MEDIOBANCA

Annual Accounts and Report as at 30 June 2016

MEDIOBANCA

LIMITED COMPANY
SHARE CAPITAL € 435,510,047.00
HEAD OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY

REGISTERED AS A BANK.
PARENT COMPANY OF THE MEDIOBANCA BANKING GROUP.
REGISTERED AS A BANKING GROUP

Annual General Meeting
28 October 2016

www.mediobanca.com

translation from the Italian original which remains the definitive version

BOARD OF DIRECTORS

			Term expires
	Renato Pagliaro	Chairman	2017
*	Maurizia Angelo Comneno	Deputy Chairman	2017
	Marco Tronchetti Provera	»	2017
*	Alberto Nagel	Chief Executive Officer	2017
*	Francesco Saverio Vinci	General Manager	2017
	Tarak Ben Ammar	Director	2017
	Gilberto Benetton	»	2017
	Mauro Bini	»	2017
	Marie Bolloré	»	2017
	Maurizio Carfagna	»	2017
*	Angelo Casò	»	2017
	Maurizio Costa	»	2017
	Massimiliano Fossati	»	**
	Vanessa Labérenne	»	2017
	Elisabetta Magistretti	»	2017
	Alberto Pecci	»	2017
*	Gian Luca Sichel	»	2017
*	Alexandra Young	»	2017

* Members of Executive Committee
** Resigned on 21 September 2016

STATUTORY AUDIT COMMITTEE

Natale Freddi	Chairman	2017
Laura Gualtieri	Standing Auditor	2017
Gabriele Villa	» »	2017
Alessandro Trotter	Alternate Auditor	2017
Barbara Negri	» »	2017
Silvia Olivotto	» »	2017

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Massimo Bertolini	Head of Company Financial Reporting and Secretary to the Board of Directors

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REVIEW OF GROUP OPERATIONS

In a financial year where at least three of the four quarters were affected by significant market turmoil and by structural reductions in interest rates, the Mediobanca Group delivered a net profit of €604.5m, higher than the €589.8m, due to a good performance by the banking activities (with gross operating profit up 8.9%, from €423m to €460.5m) and principal investing (up 13.5%, from €242.5m to €275.3m). Diversification of the Group's funding sources enabled revenues to remain stable at €2,046.6m, on a higher contribution from the retail and consumer businesses of €1,116.9m (30/6/15: €1,008m), which absorbed the reduction in wholesale banking (from €643.6m to €496.9m), this sector having been hit harder by the substantial reduction in interest rates and lower business volumes. The second distinguishing feature of the financial year under review was the significant reduction in the cost of risk, down 21.4%, from €532.7m to €418.9m, in consumer banking in particular, which, however, was offset by the contributions made to the Bank Resolution Fund and the Deposit Guarantee Scheme totalling €92m.

The main income items performed as follows:

– net interest income was up 5.6%, from €1,142.5m to €1,206.7m, confirming the trends witnessed in recent quarters, with consumer credit up 12.9% (from €694.1m to €783.7m), due to higher volumes and resilient margins, and wholesale banking declining (from €217.5m to €177.9m) as a result of the reduction in asset profitability, more pronounced than the trend in the cost of funding;

– net treasury income totalled €133.1m (€207.1m), reflecting reduced contributions from the banking book, of €17.1m (versus €75.5m last year,) and from forex trading, of €18.5m (€59.9m), only in part offset by the improvement in fixed-income trading (€36.8m, compared with a €22.2m loss last year);

– net fee and commission income came in at €450.1m (including €8.9m contributed by Cairn Capital for the second half-year), below the €471.8m reported at end-June 2015, due to fees earned by wholesale banking reducing from €219.2m to €259.3m, as a result of the less favourable market performance, and in those earned from consumer finance, from €147m to €140.8m; worth mentioning is the improved performance by CheBanca!, with fees rising from €27.6m to €43.4m, reflecting the increase in indirect funding (from €2,853m to €3,938m);

– profits earned by the equity-accounted companies rose from €224m to €256.7m, due to the higher profits reported by Assicurazioni Generali.

Operating costs rose by 5.3%, from €847.2m to €891.9m, including approx. €10m attributable to Cairn Capital, the increase being split equally between labour costs (up 5.1%) and administrative expenses (up 5.4%) due to higher volumes, in the retail and consumer businesses in particular, and to enhancement of the central and governance systems (risk management, treasury, regulation).

Loan loss provisions were down 21.4%, from €532.7m to €418.9m, and were made up as follows: €28.5m (€74.9m) in corporate and private banking, where an approx. €20m writeback was reported following repayments; €377m (€443.4m) in retail and consumer finance; and €13.4m (€15.3m) in leasing. The reduction in the cost of risk, from 168 bps to 124 bps, reflects the widespread improvement in the risk profile for corporates and households. Non-performing loans decreased from €1,152.3m to €1,016.7m, due to lower additions as well as repayments and disposals. The coverage ratio improved from 53% to 54%, near the highest levels recorded during the three-year period; the coverage ratio for performing loans also improved, from 0.8% to 1%, for consumer finance in particular where the ratio increased from 1.3% to 2%.

Net gains on the securities portfolio of €124.2m (30/6/15: €125.6m) include the gain realized on tendering the Group's stake in Pirelli under the terms of the takeover bid for the company (€87.7m), the sale of 3 million shares in Assicurazioni Generali (€20m), plus other gains totalling €16.5m, split equally between listed and unlisted equities; writedowns of €19.4m in respect of AFS shares (€20.4m) involve as to €10,2m the charge taken on RCS MediaGroup and at 31 December 2015 and as to €7m unlisted equities.

Other provisions and charges of €104.3m include a one-off contribution of €57.3m to the Bank Resolution Fund for the measures taken in respect of Banca delle Marche, Banca Popolare dell'Etruria, Cassa di Risparmio di Chieti and Cassa di Risparmio di Ferrara; €28.2m in ordinary contributions to the same fund for years 2015 and 2016 (in addition to the €13.5m set aside last year), and

€6.4m in transfers made to the new Deposit Guarantee Scheme (DGS) for FY 2015 and 1H 2016.

Turning now to the individual areas of activity:

Corporate and private banking (CIB) reported a €134m net profit, down on the €192.9m reported last year, with revenues down 17.7% due largely to the reduced contribution from treasury income, on resilient loans and advances to customers; loan loss provisions were also down, from €74.9m to €28.5m. Both segments delivered lower earnings than last year: wholesale banking down from €157m to €104.5m, and private banking down from €35.9m to €29.5m.

Retail and Consumer Banking (RCB) reflects a net profit of €178m, more than twice the €80.4m reported last year, on higher revenues of €1,116.9m (€1,008m) and lower loan loss provisions of €377m (€443.4m). Consumer credit posted a net profit of €170.5m (€94m), with revenues up 9.9%, from €841.3m to €924.5m, driven by 12.9% growth in net interest income, with costs virtually unchanged and loan loss provisions declining from €423m to €360.4m despite the higher volumes and enhanced provisioning for non-performing (65%) and performing loans (2%). CheBanca!, in line with expectations, posted its first-ever net profit for the twelve months, of €7.5m, boosted by strong top-line growth (from €166.7m to €192.4m), driven by fees (which were up 57.2%, from €27.6m to €43.4m) in connection with the growth in asset management, with costs flat at €163.3m (€160.6m) and loan loss provisions down from €20.4m to €16.6m.

Principal Investing reported net profit up from €335.4m to €370.2m, due to an increased contribution from Assicurazioni Generali of €255m (€223.9m); gains realized on disposal totalling €119.8m include €20m from the sale of 3 million Assicurazioni Generali shares (0.22% of the company's share capital).

The Corporate Centre (including leasing) reflects a loss of €77m, which is higher than last year (30/6/15: €24.1m) because of the payments made to the Bank Resolution Fund referred to above. Leasing operations show a net profit of €4.6m (€3.3m), with revenues up from €55.2m to €54.6m and loan loss provisions down from €15.3m to €13.4m.

Turning to the balance-sheet aggregates, total assets increased from €53.2bn to €56.4bn, reflecting growth in loans and advances to customers, up 5.2% from €32.9bn to €34.6bn (in all business segments), in AFS securities (from €8.1bn to €8.6bn), and in treasury assets (from €4.9bn to €5.5bn). At the same time there were also increases in debt securities (from €19.7bn to €21.1bn) and retail funding (from €9.6bn to €10.7bn). Assets under management in private banking fell from €16.6bn to €16.5bn, due to the market effect, while the CheBanca! component rose from €2.9bn to €3.9bn. The figures also include the assets managed by Cairn Capital, €0.9bn of which in credit funds, €1.3bn in CLOs issued and €5.9bn in assets managed under long-term advice.

The Group's capital ratios as at 30 June 2016, based on the phase-in regime and proposed dividend of €0.27 per share, remain at high levels and comfortably above the regulatory limits: in particular, as a result of healthy capital generation, the Common Equity Ratio rose from 11.98% to 12.08% despite reflecting the reduction of part of the Assicurazioni Generali investment (€1,285,8m) to comply with the regulatory concentration limit; while the total capital ratio rose from 14.91% to 15.27%. The fully-phased ratios (i.e. with full application of CRR - in particular the right to include the whole AFS reserve in the CET1 calculation - and the Assicurazioni Generali investment weighted at 370%) rise to 12.57% for the CET1 ratio and to 15.87% for the total capital ratio respectively.

* * *

Significant events that took place during the twelve months include:

– further disposals from the Bank's equity investment portfolio, in line with the 2014-16 strategic plan which has seen sales totalling €1.5bn yielding gains of almost €500m. In particular the investments in Pirelli (€215.4m) and Edipower (€55.1m) were both sold during the year, while the process of reducing the Assicurazioni Generali stake was launched, with 3 million shares being sold for an amount of €59.4m), although the process has had to be interrupted due to the adverse market conditions;

– finalization of the debt restructuring agreement for Burgo Group (pursuant to Article 67 of Italian law 80/05, resulting in the previous exposure (€496.5m) being converted into: i) equity instruments worth €130.4m; ii) a €65.2m convertible bond; and iii) a residual loan of €300.9m expiring in 2022. As previously, the new instruments (which entail merely rights protecting the creditors' position) have been written off entirely against the existing provisions;

- acquisition of a 51% stake in Cairn Capital Group Ltd, the London-based asset management and credit advisory specialist. The purchase was completed on 31 December 2015 through the transfer of the 51% stake in return for payment of a £23m; the terms of the agreement provide for put-and-call clauses over the other 49% exercisable between 2018 and 2021, along with payment of a possible earn-out on shares sold by the current management. Goodwill, calculated based on 100% of the investment, totals €44.9m and is offset by a €25.2m liability in respect of the deferred payment; Cairn Capital will start to contribute to the Group's earnings results starting from 1 January 2016;
- execution of an agreement with Barclays Bank PLC for CheBanca! to acquire a selected perimeter of Barclays' Retail Banking operations in Italy consisting of 85 branches, €2.5bn in mortgage loans, approx. €2.9bn in deposits and €2.9bn in indirect funding, €2bn of which assets under management. The acquisition, which was finalized on 26 August 2016, will enable CheBanca! to speed up its growth significantly, doubling indirect funding and growing its customer base (by 38% to reach 800,000). Strengthening Mediobanca's role in the asset management segment for private customers via CheBanca! is one of the key points of the Group's strategic plan, which is focused on allocating an increasing share of capital to low capital absorption, high fee-generating activities;
- transformation of Compass from financial services company to bank with effect from 1 October 2015, under the name of Compass Banca;
- streamlining of the leasing platform through subsidiaries Palladio Leasing and Teleleasing being merged into their parent company SelmaBipiemme Leasing (having acquired the 20% previously held by minority shareholder Telecom Italia);
- approval by the Board of Directors of the self-assessment process for governing bodies required under the instructions issued by the Bank of Italy on 11 January 2012, and the requirement of certain directors to qualify as independent as defined by Article 148, para. 3 of Italian legislative decree 58/98 and by the Code of Conduct in respect of listed companies;
- approval by the Board of Directors of the first Group Recovery Plan as required by the Bank Recovery and Resolution Directive ("BRRD"; or Directive 2014/59/EU);
- the appointment of Philippe Dufournier (formerly Head of Global Finance for the EMEA area in Nomura) as Head of Lending and Structured Finance in the CIB area;

– confirmation of Mediobanca's ratings by Fitch at BBB+ with stable outlook and by S&P's at BBB-, again with stable outlook;

– conclusion of the stress test exercised carried out by the ECB in July 2016, which showed, in the adverse scenario for 2018, an impact on CET1 of just 94 basis points (compared to a banking system average of 380 bps); the CET1 ratio as at December 2018, calculated using the phase-in rules, currently stands at 11.46%, comfortably above the SREP minimum requisite of 8.75%.

