,290,092	686,212	1,560,008	912,913	341,352	325,237	167,567	5,104,754	—
– long positions	1,454,195	1,290,092	686,212	1,560,008	881,030	49,628	—	—	—	—
– short positions	—	—	—	—	31,883	291,724	325,237	167,567	5,104,754	—
C.4 Irrevocable commitments to disburse funds *	915,829	1,206,657	81,357	572,280	64,718	3,838,725	2,339,868	46,699,971	9,345,323	—
– long positions	—	25,000	—	3,215	1,996	2,027,540	1,339,668	23,312,719	5,822,226	—
– short positions	915,829	1,181,657	81,357	569,065	62,722	1,811,185	1,000,200	23,387,252	3,523,097	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—

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

Currency of denomination: US DOLLARS

Type	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	101,758	76	74,442	359,182	24,086	22,388	154,842	818,317	128,969	—
A.1 Government securities	—	—	—	—	—	—	—	—	—	—
A.2 Other debt securities	—	—	74,442	—	23,909	13,241	140,001	466,978	128,476	—
A.3 UCITS units	—	—	—	—	—	—	—	—	—	—
A.4 Loans and advances	101,758	76	—	359,182	177	9,147	14,841	351,339	493	—
– to banks	83,887	—	—	247	79	485	806	314,287	493	—
– to customers	17,871	76	—	358,935	98	8,662	14,035	37,052	—	—
Cash liabilities	266,712	—	—	11,921	15,215	1,375	2,750	112,115	—	1,214
B.1 Deposits	266,709	—	—	11,921	13,840	—	—	—	—	1,214
– to banks	266,520	—	—	11,921	13,840	—	—	—	—	—
– to customers	189	—	—	—	—	—	—	—	—	1,214
B.2 Debt securities	3	—	—	—	1,375	1,375	2,750	112,115	—	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	824,504	588,523	102,954	29,169	1,430,444	716,061	8,511,057	66,402,555	15,251,249	—
C.1 Financial derivatives with exchange of principal	315,048	588,523	102,954	29,060	1,430,427	56,999	121,995	554,211	163,101	—
– long positions	284,493	367,907	—	29,060	84,073	55,961	—	11,347	—	—
– short positions	30,555	220,616	102,954	—	1,346,354	1,038	121,995	542,864	163,101	—
C.2 Deposits and loans for collection	495,618	—	—	109	17	76	586	—	—	—
– long positions	57,896	—	—	46	17	38	282	—	—	—
– short positions	437,722	—	—	63	—	38	304	—	—	—
C.3 Irrevocable commitments to disburse funds	—	—	—	—	—	—	—	—	—	—
– long positions	—	—	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds *	13,838	—	—	—	—	658,986	8,388,476	65,848,344	15,088,148	—
– long positions	6,919	—	—	—	—	329,493	4,208,076	32,903,415	7,550,993	—
– short positions	6,919	—	—	—	—	329,493	4,180,400	32,944,929	7,537,155	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—

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

Currency of denomination: OTHERS

Type	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	125,238	107,891	9,646	299,761	13,474	105,096	164,057	325,614	3,329	—
A.1 Government securities	—	—	—	—	—	—	—	—	—	—
A.2 Other debt securities	—	—	9,646	55,384	13,425	104,974	163,856	120,049	3,329	—
A.3 UCITS units	—	—	—	—	—	—	—	—	—	—
A.4 Loans and advances	125,238	107,891	—	244,377	49	122	201	205,565	—	—
– to banks	118,752	107,891	—	238,297	—	—	—	171,780	—	—
– to customers	6,486	—	—	6,080	49	122	201	33,785	—	—
Cash liabilities	68,703	—	—	162,476	185,124	10,750	—	28,251	216,615	—
B.1 Deposits	68,703	—	—	162,476	185,124	—	—	—	—	—
– to banks	68,641	—	—	162,476	185,124	—	—	—	—	—
– to customers	62	—	—	—	—	—	—	—	—	—
B.2 Debt securities	—	—	—	—	—	10,750	—	28,251	216,615	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	904,633	410,251	411	108,105	245,308	254,188	334,847	4,062,597	171,136	—
C.1 Financial derivatives with exchange of principal	112,191	407,433	—	108,105	242,490	243,730	334,021	595,931	171,136	—
– long positions	82,687	349,460	—	43,661	121,245	129,898	45,134	97,571	—	—
– short positions	29,504	57,973	—	64,444	121,245	113,832	288,887	498,360	171,136	—
C.2 Deposits and loans for collection	792,442	—	411	—	—	10,458	826	—	—	—
– long positions	320,054	—	—	—	—	10,043	—	—	—	—
– short positions	472,388	—	411	—	—	415	826	—	—	—
C.3 Irrevocable commitments to disburse funds	—	—	—	—	—	—	—	—	—	—
– long positions	—	—	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds	—	2,818	—	—	2,818	—	—	3,466,666	—	—
– long positions	—	—	—	—	2,818	—	—	1,733,333	—	—
– short positions	—	2,818	—	—	—	—	—	1,733,333	—	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—

Section 4

Operating risk

Definition

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

Capital requirements for operating risk

Mediobanca has decided to adopt the Basic Indicator Approach ("BIA") in order to calculate the capital requirement for covering operating risk, applying a margin of 15% to the average of the last three readings of total income. Based on this method of calculation, the capital requirement as at 30 June 2011 was €104.2m (€107.8m).

Risk mitigation

In the review of its internal procedures as part of the "Head of company financial reporting" project, the Group has sought to identify the major sources of possible risk and the relevant measures to be taken in order to control and mitigate it, by formulating company procedures and focusing mitigation activity on the most serious aspects.

With reference to the possibility of losses caused by interruptions in operations or systems being unavailable, the Bank 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 Bank reviews the operating continuity and emergency plans regularly, to ensure that these are consistent with its activities and current operating strategies.

Internal access to computer systems is also monitored, in particular attacks from outside, using the appropriate IT and observation instruments.

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

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

Legal risk: risks deriving from litigation pending

The only claim worthy of note is the one in respect of the Bank's alleged failure to launch a full takeover bid for La Fondiaria in 2002 (cf. p. 257).

PART F - INFORMATION ON CAPITAL

Section 1

Capital of the company

B. Quantitative information

B.1 Net equity

Net equity constituents	30/6/11	30/6/10
1. Share capital	430,565	430,551
2. Share premium	2,120,143	2,119,913
3. Reserves	2,486,563	2,372,424
- of gains	2,430,456	2,329,814
a) legal	86,110	86,106
b) statutory	1,093,409	992,771
c) treasury shares	213,410	213,410
d) others	1,037,527	1,037,527
- others	56,107	42,610
4. Equity instruments	—	—
5. (Treasury shares)	(213,410)	(213,410)
6. Valuation reserves:	(12,566)	(33,972)
- AFS securities	(10,794)	(25,287)
- Property, plant and equipment	—	—
- Intangible assets	—	—
- Foreign investment hedges	—	—
- Cash flow hedges	(9,359)	(16,272)
- Exchange rate difference	—	—
- Non-current assets being sold	—	—
- Actuarial gains (losses) on defined-benefit pension schemes	—	—
- Share of valuation reserves represented by equity-accounted companies	—	—
- Special valuation laws	7,587	7,587
7. Gain (loss) for the period	127,376	244,139
Total	4,938,671	4,919,645

For further information, see section 14 “Capital of the company – Headings 130, 150, 160, 170, 180, 190, and 200”.

B.2 AFS valuation reserves: composition

Assets/amounts	Total at 30/6/11		Total at 30/6/10	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	15,931	(69,423)	48,433	(71,119)
2. Equities	144,001	(104,094)	80,219	(84,593)
3. UCITS units	6,956	(4,165)	1,772	—
4. Loans and advances	—	—	—	—
Total	166,888	(177,682)	130,424	(155,712)

B.3 AFS valuation reserves: movements during the period

	Debt securities	Equities	UCITS units	Loans	Total
1. Opening balance	(22,686)	(4,374)	1,772	—	(25,288)
2. Additions	50,781	87,017	5,681	—	143,479
2.1 Increases in fair value	22,725	68,558	5,681	—	96,964
2.2 Negative reserves charged back to profit and loss as a result of	26,682	15,583	—	—	42,265
– impairment	25,099	12,144	—	—	37,243
– disposals	1,583	3,439	—	—	5,022
2.3 Other additions	1,374	2,876	—	—	4,250
3. Reductions	81,587	42,736	4,662	—	128,985
3.1 Reductions in fair value	73,192	27,968	565	—	101,725
3.2 Adjustments for impairment	—	850	198	—	1,048
3.3 Positive reserves credited back to profit and loss as a result of: disposals	8,395	13,918	—	—	22,313
3.4 Other reductions	—	—	3,899	—	3,899
4. Balance at end of period	(53,492)	39,907	2,791	—	(10,794)

Section 2

Regulatory and supervisory capital requirements for banks

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

Since its inception a distinguishing feature of Mediobanca has been the solidity of its financial structure, with capital ratios that have been consistently and significantly higher than those required by the regulatory guidelines. Such surplus capital is justified by the nature of the Bank's operations on corporate markets.

2.1 Scope of application of regulations

Regulatory capital has been calculated on the basis of Bank of Italy circulars no. 263 issued on 27 December 2006 and no. 155 (thirteenth update) issued on 5 February 2008, which transpose the new prudential guidelines for banks and banking groups introduced by the New Basel Capital Accord (Basel II) into the Italian regulatory framework.

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.

In July 2011 the draft regulations on banks' capital and corporate governance known as the Capital Requirements Directive ("CRD IV") was published. This document represents the European Commission's transposition of the new prudential guidelines for banks known as Basel III, which involve a general strengthening of the quality of regulatory capital. The new regulations should be ready by end-2012 and applied gradually starting from January 2012, becoming fully operative as from 2019.

A. QUALITATIVE INFORMATION

Tier 1 capital consists of capital paid up, reserves, and profit for the period net of treasury shares (€213.4m) and intangible assets (€13.7m), plus 50% of the book value of the Bank's investments in banks and financial services companies (equal to €40.5m). Tier 2 capital includes the positive valuation reserves (€54.2m, €51.1m of which in respect of AFS shares), Tier 2 subordinated liabilities (€1,635.4m) net of the implicit losses on investments (€42.5m) and the remaining share of the book value of investments in banks and financial companies.

B. QUANTITATIVE INFORMATION

	30/6/11	30/6/10
A. Tier 1 capital prior to application of prudential filters	4,793,963	4,798,437
B. Tier 1 prudential filters:		
B.1 IAS/IFRS positive filters	—	—
B.2 IAS/IFRS negative filters	(5,606)	—
C. Tier 1 capital gross of items to be deducted	4,788,357	4,798,437
D. Items for deduction from Tier 1 capital	(40,529)	(64,242)
E. Total Tier 1 capital	4,747,828	4,734,195
F. Tier 2 capital prior to application of prudential filters	1,671,991	833,345
G. Tier 2 prudential filters:		
G.1 IAS/IFRS positive filters	36,994	35,648
G.2 IAS/IFRS negative filters	(54,247)	(27,218)
H. Tier 2 capital gross of items to be deducted	1,654,738	841,775
I. Items for deduction from Tier 2 capital	(40,529)	(64,242)
L. Total Tier 2 capital	1,614,209	777,533
M. Items for deduction from Total Tier 1 and Tier 2 capital	—	—
N. Regulatory capital	6,362,037	5,511,728
O. Total Tier 3 capital	—	—
P. Total regulatory capital including Tier 3	6,362,037	5,511,728

The following Tier 2 subordinate bonds have also been issued, namely:

– XS50270002669 MB GBP 200.000.000 Lower Tier II Subordinate Fixed/Floating Rate Notes Due 2018;

– XS0270008864 MB EURO 700.000.000 Lower Tier II Subordinate Floating Rate Notes Due 2016.

– IT0004645542 EURO 750.000.000 Mediobanca Secondo Atto 5% 2010/2020 Subordinate lower tier 2.

2.3 Capital adequacy

A. QUALITATIVE INFORMATION

As at 30 June 2011, the Bank's total core ratio, calculated as regulatory capital as a percentage of risk-weighted assets, stood at 16.46%, while the core Tier 1 ratio, calculated as Tier 1 capital as a percentage of risk-weighted assets, amounted to 12.28%. These figures were in line with those recorded last year, confirming the Bank's solidity.

B. QUANTITATIVE INFORMATION

Categories/amounts	Unweighted amounts		Weighted amounts/requirements	
	30/6/11	30/6/10	30/6/11	30/6/10
A. RISK ASSETS				
A.1 Credit and counterpart risk	56,364,865	57,548,076	30,074,513	29,694,907
1. Standard methodology	56,084,722	57,236,114	29,871,948	29,547,167
2. Internal rating methodology	—	—	—	—
2.1 Basic	—	—	—	—
2.2 Advanced	—	—	—	—
3. Securitization	280,143	311,962	202,565	147,740
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterpart risk			1,804,471	1,781,694
B.2 Market risk			410,294	376,677
1. Standard methodology			410,294	376,677
2. Internal models			—	—
3. Concentration risk			—	—
B.3 Operational risk			104,241	107,795
1. Basic Indicator Approach (BIA)			104,241	107,795
2. Standard methodology			—	—
3. Advanced methodology			—	—
B.4 Other prudential requirements			—	—
B.5 Other calculation elements			—	—
B.6 Total prudential requirements			2,319,006	2,266,166
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			38,650,093	37,769,438
C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			12.28%	12.53%
C.3 Regulatory capital/risk-weighted assets (total capital ratio)			16.46%	14.59%

PART H - RELATED PARTY DISCLOSURE

1. *Board member and senior management remuneration*

Remuneration paid to Directors, Statutory Auditors and other management with strategic responsibilities

Disclosure required under Article 78 of CONSOB Resolution 11971/99

Name	Description			Remuneration			
	Carica ricoperta	Position	Term expires	Fee €'000	Fringe benefits €'000	Bonuses and other incentives €'000	Other compens-ation €'000
BOARD OF DIRECTORS							
Renato PAGLIARO [1 2 3]	Chairman	01.07.10 - 30.06.11	30/06/11	150	5		2,400
Dieter RAMPL [2]	Deputy Chairman	01.07.10 - 30.06.11	30/06/11	225			
Marco TRONCHETTI PROVERA [2]	Deputy Chairman	01.07.10 - 30.06.11	30/06/11	225			
Alberto NAGEL [1 2]	Chief Executive Officer	01.07.10 - 30.06.11	30/06/11	150	6		2,784 *
Francesco Saverio VINCI [1 2]	General Manager	01.07.10 - 30.06.11	30/06/11	150	7		2,000
Jean AZEMA	Director	01.07.10 - 30.06.11	30/06/11	150			
Tarak BEN AMMAR [3 4]	Director	01.07.10 - 30.06.11	30/06/11	250			
Gilberto BENETTON	Director	01.07.10 - 30.06.11	30/06/11	150			
Marina BERLUSCONI	Director	01.07.10 - 30.06.11	30/06/11	150			
Antoine BERNHEIM	Director	01.07.10 - 30.06.11	30/06/11	150			
Roberto BERTAZZONI [2 3 4]	Director	01.07.10 - 30.06.11	30/06/11	250			
Vincent BOLLORE' [1 2 3]	Director	01.07.10 - 30.06.11	30/06/11	275			
Angelo CASO' [1 3 4]	Director	01.07.10 - 30.06.11	30/06/11	325			
Maurizio CEREDA [1]	Director	01.07.10 - 30.06.11	30/06/11	150	5		1,954
Massimo DI CARLO [1]	Director	01.07.10 - 30.06.11	30/06/11	150	6		2,100
Ennio DORIS	Director	01.07.10 - 30.06.11	30/06/11	150			
Jonella LIGRESTI [3]	Director	01.07.10 - 30.06.11	30/06/11	175			
Fabrizio PALENZONA	Director	01.07.10 - 30.06.11	30/06/11	150			
Marco PARLANGELI	Director	01.07.10 - 30.06.11	30/06/11	150			
Carlo PESENTI [3]	Director	01.07.10 - 30.06.11	30/06/11	175			
Eric STRUTZ [1]	Director	01.07.10 - 30.06.11	30/06/11	225			
MANAGEMENT with strategic responsibilities [5]		=	=		41	3,429	2,916
STATUTORY AUDIT COMMITTEE							
Marco REBOA	Chairman, Statutory Audit Committe	01.07.10 - 30.06.11	30/06/11	120			
Maurizia ANGELO COMNENO	Standing Auditor	01.07.10 - 30.06.11	30/06/11	90			
Gabriele VILLA	Standing Auditor	01.07.10 - 30.06.11	30/06/11	90			

1 Executive Committee members. The executive directors who are members of this committee do not receive fees for this position.

2 Appointments Committee members. The executive directors who are members of this committee do not receive fees for this position. The independent member does receive a fee for his/her participation in committee meetings pursuant to Article 18 of the Bank's Articles of Association.

3 Remunerations Committee members. The executive directors who are members of this committee do not receive fees for this position.

4 Members of the Internal Control Committee.

5 Aggregate data. The figure at 30/6/11 includes as management with strategic responsabilities during the course of the year.

* Includes one-off bonus for twenty years service totaling €384,000.

N.B. The fees of directors Jean AZEMA, Carlo PESENTI and Marco Tronchetti Provera are paid directly to their companies.

STOCK OPTIONS GRANTED TO DIRECTORS, GENERAL MANAGERS AND OTHER MANAGEMENT WITH STRATEGIC RESPONSIBILITIES

Disclosure required under Article 78 of Consob resolution no. 11971/99)

Name	Position	Options at beginning of financial year			Options granted during year			Options exercised during year			Options expiring	Options at end of financial year		
		No. of options	Avg. strike price	Avg. expiry	No. of options	Avg. strike price	Avg. expiry	No. of options	Avg. strike price	Avg. market price	No. of options	No. of options	Avg. strike price §	Avg. expiry
Renato PAGLIARO	Chairman	575,000	12.366	> 5 years	350,000	6.537	> 5 years	—	—	—	—	925,000	10.161	> 5 years
Alberto NAGEL	Chief Executive Officer	575,000	12.366	> 5 years	350,000	6.537	> 5 years	—	—	—	—	925,000	10.161	> 5 years
Francesco Saverio VINCI	General Manager and executive director	575,000	12.366	> 5 years	250,000	6.537	> 5 years	—	—	—	—	825,000	10.161	> 5 years
Maurizio CEREDA	Executive director	575,000	12.366	> 5 years	—	—	—	—	—	—	—	575,000	12.366	< 5 years
Massimo DI CARLO	Executive director	575,000	12.366	> 5 years	—	—	—	—	—	—	—	575,000	12.366	< 5 years
MANAGEMENT with strategic responsibilities *		240,000	12.609	<5 years	50,000	6.537	> 5 years	—	—	—	—	3,725,000	9.949	> 5 years

* Aggregate data.

§ Average stock market prices for the calendar year prior to the award, adjusted by the Board of Directors on 18 December 2009 by applying the official adjustment coefficient K published by Borsa Italiana on 25 September 2009 of 0.933788.

BENEFICIAL INTEREST OF BOARD MEMBERS, STATUTORY AUDITORS, GENERAL MANAGERS AND MANAGEMENT WITH STRATEGIC RESOPONSIBILITIES

Disclosure required under Article 79 of Consob resolution no. 11971/99

Name	Investee company	No. of shares owned at end of previous financial year	No. of shares acquired	No. of shares sold	No. of shares held at end of current financial year
Gilberto BENETTON	MEDIOBANCA	562,800	—	—	562,800
Marina BERLUSCONI	MEDIOBANCA	40,000	—	—	40,000
Antoine BERNHEIM	MEDIOBANCA	63,000	—	—	63,000
Roberto BERTAZZONI	MEDIOBANCA	1,050,000	—	—	1,050,000
Vincent BOLLORE’	MEDIOBANCA	43,002,652	600,000	—	43,602,652
Maurizio CEREDA	MEDIOBANCA	619,500	—	—	619,500
Massimo DI CARLO	MEDIOBANCA	556,500	—	—	556,500
Ennio DORIS	MEDIOBANCA	1,818,886	—	—	1,818,886
Alberto NAGEL	MEDIOBANCA	2,626,050	—	—	2,626,050
Renato PAGLIARO	MEDIOBANCA	2,730,000	—	—	2,730,000
Marco PARLANGELI	MEDIOBANCA	315	—	—	315
Francesco Saverio VINCI	MEDIOBANCA	945,000	—	—	945,000
MANAGEMENT with strategic responsibilities *	MEDIOBANCA	97,125	—	—	283,082

N.B. Holdings for Directors who were appointed or who resigned during the course of the financial year are stated as at the date on which the person concerned took up or relinquished the position.

* Aggregate data. The figure at 30/6/11 includes staff included as management with strategic responsibilities during the course of the year.

2. *Related party disclosure*

At a Board meeting held on 23 November 2010, the Directors of Mediobanca approved the procedure in respect of transactions involving related parties, after the Related Parties Committee (made up solely of independent Directors) had given its approval; the procedure, adopted in pursuance of Consob resolution no. 17221 issued on 12 March 2010, is intended to ensure that transactions with related parties executed directly by Mediobanca or via subsidiaries are managed transparently and fairly. The full document is published on the Bank's website at www.mediobanca.it.

The procedure came into force on 1 January 2011, without prejudice to the advertising profiles in force since 1 December 2010.

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

Accounts with related parties fall within the ordinary operations of the Group companies, are maintained on an arm's length basis, and are entered into in the interests of the individual companies concerned. Details of Directors' and strategic management compensation are provided in a footnote to the table. No transactions were entered into with related parties during the period that could have impacted significantly on the Group's assets or earnings results.

The exposure to related parties (defined as the sum of assets plus guarantees and commitments) fell from €4bn to €3.9bn, due to the reduction in treasury positions.

Overall, accounts with related parties represent approx. 6% of the total balance-sheet aggregates and 1% of net interest income.

During the period under review, a transaction was executed which qualified as relevant under Consob regulations (in an amount of €450m), and was exempt from the related party procedure because of its ordinary nature and because it was completed on an arm's length basis; Consob was in any case informed of the transaction.

Situation at 30 June 2011

	Group companies	Directors and strategic management	Associates	Other related parties	Total
	€m	€m	€m	€m	€m
Assets	14.594,2	—	1.593,9	1.534,9	17.723,0
of which: other assets	*5.685,8*	—	*236,3*	*220,9*	*6.143,0*
loans and advances	*8.908,4*	—	*1.357,6*	*1.314,0*	*11.580,0*
Liabilities	4.839,4	—	102,8	59,1	5.001,3
Guarantees and commitments	*20.460,7*	—	106,2	669,6	21.236,5
Interest income	314,1	—	82,0	68,3	464,4
Interest expense	(91,7)	—	(0,3)	(0,2)	(92,2)
Net fee income	26,8	—	(3,2)	24,1	47,7
Other income (costs)	(98,5)	(31,9) [1]	(47,3)	(4,0)	(181,7)

[1] Of which: short-term benefits amounting to €29.9m, stock options worth €1.6m and performance shares worth €0.4m. The figure at 30/6/11 includes staff included as management with strategic responsibilities during the course of the year.

Situation at 30 June 2010

	Group companies	Directors and strategic management	Associates	Other related parties	Total
	(€ mln)	(€ mln)	(€ mln)	(€ mln)	(€ mln)
Assets	10.985,3	—	1.733,7	1.897,8	14.616,8
of which:other assets	*3.343,2*	—	*281,2*	*699,3*	*4.323,7*
loans and advances	*7.642,1*	—	*1.452,5*	*1.198,5*	*10.293,1*
Liabilities	4.278,2	—	258,0	134,3	4.670,5
Guarantees and commitments	20.075,3	—	62,2	330,5	20.468,0
Interest income	262,8	—	76,7	65,3	404,8
Interest expense	(156,7)	—	(0,3)	—	(157,0)
Net fee and commission income	30,3	—	31,7	37,1	99,1
Other income (costs)	33,6	(19,2) [1]	40,4	20,6	75,4

[1] Includes short-term benefits amounting to €18.6m and stock options worth €0.5m.

PART I - SHARE-BASED PAYMENT SCHEMES

A. QUALITATIVE INFORMATION

1. *Description*

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

Extraordinary general meeting held on	No. of shares approved	Awards expire on	Deadline for exercising options	No. of shares awarded
29 March 1999	3,130,000	Expired	31 December 2011	3,130,000
30 July 2001	50,000,000	Expired	1 July 2015	49,634,000
28 October 2004	15,000,000	Expired	1 July 2020	14,150,000
of which to directors [1]	*4,000,000*	*Expired*	*1 July 2020*	*3,375,000* [2]
27 June 2007	40,000,000	27 June 2012	1 July 2022	16,531,000
TOTAL	**108,130,000**			**83,445,000**

The schemes provide for a maximum duration of ten years and a vesting period of thirty-six months.

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

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

A total of 16,120,000 stock options were awarded during the six months, as part of variable staff remuneration for 2010. Of these new options, 950,000 were granted to Directors (all of which from the amount approved by shareholders at a general meeting held on 27 June 2007) at a price of €6.537, vesting for three years and exercisable in eight years.

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

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

Subsequent to the reporting date, on 2 August 2011 a total of 650,000 performance stock options were awarded to Group employees, all from the scheme approved by shareholders at an annual general meeting held on 27 June 2007, at a price of €6.430, vesting in three years (based on the achievement of performance conditions for each of the three year concerned) and exercisable as from eight years.

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

2. Description of performance share scheme

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

— bring the Bank's remuneration structure into line with guidance issued by regulatory authorities requiring that significant percentages of the variable remuneration component annually assigned be paid in the form of equity instruments, making it consistent with results sustainable over time;

— encourage the involvement of key staff in a mechanism for co-investing in the share capital of Mediobanca;

— introduce a new instrument alongside the stock options, with a limited number of newly-issued shares and by using the treasury shares owned by the Bank, in order to limit the dilutive impact on the ownership structure.

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

On 27 July 2011, as part of staff variable remuneration for the 2011 financial year, a total of 2,521,697 performance shares were awarded; the shares, which are conditional upon certain performance targets being met over a three-year time horizon, will be made available in tranches in November 2013 (up to 1,194,889), November 2014 (up to 663,404) and November 2015 (up to 663,404), considering the additional holding period of one year. A part of the overall notional cost, €4.3m out of a total of €15.7m, has been charged to this year's accounts.

B. QUALITATIVE INFORMATION

1. Change during the period

	30/6/10			30/6/11		
	No. of options	Avg. price	Avg. expiry	No. of options	Avg. price	Avg. expiry
A. Balance at start of period	22,717,000	12.23	April 2015	22,472,000	12.21	June 2015
B. Additions						
B.1 New issues	310,000	7.84	July 2017	16,120,000	6.54	August 2018
B.2 Other additions	—	—	—	—	—	—
C. Reductions						
C.1 Options cancelled	525,000	10.87	—	340,000	6.67	November 2015
C.2 Options exercised	—	—	—	—	—	—
C.3 Options expired	—	—	—	—	—	—
C.4 Other reductions	30,000	7.84	—	—	—	—
D. Balance at end of period	22,472,000	12.21	June 2015	38,252,000	9.81	October 2016
E. Options exercisable as at reporting date	11,036,000	13.62	June 2014	12,576,000	13.67	August 2014

Annexes

CONSOLIDATED BALANCE SHEET (IAS/IFRS-compliant) *

	Assets	IAS-compliant 30/6/10	IAS-compliant 30/6/11
		€ m	
10.	Cash and cash equivalents	26.8	31.5
20.	Financial assets held for trading	16,375.4	13,716.7
30.	Financial assets recognized at fair value	—	—
40.	AFS securities	6,825.8	7,749.9
50.	Financial assets held to maturity	720.7	1,643.6
60.	Due from banks	5,380.5	5,653.2
	of which:		
	other trading items	*4,739.3*	*4,313.2*
	securities	—	—
	other items	*2.8*	*115.2*
70.	Due from customers	39,924.7	40,094.1
	of which:		
	other trading items	*5,868.4*	*4,244.9*
	securities	*734.7*	*664.6*
	other items	*76.7*	*80.2*
80.	Hedging derivatives	1,844.3	1,368.1
	of which:		
	funding hedge derivatives	*1,844.3*	*1,367.1*
	lending hedge derivatives	—	*1.0*
90.	Value adjustments to financial assets subject to general hedging	—	—
100.	Equity investments	3,348.0	3,156.1
110.	Total reinsurers' share of technical reserves	—	—
120.	Property, plant and equipment	320.0	320.4
130.	Intangible assets	442.6	437.4
	of which:		
	goodwill	*365.9*	*365.9*
140.	Tax assets	914.3	967.1
	a) current	*290.9*	*375.6*
	b) advance	*623.4*	*591.5*
150.	Other non-current and Group assets being sold	—	—
160.	Other assets	219.0	253.4
	of which:		
	other trading items	*24.7*	*40.1*
	Total assets	**76,342.1**	**75,391.5**

* **Figures in €m**

The balance sheet provided on p. 20 reflects the following restatements:

— *Treasury funds* comprise asset headings 10 and 20 and liability heading 40, plus the "other trading items" shown under asset headings 60, 70 and 160 and liability headings 100, 10 and 20, with the latter chiefly consisting of repos, interbank accounts and margins on derivatives;

— *Funding* comprises the balances shown under liability headings 10, 20 and 30 (excluding amounts restated as trading items in respect of repos and interbank accounts), plus the relevant amounts in respect of hedging derivatives;

— *Loans and advances to customers* comprise asset headings 60 and 70 (excluding amounts restated as Treasury funds) plus the relevant amounts of asset heading 80 and liability heading 60 plus the relevant share of liability heading 100.

Liabilities and net equity

		IAS-compliant 30/6/10	IAS-compliant 30/6/11
		€ m	
10.	Due to banks	9.730,7	8.971,2
	of which:		
	other trading items	*3.778,9*	*4.228,8*
	other liabilities	*0,4*	*13,2*
20.	Due to customers	14.889,1	14.525,7
	of which:		
	other trading items	*2.171,2*	*1.992,3*
	other liabilities	*10,3*	*10,2*
30.	Debt securities	36.665,5	35.270,7
40.	Trading liabilities	6.108,4	7.516,6
50.	Liabilities recognized at fair value	—	—
60.	Hedging derivatives	556,5	647,7
	of which:		
	funding hedge derivatives	*372,1*	*557,0*
	lending hedge derivatives	*78,9*	*58,9*
70.	Value adjustments to financial liabilities subject to general hedging	—	—
80.	Tax liabilities	633,2	565,9
	a) current	*318,4*	*252,8*
	b) deferred	*314,8*	*313,1*
90.	Liabilities in respect of Group assets being sold	—	—
100.	Other liabilities	726,7	628,6
	of which:		
	other trading items	—	*0,9*
	Adjustments to L & R	*102,9*	*45,0*
110.	Staff severance indemnity provision	27,3	26,0
120.	Provisions	156,3	156,5
	a) post-employment and similar benefits	—	—
	b) other provisions	*156,3*	*156,5*
130.	Technical reserves	13,9	54,8
140.	Valuation reserves	55,3	6,7
150.	Shares with right of withdrawal	—	—
160.	Equity instruments	—	—
170.	Reserves	3.938,4	4.200,9
180.	Share premium reserve	2.119,9	2.120,1
190.	Share capital	430,6	430,6
200.	Treasury shares	(213,8)	(213,8)
210.	Net equity attributable to minorities	103,3	114,7
220.	Profit (loss) for the year	400,8	368,6
	Total liabilities and net equity	**76.342,1**	**75.391,5**

CONSOLIDATED PROFIT AND LOSS ACCOUNTS (IAS/IFRS-compliant) *

	Profit and loss account	12 mths to 30/6/10	12 mths to 30/6/11
		€ m	
10.	Interest and similar income	2.820,2	2.787,5
20.	Interest expense and similar charges	(1.764,9)	(1.655,9)
30.	**Net interest income**	**1.055,3**	**1.131,6**
40.	Fee and commission income	499,1	485,6
50.	Fee and commission expense	(37,7)	(48,6)
60.	**Net fee and commission income**	**461,4**	**437,0**
70.	Dividends and similar income	68,4	116,0
80.	Net trading income	(59,7)	(32,8)
90.	Net hedging income (expense)	(15,7)	0,1
100.	Gain (loss) on disposal of:	222,6	64,1
	a) loans and receivables	—	*1*
	b) AFS securities	*198,9*	*22,2*
	c) financial assets held to maturity	—	*(3,3)*
	d) other financial liabilities	*23,7*	*44,6*
120.	**Total income**	**1.732,3**	**1.716,0**
130.	Adjustments for impairment to:	(666,9)	(504,7)
	a) loans and receivables	*(461,3)*	*(343,1)*
	b) AFS securities	*(150,0)*	*(145,1)*
	c) financial assets held to maturity	*(1,0)*	*(10,5)*
	d) other financial liabilities	*(54,6)*	*(6,0)*
140.	**Net income from financial operations**	**1.065,4**	**1.211,3**
150.	Net premium income	1,0	9,5
160.	Income less expense from insurance operations	(0,4)	(4,7)
170.	**Net income from financial and insurance operations**	**1.066,0**	**1.216,1**
180.	Administrative expenses:	(779,3)	(833,2)
	a) personnel costs	*(379,6)*	*(418,8)*
	b) other administrative expenses	*(399,7)*	*(414,4)*
190.	Net transfers to provisions for liabilities and charges	(1,5)	(1,0)
200.	Net adjustments to property, plant and equipment	(17,7)	(17,4)
210.	Net adjustments to intangible assets	(22,4)	(24,5)
	of which: goodwill	—	—
220.	Other operating income (expenses)	124,7	130,8
230.	**Operating costs**	**(696,2)**	**(745,3)**
240.	Profit (loss) from equity-accounted companies	213,5	83,4
270.	Gain (loss) on disposal of investments	—	—
280.	**Profit (loss) before tax on ordinary activities**	**583,3**	**554,2**
290.	Income tax on ordinary activities for the year	(181,2)	(180,6)
300.	**Profit (loss) after tax on ordinary activities**	**402,1**	**373,6**
310.	Net gain (loss) on non-current assets being sold	—	—
320.	**Profit (loss) for the year**	**402,1**	**373,6**
330.	Profit (loss) for the year attributable to minorities	(1,3)	(5,0)
340.	**Net profit (loss) for the year attributable to Mediobanca**	**400,8**	**368,6**

* **Figures in €m**

The profit and loss account reported on p. 19 reflects the following restatements:

— *Net interest income* includes the result of funding and lending hedging activity (€3.1m and €1.5m), plus the margins on swaps reported under Heading 80 (amounting to minus €135.6m and minus €60.4m respectively) net of interest expense on securities lending totalling €0.6m (in both periods) which is accounted for as Net trading income;

— amounts under Heading 220 have been restated as Net fee and commission income, save for amounts refunded/recovered totalling €47.9m and €52.3m respectively which net operating costs; the amounts stated under Headings 150 and 160 have also been accounted for as Net fee and commission income;

— in addition to the items already stated, Net trading income also includes dividends and gains (losses) on financial liabilities reported under Heading 100;

— *Provisions for financial assets* include the AFS and HTM securities shown under Heading 130, along with the net adjustments in respect of the Telco investment (€119.6m) reported under Heading 240.