Developments in capital markets

Recourse by companies to the Italian capital market declined further in the twelve months ended 30 June 2016, down €0.8bn, and at €6.4bn posted the third lowest level seen in the past twenty years. Public tender offers showed a marked recovery, reaching the highest level since 2007/08 (€6.1bn), with dividends too up to €15.7bn (vs €14.9bn the previous year). The net flow of funds to companies thus became even more pronounced, at €15.4bn, in line with the trend witnessed since 2000/01 (with the exception of 2008/09):

(€m)

		12 mths to 30/6/14		12 mths to 30/6/15		12 mths to 30/6/16
Issues and placements of:°						
convertible ordinary and savings shares		11,515		7,199		6,397
non-convertible preference and savings shares		19		—		—
convertible and cum warrant bonds		16		6		—
Total		11,550		7,205		6,397
*of which, for rights issues:**						
par value	*8,900*		*3,890*		*2,823*	
share premium	*1,497*	*10,397*	*1,098*	*4,988*	*1,860*	*4,683*
Dividends distributed		12,981		14,899		15,722
Public tender offers		455		549		6,067
Balance		(1,880)		(8,243)		(15,392)

° Excluding placements restricted to professional investors.

* Excluding IPOs and other public offers (none were implemented during the years shown in the table), offers restricted to employees, and offers without option rights.

After six years in which fund-raising has been carried out primarily by banks, this year industrial groups accounted for the lion's share of the rights issues, approx. four-fifths of the total indeed, with the share premium recovering further, from 22% to 40%. Public tender offers improved again, albeit still at low levels, at €1,664m (€1,305m). Issues reserved to staff members, generally as part of stock option schemes, totalled €48m, reflecting a substantial reduction not just on the all-time high recorded the previous year (€656m), but also on the €151m reported the year before that, in 2013/14; the number of companies involved in these issues followed a similar trend, down from 17 in 2014/15 to 11 this year. The most recent convertible bond issues for significant amounts date back to 2010/11.

The growth in dividends last year continued in 2015/16, up 5%, from €14.9bn to €15.7bn, the highest amount in the entire five-year period), with the payout ratio stable at 51%. The recovery was particularly marked for banks (up €1.6bn), while insurances paid out €0.5bn more in dividends and industrials €1.2bn less. The banks' share of the total dividends distributed rose from 14.8% to 23.1% and that of the insurances from 10.9% to 14.7%, with the share accounted for by the industrials falling from 74.3% to 62.2%. Two listed companies out of five failed to pay dividends, representing barely 7% of the aggregate market capitalization (compared with 8% last year). Public tender offers resulted in four companies being delisted (compared with three last year).

The net 2015 aggregate results posted by Italian companies listed at end-June 2016 reflect combined earnings of €11.1bn (€8bn). The benefit deriving from the banks returning to profits after four consecutive years of losses (posting a net profit of €7bn in the twelve months, compared with a €4.5bn loss last year, at a ROE of 4.5%) was only in part mitigated by the fall in profits reported by the industrial companies (from €10.5bn to €1.6bn), with the insurance companies consolidating the result posted twelve months previously (net profits up from €2bn to €2.4bn).

The contributing factors in the banks' performance included the slight improvement in net revenues (up €2.2bn), lower loan loss provisions (down €11.4bn) and writedowns to goodwill (down €1.9bn), these positive effects being mitigated chiefly by the increase in overheads (up €2.2bn) and taxation (up €1.9bn). In 2015 regulatory capital continued to strengthen, up 2.7%, which, along with the 1.7% reduction in risk-weighted assets, drove an improvement in the total capital ratio, from 14.5% to 15.1%.

Leverage, expressed in terms of the ratio between total assets and tangible net equity (excluding the so-called Tremonti bonds) also fell from 18.5x to 17.2x (compared with an average for the leading European banking groups of approx. 19.9x, down from 22.5x the previous year).

The insurance companies' profits for the twelve months improved from €2bn to €2.4bn (ROE up from 6.9% to 8.3%). The higher net revenues from non-insurance business, up €1.1bn, together with the increase in other business (up €0.4bn), offset the €0.3bn increase in operating costs the €0.2bn rise in net claims, the weaker balance of sundry insurance business (down €0.3bn), and the harsher tax burden (€0.2bn).

Industrial groups recorded a sharp reduction in operating profit, from €10.5bn to €1.6bn, with ROE down from 5.5% to 0.8%. The decline in valude added (down €9.2bn) and net extraordinary income (down €2.8bn) was mitigated only slightly by the reduction in income tax (down €1.7bn) and labour costs (€1.2bn), along with the higher gains on disposals (up €0.9bn).

The profits earned by the companies included in the STAR segment increased further, from €1bn to €1.2bn (ROE up from 9.7% to 11.2%). The industrial companies' aggregate net equity showed a slight, 1% increase, which, along with the 2% reduction in borrowings, led to a lower debt/equity ratio than in 2014, at 108% (112%).

The Mediobanca share price index showed a sharp decline during the twelve months, losing 28% (25% in the total return version), driven in particular by banks (which lost 58%), with the industrials also falling (by 9%) but by much less than the market average; while the decrease reported by the insurance companies was around the 35% mark. The average daily value of stocks traded on the MTA in the twelve months ended 30 June 2016 showed an approx. 11% reduction on the previous year, down from €3.1bn to €2.8bn per session. The free float also declined, from 61% to 59%, as did the turnover ratio (from 19% to 16%), while volatility rose from 1.9% to 2.2%. The contraction in share prices was in part offset by the recovery seen since end-June, the index having gained around 8% up until 8 September 2016, chiefly due to the upturn in the banking index (which has put on 22% since the balance-sheet date).

In the twelve months ended 1 April 2016, the reduction in share prices which affected all western markets with the excepton of the United States was reflected in the changes recorded in the dividend yields and also, albeit to a lesser extent, in the price/earnings ratios. The indexes generally showed increases, in some cases significant:

	Price/dividend (%)		Price/earnings (%)	
	2014	2015	2014	2015
Benelux **	2.7	3.1	4.0	4.6
France *	2.4	2.7	4.2	5.2
Germany *	2.2	2.1	4.1	5.0
Italy *	2.4	3.3	4.2	5.5
United Kingdom *	3.0	3.1	4.8	4.6
United States *	2.2	2.6	5.0	4.6
Switzerland **	2.8	3.4	4.8	4.1

* 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 2016 The changes in prices on the principal stock markets between 1 April 2015 and 1 April 2016 were as follows (indexes used are in brackets): Italy down 20.8% (Mediobanca MTA), Switzerland down 15.9% (SMI), Netherlands down 11.3% (AEX), Germany down 18% (CDAX), United States up 0.6% (S&P 500), Belgium down 10.8% (BAS), France down 13.4% (SBF 250), United Kingdom down 8.2% (FTSE All-Share).

Assets managed by mutual funds incorporated under Italian law (including funds of funds, closed and hedge funds) continued their increase in AUM, which in June 2016 totalled €231.5bn (€228.7bn one year previously): the net inflow of €8.6bn was in part offset by the €5.8bn operating loss posted for the twelve months. Roundtrip funds continue to see their assets increase, and like the Italian UCITS, were helped by subscriptions outweighing redemptions by an amount in the region of €25bn, despite a €9.5bn operating loss. As at end-June 2016 assets managed by such funds had risen in the twelve months from €315.4bn to €330.9bn.

The aggregate market capitalization of listed companies at 30 June 2016 totalled €407bn, compared with €536bn twelve months previously, with the free float increasing from €329bn to €241bn; the €129bn increase, net of rights issues and changes to the stock market composition, is due largely to changes in market prices.

* * *

The Italian consumer credit market resumed double-digit growth levels in 2015, up 13.9% on 2014 for a total of €52.3bn in finance.

The upward trend continued in the first five months of 2016, with even more pronounced growth in this sector, of 20.3%. The aggregate data reflect growth in all product segments, with reference in particular to automotive financing (cars and motorbikes (up 27%), in line with the trend in new car registrations to private individuals (up 25%), and personal loans (up 17%). Special purpose loans also show healthy growth, of 12%, as did salary-/ pension-backed finance (of 11%). Credit cards were up 24%, but the result was far less impressive in the instalment segment (up just 1%).

	2012		2013		2014		2015		1H 2016	
	€m	%	€m	%	€m	%	€m	%	€m	%
Vehicle credit	9,934	20.7	9,333	20.5	10,047	21.6	11,805	22.6	10,662	34.3
Personal loans	17,131	35.6	15,367	33.9	15,280	32.8	17,570	33.6	7,351	23.6
Specific purpose loans	3,878	8.1	3,690	8.1	3,571	7.7	3,931	7.5	2,012	6.5
Credit cards	13,064	27.2	12,788	28.1	13,463	28.8	14,474	27.7	8,420	27.1
Salary-backed finance	4,067	8.4	4,254	9.4	4,226	9.1	4,484	8.6	2,654	8.5
	48,074	100.0	45,432	100.0	46,587	100.0	52,264	100.0	31,099	100.0

Source: Assofin.

The Italian real estate market in 2015 saw the growth trend which started the previous year continue, with the number of properties sold up 6.6%, from 421,000 to 449,000, albeit still below the high recorded in 2007 when 877,000 properties changed hands. However, the growth reported in 1Q 2016 was even higher, with the number of residential house purchases up over 20% on the same period the previous year (from 95,000 to 115,000).

With over €41bn in mortgages disbursed in 2015, the healthy trend in domestic mortgage lending for residential properties shown in 2014 continued (when over €24b was granted). This performance was driven by the significant and strongly-growing phenomenon of borrowers changing their mortgage lender, which Assofin sources suggest accounts for over 25% of the total financed.

The Italian leasing market in 2015 saw the positive trend recorded in 2014 continue. Over 371,000 new leases were executed, an increase of 13.1%, for a total value of €17.1bn, up 5.5% on 2014. In the first six months of 2016 the leasing market continued to grow, too, with 200,000 contracts and approx. €9bn financed; this represents year-on-year growth of 18.4% in quantity and 13.1% in value terms.

New loans	**2012**		**2013**		**2014**		**2015**		**1H 2016**	
	€m	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**
Vehicles	4,855	29.1	4,568	31.7	5,310	33.2	6,256	36.6	3,518	39.2
Core goods	7,829	47.0	6,741	46.7	6,381	40.0	6,660	38.9	3,506	39.0
Property	3,587	21.6	2,939	20.4	4,064	25.5	3,874	22.6	1,760	19.6
Yachts	385	2.3	179	1.2	207	1.3	322	1.9	194	2.2
	16,656	100.0	14,427	100.0	15,962	100.0	17,112	100.0	8,978	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

(€m)

	12 mths ended 30/6/15	12 mths ended 30/6/16	Chg. (%)
Profit-and-loss data			
Net interest income	1,142.5	1,206.7	5.6
Treasury income	207.1	133.1	-35.7
Net fee and commission income	471.8	450.1	-4.6
Equity-accounted companies	224.0	256.7	14.6
Total income	**2,045.4**	**2,046.6**	**0.1**
Labour costs	(419.3)	(440.8)	5.1
Administrative expenses	(427.9)	(451.1)	5.4
Operating costs	**(847.2)**	**(891.9)**	**5.3**
Gains (losses) on AFS, HTM and L&R	125.6	124.2	-1.1
Loan loss provisions	(532.7)	(418.9)	-21.4
Provisions for financial assets	(20.4)	(19.4)	-4.9
Other profits (losses)	(13.6)	(104.3)	n.m.
Profit before tax	**757.1**	**736.3**	**-2.7**
Income tax for the period	(164.2)	(128.7)	-21.6
Minority interest	(3.1)	(3.1)	n.m.
Net profit	**589.8**	**604.5**	**2.5**
Gross operating profit from banking activities [1]	**423.0**	**460.5**	**8.9**

[1] *Gross operating profit from banking activities:* total income less operating costs and loan loss provisions net of the contribution from Principal Investing (PI).