MEDIOBANCA S.p.A. BALANCE SHEET *

		IAS-compliant 30/6/10	IAS-compliant 30/6/11
	Assets	€ m	
10.	Cash and cash equivalents	—	0.6
20.	Financial assets held for trading	15,705.0	12,725.8
40.	AFS securities	5,237.1	6,684.7
50.	Financial assets held to maturity	719.8	1,642.9
60.	Due from banks	7,527.0	9,822.0
	of which:		
	other trading items	*4,748.2*	*6,693.0*
	securities	—	—
	other items	*29.7*	*140.4*
70.	Due from customers	26,280.2	27,411.0
	of which:		
	other trading items	*7,801.2*	*4,918.5*
	securities	*734.7*	*2,358.2*
	other items	*112.7*	*65.6*
80.	Hedging derivatives	1,879.2	1,386.4
	of which:		
	funding hedge derivatives	*1,879.2*	*1,382.8*
	lending hedge derivatives	—	*3.6*
100.	Equity investments	2,828.3	2,671.0
110.	Property, plant and equipment	118.9	119.0
120.	Intangible assets	11.7	13.8
130.	Tax assets	331.5	428.4
	a) current	*178.8*	*277.2*
	b) advance	*152.7*	*151.2*
150.	Other assets	53.1	27.0
	of which:		
	other trading items	*7.4*	—
	Total assets	**60,691.8**	**62,931.7**

* **Figures in €m**

The balance sheet provided on p. 246 reflects the following restatements:

- *Treasury funds* comprise asset headings 10 and 20 and liability heading 40, plus the "other trading items" shown under asset headings 60, 70 and 160 and liability headings 100, 10 and 20, with the latter chiefly consisting of repos, interbank accounts and margins on derivatives;
- *Funding* comprises the balances shown under liability headings 10, 20 and 30 (excluding amounts restated as trading items in respect of repos and interbank accounts), plus the relevant amounts in respect of hedging derivatives;
- *Loans and advances to customers* comprise asset headings 60 and 70 (excluding amounts restated as Treasury funds) plus the relevant amounts of asset heading 80 and liability heading 60, and the relevant share of liability heading 100;
- *Net trading income* also includes the amounts stated under Headings 70 (net of dividends on equity investments totalling €70.2m and €98.9m respectively), 80 and 100, net of or in addition to the items already referred to

		IAS-compliant 30/6/10	IAS-compliant 30/6/11
		€ m	
Liabilities and net equity			
10.	Due to banks	7,954.7	8,960.7
	of which:		
	other trading items	*3,619.7*	*4,085.3*
	other liabilities	*18.1*	*16.6*
20.	Due to customers	2,051.9	1,812.2
	of which:		
	other trading items	*1,704.1*	*1,502.7*
	other liabilities	*77.3*	*108.3*
30.	Debt securities	37,518.2	37,514.3
40.	Trading liabilities	6,697.0	8,088.0
60.	Hedging derivatives	601.7	725.4
	of which:		
	funding hedge derivatives	*511.2*	*652.4*
	lending hedge derivatives	*65.8*	*58.6*
80.	Tax liabilities	517.2	453.7
	a) current	*254.5*	*195.5*
	b) deferred	*262.7*	*258.2*
100.	Other liabilities	271.2	278.6
	of which:		
	other trading items	*0.0*	*1.0*
	Adjustments to L & R	*120.2*	*110.1*
110.	Staff severance indemnity provision	9.9	9.2
120.	Provisions	150.8	150.8
	a) *post-employment and similar benefits*	—	—
	b) *other provisions*	*150.8*	*150.8*
130.	Valuation reserves	—	—
140.	Valuation reserves	(34.0)	(12.6)
160.	Reserves	2,372.4	2,486.6
170.	Share premium reserve	2,119.9	2,120.1
180.	Share capital	430.6	430.6
190.	Treasury shares (–)	(213.4)	(213.4)
200.	Profit (loss) for the period	244.1	127.4
	Total liabilities and net equity	**60,691.8**	**62,931.7**

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

		12 mths to 30/6/11	12 mths to 30/6/10
	Profit and loss account	€ m	
10.	Interest and similar income	1,765.4	1,824.2
20.	Interest expense and similar charges	(1,453.7)	(1,473.2)
30.	**Net interest income**	**311.7**	**351.0**
40.	Fee and commission income	300.3	303.9
50.	Fee and commission expense	(16.0)	(7.0)
60.	**Net fee and commission income**	**284.3**	**296.9**
70.	Dividends and similar income	214.8	138.6
80.	Net trading income	33.3	9.9
90.	Net hedging income (expense)	(1.0)	(16.0)
100.	Gain (loss) on disposal of:	29.3	158.3
	a) loans and receivables	0.6	—
	b) AFS securities	*11.3*	*138.8*
	c) financial assets held to maturity	*(3.3)*	—
	d) other financial liabilities	*20.7*	*19.5*
120.	**Total income**	**872.4**	**938.7**
130.	Adjustments for impairment to:	(155.5)	(261.3)
	a) loans and receivables	*6.4*	*(57.7)*
	b) AFS securities	*(145.0)*	*(148.0)*
	c) financial assets held to maturity	*(10.8)*	*(1.4)*
	d) other financial liabilities	*(6.1)*	*(54.2)*
140.	**Net income from financial operations**	**716.9**	**677.4**
180.	Administrative expenses:	(309.8)	(271.6)
	a) personnel costs	*(221.8)*	*(193.4)*
	b) other administrative expenses	*(88.0)*	*(78.2)*
190.	Net transfers to provisions for liabilities and charges	—	—
200.	Net adjustments to property, plant and equipment	(3.0)	(3.1)
210.	Net adjustments to intangible assets	(10.0)	(6.0)
	of which: goodwill	—	—
220.	Other operating income (expenses)	18.6	11.9
230.	**Operating costs**	**(304.2)**	**(268.8)**
240.	Profit (loss) from equity investments	(158.6)	(17.4)
270.	Gain (loss) on disposal of investments	—	(0.1)
280.	**Profit (loss) before tax on ordinary activities**	**254.1**	**391.1**
290.	Income tax on ordinary activities for the year	(127.0)	(147.0)
300.	**Profit (loss) after tax on ordinary activities**	**127.1**	**244.1**
330.	**Net profit (loss) for the period**	**127.1**	**244.1**

*** Figures in €m**

The profit and loss account reported on p. 245 reflects the following restatements:

— *Net interest income* includes the result of funding and lending hedging activity (€3.5m and €1.1m respectively), plus the margins on swaps reported under Heading 80 (amounting to minus €53.6m and minus €2.6m respectively), net of interest expense on securities lending totalling minus €1.1m and €0.7m, accounted for as *Net trading income*;

— Amounts under Heading 190 have been restated as Net fee and commission income, save for amounts refunded/recovered totalling €0.3m and €5.1m respectively which net operating.

TABLE A

ASSET REVALUATION STATEMENT S REQUIRED BY ARTICLE 10 OF LAW No. 72 OF 19 MARCH 1983

Revaluations effected under Law 576/75:

	Original revaluation	Decrease due to disposal or writedown	Current revaluation
– Property in Piazzetta Enrico Cuccia 1 (formerly Via Filodrammatici 6-8-10)	€ 2,609,651.24	€ —	€ 2,609,651.24
– Property in Piazza Paolo Ferrari 6 . . .	» 815,743.67	» —	€ 815,743.67
			€ 3,425,394.91

Revaluations effected under Law 72/83:

	Original revaluation	Decrease due to disposal or writedown	Current revaluation
– ASSICURAZIONI GENERALI S.p.A., Trieste – 6,375,000 shares	€ 21,174,732.86	€ —	€ 21,174,732.86
– FONDIARIA-SAI S.p.A., Florence (formerly La Fondiaria Assicurazioni) – 2,500,000 shares *	» 1,766,071.64	» 51,105.98	» 1,714,965.66
– Property in Piazzetta Enrico Cuccia 1 (formerly Via Filodrammatici 6-8-10)	» 11,620,280.23	» —	» 11,620,280.23
– Property in Piazza Paolo Ferrari 6	» 4,389,883.64	» —	» 4,389,883.64
			€ 38,899,862.39

* Due to disposal of 74,500 shares.

Revaluations effected under Law 413/91:

	Original revaluation	Decrease due to disposal or writedown	Current revaluation
– Property in Piazzetta Enrico Cuccia 1 (formerly Via Filodrammatici 6-8-10)	€ 4,174,707.04	€ —	€ 4,174,707.04

		BALANCE SHEETS		
		COMPASS	COFACTOR	CREDITECH
		(€ 000)	(€ 000)	(€ 000)
	ASSETS			
10.	Cash and cash equivalents	974	2	1
20.	Financial assets held for trading	—	—	—
40.	AFS securities	—	—	—
50.	Financial assets held to maturity	—	694	—
60.	Amounts receivable	8,587,489	98,068	21,461
70.	Hedging derivatives	37,818	—	—
90.	Equity investments	794,308	—	—
100.	Property, plant and equipment	23,648	185	155
110.	Intangible assets	384,196	87	64
120.	Tax assets	388,848	403	2,112
140.	Other assets	35,332	39	131
	TOTAL ASSETS	10,252,613	99,478	23,924
	LIABILITIES			
10.	Due to banks	8,629,857	55,015	8
20.	Due to customers	330,274	4,919	—
30.	Debt securities in issue	—	—	—
40.	Financial liabilities	—	420	—
60.	Hedging derivatives	18,127	—	—
70.	Tax liabilities	28,326	—	2,235
90.	Other liabilities	124,085	1,633	2,983
100.	Staff severance indemnity provision	8,617	1,398	416
110.	Provisions	—	565	19
120.	Share capital	587,500	32,500	250
160.	Reserves	419,611	2,517	14,439
170.	Valuation reserves	21,100	—	—
180.	Profit (loss) for the period	85,116	511	3,574
	TOTAL LIABILITIES	10,252,613	99,478	23,924

	PROFIT AND LOSS ACCOUNTS		
	COMPASS	COFACTOR	CREDITECH
	(€ 000)	(€ 000)	(€ 000)
10. Interest and similar income	714,091	14,615	185
20. Interest and similar expense	(232,895)	(1,193)	—
Net interest income	481,196	13,422	185
30. Fee and commission income	109,478	—	21,496
40. Fee and commission expense	(16,172)	—	(8,698)
Net fee and commission income	93,306	—	12,798
50. Dividends and similar income	6,387	—	—
60. Net trading income (expense)	—	(157)	—
90. Gain (loss) on disposal/repurchase of:	(180,144)	—	—
a. financial assets	(180,631)	—	—
b. financial liabilities	487	—	—
Total income	400,745	13,265	12,983
100. Adjustments for impairments to financial assets	(115,358)	902	(3)
110. Administrative expenses	(260,449)	(7,192)	(7,435)
120. Net adjustments to tangible assets	(2,686)	(58)	(93)
130. Net adjustments to intangible assets	(5,602)	(294)	(24)
150. Net transfers to provisions	—	(10)	—
160. Other operating income (expense)	105,310	(5,554)	14
Operating profit (loss)	121,960	1,059	5,442
170. Profit (loss) on investments	—	—	—
Profit (loss) on ordinary activities before tax	121,960	1,059	5,442
190. Income tax on ordinary activities for the year	(36,844)	(548)	(1,868)
Net profit (loss) on ordinary activities	85,116	511	3,574
Net profit (loss) for the period	85,116	511	3,574

BALANCE SHEETS

	COMPAGNIE MONEGASQUE DE BANQUE *	CHEBANCA!	MEDIOBANCA INTERNATIONAL (LUXEMBOURG)
	(€ 000)	(€ 000)	(€ 000)
ASSETS			
10. Cash and cash equivalents	8,256	21,595	17,072
20. Financial assets held for trading	847,607	—	934,375
40. AFS securities	217,496	1,471,210	—
50. Financial assets held to maturity	—	—	—
60. Due to banks	156,872	6,758,802	855,554
70. Due to customers	739,533	4,102,953	3,881,812
80. Hedging derivatives	755	748	95,311
100. Equity investments	48	90	—
110. Property, plant and equipment	48,309	12,070	2
120. Intangible assets	17,493	2,366	—
130. Tax assets	—	40,231	—
140. Other assets	13,045	136,769	9,225
TOTAL ASSETS	2,049,414	12,546,834	5,793,351
LIABILITIES			
10 Due to banks	309,445	2,256,337	3,129,017
20. Due to customers	1,252,224	9,966,398	548,698
30. Debt securities in issue	—	—	1,636,965
40. Financial liabilities	524	—	218,428
60. Hedging derivatives	—	2,937	16,194
80. Tax liabilities	—	5,962	28,865
100. Other liabilities	30,210	147,752	12,562
110. Staff severance indemnity provision	—	1,126	—
120. Provisions	2,917	450	—
130. Valuation reserves	4,521	(16,662)	—
160. Reserves	111,110	(78,280)	156,518
170. Share premium reserve	4,573	90,000	—
180. Share capital	308,856	210,000	10,000
200. Profit (loss) for the period	25,034	(39,186)	36,104
TOTAL LIABILITIES	2,049,414	12,546,834	5,793,351

* Table required under Article 36 of Consob's Market Regulations and Article 2.6.2, C. 12 of Borsa Italiana's regulations.

PROFIT AND LOSS ACCOUNTS

	COMPAGNIE MONEGASQUE DE BANQUE * (€ 000)	CHEBANCA! (€ 000)	MEDIOBANCA INTERNATIONAL (LUXEMBOURG) (€ 000)
10. Interest and similar income	31,629	353,852	137,848
20. Interest and similar expense	(5,493)	(241,791)	(105,735)
30. Net interest income	26,136	112,061	32,113
40. Fee and commission income	36,557	9,276	39,164
50. Fee and commission expense	(2,919)	(2,531)	(23,433)
60. Net fee and commission income	33,638	6,745	15,731
70. Dividends and similar income	7	—	—
80. Net trading income (expense)	7,845	3,859	(15,475)
90. Net hedging income (expense)	—	190	196
100. Gain (loss) on disposal/repurchase on financial assets	2,447	34,211	18,758
110. Net income from financial assets and liabilities	—	—	—
120. Total income	70,073	157,066	51,323
130. Adjustments for impairment	(970)	(20,838)	424
140. Net income from financial operations	69,103	136,228	51,747
150. Administrative expenses	(39,082)	(180,790)	(7,221)
160. Net transfers to provisions	(210)	(175)	—
170. Net adjustments to tangible assets	(2,693)	(5,056)	(2)
180. Net adjustments to intangible assets	(3,502)	(2,714)	—
190. Other operating income (expense)	1,392	4,890	440
200. Operating costs	(44,095)	(183,845)	(6,783)
210. Gain (loss) on equity investments	—	(30)	—
220. Net gain (loss) on recognizing tangible/intangible assets at fair value	—	—	—
230. Adjustments to goodwill	—	—	—
240. Gain (loss) on disposal of investments	28	—	—
250. Profit (loss) on ordinary activities before tax	25,036	(47,647)	44,964
260. Income tax on ordinary activities for the year	(2)	8,461	(8,860)
270. Profit (loss) on ordinary activities after tax	25,034	(39,186)	36,104
280. Gain (loss) on groups of assets being sold	—	—	—
290. Net profit (loss) for the period	25,034	(39,186)	36,104

* Table required under Article 36 of Consob's Market Regulations and Article 2.6.2, C. 12 of Borsa Italiana's regulations.

BALANCE SHEETS

		SELMABIPIEMME LEASING	PALLADIO LEASING	TELELEASING
		(€ 000)	(€ 000)	(€ 000)
	ASSETS			
10.	Cash and cash equivalents	7	8	—
20.	Financial assets held for trading	117	—	—
40.	AFS securities	—	—	—
50.	Financial assets held to maturity	—	—	—
60.	Due to customers	2,380,323	1,662,858	452,890
70.	Hedging derivatives	1,095	—	818
90.	Equity investments	51,049	—	—
100.	Property, plant and equipment	1,547	7,260	2
110.	Intangible assets	648	—	—
120.	Tax assets	90,116	5,499	5,146
140.	Other assets	1,292	16,079	270
	TOTAL ASSETS	2,526,194	1,691,704	459,126
	LIABILITIES			
10	Due to banks	2,375,333	1,537,587	338,038
30.	Trading liabilities	117	—	261
50.	Hedging derivatives	10,239	—	2,777
70.	Tax liabilities	4,064	6,695	9,734
90.	Other liabilities	30,120	42,155	8,977
100.	Staff severance indemnity provision	2,039	924	346
110.	Provisions	288	121	—
120.	Share capital	41,305	8,675	9,500
130.	Treasury shares	—	(434)	
150.	Share premium reserve	18,040	—	—
160.	Reserves	49,834	89,127	81,597
170.	Valuation reserves	(5,647)	816	1,222
180.	Profit (loss) for the period	462	6,038	6,674
	TOTAL LIABILITIES	2,526,194	1,691,704	459,126

PROFIT AND LOSS ACCOUNTS

	SELMABIPIEMME LEASING	PALLADIO LEASING	TELELEASING
	(€ 000)	(€ 000)	(€ 000)
10. Interest and similar income	84,057	48,757	30,744
20. Interest and similar expense	(51,682)	(24,910)	(13,662)
Net interest income	32,375	23,847	17,082
30. Fee and commission income	4	—	—
40. Fee and commission expense	(1,464)	(51)	(17)
Net fee and commission income	(1,460)	(51)	(17)
50. Dividends and similar income	2,736	—	—
60. Net trading income (expense)	(59)	(112)	(75)
70. Net hedging income (expense)	23	—	48
Total income	33,615	23,684	17,188
100. Adjustments for impairment	(16,774)	(7,560)	(1,750)
110. Administrative expenses	(18,912)	(7,641)	(5,908)
120. Net adjustments to tangible assets	(95)	(419)	(12)
130. Net adjustments to intangible assets	(195)	—	—
150. Net transfers to provisions	—	—	—
160. Other operating income (expense)	—	(8)	—
Profit (loss) on ordinary operations	4,387	1,685	917
Profit (loss) on ordinary activities before tax	2,026	9,741	10,435
260. Income tax on ordinary activities for the year	2,026	9,741	10,435
Profit (loss) on ordinary activities after tax	(1,564)	(3,703)	(3,761)
Net profit (loss) for the period	462	6,038	6,674

BALANCE SHEETS

		PROMINVESTMENT	SADE FINANZIARIA-INTERSOMER
		(€ 000)	(€ 000)
	ASSETS		
10.	Cash and cash equivalents	—	—
20.	Financial assets held for trading	—	—
40.	AFS securities	—	—
50.	Financial assets held to maturity	—	—
60.	Due to banks	4,890	25
70.	Hedging derivatives	—	—
90.	Equity investments	—	—
100.	Property, plant and equipment	—	—
110.	Intangible assets	—	—
120.	Tax assets	45	—
140.	Other assets	47	—
	TOTAL ASSETS	4,982	25
	LIABILITIES		
10	Due to banks	—	—
20.	Debt securities in issue	—	—
40.	Financial liabilities	—	—
70.	Tax liabilities	200	—
90.	Other liabilities	5,433	7
100.	Staff severance indemnity provision	87	—
110.	Provisions	520	—
120.	Share capital	(1,263)	—
160.	Reserves	743	25
180.	Profit (loss) for the period	(738)	(7)
	TOTAL LIABILITIES	4,982	25

PROFIT AND LOSS ACCOUNTS (€ 000) (€ 000)

	PROMINVESTMENT (€ 000)	SADE FINANZIARIA-INTERSOMER (€ 000)
10. Interest and similar income	6	—
20. Interest and similar expense	—	—
Net interest income	6	—
30. Fee and commission income	682	—
40. Fee and commission expense	(331)	—
Net fee and commission income	351	—
50. Dividends and similar income	—	—
60. Net trading income (expense)	—	—
70. Net hedging income (expense)	—	—
90. Gain (loss) on disposal/repurchase of financial assets	—	—
	357	—
100. Adjustments for impairment	—	—
110. Administrative expenses	(1,111)	(7)
130. Net adjustments to intangible assets	—	—
160. Other operating income (expense)	16	—
Profit (loss) on ordinary activities	(738)	(7)
170. Gain (loss) on equity investments	—	—
180. Gain (loss) on disposal of equity investments	—	—
Profit (loss) on ordinary activities before tax	(738)	(7)
190. Income tax on ordinary activities for the year	—	—
Profit (loss) on ordinary activities after tax	(738)	(7)
Net profit (loss) for the period	(738)	(7)

BALANCE SHEETS

		COMPAGNIE MONEGASQUE DE BANQUE 31/12/10	COMPAGNIE MONEGASQUE DE GESTION 31/12/10	CMB BANQUE PRIVEE S.A. 31/12/10
		(€ 000)	(€ 000)	(SFR 000)
	ASSETS			
10.	Cash and cash equivalents	25,316	8,309	5,873
20.	Due from banks	157,180	—	37,906
30.	Due from financial institutions	—	—	—
40.	Due from customers	705,439	—	1,465
50.	Bonds and other debt securities	490,660	404	—
60.	Equities, stock units and other floating-rate securities	329,490	—	—
70.	Equity investments	22,798	8	—
80.	Investments in Group undertakings	100,945	—	—
90.	Intangible fixed assets	17,932	—	2,624
100.	Tangible fixed assets	1,984	—	—
120.	Treasury shares and stock units	—	—	—
130.	Other assets	955	3,191	24
140.	Accrued income and deferred expenses	6,444	69	116
	TOTAL ASSETS	1,859,143	11,981	48,008
	LIABILITIES			
10.	Due to banks	152,617	—	1,309
20.	Due to financial institutions	—	—	—
30.	Due to customers	1,210,014	—	18,832
40.	Debt securities	2,728	—	—
50.	Other liabilities	25,746	1,049	127
60.	Accrued expenses and deferred income	11,767	—	2,884
70.	Staff severance indemnity provision	—	—	—
80.	Provision for liabilities and charges	2,707	—	—
90.	Provision for risks over assets	—	—	—
110.	Subordinated liabilities	—	—	—
120.	Share capital	111,110	600	25,000
130.	Share premium reserve	4,573	—	—
140.	Reserves	306,409	60	1
150.	Valuation reserves	1	—	—
160.	Retained earnings (accumulated loss)	—	99	—
170.	Profit (loss) for the period	31,471	10,173	(145)
	TOTAL LIABILITIES	1,859,143	11,981	48,008

PROFIT AND LOSS ACCOUNTS

		COMPAGNIE MONEGASQUE DE BANQUE 31/12/10	COMPAGNIE MONEGASQUE DE GESTION 31/12/10	CMB BANQUE PRIVEE S.A. 31/12/10
		(€ 000)	(€ 000)	(SFR 000)
10.	Interest and similar income	27,248	—	111
20.	Interest and similar expense	(8,416)	—	(18)
30.	Dividends and similar income	10,208	—	—
40.	Fee and commission income	20,648	13,000	1,355
50.	Fee and commission expense	(1,863)	—	(134)
60.	Gain (loss) on dealing transactions	13,239	—	80
70.	Other operating income	3,575	—	—
80.	Administrative expenses	(29,581)	(2,876)	(8,386)
90.	Value adjustments to tangible/intangible assets	(4,128)	(1)	(586)
100.	Provisions for liabilities and charges	—	—	—
110.	Other operating expenses	761	(3)	—
120.	guarantees and commitments	—	—	—
130.	guarantees and commitments	—	—	—
140.	Transfers to loan loss provision	—	—	—
170.	Profit (loss) on ordinary activities	31,691	10,120	(7,578)
180.	Extraordinary income	(220)	53	7,509
190.	Extraordinary expense	—	—	(10)
200.	Net extraordinary income (expense)	(220)	53	7,499
210.	Changes to provision for general banking risks	—	—	—
220.	Income tax for the period	—	—	(66)
230.	Net profit (loss) for the period	31,471	10,173	(145)

BALANCE SHEETS

	Compagnie Monégasque Immobilière 31/12/10	Société Monégasque d'études Financières 31/12/10	Monoeci Soc. Civile Immobilière 31/12/10	Moulins 700 S.A.M. 31/12/10	CMB Asset Management S.A.M. 31/12/10
	(€ 000)	(€ 000)	(€ 000)	(€ 000)	(€ 000)
ASSETS					
B) Fixed assets:					
I) Intangible assets	—	—	—	—	—
II) Tangible assets	19,631	20	646	39,882	649
III) Financial fixed assets	160	14	—	—	—
Total B	19,791	34	646	39,882	649
C) Current assets:					
I) Inventories	—	—	—	—	—
II) Accounts receivable	571	71	—	2,367	190
III) Financial assets other than fixed assets	—	—	—	—	—
IV) Cash	1,136	2,812	501	4	6
Total C	1,707	2,883	501	2,371	196
D) Accrued income and prepaid expenses	14	—	—	—	—
TOTAL ASSETS	21,512	2,917	1,147	42,253	845
LIABILITIES					
A) Shareholders' equity:					
I) Share capital	2,440	775	1	160	150
III) Revaluation reserves	—	—	—	—	—
IV) Legal reserve	—	—	—	—	—
VI) Statutory reserve	—	25	—	16	—
VII) Other reserves	—	—	—	—	—
VIII) Retained earnings (accumulated loss)	(4,903)	358	80	(255)	11
IX) Profit (loss) for the year	(658)	5	68	(7)	10
Total A	(3,121)	1,163	149	(86)	171
B) Provisions for liabilities and charges	—	—	—	—	—
C) Provision for staff termination indemnities	—	—	—	—	—
D) Accounts payable:					
3) Amounts due to banks	24,591	—	991	42,332	—
4) Amounts due to other lenders	—	1,410	—	—	10
5) Advances from customers	—	—	—	—	—
6) Trade accounts payable	36	—	—	—	—
8) Amounts due to subsidiaries	—	—	—	—	—
9) Amounts due to associated companies	—	—	—	—	—
10) Amounts due to parent companies	—	—	—	—	—
11) Taxable payable	—	—	—	—	—
12) Amounts due to pension and social security institutions	—	—	—	—	—
14) Other accounts payable	6	344	5	7	664
Total D Amounts due to social security institutions	24,633	1,754	996	42,339	674
E) Accrued expenses and deferred income	—	—	2	—	—
TOTAL LIABILITIES	21,512	2,917	1,147	42,253	845

PROFIT AND LOSS ACCOUNTS

	Compagnie Monégasque Immobilière 31/12/10	Société Monégasque d'études Financières 31/12/10	Monoeci Soc. Civile Immobilière 31/12/10	Moulins 700 S.A.M. 31/12/10	CMB Asset Management S.A.M. 31/12/10
	(€ 000)	(€ 000)	(€ 000)	(€ 000)	(€ 000)
A) Value of production	1,447	663	120	—	779
B) Costs of production:					
6) Raw materials, secondary materials consumables, semi-finished and finished	—	—	—	—	—
7) Services	(212)	(274)	(9)	(7)	(160)
8) Use of third parties' assets	—	—	—	—	—
9) Personnel	—	(18)	—	—	(600)
10) Depreciation, amortization and writedowns	(1,551)	(22)	(29)	—	(5)
12) Provision for liabilities	—	—	—	—	—
13) Other provisions	—	—	—	—	—
14) Sundry operating expenses	—	—	—	—	—
Total B	(1,763)	(315)	(38)	(7)	(765)
Value of production less costs of production	(316)	348	82	(7)	14
C) Interest income (charges)	(355)	(21)	(14)	—	—
D) Value adjustments to financial fixed assets	—	—	—	—	—
E) Extraordinary income (expenses)	13	(320)	—	—	—
Profit (loss) before tax	(658)	7	68	(7)	14
Income taxes for the year	—	(2)	—	—	(4)
Profit (loss) for the year	(658)	5	68	(7)	10

BALANCE SHEETS

		CONSORTIUM	SPAFID	PRUDENTIA FIDUCIARIA	MEDIOBANCA SECURITIES LLC
		(€ 000)	(€ 000)	(€ 000)	($ 000)
	ASSETS				
10.	Cash and cash equivalents	—	2	1	3,404
20.	Financial assets held for trading	—	8,851	507	—
40.	AFS securities	—	—	—	—
50.	Financial assets held to maturity	—	2,852	962	—
60.	Due from banks	10,889	2,034	375	571
70.	Due from customers	—	2,210	784	24
80.	Hedging derivatives	—	—	—	—
100.	Equity investments	—	29,478	—	—
120.	Property, plant and equipment	—	3	—	8
130.	Intangible assets	—	16	—	35
140.	Tax assets	164	197	75	—
160.	Other assets	—	722	2	38
	TOTAL ASSETS	11,053	46,365	2,706	4,080
	LIABILITIES				
10.	Due to banks	—	5	—	2,010
20.	Due to customers	—	—	—	—
30.	Debt securities in issue	—	—	—	—
40.	Financial liabilities	—	—	—	—
60.	Hedging derivatives	—	—	—	—
70.	Value adjustments to financial assets subject to general hedging	—	—	—	—
80.	Tax liabilities	4	1,213	189	—
100.	Other liabilities	14	2,201	460	110
110.	Staff severance indemnity provision	—	650	471	1,013
120.	Provisions	—	—	—	—
130.	Valuation reserves	—	—	—	—
170.	Reserves	2,393	41,134	907	(1,880)
180.	Share premium reserve	—	—	—	—
190.	Share capital	8,631	100	100	2,271
200.	Treasury shares	—	—	—	—
220.	Profit (loss) for the period	11	1,062	579	556
	TOTAL LIABILITIES	11,053	46,365	2,706	4,080

PROFIT AND LOSS ACCOUNTS

		CONSORTIUM	SPAFID	PRUDENTIA FIDUCIARIA	MEDIOBANCA SECURITIES LLC
		(€ 000)	(€ 000)	(€ 000)	($ 000)
10.	Interest and similar income	68	231	28	—
20.	Interest and similar expense	—	—	—	—
30.	Net interest income	68	231	28	—
40.	Fee and commission income	—	6,867	3,522	2,713
50.	Fee and commission expense	—	(3,163)	—	—
60.	Net fee and commission income	—	3,704	3,522	2,713
70.	Dividends and similar income	—	623	—	—
80.	Net trading income (expense)	—	172	(4)	—
90.	Net hedging income (expense)	—	—	—	—
100.	Gain (loss) on disposal/repurchase of financial assets	—	—	—	—
110.	Net income from financial assets and liabilities	—	—	—	—
120.	Total income	68	4,730	3,546	2,713
130.	Adjustments for impairment	—	(12)	—	—
140.	Net income from financial operations	68	4,718	3,546	2,713
150.	Administrative expenses	(56)	(3,368)	(2,647)	(2,157)
160.	Net transfers to provisions	—	—	—	—
170.	Net adjustments to tangible assets	—	(2)	—	—
180.	Net adjustments to intangible assets	—	(14)	—	—
190.	Other operating income (expense)	—	37	(3)	—
200.	Operating costs	12	1,371	896	556
210.	Gain (loss) on equity investments	—	—	—	—
220.	Net gain (loss) on recognizing tangible/intangible assets at fair value	—	—	—	—
230.	Adjustments to goodwill	—	—	—	—
240.	Gain (loss) on disposal of investments	—	—	—	—
250.	Profit (loss) on ordinary activities before tax	12	1,371	896	556
260.	Income tax on ordinary activities for the year	(1)	(309)	(317)	—
270.	Profit (loss) on ordinary activities after tax	11	1,062	579	556
280.	Gain (loss) on groups of assets being sold	—	—	—	—
290.	Net profit (loss) for the period	11	1,062	579	556

BALANCE SHEETS

	FUTURO	MEDIOBANCA COVERED BOND	JUMP	QUARZO LEASE	QUARZO
	(€ 000)	(€ 000)	(€ 000)	(€ 000)	(€ 000)
ASSETS					
10. Cash and cash equivalents	—	—	—	—	—
20. Financial assets held for trading	—	—	—	—	—
40. AFS securities	—	—	—	—	—
50. Financial assets held to maturity	—	—	—	—	—
60. Due from banks	2,918	89	10	155	67
70. Due from customers	722,704	—	—	—	—
80. Hedging derivatives	5,459	—	—	—	—
100. Equity investments	—	—	—	—	—
120. Property, plant and equipment	117	—	—	—	—
130. Intangible assets	309	—	—	—	—
140. Tax assets	2,095	—	6	—	182
160. Other assets	10,272	—	10	—	258
TOTAL ASSETS	743,874	89	26	155	507
LIABILITIES					
10. Due to banks	686,284	—	—	—	—
20. Due to customers	—	—	—	—	—
30. Debt securities in issue	—	—	—	—	—
40. Financial liabilities	—	—	—	—	—
60. Hedging derivatives	2,033	—	—	—	—
80. Tax liabilities	2,752	—	—	—	—
100. Other liabilities	17,136	13	16	145	494
100. Staff severance indemnity provision	129	—	—	—	—
110. Provisions	866	—	—	—	—
120. Share capital	4,800	100	10	10	10
160. Reserves	2,557	—	—	—	—
170. Valuation reserves	22,590	—	—	—	3
180. Profit (loss) for the period	4,727	(24)	—	—	—
TOTAL LIABILITIES	743,874	89	26	155	507

PROFIT AND LOSS ACCOUNT

	FUTURO	MEDIOBANCA COVERED BOND	JUMP	QUARZO LEASE	QUARZO
	(€ 000)	(€ 000)	(€ 000)	(€ 000)	(€ 000)
10. Interest and similar income	36,528	—	43	—	1
20. Interest and similar expense	(18,880)	—	—	—	—
30. Net interest income	17,648	—	43	—	1
40. Fee and commission income	1,244	—	—	—	—
50. Fee and commission expense	(1,104)	—	(43)	—	—
60. Net fee and commission income	140	—	(43)	—	—
70. Dividends and similar income	—	—	—	—	—
80. Net trading income (expense)	—	—	—	—	—
90. Net hedging income (expense)	—	—	—	—	—
100. Gain (loss) on disposal/repurchase of financial assets	—	—	—	—	—
110. Net income from financial assets and liabilities	—	—	—	—	—
120. Total income	17,788	—	—	—	1
130. Adjustments for impairment	(1,600)	—	—	—	—
140. Net income from financial operations	16,188	—	—	—	1
150. Administrative expenses	(8,347)	(22)	(19)	(55)	(72)
160. Net transfers to provisions	(608)	—	—	—	—
170. Net profit (loss) from financial operations	—	—	—	—	—
180. Net adjustments to intangible assets	(352)	—	—	—	—
190. Other operating income (expense)	639	(2)	19	55	71
200. Operating costs	7,520	(24)	—	—	—
210. Gain (loss) on equity investments	—	—	—	—	—
220. Net gain (loss) on recognizing tangible/intangible assets at fair value	—	—	—	—	—
230. Adjustments to goodwill	—	—	—	—	—
240. Gain (loss) on disposal of investments	—	—	—	—	—
250. Profit (loss) on ordinary activities before tax	7,520	(24)	—	—	—
260. Income tax on ordinary activities for the year	(2,793)	—	—	—	—
270. Profit (loss) on ordinary activities after tax	4,727	(24)	—	—	—
280. Gain (loss) on groups of assets being sold	—	—	—	—	—
290. Net profit (loss) for the period	4,727	(24)	—	—	—

BALANCE SHEETS

	RICERCHE E STUDI S.p.A.	SETECI S.c.p.A.
	(€ 000)	(€ 000)
ASSETS		
Non-current assets		
Intangible assets	3	3,575
Tangible assets	1	—
Property, plant and equipment	—	20,731
Investments in subsidiaries	—	—
Investments in associate companies	—	—
AFS securities	—	—
Real estate assets	—	—
Other non-current assets	—	20
Financial assets in the form of derivative instruments	—	—
Advance tax assets	—	190
Total non-current assets	4	24,516
Current assets		
Accounts receivable	—	277
Other receivables	—	—
Sundry receivables and other current assets	407	2,858
Current tax assets	—	—
Current financial receivables	—	—
Financial derivative products	—	—
Other current financial assets	—	133
Cash and liquid assets	506	186
Total current assets	913	3,454
AFS securities	—	—
TOTAL ASSETS	917	27,970

	RICERCHE E STUDI S.p.A.	SETECI S.c.p.A.
	(€ 000)	(€ 000)
LIABILITIES		
A) Net equity:		
Share capital	100	500
Other financial instruments representing equity	—	—
Reserves	3	2,681
Treasury shares	—	—
Hedge reserves	—	—
Other reserves	—	—
Profit (loss) for previous years	—	—
Profit (loss) for period	—	2
Total net equity	103	3,183
Non-current liabilities		
Staff benefits	—	—
Provisions for liabilities and charges	—	—
Staff-related provisions	304	470
Deferred tax liabilities	—	963
Borrowings net of current borrowings	—	—
Other non-current liabilities	—	—
Total non-current liabilities	304	1,433
Current liabilities		
Due to banks	—	—
Accounts payable	—	3,321
Current tax liabilities	—	32
Financial liabilities in the form of derivative products	—	—
Current financial liabilities	—	16,591
Provisions for liabilities and charges	—	749
Other current liabilities	510	—
Sundry payables and other current assets	—	2,661
Total current liabilities	510	23,354
Liabilities in respect of AFS securities	—	—
TOTAL LIABILITIES	917	27,970

PROFIT AND LOSS ACCOUNT

	RICERCHE E STUDI S.p.A.	SETECI S.c.p.A.
	(€ 000)	(€ 000)
Net income/value of production	1,783	13,981
Consumption of raw materials and services/changes to stocks of semi-finished products	(539)	(4,236)
Personnel costs	(1,294)	(5,097)
Other operating income	—	(1,492)
Other operating costs	—	—
Other operating income and costs	—	—
Sundry operating expenses	(20)	—
Provisions for various risks	—	—
Depreciation and amortization	(1)	(973)
Depreciation on property, plant and equipment	(2)	(1,931)
Amortization of real estate investments	—	—
Operating profit (loss)	(73)	252
Financial income (expense)		
Financial income/cost of production	2	—
Financial expense	—	(85)
Other income (expense) from financial assets and liabilities	—	(8)
Extraordinary expense	80	35
Net profit before tax/difference between value and cost of production (A-B)	9	194
Income tax/Interest income and expense	(9)	(192)
Net profit for the period	—	2

BALANCE SHEET

	COMPASS RE S.A.
	(€ 000)
ASSETS	
B) Intangible assets (total)	—
C) Investments	47,669
D) Investments on behalf of insured parties in life insurance business who bear the risk, deriving from pension fund management (total)	—
Dbis) Reinsurers' share of technical reserves	
I) Non-life business (total)	147
II) Life business (total)	—
Total reinsurers' share of technical reserves (Dbis)	147
E) Receivables	
I) Amounts receivable from direct insurance operations (total)	—
II) Amounts receivable from reinsurance operations (total)	15,373
III) Other receivables	—
Total receivables (E)	15,373
F) Other asset items	343
I) Tangible assets and stocks (total)	—
II) Cash and cash equivalents (total)	1,745
III) Other assets (total)	97
Total other asset items (F)	2,185
G) Accrued income and prepaid expenses (total)	9,743
TOTAL ASSETS (B+C+D+Dbis+E+F+G)	75,117

	COMPASS RE S.A.
	(€ 000)
LIABILITIES AND NET EQUITY	
A) Net equity	
I) Share capital subscribed or equivalent provision	15,000
II-VII) – Reserves (total)	—
IX) Profit (loss) for the period	—
Total net equity (A)	15,000
B) Subordinated liabilities	—
C) Technical reserves	
I) Non-life businesses (total)	40,609
II) Life businesses (total)	14,219
III) Remuneration	5,138
Total technical reserves (C)	59,966
D) Technical reserves where investment risk is borne by insured party and reserves deriving from pension fund management (total)	—
E) Provisions for risks and liabilities (total)	6
F) Deposits received from reinsurers	—
G) Payables and other liabilities	
I) Amounts payable in respect of direct insurance operations	—
II) Amounts due in respect of direct reinsurance operations	50
III) Bond issues	—
IV) Amounts due to banks and financial institutions	—
V) Amounts due with real guarantees	—
VI) Sundry loans and other financial debts	—
VII) Staff severance indemnity provision	—
VIII) Other amounts payable	57
IX) Other liabilities	38
Total amounts payable and other liabilities (G)	151
H) Accrued expenses and deferred income (total)	—
TOTAL LIABILITIES AND NET EQUITY (A+B+C+D+E+F+G+H)	75,117

PROFIT AND LOSS ACCOUNT (technical account)

	COMPASS RE S.A.
	(€ 000)
1) Net premium income	9,488
2) Fee and commission income	—
3) Income less expense from financial instruments recognized at fair value in the profit and loss account	—
4) Income from other financial instruments and property investments	—
5) Other revenues	180
A. TOTAL INCOME AND REVENUES	9,668
1) Net expense in respect of claims	(2,659)
2) Fee and commission expense	—
3) Expenses in connection with other financial instruments and property investments	—
4) Operating expenses	(281)
5) Other costs	(1,994)
B. TOTAL COSTS AND EXPENSES	(4,934)
C. PROFIT (LOSS) FOR THE PERIOD BEFORE TAX AND COMPENSATION RESERVE	4,734
D. Transfers to compensation reserve	(4,677)
E. Taxation for the period	(57)
F. NET PROFIT (LOSS) FOR THE PERIOD	—

BALANCE SHEET

	ASSICURAZIONI GENERALI 31/12/10
	(€ 000)
ASSETS	
B) Total intangible assets	138,551
C) Investments	
I) Land and buildings (total)	1,446,152
II) Investments in Group and other undertakings (total)	29,873,381
III) Other financial investments	
1) Shares and stock units	1,551,445
2) Mutual fund units	1,989,775
3) Bonds and other fixed-income securities	19,702,143
4) Loans	191,030
6) Deposits with banks	162,535
7) Other financial investments	608,766
Total other financial investments	24,205,694
IV) Deposits with reinsurers	8,980,006
Total investments (C)	64,505,233
D) Investments for the benefit of life policyholders who carry the risk and deriving from pension fund management (total)	1,144,968
Dbis) Reinsurers' share of technical reserves	
I) General business (total)	1,358,875
II) Life business (total)	222,034
Total reinsurers' share of technical reserves (Dbis)	1,580,909
E) Accounts receivable	
I) Amounts due in respect of primary insurances (total)	1,395,703
II) Amount due in respect of reinsurances (total)	608,486
III) Other accounts receivable	1,666,427
Total accounts receivable (E)	3,670,616
F) Other assets	
I) Tangible assets and inventories (total)	3,313
II) Cash (total)	949,026
III) Own shares or stock units	116,460
IV) Other assets (total)	160,841
Total other assets (F)	1,229,640
G) Accruals and prepayments (total)	575,239
TOTAL ASSETS (B+C+D+Dbis+E+F+G)	72,845,156

	ASSICURAZIONI GENERALI 31/12/10
	(€ 000)
LIABILITIES AND SHAREHOLDERS' EQUITY	
A) Shareholders' equity	
I) Share capital or equivalent fund	1,556,873
II-VII) Reserves (total)	12,767,926
IX) Profit (loss) for year	633,790
Total shareholders' equity (A)	14,958,589
B) Subordinated liabilities	4,826,308
C) Technical reserves	
I) General business (total)	8,324,135
II) Life business (total)	32,978,902
Total technical reserves (C)	41,303,037
D) Technical reserves where investment risk is carried by policyholders and reserves arising from pension fund management (total)	1,141,122
E) Provisions for risks and charges (total)	211,222
F) Deposits received from reinsurers	187,210
G) Accounts payable and other liabilities	
I) Amounts payable in respect of primary insurances	182,809
II) Amounts payable in respect of reinsurance	307,000
III) Bond issues	3,060,000
IV) Amounts payable to banks and financial institutions	16,710
V) Secured debt	—
VI) Loans and other debt	4,870,830
VII) Staff termination indemnity provision	23,183
VIII) Other accounts payable	654,229
IX) Other liabilities	624,569
Total accounts payable and other liabilities (G)	9,739,330
H) Accruals and deferrals (total)	478,338
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (A+B+C+D+E+F+G+H)	72,845,156
GUARANTEES, COMMITMENTS AND OTHER CONTRA ACCOUNTS (TOTAL)	41,732,763

STATEMENT OF EARNINGS (non-technical accounts)

	ASSICURAZIONI GENERALI 31/12/10
	(€ 000)
1) Underwriting profit (loss) from general business	216,373
2) Underwriting profit (loss) from life business	351,742
3) Investment income in general business	
a) Dividends	526,735
b) Other investment income (total)	156,397
c) Writebacks in book value of investments	77,225
d) Gain on disposal of investments	61,056
Total investment income in general business	821,413
4) + Portion of investment income transferred from technical accounts of life business	415,970
5) Operating and financial expenses in general business (3)	
a) Investment management expenses and interest paid	88,441
b) Writedowns to investments	46,047
c) Loss on disposal of investments	34,941
Total operating and financial expenses in general business (5)	169,429
6) Portion of investment income transferred from technical accounts of general business	277,954
7) Other income	414,129
8) Other expenditure	1,377,835
9) Profit (loss) on ordinary operations	394,409
10) Extraordinary income	348,070
11) Extraordinary expenditure	(156,243)
12) Net extraordinary income (expenditure) (10-11)	191,827
13) Earnings before tax	586,236
14) Taxation for the year	47,554
15) Profit (loss) for the year (13-14)	633,790

BALANCE SHEETS

	RCS MediaGroup S.p.A. 31/12/10	GEMINA S.p.A. 31/12/10
	(€ 000)	(€ 000)
ASSETS		
Non-current assets		
Intangible assets	—	1
Tangible assets	—	35
Property, plant and equipment	9,387	—
Equity investments	1,448,814	1,845,506
AFS securities	6,446	—
Real estate assets	98,788	—
Other non-current assets	288	—
- *of which to related parties*	—	—
Financial assets in the form of derivative instruments	2,785	—
Advance tax assets	9,261	1,029
Total non-current assets	1,575,769	1,846,571
Current assets		
Account receivable	7,298	579
- *of which to related parties*	*7,159*	*578*
Other receivables	—	13,012
- *of which to related parties*	—	*11,876*
Sundry receivables and other current assets	7,101	—
- *of which to related parties*	*802*	—
Current tax assets	13,454	—
- *of which to related parties*	*13,339*	—
Current financial receivables	640,523	—
- *of which to related parties*	*640,523*	—
Financial derivative products	—	—
Other current financial assets	—	2,934
- *of which to related parties*	—	*2,927*
Cash and cash equivalents	3,196	11,137
Total current assets	671,572	27,662
Financial assets held for sale	—	—
TOTAL ASSETS	2,247,341	1,874,233

	RCS Media Group S.p.A. 31/12/10 (€ 000)	GEMINA S.p.A. 31/12/10 (€ 000)
LIABILITIES		
A) Net equity:		
Share capital	762,019	1,472,960
Other financial instruments representing equity	8,446	—
- of which to related parties	*7,135*	—
Reserves	225,013	199,707
Treasury shares	(14,544)	—
Hedge reserves	—	(403)
Other reserves	—	83,106
Profit (loss) for previous years	250,954	64,279
Profit (loss) for period	(43,176)	(8,686)
Total net equity	1,188,712	1,810,963
Non-current liabilities		
Staff benefits	—	244
Provisions for liabilities and charges	1,269	11,300
- of which to related parties	—	*6,700*
Staff-related provisions	1,838	—
Deferred tax liabilities	7,799	—
Liabilities:		
Borrowings net of current borrowings	695,000	—
- of which to related parties	—	—
Other non-current liabilities	7,271	—
Total non-current liabilities	713,177	11,544
Current liabilities		
Due to banks	23,509	—
Accounts payable	6,982	711
- of which to related parties	*2,369*	*119*
Current tax liabilities	20,508	—
- of which to related parties	*9,377*	—
Financial liabilities in the form of derivative products	2,431	581
- of which to related parties	—	*581*
Current financial liabilities	283,826	41,954
- of which to related parties	*247,695*	*41,954*
Provisions for liabilities and charges	2,955	1,922
Other current liabilities	—	6,558
- of which to related parties	—	*438*
Sundry payables and other current assets	5,241	—
- of which to related parties	*61*	—
Total current liabilities	345,452	51,726
Liabilities in respect of AFS securities	—	—
TOTAL LIABILITIES	2,247,341	1,874,233

PROFIT AND LOSS ACCOUNTS

	RCS MediaGroup S.p.A. 31/12/10	GEMINA S.p.A. 31/12/10
	(€ 000)	(€ 000)
Net income	6,305	68
- of which to related parties	*6,262*	—
Consumption of raw materials and services/changes in stocks of semi-finished products	(23,806)	—
- of which to related parties	*(5,669)*	—
- of which non-recurring	—	—
Personnel costs	(14,348)	(1,526)
- of which to related parties	*(3,852)*	*(24)*
- of which non-recurring	—	—
Other operating income	—	976
- of which to related parties	—	—
Other operating costs	—	(3,846)
Other operating income and cost	20,470	—
- of which to related parties	*19,638*	—
Sundry operating expenses	(1,164)	—
- of which to related parties	—	—
- of which non-recurrent	—	—
Provisions for various risks	(167)	(2,240)
- of which to related parties	—	*(3,600)*
Loan writedowns	(11)	—
Amortization	(5)	(20)
Depreciation	(1,394)	—
Amortization of real estate investments	(1,332)	—
Writedowns to fixed assets:	*(464)*	—
- of which: non-recurrent	—	—
Operating profit (loss)	(15,916)	(6,588)
Income (expense) from equity investments		
Dividends from subsidiaries	—	—
Dividends from associates	—	(1,348)
Dividends from other companies	—	—
Other income (expense) from equity investments	—	—
Interest income (expense)	—	—
Interest income/cost of production	12,437	389
- of which to related parties	*12,121*	*90*
- of which non-recurring	—	—
Interest expense	(20,553)	(3,387)
- of which to related parties	*(1,258)*	*(3,387)*
Other income (expense) from financial assets and liabilities	(25,221)	—
- of which to related parties	*(30,063)*	—
- of which non-recurring	—	—
Net profit before tax	(49,253)	(10,934)
Income tax/interest income and charges	6,077	2,248
Profit (loss) from assets to be retained	(43,176)	(8,686)
Profit (loss) from assets to be sold/ sold	—	—
Net profit for the period	(43,176)	(8,686)

BALANCE SHEET

	Burgo Group S.p.A. 31/12/10
	(€ 000)
ASSETS	
Non-current assets	
Intangible assets	32,078
Tangible assets	953,050
Property, plant and equipment	951,748
Real estate assets	1,302
Other non-current assets	343,062
Investments in subsidiaries	319,482
Investments in associated companies	6,150
Investments in other companies	11
Securities not qualifying as equity investments	4,342
Financial receivables and other non-current financial assets	12,428
Other non-current assets	649
Advance tax assets	30,179
Current assets	—
Inventory stocks	211,280
Trade receivables	423,681
Sundry receivables and other current assets	18,115
Equity investments	48,516
Securities not qualifying as equity investments	1
Financial receivables and other non-current financial assets	88,365
Cash and cash equivalents	15,462
TOTAL ASSETS	2,163,789
LIABILITIES	
Net equity	
Share capital	205,443
Reserves	83,419
Retained earnings (losses)	159,824
Profit (loss) for the year	(13,129)
Total net equity	435,557
Non-current liabilities	
Non-current financial liabilities	937,479
Staff-related provisions	59,868
Deferred tax liabilities	—
Provisions for liabilities and charges	21,010
Other non-current liabilities	—
Total non-current liabilities	1,018,357
Current liabilities	
Current financial liabilities	197,674
Trade payables	458,242
Current tax liabilities	4,889
Other current liabilities	49,070
Total current liabilities	709,875
TOTAL LIABILITIES	2,163,789

PROFIT AND LOSS ACCOUNT

	Burgo Group S.p.A. 31/12/10
	(€ 000)
Revenues	1,844,364
Other revenues and income	91,164
Total revenues and income from operations	1,935,528
Cost of materials and external services	(1,651,720)
Labour costs	(175,673)
Other operating costs	(16,034)
Changes to stocks	722
Capitalized cost of work carried out internally	22,974
Profit before depreciation, amortization and non-recurring expenses	115,797
Depreciation and amortization	(83,678)
Gain (loss) on disposal of non-current assets	1,469
Writebacks (writedowns) to non-recurring assets	(4,827)
Non-recurring expenses, net	(1,627)
Restructuring charges, net	(1,939)
Operating profit (loss)	25,195
Interest income	15,082
Interest expense	(54,087)
Profit before tax	(13,810)
Taxation for the period	681
Profit for the period	(13,129)

BALANCE SHEETS

	Telco S.p.A. 30/4/11	LUVE S.p.A. 31/12/10	GB Holding S.r.l. 31/12/10
	(€ 000)	(€ 000)	(€ 000)
ASSETS			
B) Fixed assets:			
I) Intangible assets	1,483	24,345	—
II) Tangible assets	—	38,702	—
III) Financial fixed assets	5,406,456	26,552	13,666
Total (B)	5,407,939	89,599	13,666
C) Current assets:			
I) Inventories	—	5,044	—
II) Accounts receivable:			
1) from customers	—	10,212	—
2) from group companies	—	6,451	—
3) from associate companies	—	—	—
4) from parent companies	—	—	—
4 bis) from tax authorities	58	1,816	5
4 ter) advance tax	—	1,504	—
5) from others	—	294	—
Total accounts receivable	58	20,277	5
III) Financial assets other than fixed assets	—	—	—
IV) Cash and cash equivalents	55,736	7,146	—
Total C	55,794	32,467	5
D) Accrued income and prepaid expenses	11,208	741	—
TOTAL ASSETS (B+C+D)	5,474,941	122,808	13,671
LIABILITIES			
A) Shareholders' equity:			
I) Share capital	3,287,195	9,000	97
II) Share premium reserve	—	9,574	13,546
III) Revaluation reserve	—	273	—
IV) Legal reserve	42,190	1,213	19
VII) Other reserve	7,632	8,774	—
VIII) Retained earnings (accumulated loss)	(1,505)	—	—
IX) Profit (loss) for the period	(1,149,981)	1,832	(7)
Total A	2,185,531	30,666	13,655
B) Provisions for liabilities and charges	—		
For tax (including deferred tax)	—	6,241	—
Other provisions	—	1,359	—
Total B	—	7,600	—
C) Provision for staff termination indemnities	—	1,278	—
D) Accounts payable:			
3) Amounts due to shareholders by way of loans	1,300,000	—	13
4) Amounts due to banks	1,930,000	59,431	—
5) Amounts due to other lenders	—	133	—
7) Amounts due to suppliers	433	15,525	3
9) Amounts due to group companies	—	4,704	—
12) Amounts due to tax authorities	12	315	—
13) Amounts due to pension and social security institutions	—	942	—
14) Other amounts due	195	2,205	—
Total D	3,230,640	83,255	16
E) Accrued expenses and deferred income	58,770	9	—
TOTAL LIABILITIES (A+B+C+D+E)	5,474,941	122,808	13,671

PROFIT AND LOSS ACCOUNTS

	Telco S.p.A. 30/4/11	LUVE S.p.A. 31/12/10	GB Holding S.r.l. 31/12/10
	(€ 000)	(€ 000)	(€ 000)
A) Value of production:			
1) Income from sales and services rendered	—	67,531	—
2) Changes in stocks of products being completed, semi-finished and finished products	—	574	—
4) Increase in fixed assets due to internal work	—	—	—
5) Other revenue and income	—	1,583	—
Total value of production (A)	—	69,688	—
B) Costs of production:			
6) Raw materials, secondary materials, consumables and merchandise	—	(33,376)	—
7) Services	(1,325)	(14,448)	(6)
8) Use of third parties' assets	—	(1,381)	—
9) Personnel	—	—	—
a) Salaries and wages	—	(8,453)	—
b) Social security expenses	—	(2,775)	—
c) Staff severance indemnity provision	—	(537)	—
d) Other costs	—	—	—
Total personnel costs	—	(11,765)	—
10) Depreciation, amortization and writedowns			
a) Amortization	(1,363)	(2,287)	—
b) Depreciation	—	(3,359)	—
c) Other writedowns to fixed assets	—	—	—
d) Value adjustments to receivables included in calculation of working capital and cash	—	(93)	—
Total depreciation, amortization and writedowns	(1,363)	(5,739)	—
11) Changes in stocks of raw materials, secondary materials, consumables and merchandise	—	98	—
12) Provisions for liabilities	—	(100)	—
13) Other provisions	—	—	—
14) Sundry operating expenses	(12)	(328)	(1)
Total costs of production (B)	(2,700)	(67,039)	(7)
Difference between value and cost of production (A–B)	(2,700)	2,649	(7)
C) Financial income (expense)			
15) Income from investments	174,208	2,641	—
16) Other financial income	4,491	28	—
17) Interest and other financial expenses	(124,609)	(2,971)	—
17bis) Gains (losses) on exchange rates	—	288	—
Total C	54,090	(14)	—
D) Value adjustments to financial assets:			
18) Writebacks	—	—	—
19) Writedowns	(1,201,435)	—	—
Total D	(1,201,435)	—	—
E) Extraordinary income (expenses):			
20) Income	64	40	—
21) Expenses	—	(105)	—
Total E	64	(65)	—
Profit (loss) before tax (A-B+C+D+E)	(1,149,981)	2,570	(7)
22) Income tax for the period			
- current tax	—	(1,091)	—
- deferred tax	—	353	—
Total income tax for the period	—	(738)	—
23) Profit (loss) for the period	(1,149,981)	1,832	(7)

BALANCE SHEETS

	FIDIA SGR S.p.A. 31/12/10	BANCA ESPERIA S.p.A. 31/12/10
	(€000)	(€ 000)
ASSETS		
10. Cash and cash equivalents	—	116
20. Financial assets held for trading	—	16,589
30. Financial assets recognized at fair value	—	—
40. AFS securities	1,586	64,129
50. Financial assets held to maturity	—	—
60. Due from banks	5,318	43,082
70. Due from customers	—	496,307
80. Hedging derivatives	—	—
90. Value adjustments subject to general hedging	—	—
100. Equity investments	—	19,772
110. Property, plant and equipment	5	502
120. Intangible assets	—	1,432
130. Tax assets	—	15,061
a) current	—	*5,883*
b) deferred	—	*9,178*
140. Non-current and groups of assets being sold	—	—
150. Other assets	5	39,476
TOTAL ASSETS	6,914	696,466
LIABILITIES		
10. Due to banks	—	158
20. Due to customers	—	534,323
30. Debt securities in issue	—	49,415
40. Trading financial liabilities	—	2,825
80. Tax liabilities	10	1,253
a) current	10	—
b) deferred	—	*1,253*
100. Other liabilities	131	19,345
110. Staff severance indemnity provision	16	1,006
120. Provision for liabilities and charges	2,088	—
130. Valuation reserves	(24)	(2,581)
140. Redeemable shares	—	—
150. Equity instruments	—	—
160. Reserves	98	36,228
170. Share premium reserve	—	38,646
180. Share capital	4,861	13,000
190. Treasury shares	—	—
200. Profit (loss) for the period	(266)	2,848
TOTAL LIABILITIES	6,914	696,466

PROFIT AND LOSS ACCOUNTS

	FIDIA SGR S.p.A. 31/12/10 (€ 000)	BANCA ESPERIA S.p.A. 31/12/10 (€ 000)
10. Interest and similar income	140	5,737
20. Interest and similar expense	—	(1,803)
30. Net interest income	140	3,934
40. Fee and commission income	464	30,817
50. Fee and commission expense	—	(3,114)
60. Net fee and commission income	464	27,703
70. Dividends and similar income	—	9,244
80. Net trading income	—	1,326
90. Net hedging income	—	—
100. Gain (loss) on disposal/repurchase of:	—	1,518
a) loans and advances	—	—
b) AFS securities	—	1,518
c) financial assets held to maturity	—	—
d) financial liabilities	—	—
110. Net income from financial assets/liabilities recognized at fair value	—	—
120. Total income	604	43,725
130. Adjustments for impairment to:	—	(347)
a) loans and advances	—	—
b) AFS securities	—	(347)
c) financial assets held to maturity	—	—
d) other financial transactions	—	—
140. Net income from financial operations	604	43,378
150. Administrative expenses	(869)	(42,963)
a) labour costs	(573)	(31,307)
b) other administrative expenses	(295)	(11,656)
160. Net transfers to provisions	—	—
170. Net adjustments to tangible assets	(2)	(237)
180. Net adjustments to intangible assets	—	(172)
190. Other operating income (expense)	12	2,775
200. Operating costs	(859)	(40,597)
210. Net gain (loss) on equity investments	—	—
220. Net gain (loss) on recognizing tangible/intangible assets at fair value	—	—
230. Adjustments to goodwill	—	—
240. Gain (loss) on disposal of investments	—	—
250. Profit (loss) on ordinary activities before tax	(255)	2,781
260. Income tax on ordinary activities for the period	(11)	67
270. Profit (loss) on ordinary activities after tax	(266)	2,848
280. Net gain (loss) on groups of assets being sold	—	—
290. Net profit (loss) for the period	(266)	2,848

BALANCE SHEETS

	MB Venture Capital Fund I Part.Co. A N.V. 31/12/10 *	Athena Private Equity S.A. 31/12/10	MB VENTURE CAPITAL S.A. 31/12/10 **
	(€ 000)	(€ 000)	(€ 000)
ASSETS			
10. Cash in hand	7	512	25
20. Amounts due from banks	—	—	—
30. Amounts due from financial companies	—	—	—
40. Trade accounts receivable	—	—	—
50. Bonds and other fixed-income securities	—	8,324	—
60. Equities, participating interests and other floating rate securities	—	—	—
70. Equity investments	1,286	84,514	1,146
80. Investments in Group undertakings	—	—	—
90. Intangible fixed assets	—	—	—
100. Tangible fixed assets	—	—	—
110. Unpaid call on capital	—	—	—
130. Other assets	—	22,598	14
140. Accrued income and prepaid expenses	—	—	—
TOTAL ASSETS	1,293	115,948	1,185
LIABILITIES			
10. Amounts due to banks	—	—	—
20. Amounts due to financial companies	—	—	—
30. Trade accounts payable	—	—	—
50. Other liabilities	—	11,880	151
60. Accrued expenses and deferred income	—	81	—
70. Provision for staff termination indemnities	—	—	—
80. Provisions for liabilities and charges	—	3,573	—
90. Loan loss provisions	—	—	—
120. Share capital	50	151,138	986
130. Share premium reserve	18,687	—	—
140. Reserves	—	5,034	10
160. Retained earnings (accumulated loss)	(22)	(52,832)	67
170. Loss for the year	(17,422)	(2,926)	(29)
TOTAL LIABILITIES	1,293	115,948	1,185

PROFIT AND LOSS ACCOUNTS

	MB Venture Capital Fund I Part.Co. A N.V. 31/12/10 *	Athena Private Equity S.A. 31/12/10	MB VENTURE CAPITAL S.A. 31/12/10 **
	(€ 000)	(€ 000)	(€ 000)
EXPENSES			
10. Interest payable and similar expenses	—	10	6
20. Commissions payable	—	—	—
30. Loss on dealing transactions	—	—	—
40. Administrative expenses	2	1,026	23
50. Adjustments to intangible and tangible fixed assets	—	—	—
60. Other operating expenses	—	107	—
70. Provisions for liabilities and charges	—	1,587	—
80. Transfer to loan loss provisions	—	—	—
90. Adjustments to receivableS and provisions for guarantees and commitments	—	—	—
100. Adjustments to financial fixed assets	17,420	—	—
110. Extraordinary expenses	—	942	—
130. Net transfers to provisions for liabilities and charges	—	—	—
140. Profit for the year	—	—	—
TOTAL EXPENSES	17,422	3,672	29
INCOME			
10. Interest receivable and similar income	—	15	—
20. Dividends and other income	—	700	—
30. Commissions receivable	—	—	—
40. Gain on dealing transactions	—	24	—
70. Other operating income	—	—	—
80. Extraordinary income	—	7	—
100. Loss for the year	17,422	2,926	29
TOTAL INCOME	17,422	3,672	29

* Company in liquidation since 27 April 2011.

** Draft financial statements.

SIGNIFICANT EQUITY INVESTMENTS AS DEFINED IN ARTICLE 120/3 OF DECREE LAW 58/98 AND ARTICLE 126 OF CONSOB REGULATION 11971/99

	Share capital €m	Par value per share €	No. of shares held directly	Direct interest * %	No. of shares held indirectly	Indirect interest * %	Shares held by
DIRECTLY CONTROLLED SUBSIDIARIES							
COMPASS S.p.A., Milan	587.5	5	117,500,000	100.00	—	—	—
COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A., Monte Carlo	111.1	200	555,540	100.00	—	—	—
CONSORTIUM S.R.L. , Milan	8.6	—	1	100.00	—	—	—
MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A., Luxembourg	10.0	10	990,000	99.00	10,000	1.00	Compass
MEDIOBANCA SECURITIES USA LLC., New York	$ 2.25	—	1	100.00	—	—	—
PROMINVESTMENT S.p.A., in liquidation, Rome	0.7	0.52	1,428,571	100.00	—	—	—
PRUDENTIA FIDUCIARIA S.p.A., Milan	0.1	5	20,000	100.00	—	—	—
RICERCHE E STUDI S.p.A., Milan	0.1	5	20,000	100.00	—	—	—
SADE FINANZIARIA - INTERSOMER S.r.l., Milan[1]	25	—	1	100.00	—	—	—
SETECI - Società Consortile per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.c.p.A., Milan	0.5	5	99,995	100.00	1	n.m.	CheBanca!
					1	n.m.	Compass
					1	n.m.	Cofactor
					1	n.m.	Futuro
SPAFID S.p.A., Milan	0.1	10	10,000	100.00	—	—	—
INDIRECTLY CONTROLLED SUBSIDIARIES							
CHEBANCA! S.p.A., Milan	210.0	0.50	—	—	420,000,000	100.00	Compass
COMPASS RE S.A., Luxembourg	15.0	10	—	—	1,500,000	100.00	Compass
COFACTOR S.p.A., Milan	32.5	0.50	—	—	65,000,000	100.00	Compass
CREDITECH S.p.A., Milan	0.25	1	—	—	250,000	100.00	Compass

* Shares owned.

[1] Figures €'000.

	Share capital €m	Par value per share €	No. of shares held directly	Direct interest * %	No. of shares held indirectly	Indirect interest * %	Shares held by
QUARZO S.R.L., Milan[1]	10	1	—	—	9,000	90.00	Compass
FUTURO S.P.A., Milan	4.8	0.60	—	—	8,000,000	100.00	Compass
SELMABIPIEMME LEASING S.p.A., Milan	41.3	0.50	—	—	49,564,777	60.00	Compass
PALLADIO LEASING S.p.A., Vicenza	8.7	0.50	—	—	16,482,500	95.00	SelmaBipiemme
	—	—	—	—	867,500	5.00	Palladio Leasing
MB COVERED BOND S.R.L., Milan	0.1	1	—	—	90,000	90.00	CheBanca!
QUARZO LEASE S.R.L., Milan[1]	10	1	—	—	9,000	90.00	SelmaBipiemme
TELELEASING S.p.A., Milan	9.5	1	—	—	7,600,000	80.00	SelmaBipiemme
C.M.B. Asset Management S.A.M., Monte Carlo	0.2	150	—	—	995	99.50	C.M.B. S.A.M.
C.M.I. Compagnie Monégasque Immobilière - SCI, Monte Carlo	2.4	1,525	—	—	1,599	99.94	C.M.B S.A.M.
			—	—	1	0.06	C.M.G. S.A.M.
C.M.G. Compagnie Monégasque de Gestion S.A.M., Monte Carlo	0.6	160	—	—	3,746	99.89	C.M.B. S.A.M.
CMB Banque Privée (Suisse) S.A., Lugano	Fr.Sv. 25,0	Fr. Sv. 1,000			25,000	100.00	C.M.B. S.A.M.
SMEF - Soc. Monégasque des Etudes Financières S.A.M., Monte Carlo	0.8	155	—	—	4,998	99.96	C.M.B. S.A.M.
MONOECI Soc. Civile Immobilière, Monte Carlo[1]	1,6	15,5	—	—	99,00	99.00	C.M.B. S.A.M.
			—	—	1,00	1.00	C.M.G.S.A.M.
MOULINS 700 S.A.M., Monte Carlo	0.2	160	—	—	999	99.90	C.M.I. SCI

* Shares owned.

[1] Figures €'000.

	Share capital €m	Par value per share €	No. of shares held directly	Direct interest * %	No. of shares held indirectly	Indirect interest * %	Shares held by
OTHER SIGNIFICANT EQUITY INVESTMENTS							
ATHENA PRIVATE EQUITY S.A., Luxembourg	151.1	2	18,343,380	24.27	—	—	—
BANCA ESPERIA S.p.A., Milan	13.0	0.52	12,500,000	50.00	—	—	—
BURGO GROUP S.p.A., Altavilla Vicentina (VI)	205.4	0.52	87,442,365	22.13	—	—	—
TELCO S.P.A., Milan °	3,287.2	—	206,464,495	11.62	—	—	—
FERRETTI HOLDING S.p.A., Milan	0.2	1	38,200	19.10	—	—	—
FIDIA - Fondo Interbancario d'Investimento Azionario SGR S.p.A., Milan	4.9	520	2,337	25.00	—	—	—
GB HOLDING S.R.L., MONTECCHIO MAGGIORE (VI)	0.1	—	48,394	49.90	—	—	—
ISTITUTO EUROPEO DI ONCOLOGIA S.r.l., Milan	80.6	—	1	14.78	—	—	—
LU-VE S.P.A., VARESE	9.0	360	5,000	20.00	—	—	—
MB VENTURE CAPITAL FUND I PARTICIPATING CO. A N.V., in liquidation, Amsterdam[1]	50.0	1	22,500	45.00	—	—	—
SINTERAMA S.p.A., Sandigliano	45.2	0.51	9,324,456	10.51	—	—	—
MB VENTURE CAPITAL S.A., Luxembourg [1]	986	—	966	24.15	—	—	—

* Shares owned.

[1] Figures €'000.

° At an extraordinary general meeting held on 28 July 2011, the shareholders adopted a resolution to reduce the company's share capital to 2,185.6m.

Table E

FEES PAID FOR AUDITING AND SUNDRY OTHER SERVICES
(pursuant to Article 149-*duodecies* of Consob resolution 11971/99)

Type of service	Mediobanca S.p.A.		Group compagnie *	
	Reconta Ernst & Young	Reconta Ernst & Young network	Reconta Ernst & Young	Reconta Ernst & Young network
Auditing	382	—	577	8
Statements	56	—	41	3
Other services:	—	11	85	139
– *Observation/analysis of administrative/accounting internal control system*	—	—	*7*	*12*
– *other*	—	*11*	*78*	*127*
Total	438	11	703	150

* Group companies and other companies consolidated line-by-line.

APPOINTMENT OF MEMBERS OF BOARD OF DIRECTORS HAVING PREVIOUSLY ESTABLISHED THEIR NUMBER; AND DETERMINING THE AMOUNT OF THEIR REMUNERATION

The current Board of Directors' term of office expires with this annual general meeting. You are therefore called to appoint the new Board of Directors in accordance with the terms and provisions set forth in Article 14 of the company's Articles of Association.