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

RESTATED BALANCE SHEET

(€m)

	30/6/15	30/6/16
Assets		
Treasury funds	4,920.3	5,517.1
AFS securities	8,063.1	8,639.4
of which: fixed-income	*6,950.5*	*7,725.1*
equities	*1,081.1*	*859.3*
Fixed financial assets (HTM & LR)	1,793.9	2,165.2
Loans and advances to customers	32,889.6	34,592.7
Equity investments	3,411.4	3,193.3
Tangible and intangible assets	718.9	757.8
Other assets	1,411.9	1,484.6
of which: tax assets	*954.2*	988.7
Total assets	53,209.1	56,350.1
Liabilities and net equity		
Funding	42,711.3	45,933.8
of which: debt securities in issue	*19,671.1*	*21,088.4*
retail deposits	*9,634.8*	*10,724.0*
Other liabilities	1,446.1	1,314.2
of which: tax liabilities	*625.0*	*573.0*
Provisions	184.6	180.3
Net equity	8,277.3	8,317.3
of which: share capital	*433.6*	*435.5*
reserves	*7,735.7*	*7,792.6*
minority interest	*108.0*	*89.2*
Profit for the period	589.8	604.5
Total liabilities and net equity	53,209.1	56.350.1
Tier 1 capital	*7,137.5*	*6,504.8*
Regulatory capital	*8,882.6*	*8,227.2*
Tier 1 capital/risk-weighted assets	*11.98%*	*12.08%*
Regulatory capital/risk-weighted assets	*14.91%*	*15.27%*
No. of shares in issue (millions)	*867.2*	*871.0*

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

(€m)

30/6/16	Corporate & Private Banking	Principal Investing	Retail & Consumer Banking	Corporate Centre	Group
Profit-and-loss data					
Net interest income	215.3	—	932.7	53.0	1.206.7
Treasury income	112.9	29.2	—	(0.1)	133.1
Net fee and commission income	310.4	—	184.2	11.2	450.1
Equity-accounted companies	—	255.0	—	—	256.7
Total income	**638.6**	**284.2**	**1,116.9**	**64.1**	**2,046.6**
Labour costs	(235.7)	(7.5)	(168.3)	(29.2)	(440.8)
Administrative expenses	(172.1)	(1.4)	(291.3)	(38.7)	(451.1)
Operating costs	**(407.8)**	**(8.9)**	**(459.6)**	**(67.9)**	**(891.9)**
Gain (losses) on disposal of AFS shares	4.5	119.8	—	—	124.2
Loan loss provisions	(28.5)	—	(377.0)	(13.4)	(418.9)
Provisions for financial assets	(1.8)	(17.9)	—	—	(19.4)
Other profits (losses)	(5.4)	—	(8.1)	(92.3)	(104.3)
Profit before tax	**199.6**	**377.2**	**272.2**	**(109.5)**	**736.3**
Income tax for the period	(65.6)	(7.0)	(94.2)	35.6	(128.7)
Minority interest	—	—	—	(3.1)	(3.1)
Net profit	**134.0**	**370.2**	**178.0**	**(77.0)**	**604.5**
Cost/Income ratio (%)	63.9	3.1	41.1	105.9	43.6
Balance-sheet figures					
Treasury funds	6,601.5	—	9,388.5	69.6	5,517.1
AFS securities	7,669.9	851.9	542.5	—	8,639.4
Fixed financial assets (HTM & LR)	4,958.9	—	0.8	—	2,165.2
Equity investments	—	3,096.6	—	—	3,193.3
Loans and advances to customers	26,398.0	—	16,893.1	2,494.5	34,592.7
of which: to Group companies	*10,707.5*	*n.m.*	*n.m.*	*n.m.*	*n.m.*
Funding	(42,585.0)	—	(22,293.8)	(2,508.2)	(45,933.8)
Risk-weighted assets	31,163.2	6,572.5	13,893.6	2,232.3	53,861.6
No. of staff	1,120 *	—	2,593	462	4,036

* Includes 139 staff employed by Banca Esperia pro-forma, not included in the Group total.

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

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 (€0,7m and minus €5.2m as at 30/6/16 and 30/6/15 respectively).

(€m)

30/6/15	Corporate & Private Banking	Principal Investing	Retail & Consumer Banking	Corporate Centre	Group
Profit-and-loss data					
Net interest income	251.2	—	833.2	54.9	1,142.5
Treasury income	181.9	29.6	0.2	(0.1)	207.1
Net fee and commission income	342.9	—	174.6	8.8	471.8
Equity-accounted companies	—	223.9	—	—	224.0
Total income	**776.0**	**253.5**	**1,008.0**	**63.6**	**2,045.4**
Labour costs	(230.3)	(9.0)	(157.6)	(31.9)	(419.3)
Administrative expenses	(154.8)	(2.0)	(290.6)	(25.0)	(427.9)
Operating costs	**(385.1)**	**(11.0)**	**(448.2)**	**(56.9)**	**(847.2)**
Gain (losses) on disposal of AFS shares	2.6	123.4	—	—	125.6
Loan loss provisions	(74.9)	—	(443.4)	(15.3)	(532.7)
Provisions for financial assets	0.4	(20.8)	—	—	(20.4)
Other profits (losses)	(2.7)	—	—	(13.5)	(13.6)
Profit before tax	**316.3**	**345.1**	**116.4**	**(22.1)**	**757.1**
Income tax for the period	(123.4)	(9.7)	(36.0)	1.1	(164.2)
Minority interest	—	—	—	(3.1)	(3.1)
Net profit	**192.9**	**335.4**	**80.4**	**(24.1)**	**589.8**
Cost/Income ratio (%)	49.6	4.3	44.5	89.5	41.4
Balance-sheet figures					
Treasury funds	5,090.4	13.9	7,248.8	138.7	4,920.3
AFS securities	6,603.7	1,071.5	700.1	—	8,063.1
Fixed financial assets (HTM & LR)	5,133.7	—	1,264.5	—	1,793.9
Equity investments	—	3,318.1	—	—	3,411.4
Loans and advances to customers	25,121.0	—	15,512.1	2,760.8	32,889.6
of which: to Group companies	*10,015.2*	*n.m.*	*n.m.*	*n.m.*	*n.m.*
Funding	(39,033.5)	—	(23,730.9)	(2,794.3)	(42,711.3)
Risk-weighted assets	33,375.6	11,672.2	12,159.7	2,369.6	59,577.1
No. of staff	1,034 *	—	2,481	409	3,790

* Includes 134 staff employed by Banca Esperia pro-forma, not included in the Group total.

Balance sheet

The main balance-sheet items, of which Mediobanca S.p.A. contributes approx. 50%, showed the following trends for the twelve months under review (comparative data as at 30 June 2015):

Funding – this item rose from €42.7bn to €45.9bn, due chiefly to debt securities (up from €19.7bn to €21.1bn) and higher CheBanca! retail deposits (up from €9.6bn to €10.7bn). New bonds worth €3.5bn were issued during the twelve months (€0.5bn of which subordinate Lower Tier 2, and approx. €0.7bn covered bond), against expiries and buybacks totalling €2.9bn and new commercial paper worth €0.9bn. CheBanca! retail deposits returned to growth in the period, despite the transformation from direct to indirect funding. Recourse to the ECB funding channel was basically stable, with the new Target-LTRO 2 programme being activated (involving an amount of some €1.1bn), and the previous programme being repaid as to €1.6bn.

	30/6/15		30/6/16		Chg.
	(€m)	%	(€m)	%	
Debt securities	19,671.1	46%	21,088.4	46%	7.2%
CheBanca! retail funding	9,634.8	23%	10,724.0	23%	11.3%
Interbank funds	3,836.5	9%	4,393.6	10%	14.5%
T-LTRO/LTRO	5,478.0	13%	5,011.0	11%	-8.5%
Other funds	4,090.9	9%	4,716.8	10%	15.3%
Total funding	**42,711.3**	**100%**	**45,933.8**	**100%**	**7.5%**

Loans and advances to customers – loans and advances to customers rose by 5.2%, with all segments growing: despite lower margins, wholesale banking saw loans increase 3.1% (from €13.7bn to €14.1bn), on new loans of €6.6bn against repayments totalling €6.2bn (€2.4bn of which early); consumer finance was up 8.8% (from €10.9bn to €11.9bn, on new loans totalling €6.4bn), helped by the growing contribution from the factoring business (€493.8m against €157.8m); retail banking (loans up 9.1%, from €4.6bn to €5bn) shows new business of €1.1bn, in line with the upturn in the domestic Italian mortgage market in part offset by higher subrogations; while loans in private banking were up 17.6%, from €912.4m to €1,072.6m; only leasing saw loans reduce (by 9.7%, from €2.8bn to €2.5bn), due to greater selectivity in granting new loans. Non-performing loans decreased in all areas, down 11.8%, from €1,152.3bn to €1,016.7m, in particular in consumer finance (down 15.2%) and leasing (down 14.7%). NPLs now account for just 2.9% (3.5%) of the total loan book, on a coverage ratio which rose to 54% (53%). Bad debts of €255m (€258.9m) represent 0.74% (0.79%) of the total loan book.

	30/6/15		30/6/16		Chg.
	(€m)	%	(€m)	%	
Wholesale banking	13,704.4	42%	14,134.3	41%	3.1%
Private banking	912.4	3%	1,072.6	3%	17.6%
Consumer	10,906.3	33%	11,866.2	34%	8.8%
of which: Creditech	*524.5*	*2%*	*871.0*	*3%*	*66.1%*
Retail banking	4,605.8	14%	5,025.4	15%	9.1%
Leasing	2,760.7	8%	2,494.2	7%	-9.7%
Total loans and advances to customers	**32,889.6**	**100%**	**34,592.7**	**100%**	**5.2%**

	30/6/15		30/6/16		Chg.
	(€m)	%	(€m)	%	
Wholesale banking	426.8	37%	379.0	37%	-11.2%
Private banking	3.2	—	2.8	—	-12.5%
Consumer	302.4	27%	256.3	25%	-15.2%
Retail banking	150.1	13%	148.5	15%	-1.1%
Leasing	269.8	23%	230.1	23%	-14.7%
Total net non performing loans	**1,152.3**	**100%**	**1,016.7**	**100%**	**-11.8%**
- of which: bad loans	*258.9*		*255.0*		*-1.5%*

Equity investments – these fell from €3,411.4m to €3,193.3m due to Assicurazioni Generali. Equity-accounting for this investment in particular involved booking profits for the period totalling €255m, virtually all of which was adjusted by dividends collected (€146m), valuation reserves down €236.2m, plus other downward asset adjustments totalling €41.6m (mostly due to the sale of BSI). A total of 3,381,604 Assicurazioni Generali shares, or 0.22% of its share capital, were also sold during the period at a price of €17.7 per share, generating a gain of €20m. The sales were suspended following the sharp reductions in stock market prices, which took the shares to far below their book value of €15.25. The impairment test confirmed that the net present value of the investment is higher than its book value, meaning that no writedowns are necessary.

The book value of the 50% stake in Banca Esperia rose from €93.3m to €96.7m, following €1.8m in profits for the period and a €1.7m increase in the valuation reserves.

The Fidia investment was also written off, with a total of €0.5m collected during the final liquidation, and a further €1m was collected from Athena PE, also in connection with the fund's liquidation process.

	% share capital	30/6/15	30/6/16
Assicurazioni Generali	13.0	3,311.7	3,091.8
Banca Esperia	50.0	93.3	96.7
Burgo Group	22.13	—	—
Fidia	25.0	0.5	—
Athena Private Equity	24.27	5.9	4.8
Total Investments		**3,411.4**	**3,193.3**

Based on stock market prices as at 30 June 2016, the Assicurazioni Generali investment has a market value of €2,138.6m, while at current prices its worth is €2,365.7m.

Fixed financial assets – these rose from €1,793.9m to €2,165.2m, due to the increase in the position in Italian and non-Italian (Eurozone) securities made in the third quarter. In the twelve months under review there were purchases of just over €1bn and redemptions totalling €636m, for the most part involving bonds by corporate and financial issuers. This portfolio showed an unrealized gain which, at the balance-sheet date, had fallen from €108.2m to €100m.