In particular shareholders in general meeting are called to:

– establish the number of members of the governing body and their term of office;
– determine the amount of their remuneration;
– appoint the Directors by means of the list voting method in accordance with the provisions of the law and the company's Articles of Association.

Appointments to the Board of Directors shall be made based on the following list voting method.

The procedure for the appointment of Directors is as follows: all Directors save one are chosen on the basis of the consecutive number in which they are ordered from the list obtaining the highest number of votes; the other Director is chosen from the list which ranks second in terms of number of votes cast and which is not submitted by the Board of Directors or submitted and voted for by shareholders who are related, as defined under regulations currently in force, to the shareholders who submitted or voted for the list ranking first in terms of the number of votes cast, again on the basis of the consecutive numbering in which the candidates are ordered.

In the event of an equal number of votes being cast, a ballot will be held.

In the event that an insufficient number of Directors qualifying as independent, as defined in Article 14, paragraph 3 of the Articles of Association, or as employees who have been part of Mediobanca Banking Group companies' senior management for at least three years, as defined in Article 14, paragraph 4 of the Articles of Association, is elected by following the procedure set out above, the procedure shall be to replace the necessary number of candidates elected from among those in the majority list in the last consecutive positions with candidates in possession of the necessary qualifications from the same list based on their consecutive numbering. If it proves impossible to complete the requisite number of Directors via this procedure, again in order to comply with the provisions of the Articles of Association, the remaining Directors shall be appointed by shareholders in general meeting on the basis of a simple majority, at the proposal of the shareholders in attendance.

In the event of just one list being submitted, the Board of Directors is appointed from this list in its entirety, providing the quorum set by law for ordinary general meetings has been reached.

For the appointment of those Directors who for whatever reason could not be elected to comply with the provisions set forth above, or in the event of no lists being submitted, the Board of Directors is appointed by shareholders in general meeting on the basis of a relative majority, again without prejudice to the requirements stipulated in the Articles of Association.

In this connection, it should also be noted that shareholders will be called together in extraordinary general meeting to approve a series of changes to the Articles of Association, including (i) increasing the number of Board members who must qualify as independent based on the definition provided in the Code of conduct in respect of listed companies operated by Borsa Italiana S.p.A, and (ii) those who have already completed their seventy-fifth year of life being excluded from being appointed Directors. The proposed amendments are described in a separate report.

Shareholders are also called to adopt a resolution in respect of the remuneration payable to the Board of Directors. It should be noted that at an annual general meeting held on 28 October 2008, the shareholders of Mediobanca resolved to pay the Board of Directors still in office an annual gross fee of €10m, and mandated the Board to divide up the fee accordingly.

The methods for depositing lists for appointments to the Board of Directors are set forth in detail in the AGM notice of meeting.

The Board of Directors therefore invites you to take the relevant decisions regarding the appointment of the Board of Directors.

Milan, 22 July 2011

THE BOARD OF DIRECTORS

APPOINTMENT OF MEMBERS AND CHAIRMAN OF THE STATUTORY AUDIT COMMITTEE; AND DETERMINING THE AMOUNT OF THEIR REMUNERATION

The current Statutory Audit Committee's term of office expires with this annual general meeting. You are therefore called to appoint the new Statutory Audit Committee in accordance with the terms and provisions set forth in Article 28 of the company's Articles of Association and the applicable legal and regulatory provisions in force.

Under the terms of the Articles of Association, the Statutory Audit Committee consists of three standing and two alternate auditors, who shall be in possession of the requisite qualifications for holding such office, including in terms of the aggregate number of posts held, expressly stipulated under regulations in force at the time and the provisions of the Articles of Association themselves, failing which they shall be ineligible. In particular the requirements in terms of professional qualifications, fitness to hold office and independence should be noted.

Professional qualifications in this context are understood as being strictly pertinent to the activities of the company, those listed under Article 1 of the Italian Consolidated Banking Act, and the provision of investment services or collective portfolio management, both of which as defined in Italian Legislative Decree 58/98.

Appointments to the Statutory Audit Committee are made on the basis of lists. The term of office shall cover three financial years and accordingly will expire upon approval of the company's financial statements for the period ended 30 June 2014.

The procedure for appointing Statutory Auditors shall be as follows: two standing auditors and one alternate auditor are chosen, based on the order in which they are numbered, from the list obtaining the highest number of votes; and one standing auditor and one alternate auditor are chosen, based on the order in which they are numbered, from the list which ranks second in terms of the number of votes obtained from shareholders in general meetings, which list may not, under the regulations currently in force, be related even indirectly to the shareholders submitting the list which obtained the highest number of votes. In the event of the same number of votes being cast for more than one list, a new vote is held in the form of a ballot between the lists, with the candidates from the list which obtains a simple majority in this case being elected.

The post of Chairman of the Statutory Audit Committee is assigned to the candidate appearing first in the section of candidates for the post of standing auditor on the list which comes second in terms of the number of votes.

In the event of only one list being submitted, shareholders in general meeting shall express their opinion by voting on it; if the list obtains the majority required by law for an ordinary general meeting, the three candidates numbered consecutively in the relevant section are appointed standing auditors, and the two candidates numbered consecutively in the relevant section are appointed alternate auditors; the candidate listed first in the section for candidates to the post of standing auditor in the list submitted is appointed as Chairman of the Statutory Audit Committee.

In the event of no lists being submitted, or if the list voting mechanism returns a lower number of candidates than the number set by the Articles of Association, the Statutory Audit Committee is appointed or completed by shareholders in general meeting with the majorities established by law.

Shareholders are also called to adopt a resolution in respect of the remuneration payable to members of the Statutory Audit Committee. It should be noted that at an annual general meeting held on 28 October 2008, the shareholders of Mediobanca resolved to pay the members of the Statutory Audit Committee still in office an annual gross fee of €120,000 for the Chairman and €90,000 for each standing auditor.

The methods for depositing lists for appointments to the Statutory Audit Committee are set forth in detail in the AGM notice of meeting.

The Board of Directors therefore invites you to take the relevant decisions regarding appointments to the Statutory Audit Committee.

Milan, 22 July 2011

THE BOARD OF DIRECTORS

REPORT ON STAFF REMUNERATION POLICIES

Dear Shareholders,

We have called you together in general meeting:

A) to report on the remuneration policies adopted for the twelve months ended 30 June 2011, and

B) to submit Mediobanca's new remuneration policies, approved by the Board of Directors on 21 September 2011 in compliance with the regulations in force, to your approval.

During the year under review, the Remunerations Committee and Board of Directors of Mediobanca exercised the power granted by yourselves in general meeting on 28 October 2010 to bring the Bank's remuneration system in line with the new regulatory requirements, which are:

– the Bank of Italy guidance sent to Mediobanca in a letter dated 18 October 2010, of which the Board and shareholders in general meeting were informed on 28 October 2010, regarding the need to alter the remuneration schemes through: i) use of performance metrics to take into account *inter alia* risks that cannot be measured and liquidity risks; ii) increase in the deferred part of the variable remuneration component; iii) deferral of no less than three years; iv) introduction of retention mechanisms in the award of financial instruments
– the "Instructions on remuneration and incentivization policies and practices in banks and banking groups" issued by Bank of Italy on 30 March 2011 (the "Instructions") enacting the European framework regulations, which constitute the new regulatory benchmark, incorporating internationally agreed principles and standards, which form part of the set of measures intended to guarantee the stability of the banking and financial system and ensure that it functions smoothly.

These new items led to the remuneration policies already approved being adapted in order for them to be approved before 30 June 2011 and new staff remuneration policies being drawn up to be submitted to your approval. In this activity Mediobanca has been assisted by leading international consultants.

The main updates to the remuneration policy have involved:

- identification of "most relevant staff";
- determination of upfront and deferred bonus shares, distinguished by category;
- improvement of the correlation between risks and performance, in terms of metrics already adopted (Economic profit not only for the Corporate and investment banking division, but also for each individual area) and also by introducing additional metrics (liquidity coverage ratio);
- introduction of performance-linked equity schemes (performance shares and performance stock options).

In complying with the new regulatory provisions, Mediobanca's remuneration policy maintains the objective of attracting and retaining high-quality professional staff, in particular for key positions and roles, who are able to manage the complexity and specialization of the corporate and investment banking business, in a rationale of prudent management and sustainable costs and results over time. The increasing international dimension of the Bank's operations also means that the individual geographical areas require constant monitoring to ensure that the appropriate professional standards are protected in a competitive market scenario.

A) Staff remuneration policies for FY 2010/2011

a. Identification of "most relevant staff"

The Bank of Italy has established the criteria (in terms of responsibility, role or pay level) and recommended principles with which to identify the "most relevant staff". On the basis of these criteria and principles, with particular reference to those profiles for which the annual variable compensation constitutes an important part of their overall remuneration (threshold of application), the "most relevant staff" in the Mediobanca Group have been mapped, and include, in addition to management figures in Italy and elsewhere (approx. 15), the risk-takers identified last year (approx. 15 staff employed in trading desks in the Financial markets area), staff who in any case receive variable compensation in excess of €500,000 (around 10) and other staff (approx. 70) who, as a result of their activity and seniority in their role, have an impact on the Bank's risk profile (in terms of market, reputational and operating risk). As required by the Instructions, work has begun on renegotiating certain contracts signed in 2007 with staff employed in the international offices in order to bring them progressively in line with the overall compensation system.

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

As required by the Bank of Italy, the criteria for measuring the company's performance linked to the remuneration policies for Mediobanca staff have been adjusted to take account of capital and liquidity position indicators as well as risk-adjusted profitability indicators.

Accordingly, a further two indicators have been added to those set in the remunerations policies adopted on 28 October 2010 (i.e.: positive economic profit (EP) earned by the Corporate and investment banking division (CIB),[1] consolidated financial statements reflecting a profit, quantitative and qualitative aspects):

– Core tier 1 ratio above regulatory threshold;
– Compliance with adequate liquidity level[2].

The performance of the CIB division (excluding items in respect of equity investments and leasing) in the twelve months ended 30 June 2011 shows:

– total income up slightly, especially on the trading side, despite the unfavourable scenario;
– costs reflecting additional strengthening outside Italy and in the Bank's control units, with the headcount rising from 577 to 652 staff;
– loan loss provisions declining;
– pre-tax profit down by around 20% due to €109m in writedowns to Greek bonds;
– increasing contribution from the branch offices in London and Madrid, virtually double that of last year in terms of revenues and gross profit;
– cost/income and compensation/income ratio levels comfortably below those of the Bank's competitors.

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

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

At the Group level the following results should be noted:

- revenues stable, despite last year's top line being boosted by approx. €100m in gains on disposal of investments (Fiat stake);
- healthy performance by the Compass group;
- loan loss provisions falling;
- pre-tax profit down slightly vs last year (5%) due to writedowns referred to above.

As for the other conditions precedent to distribution of the bonus pool, at 30 June 2011:

- the Core Tier 1 ratio was equal to 11.1%, compared with the regulatory minimum of 6%;
- the liquidity ratio was equal to approx. 120%, 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 €88m (€70m last year), with a payout ratio equal to approx. 37% of the economic profit (26% net of the provisions for other financial assets), linked proportionately to the increase in the results posted by the international branches, where the majority of the year-on-year increase in the bonus pool is concentrated. This amount includes the share paid in equity (performance shares) totalling around €16m (approx. 18%), to be booked in part over the next three financial years, in accordance with the international accounting standards.

c. Deferral of annual bonus over several years

A significant portion of the variable remuneration component is deferred over time and paid partly in the form of equity instruments, in order to link incentives to the objective of creating value over the long term, as follows:

- the deferral period has been set at 3 years;
- the shares deferred are differentiated (30%, 40% and 60%) according to the impact which the categories identified have on risks;
- 40% of the variable remuneration has been paid in the form of equity instruments (performance shares), apart from for Junior Risk Taker roles (Financial markets area) where the deferral occurs entirely in cash.

Restrictions have also been introduced on the use of 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 49 staff subject to deferral are divided as follows:

Senior management figures in Italy and elsewhere	7	equity/cash
Senior risk taker	17	equity/cash
Senior banker (non risk taker)	7	equity
Junior risk taker (Financial Markets area)	18	cash

At the Chief Executive Officer's proposal, the Board of Directors therefore approved the award of 2,521,697 performance shares to Group staff, worth a total value of approx. €16m based on the average stock market price of Mediobanca shares in the month prior to the award, i.e. €6.5 per share. A total of 650,000 performance stock options have also been awarded to meet obligations entered into upon the recruitment of new staff.

d. Malus conditions for deferred annual bonus

The staff remuneration policies also provide for the deferred bonus to be subject to further performance conditions which, in the three years' deferral, 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 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.

e. Holding period for deferred bonus paid in equity form

Shares actually awarded by way of deferred bonuses are then subject to a holding period of one year before they become effectively available. Only at the end of this period does the beneficiary come into effective possession of the shares if they are still in the Bank's employ.

f. Remuneration structure for staff employed in control capacities

The head of Human resources has been included among the control units, as required by the new regulations. The remuneration package for the Head of company financial reporting, the heads of the internal control units (Internal audit, Compliance, Risk Management and Human resources) and the most senior staff in the areas referred to above continues to be structured in such a way as to ensure that the majority of the compensation is fixed, with a small variable component (which it has been felt appropriate not to defer), to be revised on a year-to-year basis in view of quality and efficiency criteria, not linked to earnings objectives.

g. Assessment of individual quantitative/qualitative performance in awarding annual bonuses

The Chief Executive Officer has 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.

h. Formalization of role of Risk Management unit in remuneration process and involvement of Internal audit and Compliance units in validation

The Risk Management unit has been involved in finalizing the metrics to be utilized (EP; Tier 1 Capital, liquidity ratio, quantitative and qualitative aspects) and in validating the results.

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

i. Executive directors' remuneration

For the financial year ended 30 June 2011, as for the previous year, the Group's executive directors did not receive any variable compensation.

ANNEX

The tables below shows the structure of the remuneration packages offered by Mediobanca, showing the fixed and variable components (cash and equity, deferred and not deferred), out of total compensation as at 30 June 2010 and 30 June 2011, by category of “most relevant staff”.

	2009/2010					2010/2011				
	Total Remuneration [1]					Total Remuneration [1]				
		Variable Remuneration					Variable Remuneration			
	FIXED	Cash upfront	Cash deferred	Equity upfront	Equity deferred	FIXED	Cash upfront	Cash deferred	Equity upfront	Equity deferred
Directors	100%	0%	0%	0%	0%	100%	0%	0%	0%	0%
Executive directors	92%	0%	0%	0%	8%	100%	0%	0%	0%	0%
Heads of main business lines and international branches [2]	13%	56%	19%	0%	12%	13%	41%	11%	0%	35%
Senior Risk Takers Financial Markets area Italy and elsewhere	14%	40%	25%	0%	21%	11%	35%	18%	0%	36%
Senior Bankers non risk-takers (with relevant variable remuneration)	33%	54%	0%	0%	13%	24%	51%	0%	0%	25%
Other relevant staff (Junior Risk Takers Financial Markets area)	49%	36%	15%	0%	0%	26%	52%	22%	0%	0%
Heads of control units [3]	72%	20%	0%	0%	8%	77%	23%	0%	0%	0%
Other divisional staff	58%	42%	0%	0%	0%	45%	55%	0%	0%	0%
Other employees in staff units	65%	32%	0%	0%	3%	70%	30%	0%	0%	0%

NOTE

1 Percentage of total compensation. Stock options awarded on 2 August 2010 have been included for 2010. The equity component (performance shares 2011) have been measured and recognized in accordance with IAS/IFRS 2.

2 Does not include two staff employed at international branches on individual contracts prior to the introduction of the new regulations.

3 Head of company financial reporting, Heads of internal audit, Compliance and Risk management units; as from 2011 includes the head of Human resources.

B) New staff remuneration policies

The new remuneration policies submitted to your approval are fully aligned with the new regulations.

a. Governance structures

The governance for the Mediobanca remuneration policy and decisions regarding the "most relevant staff" is structured across two levels:

I) corporate
II) organizational

I. Corporate governance

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

Under the current Articles of Association:

– shareholders in general meeting determine the fixed annual remuneration payable to members of the Board of Directors, upon their appointment for the entire duration of their term of office, to be divided among the individual Board members according to the decisions of the Board of Directors itself (Article 12)
– shareholders in general meeting also approve remunerations policies and share-based compensation schemes for Directors and Group staff (Article 12)
– the Board of Directors determines the Chairman's, the Chief Executive Officer's and General Manager's remuneration (Article 17)
– 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 18)
– the Chief Executive Officer presents the Group staff remuneration and retention policies to the governing bodies (Article 18), 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 24) and then distributes it.

II. Organizational governance

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

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

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

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

b. Identification of "most relevant staff"

The new 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. of positions[1]
1)	Directors with executive responsibilities	Executive directors	5
2)	Heads of main business lines, geographical areas and other management figures	– Heads of Principal Investing and Mid Corporate divisions – CEO/General managers of main Group companies – Heads of international branches	9
3)	Most senior heads of internal control and staff units	– Human resources – Compliance – Risk Management – Internal Auditing – Head of company reporting	11
4)	Risk-takers	Trading desks (market and liquidity risk) with variable pay ≥ €500,000	18
5)	Staff whose remuneration is equal in amount to that of the other risk-takers	Staff with variable remuneration ≥ €500,000 not included in the above categories	7
6)	Other relevant staff identified at the company's discretion based on the criterion of "proportionality"[2]	– Trading desks (market and liquidity risk) with variable pay between €200,000 and €500,000 – Indirect impact on reputational risk – Impact on operating risk – Relevance and support to strategic business	70
		Total	120

[1] No. of positions identified on 11 May 2011.

[2] Criterion identified by the supervisory authority to ensure that the regulations are applied gradually based on complexity/type of company.

c. Pay mix

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: this is generally determined on the basis of specialization, role carried out in the organization and related responsibilities. It reflects technical, professional and managerial capabilities. Mediobanca pays 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 bonus but at the same time being careful not to make the overall remuneration package unduly inflexible.
- variable remuneration (annual bonus): this recognizes and rewards the achievement of targets set and results achieved and is calculated based on indicators reflecting a risk-weighting system and correlation to results actually achieved over time (see point d. below). 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).

  As required by the new regulations for "most relevant staff", the variable component is paid, with reference to timescale, in part during the year concerned (upfront) and in part deferred over three years, subject to performance conditions being met; with reference to instruments, in part in cash and part in equity instruments. A further holding period is applied to the equity remuneration component after the rights have vested with a view to retention.

  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.
- 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, with company cars for the most senior figures. The benefit schemes may be distinguished by families of professionals, but do not make provision for individual discretionary systems.

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 which is correlated to the economic profit earned by each area. The remuneration cannot be paid in forms, instruments or other means with the intention of avoiding the regulatory instructions.

d. Correlation between remuneration, risks and performance

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

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

In particular:

1. The bonus pool pays the variable component to be awarded annually to those staff, in Italy and elsewhere, who because of the size of their compensation, management of business activities, assumption of specific risks and/or organizational role, are strongly linked to the Bank's results – that is, those who qualify as the "most relevant staff". Distribution of the bonus pool, apart from in cases of pre-existing contractual obligations in respect of certain individuals, only takes place provided a series of conditions, or gates, are overcome, i.e. if the following indicators are met:
   - 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.

2. Variable remuneration (the bonus pool) is established annually by the Chief Executive Officer, by applying:
   a) the quantitative metric represented by the economic profit earned by the Corporate and investment banking division, plus
   b) other quantitative aspects:
      - comparison with budget objectives;
      - performance compared to historical precedents;
   c) qualitative considerations:
      - Group profit in comparison with the previous year;
      - possibility of distributing a dividend;
      - Mediobanca's positioning and market share;

– appraisal of the Mediobanca share stock market performance, including relative to the market and the Bank's main competitors, Italian and international;
– cost/income and compensation/income ratio readings, 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.

The Chief Executive Officer allocates the bonus pool to the individual business areas based on a model which uses the economic profit earned by each individual business area as the reference metric, while individual awards are made on the basis of an overall assessment of personal performance in quantitative and qualitative terms.

3. 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.

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.

e. Structure of variable component

The Instructions require that a significant part of the variable remuneration be 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. They also specify, for each category, the minimum share of the remuneration to be deferred and the share of the remuneration to be paid conditional upon the achievement of annual results.

For the key figures among the "most relevant staff" (i.e. groups 1, 2 and 4 in the table shown under point b.), the deferred component of the bonus amounts to 60%, and falls to 40% 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 the group of staff identified internally based on the proportionality criterion (group 6, with a deferred share of 30%), the distribution is made entirely in the form of cash.

As required by the Instructions, certain contracts executed in 2007 with staff employed at the international offices are in the process of being renegotiated, in order to bring them gradually in line with the compensation system.

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

Annual bonuses are awarded to the individual units by the Chief Executive Officer via an annual performance assessment process which emphasizes professional merit and quality, with a view to retaining key staff members.

For the business units the following are considered:

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

the Bank, valuation criteria linked to reputational and compliance issues (in view, *inter alia*, of the provisions of the Group audit regulations, Code of ethics, Organizational model and the other internal Mediobanca regulations), and adherence to the Bank's values;
- earnings results achieved, e.g. reaching or not reaching budget targets and objectives in terms of improvement from the previous year, with reference to the risk/return and cost/income ratios, and to value generation in accordance with the risk-adjusted principles referred to above.

For all the other units, the main aspects of assessment are based on qualitative objectives and a broader appraisal regarding control of costs, efficient management of areas and compliance with regulations. The following in particular are assessed:

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

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

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

g. 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 is an incentivization system involving 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 17,478,303 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 uses (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.

h. 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; now that 17,171,000 shares have been awarded, a total of 22,829,000. 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 to exercise in addition to those of a purely temporal nature, thereby effectively transforming into a performance stock option scheme.

The essential characteristics of the scheme, which is for staff with key roles 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 any tax issues, 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.

i. Remuneration structure for staff employed in control and support capacities

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

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

j. Remuneration structure for non-executive directors and directors who are members of the Group's management

The remuneration of non-executive directors is established by the shareholders in general meeting and does not include predefined incentives linked to the Bank's performance.

The remuneration of directors who are members of the Group's management is established by the Board of Directors, and any variable component is determined on the basis of performance, again linked to economic profit referred to the scope of their role. For the Chief Executive Officer and General manager it is the Group performance, while for the heads of division it is the divisional and business area performance, plus again qualitative considerations.

A substantial proportion of the variable component is to be paid in deferred form and distributed also using equity instruments.

k. 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 quantitative objectives. 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. 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.

l. 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.

* * *

Dear Shareholders,

We invite you to adopt the following resolution:

"At an ordinary general meeting, having heard the Board of Directors' proposal, the shareholders of Mediobanca,

hereby resolve

– to approve the staff remuneration policies for the 2010/2011 financial year, as illustrated in the Board of Directors' report;
– to approve the new staff remuneration policies as illustrated in the Board of Directors' report;
– to confer on the Board of Directors, the Chairman and the Chief Executive Officer, jointly and severally, the broadest powers to execute all deeds and perform all measures and formalities necessary in order to implement this resolution".

Milan, 21 September 2011

THE BOARD OF DIRECTORS

PROPOSAL TO AMEND ARTICLES 6, 10, 14, 15, 17, 18, 19, 21, 22, 23, 24, 25, 28, 29 AND 30 OF THE COMPANY'S ARTICLES OF ASSOCIATION; AND TO INTRODUCE A NEW ARTICLE 11, WITH ARTICLES 12 THROUGH TO 35 TO BE RENUMBERED ACCORDINGLY

Dear shareholders,

We have called you together in extraordinary general meeting to submit to your approval the proposed changes to Articles 6, 10, 14, 15, 17, 18, 19, 21, 22, 23, 24, 25, 28, 29 and 30 of the Company's Articles of Assoction, the introduction of a new Article 11, and the consequent renumbering of the new Articles 12 through to 35, intended primarily to incorporate the following changes (references are to the new Article numbers):

– changes intended to improve the Bank's governance or make it more flexible, including in adherence to the principles of the Code of Conduct in respect of listed companies operated by Borsa Italiana:
  - the increase from two to four in the number of directors qualifying as independent under the provisions of the Code of Conduct (Article 15);
  - the provision that the Executive Committee may consist of up to nine members (currently nine) (Article 22), and that, in the event of the Chairman of the Board of Directors being absent or otherwise impeded, his duties may be assigned to the oldest member, thereby doing away with the need for the figure of the acting Deputy Chairman of the Executive Committee (Article 24);
  - the provision that the Appointments Committee shall consist of five directors (currently six), two of whom independent, for decisions to be taken in general meetings of investee companies considered to be strategic for the Bank in respect of appointments to governing bodies, and that two other independent directors be added to it (currently one) for proposals for appointments to the Bank's governing bodies (Article 19);
  - the possibility that the Remunerations Committee may consist of between five and seven directors (currently seven) (Article 19);
  - the possibility of extending the number of members of the Internal Control Committee from three at present to up to five (Article 19);

– the introduction of age limits for each director (75 years), the Chairman (70 years), and the Chief Executive Officer and General Manager (65 years for each) (Articles 15, 16 and 26);

– in the area of related parties, the introduction to the new Article 11 of the right to be exempt, under urgent circumstances, from the procedures provided for under Articles 7 and 8 of Consob regulation 17221/10. This will avoid the need for binding opinions from the Related Parties Committee, with the decisions concerned to be submitted to shareholders at the next general meeting. The procedure which provided for such entitlement has already been approved by the Board of Directors and published as required by law;

The following amendments are also proposed:

– deletion of paragraph 21 of Article 29, providing that in the event of the Chairman of the Statutory Audit Committee having to be replaced, the alternate auditor taking his place shall also take the role of Chairman of the supervisory body, on the grounds that the same principle is also stated in the final paragraph of the same Article;
– reference to regulatory as well as legal provisions with reference to the appointment, duties and responsibilities of the external legal auditor (Article 31).

Finally, certain other changes are proposed, including to cross-references to the new Articles 6, 10, 15, 16, 18, 19, 20, 22, 23, 25, 26, 29 and 30.

The proposed amendments do not entail any right of withdrawal and are subject to authorization from the Bank of Italy.

You are therefore invited to adopt the following resolution:

"The shareholders of Mediobanca, gathered in extraordinary general meeting:

– having heard the Board of Directors' report

hereby resolve:

1. to amend Articles 6, 10, 14, 15, 17, 18, 19, 21, 22, 23, 24, 25, 28, 29 and 30 of the Articles of Association;
2. to introduce a new Article 11, and renumber Articles from 12 through to 35 as follows:

MEDIOBANCA ARTICLES OF ASSOCIATION

EXISTING TEXT	NEW TEXT
SECTION I	**SECTION I**
Establishment, Head Office, Duration and Purpose of the Company	**Establishment, Head Office, Duration and Purpose of the Company**
Article 1	Article 1
A Company is hereby established under the name of MEDIOBANCA - Banca di Credito Finanziario Società per Azioni, in abbreviated form "MEDIOBANCA" S.p.A.	*Unchanged*
The Company's Head Office is located at Piazzetta Enrico Cuccia 1, Milan.	"
Article 2	Article 2
The duration of the company shall be untill 30 June 2050.	*Unchanged*
Article 3	Article 3
The purpose of the Company shall be to raise funds and provide credit in any of the forms permitted, especially medium- and long-term credit to corporates.	*Unchanged*
Within the limits laid down by current regulations, the Company may execute all banking, financial and intermediation-related transactions and/or services and carry out any transaction deemed to be instrumental to or otherwise connected with achievement of the Company's purpose.	"
As part of its supervisory and co-ordinating activities in its capacity as parent company of the Mediobanca Banking Group within the meaning of Article 61/4 of Legislative Decree No. 385 dated 1 September 1993, the Company shall issue directives to member companies of the Group to comply with instructions given by the Bank of Italy in the interests of maintaining the Group's stability.	"
SECTION II	**SECTION II**
Share Capital and Shares	**Share Capital and Shares**
Article 4	Article 4
The Company's subscribed and fully paid up share capital is Euro 430,564,606 represented by 861,129,212 Euro 0.50 par value shares.	*Unchanged*
The share capital may also be increased as provided under legal provisions, including Article 2441, paragraph 4, point 2 of the Italian Civil Code, in	"

compliance with the terms and procedure set forth therein.

Profits may, in the ways and forms permitted by law, be awarded to employees of the Company or Group companies via the issuance of shares, under Article 2349 of the Italian Civil Code.

Unchanged

The shares shall be registered.

”

An Extraordinary General Meeting held on 30 July 2001 amended the resolution taken at the Extraordinary General Meeting held on 28 October 2000 relating to the capital increase restricted to employees of the Mediobanca Banking Group via the creation of up to 13 million par value Euro 0.50 ordinary shares, whereby the maximum nominal amount thereof was increased to Euro 25,000,000 via the creation of up to 50,000,000 Euro 0.50 par value ordinary shares ranking for dividends pari passu with the Bank's existing shares, to be subscribed by Mediobanca Banking Group employees not later than 1 July 2015 on a restricted basis under Article 2441/8 of the Civil Code. Of these 50 million shares, a total of 37,819,250 new shares have to date been subscribed.

”

As a result of resolutions adopted at Extraordinary General Meetings held on 25 June 2004 and 28 October 2004, the Bank's share capital was increased by up to a further Euro 7.5m via the issue of up to 15 million par value Euro 0.50 ordinary shares, ranking for dividends pari passu and for subscription no later than 1 July 2020, pursuant to paragraphs 8 and 5 Article 2441 of the Italian Civil Code, to be set aside as follows:
– up to 11 million shares for employees of the Mediobanca Group;
– up to 4 million shares for Bank Directors, carrying out particular duties. Of these, a total of 2,500,000 new shares have still to be subscribed.

”

The Board of Directors is also authorized under Article 2443 of the Italian Civil Code, to increase the Bank's share capital by means of rights or bonus issues in one or more tranches by and no later than 27 June 2012, in a nominal amount of up to Euro 100m, including via warrants, through the issue of up to 200 million ordinary par value Euro 0.50 shares, to be offered in option or otherwise allotted to shareholders, and also to establish the issue price of such new shares from time to time, including the share premium, the date from which they shall rank for dividends, and whether or not any of the shares shall be used for exercising warrants, and is further authorized under Article 2420-ter of the Italian Civil Code to issue bonds convertible into ordinary shares and/or shares with warrants attached in one or more tranches by and no later than 27 June 2012, in a

”

nominal amount of up to Euro 2bn to be offered in option to shareholders, establishing that exercise of such authorizations shall not, without prejudice to the foregoing, lead to the issue of a total number of shares in excess of 200 million.	
Pursuant to the above authorization, at a meeting held on 18 September 2009, the Board of Directors adopted a resolution to (i) increase the Company's share capital free of charge by Euro 20,501,391.50 with effect from 28 September 2009, and (ii) increase the Company's share capital in one or more tranches by a nominal amount of up to Euro 57,418,261.50 via the issue by and no later than 31 March 2011 of up to 114,836,523 par value Euro 0.50 shares for use in connection with the exercise of 803,855,665 warrants assigned free of charge to shareholders entitled to receive them. Following exercises of such warrants a total of 70,764 new shares have been subscribed for.	*Unchanged*
The Board of Directors is also authorized under Article 2443 of the Italian Civil Code, to increase the Bank's share capital by means of rights issues in one or more tranches by and not later than 27 June 2012, in a nominal amount of up to Euro 40m including via warrants, through the issue of up to 80 million ordinary par value Euro 0.50 shares, to be set aside for subscription by Italian and non-Italian professional investors with option rights excluded under and pursuant to the provisions of Article 2441 paragraph 4 point 2 of the Italian Civil Code and in compliance with the procedure and conditions precedent set forth therein.	"
At an Extraordinary General Meeting held on 27 June 2007, shareholders approved a resolution to increase the company's share capital in an amount of up to Euro 20m through the issue of up to 40 million ordinary par value Euro 0.50 new shares, ranking for dividends pari passu, to be set aside for subscription by Mediobanca Group employees by and no later than 1 July 2022 pursuant to Article 2441, paragraph 8 of the Italian Civil Code.	"
The Board of Directors is authorized, under Article 2443 of the Italian Civil Code, to increase the Bank's share capital free of charge, as permitted by Article 2349 of the Italian Civil Code, in one or more tranches by and not later than 28 October 2015, in an amount of up to Euro 10m, through the issue of no more than 20 million ordinary par value Euro 0.50 shares, ranking for dividends pari passu, to be awarded to Mediobanca Group employees in execution of and in compliance with the terms of the performance share schemes approved by shareholders in general meeting.	"

SECTION III	**SECTION III**
General Meetings	**General Meetings**
Article 5	Article 5
General Meetings shall be called in Milan or elsewhere in Italy, as indicated in the notices convening such Meetings.	*Unchanged*
Article 6	Article 6
Ordinary General Meetings shall be called at least once a year within 120 days of the close of the Company's financial year.	*Unchanged*
Ordinary and Extraordinary General Meetings shall pass resolutions on matters attributable to each under regulations in force or these Articles of Association.	”
Resolutions in respect of i) mergers, as provided for by Articles 2505 and 2505-bis of the Civil Code, including as referred to in Article 2506-ter of the Civil Code, ii) the institution or removal of branch offices, iii) reductions in the Company's share capital as a result of shareholders exercising their right of withdrawal, iv) amendments to the Company's Articles of Association to comply with regulatory requirements, and v) transfer of the Company's headquarters within Italian territory, are by law the sole competence of the Board of Directors.	Resolutions in respect of i) mergers, as provided for by Articles 2505 and 2505-bis of the Civil Code, including **in the cases** referred to in Article 2506-ter of the Civil Code, ii) the institution or removal of branch offices, iii) reductions in the Company's share capital as a result of shareholders exercising their right of withdrawal, iv) amendments to the Company's Articles of Association to comply with regulatory requirements, and v) transfer of the Company's headquarters within Italian territory, are by law the sole competence of the Board of Directors.
The procedures for calling and powers to call meetings shall be those laid down by the law.	*Unchanged*
Such notice also includes an indication of the date scheduled for the Meeting in the first instance, and may also stipulate dates for further Meetings to be held should the Meeting in question be adjourned.	”
Ordinary and extraordinary general meetings may alternatively be called on a single date, with the majorities specified in Article 10 applying in such cases.	”
Article 7	Article 7
The right to attend and vote at General Meetings shall be governed by the law.	*Unchanged*
Shareholders are authorized to attend and vote at General Meetings if, by the end of the third open market day prior to the meeting, the issuer has received notification in respect of them from an authorized intermediary based on evidence as at the close of business on the seventh open market day prior to the date set for the general meeting in the first or only instance.	”
Without prejudice to the foregoing, a shareholder is authorized to attend and to vote at a general meeting if such notification reaches the issuer after the terms indicated in the above paragraph, provided that it does so by the start of proceedings in the case of general meetings called with one date only.	”

Shareholders authorized to attend and vote at general meetings may elect to have themselves be represented in such a meeting via a proxy issued in writing or made electronically in cases where such possibility is provided for by regulations in force and in accordance therewith, subject to cases of incompatibility and the limits prescribed by law.	*Unchanged*
Proxies may be notified electronically using the relevant section of the Company's website, in accordance with the instructions provided in the notice of meeting.	”
Article 8	Article 8
Shareholders shall be entitled to one vote for each share held.	*Unchanged*
Article 9	Article 9
General Meetings shall be presided over by the Chairman of the Board of Directors or, in his stead, by the elder Deputy Chairman, the other Deputy Chairman, if appointed, or by the most senior of the other Board members, in that order.	*Unchanged*
The Chairman shall be assisted by a Secretary. In cases where Article 2375 of the Civil Code applies, and in any other case where he considers it advisable, the Chairman shall call upon a notary to compile the minutes.	”
The Chairman shall be responsible for establishing that a quorum has been reached, ascertaining the identity of those in attendance and assessing their entitlement to be so present, chairing and conducting the proceedings, and checking and announcing the results of any votes taken thereat.	”
Article 10	Article 10
The validity of both Ordinary and Extraordinary General Meetings, and the validity of the resolutions taken thereat shall be governed by the provisions of the law.	*Unchanged*
In cases where general meetings are called on one date only, an ordinary general meeting shall be validly constituted regardless of the percentage of the share capital represented, with resolutions being adopted on an absolute majority basis. An extraordinary general meeting is validly constituted if at least one-fifth of the company's share capital is represented, and resolutions are adopted with at least two-thirds of the share capital in attendance voting in favour.	”
Members of the Board of Directors and Statutory Audit Committee shall be appointed in accordance with the procedures set out respectively in Articles 14 and 28 hereof.	Members of the Board of Directors and Statutory Audit Committee shall be appointed in accordance with the procedures set out respectively in Articles **15** and **29** hereof.
	Article 11
	Transactions with related parties
	Transactions with related parties, including those which fall within the jurisdiction of shareholders in

	general meeting or otherwise required to be submitted to the approval of shareholders under Article 2364 of the Italian Civil Code, are approved in compliance with the procedures adopted by the Board of Directors as required by law. **In urgent cases, transactions (including of Group companies) with related parties other than those which fall within the jurisdiction of shareholders in general meeting or otherwise required to be submitted to the approval of shareholders under Article 2364 of the Italian Civil Code may be approved in derogation of the procedures referred to in the previous paragraph, provided — without prejudice to the effectiveness of the resolutions adopted and compliance with the additional conditions set forth in the same procedure — that they are subsequently submitted to non-binding resolution by shareholders in general meeting to be adopted on the basis of a report by the Board and the Statutory Audit Committee's opinion on the reasons for the urgency.**
Article 11	Article 1**2**~~1~~
Resolutions shall be taken by a show of hands, or by any other clear and transparent method, including electronic, that may be proposed by the Chairman, save where legal provisions require otherwise without exception.	*Unchanged*
Resolutions passed at General Meetings in accordance with the law and these Articles of Association shall be binding on all Members, including those who dissent or are absent.	”
Shareholders voting against resolutions to approve: a) an extension to the Company's duration; b) the introduction and/or removal of restrictions on the trading of securities, shall not have the right of withdrawal in respect of all or part of their shares.	”
Members are entitled to inspect all deeds deposited at the Company's Head Office in respect of General Meetings that have already been called, and to obtain copies of such deeds at their own expense.	”
Article 12	Article 1**3**~~2~~
Shareholders in general meeting shall determine the fixed annual remuneration payable to members of the Board of Directors, upon their appointment for the entire duration of their term of office, to be shared between the individual Board members in accordance with the decisions of the Board of Directors itself.	*Unchanged*
Shareholders in general meeting also approve remuneration policies and compensation schemes based on financial instruments operated for Directors, Group staff and collaborators.	”

SECTION IV	**SECTION IV**
Management	**Management**
Article 13	Article 1**4**~~3~~
The Board of Directors shall be responsible for management of the company, and shall exercise such management through the Executive Committee, the Managing Director and the General Manager, if appointed, in accordance with the provisions hereof.	*Unchanged*
Sub-section I - Board of Directors	**Sub-section I - Board of Directors**
Article 14	Article 1**5**~~4~~
The Board of Directors comprises between fifteen and twenty-three members. The duration of their term of office shall be three financial years, save where otherwise provided in the resolution approved for their appointment.	*Unchanged*
Members of the Board of Directors shall be in possession of the requisite qualifications for holding such office expressly stipulated under regulations in force at the time, failing which they shall become ineligible or, in the event of such circumstances materializing subsequently, shall be disqualified from office.	”
At least three of the Directors shall qualify as independent as defined by Article 148, paragraph 3, of Italian Legislative 58/98. At least two of the Directors (who may coincide with those qualifying as independent under the aforementioned requirements) shall qualify as independent as defined by the Code of Conduct for Listed Companies. If a Director qualifying as independent as defined above ceases to do so, this shall not result in him/her being disqualified from office provided the minimum number of Directors required to be independent under the present Articles of Association in compliance with regulations in force is still represented.	At least three of the Directors shall qualify as independent as defined by Article 148, paragraph 3, of Italian Legislative 58/98. At least **four** of the Directors (who may coincide with those qualifying as independent under the aforementioned requirements) shall qualify as independent as defined by the Code of Conduct for Listed Companies. If a Director qualifying as independent as defined above ceases to do so, this shall not result in him/her being disqualified from office provided the minimum number of Directors required to be independent under the present Articles of Association in compliance with regulations in force is still represented.
Five Directors are chosen from among employees with at least three years' experience of working for Mediobanca Banking Group companies at senior management level.	*Unchanged*
	No director aged seventy-five or over may be elected.
Directors are appointed on the basis of lists in which the candidates are numbered consecutively. Lists may be submitted by the Board of Directors and/or by shareholders representing in the aggregate at least the percentage of the Company's share capital established under regulations in force at the time and	*Unchanged*

specified in the notice of general meeting. Ownership of the minimum percentage of the Company’s share capital required to submit a list is established on the basis of shares recorded as being in the shareholders’ possession at the date on which the lists are filed with the issuer. Proof of ownership may also be produced subsequent to the list’s filing, provided that it is forthcoming within the term provided for the issuer to make the lists public.	
The lists undersigned by the shareholder or shareholder submitting them (including by means of a proxy to one of them) shall contain a number of candidates not to exceed the maximum number of directors to be elected, and must be lodged at the Company’s head office at least twenty-five days prior to the date scheduled for the general meeting in the first or only instance, to be stipulated in the notice of meeting.	*Unchanged*
The list submitted by the Board of Directors, if any, shall be lodged and made public using the same methods provided as the lists submitted by shareholders at least thirty days prior to the date scheduled for the general meeting to take place in the first or only instance.	”
Lists containing a number of candidates equal to or above two-thirds of the Directors to be appointed shall contain five candidates numbered consecutively starting from the second in possession of the requisites stipulated under the foregoing paragraph 4.	”
Along with each list a curriculum vitae shall be filed for each candidate, along with all the other information and statements required under regulations in force at the time. Such curriculum vitae shall contain an indication of the candidate’s professional credentials, together with statements whereby each candidate declares, under his/her own responsibility, that there are no grounds for his/her being incompatible with or ineligible for the post under consideration, and that he/she is in possession of the requisites specified under law and these Articles, and a list of the management or supervisory roles held by him/her at other companies.	”
Lists submitted which do not conform to the above specifications shall be treated as null and void.	”
Outgoing Directors who have served their terms of office may be re-elected.	”
One individual shareholder may not submit or vote for more than one list, including via proxies or trustee companies. Shareholders belonging to the same group– that is, the parent company, subsidiaries and companies subject to joint control – and shareholders who are parties to a shareholders’ agreement in respect of the issuer’s share capital as defined in Article 122 of Italian Legislative Decree 58/98 may not submit or vote for more than one list, including via proxies or trustee companies. Individual	”

candidates may only feature in one list, failing which they shall become ineligible.	
The procedure for the appointment of Directors is as follows: all Directors save one are chosen on the basis of the consecutive number in which they are ordered from the list obtaining the highest number of votes; the other Director is chosen from the list which ranks second in terms of number of votes cast and which is not submitted or voted for by shareholders who are related, as defined under regulations currently in force, to the shareholders who submitted or voted for the list ranking first in terms of number of votes cast, again on the basis of the consecutive number in which the candidates are ordered.	*Unchanged*
In the event of an equal number of votes being cast, a ballot shall be held.	”
In the event that following the procedure set out above does not result in a sufficient number of Directors in possession of the requisites stipulated under the foregoing paragraphs 3 and 4 hereof being elected, the procedure shall be to replace the necessary number of candidates elected from among those in the majority list in the last consecutive positions with candidates in possession of the requisite qualifications from the same list based on their consecutive numbering. If it proves impossible to complete the number of Directors required via this procedure, again in order to comply with the provision of the foregoing paragraphs 3 and 4, the remaining Directors shall be appointed by shareholders in general meeting on the basis of a simple majority, at the proposal of the shareholders in attendance.	”
In the event of just one list being submitted, the Board of Directors is taken from this list in its entirety, providing the quorum established by law for ordinary general meetings has been reached.	”
For the appointment of those Directors who for whatever reason could not be elected to comply with the provisions set forth in the foregoing paragraphs, or in the event that no lists are submitted, the Board of Directors is appointed by shareholders in general meeting on the basis of a relative majority, again without prejudice to the requirements stipulated in the said paragraphs 3 and 4 hereof.	For the appointment of those Directors who for whatever reason could not be elected to comply with the provisions set forth in the foregoing paragraphs, or in the event that no lists are submitted, the Board of Directors is appointed by shareholders in general meeting on the basis of a relative majority, again without prejudice to the requirements stipulated in **Article 15**, paragraphs 3 and 4 hereof.
In the event of one or more Directors leaving office before their term expires, the procedure shall be as described in Article 2386 of the Italian Civil Code, without prejudice to the obligation to comply with the provisions of Article 14, paragraphs 3 and 4 hereof. Directors co-opted by the Board shall remain in office until the next successive annual general meeting, where shareholders will appoint a new Board member to replace the Director who has left office. Shareholders in general meetings shall adopt resolutions based on a relative majority, in compliance with the provisions in respect of the Board's composition set forth herein. If the Directors	In the event of one or more Directors leaving office before their term expires, the procedure shall be as described in Article 2386 of the Italian Civil Code, without prejudice to the obligation to comply with the provisions of Article **15**, paragraphs 3 and 4 hereof. Directors co-opted by the Board shall remain in office until the next successive annual general meeting, where shareholders will appoint a new Board member to replace the Director who has left office. Shareholders in general meetings shall adopt resolutions based on a relative majority, in compliance with the provisions in respect of the Board's composition set forth **in Article 15,**

being replaced had been elected from a minority list, where possible they are replaced with unelected Directors taken from the same list.	**paragraphs 3 and 4** herein. If the Directors being replaced had been elected from a minority list, where possible they are replaced with unelected Directors taken from the same list.
For the purposes hereof, control shall be defined, including with respect to entities not incorporated as companies, as in the cases listed under Article 93 of Italian Legislative Decree 58/98.	*Unchanged*
The foregoing shall be without prejudice to other and/or further provisions regarding the appointment of, and qualifications for, members of the Board of Directors required without exception under law and/or regulations in force.	”
In the event of more than half of the Board of Directors leaving office before its term expires, whether as a result of resignations being tendered or for any other reason, the entire Board shall be deemed to have tendered its resignation and a general meeting called to appoint new Directors. However, the Board shall remain in office until shareholders have approved its reappointment in general meeting and until at least half the new Directors have accepted the position.	”
Article 15	Article 1**6**~~5~~
The Board of Directors shall approve from among its own number one or two Deputy Chairmen and the Managing Director provided for in Article 24 hereunder, who shall remain in office for the entire duration of their terms as Directors.	The Board of Directors shall approve from among its own number one or two Deputy Chairmen and the Managing Director provided for in Article **25** hereunder, who shall remain in office for the entire duration of their terms as Directors.
	No person aged seventy or over may be elected as Chairman, and no person aged sixty-five or over may be elected as Managing Director.
Meetings of the Board are called by the Chairman who is responsible for setting the agenda, presiding over the proceedings, and ensuring that all Directors are provided with adequate information regarding the business to be transacted.	*Unchanged*
Meetings of the Board are called by the Chairman who is responsible for setting the agenda, presiding over the proceedings, and ensuring that all Directors are provided with adequate information regarding the business to be transacted.	”
The Chairman is also responsible for ensuring that the corporate governance system runs smoothly in practice, guaranteeing due balance between the powers of the Managing Director and the other executive Directors; he is the counterparty for dialogue with the internal control bodies and internal committees; and co-ordinates with the Managing Director in supervising relations with externals and institutions.	”
The Board also appoints a Secretary, who may be chosen from outside their number. In the event of the Secretary being absent or otherwise impeded, the Board designates the person to replace him/her.	”

Article 16

Meetings of the Board of Directors are called at the head office of the Company or elsewhere by the Chairman or the Acting Chairman, on his own initiative or when requisitioned by at least three Directors. As a rule the Board of Directors meets at least five times a year.

Board meetings may also be called by the Statutory Audit Committee or by one of its members, provided the Chairman of the Board has been notified to such effect in advance.

Board meetings are called by notice in writing to be given by electronic mail, facsimile transmission, letter or telegram despatched at least five clear days prior to the date scheduled for the meeting. In urgent cases this may be reduced to two days. The notice in writing shall contain an indication of the place, day and time of the meeting, along with an agenda briefly setting out the business to be transacted.

Board meetings may also be held via video- or tele-conference, provided that the persons entitled to attend may be properly identified, speak in real time on items on the agenda, and receive or transmit documents, and further provided that the Chairman, Managing Director and Secretary are in attendance at the place where the meeting is being held.

The Board may also pass valid resolutions without a formal meeting being called, provided that all the Directors and standing auditors in office take part.

Article 17~~6~~

Unchanged

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Article 17

The Board of Directors, as described below, delegates management of the Company's day-to-day business to the Executive Committee and Managing Director, who execute such management in accordance with the guidelines and directives formulated by the Board of Directors.

Without prejudice to legal and regulatory provisions in force from time to time, and without prejudice to those matters which are reserved to the sole jurisdiction of shareholders in general meeting, the following matters fall within the remit of the Board of Directors:
1) approval of strategic guidelines and directions, business and financial plans, budgets, and risk management and internal control policies;
2) approval of quarterly and interim accounts and of draft individual and consolidated financial statements;

Article 1**8**~~7~~

Unchanged

Without prejudice to legal and regulatory provisions in force from time to time, and without prejudice to those matters which are reserved to the sole jurisdiction of shareholders in general meeting, the following matters fall within the remit of the Board of Directors:
1) approval of strategic guidelines and directions, business and financial plans, budgets, and risk management and internal control policies;
2) approval of quarterly and interim accounts and of draft individual and consolidated financial statements;

3) decisions concerning the acquisition or disposal of equity investments which alter the composition of the Banking Group for amounts of over Euro 500m or otherwise of investments worth in excess of Euro 750m;
4) trading involving equity investments in excess of 15% of the holdings owned at the start of each financial year in Assicurazioni Generali S.p.A., RCS MediaGroup S.p.A. and Telco S.p.A.;
5) appointment and dismissal of the Executive Committee provided for in Article 21 with the powers described under Article 22 and establishment of any additional powers to be vested in it;
6) appointment and dismissal of the Managing Director with the powers described under Article 24 and establishment of any additional powers to be vested in him as well as his remuneration;
7) appointment and dismissal of the General Manager and establishment of his powers and remuneration;
8) appointment of the Head of company financial reporting and of persons responsible for internal audit and compliance duties;
9) proposals to be submitted to shareholders in ordinary and extraordinary general meetings;
10) approval or amendment of any internal regulations;
11) ascertaining that Directors and members of the Statutory Audit Committee, upon their appointment or without prejudice to the foregoing at least on an annual basis, are in possession of the requisite professional credentials, are fit and proper persons to hold such office, and qualify as independent as required by regulations in force and by these Articles of Association.

3) decisions concerning the acquisition or disposal of equity investments which alter the composition of the Banking Group for amounts of over Euro 500m or otherwise of investments worth in excess of Euro 750m;
4) trading involving equity investments in excess of 15% of the holdings owned at the start of each financial year in Assicurazioni Generali S.p.A., RCS MediaGroup S.p.A. and Telco S.p.A.;
5) appointment and dismissal of the Executive Committee provided for in Article **22** with the powers described under Article **23** and establishment of any additional powers to be vested in it;
6) appointment and dismissal of the Managing Director with the powers described under Article **25** and establishment of any additional powers to be vested in him as well as his remuneration;
7) appointment and dismissal of the General Manager and establishment of his powers and remuneration;
8) appointment of the Head of company financial reporting and of persons responsible for internal audit and compliance duties;
9) proposals to be submitted to shareholders in ordinary and extraordinary general meetings;
10) approval or amendment of any internal regulations;
11) ascertaining that Directors and members of the Statutory Audit Committee, upon their appointment or without prejudice to the foregoing at least on an annual basis, are in possession of the requisite professional credentials, are fit and proper persons to hold such office, and qualify as independent as required by regulations in force and by these Articles of Association.

Without prejudice to every Director's entitlement to submit proposals, the Board of Directors normally adopts resolutions based on the proposal of the Executive Committee or the Managing Director.

The Board of Directors may take resolutions on transactions falling within the remit of the Executive Committee and Managing Director with a majority of the Directors in office voting in favour.

Unchanged

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Article 18

Board of Directors shall establish three committees from among its own number:

i) an Appointments committee, made up of six members and including de jure the Chairman of the Board of Directors, the Deputy Chairman of the Executive Committee and the Managing Director. The committee reviews and tables proposals for the submission of a list of candidates for appointments to the Board of Directors, to co-opt Board members after

Article 19~~8~~

Board of Directors shall establish three committees from among its own number:

i) an Appointments committee, made up of **five** ~~six~~ members and including de jure the Chairman of the Board of Directors, ~~the Deputy Chairman of the Executive Committee and~~ the Managing Director**, the General Manager, if appointed, and at least two Directors qualifying as independent under the Code of conduct for listed companies**. The committee reviews and

Directors have left office, for appointments to the Executive Committee and to the post of Managing Director, and at the proposal of the latter, for appointments to the post of General Manager; for these duties a Director qualifying as independent is added to the committee if none are already represented on it;

The Board of Directors also delegates the Appointments committee to pass resolutions on proposals made by the Managing Director, having first sought the opinion of the Chairman, regarding decisions to be taken in general meetings of the investee companies referred to in paragraph 2, point 4 of the foregoing Article 17 in respect of appointments to governing bodies. The committee adopts resolutions with a majority of its members voting in favour. In the event of an equal number of votes being cast, the decision reverts to the Board of Directors;

ii) a Remunerations committee, made up of seven non-executive members, at least a majority of whom shall be independent, with powers of consultation and enquiry to determine the remuneration of Directors vested with particular duties and the General Manager if appointed. The committee also gives its opinion on the guidelines for remuneration and staff retention policies operated by the Group presented by the Managing Director;

iii) an Internal control committee, with three independent members, which has duties of consultation and enquiry in particular with respect to the Bank's system of internal control and risk management, and the structure of its IT and financial reporting organization.

Article 19

For Board resolutions to be valid, a majority of the Directors in office must be present. The Board of Directors adopts reslutions with a majority of those in attendance voting in favour. For the matters listed under the foregoing Article 17, paragraph 2, points 5, 6 and 7, the Board shall adopt resolutions based on the quorum stipulated in Article 17, paragraph 4.

In the event of an equal number of votes being cast, the Chairman of the Board of Directors shall have the deciding vote.

In the event of Directors abstaining from votes owing to an interest which such Directors may have in the

tables proposals for the submission of a list of candidates for appointments to the Board of Directors, to co-opt Board members after Directors have left office, for appointments to the Executive Committee and to the post of Managing Director, and at the proposal of the latter, for appointments to the post of General Manager; for these duties, **if the General Manager forms part of the committee**, a **two** director**s qualifying as independent under the Code of conduct are** added to the committee, ~~if none are already represented on it.~~

The Board of Directors also delegates the Appointments committee to pass resolutions on proposals made by the Managing Director, having first sought the opinion of the Chairman, regarding decisions to be taken in general meetings of the investee companies referred to in paragraph 2, point 4 of the foregoing Article **18** in respect of appointments to governing bodies. The committee adopts resolutions with a majority of its members voting in favour. In the event of an equal number of votes being cast, the decision reverts to the Board of Directors;

ii) a Remunerations committee, made up of **from five to** seven non-executive members, at least a majority of whom shall be independent **as defined by the Code of conduct,** with powers of consultation and enquiry to determine the remuneration of Directors vested with particular duties and the General Manager if appointed. The committee also gives its opinion on the guidelines for remuneration and staff retention policies operated by the Group presented by the Managing Director;

iii) an Internal control committee, with **from** three **to five** independent members **as defined by the Code of conduct**, which has duties of consultation and enquiry in particular with respect to the Bank's system of internal control and risk management, and the structure of its IT and financial reporting organization.

Article **20**~~19~~

For Board resolutions to be valid, a majority of the Directors in office must be present. The Board of Directors adopts reslutions with a majority of those in attendance voting in favour. For the matters listed under the foregoing Article **18**, paragraph 2, points 5, 6 and 7, the Board shall adopt resolutions based on the quorum stipulated in Article **18**, paragraph 4.

Unchanged

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transaction concerned, either themselves or through third parties, the Directors so abtaining are included for purposes of establishing the quorum required for the meeting to be validly constituted, but are not included for determining the majority required to pass the resolution.	
As required under Articles 2381 of the Italian Civil Code, the appointed bodies report to the Board of Directors every three months on general operating performance and prospects, as well as on the most significant transactions in terms of size or characteristics carried out by the Company or its subsidiaries.	*Unchanged*
Article 20	Article 21~~0~~
Resolutions shall be recorded in the minutes of the meeting and entered in the book required to be kept by law, shall be signed by the Chairman or whoever presides over the meeting in his stead, by another Director and by the Secretary.	*Unchanged*
Excerpts from the minutes signed by the Chairman or by two Directors and countersigned by the Secretary constitute full proof.	”
Sub-Section II - Executive Committee	**Sub-Section II - Executive Committee**
Article 21	Article 2**2**~~1~~
The Board of Directors appoints an Executive Committee to comprise a total of nine members, establishing their powers in accordance with the provisions of Article 22, paragraph 1 hereunder.	The Board of Directors appoints an Executive Committee to comprise a total of **up to** nine members, establishing their powers in accordance with the provisions of Article **23**, paragraph 1 hereunder.
The Chairman of the Board of Directors and the five directors with the requisites stipulated under the foregoing Article 14 and elected from the list which receives the highest number of votes are members of the Executive Committee de jure.	The Chairman of the Board of Directors and the five directors **who are members of the Group's management** with the requisites stipulated under the foregoing Article **15** and elected from the list which receives the highest number of votes are members of the Executive Committee de jure.
Executive Committee members in possession of the requisites stipulated under the foregoing Article 14 are bound to devote themselves solely to performance of activities involved in such office, and unless otherwise provided by the Board of Directors, may not perform duties of administration, management or control or of any other kind at companies or entities which are not investee companies of Mediobanca. The other members of the Executive Committee, save otherwise provided by the Board of Directors, may not perform duties of administration, management, control or of any other kinds for banking groups or insurance companies.	Executive Committee members in possession of the requisites stipulated under the foregoing Article **15** are bound to devote themselves solely to performance of activities involved in such office, and unless otherwise provided by the Board of Directors, may not perform duties of administration, management or control or of any other kind at companies or entities which are not investee companies of Mediobanca. The other members of the Executive Committee, save otherwise provided by the Board of Directors, may not perform duties of administration, management, control or of any other kinds for banking groups or insurance companies.

Directors who are also part of the Banking Group's management, and who in such capacity are called to form part of the Executive Committee, shall cease to be Directors upon their ceasing to be employed by the company belonging to the Banking Group.	*Unchanged*
Members of the Executive Committee shall also be disqualified from the office of Director upon the occasion of any breach on their part of the obligations provided for in the foregoing paragraph 3. Disqualification is pronounced by the Board of Directors.	"
In all cases in which it is necessary to make appointments to the Executive Committee to replace members leaving office, the Board of Directors shall be responsible, in compliance with the provisions in respect of the Executive Committee's composition.	"
The Executive Committee is chaired by the Chairman of the Board of Directors.	"
The Executive Committee appoints a Deputy Acting Chairman of the Executive Committee from among its own number who shall be in possession of the requisites provided for under Article 14, paragraph 4 hereof.	~~The Executive Committee appoints a Deputy Acting Chairman of the Executive Committee from among its own number who shall be in possession of the requisites provided for under Article 14, paragraph 4 hereof.~~
The Committee shall remain in office for the entire duration of the Board of Directors which appointed it.	*Unchanged*
The Statutory Audit Committee takes part in Executive Committee meetings.	"
The Committee appoints a Secretary, who does not necessarily have to be one of its own number.	"
Article 22	Article 2**3**~~2~~
Without prejudice to the provisions of the foregoing Article 17 hereof, the Board of Directors grants responsibility to the Executive Committee for the ordinary management of the Company, with all powers not reserved, by law or in conformity with the provisions of these Articles, to the collegiate jurisdiction of the Board of Directors or which the latter has delegated to the Managing Director. Without prejudice to the foregoing, the Executive Committee:	Without prejudice to the provisions of the foregoing Article **18** hereof, the Board of Directors grants responsibility to the Executive Committee for the ordinary management of the Company, with all powers not reserved, by law or in conformity with the provisions of these Articles, to the collegiate jurisdiction of the Board of Directors or which the latter has delegated to the Managing Director. Without prejudice to the foregoing, the Executive Committee:
1) is responsible for the Bank's operating performance, as a rule through the proposals of the Managing Director and in co-operation with him;	1) is responsible for the Bank's operating performance, as a rule through the proposals of the Managing Director and in co-operation with him;
2) adopts resolutions to grant loans in accordance with the guidelines and general directions adopted by the Board of Directors and on the other matters specified under the foregoing	2) adopts resolutions to grant loans in accordance with the guidelines and general directions adopted by the Board of Directors and on the other matters specified under the foregoing

Article 17, paragraph 2, points 3 and 4, in amounts and/or for percentages not to exceed those which fall within the sole jurisdiction of the Board of Directors;	Article **18**, paragraph 2, points 3 and 4, in amounts and/or for percentages not to exceed those which fall within the sole jurisdiction of the Board of Directors;
3) draws up internal regulations, to be submitted to the approval of the Board of Directors;	3) draws up internal regulations, to be submitted to the approval of the Board of Directors;
4) establishes the principles for co-ordination and management of the Group companies in execution of the strategic guidelines approved by the Board of Directors.	4) establishes the principles for co-ordination and management of the Group companies in execution of the strategic guidelines approved by the Board of Directors.
In urgent cases the Executive Committee may agree on resolutions in conjunction with the Chairman of the Board of Directors regarding any matter or transaction, reporting back to the Board at the first meeting to be held afterwards.	*Unchanged*
Resolutions are approved by the Executive Committee with the majority of its members in attendance and voting in favour.	”
In the event of members abstaining from votes owing to an interest which such members may have in the transaction concerned, either themselves or through third parties, Directors so abtaining are included for purposes of establishing the quorum required for the Committee meeting to be validly constituted, but are not included for determining the majority required to pass the resolution.	”
The Executive Committee may delegate its powers to approve resolutions to committees made up of the Company's management or individual managers up to certain pre-established limits.	”
Article 23	Article 2**4**~~3~~
Executive Committee meetings are called on the initiative of its Chairman based on the requirements of the business, as a rule meeting once a month. Meetings of the Executive Committee may also be called by the Statutory Audit Committee or at least two of its members, provided the Chairman has been notified in advance.	*Unchanged*
Executive Committee meetings are called by notice provided in writing to be given by electronic mail, facsimile transmission, letter or telegram despatched at least three clear days prior to the date scheduled for the meeting. In urgent cases this may be reduced to one day. The notice in writing shall contain an indication of the place, day and time of the meeting, along with an agenda briefly setting out the business to be transacted.	”
Committee meetings may also be held via video- or tele-conference, provided that the persons entitled to attend may be properly identified, speak in real time on items on the agenda, and receive or transmit documents, and further provided that the Chairman of	”

the Board of Directors, Managing Director and Secretary are in attendance at the place where the meeting is being held.	
The Committee may also pass valid resolutions without a formal meeting being called, provided that all its members and all standing auditors in office take part.	”
Committee meetings are presided over by the Chairman of the Board of Directors, co-ordinates the proceedings, and ensuring that all participants are provided with adequate information regarding the items on the agenda if necessary. In the event of his being absent or otherwise impeded, these duties are carried out by the Deputy Chairman of the Committee.	Committee meetings are presided over by the Chairman of the Board of Directors, co-ordinates the proceedings, and ensuring that all participants are provided with adequate information regarding the items on the agenda if necessary. In the event of his being absent or otherwise impeded, these duties are carried out by the **eldest member** ~~Deputy Chairman of the Committee.~~
The Secretary to the Executive Committee draws up the minutes of the meeting and enters them in the Committee's records, having been signed by the Committee Chairman, the Managing Director and Secretary.	*Unchanged*
Excerpts from the minutes signed by the Chairman or by the Managing Director and countersigned by the Secretary constitute full proof.	”
Sub-section III – Managing Director	**Sub-section III – Managing Director**
Article 24	Article 2**5**~~4~~
The Board of Directors appoints a Managing Director to be chosen from among the Directors in possession of the requisites specified under the foregoing Article 14, paragraph 4 hereof.	The Board of Directors appoints a Managing Director to be chosen from among the Directors in possession of the requisites specified under the foregoing Article **15**, paragraph 4 hereof.
Without prejudice to the provisions of Article 17, the Board of Directors establishes the powers of the Managing Director. The Managing Director in particular:	Without prejudice to the provisions of Article **18**, the Board of Directors establishes the powers of the Managing Director. The Managing Director in particular:
1) has executive powers, and is responsible for implementing resolutions adopted by the Board of Directors and the Executive Committee and – in accordance with the powers attributed to him – the plans and strategic directions established by the Board of Directors and Executive Committee;	1) has executive powers, and is responsible for implementing resolutions adopted by the Board of Directors and the Executive Committee and – in accordance with the powers attributed to him – the plans and strategic directions established by the Board of Directors and Executive Committee;
2) is empowered to make proposals to the Board of Directors and Executive Committee, with reference in particular to management direction, proposed strategic plans and budgets, draft financial statements and interim accounts;	2) is empowered to make proposals to the Board of Directors and Executive Committee, with reference in particular to management direction, proposed strategic plans and budgets, draft financial statements and interim accounts;
3) is responsible for staff management, and having sought the opinions of the General Manager, if appointed, appoints managerial staff;	3) is responsible for staff management, and having sought the opinions of the General Manager, if appointed, appoints managerial staff;
4) ensures that the organizational, administrative and accounting systems of the bank are adequate	4) ensures that the organizational, administrative and accounting systems of the bank are adequate

for its operations and the size of the Company;

5) reports, with the General Manager, if appointed, to the Board of Directors and Executive Committee each quarter on the Bank's operating performance and prospects, and on the most significant transactions carried out by the Company and its subsidiaries.

Sub-section IV - General Manager

Article 25

The Board of Directors may appoint, at the Managing Director's proposal and without prejudice to the provisions of Article 18, paragraph 1, letter i) hereof, a General Manager and establish his powers. If appointed, the General Manager will be one of the Directors in possession of the requisites specified under Article 14, paragraph 4 of these Articles.

The Board of Directors shall authorize the General Manager to sign jointly or severally on behalf of the Company as laid down in Article 27, and thereby vest him with powers to carry out the day-to-day business of the Company and to implement resolutions passed by the Board of Directors and Executive Committee in accordance with the directions issued by, and based on the individual remit of, the Board of Directors, Executive Committee and Managing Director.

Sub-section V - Head of company financial reporting

Article 26

On the proposal of the Executive Committee and having sought the opinion of the Statutory Audit Committee, the Board of Directors appoints one person to act as head of financial reporting, who shall be chosen from among the Bank's management and who has held management positions for a period of at least three years in the field of accounting administration at the Bank itself or at other leading banks. The person identified to act as head of financial reporting shall put in place adequate administrative and accounting procedures for the preparation of the individual and consolidated accounts, and all other reporting which is financial in nature. The appointed bodies and the head of financial reporting issue the statements on the Company's capital, earnings and finances required under law.

The Board of Directors exerts supervision to ensure the head of financial reporting is vested with suitable powers and means to carry out the duties entrusted to

for its operations and the size of the Company;

5) reports, with the General Manager, if appointed, to the Board of Directors and Executive Committee each quarter on the Bank's operating performance and prospects, and on the most significant transactions carried out by the Company and its subsidiaries.

Sub-section IV - General Manager

Article 2**6**~~5~~

The Board of Directors may appoint, at the Managing Director's proposal and without prejudice to the provisions of Article **19**, paragraph 1, letter i) hereof, a General Manager and establish his powers. If appointed, the General Manager will be **chosen from among** ~~one of~~ the Directors in possession of the requisites specified under Article **15**, paragraph 4 of these Articles**, and may not be more than sixty-five years old.**

The Board of Directors shall authorize the General Manager to sign jointly or severally on behalf of the Company as laid down in Article **28**, and thereby vest him with powers to carry out the day-to-day business of the Company and to implement resolutions passed by the Board of Directors and Executive Committee in accordance with the directions issued by, and based on the individual remit of, the Board of Directors, Executive Committee and Managing Director.