	30/6/15		30/6/16		Chg.
	(€m)	%	(€m)	%	
Financial assets held to maturity	1,311.7	73%	1,975.4	91%	50.6%
Unlisted debt securities (stated at cost)	482.2	27%	189.8	9%	-60.6%
Total fixed financial assets	**1,793.9**	**100%**	**2,165.2**	**100%**	**20.7%**

	30/6/15		30/6/16		Chg.
	Book value	%	*Book value*	%	
Italian government securities	358.1	20%	704.7	33%	n.m.
Foreign government bonds	—	—	410.4	19%	n.m.
Other government securities	697.9	39%	482.7	22%	-30.8%
- of which: Italian	*335.1*	*19%*	*288.3*	*13%*	*-14.0%*
Corporate bonds	737.9	41%	567.4	26%	-23.1%
Total debt securities	**1,793.9**	**100%**	**2,165.2**	**100%**	**20.7%**

AFS securities – this portfolio grew from €8,063.1m to €8,639.4m, in the fixed-income segment in particular (which rose from €6,950.5m to €7,725.1m) following an increase in Eurozone government securities with the trading book being trimmed. Conversely sales of equities continued, which declined accordingly from €1,081.1m to €859.3m. Other securities held here include the stock units subscribed for by CheBanca! and Compagnie Monégasque de Banque, Yellow Sicav (€20.3m) and CMB Global Lux Sicav (€19.5m) respectively, as part of their asset management product offering to clients.

	30/6/15		30/6/16		Chg.
	(€m)	%	(€m)	%	
Debt securities	6,950.5	86%	7,725.1	89%	11.1%
Equities	1,081.1	14%	859.3	10%	-20.5%
Others	31.5	—	55.0	1%	74.6%
Total AFS securities	**8,063.1**	**100%**	**8,639.4**	**100%**	**7.1%**

On the fixed-income side there were purchases of €2,093.9m, redemptions totalling €914.1m and sales of €462.9m, yielding an €11.6m net profit. The increases involved approx. €570m in German *Bund*, €155m in Spanish *Bonos* and approx. €165m in US Treasury bills.

	30/6/15			30/6/16		
	Book Value	%	Total AFS reserve	Book Value	%	Total AFS reserve
Italian government securities	4,484.8	65%	73.9	4,386.4	57%	89.8
Other government securities	636.7	9%	(1.7)	1,572.3	20%	16.1
Financial bonds	1,250.4	18%	40.0	1,173.9	15%	33.4
- of which: Italian	*673.6*	*10%*	*21.5*	*732.8*	*9%*	*23.2*
Corporate bonds	578.6	8%	25.3	592.5	8%	24.2
Total debt securities	**6,950.5**	**100%**	**137.5**	**7,725.1**	**100%**	**163.5**

On the equity side the following stakes were sold: Pirelli (€215.4m); Edipower (€55.1m); other minor listed investments (€13.6m). A net €43.1m was invested in funds, including those relating to Cairn Capital (€61.6m). Overall gains of €104.2m were recorded (€87.7m in respect of the Pirelli stake). Writedowns of €17.9m were charged, chiefly the adjustments made to the interim accounts for the 6% stake in RCS MediaGroup (€10.2m), the 14.3% interest in Bisazza (€2.7m) and the Clessidra I fund holdings (€2.6m). Recognizing the portfolio at its fair value at the reporting date led to a €43.5m increase in book value.

	30/6/15			30/6/16		
	Book value	% ord.	Total AFS reserve	Book value	% ord.	Total AFS reserve
Atlantia\Sintonia	495.7	2.7	192.8	500.4	2.7	198.4
Pirelli & C.	217.4	3.0	89.7	—	—	—
Italmobiliare	54.1	9.5	19.6	66.5	9.5	31.9
RCS MediaGroup	36.9	6.2	6.5	26.2	6.2	6.0
Other listed companies	38.3	—	11.1	48.2	—	27.7
Edipower	55.1	5.1	—	—	—	—
Other unlisted companies	183.6	—	39.7	217.9	—	29.1
Total equities	**1,081.1**		**359.4**	**859.2**		**293.1**

The valuation reserve declined from €496.9m to €456.6m, following reversals to the profit and loss account in respect of disposals and writedowns totalling €125m; €264m involves listed shares, €29.1m unlisted shares, €89.8m Italian government securities, and €73.7m other securities and bonds.

Treasury assets – the growth in this item, from €4,920.3m to €5,517.1m, reflects the increase in funding chiefly deployed in money market assets (which were up €1,488m). The €1,739.5m reduction in debt securities primarily involved bonds by financial and corporate issuers, replaced by new banking book investments. Conversely, the position in equities increased, by €648.5m, due to short-term trades with customers.

	30/6/15		30/6/16		Chg.
	(€m)	%	(€m)	%	
Debt securities	2,931.7	60%	1,192.2	22%	-59.3%
Equities	879.6	18%	1,528.1	28%	73.7%
Derivative contract valuations	(571.5)	-12%	(371.7)	-7%	-35.0%
Stock lending	81.1	2%	561.0	10%	n.m.
Others (cash, repos, time deposits)	1,599.4	32%	2,607.5	47%	63.0%
Total net treasury assets	**4,920.3**	**100%**	**5,517.1**	**100%**	**12.1%**

	30/6/15		30/6/16	
	Book Value	%	Book Value	%
Italian government securities	207.4	7%	36.9	3%
German government securities	554.2	19%	160.4	13%
Other government securities	145.6	5%	-84.3	-7%
Financial bonds	1,436.3	49%	885.1	74%
- of which: Italian	*633.9*	*22%*	*374.1*	*31%*
Corporate bonds	588.2	20%	194.1	16%
Total debt securities	**2,931.7**	**100%**	**1,192.2**	**100%**

Tangible and intangible assets – the increase in this item, from €718.9m to €757.8m, chiefly reflects goodwill of €44.9m being booked in respect of the acquisition of 51% of Cairn Capital. This amount refers to 100% of the company and is offset by a €25.2m liability relating to the potential outlay in order to acquire the remaining share under the terms of the put-and-call agreements. The change versus the figure reported at 31 December 2015 involves exchange rate adjustments as well as a slight price adjustment. The heading also includes collection of properties under certain leasing contracts (€2.1m), plus depreciation charges for the year (€20.5m). Goodwill totalled €416.7m: €365.9m of which in relation to consumer finance (i.e. the acquisition of Linea); €5.9m in relation to fiduciary administration and corporate services provided by Spafid (following the allocation of €3.2m to intangible assets); and €44.9m in relation to Cairn Capital. All items passed the impairment test successfully.

	30/6/15		30/6/16		Chg.
	(€m)	%	(€m)	%	
Land and properties	265.0	37%	262.9	35%	-0.8%
- *of which: core*	*192.1*	*27%*	*193.4*	*26%*	*0.7%*
Other tangible assets	43.5	6%	41.9	6%	-3.7%
Goodwill	374.1	52%	416.7	55%	11.4%
Other intangible assets	36.3	5%	36.3	4%	—
Total tangible and intangible assets	**718.9**	**100%**	**757.8**	**100%**	**5.4%**

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

	Squ. m	Book value (€m)	Book value per squ. m (€'000)
Milan:			
– Piazzetta Enrico Cuccia 1	6,874	15.5	2.3
– Via Filodrammatici 3, 5, 7 - Piazzetta Bossi 1	11,093	59.4	5.4
– Piazza Paolo Ferrari 6	1,967	5.2	2.6
– Foro Buonaparte 10	3,918	8.6	2.2
– Via Siusi 1-7	22,608	28.4	1.3
Rome *	1,790	8.4	4.7
Vicenza	4,239	5.4	1.3
Luxembourg	442	4.1	9.3
Principato di Monaco	4,576	57.7	12.6
Other minor properties	2,950	0.7	0.2
	60,457	**193.4**	

* The Piazza di Spagna property, carried at a book value of €25.9m, is used only in part Mediobanca and has therefore not been included among the core assets.

Provisions – these fell from €184.6m to €180.3m, on withdrawals totalling €15.9m (chiefly in wholesale banking) and provisions amounting to €7.5m (principally in private banking and consumer finance).

	30/6/15		30/6/16		Chg.
	(€m)	%	(€m)	%	
Provisions for risks and charges	157.9	86%	151.3	84%	-4.2%
Staff severance indemnity provision	26.7	14%	29.0	16%	8.6%
of which: staff severance provision discount	*0.4*	—	*2.4*	—	*n.m.*
Total provisions	**184.6**	**100%**	**180.3**	**100%**	**-2.3%**

The provision for risks and charges serves largely to cover possible indemnities payable as a result of the litigation pending which involves Mediobanca and the other Group companies.

Net equity – the €73.6m, or 0.8%, increase in this item reflects the profit for the year (€604.5m) net of the 2015 dividend (€212.9m) and the reduction in the valuation reserve (€290.5m, €235.1m of which due to the effect of the lower valuation reserves for the equity-accounted companies). The share capital rose from €433.6m to €435.5m, following the exercise of 1,382,500 stock options and the award of 2,439,833 performance shares to staff members worth a total of €10.3m, including the share premium.

(€m)

	30/6/15	30/6/16	Chg.
Share capital	433.6	435.5	0.4%
Other reserves	6,300.1	6,647.6	5.5%
Valuation reserves	1,435.5	1,145.0	-20.2%
- *of which: AFS securities*	*432.6*	*382.9*	*-11.5%*
cash flow hedges	*(19.8)*	*(16.4)*	*-17.2%*
equity investments	*1,014.3*	*779.2*	*-23.2%*
Profit for the period	589.8	604.5	2%
Total Group net equity	**8,759.0**	**8,832.6**	**0.8%**

Of the AFS reserve, €293.2m involves equities, and €167.4m bonds and (including €89.8m in Italian government securities), net of the €77.7m tax effect.

(€m)

	30/6/15	30/6/16	Chg.
Equities	359.4	293.2	-18.4%
Bonds and other debt securities	145.2	167.4	15.3%
- of which: Italian	*73.9*	*89.8*	*21.5%*
Tax effect	(72.0)	(77.7)	7.9%
Total AFS reserve	**432.6**	**382.9**	**-11.5%**

Profit and loss account

Net interest income – despite the sharp reduction of market interest rates, net interest income was up 5.6%, from €1,142.5m to €1,206.7m, confirming the trend witnessed in recent quarters, in terms of amount (approx. €300m per quarter) and contribution: with consumer credit up 12.9%, retail operations up 7.1%) and private banking up 11%, which safeguarded margins from the effects of the reduction in funding. Net interest income from wholesale banking declined significantly, by 18.2%, as this sector is more exposed to unfavourable asset repricing.

(€m)

	12 mths ended 30/6/15	12 mths ended 30/6/16	Chg.
Wholesale banking	217.5	177.9	-18.2%
Private banking	33.7	37.4	11.0%
Consumer	694.1	783.7	12.9%
Retail banking	139.1	149.0	7.1%
Others (including intercompany accounts)	58.1	58.7	1.0%
Net interest income	**1,142.5**	**1,206.7**	**5.6%**

Net treasury income – net treasury income declined from €207.1m to €133.1m, reflecting reduced contributions from forex trading, of €18.5m (€59.9m), and the banking book, of €17.1m (€75.5m); the contribution from equity trading also fell, from €64.3m to €31.5m. Conversely, the result from fixed-income trading improved considerably, from a €22.2m loèèss last year to a €36.8m profit in the twelve months under review.

(€m)

	12 mths ended 30/6/15	12 mths ended 30/6/16	Chg.
Dividends	29.6	29.2	-1.4%
Fixed-income trading profit	113.2	72.4	-36.0%
Equity trading profit	64.3	31.5	-51.0%
Net trading income	**207.1**	**133.1**	**-35.7%**

Net fee and commission income – the 4.6% reduction in this item reflects the reduced contribution from wholesale banking in particular, down 15.5% due to lower fees from capital markets activities, of €70.6m (30/6/15: €106.6m), and lending (down from €74.5m to €51.4m), in part offset by the recovery in corporate finance (fees up 37%). Growth of 57.2% in retail commissions reflects the increase in fees earned from asset management and insurance activities by CheBanca!, which more than doubled in the twelve months, from €12.2m to €27.3m; while private banking also improved, up 9.1%, helped by the contribution from Cairn Capital in the second half (€8.8m).