Sub-section V - Head of company financial reporting

Article 2**7**~~6~~

Unchanged

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him and to ensure that the administrative and accounting procedures are complied with in practice.	
Sub-section VI - Powers to represent the Bank	**Sub-section VI - Powers to represent the Bank**
Article 27	Article 2**8**~~7~~
The corporate signature shall be vested in the Chairman of the Board of Directors, the Managing Director, the General Manager if appointed, and in such other employees of the Bank to whom such right has been specifically granted.	*Unchanged*
The corporate signature shall be binding when it is jointly executed by two of the authorized persons appending their signatures under the Company's name, always provided that one of the two signatures is that of the Chairman, the Managing Director, or the General Manager or one of the employees of the Bank in whom such right has been specifically vested.	”
The Board of Directors may, however, empower the corporate signature to be appended to certain categories of the Company's instruments of day-to-day administration jointly by any two of the authorized persons. The Board of Directors may moreover delegate to its members or to one of the employees of the Bank expressly so authorized the power to sign severally certain specific instruments or contracts of the Company.	”
The Board of Directors may furthermore delegate to employees of the Bank specifically so authorized the power to sign severally certain categories of the Company's instruments of day-to-day administration.	”
The Board of Directors may also grant the right to sign in the name of the Company to other Banks, always provided that such right shall be exercised only in relation to services performed on the Company's behalf. In such cases the Banks so authorized shall insert the words "per procura della Mediobanca - Banca di Credito Finanziario" above their own Company signature executed in accordance with the provisions of their Articles of Association.	”
The power to represent the Bank as a Member, whether on its own behalf or on behalf of third parties, at the time companies are established and at General Meetings of other companies may also be exercised severally by the Chairman, the Managing Director, the General Manager or by employees of the Bank specifically designated by the Board of Directors.	”
The power to represent the Company in judicial and administrative procedures shall be vested severally in the Chairman, the Managing Director and General Manager if appointed, and in employees of the Bank	”

specifically designated by the Board of Directors for such purpose.	
SECTION V	**SECTION V**
Statutory Audit Committee	**Statutory Audit Committee**
Article 28	Article 2**9**~~8~~
Shareholders in ordinary general meeting appoint three standing and two alternate auditors and establish the emoluments payable to each auditor for each financial year. Their term of office is governed by regulations in force.	*Unchanged*
Members of the Statutory Audit Committee shall be in possession of the requisite qualifications for holding such office expressly stipulated under regulations in force at the time, failing which they shall become ineligible or, in the event of such circumstances materializing subsequently, shall be disqualified from office.	”
In particular, with reference to professional qualifications, these are understood as being strictly pertinent to those in respect of the company, those listed under Article 1 of the Italian Consolidated Banking Act, and the provision of investment services or collective portfolio management, both of which as defined in Italian Legislative Decree 58/98.	”
Members of the Statutory Audit Committee may not hold posts in governing bodies other than those with responsibility for control of other Group companies or in companies in which Mediobanca holds, including indirectly, an investment which is deemed to be strategic under supervisory requirements laid down by the Bank of Italy.	”
In addition, candidates who hold the post of director, manager or officer in companies or entities, or who otherwise work with the management of companies operating directly or indirectly (including through subsidiaries) in the same sectors as Mediobanca may not be elected, or if already elected are disqualified from office.	”
Outgoing Statutory Audit Committee members may be re-elected.	”
Appointments to the Statutory Audit Committee are made on the basis of lists in which each candidate is numbered consecutively. Ownership of the minimum percentage of the Company’s share capital required to submit a list, in accordance with the indications provided in Article 14 above in respect of appointments to the Board of Directors, is established on the basis of shares recorded as being in the	Appointments to the Statutory Audit Committee are made on the basis of lists in which each candidate is numbered consecutively. Ownership of the minimum percentage of the Company’s share capital required to submit a list, in accordance with the indications provided in Article **15** above in respect of appointments to the Board of Directors, is established on the basis of shares recorded as being in the

shareholders' possession at the date on which the lists are filed with the issuer.	shareholders' possession at the date on which the lists are filed with the issuer.
One individual shareholder may not submit or vote for any more than one list, including via proxies or trustee companies. Shareholders belonging to the same group – that is, the parent company, subsidiaries and companies subject to joint control – or shareholders who are parties to a shareholders' agreement in respect of the issuer's share capital as defined under Article 122 of Italian Legislative Decree 58/98, may not submit or vote for more than one list, including via proxies or trustee companies. Individual candidates may only featuer in one list, failing which they become ineligible.	*Unchanged*
Lists are deposited at the Company's head office at least twenty-five days prior to the date scheduled for the general meeting to be held in the first or only instance called to adopt resolutions in respect of the appointment of statutory auditors, and shall include: a) information on the identity of the shareholders submitting the lists, with an indication of the aggregate percentage shareholding; certification providing proof of ownership may also be produced subsequently, provided that it is forthcoming within the term provided for the issuer to make the lists public; b) a statement from shareholders submitting the list other than those who own, including jointly, a controlling interest or relative majority, declaring the non-existence or existence as the case may be, of relations with the latter, as required by the provisions of Article 144-*quinquies*, paragraph 1, of Consob regulation no. 11971/99;	”
c) full information on the personal and professional characteristics of the candidates, a list of the management and/or supervisory posts held by them in other companies, plus a statement by the candidates themselves to the effect that they are in possession of the qualifications required under law and these Articles and agree to stand as candidates.	”
Lists submitted which do not conform to the above specifications shall be treated as null and void.	”
In the event that by the date on which the term for submission of lists has passed, only one list has been submitted, or only lists submitted by shareholders who are related as defined in Article 144-*quinquies*, paragraph 1 of Consob regulation no. 11971/99 based on the statements referred to under the foregoing paragraph 9, letter b) hereof, lists may be presented up to the third calendar day subsequent to such date. In this case the minimum percentage shareholding for submitting lists referred to under the foregoing paragraph 7 is reduced by half.	”

The proposals for appointments are disclosed to the public on the terms and according to the methods prescribed by law.	*Unchanged*
Before voting commences, the Chairman presiding over the general meeting reminds shareholders of any statements made pursuant to the foregoing paragraph 9, letter b) hereof, and invites shareholders taking part in the meeting who have not submitted or contributed to submitting lists, to declare any relations, as defined in Article 144-*quinquies*, paragraph 1 of Consob regulation no. 11971/99, with those shareholders who have submitted lists or with those who hold, including jointly, a controlling interest or relative majority.	”
In the event of an individual related to one or more shareholders who have submitted or voted for the list ranking first in terms of number of votes voting for a minority list, such relationship shall assume significance only if the vote was decisive in the appointment of the auditor.	”
The following procedure is adopted for the appointment of statutory auditors: a) two statutory auditors and one alternate auditor are chosen based on the consecutive order in which they are numbered from the list obtaining the highest number of votes; b) one standing auditor and one alternate auditor are chosen based on the consecutive order in which they are numbered in the respective list sections, from the list ranking second in terms of number of votes in general meeting and which under regulations in force is not linked even indirectly with the shareholders who submitted or voted for the list which ranked first.	”
In the event of the same number of votes being cast for more than one list, a new vote is held in the form of a ballot between the lists, with the candidates from the list which obtains a simple majority in this case being elected.	”
The candidate ranking first in the section for election of standing auditors in the list ranking second in terms of the number of votes cast is appointed Chairman of the Statutory Audit Committee.	”
In the event of only one list being submitted, shareholders in general meeting express their opinion on it; if the list obtains the majority required by law for the ordinary general meeting, the three candidates numbered consecutively in the relevant section are appointed standing auditors, and the two candidates numbered consecutively in the relevant section are appointed alternate auditors; the candidate listed first in the section for candidates to the post of standing auditor in the list	”

submitted is appointed as Chairman of the Statutory Audit Committee.	
In the event of no lists being submitted, or if the voting mechanism by lists provides a lower number of candidates appointed than the number established in these Articles, the Statutory Audit Committee is appointed or completed by shareholders in general meeting with the majorities provided by law.	*Unchanged*
If more than one list is submitted, and in the event of a standing auditor leaving office, an alternate auditor from the same list shall take his place.	”
In the event that the Chairman of the Committee has to be replaced, the alternate auditor taking his place shall also take on the role of Chairman to the Statutory Audit Committee.	~~In the event that the Chairman of the Committee has to be replaced, the alternate auditor taking his place shall also take on the role of Chairman to the Statutory Audit Committee.~~
The procedure for shareholders in general meeting to replace the number of standing and/or alternate auditors to complete the Statutory Audit Committee is as follows: if auditors elected from the majority list or sole list have to be appointed, or auditors elected directly by shareholders in general meeting, appointments are made by means of a vote passed by a relative majority without restrictions in terms of lists; if, however, auditors elected from the minority list are to be replaced, shareholders gathered in general meeting replace them by means of a vote passed by a relative majority, but choosing from among the candidates indicated in the list which included the auditor to be replaced, or failing this, from among the candidates contained in any further minority lists.	*Unchanged*
In the event of there being no candidates on the minority list or lists, the appointment is made by means of a vote based on one or more lists, comprising a number of candidates not to exceed the number of auditors to be elected, to be submitted prior to the general meeting in accordance with the provisions hereof for appointments to the Statutory Audit Committee, provided that lists may not be submitted (and if submitted are treated as null and void) by shareholders who, based on the statements made as required by regulations in force, hold a relative majority, including indirectly, of the voting rights that may be exercised in general meeting, or by shareholders related to them as defined in regulations in force. The candidates featured in the list which obtains the highest number of votes are appointed.	”
In the event that no lists are submitted that comply with the foregoing provisions, appointments shall be made on the basis of a vote passed by a relative majority without restrictions in terms of lists.	”
In all circumstances which require the Chairman of the Committee to be replaced, the auditor taking his place also takes on the role of Chairman to the Statutory Audit Committee.	”

Article 29

The Statutory Audit Committee is responsible for monitoring:

a. compliance with legal, regulatory and statutory requirements, and observance of the principles of correct management;
b. the adequacy of the organizational and administrative/accounting structure of the company and its financial reporting process;
c. the effectiveness and adequacy of the risk control and management system, the internal audit process and the functioning of the internal control system as a whole;
d. the legal auditing process for the annual and consolidated accounts;
e. the independence of the legal external auditors, in particular insofar as regards the provision of non-audit services.

The Statutory Audit Committee is vested with the powers provided for under regulatory provisions in force, and reports to the Bank of Italy on operating irregularities or breaches of regulations detected in the course of its duties.

The Statutory Audit Committee is usually informed of the activities carried out and the most significant transactions in earnings, financial and capital terms, executed by the Company or its subsidiaries, and in particular transactions in which the Directors have an interest either in their own right or by means of third parties, including via the appointed bodies, directly upon the occasion of meetings of the Board of Directors and Executive Committee, which are held with the frequency established under the foregoing Article 19 hereof; note of this is duly made in the minutes of the respective meetings. Information is also furnished to the Statutory Audit Committee outside of meetings of the Board of Directors and Executive Committee in writing, addressed to the Chairman of the Statutory Audit Committee.

Statutory Audit Committee meetings may also be held via video- or tele-conference, provided that the persons entitled to attend may be properly identified, follow the discussions appropriately and speak in real time on items on the agenda; if such conditions are met, the Statutory Audit Committee is held to have met at the place where the Chairman is present.

Article **30**~~29~~

Unchanged

”

The Statutory Audit Committee is usually informed of the activities carried out and the most significant transactions in earnings, financial and capital terms, executed by the Company or its subsidiaries, and in particular transactions in which the Directors have an interest either in their own right or by means of third parties, including via the appointed bodies, directly upon the occasion of meetings of the Board of Directors and Executive Committee, which are held with the frequency established under the foregoing Article **20**; note of this is duly made in the minutes of the respective meetings. Information is also furnished to the Statutory Audit Committee outside of meetings of the Board of Directors and Executive Committee in writing, addressed to the Chairman of the Statutory Audit Committee.

Unchanged

SECTION VI

Auditing

Article 30

Legal auditing shall be carried out by a duly registered external legal auditor, whose terms of appointment, duties and responsibilities shall be governed by law.

TITOLO VI

Auditing

Article 31~~0~~

Legal auditing shall be carried out by a duly registered external legal auditor, whose terms of appointment, duties and responsibilities shall be governed by law **and regulations**.

TITOLO VII	**TITOLO VII**
Financial Year and Balance Sheet	**Financial Year and Balance Sheet**
Article 31	Article 3**2**~~1~~
The Company's financial year shall begin on 1 July of each year and shall end on 30 June of the following year.	*Unchanged*
Article 32	Article 3**3**~~2~~
The Board of Directors shall draw up the balance sheet for the year and shall submit it to shareholders in general meeting for approval.	*Unchanged*
In its Report to shareholders in general meeting, the Board shall refer to all matters which may assist in providing the most comprehensive account possible of the Company's operations and the state of its affairs.	”
Article 33	Article 3**4**~~3~~
At least 10% of the net profit for each financial year shall be deducted therefrom and taken in the first instance to the Legal Reserve pursuant to Article 2430 of the Civil Code with any balance being allocated to the Statutory Reserve. Should the Board of Directors so propose, the General Meeting may then also resolve that any further sums be deducted which it is deemed prudent either to allocate to the Statutory Reserve for the purpose of increasing its resources, or to set aside in order to establish other reserves of an extraordinary or special nature.	*Unchanged*
The remainder shall be shared among the shareholders, with the exception of any amounts carried forward.	”
SECTION VIII	**SECTION VIII**
Winding-up	**Winding-up**
Article 34	Article 3**5**~~4~~
The liquidation of the Company shall be governed by the provisions of the law.	*Unchanged*

3. to vest the Chairman, the Managing Director and the General Manager, jointly and severally, with the widest powers to incorporate into this resolution any amendment, change or addendum that may be required or otherwise requested by the competent authorities.”

Milan, 22 July 2011

THE BOARD OF DIRECTORS

AUTHORIZATION TO THE BOARD OF DIRECTORS TO INCREASE THE COMPANY'S SHARE CAPITAL BY MEANS OF A RIGHTS AND/OR BONUS ISSUE IN A NOMINAL AMOUNT OF UP TO €100M, AND TO ISSUE BONDS CONVERTIBLE INTO ORDINARY SHARES AND/OR BONDS *CUM* WARRANTS, IN AN AMOUNT OF UP TO €2BN, AS PERMITTED UNDER ARTICLES 2443 AND 2420-TER OF THE ITALIAN CIVIL CODE, HAVING FIRST RESCINDED THE EXISTING POWERS GRANTED UNDER A RESOLUTION ADOPTED BY SHAREHOLDERS IN GENERAL MEETING ON 27 JUNE 2007 AS AMENDED BY SHAREHOLDERS IN GENERAL MEETING ON 28 OCTOBER 2008. AMENDMENTS TO ARTICLE 4 OF THE COMPANY'S ARTICLES OF ASSOCIATION AND RELATED RESOLUTIONS.

Dear shareholders,

At an extraordinary general meeting held on 27 June 2007, the shareholders of Mediobanca authorized the Bank's Management Board (now the Board of Directors), under Article 2443 of the Italian Civil Code, to increase the Bank's share capital on or prior to the fifth anniversary of the date of the resolution concerned, in an amount of up to €100m, including via warrants, and under Article 2420-ter of the Italian Civil Code, to increase the Bank's share capital through the issue of convertible bonds and/or shares *cum* warrants, it being further provided that the exercise of such powers should not result in a total number of more than 200 million shares being issued.

On 18 September 2009, the Board of Directors exercised the above powers, adopting a resolution to increase the company's share capital by a total amount of €77,919,653.00, €20,501,391.50 by means of a scrip issue and €57,418,261.50 for use in connection with a total of 803,855,665 warrants which expired in March 2011, 495,348 only of which were exercised and converted into 70,764 new shares.

Given that the above powers have now been virtually exhausted and will any case expire in June 2021, we propose that the authorization be renewed for the original amount, at the same time cancelling the outstanding share which is worth €22,080,347.

Exercise of these powers will allow the execution times for capital increases to be reduced, the size of such increases to be established on the basis of specific opportunities, and the risk of changes in share prices from the time of announcement to the time when the deal is actually approved to be reduced.

You are therefore invited to adopt the following resolution:

"The shareholders of Mediobanca, gathered in extraordinary general meeting:

– having heard the Board of Directors' report.

hereby resolve:

1. to rescind, in respect of the part as yet unexecuted, the powers conferred on the Board of Directors at the time under the resolution adopted by shareholders in the general meeting held on 27 June 2007 as amended on 28 October 2008, to increase the company's share capital by means of rights or bonus issues in an amount of up to €100m, and to issue bonds convertible into ordinary shares and/or shares *cum* warrants, in an amount of up to €2bn, pursuant to Articles 2443 and 2420-*ter* of the Italian Civil Code;

2. to authorize the Board of Directors:
   - under Article 2443 of the Italian Civil Code, to increase the Company's share capital, by means of rights issues and/or bonus issues in one or more tranches on or prior to the fifth anniversary of the date of this resolution in an amount of up to €100m, including via warrants, through the issue of up to 200 million ordinary par value €0.50 shares to be offered as an option or assigned to shareholders, and accordingly, to establish from time to time the issue price of the new shares, including the share premium, if any, the date from which they shall rank for dividends, and whether or not any of the shares shall be used for exercising the warrants attached to the shares to be issued;
   - under Article 2420-ter of the Italian Civil Code, to increase the Bank's share capital through the issue of bonds convertible into ordinary shares and/or shares *cum* warrants, in one or more tranches on or prior to the fifth anniversary of the date of this resolution, in a nominal amount of up to €2bn, to be offered as an option to shareholders, and accordingly, to establish from time to time the conversion ratio of the bonds to be issued and any other feature thereof, and to authorize the corresponding increase in the Bank's share capital for use in the conversion of the bonds;

3. to establish that exercise of the foregoing mandates shall not, without prejudice to the foregoing, lead to the issue of a total number of shares in excess of 200 million;

4. to further amend Article 4 of the Articles of Association, as follows:

EXISTING TEXT	**NEW TEXT**
Article 4	Article 4
The Company's subscribed and fully paid up share capital is Euro 430,564,606 represented by 861,129,212 Euro 0.50 par value shares.	*Unchanged*

The share capital may also be increased as provided under legal provisions, including Article 2441, paragraph 4, point 2 of the Italian Civil Code, in compliance with the terms and procedure set forth therein.	*Unchanged*
Profits may, in the ways and forms permitted by law, be awarded to employees of the Company or Group companies via the issuance of shares, under Article 2349 of the Italian Civil Code.	”
The shares shall be registered.	”
An Extraordinary General Meeting held on 30 July 2001 amended the resolution taken at the Extraordinary General Meeting held on 28 October 2000 relating to the capital increase restricted to employees of the Mediobanca Banking Group via the creation of up to 13 million par value Euro 0.50 ordinary shares, whereby the maximum nominal amount thereof was increased to Euro 25,000,000 via the creation of up to 50,000,000 Euro 0.50 par value ordinary shares ranking for dividends pari passu with the Bank's existing shares, to be subscribed by Mediobanca Banking Group employees not later than 1 July 2015 on a restricted basis under Article 2441/8 of the Civil Code. Of these 50 million shares, a total of 37,819,250 new shares have to date been subscribed.	”
As a result of resolutions adopted at Extraordinary General Meetings held on 25 June 2004 and 28 October 2004, the Bank's share capital was increased by up to a further Euro 7.5m via the issue of up to 15 million par value Euro 0.50 ordinary shares, ranking for dividends pari passu and for subscription no later than 1 July 2020, pursuant to paragraphs 8 and 5 Article 2441 of the Italian Civil Code, to be set aside as follows: – up to 11 million shares for employees of the Mediobanca Group; – up to 4 million shares for Bank Directors, carrying out particular duties. Of these, a total of 2,500,000 new shares have still to be subscribed.	”
The Board of Directors is also authorized under Article 2443 of the Italian Civil Code, to increase the Bank's share capital by means of rights or bonus issues in one or more tranches by and no later than 27 June 2012, in a nominal amount of up to Euro 100m, including via warrants, through the issue of up to 200 million ordinary par value Euro 0.50 shares, to be offered in option or otherwise allotted to shareholders, and also to establish the issue price of such new shares from time to time, including the share premium, the date from which they shall rank for dividends, and whether or not any of the shares shall be used for exercising warrants, and is further authorized under Article 2420-ter of the Italian Civil Code to issue bonds convertible into ordinary shares and/or shares with warrants attached in	~~The Board of Directors is also authorized under Article 2443 of the Italian Civil Code, to increase the Bank's share capital by means of rights or bonus issues in one or more tranches by and no later than 27 June 2012, in a nominal amount of up to Euro 100m, including via warrants, through the issue of up to 200 million ordinary par value Euro 0.50 shares, to be offered in option or otherwise allotted to shareholders, and also to establish the issue price of such new shares from time to time, including the share premium, the date from which they shall rank for dividends, and whether or not any of the shares shall be used for exercising warrants, and is further authorized under Article 2420-ter of the Italian Civil Code to issue bonds convertible into ordinary shares and/or shares with warrants attached in~~

one or more tranches by and no later than 27 June 2012, in a nominal amount of up to Euro 2bn to be offered in option to shareholders, establishing that exercise of such authorizations shall not, without prejudice to the foregoing, lead to the issue of a total number of shares in excess of 200 million.	~~one or more tranches by and no later than 27 June 2012, in a nominal amount of up to Euro 2bn to be offered in option to shareholders, establishing that exercise of such authorizations shall not, without prejudice to the foregoing, lead to the issue of a total number of shares in excess of 200 million.~~
Pursuant to the above authorization, at a meeting held on 18 September 2009, the Board of Directors adopted a resolution to (i) increase the Company's share capital free of charge by Euro 20,501,391.50 with effect from 28 September 2009, and (ii) increase the Company's share capital in one or more tranches by a nominal amount of up to Euro 57,418,261.50 via the issue by and no later than 31 March 2011 of up to 114,836,523 par value Euro 0.50 shares for use in connection with the exercise of 803,855,665 warrants assigned free of charge to shareholders entitled to receive them. Following exercises of such warrants a total of 70,764 new shares have been subscribed for.	~~Pursuant to the above authorization, at a meeting held on 18 September 2009, the Board of Directors adopted a resolution to (i) increase the Company's share capital free of charge by Euro 20,501,391.50 with effect from 28 September 2009, and (ii) increase the Company's share capital in one or more tranches by a nominal amount of up to Euro 57,418,261.50 via the issue by and no later than 31 March 2011 of up to 114,836,523 par value Euro 0.50 shares for use in connection with the exercise of 803,855,665 warrants assigned free of charge to shareholders entitled to receive them. Following exercises of such warrants a total of 70,764 new shares have been subscribed for.~~
The Board of Directors is also authorized under Article 2443 of the Italian Civil Code, to increase the Bank's share capital by means of rights issues in one or more tranches by and not later than 27 June 2012, in a nominal amount of up to Euro 40m including via warrants, through the issue of up to 80 million ordinary par value Euro 0.50 shares, to be set aside for subscription by Italian and non-Italian professional investors with option rights excluded under and pursuant to the provisions of Article 2441 paragraph 4 point 2 of the Italian Civil Code and in compliance with the procedure and conditions precedent set forth therein.	*Unchanged*
At an Extraordinary General Meeting held on 27 June 2007, shareholders approved a resolution to increase the company's share capital in an amount of up to Euro 20m through the issue of up to 40 million ordinary par value Euro 0.50 new shares, ranking for dividends pari passu, to be set aside for subscription by Mediobanca Group employees by and no later than 1 July 2022 pursuant to Article 2441, paragraph 8 of the Italian Civil Code.	”
The Board of Directors is authorized, under Article 2443 of the Italian Civil Code, to increase the Bank's share capital free of charge, as permitted by Article 2349 of the Italian Civil Code, in one or more tranches by and not later than 28 October 2015, in an amount of up to Euro 10m, through the issue of no more than 20 million ordinary par value Euro 0.50 shares, ranking for dividends pari passu, to be awarded to Mediobanca Group employees in execution of and in compliance with the terms of the performance share schemes approved by shareholders in general meeting.	”

The Board of Directors is also authorized under Article 2443 of the Italian Civil Code, to increase the Bank's share capital by means of rights or bonus issues in one or more tranches by and no later than 28 October 2016, in a nominal amount of up to Euro 100m, including via warrants, through the issue of up to 200 million ordinary par value Euro 0.50 shares, to be offered in option or otherwise allotted to shareholders, and also to establish the issue price of such new shares from time to time, including the share premium, the date from which they shall rank for dividends, and whether or not any of the shares shall be used for exercising warrants, and is further authorized under Article 2420-ter of the Italian Civil Code to issue bonds convertible into ordinary shares and/or shares *cum* warrants in one or more tranches by and no later than 28 October 2016, in a nominal amount of up to Euro 2bn to be offered in option to shareholders, establishing that exercise of such authorizations shall not, without prejudice to the foregoing, lead to the issue of a total number of shares in excess of 200 million.

5. to authorize the Chairman, the Managing Director and the General Manager in office at the time, jointly and severally, to make the necessary adjustments to the figures contained in Article 4 of the Articles of Association concerning the Bank's share capital as a result of subscription for shares thus issued;

6. to vest the Chairman, the Managing Director and the General Manager in office at the time, jointly and severally, with the widest powers to incorporate into this resolution any formal amendment, change or addendum that may be required or otherwise requested by the competent authorities".

Milan, 22 July 2011

THE BOARD OF DIRECTORS

ANNUAL STATEMENT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

ANNUAL STATEMENT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

Mediobanca adheres to the code of conduct for listed companies operated by Borsa Italiana on the following terms.

Mediobanca adopts a traditional model of corporate governance based on the presence of Board of Directors and a Statutory Audit Committee, both of which are appointed by shareholders in general meeting, considering this model to be better suited to combining maximum efficiency in terms of operations with effective control, at the same time satisfying shareholders' interests and leveraging fully on the Bank's management. The system of corporate governance thus adopted also contains considerably innovative aspects. In particular, the Articles of Association now in force provide for a significant number of executives (five) to be represented on the Banking Group's Board of Directors, in a system of corporate governance based on wide-ranging powers being granted to the Executive Committee (made up by a majority of executive members) and the Managing Director for the day-to-day running of the company. This allows the management's professional capabilities to be leveraged, and ensures their independence with respect to situations of potential conflicts of interest with shareholders. At the same time, under the provisions of the Articles, the Board of Directors is vested with the role of strategic supervision via the traditional, non-delegable powers, both primary (e.g. approval of draft financial statements, rights issues pursuant to Article 2443 of the Italian Civil Code, etc.) and secondary (decisions concerning strategic direction and business and financial plans, acquisition and disposal of significant equity investments, appointments to the post of General Manager, etc.).

The Statutory Audit Committee is responsible for supervising control activities.

COMPANY

Mediobanca was set up in 1946 and has been listed on the Italian stock market since 1956. Its core businesses are lending and investment banking, helping its clients, which include leading Italian corporates as well as numerous medium-sized businesses and international groups, to grow by providing them with professional advisory services in addition to traditional medium-term bank credit. Over the years, the advisory and lending sides have been complemented by equity investment, consumer credit (via Group companies Compass and Linea), leasing (via the SelmaBipiemme group), private banking (via Compagnie Monégasque de Banque and Banca Esperia), and most recently, retail banking (via CheBanca!). In the meantime a footprint has developed on non-Italian markets, with branch offices opening in Paris, Frankfurt, Madrid, and London.

SHARE CAPITAL AND OWNERSHIP

The Bank's share capital at 30 June 2011 totalled €430,564,606 made up of 861,129,212 par value €0.50 shares. The shares are bearer shares, and entitle shareholders to one vote per share in general meeting.

Pursuant to Article 2443 of the Italian Civil Code, the Board of Directors was authorized by shareholders in a general meeting held on 27 June 2007:

– to increase the Bank's share capital by means of rights or bonus issues, on or prior to the fifth anniversary of the date of the relevant resolution, in an amount of up to €100m via the issuance of 200 million new ordinary shares, to be offered in option or otherwise allotted to shareholders, and to establish the issue price and ranking of such new shares from time to time; and to issue bonds convertible into ordinary shares in a nominal amount of up to €2bn also to be offered to shareholders; provided that exercise of such resolution should not lead to the issue of a total number of ordinary shares in excess of 200 million;

– to increase the Bank's share capital by means of rights or bonus issues, on or prior to the fifth anniversary of the date of the relevant resolution, in a nominal amount of up to €40m, via the issuance of up to 80 million new ordinary shares, to reserved for subscription by Italian and non-Italian professional investors, with option rights excluded under Article 2441, paragraph 4 of the Italian Civil Code.

At a general meeting held on 27 October 2007, the shareholders of Mediobanca authorized a buyback of par value €0.50 ordinary shares issued by the company for up to 2% of its share capital, at a minimum price not to be below the shares' nominal value, and a maximum price not to exceed by more than 5% the reference price recorded at close of business on the trading day prior to the completion of each individual purchase. Upon completion of the transaction a total of 16,200,000 shares had been bought back at an average price of €13.17 per share, repurchased for a total outlay of €213.4m.

Since 1998 shareholders in general meeting have adopted resolutions to increase the company's share capital under the terms of the stock option schemes restricted to company chief executives and to Mediobanca Group management (cf. Article 4, paras 5, 6 and 10, of the company's Articles of Association). As at 1 July 2011 the number of stock options still unassigned totalled 23,469,000 stock option in respect of a like number of shares. Since that date a total of 650,000 stock options, have been awarded, as disclosed in a press release issued on 2 August 2011 (press releases regarding schemes in force and awards made are available at www.mediobanca.it. The stock option scheme approved by shareholders in general meeting and subsequently amended as a result of the Bank of Italy's instructions issued in March 2011 has been published on the Bank's website at www.mediobanca.it.

At a general meeting held on 28 October 2010, the shareholders of Mediobanca approved a rights issue reserved to Group staff executing, and in accordance with the terms and conditions of, the performance share scheme approved by the shareholders themselves at the same general meeting and published on the Bank's website at www.mediobanca.it.

As authorized by shareholders in a general meeting held on 27 June 2007, at a Board meeting held on 18 September 2009, the Directors of Mediobanca adopted a resolution to increase the company's share capital via a scrip issue by a nominal amount of €20,501,391.50, and to increase the company's share capital by a nominal amount of €57,418,261.50 via the issue in several tranches by 31 March 2011, of up to 114,836,523 new par value €0.50 shares to be used in connection with the exercise of 803,855,665 warrants allotted free of charge to entitled shareholders. Following exercise of the warrants, a total of 70,764 new shares were subscribed for (cf. Article 4, para. 8 of the company's Articles of Association; information available at www.mediobanca.it.

According to the company's register of shareholders, as amended in the light of statements received pursuant to Article 120 of the Italian Consolidated Finance Act, as at 30 June 2011 the following shareholders own more than 2% of the subscribed and paid share capital of Mediobanca, either in their own right or through subsidiaries:

Shareholder	No. of shares	% of share capital
Unicredito group	75,273,881	8.74
Bolloré group	43,602,652	5.06
Groupama group	42,430,160	4.93
Premafin group	33,019,886	3.83
Mediolanum group	29,095,110	3.38
Fondaz. Cariverona	27,004,604	3.14
Italmobiliare group	22,568,992	2.62
Fondazione Ca.Ris.Bo	22,015,648	2.56
Benetton group	18,625,029	2.16
Fininvest group	17,713,785	2.06

Mediobanca has approximately 65,000 shareholders. Shareholders representing approximately 44% of the Bank's share capital have entered into an agreement expiring on 31 December 2011. The agreement is filed with the Milan companies' register, and an excerpt from it may be found on the Bank's institutional website www.mediobanca.it/Corporate Governance.

GLI ORGANI SOCIALI

- Shareholders in general meeting
- Board of Directors
- Chairman of Board of Directors
- Executive Committee
- Managing Director
- General Manager
- Head of Company Financial Reporting
- Statutory Audit Committee

GENERAL MEETINGS

The general meeting gives expression to the wishes of the body of the company's shareholders, and decisions taken in such meetings, which are adopted in conformity with the provisions of both the law and the company's Articles of Association, are binding on all shareholders. Issues which fall within the jurisdiction of shareholders in general meeting include the following:

- approval of financial statements and allocation of profits;
- appointment and/or dismissal of the Board of Directors and Statutory Audit Committee;
- responsibilities of members of the Board of Directors and Statutory Audit Committee;
- engagement of, and termination of agreements with, external auditors;
- transactions required by law to be approved by shareholders in extraordinary general meeting;
- remuneration policies and compensation schemes based on financial instruments adopted for Directors, Group employees and collaborators.

The right to attend and vote at General Meetings is governed by the Articles of Association (Section III, Articles 5ff), which stipulate that shareholders for which the issuer has received notification by the end of the third business day prior to the date set for the meeting from an authorized intermediary based on the evidence at the end of the accounting day of the seventh business day prior to the date set for the annual general meeting in the first or only instance; Authorization to take part and vote in cases where the notice is received by the issuer after the deadline may still be granted provided such notice is received before proceedings at the specific session of the meeting commence.

Persons authorized to take part and vote may choose to be represented in the general meeting under a proxy issued in writing or electronically where this is permitted by the regulations in force and in accordance with them, without prejudice to grounds of incompatibility and within the limits provided by law.

The Bank has not adopted a specific set of regulations for holding general meetings, as its Articles of Association ensure that proceedings are conducted in an orderly manner, providing for the Chairman of the meeting, who under the Articles is the Chairman of the Board of Directors, has the duty of establishing that a quorum has been reached, ascertaining the identity of those in attendance, and assessing their entitlement to be so present, chairing and conducting the proceedings, and checking and announcing the results of any votes taken.

BOARD OF DIRECTORS: COMPOSITION AND ROLE

The Board of Directors consists of between fifteen and twenty-three members, with one place reserved for minority shareholders. Of the Directors thus appointed, five are managers with at least three years' experience of working for the Mediobanca Banking Group, three qualify as independent as defined in Article 148, para. 3 of Italian Legislative Decree 58/98, and two, who may coincide with the three qualifying as independent referred to above, qualify as independent based on the Code of Conduct for Listed Companies issued by Borsa Italiana.

The Board of Directors of Mediobanca was appointed by shareholders in a general meeting held 28 October 2008 for the 2009-11 three-year period. In accordance with the Articles of Association, Directors are appointed on the basis of lists of candidates who are in possession of the requisite professional credentials, qualify as fit and proper persons to hold such office and as independent in accordance with the law and the company's Articles of Association. Such lists are submitted by shareholders representing in the aggregate at least the percentage of the company's share capital established under regulations in force and stated in the notice of meeting (currently 1%). Please see Article 14 of the Articles of Association for the procedures relating to the appointment and dismissal of Directors, which may be found on the Bank's website at www.mediobanca.it/Corporate Governance.

The Board of Directors appointed on 28 October 2008 for the 2009, 2010 and 2011 financial years consists of 21 members, 16 of whom qualify as independent pursuant to Article 148, para. 3 of Italian Legislative Decree 58/98, 5 of whom also qualify as independent pursuant to the Code of Conduct operated by Borsa Italian:

Members	Post held	Date of birth	Independent *	Indipendent **	Manager
Renato Pagliaro ♦	Chairman	20/02/1957			X
Dieter Rampl ♦	Deputy Chairman	05/09/1947		X	
Marco Tronchetti Provera ♦	Deputy Chairman	18/01/1948		X	
Alberto Nagel ♦	CEO	07/06/1965			X
Francesco Saverio Vinci ♦	General Manager	10/11/1962			X
Jean Azema ♦	Director	23/02/1953		X	
Tarak Ben Ammar ♦	Director	12/06/1949	X	X	
Gilberto Benetton ♦	Director	19/06/1941		X	
Marina Berlusconi ♦	Director	10/08/1966		X	
Antoine Bernheim ♦	Consigliere	04/09/1924		X	
Roberto Bertazzoni ♦	Director	10/12/1942	X	X	
Vincent Bollorè ♦	Director	01/04/1952		X	
Angelo Casò ♦	Director	11/08/1940	X	X	
Maurizio Cereda ♦	Director	07/01/1964			X
Massimo Di Carlo ♦	Director	25/06/1963			X
Ennio Doris ♦	Director	03/07/1940		X	
Jonella Ligresti ♦	Director	23/03/1967		X	
Fabrizio Palenzona ♦	Director	01/09/1953	X	X	
Marco Parlangeli Ø	Director	20/02/1960	X	X	
Carlo Pesenti ♦	Director	30/03/1963		X	
Eric Strutz ♦	Director	13/12/1964		X	

* Independent as required in Code of conduct for listed companies.

** Independent as required by Article 148, para. 3 of Italian Legislative Decree 58/98.

♦ Appointed from the list submitted by shareholder "Capitalia Partecipazioni S.p.A." (UniCredit group) which holds 8.66% of the company's share capital.

Ø Appointed from the minority list submitted by shareholder "Fondazione dei Monti di Paschi di Siena" which holds 1.93% of the company's share capital.

The shareholders who submitted the minority list have issued a statement to the effect that no links exist, as defined in Article 144-quinquies of Consob regulation 11971/99, with shareholders owning, including jointly between themselves, a controlling or majority shareholding in Mediobanca.

The Board includes prominent figures from the banking, insurance and industrial sectors, which ensures an appropriate degree of professionalism as required by the complexity of the Bank's operations, and given the Board's role in strategic supervision.

All the Directors have made statements to the effect that no cause exists for them to be disqualified from office under legislation currently in force on the grounds of their being incompatible, ineligible or otherwise having lapsed from office, and further statements to the effect that they are fit and proper persons in possession of the requisite qualifications to hold such office and that they qualify as independent where this is required by legislation currently in force and in particular Article 148, paragraph three of the Italian Consolidated Finance Act, which the Board has duly noted. The Articles of Association do not provide for any further requirements in terms of professional qualifications than those stipulated by Article 26 of the Italian Consolidated Banking Act.

The independence of each Director is assessed annually on the basis of information provided by him/her, and any relations which might compromise, or appear to compromise, the Director's independence of judgement are assessed accordingly. In view of the imminent publication of new regulations on this issue by Consob, the Board of Directors' self-assessment will commence as from the next financial year.