(€m)

	12 mths ended 30/6/15	12 mths ended 30/6/16	Chg.
Wholesale banking	259.3	219.2	-15.5%
Private banking	83.6	91.2	9.1%
Consumer	147.0	140.8	-4.2%
Retail banking	27.6	43.4	57.2%
Others (including intercompany accounts)	(45.7)	(44.5)	-2.6%
Net fee and commission income	**471.8**	**450.1**	**-4.6%**

Equity-accounted companies – these companies contributed a profit of €256.7m (€224m), reflecting the higher profits earned by Assicurazioni Generali (up from €224m to €255m). Banca Esperia also contributed €1.8m (against virtually nothing last year).

Operating costs – operating costs rose by 5.3%, from €847.2m to €891.9m (€10m relating to Cairn Capital), 55% of which was due to strengthening the headcount in the corporate, consumer and retail banking areas. Administrative expenses rose from €381.1m to €410.7m, due to the cost of projects linked to treasury, risk management and asset management activities, plus higher consumer finance volumes, in part offset by lower marketing and advertising expenses. Other costs include €2.1m relating to the ECB loan (€0.7m).

(€m)

	12 mths ended 30/6/15	12 mths ended 30/6/16	Chg.
Labour costs	419.3	440.8	5.1%
of which: directors	*8.5*	*8.3*	*-2.4%*
stock option and performance share schemes	*14.6*	*10.9*	*-25.3%*
Sundry operating costs and expenses	427.9	451.1	5.4%
of which: depreciation and amortization	*42.9*	*40.4*	*-5.8%*
administrative expenses	*381.1*	*410.7*	*7.8%*
Operating costs	**847.2**	**891.9**	**5.3%**

			(€m)
	12 mths ended 30/6/15	**12 mths ended 30/6/16**	**Chg.**
Legal, tax and professional services	14.1	15.7	11.3%
Other consultancy expenses	28.5	38.5	35.1%
Credit recovery activities	42.8	42.6	-0.5%
Marketing and communication	53.2	51.2	-3.8%
Rent and property maintenance	37.1	38.8	4.6%
EDP	61.7	67.9	10.0%
Financial information subscriptions	28.9	30.0	3.8%
Bank services, collection and payment commissions	17.3	17.5	1.2%
Operating expenses	50.8	52.6	3.5%
Other labour costs	21.0	19.8	-5.7%
Other costs	13.0	19.9	53.1%
Direct and indirect taxes	12.7	16.2	27.6%
Total administrative expenses	**381.1**	**410.7**	**7.8%**

Gains and losses on disposals of AFS securities – this item chiefly regards the gain on the Pirelli investment (€87.7m), the Perseo liquidation asset allocation (€3.7m), and other gains on listed equities (€7.8m) and private equity funds (€4.4m).

Loan loss provisions – loan loss provisions were down 21.4%, from €532.7m to €418.9m, due to a widespread improvement in the quality of the loan book which was reflected in the reduced cost of risk (down from 168 bps to 124 bps). The cost of risk fell in consumer finance in particular, to 317 bps (30/6/15: 369 bps, net of the €40m in higher provisioning on performing loans), while in wholesale it was barely one-third of last year's figure, at 20 bps (57 bps) due to the lack of new non-performing items and writebacks in respect of various positions due to repayments (totalling approx. €20m). The reduction in NPLs, from €1,152.3m to €1,016.7m, reflects coverage ratios near the highest levels for the last three-year period of 54% (53%). NPLs in wholesale banking were down from €426.8m to €379m, with the coverage ratio worsening slightly (from 54% to 50%) as an effect of reallocating funds to cover equity investments (Burgo and Tirreno Power); in consumer finance the figures were €256.3m (€302.4m) and 72% (68%) respectively; in mortgage lending €148.5m (€150.1m) and 49% (48%), and in leasing €230.1m (€269.8m) and 32% (30%) respectively.

(€m)

	12 mths ended 30/6/15	12 mths ended 30/6/16	Chg.
Wholesale banking	74.0	28.5	-61.5%
Private banking	—	—	n.m.
Consumer	423.0	360.4	-14.8%
Retail banking	20.4	16.6	-18.6%
Other	15.3	13.4	-12.4%
Loan loss provisions	**532.7**	**418.9**	**-21.4%**
Cost of risk (bps)	**168**	**124**	**-26.2%**

Provisions for other financial assets – these refer as to €10.2m to the writedown charged in respect of the 6% stake in RCS MediaGroup at 31 December 2015, as to €4.1m to unlisted equities (in particular Bisazza), and as to €3.6m to private equity and real estate funds.

(€m)

	12 mths ended 30/6/15	12 mths ended 30/6/16
Equity investments	—	—
Shares	21.0	18.0
Bonds	(0.6)	1.4
Total	**20.4**	**19.4**

Income tax for the period – income tax fell, from €164.2m to €128.7m, with more of the dividends on the profit for the year qualifying for PEX treatment and the cost of staff employed permanently being tax-deductible for IRAP purposes; accordingly, the tax rate fell from 21.7% to 17.5%. The amount includes €18.1m in tax paid following the resolution of a dispute between Group company Compass RE with the Italian revenue authorities.

Mediobanca (as consolidating entity) has adopted tax consolidation, which includes Compass Banca, SelmaBipiemme Leasing, MIS, CheBanca!, Creditech 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 PRIVATE BANKING (WHOLESALE BANKING AND PRIVATE BANKING)

(€m)

	12 mths ended 30/6/15	12 mths ended 30/6/16	Chg. (%)
Profit-and-loss data			
Net interest income	251.2	215.3	-14.3
Treasury income	181.9	112.9	-37.9
Net fee and commission income	342.9	310.4	-9.5
Total income	**776.0**	**638.6**	**-17.7**
Labour costs	(230.3)	(235.7)	2.3
Administrative expenses	(154.8)	(172.1)	11.2
Operating costs	**(385.1)**	**(407.8)**	**5.9**
Gain (losses) on disposal of AFS shares	2.6	4.5	73.1
Loan loss provisions	(74.9)	(28.5)	-61.9
Provisions for financial assets	0.4	(1.8)	n.m.
Other profits (losses)	(2.7)	(5.4)	n.m.
Profit before tax	**316.3**	**199.6**	**-36.9**
Income tax for the period	(123.4)	(65.6)	-46.8
Net profit	**192.9**	**134.0**	**-30.5**
Cost/Income ratio (%)	49.6	63.9	

	30/6/15	30/6/16
Balance-sheet data		
Treasury funds	5,090.4	6,601.5
AFS securities	6,603.7	7,669.9
Fixed financial assets (HTM & LR)	5,133.7	4,958.9
Loans and advances to customers	25,121.0	26,398.0
of which: to Group companies	*10,015.2*	*10,707.5*
Funding	(39,033.5)	(42,585.0)

This division delivered a profit of €134m (30/6/15: €192.9m), on revenues down 17.7% largely due to a reduced contribution from the treasury portfolio and an increase operating costs (up 5.9%, from €385.1m to €407.8m), with labour costs flat. Cairn Capital's results have been included in the aggregates as from 1 January 2016, the company posting revenues of €8.8m and costs of €10m for the six months. Loan loss provisions declined from €74.9m to €28.5m, due to the absence of new non-performing items against writebacks in respect of loans regularly repaid totalling approx. €20m. Wholesale banking delivered a net profit of €104.5m (€157m), while private banking saw net profits decline from €35.9m to €29.5m.

WHOLESALE

	12 mths ended 30/6/15	12 mths ended 30/6/16	Chg. (%)
Profit-and-loss data			
Net interest income	217.5	177.9	-18.2
Treasury income	166.8	99.8	-40.2
Net fee and commission income	259.3	219.2	-15.5
Total income	**643.6**	**496.9**	**-22.8**
Labour costs	(173.6)	(172.5)	-0.6
Administrative expenses	(119.5)	(129.2)	8.1
Operating costs	**(293.1)**	**(301.7)**	**2.9**
Loan loss provisions	(74.0)	(28.5)	-61.5
Provisions for financial assets	0.5	(1.5)	n.m.
Profit before tax	**277.0**	**165.2**	**-40.4**
Income tax for the period	(120.0)	(60.7)	-49.4
Net profit	**157.0**	**104.5**	**-33.4**
Cost/Income ratio (%)	45.5	60.7	

	30/6/15	30/6/16
Balance-sheet data		
Treasury funds	3,488.0	4,400.0
AFS securities	5,831.2	6,816.2
Fixed financial assets (HTM & LR)	4,946.3	4,918.9
Loans and advances to customers	23,719.6	24,841.8
of which: to Group companies	*10,015.2*	*10,707.5*
Funding	(35,863.6)	(38,758.8)
No. of staff	654	673

The net profit earned from wholesale banking operations decreased from €157m at end-June 2015 to €104.5m, due to lower revenues (down 22.8%) and higher costs (up 3.1%), only in part offset by the reduction in loan loss provisions (from €74m to €28.5m). The main items performed as follows:

Net interest income – net interest income fell 18.2%, from €217.5m to €177.9m, despite higher average volumes, and was hit heavily by the ongoing asset repricing which offset the lower cost of funding.

(€m)

	12 mths ended 30/6/15	12 mths ended 30/6/16	Chg.
Interest receivable	1,204.9	954.9	-20.7%
Interest payable	(1,018.3)	(792.4)	-22.2%
Other [1]	30.9	15.4	-50.2%
Net interest income	**217.5**	**177.9**	**-18.2%**

[1] Includes margins on interest rate derivative contracts (heading 80) and the hedging effect (heading 90).

Net treasury income – net treasury income declined from €166.8m to €99.8m, as a result of lower gains on forex trading of €15.2m (€55.7m) and lower gains on the banking book of €15.6m (€74.7m), despite the good performance by fixed-income trading (which added €37.2m, compared to a €27.9m loss last year), in the second half in particular.

(€m)

	12 mths ended 30/6/15	12 mths ended 30/6/16	Chg.
Profit (loss) on fixed-income trading	102.5	68.1	-33.6%
of which: AFS	*74.7*	*15.6*	*-79.1%*
Profit (loss) on equity trading	64.3	31.7	-50.7%
Treasury income	**166.8**	**99.8**	**-40.2%**

Net fee and commission income – the European investment banking market in 2015 saw an upturn in M&A activity in Europe; growth on the Italian market (where the aggregate deal value doubled in size), and also in France (4%) and the United Kingdom (39%) was not matched in Germany or Spain, where contractions of 25% and 16% were recorded. Equity capital market (ECM) activity increased in the U.K. and remained stable in France while declining in Italy, Germany and Spain. Debt capital market (DCM) activity picked up in France (up 15%) and Germany (up 14%) but contracted in the UK (down 5%), Spain (down 5%) and Italy (down 2%). The EMEA debt market recorded a 9% downturn in the twelve months, the reduction in Italy being particularly substantial (50%). For leveraged finance transactions alone, the European market saw a reduction of 23%.

This market scenario drove 37.3% growth in fee income from M&A transactions for Mediobanca, from €41.8m to €57.4m, with the domestic component increasing accordingly (from 46% to 70%). The main deals include ICBPI, Banca Farmafactoring, Finmeccanica (disposal of stakes in Ansaldo STS and Ansaldo Breda), Petrolvalves, Carraro (debt advisory), Schweizer (Germany), Assicurazioni Generali (sale of non-core assets), Banca Piraeus (sale of Egyptian businesses) and Permira (Arcaplanet acquisition); advisory services in respect of the merger of Enel Green Power into Enel, the acquisition of Unicredit Credit Management Bank by Fortress, and the capital increase implemented by Eurobank, plus assisting ERG in its acquisition of windfarms in France and Germany.

Conversely, net fee and commission income from equity capital market activity declined from €86m to €52m, reflecting the lower contribution from rights issues by banks. In the first six months Mediobanca assisted Eurobank and Piraeus in their rights issues, and also advised on the IPOs by Inwit, Poste Italiane and Worldpay; while in the second half the Bank was involved in the Banco Popolare and Saipem rights issues as well as the Ferrari, Tecnogym and Coima Res IPOs. Debt capital market fees of €18m were earned in the twelve months (€20m), in connection with 46 transactions (six more than last year).