The independent Directors meet at least once a year on their own without the other Directors present.

The documentation submitted by the Directors along with the lists for appointment to the Board of Directors may be consulted on Mediobanca's website at www.mediobanca.it/ Corporate Governance.

As approved by shareholders in a general meeting held on 28 October 2008, Directors holding posts in other banking companies are allowed to serve as Directors pursuant to Article 2390 of the Italian Civil Code. The Board of Directors reviews the posts held by its members in such companies annually, reporting on any critical issues at the next successive annual general meeting. To this end, each director is bound to inform the Board of any activities he/she might have taken on in the course of his/her term of office that could be in competition with Mediobanca.

The following matters fall within the remit of the Board of Directors:

1) approval of strategic guidelines and directions, business and financial plans, budgets, and risk management and internal control policies;

2) approval of quarterly and interim accounts and of draft individual and consolidated financial statements;

3) decisions concerning the acquisition or disposal of equity investments which alter the composition of the Banking Group for amounts of over €500m or otherwise of investments worth in excess of €750m;

4) trading involving equity investments in excess of 15% of the holdings owned at the start of each financial year in Assicurazioni Generali S.p.A., RCS MediaGroup S.p.A. and Telco S.p.A.;

5) appointment and dismissal of the Executive Committee with the powers provided for in the Articles of Association, under Article 22, and establishment of any additional powers to be vested in it;

6) appointment and dismissal of the Managing Director with the powers described in the Articles of Association, and establishment of any additional powers to be vested in him as well as his remuneration;

7) appointment and dismissal of the General Manager and establishment of any additional powers to be vested in him as well as his remuneration;

8) appointment of the Head of Company Financial Reporting and of persons responsible for internal audit and compliance duties;

9) proposals to be submitted to shareholders in ordinary and extraordinary general meetings;

10) approval of or amendment to an internal regulations;

11) ascertaining that Directors and members of the Statutory Audit Committee upon their appointment, or without prejudice to the foregoing on at least an annual basis, are in possession of the requisite professional credentials and qualify as fit and proper persons and as independent as required by regulations in force and the Articles of Association.

The Board normally adopts resolutions on proposals from the Executive Committee or Managing Director, with a majority of those in attendance voting in favour, while a majority of all Directors in office is required for resolutions on appointments to the Executive Committee or to the posts of Managing Director or General Manager. The same majority is required where the Board is to take resolutions in respect of transactions which fall within the jurisdiction of the appointed governing bodies.

Meetings of the Board of Directors are called by the Chairman or Acting Chairman, on his own initiative or when requisitioned by at least three Directors. As a rule, the Board of Directors meets at least five times a year, and a quorum is established when a majority of the Directors in office is in attendance. Board meetings may also be called by the Statutory Audit Committee or one of its members, provided the Chairman of the Board has been notified to such effect in advance.

A total of ten meetings are scheduled for the present financial year (nine meetings took place in the period from 1 July 2010 to 30 June 2011).

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.

Directors' and strategic management's remuneration

The executive Directors' and Chairman's remuneration is structured in such a way as to ensure their interests are aligned with the main objective of value creation for shareholders over the medium and long term. The compensation package is structured into three components so that the economic benefits accruing to executive Directors are diversified over time:

– fixed salary;

– annual bonus payable at the governing bodies' discretion based on performance and results achieved; this may also take the form of stock option grants or other financial instruments;

– MBO: calculated quarterly, and linked to the earnings targets set in the 2008-11 three-year plan being substantially met.

Non-executive Directors' remuneration is set by shareholders in annual general meeting, and does not include incentives linked to the Bank's performance.

The general policy in respect of the remuneration of directors and management with strategic responsibilities is illustrated in the "Remuneration policy" which at the Remuneration Committee's proposal is approved by the Board of Directors and submitted to shareholders in general meeting. The policy for the financial year 2010/2011, which was approved by shareholders in general meeting and which can be found on the Bank's website at www.mediobanca.it/Corporate Governance, as subsequently amended by the Board of Directors in accordance with the guidance received from the Bank of Italy and pursuant to the powers granted to it in the same general meeting, will be resubmitted to the approval of shareholders in general meeting.

Chairman of Board of Directors

The Chairman of the Board of Directors calls, chairs and directs proceedings at general meetings, Board and Executive Committee meetings, and ensures that all the other Directors are provided with adequate information regarding the items on the agenda. The Chairman of the Board of Directors, Renato Pagliaro, is currently also the Chairman of the Executive and Appointments committees.

The Chairman is responsible for ensuring that the corporate governance system runs smoothly in practice, guaranteeing due balance between the powers of the Managing Director and the other executive Directors; he is the counterparty for dialogue with the internal control bodies and internal committees; and co-ordinates with the Managing Director in supervising relations with externals and institutions.

In addition, as a member of the Group's management, Mr Pagliaro oversees the consolidation of certain key customer accounts and relations and the performance of various of the Group's main investments.

COMMITTEES

The Board of Directors has established three committees:

Internal control committee

Internal control committee	Auditor •	Independent (Code) *	Independent (Finance Act) **
Angelo Casò (Chairman)	X	X	X
Tarak Ben Ammar		X	X
Roberto Bertazzoni		X	X

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

The Committee is made up of three Directors who qualify as independent as defined by the Code of Conduct for Listed Companies, which has duties of consultation and enquiry in particular with respect to the Bank's system of internal control and risk management, and the structure of its IT and financial reporting organization.

In particular, with reference to the internal control system, the committee:

– gives its non-binding opinion on appointment and dismissal of staff responsible for internal control and compliance activities, their remuneration, powers and means for them to carry out their duties;

– reviews the adequacy of the internal control structures and procedures and the adequacy of the information flows required for internal control procedures to be carried out;

– reviews the plan of activity prepared by the head of internal control and his report on activities carried out, at least twice a year.

With reference to risk management, the committee:

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

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

The Statutory Audit Committee takes part in meetings of the Internal Control Committee.

In addition, under the procedure for transactions with related parties (pursuant to Article 4, paragraph 3 of Consob resolution 17221/10) approved by the Board of Directors on 23 November 2010 www.mediobanca.it/Corporate Governance, the Internal control committee was assigned also the duties of the Related party committee which are as follows:

- expressing opinions in advance on the adoption and possible amendments to the procedure;
- being involved at the stages of negotiating and processing the most significant transactions with related parties, with the power to delegate one or more of its members for such purpose;
- expressing reasoned opinions in advance (binding only in respect of the largest transactions) on the Bank's interest in executing the transaction with related parties and the convenience and substantial correctness of their terms, including with the help of independent experts.

The Committee met on a total of nine occasions in the period from 1 July 2010 to 30 June 2011and on five occasions s the Related parties committee.

Remunerations committee

Remunerations committee	Independent (Code) *	Independent (Finance Act) **
Angelo Casò (Chairman)	X	X
Tarak Ben Ammar	X	X
Roberto Bertazzoni	X	X
Vincent Bollorè		X
Jonella Ligresti		X
Renato Pagliaro		
Carlo Pesenti		X

* Independent as defined in Code of conduct for listed companies.

** Independent as defined in Article 148, para. 3 of Italian Legislative Decree 58/98.

The Committee is made up seven non-executive members, with duties of consultation and enquiry to determine the remuneration of Directors vested with particular duties and the General Manager, as well as on the remuneration and staff retention policies operated by the Group.

Although the "independent" component of the committee is not in line with the Code of conduct's recommendations, this is not considered to be an obstacle to objective, balanced assessment of the activities performed by the company's management and their subsequent remuneration.

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 six times in the period from 1 July 2010 to 30 June 2011.

Appointments committee

Appointments committee	Independent (Code) *	Independent (Finance Act) **
Renato Pagliaro (Chairman)		
Alberto Nagel (CEO)		
Francesco Saverio Vinci (GM)		
Roberto Bertazzoni ♦	X	X
Vincent Bollorè		X
Dieter Rampl		X
Marco Tronchetti Provera		X

* Independent as defined in Code of conduct for listed companies
** Independent as defined in Article 148, para. 3 of Italian Legislative Decree 58/98.
♦ Independent as defined in the Articles of Association, who takes part in committee meetings for certain resolutions.

The Appointments committee is made up of six members and including *de jure* the Chairman of the Board of Directors, the General Manager/Deputy Chairman of the Executive Committee and the Managing Director. Based on proposals made by the Managing Director and having first sought the Chairman's opinion, the Appointments Committee approves the decisions to be adopted in the general meetings of Assicurazioni Generali, RCS MediaGroup and Telco with respect to appointments to these companies' governing bodies.

The Appointments Committee also has duties of enquiry in respect of proposals of submission of lists for the Board of Directors and for the appointment of the Executive Committee, Managing Director and General Manager, in this case with the addition of an independent member.

The fact that only one member of the committee qualifies as independent under the Code of conduct for listed companies, whereas the Code recommends that such members should be in the majority, is justified by the different responsibilities: i.e., appointments to posts in strategic investee companies, rather than identifying candidates for the post of director.

The Committee met twice in the period from 1 July 2010 to 30 June 2011.

Minutes are taken of committee meetings which are kept in specific registers.

EXECUTIVE COMMITTEE: ROLE AND COMPOSITION

The Board of Directors appoints an Executive Committee to comprise a total of nine members, establishing their powers in accordance with the provisions of the Articles of Association.

The Executive Committee presently has eight members. The Chairman of the Board of Directors and the other Directors who are members of the management of Mediobanca Group companies are members of the Executive Committee *de jure*. Members of the Executive Committee who are part of the Mediobanca Group's management are bound to devote themselves exclusively to the performance of activities relating to their post, and unless permitted otherwise by the Board of Directors, may not carry out duties of management, direction, control or of any other nature for companies or entities other than those owned by Mediobanca. The other Executive Committee members, again unless permitted otherwise by the Board of Directors, may not carry out duties of management, direction, control or of any other nature for other banking or insurance groups.

Directors who are also part of the Banking Group's management, and who in such capacity are called to form part of the Executive Committee, cease to be Directors upon their ceasing to be employed by the company belonging to the Banking Group.

Members of the Executive Committee shall also be disqualified from the office of Director upon the occasion of any breach on their part of the restriction on not accepting positions of administration, management, control or of any other kinds for banking groups or insurance companies. Disqualification is pronounced by the Board of Directors.

The Executive Committee is chaired by the Chairman of the Board of Directors.

The Executive Committee appoints a Deputy Chairman of the Executive Committee from among those of its number who have been part of the Mediobanca Group management for at least three years.

The Committee remains in office for the entire duration of the office of the Board of Directors which appointed it.

The Statutory Audit Committee takes part in Executive Committee meetings.

The Executive Committee is currently made up as follows:

Members	Post	Executive
Renato Pagliaro	Chairman	X
Alberto Nagel	CEO	X
Francesco Saverio Vinci	Deputy Chairman, Executive Committee	X
Vincent Bollorè •	Director	
Maurizio Cereda	Director	X
Massimo Di Carlo	Director	X
Angelo Casò * •	Director	
Eric Strutz •	Director	

* Independent as defined in Code of conduct for listed companies.

• Independent as defined in Article 148 of Italian Legislative Decree 58/98.

Pursuant to the Bank's Articles of Association, the Executive Committee is responsible for managing the ordinary activities of the bank and for co-ordinating and directing the Group companies without prejudice to those issues for which the Board of Directors has sole jurisdiction. In particular the Executive Committee is responsible for the Bank's operating performance, approving resolutions to grant loans and trading involving the Group's interests in Assicurazioni Generali, RCS MediaGroup and Telco as well as other shareholdings for amounts and percentage values not to exceed those for which the Board of Directors itself has jurisdiction. It also draws up internal regulations, to be submitted to the approval of the Board of Directors, and establishes the principles for co-ordination and management of the Group companies in execution of the strategic guidelines approved by the Board of Directors.

Resolutions are approved by the Executive Committee with the majority of its members in attendance and voting in favour.

Executive Committee meetings are called on the initiative of the Chairman based on the requirements of the business, as a rule meeting once a month.

A total of twelve meetings are scheduled for the present financial year (twelve meetings took place in the period from 1 July 2010 to 30 June 2011).

MANAGING DIRECTOR

The Board of Directors appoints a Managing Director from among the Directors who have been members of the Banking Group's management for at least three years.

The Board of Directors establishes the powers of the Managing Director. The Managing Director in particular:

1) has executive powers, and is responsible for implementing resolutions adopted by the Board of Directors and the Executive Committee and – in accordance with the powers attributed to him – the plans and strategic directions established by the Board of Directors and Executive Committee;

2) is empowered to make proposals to the Board of Directors and Executive Committee, with reference in particular to management direction, proposed strategic plans and budgets, draft financial statements and interim accounts;

3) is responsible for staff management, and having sought the opinions of the General Manager, if appointed, appoints managerial staff;

4) ensures that the organizational, administrative and accounting systems of the bank are adequate for its operations and the size of the Company;

5) reports, with the General Manager, if appointed, to the Board of Directors and Executive Committee each quarter on the Bank's operating performance and prospects, and on the most significant transactions carried out by the Company and its subsidiaries.

The Managing Directors is Mr Alberto Nagel.

GENERAL MANAGER

The Board of Directors may, at the Managing Director's proposal, appoint a General Manager from among the Directors who have members of the Banking Group's management for at least three years.

The Board of Directors shall authorize the General Manager to sign jointly or severally on behalf of the Company as laid down in the Articles of Association in respect of powers to sign on behalf of the company, and thereby vest him with powers to carry out the day-to-day business of the company and to implement resolutions passed by the Board of Directors and Executive Committee in accordance with the directions issued by, and based on the individual remit of, the Board of Directors, Executive Committee and Managing Director.

The General Manager is Mr Francesco Saverio Vinci, who heads up the Operations division and the Banking Group's principal investments; he is also responsible for the Financial Markets area which is part of the Corporate and Investment Banking division.

Head of company financial reporting

On the proposal of the Executive Committee and having sought the opinion of the Statutory Audit Committee, the Board of Directors appoints one person to act as head of financial reporting, who shall be chosen from among the Bank's management and who has held management positions for a period of at least three years in the field of accounting administration at the Bank itself or at other leading banks. Currently the post is held by Massimo Bertolini who was appointed Head of Company Financial Reporting on 4 July 2007.

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

The Board of Directors has assigned a budget to this office in terms of funding and staff, and exerts supervision to ensure that the Head of Company Financial Reporting is vested with suitable powers and means to carry out the duties entrusted to him, and to ensure that the administrative and accounting procedures are complied with in practice.

Audit of the company's full-year financial statements and interim accounts, and other activities provided for under Article 155 of the Italian Consolidated Finance Act are the responsibility of Reconta Ernst & Young S.p.A., appointed as external auditors for the 2007-2012 period.

Statutory audit committee

The Statutory Audit Committee consists of three standing auditors and two alternate auditors. Appointment to the Statutory Audit Committee is made on the basis of lists deposited at least twenty-five calendar days prior to the date scheduled for the general meeting to be held in the first or only instance along with professional CVs for the individual candidates and statements by them agreeing to stand as candidates and confirming that they are in possession of the qualifications required under law and the Articles of Association. The Articles in particular provide that members of the Statutory Audit Committee may not hold posts in governing bodies other than those with responsibility for control of other Group companies or in companies in which Mediobanca holds, including indirectly, an investment which is deemed to be strategic under supervisory requirements laid down by the Bank of Italy, hold the post of managing director, manager or officer in companies or entities, or who otherwise work with the management of companies operating directly or indirectly (including through subsidiaries) in the same sectors as Mediobanca. The Articles of Association further provide that lists may only be submitted by shareholders representing in the aggregate at least the percentage of the company's share capital established under regulations in force and stated in the notice of meeting (currently 1%).

The mechanism for appointments provides that the Chairman of the Statutory Audit Committee shall be chosen from the minority list.

The Statutory Audit Committee, appointed on 28 October 2008 for the 2009, 2010 and 2011 financial years, is currently made up as follows:

Members	Positions
Marco Reboa *	Chairman
Maurizia Angelo Comneno ♦	Standing auditor
Gabriele Villa ♦	Standing auditor
Guido Croci ♦	Alternate auditor
Umberto Rangoni *	Alternate auditor

♦ Appointed from the list submitted by shareholder "Capitalia Partecipazioni S.p.A." (UniCredit group) which holds 8.66% of the company's share capital.

* Appointed from the minority list submitted by shareholder "Fondazione Cassa di Risparmio in Bologna" which holds 2.59% of the company's share capital.

The documentation submitted by the Statutory Auditors along with the lists for appointment to the Statutory Audit Committee may be consulted on Mediobanca's website at www.mediobanca.it/Corporate Governance.

In particular, the Statutory Audit Committee:

– is responsible for monitoring compliance with the provisions of law and the Company's memorandum of incorporation, with the principles of proper management, and in particular the adequacy of the organizational, administrative and accounting arrangements set in place by the company and their functioning in practice, as well as the effectiveness of the financial reporting process;

– monitors the effectiveness and adequacy of the risk management and control system and the internal control system, assessing the effectiveness of all units and departments involved and their co-ordination;

– checks at least twice a year that the plan of activity established by the head of the internal audit unit has been implemented;

– monitors the process of calculating the adequacy of the Bank's aggregate capital, current and estimated, at the consolidated level in view of the large risks to which the Bank and Group are exposed (ICAAP);

- expresses its opinion on the appointment and dismissal of the company's legal external auditors;
- assesses the proposal submitted by audit companies to act as the Bank's legal external auditors and reviews the results shown in the auditors' report and their letter containing suggestions;
- monitors the effectiveness of the external auditing process for the annual and consolidated accounts;
- monitors the independence of the external legal auditors, in particular with respect to the provision of non-auditing services;
- gives its opinion on the appointment and dismissal of the heads of internal audit and compliance;
- gives its opinion on appointments to the role of Head of Company Financial Reporting;
- reports any operating irregularities or breaches of regulations noted to the supervisory authorities;

The statutory auditors are vested with the broadest powers provided for by legal and regulatory provisions in force.

The Statutory Audit Committee is kept informed of the activities carried out and the most significant transactions in earnings, financial and capital terms, executed by the Company or its subsidiaries, and in particular transactions in which the Directors have an interest either in their own right or by means of third parties, through participating in the meetings of the Board of Directors and Executive Committee. Information is also provided to the Statutory Audit Committee outside of meetings of the Board of Directors and Executive Committee in writing, addressed to the Chairman of the Statutory Audit Committee.

The Statutory Audit Committee receives information flows organized and channelled via the internal control units, i.e. Internal audit, Risk management and Compliance, takes part in all Internal control committee meetings, and maintains regular relations, with a view to reciprocal exchanges of information, with the external legal auditors, the supervisory unit established pursuant to Italian Legislative Decree 231/01, and with other Group companies' Statutory Audit Committees.

The Statutory Audit Committee checks that the provisions regarding the external legal auditors' independence are complied with, in particular regarding the services other auditing provided to Mediobanca and the Mediobanca Group companies by it and other entities forming part of the same network.

As part of their duties, the Statutory Auditors may ask the Internal Audit unit to perform specific checks on areas of activity or the company's operations.

The Statutory Audit Committee checks that the criteria and procedures adopted by the Board of Directors for assessing the independence of its members are applied correctly.

Any Statutory Auditor who has an interest, either in his/her own right or via third parties, in a particular transaction in which Mediobanca is involved informs the other Statutory Auditors and the Chairman of the Board of Directors promptly and exhaustively regarding the nature, terms, origin and scope of such interest.

A total of thirty-one meetings of the Statutory Audit Committee were held in the last financial year, nine of which jointly with the Internal Control Committee, and met on several occasions with representatives of the external auditors engaged to audit the company's financial statements pursuant to Italian Legislative Decree 39/10.

Related party transactions

At a Board meeting held on 23 November 2010, following the unanimous favourable opinion of the Internal control committee, the Directors of Mediobanca approved the related party transactions procedure as required by Consob resolution 17221 on 12 March 2010, which lays down the principles with which the Bank must comply to ensure that transactions with related parties carried out directly or via Group companies are executed transparently and basically fairly. The procedure is activated each time the Bank intends to implement a transaction with a related party (as defined in Annex I of the resolution). Provision is made in particular for a classification phase for the transactions, which are distinguished fundamentally between "More significant transactions" and "Less significant transactions", following which the responsibility and procedure for approval is established. The procedure does not apply to "exempt transactions" (including "Ordinary transactions carried out at arm's length" and "Transactions involving negligible amounts").

For each category of transaction the procedure prescribes a specific "transparency regime" which defines the reporting requirements and deadlines versus both the public and the company's governing bodies. This procedure, which has been fully in force since 1 January 2011, is published on the Bank's website at www.mediobanca.it/Corporate Governance.

INTERNAL DEALING

The Directors of Mediobanca have approved a code of conduct for reporting requirements in respect of internal dealing, i.e. dealing transactions involving equity instruments issued by Mediobanca (shares, convertible bonds, warrants, equity derivatives, etc.) carried out by persons defined as "relevant". Such relevant persons (chiefly Directors, statutory auditors and key management) have all subscribed to the code, and notify Mediobanca of each such transaction involving said equity instruments within three days of their completion. Transactions involving sums of less than €5,000 in the course of the year are not considered (the underlying amount is used in the case of linked derivative products). Mediobanca then discloses all such information to the market and Consob by the next successive day, according to the methods laid down under regulations in force. Relevant persons may not effect such transactions in the thirty days prior to the date on which the Management Board's approval of the Bank's annual and interim accounts is made public, or in the fifteen days prior to approval of the quarterly results. Disclosure is not required for exercise of stock options, provided that the disposal of shares arising from such exercise is disclosed.

The code is published on the Bank's website at www.mediobanca.it/Corporate Governance.

PERSONAL TRANSACTIONS

In accordance with the provisions of Article 18 of the Bank of Italy-Consob combined regulations issued on 29 October 2009, Mediobanca has adopted a procedure for identifying personal transactions made by relevant persons (or transactions recommended, solicited or divulged to third parties) which may give rise to conflicts of interest or otherwise be in breach of the regulations on insider or confidential information.

Under the procedure:

- relevant persons must be made aware of the restrictions on personal transactions and the measures implemented by the Bank in respect of personal transactions and disclosure of information;
- Mediobanca must be promptly informed of every personal transaction made by a relevant person;
- personal transactions notified to the Bank or identified by it must be registered.

Organization model instituted pursuant to Italian Legislative Decree 231/01: confidential information

At a Board meeting held on 12 May 2009, an updated version of the organizational model instituted pursuant to Italian Legislative Decree 231/01 was approved, reflecting new legislation introduced in respect of electronic crime, money-laundering and health and safety in the work place, as well as the changes to the Bank's corporate governance that had taken place.

The system includes a code of conduct with rules and policies that are binding on Directors, employees, advisors, outside staff and suppliers in respect of the treatment of confidential information, to avoid such information being used for personal interests or on behalf of others. In transposing the regulations on market abuse, the system adopted also makes provision for the drawing up of various lists, in which persons in possession of privileged information in respect of Mediobanca and its customers are recorded. In execution of the powers and duties assigned to it under the organizational model, the supervisory body prepares an annual report to the Board of Directors via the Internal control committee and the Statutory Audit Committee on the functioning of, and compliance with, the organizational model adopted pursuant to Italian Legislative Decree 231/01.

Internal control units

As required by Bank of Italy regulations, Mediobanca maintains an internal audit unit which is organized so as to monitor and ensure on an ongoing basis that the company's internal control system functions effectively and efficiently. Control is extended to the other companies in the Banking Group both by the unit itself and via its co-ordination of the corresponding subsidiaries' units. The unit has direct access to all useful information, and has adequate means to perform all its duties. The head of internal audit is also part of the supervisory committee set up as part of the internal control system established pursuant to Italian Legislative Decree 231/01, and takes part in meetings of the Internal control committee to report on the activities carried out and to support the committee in its own supervisory activities. The Internal audit unit prepares a six-monthly report on its activities and on the status and adequacy of the Bank's internal control system for the Internal control committee, and hence also the Board of Directors. It also provides quarterly updates on measures taken to rectify irregularities detected.

In accordance with the application criteria laid down in the Code of conduct for listed companies on the issue of internal control, the person responsible for internal control is the head of the Internal audit unit, Piero Pezzati. His term of office expires in conjunction with that of the present Board of Directors, namely the annual general meeting to approve the company's financial statements for the period ending 30 June 2011.

In performing his duties, the head of internal control:

a) checks that the internal control system is adequate, fully operative and functioning at all times;

b) reports on his/her activities to the Internal control committee and Statutory Audit Committee, in particular with respect to the issue of risk management;

c) ensures the internal control system is appropriate to achieve an acceptable overall risk profile.

At a Board meeting held on 11 May 2011 the Directors approved a resolution, effective as from 1 July 2011, to centralize internal audit activities at the new Group audit unit, in the belief that this project could generate benefits in terms of efficiency, consistency and co-ordination of planning and executing audit activity and reporting to the governing bodies. The head of the Group audit unit is Mr Piero Pezzati, previously head of the Mediobanca S.p.A. Internal audit unit.

Centralizing the internal audit activities will allow Mediobanca's role of co-ordination of the internal controls system to be strengthened and make the whole control structure more efficient by:

– centralizing co-ordination responsibilities at, and providing for direct coverage, by the Group audit unit for all subsidiaries;

– defining a Banking Group audit plan, which includes the Group companies, to be submitted to the approval of Mediobanca's Board of Directors and thereafter of the individual companies' Boards for what concerns them;

– sharing specialist skills (e.g. IT auditing, Basel II, regulations) and audit methodologies, technical skills and reporting standards vis-à-vis the governing bodies and senior management.

Compliance unit

Mediobanca has had a compliance unit in operation since 2001. On 27 October 2007 this unit took up the responsibilities required of it by Bank of Italy provisions issued on 10 July 2007: to manage the regulatory and reputational risks of the Bank, and to monitor in particular that the internal procedures set in place are consistent with the objective of preventing breaches of regulations applicable to the Bank. As required by the joint Consob-Bank of Italy resolution issued on 29 October 2007, the Compliance unit, which is headed up by Mr Stefano Vincenzi, also manages risks of non-compliance linked to the provision of investment services and activities and ancillary services governed by the MiFID directive.

The compliance unit reports to the Board of Directors twice a year on the activities it has carried out and submits updates to the Internal control committee and the Statutory Audit Committee once a quarter.

Shareholders and investor relations

Mediobanca seeks to maintain good relations with its shareholders, encouraging them to attend general meetings, and sending shareholders with a record of recent attendance copies of annual reports and other relevant information. Material of this kind is also available on the company's website at www.mediobanca.it, in English and Italian. Relations with institutional investors, financial analysts and journalists are handled by the relevant units, i.e. the Investor relations and Media relations offices.

Other information required under article 123-bis of the Italian consolidated finance act on severance pay agreements

Under the terms of the agreements updating in 2008, in the event of the executive members of the Board of Directors leaving the Bank by mutual consent or being dismissed without just cause or by tendering their resignations with just cause, limitation of their roles, or the Mediobanca shareholders' agreement being wound up in advance, are entitled to receive an indemnity equal to four years' annual fixed and variable salary and the emoluments due to them as Directors, and to retain the rights held by them to subscribe for shares in Mediobanca at the date on which their employment by Mediobanca ceases.

Change of control clauses

Mediobanca is a party to shareholder agreements in respect of listed and unlisted companies. Such agreements may make provision, in the event of substantial changes to the controlling structure of party, for the other parties to exclude it from the agreement and oblige it to sell its shareholding.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM FOR FINANCIAL REPORTING PROCESS

Mediobanca has equipped itself with an internal control system for accounting and financial reporting requirements based on benchmark standards which are widely accepted at international levels (COSO and COBIT framework) ([1]). The system provides for:

– company level controls: controls to ensure that general and supervisory regulations are complied with in the running of the business, which are the norms, regulations and control mechanisms in force at Group level. Company level controls regard the organization of the company and impact on the methods by which the financial reporting and disclosure objectives are reached.

– administrative/accounting model: organizational processes (operators, activities, risks and controls) which generate the most significant earnings and asset figures included in the financial statements and information disclosed to the market.

– general IT controls: general rules governing technologies and applications developments which are common to the architectures and IT applications used to generate financial reporting.

The system has been constructed and is applied based on a rationale of relevance to Group companies, accounts and processes.

Control activity is carried out via two distinct methods according to the process involved:

– test of controls, strictly for accounting processes, and performed by the Internal Audit unit;

– test of controls for non-accounting processes (chiefly those affecting the Front, Middle and Back Office areas), performed by the person responsible for the process itself on a self-assessment basis and checked by the head of the relevant area.

The Internal Audit unit ascertains annually that the tests carried out on a self-assessment basis have been performed in accordance with the relevant methodologies.

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1) The COSO Framework has been drawn up by the Committee of Sponsoring Organizations of the Treadway Commission, a US organization whose objective is to improve corporate reporting, via the definition of ethical standards and a system of corporate governance and effective organization; the COBIT Framework-Control Objectives for IT and related technology is a set of rules prepared by the IT Governance Institute, another US organization whose objective is to set and improve corporate standards in the IT sector.

Any gaps that emerge from the testing activity are analysed in conjunction with the heads of the organizational units responsible for the process, and possibly also with the areas that will be involved in resolving the problems. With the Head of company financial reporting, a plan of corrective action is drawn up which assigns responsibilities and defines timescales.

Based on this model, the relevant administrative bodies and the Head of Company Financial Reporting attest, by means of a declaration attached to the annual report, the condensed interim report and the consolidated financial statements, that the procedures in force are adequate and have been effectively applied during the period to which the documents apply, and that the documents correspond to the data recorded in the company's books and accounts ledgers, and are adequate for the purpose of providing a truthful and adequate representation of the capital, earnings and financial situation of the issuer and the group of companies included within its area of consolidation.

Risk management unit

The Risk Management unit reports directly to the Managing Director under the leadership of the Chief Risk Officer, Mr Gino Abbruzzi.

In the exercise of his duties of control, the Chief Risk Officer is the person responsible for identifying and implementing an efficient risk management process through developing risk management policies which include defining and quantifying risk appetite and risk limits at both the individual operating unit and Group level.

Code of ethics

On 21 September 2010, Mediobanca adopted a Group Code of ethics which formalizes the ethical principles on which the Group's activities are traditionally based, in the conviction that fair, transparent conduct increases and protects reputation, credibility and consensus with the public, authorities and institutions over time. The code contains references and principles, complementary to those contained in legal and self-regulation requirements, providing guidance for the Group's conduct continuous and consistent with its mission and fundamental values. The code, which has been adopted by all Group companies, has been published on the Bank's website at www.mediobanca.it/Corporate Governance.

Milan, 22 July 2011

Table 1: BOARD OF DIRECTORS/COMMITTEES AS AT 30 JUNE 2011

BOARD OF DIRECTORS							Executive Committee		Internal Control Committee		Remunerations Committee		Appointments Committee	
Member ****	Executive	Non-executive	Ind. (Code).	Ind. (Fin. Act)	*** §	No. of other posts *	**	*** §	**	*** §	**	*** §	**	*** §
Renato Pagliaro		X	NO	NO	100%	3	X	100%			X	100%	X	100%
Dieter Rampl		X	NO	YES	89%	5							X	100%
Marco Tronchetti Provera		X	NO	YES	78%	8							X	100%
Alberto Nagel	X		NO	NO	100%	2	X	100%					X	100%
Francesco Saverio Vinci	X		NO	NO	100%	3	X	100%					X	100%
Jean Azema		X	NO	YES	0%	6								
Tarak Ben Ammar		X	YES	YES	89%	8			X	56%	X	67%		
Gilberto Benetton		X	NO	YES	89%	7								
Marina Berlusconi		X	NO	YES	100%	4								
Antoine Bernheim		X	NO	YES	33%	11								
Roberto Bertazzoni		X	YES	YES	100%	4			X	100%	X	100%	X	
Vincent Bollorè		X	NO	YES	89%	14	X	92%			X	100%	X	100%
Angelo Casò		X	YES	YES	100%	9	X	92%	X	100%	X	100%		
Maurizio Cereda	X		NO	NO	100%	2	X	100%						
Massimo Di Carlo	X		NO	NO	100%	=	X	83%						
Ennio Doris		X	NO	YES	67%	3								
Jonella Ligresti		X	NO	YES	89%	8					X	50%		
Fabrizio Palenzona		X	YES	YES	100%	5								
Marco Parlangeli		X	YES	YES	89%	1								
Carlo Pesenti		X	NO	YES	56%	6					X	83%		
Eric Strutz		X	NO	YES	78%	9	X	83%						

NUMBER OF MEETINGS HELD DURING THE YEAR

Board of Directors: 9	Executive Committee: 12	Internal Control Committee: 9	Remunerations Committee: 6	Appointments Committee: 2

NOTE

* Indicates number of positions held in other companies listed on regulated markets in Italy and elsewhere, in financial services companies, banks and insurances, or large corporates.

** "X" indicates that the director belongs to the relevant committee.

*** Percentage indicates the director's attendance record at Board and committee meetings.

§ Reference period is from 1/7/10 to 30/6/11.

Table 2: STATUTORY AUDIT COMMITTEE

Position held	Member	Percentage attendance record at Statutory Audit Committee meetings	No. of other posts held *
Chairman	Marco REBOA	97%	4
Standing Auditor	Maurizia ANGELO COMNENO	97%	
Standing Auditor	Gabriele VILLA	97%	4
Alternate Auditor	Guido CROCI		
Alternate Auditor	Umberto RANGONI		

No. of meetings held during the reference period §:	31 **
Quorum for submission of lists by minority shareholders to appoint one or more standing auditors:	at least **1%** of the share capital

* Indicates number of positions as director or statutory auditor held by the person concerned in companies listed on regulated markets in Italy and elsewhere.

§ Reference period is from 1/7/10 to 30/6/11.