Overall net fee and commission income fell by 15.5%, from €259.3m to €219.2m), and broke down as follows:

(€m)

	12 mths ended 30/6/15	12 mths ended 30/6/16	Chg.
Lending	74.5	51.4	-31.0%
M&A advisory	41.8	57.4	37.3%
Capital markets	106.6	70.6	-33.8%
Markets, sales and other income	36.4	39.8	9.3%
Net fee and commission income	**259.3**	**219.2**	**-15.5%**

Operating costs – operating costs rose by 2.9%, from €293.1m to €301.7m, due exclusively to the administrative expenses component, which rose by 8.1%, reflecting the growth in size plus non-recurring costs linked to specific projects (treasury, risk management and regulation). Conversely, there was a slight reduction in the labour cost component.

(€m)

	12 mths ended 30/6/15	12 mths ended 30/6/16	Chg.
Labour costs	173.6	172.5	-0.6%
Operating and sundry other expenses	119.5	129.2	8.1%
of which: EDP	*35.4*	*37.0*	*4.5%*
Financial information providers	*17.3*	*18.1*	*4.6%*
Legal, tax and professional services	*24.8*	*32.5*	*31.0%*
Operating costs	**293.1**	**301.7**	**2.9%**

Loan loss provisions – loan loss provisions reduced from €74m to €28.5m, due to the absence of new non-performing items, plus writebacks totalling €19.6m in respect of loans which have been repaid regularly; the reallocation of provisions totalling €156m to equity instruments meant the coverage ratio reduced temporarily from 54% to 50%, despite the provisioning for all other NPLs being increased.

Turning now to the balance-sheet items:

Loans and advances to customers – this item rose from €13.7bn to €14.1bn, on new loans of €6.6bn and repayments of €6.2bn (€2.4bn of which early). Portfolio diversification increased further during the twelve months under review, with the domestic component declining from 53% to 50%. Non-performing loans fell from €426.8m to €379m, net of provisions totalling €377m (€492m), and now account for 2.7% (3.1%) of the total loan book. The coverage ratio fell from 54% to 50% as a result of the reallocations mentioned above.

	30/6/15		30/6/16		Chg.
	(€m)	%	(€m)	%	
Italy	7,226.7	53%	7,018.0	50%	-2.9%
France	1,837.3	13%	1,145.7	8%	-37.6%
Spain	782.9	6%	934.3	7%	19.3%
Germany	951.6	7%	835.6	6%	-12.2%
UK	394.3	3%	690.8	5%	75.2%
Other non-resident customers	2,511.6	18%	3.509,9	24%	39.7%
Total loans and advances to customers	**13,704.4**	**100%**	**14,134.3**	**100%**	**3.1%**

Funding – funding rose by 8.1%, from €35.9bn to €38.8bn, due to increases in debt securities (from €20.6bn to €20.9bn) and CheBanca! retail deposits (from €6.7bn to €8.6bn). Recourse to ECB funding reduced from €5.5bn to €5bn. Worth noting is the €500m Lower Tier 2 bond issue (expiring in 2025) and the €750m in covered bonds issued with CheBanca! mortgage loans as the underlying instrument.

	30/6/15		30/6/16		Chg.
	(€m)	%	(€m)	%	
Debt securities	20,579.9	57%	20,942.6	54%	1.8%
Interbank funding	8,026.9	22%	10,803.3	28%	34.6%
- of which: intercompany	*6,742.9*	*19%*	*8,591.3*	*22%*	*27.4%*
T-LTRO/LTRO	5,478.0	15%	5,011.0	13%	-8.5%
Securitizations and other funds	1,778.8	6%	2,001.8	5%	12.5%
Total funding	**35,863.6**	**100%**	**38,758.7**	**100%**	**8.1%**

Banking book debt securities – these increased, from €10.8bn to €11.7bn, due to an increase in Eurozone government securities to the detriment of unlisted debt securities (recognized at cost), which fell from €3.6bn to €3bn as a result of not renewing securities expiring, with the exception of the Quarzo intragroup securitization with Compass S.p.A. consumer credit receivables as the underlying instrument, which were renewed in an amount of €2,640m with expiry in 2019.

	30/6/15		30/6/16		Chg.
	(€m)	%	(€m)	%	
AFS debt securities	5,831.2	54%	6,816.2	58%	16.9%
Financial assets held to maturity	1,302.8	12%	1,963.3	17%	50.7%
Unlisted debt securities (stated at cost)	3,643.5	34%	2,955.6	25%	-18.9%
Total fixed and AFS securities	**10,777.5**	**100%**	**11,735.1**	**100%**	**8.9%**

	30/6/15			30/6/16			Chg.
	Book Value	%	Total AFS reserve	Book Value	%	Total AFS reserve	Book Value
Italian government securities	4,161.2	39%	79.9	4,570.9	39%	88.0	9.8%
Other government securities	564.6	5%	2.1	1,963.2	17%	15.8	n.m.
Financial bonds	4,795.1	44%	50.6	4,117.9	35%	28.4	-14.1%
- of which: Italian	*4,131.7*	*38%*	*23.5*	*3,745.8*	*32%*	*19.7*	*-9.3%*
Corporate bonds	1,256.6	12%	42.3	1,083.1	9%	23.4	-13.8%
Total debt securities	**10,777.5**	**100%**	**174.9**	**11,735.1**	**100%**	**155.6**	**8.9%**

Treasury assets – these rose from €3.5bn to €4.4bn, reflecting the higher funding and the balance of the other asset items. Growth in equities is due to client trading and is hedged by equivalent positions in derivatives.

	30/6/15		30/6/16		Chg.
	(€m)	%	(€m)	%	
Debt securities	2,030.1	58%	316.5	7%	-84.4%
Equities	876.1	25%	1,516.3	34%	73.1%
Derivative contract valuations	(555.3)	-15%	(338.9)	-7%	-39.0%
Stock lending	81.6	2%	561.0	13%	n.m.
Others (repos, time deposits, derivatives etc.)	1,055.5	30%	2,345.1	53%	n.m.
Total net treasury assets	**3,488.0**	**100%**	**4,400.0**	**100%**	**26.1%**

* * *

PRIVATE BANKING

(€m)

	12 mths ended 30/6/15	12 mths ended 30/6/16	Chg. (%)
Profit-and-loss data			
Net interest income	33.7	37.4	11.0
Treasury income	15.1	13.1	-13.2
Net fee and commission income	83.6	91.2	9.1
Total income	**132.4**	**141.7**	**7.0**
Labour costs	(56.7)	(63.2)	11.5
Administrative expenses	(35.3)	(42.9)	21.5
Operating costs	**(92.0)**	**(106.1)**	**15.3**
Gain (losses) on disposal of AFS shares	2.6	4.5	73.1
Loan loss provisions	(0.9)	—	n.m.
Provisions for financial assets	(0.1)	(0.3)	n.m.
Other profits (losses)	(2.7)	(5.4)	n.m.
Profit before tax	**39.3**	**34.4**	**-12.5**
Income tax for the period	(3.4)	(4.9)	44.1
Net profit	**35.9**	**29.5**	**-17.8**
Cost/Income ratio (%)	69.5	74.9	

	30/6/15	30/6/16
Balance-sheet data		
Treasury funds	1,602.4	2,201.5
AFS securities	772.5	853.7
Fixed financial assets (HTM & LR)	187.4	40.0
Loans and advances to customers	1,401.4	1,556.2
Funding	(3,169.9)	(3,826.2)
Assets under management [1]	16,578.9	18,600.2
Securities held on a fiduciary basis [1]	2,168.1	8,948.1
No. of staff	380	447 [2]

[1] Data as at 30 June 2016 includes assets under management and securities under administration by Cairn Capital Group, in an amount of €2.1m and €5.9m respectively.

[2] Includes 57 staff employed by Cairn Capital Group.

Private banking delivered a net profit of €29.5m, down 17.8% due to lower treasury income and higher costs. Cairn Capital has been consolidated as from 1 January 2016; the company delivered a slight loss of €1m for the six months, on revenues of €8.8m and costs of €10m. Overall, revenues climbed 7%, from €132.4m to €141.7m, due solely to the Cairn consolidation. Costs rose by 15.3% (or 4.4% net of the Cairn effect). CMB booked non-recurring charges of €4m in connection with the renewal of its computer systems. Of the total net profit, CMB contributed €27.6m, Spafid €2.1m and Banca Esperia €1.8m. AuM on a discretionary/non-discretionary basis at the year-end totalled €18.6bn (€16.6bn), €8.1bn (€7.8bn) of which in CMB and €8.4bn (€8.8bn) in Banca Esperia, plus €2.1bn in funds managed by Cairn (including €1.3bn in CLOs), which also has €5.9bn under long-term advice.

PRINCIPAL INVESTING (EQUITY INVESTMENT PORTFOLIO)

(€m)

	12 mths ended 30/6/15	12 mths ended 30/6/16	Chg. (%)
Profit-and-loss data			
Treasury income	29.6	29.2	-1.4
Equity-accounted companies	223.9	255.0	13.9
Total income	**253.5**	**284.2**	**12.1**
Labour costs	(9.0)	(7.5)	-16.7
Administrative expenses	(2.0)	(1.4)	-30.0
Operating costs	**(11.0)**	**(8.9)**	**-19.1**
Gain (losses) on disposal of AFS shares	123.4	119.8	-2.9
Provisions for financial assets	(20.8)	(17.9)	-13.9
Profit before tax	**345.1**	**377.2**	**9.3**
Income tax for the period	(9.7)	(7.0)	-27.8
Net profit	**335.4**	**370.2**	**10.4**

	30/6/15	30/6/16
Balance-sheet data		
AFS securities	1,071.5	851.9
Equity investments	3,318.1	3,096.6

The year under review returned a profit of €370.2m by this division (30/6/15: €335.4m), on higher profits by Assicurazioni Generali (up from €223.9m to €255m) and gains on disposals virtually unchanged. The equity exposure reduction programme continued during the twelve months, with the disposals of stakes in Pirelli and Edipower, plus 3 million shares in Assicurazioni Generali (as part of the plans to sell 3% of the investment, which had to be put on hold temporarily following the sharp reduction in stock market prices), and other minor holdings. Overall sales during the twelve months generated gains of €119.8m, €87.7m of which in respect of Pirelli and €20m in respect of Assicurazioni Generali. The writedowns chiefly regard the RCS MediaGroup investment (€10.2m), which were booked in the interim accounts as at 31 December 2015, Bisazza (€2.7m) and Clessidra (€2.6m). Lastly, 3.5 million shares in Atlantia were sold at maturity in August 2016, for a total amount of €85.7m.

RETAIL AND CONSUMER BANKING (FINANCIAL SERVICES TO HOUSEHOLDS)

(€m)

	12 mths ended 30/6/15	12 mths ended 30/6/16	Chg. (%)
Profit-and-loss data			
Net interest income	833.2	932.7	11.9
Treasury income	0.2	—	n.m.
Net fee and commission income	174.6	184.2	5.5
Total income	**1,008.0**	**1,116.9**	**10.8**
Labour costs	(157.6)	(168.3)	6.8
Administrative expenses	(290.6)	(291.3)	0.2
Operating costs	**(448.2)**	**(459.6)**	**2.5**
Loan loss provisions	(443.4)	(377.0)	-15.0
Other profits (losses)	—	(8.1)	n.m.
Profit before tax	**116.4**	**272.2**	**n.m.**
Income tax for the period	(36.0)	(94.2)	n.m.
Net profit	**80.4**	**178.0**	**n.m.**
Cost/Income ratio (%)	44.5	41.1	

	12 mths ended 30/6/15	12 mths ended 30/6/16
Balance-sheet data		
Treasury funds	7,248.8	9,388.5
AFS securities	700.1	542.5
Fixed financial assets (HTM & LR)	1,264.5	0.8
Loans and advances to customers	15,512.1	16,893.1
Funding	(23,730.9)	(22,293.8)

This division reported a profit for the twelve months of €178m, more than double the €80.4m posted last year, with healthy contributions from all segments: the net profit on consumer credit rose from €94m to €170.5m; CheBanca! also delivered its first-ever net profit for the year (€7.5m); while Creditech saw the growth in its factoring and NPL management business consolidate, with net profit climbing from €11.3m to €16m.

Revenues were up 10.8%, from €1,008m to €1,116.9m, on higher net interest income which posted double-digit growth for the second year running, of 11.9%, with costs flat at €459.6m (€448.2m) and loan loss provisions down sharply (from €443.4m to €377m), reflecting a good performance by the loan book.