** Nine of which held in conjunction with the Internal Control Committee.

Table 3: OTHER REQUIREMENTS UNDER CODE OF CONDUCT FOR LISTED COMPANIES

	YES	NO	Reasons for any departures from recommendations made in the code
Power to represent the Bank and related party disclosure			
Has the Board of Directors authorized parties to represent the Bank and established:			
a) limits	X		
b) methods for exercising such powers	X		
c) regular reporting requirements?	X		
Has the Board of Directors reserved for itself the right to inspect and approve all significant transactions in terms of earnings, capital and finances (including transactions with related parties)?	X		
Has the Board of Directors set guidelines and established criteria for identifying "significant" transactions?	X		
If so, have such guidelines/criteria been set out in the statement on corporate governance?	X		
Has the Board of Directors implemented procedures for reviewing and approving transactions with related parties?	X		
If so, have such procedures been set out in the statement on corporate governance?	X		
Procedures for most recent appointments to Board of Directors/Statutory Audit Committee			
Were candidates' applications for the post of director lodged at least ten days in advance?	X		
Were they accompanied by appropriately detailed documentation?	X		
Were they accompanied by statements regarding the candidates' eligibility to stand as independent Board members?	X		
Were candidates' applications for the post of statutory auditor lodged at least ten days in advance?	X		
Were they accompanied by appropriately detailed documentation?	X		
General meetings			
Has the Bank adopted specific regulations in respect of the holding of general meetings?		X	Orderly proceedings are ensured by the powers vested in the Chairman under law and the company's Articles of Association.
If so, are such regulations attached as an annex hereto, or is indication provided in the annual report as to where THEY may be obtained or downloaded?		X	
Internal control			
Has the company designated staff to take charge of internal control?	X		
If so, are such staff independent in operational terms from the various heads of the individual operating units?	X		
Organizational unit responsible for internal control pursuant to Article 9.3 of the code)	X		Internal audit unit
Investor relations			
Has the company appointed a head of investor relations?	X		
If so, what are the head of the IR unit's contact details?	Jessica Spina Tel. no.: (0039) 02-8829.860 - Fax no.: (0039) 02-8829.819 Email: investor.relations@mediobanca.it		

Annex - Posts held in other financial companies, banks, insurances or other companies of significant size by members of the Board of Directors of Mediobanca

Name	Position held in Mediobanca	Posts held in other companies
PAGLIARO Renato	Chairman and Executive Committee member	Deputy Chairman, RCS MediaGroup Director, Telecom Italia Director, Pirelli & C.
RAMPL Dieter	Deputy Chairman	Chairman, UniCredit Chairman of Supervisory Board, Koenig & Bauer Member of Supervisory Board, FC Bayern München Director, KKR Management LLC Chairman of Management Board, Hypo-Kulturstiftung
TRONCHETTI PROVERA Marco	Deputy Chairman	Chairman and Chief Executive Officer, Pirelli & C. Chairman, Camfin Chairman, Prelios Chairman, Gruppo Partecipazioni Industriali Director, RCS Quotidiani Director, Alitalia Director, F.C. Internazionale Milano Director, Eurostazioni
NAGEL Alberto	Chief Executive Officer and Executive Committee member	Deputy Chairman, Assicurazioni Generali Director, Banca Esperia
VINCI Francesco Saverio	General Manager and Executive Committee member	Director, Assicurazioni Generali Director, Banca Esperia Director, Perseo
AZEMA Jean	Director	Deputy Chairman, La Banque Postale Assurances Iard General Manager, Groupama General Manager, Fédération Nationale Groupama Director, Société Générale Représentant Permanent, Bolloré BoD Director, Véolia Environnement
BEN AMMAR Tarak	Director	Director, Telecom Italia Chief Executive Officer (CEO), Quinta Communications Chairman, Europa TV Chairman and Chief Executive Officer, Prima TV Chairman, Carthago Film Chairman, Andromeda Tunisie S.A. Chairman, Eagle Pictures S.p.A. Chairman, Promotions et Partécipations International S.A.

Name	Position held in Mediobanca	Posts held in other companies
BENETTON Gilberto	Director	Chairman, Edizione Chairman, Autogrill Director, Sintonia Director, Benetton Group Director, Pirelli & C. Director, Atlantia Director, Allianz
BERLUSCONI Marina	Director	Chairman, Finanziaria d'Investimento Fininvest Chairman, Arnoldo Mondadori Editore Director, Mediaset Director, Mondadori France
BERNHEIM Antoine	Director	Honorary Chairman, Assicurazioni Generali Deputy Chairman, Alleanza Toro Deputy Chairman, LVMH Vice-Chairman, Bolloré Director, Generali Deutschland Holding A.G. Director, Ciments Français Director, Christian Dior Member of Supervisory Committee, Eurazeo Director, B.S.I (Banca della Svizzera Italiana) Représentant Permanent, Banco Santander S.A. Director, Havas
BERTAZZONI Roberto	Director	Chairman, Smeg Director, RCS MediaGroup Chairman and Chief Executive Officer, Erfin - Eridano Finanziaria Chairman and Chief Executive Officer, Cofiber
BOLLORE' Vincent	Director and Executive Committee member	Chairman and General Manager, Bolloré Chairman and General Manager, Bolloré Partécipations Chairman, Financière De L'Odet Chairman, Havas Deputy Chairman, Assicurazioni Generali Director, Matin Plus Director, Direct Soir Director, Natixis Director, Socfin Chairman and Chief Executive Officer, Financière du Champ de Mars Chairman, Financière Nord Sumatra General Manager and Director, Financière V Représentant Permanent, Société Chemins De Fer Et Tramways du Var et Du Gard Représentant Permanent, Société Industrielle et Financière De L'Artois

Name	Position held in Mediobanca	Posts held in other companies
CASO' Angelo	Director and Executive Committee member	Chairman of Board of directors, Milano Assicurazioni Chairman of Statutory Audit Committee, Benetton Group Chairman of Statutory Audit Committee, Edizione Chairman of Statutory Audit Committee, Fiditalia Chairman of Statutory Audit Committee, Bracco Chairman of Statutory Audit Committee, Alchera Chairman of Statutory Audit Committee, Bracco Imaging Standing Auditor, Barclays Private Equity Standing Auditor, Italmobiliare
CEREDA Maurizio	Director and Executive Committee member	Director, Ansaldo STS Director, Enervit
DI CARLO Massimo	Director and Executive Committee member	=
DORIS Ennio	Director	Chief Executive Officer, Mediolanum Chairman, Banca Mediolanum Director, Banca Esperia
LIGRESTI Jonella	Director	Chairman, Fondiaria - SAI Chairman, SAI Holding Italia Vice-Chairman, Fondazione Fondiaria-SAI Deputy Chairman, Premafin Finanziaria Director, Milano Assicurazioni Director, Rcs MediaGroup Director, Italmobiliare Director, Finadin
PALENZONA Fabrizio	Director	Deputy Chairman, Unicredit Group Chairman, Gemina Chairman, Aeroporti di Roma Chairman, Aviva Italia Director, Fondazione Cassa Di Risparmio di Alessandria
PARLANGELI Marco	Director	General Manager, Fondazione Monte dei Paschi di Siena
PESENTI Carlo	Director	General Manager and Director, Italmobiliare Chief Executive Officer, Italcementi Deputy Chairman, Ciments Français Director, UniCredit Director, RCS MediaGroup Director, Ambienta Societa' di Gestione del Risparmio

Name	Position held in Mediobanca	Posts held in other companies
STRUTZ Eric	Director and Executive Committee member	Member of Board of Managing Directors, Commerzbank Member of Supervisory Board, ABB Member of Supervisory Board, BRE Bank Deputy Chairman, Commerzbank Auslandsbanken Holding Chairman of Supervisory Board, Commerzbank Auslandsbanken Holding Nova Member of Supervisory Board, RWE Power Member of Supervisory Board, SDB Sicherungseinrichtungsgesellschaft deutscher Banken Member of Supervisory Board, Verlagsbeteiligungs – und Verwaltungsgesellschaft Chairman of Supervisory Board, Commerzbank Inlandsbanken Holding

RESOLUTIONS ADOPTED BY SHAREHOLDERS AT AN ANNUAL GENERAL MEETING HELD ON 28 OCTOBER 2011

At the Annual General Meeting held on 28 October 2011, the shareholders of Mediobanca:

as ordinary business:

– adopted the financial statements for the year ended 30 June 2011;
– approved the distribution of a dividend of €0.17 per share, to be paid on 24 November 2011 with the shares going ex-rights on 21 November 2011;
– set the number of Board members at twenty-two for the financial years ending 30 June 2012, 2013 and 2014 and set the total amount available to the Board for the remuneration of all Directors at €4m, authorizing the Board to share this amount between its own members;
– appointed the following as Directors: Tarak Ben Ammar, Gilberto Benetton, Marina Berlusconi, Roberto Bertazzoni, Vincent Bollore', Angelo Caso', Maurizio Cereda, Massimo Di Carlo, Ennio Doris, Anne Marie Idrac, Pierre Lefevre, Jonella Ligresti, Elisabetta Magistretti, Alberto Nagel, Renato Pagliaro, Fabrizio Palenzona, Carlo Pesenti, Dieter Rampl, Fabio Alberto Roversi Monaco, Eric Strutz, Marco Tronchetti Provera and Francesco Saverio Vinci;
– appointed the following as members of the Statutory Audit Committee for the financial years ending 30 June 2012, 2013 and 2014: Natale Freddi – Chairman, Gabriele Villa and Maurizia Angelo Comneno – standing auditors, and Guido Croci and Mario Busso – alternate auditors, setting their annual remuneration at €300,000, €120,000 of which for the Chairman and €90,000 for each standing auditor;
– adopted the "Staff remuneration policies document";

as extraordinary business:

– amended Articles 6, 10, 14, 15, 17, 18, 19, 21, 22, 23, 24, 25, 28, 29 and 30 of the company's Articles of Association; and to introduce a new Article 11, with Articles 12 through to 35 renumbered accordingly;
– authorized the Board of Directors (having rescinded, in respect of the part as yet unexecuted, the powers conferred on the Board of Directors at the time under the resolution):
  – under Article 2443 of the Italian Civil Code, to increase the Company's share capital, by means of rights issues and/or bonus issues in one or more tranches on or prior to the fifth anniversary of the date of this resolution in

an amount of up to €100m, including via warrants, through the issue of up to 200 million ordinary par value €0.50 shares to be offered as an option or assigned to shareholders, and accordingly, to establish from time to time the issue price of the new shares, including the share premium, if any, the date from which they shall rank for dividends, and whether or not any of the shares shall be used for exercising the warrants attached to the shares to be issued;

– under Article 2420-ter of the Italian Civil Code, to increase the Bank's share capital through the issue of bonds convertible into ordinary shares and/or shares *cum* warrants, in one or more tranches on or prior to the fifth anniversary of the date of this resolution, in a nominal amount of up to €2bn, to be offered as an option to shareholders, and accordingly, to establish from time to time the conversion ratio of the bonds to be issued and any other feature thereof, and to authorize the corresponding increase in the Bank's share capital for use in the conversion of the bonds.

BALANCE-SHEET AND FUND ALLOCATION ANALYSIS

BALANCE SHEET ANALYSIS

ASSETS

As at 30 June	Liquid assets	Bills discounted advances, repurchase and forward transactions, and loans	Investment securities (excluding investments in Group undertakings)	Investments in Group undertakings	Investments in consortium companies	Property	Furniture, equipment and intangible assets	Other assets	Total assets	Contra accounts	GRAND TOTAL
1947	1,536	398	—	—	—	—	6	33	1,973	387	2,360
1948	1,344	1,900	—	—	—	—	6	33	3,283	465	3,748
1949	2,830	3,569	—	1	—	24	—	32	6,456	264	6,720
1950	3,532	5,315	889	3	—	—	—	35	9,774	853	10,627
1951	3,751	6,760	546	25	—	—	—	31	11,113	315	11,428
1952	3,706	9,779	464	38	—	—	—	31	14,018	176	14,194
1953	5,395	12,654	263	—	—	—	—	35	18,347	8,841	27,188
1954	7,804	15,909	763	1	—	—	—	137	24,614	553	25,167
1955	10,294	18,690	971	58	—	—	—	85	30,098	1,644	31,742
1956	14,713	23,573	1,283	5	—	—	—	484	40,058	12,272	52,330
1957	17,670	28,648	1,540	—	—	—	—	245	48,103	10,394	58,497
1958	18,727	31,577	1,798	—	—	—	—	439	52,541	4,799	57,340
1959	31,724	40,713	4,131	—	—	—	—	1,391	77,959	16,828	94,787
1960	45,099	49,813	4,286	—	—	—	—	227	99,425	7,622	107,047
1961	48,464	66,669	6,412	110	—	—	—	244	121,899	7,974	129,873
1962	29,895	100,913	9,027	39	—	—	—	435	140,309	32,419	172,728
1963	39,529	124,090	9,282	142	—	—	—	626	173,669	28,175	201,844
1964	49,714	153,282	9,337	90	—	—	—	1,332	213,755	23,277	237,032
1965	67,815	157,552	13,417	5	—	—	—	1,273	240,062	37,932	277,994
1966	100,651	191,935	15,115	—	—	—	—	2,385	310,086	100,762	410,848
1967	107,097	245,565	17,396	5	—	—	—	3,342	373,405	112,502	485,907
1968	121,745	305,666	17,317	—	—	—	—	4,569	449,297	122,695	571,992
1969	104,636	374,711	19,877	—	—	—	—	6,028	505,252	179,385	684,637
1970	108,075	513,117	19,759	5	—	—	—	5,512	646,468	148,926	795,394
1971	296,325	533,281	19,833	21	—	—	—	4,804	854,264	220,019	1,074,283
1972	211,681	644,004	22,501	541	—	26	—	6,373	885,126	248,839	1,133,965
1973	219,061	768,777	23,083	671	—	26	79	7,999	1,019,696	317,492	1,337,188
1974	725,455	1,091,712	29,243	755	—	190	102	16,095	1,863,552	283,551	2,147,103
1975	898,375	1,243,559	32,603	755	—	190	108	24,963	2,200,553	270,792	2,471,345
1976	842,638	1,394,824	27,159	1,573	—	190	133	27,826	2,294,343	260,533	2,554,876
1977	930,863	1,526,989	32,255	4,042	—	3,615	190	31,666	2,529,620	266,527	2,796,147
1978	931,722	1,719,338	34,759	4,137	—	3,615	198	72,125	2,765,894	414,045	3,179,939
1979	506,795	1,703,992	78,140	4,173	—	3,615	228	74,652	2,371,595	312,152	2,683,747
1980	520,954	1,834,527	55,983	4,174	7,230	3,615	251	75,576	2,502,310	385,483	2,887,793
1981	446,588	2,215,915	73,762	4,008	14,977	3,615	423	174,332	2,933,620	618,841	3,552,461
1982	638,435	2,540,960	165,104	4,008	14,993	3,615	438	174,142	3,541,695	714,778	4,256,473
1983	839,289	2,773,956	170,991	4,008	16,217	3,615	481	231,585	4,040,142	575,962	4,616,104
1984	859,764	3,002,978	225,314	8,088	16,217	19,625	511	224,145	4,356,642	650,010	5,006,652
1985	1,257,350	3,138,244	284,891	8,088	8,986	19,625	700	292,367	5,010,251	685,879	5,696,130
1986	1,697,370	3,388,523	379,210	8,088	1,239	19,625	666	227,820	5,722,541	1,575,268	7,297,809
1987	1,578,922	4,271,623	416,752	8,088	—	19,625	1,153	242,919	6,539,082	1,031,762	7,570,844
1988	1,569,877	4,540,865	565,933	4,213	—	19,625	1,803	208,692	6,911,008	1,827,254	8,738,262
1989	1,403,579	5,465,846	640,118	12,606	—	19,625	2,050	244,208	7,788,032	1,532,042	9,320,074
1990	1,860,248	6,841,257	709,335	9,495	—	19,625	2,353	348,524	9,790,837	2,458,501	12,249,338
1991	2,471,961	6,772,063	926,197	15,652	—	19,625	2,815	407,693	10,616,006	1,914,503	12,530,509
1992	2,245,473	7,356,291	1,149,728	17,897	—	23,800	3,539	516,359	11,313,087	4,974,896	16,287,983
1993	3,104,631	7,933,550	1,187,565	51,589	—	23,800	4,410	532,248	12,837,793	5,464,451	18,302,244
1994	3,347,387	8,961,303	1,389,176	49,085	—	23,800	4,690	522,005	14,297,446	3,851,623	18,149,069
1995	3,150,896	9,609,949	1,618,928	47,725	—	23,800	4,571	478,176	14,934,045	3,103,192	18,037,237
1996	2,571,335	10,717,159	1,793,785	46,491	—	23,800	4,739	484,943	15,642,252	4,114,659	19,756,911
1997	4,337,359	12,058,402	1,820,638	51,422	—	23,800	5,046	582,619	18,879,286	9,531,224	28,410,510
1998	4,789,102	14,115,689	2,106,078	58,298	—	23,800	6,013	856,681	21,955,661	24,883,375	46,839,036
1999	5,201,164	13,175,891	2,602,245	129,792	—	23,800	7,477	1,120,409	22,260,778	33,863,092	56,123,870
2000	4,578,652	14,764,593	2,740,839	60,875	—	23,800	9,286	1,344,067	23,522,112	43,236,774	66,758,886
2001	5,645,521	14,229,607	2,923,030	102,505	—	23,800	10,515	1,491,431	24,426,409	46,827,877	71,254,286
2002	7,377,119	14,861,758	2,912,572	118,779	—	23,800	11,961	1,881,176	27,187,165	50,916,657	78,103,822
2003	8,796,562	12,521,995	2,647,557	118,731	—	23,800	13,810	1,964,690	26,087,145	79,162,015	105,249,160
2004	8,427,864	13,324,382	2,591,198	396,476	—	25,479	14,171	2,188,463	26,968,033	84,319,470	111,287,503
2005	6,538,471	13,995,593	2,719,006	490,219	—	26,255	14,730	2,032,674	25,816,948	81,192,618	107,009,566
2006	8,790,079	15,823,797	2,845,923	457,429	—	27,214	17,252	1,835,453	29,797,147	157,987,333	187,784,480

BALANCE SHEET ANALYSIS §

ASSETS

At year-end	Net treasury fund applications	AFS securities	Financial assets held to maturity	Loans and advances to customers	Investments in Group companies	Other investments	Properties	Tangible and intangible assets	Other assets	Total assets
2005/2006	5,580,560	4,042,970	625,544	15,870,533	457,429	1,219,525	116,656	6,256	267,649	28,187,122
2006/2007	6,379,384	4,788,039	621,634	20,306,484	468,270	1,212,507	115,237	6,059	251,591	34,149,205
2007/2008	8,845,365	2,846,738	619,214	24,235,221	969,612	1,752,778	113,818	7,756	420,591	39,811,093
2008/2009	13,059,370	4,330,945	1,556,744	23,282,523	971,536	1,873,697	112,783	9,666	555,412	45,752,676
2009/2010	16,241,356	5,237,181	1,454,466	20,194,698	969,510	1,858,777	113,244	17,336	519,658	46,606,226
2010/2011	10,660,781	6,684,674	4,001,102	22,891,839	969,841	1,701,144	112,137	20,684	660,920	47,703,122

§ IAS/IFRS-compliant.

BALANCE SHEET ANALYSIS

LIABILITIES

As at 30 June	Shareholders' equity: Share capital	Shareholders' equity: Reserves, provisions qualifying as reserves* and retained earnings	Shareholders' equity: TOTAL	Specific credit risks provision	Provision for discounts and expenses on bonds issued	Securities fluctuation allowance	Provision for writedowns in investments	Time deposits and current accounts	Debt securities	Due to banks and EIB funds	Accumulated depreciation on furniture and equipment	Accumulated depreciation on property	Other liabilities and provisions	Profit for the year	Total liabilities	Contra accounts	GRAND TOTAL
1947	516	—	516	—	—	—	—	1,448	—	—	—	—	24	(15)	1,973	387	2,360
1948	516	—	516	—	—	—	—	2,729	—	—	—	—	30	8	3,283	465	3,748
1949	516	2	518	—	—	—	—	5,746	—	—	—	—	143	49	6,456	264	6,720
1950	1,033	26	1,059	—	—	—	—	8,325	—	—	—	—	303	87	9,774	853	10,627
1951	1,549	54	1,603	—	—	—	—	8,985	—	—	—	—	335	190	11,113	315	11,428
1952	1,549	109	1,658	—	—	—	—	11,745	—	—	—	—	405	210	14,018	176	14,194
1953	1,549	169	1,718	—	—	—	—	15,623	—	—	—	—	791	215	18,347	8,841	27,188
1954	1,549	273	1,822	—	—	—	—	21,681	—	—	—	—	898	213	24,614	553	25,167
1955	1,549	322	1,871	—	—	—	—	26,945	—	—	—	—	1,045	237	30,098	1,644	31,742
1956	2,066	365	2,431	—	—	—	—	35,586	—	—	—	—	1,764	277	40,058	12,272	52,330
1957	3,099	446	3,545	—	—	—	—	41,798	—	—	—	—	2,437	323	48,103	10,394	58,497
1958	3,099	522	3,621	—	—	—	—	45,287	—	—	—	—	3,245	388	52,541	4,799	57,340
1959	3,099	607	3,706	—	—	—	—	68,934	—	—	—	—	4,923	396	77,959	16,828	94,787
1960	5,165	747	5,912	—	—	—	—	87,472	—	—	—	—	5,323	718	99,425	7,622	107,047
1961	5,165	1,127	6,292	—	—	—	—	107,712	—	—	—	—	6,929	966	121,899	7,974	129,873
1962	5,165	1,562	6,727	—	—	—	—	125,489	—	—	—	—	7,089	1,004	140,309	32,419	172,728
1963	6,197	2,285	8,482	—	—	—	—	155,196	—	—	—	—	9,276	715	173,669	28,175	201,844
1964	6,197	2,901	9,098	—	—	—	—	189,266	—	—	—	—	14,618	773	213,755	23,277	237,032
1965	7,230	3,607	10,837	—	—	—	—	211,506	—	—	—	—	16,943	776	240,062	37,932	277,994
1966	7,230	4,484	11,714	—	—	—	—	274,589	—	—	—	—	22,862	921	310,086	100,762	410,848
1967	7,230	5,933	13,163	—	—	—	—	336,544	—	—	—	—	22,742	956	373,405	112,502	485,907
1968	8,263	7,307	15,570	—	—	—	—	402,293	—	—	—	—	30,377	1,057	449,297	122,695	571,992
1969	8,263	8,994	17,257	—	—	—	—	449,103	—	—	—	—	37,439	1,453	505,252	179,385	684,637
1970	8,263	11,326	19,589	—	—	—	—	534,360	41,317	—	—	—	50,034	1,168	646,468	148,926	795,394
1971	8,263	13,500	21,763	—	—	—	—	726,356	41,317	—	—	—	63,113	1,715	854,264	220,019	1,074,283
1972	8,263	16,462	24,725	—	—	—	541	745,717	41,317	—	—	26	71,605	1,195	885,126	248,839	1,133,965
1973	11,569	19,698	31,267	—	—	—	516	839,113	40,284	—	79	26	106,559	1,852	1,019,696	317,492	1,337,188
1974	11,569	24,879	36,448	—	—	—	669	832,133	240,371	597,632	102	26	153,960	2,211	1,863,552	283,551	2,147,103
1975	16,527	33,840	50,367	—	—	—	755	1,171,053	215,581	580,034	108	26	179,651	2,978	2,200,553	270,792	2,471,345
1976	16,527	41,766	58,293	—	—	—	755	1,073,975	213,284	771,016	133	26	166,756	10,105	2,294,343	260,533	2,554,876
1977	20,658	58,793	79,451	—	—	—	1,572	1,254,227	268,556	748,283	190	26	162,642	14,673	2,529,620	266,527	2,796,147
1978	26,856	67,217	94,073	—	—	—	4,039	1,449,198	396,572	601,809	198	3,615	200,652	15,738	2,765,894	414,045	3,179,939
1979	43,382	83,667	127,049	2,622	—	—	4,137	1,531,093	423,029	62,443	228	3,615	200,944	16,435	2,371,595	312,152	2,683,747
1980	43,382	107,496	150,878	3,300	3,873	—	4,173	1,622,873	445,639	41,851	251	3,615	207,623	18,234	2,502,310	385,483	2,887,793
1981	52,679	139,245	191,924	1,265	5,087	—	4,174	1,842,966	589,210	28,807	423	3,615	221,450	44,699	2,933,620	618,841	3,552,461
1982	70,238	167,753	237,991	650	7,308	—	4,008	2,390,742	662,617	27,385	438	3,615	187,644	19,297	3,541,695	714,778	4,256,473
1983	70,238	186,693	256,931	2,755	8,806	—	4,008	2,753,902	738,830	23,558	481	3,615	208,464	38,792	4,040,142	575,962	4,616,104
1984	87,798	269,265	357,063	3,267	9,684	—	4,008	2,987,681	698,842	5,404	511	4,204 [2]	241,537	44,441	4,356,642	650,010	5,006,652
1985	87,798	321,361	409,159	2,556	10,823	—	4,008	3,445,663	756,640	27,346	700	1,178	285,170	67,008	5,010,251	685,879	5,696,130
1986	87,798	416,625	504,423	1,275	8,163	—	4,008	3,559,090	1,170,955	98,190	666	1,766	284,740	89,265	5,722,541	1,575,268	7,297,809
1987	87,798	533,608	621,406	620	6,219	—	8,088	3,456,058	1,928,005	191,501	1,153	2,355	265,317	58,360	6,539,082	1,031,762	7,570,844
1988	105,357	609,693	715,050	440	1,727	—	4,213	3,799,239	1,872,357	229,658	1,803	2,944	221,321	62,256	6,911,008	1,827,254	8,738,262
1989	105,357	684,026	789,383	416	735	—	2,253	4,160,423	2,195,808	285,071	2,050	3,533	264,500	83,860	7,788,032	1,532,042	9,320,074
1990	175,595	1,037,632	1,213,227	192	7,031	—	12,606	4,679,784	3,160,657	247,347	2,353	4,121	343,651	119,868	9,790,837	2,458,501	12,249,338
1991	175,595	1,142,463	1,318,058	15,900	7,370	75,806	9,495	5,029,104	3,108,092	474,942	2,815	4,710	455,885	113,829	10,616,006	1,914,503	12,530,509
1992	175,595	1,252,575	1,428,170	5,872 [1]	6,137 [3]	131,073 [1]	15,652	5,489,100	2,803,155	752,917	3,539	5,299	536,812	135,361	11,313,087	4,974,896	16,287,983
1993	175,595	1,418,593	1,594,188	13,039	—	—	—	6,393,007	3,063,153	1,096,146	4,410	6,013	564,478	103,359	12,837,793	5,464,451	18,302,244
1994	245,833	1,983,409	2,229,242	13,763	—	—	—	5,366,489	4,461,893	1,601,089	4,690	6,727	502,025	111,528	14,297,446	3,851,623	18,149,069
1995	245,833	2,070,559	2,316,392	36,735	—	—	—	6,097,985	4,625,946	1,283,946	4,571	7,441	480,929	80,100	14,934,045	3,103,192	18,037,237
1996	245,833	2,152,495	2,398,328	35,201	—	—	—	6,432,396	4,783,236	1,441,434	4,739	8,155	476,621	62,142	15,642,252	4,114,659	19,756,911
1997	245,833	2,252,872	2,498,705	—	—	—	—	5,773,044	7,787,176	2,047,681	5,046	8,869	686,944	71,821	18,879,286	9,531,224	28,410,510
1998	295,059	2,972,222	3,267,281	—	—	—	—	4,082,396	10,297,074	2,707,852	6,013	9,583	1,455,901	129,561	21,955,661	24,883,375	46,839,036
1999	295,366	3,100,762	3,396,128	—	—	—	—	3,452,177	10,286,779	3,283,081	7,477	10,297	1,711,361	113,478	22,260,778	33,863,092	56,123,870
2000	307,780	3,317,037	3,624,817	—	—	—	—	2,918,920	11,072,736	3,072,363	9,286	11,011	2,686,566	126,413	23,522,112	43,236,774	66,758,886
2001	331,650	3,743,506	4,075,156	—	—	—	—	3,385,422	10,890,941	3,417,142	10,515	11,725	2,484,247	151,261	24,426,409	46,827,877	71,254,286
2002	389,265	4,069,354	4,458,619	—	—	—	—	4,508,208	11,202,082	4,430,055	11,961	12,439	2,446,155	117,646	27,187,165	50,916,657	78,103,822
2003	389,275	4,114,735	4,504,010	—	—	—	—	1,721,391	14,653,555	3,667,461	13,810	13,153	1,527,612	(14,027)	26,086,965	79,162,015	105,248,980
2004	389,291	3,993,794	4,383,085	—	—	—	—	3,069,781	14,663,091	2,828,314	14,171	13,917	1,568,111	427,563	26,968,033	84,319,470	111,287,503
2005	397,478	4,130,486	4,527,964	—	—	—	—	2,133,993	14,491,296	2,749,348	14,730	14,705	1,444,858	440,054	25,816,948	81,192,618	107,009,566
2006	405,999	4,346,447	4,752,446	—	—	—	—	729,603	20,892,213	1,394,510	17,252	15,521	1,501,268	494,334	29,797,147	157,987,333	187,784,480

* Provision for general banking risks, general credit risks provision and securities fluctuation allowance (between 1967 and 1984, when this allowance was taken to Reserve).

1 Taken to Reserve.

2 Of which €3.6m taken to Reserve.

3 Of which €12.5m taken to Reserve and the balance to write down the book value of securities.

BALANCE SHEET ANALYSIS §

LIABILITIES

At year-end	Capital			Provisions	Debt securities in issue	Other funding forms	Other liabilities	Profit for the year	Total liabilities
	Share capital	Reserves, other provisions with capital content* and retained earnings	TOTAL						
2005/2006	405,999	4,527,856	4,933,855	165,712	20,192,077	1,811,063	538,895	545,520	28,187,122
2006/2007	408,781	5,128,989	5,537,770	162,433	23,027,454	4,077,662	782,776	561,110	34,149,205
2007/2008	410,028	4,217,383	4,627,411	161,452	30,541,427	3,199,445	658,779	622,579	39,811,093
2008/2009	410,028	4,210,394	4,620,422	160,612	35,860,227	4,388,413	702,194	20,808	45,752,676
2009/2010	430,551	4,244,955	4,675,506	160,650	36,150,327	4,587,318	788,286	244,139	46,606,226
2010/2011	430,565	4,380,729	4,811,294	159,991	36,783,922	5,059,996	760,543	127,376	47,703,122

§ IAS/IFRS-compliant.

* Provision for general banking risks, risk provisions (share not committed), Provision for writedowns to securities (years from 1966/67 to 1983/84, when the provision was transferred to reserves).

FUND ALLOCATION ANALYSIS

For years ended 30 June	Gross profit for year	Allocation to credit risks provision	Net profit	APPROPRIATION OF NET PROFIT						Increase (decrease) in retained earnings
				Amount taken to Reserve	Amount taken to Special Reserve[1]	Writedowns in securities and investments, depreciation on furniture and equipment, and amortization of discounts on bonds issued	Total dividend paid	Percent dividend paid	Directors' remuneration[2]	
1947	(15)	—	(15)	—	—	—	—	—	—	—
1948	23	—	23	2	—	21[3]	—	—	—	—
1949	49	—	49	24	—	24	—	—	1	—
1950	87	—	87	26	—	3	54	7	2	2
1951	190	—	190	52	—	25	108	7	2	3
1952	210	—	210	52	—	38	108	7	3	9
1953	215	—	215	103	—	—	108	7	3	1
1954	213	—	213	52	—	52	108	7	3	(2)
1955	237	—	237	52	—	84	108	7	3	(10)
1956	277	—	277	77	—	57	135	7.50	3	5
1957	323	—	323	77	—	52	194	7.50	3	(3)
1958	388	—	388	77	—	52	248	8	3	8
1959	396	—	396	129	—	—	248	8	8	11
1960	718	—	718	387	—	—	331	8	8	(8)
1961	966	—	966	439	—	109	413	8	8	(3)
1962	1,004	—	1,004	413	—	116	465	9	9	1
1963	1,025	310	715	103	—	142	465	9	9	(4)
1964	1,289	516	773	103	—	90	558	9	12	10
1965	1,370	594	776	155	—	5	604	9	12	—
1966	1,644	723	921	181	—	—	723	10	14	3
1967	1,911	955	956	207	—	5	723	10	15	6
1968	2,219	1,162	1,057	258	—	—	775	10	16	8
1969	2,873	1,420	1,453	516	—	—	909	11	19	9
1970	2,976	1,808	1,168	258	—	5	909	11	18	(22)
1971	3,652	1,937	1,715	258	—	537	909	11	19	(8)
1972	3,390	2,195	1,195	258	—	—	909	11	19	9
1973	4,822	2,970	1,852	387	—	155	1,273	11	26	11
1974	6,988	4,777	2,211	511	—	395	1,273	11	26	6
1975	11,112	8,134	2,978	775	—	155	1,983	12	41	24
1976	17,077	6,972	10,105	1,808	4,132	2,109	1,983	12	41	32
1977	22,549	7,876	14,673	5,165	178	6,059	3,223	12	66	(18)
1978	25,034	9,296	15,738	6,197	6,197	98	3,223	12	65	(42)
1979	29,346	12,911	16,435	7,747	—	2,489	6,074	14	124	1
1980	33,728	15,494	18,234	7,747	3,099	1,214	6,074	14	123	(23)
1981	67,940	23,241	44,699	17,043	17,560	2,571	7,375	14	150	—
1982	29,720	10,423	19,297	7,747	—	1,498	9,833	14	201	18
1983	52,450	13,658	38,792	10,329	17,560	878	9,833	14	200	(8)
1984	60,560	16,119	44,441	27,372	—	3,476	13,170	15	272	151
1985	87,848	20,840	67,008	51,646	—	—	14,926	17	307	129
1986	124,380	35,115	89,265	67,139	—	4,080	17,560	20	361	125
1987	89,906	31,546	58,360	40,800	—	—	17,560	20	351	(351)
1988	84,324	22,068	62,256	40,800	—	—	21,071	20	429	(44)
1989	110,642	26,782	83,860	38,734	—	16,649	28,095	20	311	71
1990	153,577	33,709	119,868	83,912	—	339	35,119	20	454	44
1991	147,192	33,363	113,829	59,450	—	18,666	35,119	20	456	138
1992	171,152	35,791	135,361	99,852	—	—	35,119	20	452	(62)
1993	141,654	38,295	103,359	64,041	—	—	38,631	20	528	159
1994	154,910	43,382	111,528	61,975	—	—	49,167	20	733	(347)
1995	126,220	46,120	80,100	30,213	—	—	49,167	20	740	(20)
1996	110,692	48,550	62,142	12,137	—	—	49,167	20	742	97
1997	128,026	56,205	71,821	21,949	—	—	49,167	20	739	(34)
1998	191,858	62,297	129,561	62,090	—	—	66,401	22.50	1,091	(20)
1999	175,711	62,233	113,478	45,914	—	—	66,460	22.50	1,093	11
2000	198,407	71,994	126,413	47,898	—	—	77,230	25	1,312	(27)
2001	233,894	82,633	151,261	49,913	—	—	99,522	30	1,769	57
2002	204,646	87,000	117,646	265	—	—	116,782	30	618	(19)
2003	30,973	45,000	(14,027)	(154,166)[4]	—	—	140,139	36	—	(81)
2004	460,563	33,000	427,563	111,201	—	—	311,535	80	4,827	—
2005	440,054	—	440,054	51,416	—	—	382,365	96	6,273	—
2006	494,334	—	494,334	15,058	—	—	473,003	116	6,273	—

[1] Allocations to Special Reserve were used to fund bonus issues of €4.1m in October 1976, €6.2m (together with €6,019,000 from the Revaluation Reserve) in October 1977, €6.2m in October 1978, €3.1m in October 1980, €17.6m in October 1981 and €17.6m in October 1983.

[2] Plus fixed fee of €258,000 as from 30/6/89 and €1.5m as of 30/6/02.

[3] Of which €15,000 to absorb prior year loss.

[4] Of which €14,027,000 to cover loss for the year, and €140,139,000 for payment of dividend.

FUND ALLOCATION ANALYSIS §

FINANCIAL YEAR	Profit before tax for the year	Transfers to risk provisions	Net profit	ALLOCATION OF NET PROFIT: To reserves	Dividends paid out	%	Remuneration due to Board[1]	Changes in retained earnings
2005/2006	545,520	—	545,520	66,244	473,003	116	6,273	—
2006/2007	561,110	—	561,110	22,423	532,414	130	6,273	—
2007/2008	622,579	—	622,579	89,543	533,036	130	—	—
2008/2009	20,808	—	20,808	20,808	—	—	—	—
2009/2010	244,139	—	244,139	100,643	143,496	34	—	—
2010/2011	127,376	—	127,376	(16,124)	143,500	34	—	—

§ IAS/IFRS-compliant.

1 Plus fixed fee of €258,000 as from 30/6/89 and €1.5m as of 30/6/02.

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