CONSUMER BANKING

(€m)

	12 mths ended 30/6/15	12 mths ended 30/6/16	Chg. (%)
Profit-and-loss data			
Net interest income	694.1	783.7	12.9
Treasury income	0.2	—	n.m.
Net fee and commission income	147.0	140.8	-4.2
Total income	**841.3**	**924.5**	**9.9**
Labour costs	(96.6)	(102.4)	6.0
Administrative expenses	(191.0)	(193.9)	1.5
Operating costs	**(287.6)**	**(296.3)**	**3.0**
Loan loss provisions	(423.0)	(360.4)	-14.8
Other profits (losses)	—	(8.1)	n.m.
Profit before tax	**130.7**	**259.7**	**n.m.**
Income tax for the period	(36.7)	(89.2)	n.m.
Net profit	**94.0**	**170.5**	**81.4**
Cost/Income ratio (%)	34.2	32.0	

	30/6/15	30/6/16
Balance-sheet data		
Treasury funds	612.6	533.7
AFS securities	87.9	82.1
Fixed financial assets (HTM & LR)	0.9	0.8
Loans and advances to customers	10,906.3	11,866.2
of whic: factoring	*450.4*	*800.6*
Funding	(10,884.4)	(11,569.8)
New loans	6,235.3	6.448.0
No. of branches	164	164
No. of staff	1.540	1.612

Net profit in consumer banking virtually doubled in the twelve months, from €94m to €170.5m, on higher revenues (up 9.9%, from €841.3m to €924.5m) and a 14.8% reduction in loan loss provisions, from €423m to €360.4m, despite the 3% growth in operating costs, and non-recurring charges connected with the settlement of a tax dispute totalling €24.1m. Net interest income was up 12.9% (from €694.1m to €783.7m), on higher volumes and stable margins on loans, against a further reduction in the cost of funding. The lower loan loss provisions reflect the reduction in new non-performing items and an improving credit recovery performance: the cost of risk fell from 369 bps to 317 bps, on coverage ratios which remain near to the highest on the market (72% for NPLs and 2% for performing loans). The 8.8% growth reflected by the loan book as at 30 June 2016 (up from €10,906.3m to €11,866.2m), is chiefly attributable to factoring business which had loans outstanding of €800.6m (€450.4m). NPLs decreased from €302.3m to €256.3m, and account for 2.2% of the total loan book.

RETAIL BANKING

(€m)

	12 mths ended 30/6/15	12 mths ended 30/6/16	Chg. (%)
Profit-and-loss data			
Net interest income	139.1	149.0	7.1
Net fee and commission income	27.6	43.4	57.2
Total income	**166.7**	**192.4**	**15.4**
Labour costs	(61.0)	(65.9)	8.0
Administrative expenses	(99.6)	(97.4)	-2.2
Operating costs	**(160.6)**	**(163.3)**	**1.7**
Loan loss provisions	(20.4)	(16.6)	-18.6
Profit before tax	**(14.3)**	**12.5**	**n.m.**
Income tax for the period	0.7	(5.0)	n.m.
Net profit	**(13.6)**	**7.5**	**n.m.**
Cost/Income ratio (%)	96.3	84.9	

	30/6/15	30/6/16
Balance-sheet data		
Treasury funds	6,636.2	8,854.8
AFS securities	612.2	460.4
Fixed financial assets (HTM & LR)	1,263.6	—
Loans and advances to customers	4,605.8	5,026.9
Assets under management	2,853.0	3,938.0
Retail funding	(9,634.8)	(10,724.0)
New loans	656.3	1,074.0
No. of branches	57	58
No. of employees	941	981

CheBanca! delivered a net profit for the first time in FY 2015-16, of €7.5m, due mostly to increasing revenues (which were up 15.4%, with net interest income (up 7.1%) and fees and commissions, which were up 57.2%, from €27.6m to €43.4m, almost entirely attributable to asset management and insurance business (where asset volumes rose from €1,946.2m to €2,992m). Operating costs were up 1.7% due to an increase in the headcount (labour costs rose by 8%), while administrative expenses were down 2.2%. The reduction in loan loss provisions, from €20.4m to €16.6m, reflect a cost of risk equivalent to 34 bps (30/6/15: 45 bps) and a coverage ratio stable at 49% (48%). Retail funding of €10.7bn, too, was higher than the €9.6bn posted last year, helped by the promotional campaigns and growth in current accounts (from €2,012m to €3,299m). The increase in loans to customers, from €4,605.8m to €5,026.9m, reflects growth in new loans (from €656m to €1,074m) in part offset by higher subrogations.

LEASING

(€m)

	12 mths ended 30/6/15	12 mths ended 30/6/16	Chg. (%)
Profit-and-loss data			
Net interest income	55.0	53.0	-3.6
Treasury income	(0.1)	(0.1)	—
Net fee and commission income	0.3	1.7	n.m.
Total income	**55.2**	**54.6**	**-1.1**
Labour costs	(14.2)	(14.7)	3.5
Administrative expenses	(14.8)	(14.0)	-5.4
Operating costs	**(29.0)**	**(28.7)**	**-1.0**
Loan loss provisions	(15.3)	(13.4)	-12.4
Other profits (losses)	—	(1.0)	n.m.
Profit before tax	**10.9**	**11.5**	**5.5**
Income tax for the period	(4.5)	(3.8)	-15.6
Minority interest	(3.1)	(3.1)	—
Net profit	**3.3**	**4.6**	**39.4**
Cost/Income ratio (%)	52.5	52.6	

	30/6/15	30/6/16
Balance-sheet data		
Treasury funds	138.2	69.2
Loans and advances to customers	2,760.8	2.494.5
Funding	(2,775.5)	(2.492.0)
New loans	480.0	416.0
No. of employees	144	146

This business reported a profit for the year of €4.6m (€3.3m), on revenues which were basically flat (down just 1.1%) with loan loss provisions declining, from €15.3m to €13.4m, despite the increase in provisioning for performing loans (0.7%). A 3.6% reduction in net interest income reflects the 9.6% decrease in loans, in part mitigated by the lower cost of funding. Accounts outstanding fell during the twelve months under review, from €2,760.8m to €2,494.5m, with new business down from €480m to €416m. The cost of risk returned to residual levels, at 51 bps, with non-performing items down 14.7%, from €269.8m to €230.1m, and the coverage ratio up from 30% to 32%.

* * *

The financial highlights for the other Group companies during the twelve months under review are shown below:

Company	Percentage shareholding	Business line	Total assets	Loans and advances to customers	Total net equity [1]	No. of employees
Mediobanca International	100%	WSB	5,007.2	3,733.0	288.7	8
Prominvestment (under liquidation)	100%	WSB	5.3	4.4	(1.1)	6
Mediobanca Securities (data in USD/1000)	100%	WSB	7.7	—	3.6	4
MB Facta	100%	WSB	3.0	—	3.1	—
Mediobanca International Immobilierè	100%	WSB	2.0	—	1.7	—
Mediobanca Turchia (data in TRY/1000)	100%	WSB	0.7	—	5.3	7
Mediobanca Messico (under liquidation) (data in MXN/1000)	100%	WSB	3.5	—	14.2	—
Quarzo MB	90%	WSB	—	—	—	—
Cairn Capital Group Limited (data in GBP/1000) *	100%	PB	10.8	—	8.4	57
Compagnie Monégasque de Banque	100%	PB	3,766.9	1,072.6	689.8	205
Banca Esperia	50%	PB	1,850.5	967.2	186.1	140
Spafid	100%	PB	54.7	—	41.7	45
Spafid Connect *	100%	PB	7.0	—	3.7	10
Compass Banca	100%	Consumer	10,966.4	9,531.3	1,220.5	1,326
Futuro	100%	Consumer	1,538.7	1,463.9	67.7	78
Creditech	100%	Consumer	930.5	871.0	82.4	215
Quarzo	90%	Consumer	0.2	—	—	—
Quarzo CQS	90%	Consumer	0.2	—	—	—
Compass RE	100%	Consumer	248.1	—	68.6	—
CheBanca!	100%	Retail	14,534.7	5,026.9	223.5	981
CB NewCo	100%	Retail	0.1	—	0.1	—
Mediobanca Covered Bond	90%	Retail	0.3	—	0.1	—
SelmaBipiemme Leasing	60%	Leasing	2,775.6	2,494.5	215.3	147
Quarzo Lease	90%	Leasing	0.1	—	—	—
Mediobanca Innovation Services	100%	Others	68.2	—	37.6	181
Ricerche e Studi	100%	Others	0.9	—	0.1	14

[1] Does not include profit for the period.

* Taking into account the put and call option, see Part A1 – Section 3 – Area and methods of consolidation. p. 82.

Company	Percentage shareholding	Business line	Total income	Operating costs	Loss provisions	Gain/(loss) for the period
Mediobanca International	100%	WSB	33.7	(6.9)	1.0	19.0
Prominvestment (under liquidation)	100%	WSB	0.1	(0.9)	—	(0.7)
Mediobanca Securities (data in USD/1000)	100%	WSB	4.1	(3.0)	—	0.3
MB Facta	100%	WSB	—	—	—	—
Mediobanca International Immobilierè	100%	WSB	0.1	(0.1)	—	—
Mediobanca Turchia (data in TRY/1000)	100%	WSB	0.2	(5.0)	—	(4.8)
Mediobanca Messico (under liquidation) (data in MXN/1000)	100%	WSB	0.1	(10.6)	—	(10.7)
Quarzo MB	90%	WSB	—	—	—	—
Cairn Capital Group Limited (data in GBP/1000) *	100%	PB	6.8	(7.8)	—	(0.8)
Compagnie Monégasque de Banque	100%	PB	82.6	(53.3)	—	28.8
Banca Esperia	50%	PB	82.1	(72.1)	0.1	3.5
Spafid	100%	PB	7.6	(6.0)	—	1.1
Spafid Connect *	100%	PB	1.7	(1.5)	—	0.1
Compass Banca	100%	Consumer	806.5	(257.2)	(349.9)	143.2
Futuro	100%	Consumer	43.6	(16.5)	(4.5)	15.3
Creditech	100%	Consumer	56.8	(30.9)	(6.3)	16.0
Quarzo	90%	Consumer	0.1	(0.1)	—	—
Quarzo CQS	90%	Consumer	—	—	—	—
Compass RE	100%	Consumer	34.7	(0.4)	—	4.5
CheBanca!	100%	Retail	192.4	(162.4)	(16.6)	4.3
CB NewCo	100%	Retail	0.1	—	0.1	—
Mediobanca Covered Bond	90%	Retail	0.1	(0.1)	—	—
SelmaBipiemme Leasing	60%	Leasing	54.6	(29.6)	(13.4)	7.7
Quarzo Lease	90%	Leasing	—	—	—	—
Mediobanca Innovation Services	100%	Other	52.5	(53.1)	—	—
Ricerche e Studi	100%	Other	1.9	(1.9)	—	—

* Taking into account the put and call option, see Part A1 – Section 3 – Area and methods of consolidation. p. 83.

With reference to the accounts for CMB and Banca Esperia:

– on 9 March 2016, Banca Esperia approved its consolidated financial statements for FY 2015 which show a net profit of €6.6m, higher than the €1.8m posted last year, helped by a substantial reduction in operating costs, from €84.2m to €70m, which last year included non-recurring expenses of approx. €22m (chiefly due to litigation with customers), as opposed to €9m this year. Total income declined, from €96.8m to €82.6m, impacted by the significant reduction in proprietary treasury income as well as by performance fee volatility; while recurring fees and commissions from private banking increased (from €48.6m to €53m). Assets under management rose from €16.1bn to €17.2bn;

– on 27 April 2016 Compagnie Monégasque de Banque approved its consolidated financial statements for FY 2015 which reflect a net profit of €49.3m, after non-recurring fund transfers totalling €15m (€43.4m). Total income declined from €89.3m to €84.6m, due chiefly to lower net interest income (down from €28.3m to €24.5m) and treasury income (down from €17.7m to €15.7m). Conversely, costs rose from €46.3m to €50m. Loans and advances to customers rose during the twelve months, from €844m to €951.4m, as did bank deposits (from €181.6m to €669.5m) on account of the increase in funding from customers (from €1,865.3m to €2,302.9m), reflecting a prudent stance in a scenario featuring market volatility. Assets under management amounted to €7.8bn (€7.2bn).

Other information

Related party disclosure

Financial accounts outstanding as at 30 June 2016 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 operational risks), the notes to the accounts contain an indication of the other risks to which the Group is exposed in the course of its business, as they emerged from the ICAAP process now required by the regulations in force.

In particular, this involves concentration risk in the Group's corporate finance activities towards Italian 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.

Research

R&S has continued its analysis of companies and capital markets as in the past. R&S produced the fortieth 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. The third edition of the study of local utilities owned by the leading municipalities and the twentieth edition of R&S's survey of the world's leading industrial and service multinationals have been published, as has the fourteenth edition of the survey of the leading European banks, and the fifth edition of the review of industrial companies in southern Italy on behalf of the Fondazione Ugo La Malfa.

Rating

The long-term rating assigned by Fitch Ratings to Mediobanca is BBB+ with stable outlook (short-term rating F2). The long-term rating assigned by Standard & Poor's to Mediobanca is BBB- with stable outlook, while the short-term rating is A-3. Both ratings are aligned with the Italy sovereign risk.

Outlook

The outlook for the Mediobanca Group continues to be dependent on the adverse economic scenario impacted by interest rates being near to their all-time lows, sluggish growth in the reference economies, strong market volatility and political uncertainties (due, for example, to Brexit, the Italian referendum and elections in Germany and France). This set of factors tends to slow corporate activities, both ordinary (new investments) and extraordinary (M&A), with a potentially negative impact on CIB business. Conversely, the healthy performances in consumer and retail finance look set to continue: for the former, despite a more competitive scenario, organic growth is expected to continue;

whereas for the latter, the Barclays Italia acquisition should drive an increase in fees and net interest income. The trends described above should ensure that both gross operating profit and the cost/income ratio remain stable.

Reconciliation of shareholders' equity and net profit

(€'000)

	Shareholders' equity	Net profit (loss)
Balance at 30/6 as per Mediobanca S.p.A. accounts	4,987,230	288,038
Net surplus over book value for consolidated companies	14,822	233,533
Differences on exchange rates originating from conversion of accounts made up in currencies other than the Euro	(3,450)	—
Other adjustments and restatements on consolidation, including the effects of accounting for companies on an equity basis	3,229,476	82,979
Dividends received during the period	—	—
Total	**8,228,078**	**604,550**

Milan, 21 September 2016

THE BOARD OF DIRECTORS

DECLARATION BY HEAD OF COMPANY FINANCIAL REPORTING

DECLARATION IN RESPECT OF THE 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;
   – were effectively applied in the year ended 30 June 2016.
2. Assessment of the adequacy of said administrative and accounting procedures for the preparation of the consolidated financial statements as at 30 June 2016 was based on a model defined by Mediobanca in accordance with benchmark standards for internal control systems which are widely accepted at international level (CoSO and CobiT framework).
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 EC regulation no. 1606/02 issued by the European Parliament and Council on 19 July 2002;
      – corresponds 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 2016

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

EXTERNAL AUDITORS' REPORT

pwc

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the shareholders of
Mediobanca SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Mediobanca Group, which comprise the consolidated balance sheet as of 30 June 2016, the consolidated profit and loss account, the consolidated comprehensive profit and loss account, statement of changes to consolidated net equity and the consolidated cash flows statement for the year then ended, a summary of significant accounting policies and other explanatory notes to the accounts.

Directors' responsibility for the consolidated financial statements

The directors of Mediobanca SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers SpA

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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Mediobanca Group as of 30 June 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Report on compliance with other laws and regulations

Opinion on the consistency with the consolidated financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, which are the responsibility of the directors of Mediobanca SpA, with the consolidated financial statements of the Mediobanca Group as of 30 June 2016. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Mediobanca Group as of 30 June 2016.

Milan, 30 September 2016

PricewaterhouseCoopers SpA

Signed by

Marco Palumbo
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

CONSOLIDATED
FINANCIAL STATEMENTS

Consolidated Balance Sheet

(€ 000)

Assets	30/6/16	30/6/15
10. Cash and cash equivalents	156,342	49,027
20. Financial assets held for trading	9,505,295	11,860,786
30. Financial assets at fair value through profit or loss	—	—
40. Financial assets available-for-sale	8,639,392	8,063,138
50. Financial assets held-to-maturity	1,975,411	1,311,696
60. Due from banks	5,386,601	6,078,256
70. Due from customers	37,881,476	37,122,531
80. Hedging derivatives	933,434	754,941
90. Adjustment of hedging financial assets (+/-)	—	—
100. Equity investments	3,193,345	3,411,360
110. Reinsured portion of technical reserves	—	—
120. Property, plant and equipment	304,844	308,618
130. Intangible assets	452,932	410,256
of which:		
goodwill	*416,740*	*374,098*
140. Tax assets	988,742	954,206
a) current	*237,415*	*218,554*
b) deferred	*751,327*	*735,652*
of which under L. 214/2011	*647,526*	*627,793*
150. Loans classified as held-for-sale	—	—
160. Other assets	400,791	385,803
Total assets	**69,818,605**	**70,710,618**

(€ 000)

Liabilities and net equity	30/6/16	30/6/15
10. Due to banks	11,940,298	14,303,929
20. Due to customers	18,164,542	16,873,388
30. Debt securities in issue	21,813,134	20,154,478
40. Trading liabilities	7,141,458	8,598,931
50. Financial liabilities designated at fair value	—	—
60. Hedging derivatives	339,900	291,201
70. Changes in fair value of portfolio hedged items (-)	—	—
80. Tax liabilities	572,960	624,961
a) current	*207,886*	*259,893*
b) deferred	*365,074*	*365,068*
90. Liabilities included in disposal groups classified as held for sale	—	—
100. Other liabilities	596,290	684,145
110. Staff severance indemnity provision	28,975	26,655
120. Provisions	151,341	157,938
a) post-employment and similar benefits	—	—
b) other provisions	*151,341*	*157,938*
130. Insurance reserves	147,861	127,894
140. Revaluation reserves	1,144,992	1,435,525
150. Redeemable shares repayable on demand	—	—
160. Equity instruments repayable on demand	—	—
170. Reserves	4,692,729	4,354,406
180. Share premium reserve	2,152,829	2,144,489
190. Share capital	435,510	433,599
200. Treasury shares	(197,982)	(198,688)
210. Minority interest	89,218	108,016
220. Profit for the period	604,550	589,751
Total liabilities and net equity	**69,818,605**	**70,710,618**

Consolidated Profit and Loss Account

(€ 000)

Item		30/6/16	30/6/15
10.	Interest and similar income	1,906,556	2,091,568
20.	Interest expense and similar charges	(706,051)	(949,055)
30.	**Net interest income**	**1,200,505**	**1,142,513**
40.	Fee and commission income	406,758	425,963
50.	Fee and commission expense	(84,041)	(59,678)
60.	**Net fee and commission income**	**322,717**	**366,285**
70.	Dividends and similar income	80,520	47,619
80.	Net trading income	38,587	98,922
90.	Net hedging income (expense)	8,321	(1,075)
100.	Gain (loss) on disposal/repurchase of:	96,301	122,417
	a) loans and advances	*(15,959)*	*(49,894)*
	b) AFS securities	*115,788*	*166,110*
	c) financial assets held to maturity	*618*	*19,891*
	d) other financial liabilities	*(4,146)*	*(13,690)*
120.	**Total income**	**1,746,951**	**1,776,681**
130.	Adjustments for impairment to:	(417,374)	(488,125)
	a) loans and advances	*(398,714)*	*(469,450)*
	b) AFS securities	*(17,990)*	*(20,976)*
	c) financial assets held to maturity	*(1,045)*	*898*
	d) other financial assets	*375*	*1,403*
140.	**Net income from financial operation**	**1,329,577**	**1,288,556**
150.	Premiums earned (net)	46,781	42,017
160.	Other income (net) from insurance activities	(15,567)	(17,752)
170.	**Net profit from financial and insurance activities**	**1,360,791**	**1,312,821**
180.	Administrative expenses:	(1,000,644)	(874,611)
	a) personnel costs	*(443,286)*	*(419,282)*
	b) other administrative expenses	*(557,358)*	*(455,329)*
190.	Net transfers to provisions	(5,011)	(3,905)
200.	Net adjustments to tangible assets	(20,566)	(19,163)
210.	Net adjustments to intangible assets	(19,836)	(23,694)
220.	Other operating income (expense)	144,844	141,722
230.	**Operating costs**	**(901,213)**	**(779,651)**
240.	Gain (loss) on equity investments	276,708	223,933
270.	Gain (loss) on disposal of investments	(18)	(17)
280.	**Profit (loss) on ordinary activity before tax**	**736,268**	**757,086**
290.	Income tax for the year on ordinary activities	(128,652)	(164,241)
300.	**Profit (loss) on ordinary activities after tax**	**607,616**	**592,845**
310.	**Gain (loss) on disposal of investments after tax**	**—**	**—**
320.	**Net profit (loss) for the period**	**607,616**	**592,845**
330.	Net profit (loss) for the period attributabe to minorities	(3,066)	(3,094)
340.	**Net profit (loss) for the period attributable to Mediobanca**	**604,550**	**589,751**

Consolidated Comprehensive Profit and Loss Account

(€ 000)

		30/6/16	30/6/15
10.	Profit (loss) for the period	607,616	592,845
	Other income items net of tax without passing through profit and loss	**78,884**	**(126,015)**
20.	Property, plant and equipment	—	—
30.	Intangible assets	—	—
40.	Defined benefit schemes	(1,892)	462
50.	Non-current assets being sold	—	—
60.	Share of valuation reserves attributable to equity-accounted companies	80,776	(126,477)
	Other income items net of tax passing through profit and loss	**(366,138)**	**692,233**
70.	Foreign investments hedges	—	—
80.	Exchange rate differences	(3,463)	123
90.	Cash flow hedges	2,931	29,998
100.	AFS financial assets	(49,676)	(52,214)
110.	Non-current assets being sold	—	—
120.	Share of valuation reserves attributable to equity-accounted companies	(315,930)	714,326
130.	**Total other income items, net of tax**	**(287,254)**	**566,218**
140.	**Comprehensive income (headings 10 + 130)**	**320,362**	**1,159,063**
150.	**Minority interests in consolidated comprehensive incomes**	**2,507**	**3,491**
160.	**Consolidated comprehensive income attributable to Mediobanca**	**317,855**	**1,155,572**

Statement of Changes to Consolidated Net Equity

(€ 000)

	Previously reported balance at 30/6/15	Allocation of profit for previous period: Reserves	Allocation of profit for previous period: Dividends and other fund applications	Changes during the reference period: Changes to reserves	Transactions involving net equity: New shares issued	Transactions involving net equity: Treasury shares acquired	Transactions involving net equity: Extra-ordinary dividend payouts	Transactions involving net equity: Changes to equity instruments	Transactions involving net equity: Treasury shares derivates	Transactions involving net equity: Stock options [1]	Transactions involving net equity: Changes to investments [3]	Overall consolidated profit for the 12 mths ended 30/6/16	Total net equity at 30/6/16	Net equity attributable to the group at 30/6/16	Net equity attributable to the minorities at 30/6/16
Share capital:	458,548	—	—	—	1,912	—	—	—	—	—	(8,410)	—	452,050	435,510	16,540
a) ordinary shares	458,548	—	—	—	1,912	—	—	—	—	—	(8,410)	—	452,050	435,510	16,540
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,147,275	—	—	—	8,340	—	—	—	—	—	(938)	—	2,154,677	2,152,829	1,848
Reserves:	4,434,516	589,751	(212,893)	(63,696)	(1,220)	(706)	—	—	—	24,019	(4,203)	—	4,765,568	4,692,729	72,839
a) retained earnings	4,336,182	589,751	(212,893)	(63,696)	(1,220)	(706) [2]	—	—	—	—	(4,203)	—	4,643,215	4,570,376	72,839
b) others	98,334	—	—	—	—	—	—	—	—	24,019	—	—	122,353	122,353	—
Valuation reserves	1,432,602	—	—	(3,838)	—	—	—	—	—	—	(1,593)	(287,254)	1,139,917	1,144,992	(5,075)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(198,688)	—	—	—	—	706	—	—	—	—	—	—	(197,982)	(197,982)	—
Profit (loss) for the period	592,845	(592,845)	—	—	—	—	—	—	—	—	—	607,616	607,616	604,550	3,066
Total net equity	8,867,098	(3,094)	(212,893)	(67,534)	9,032	—	—	—	—	24,019	(15,144)	320,362	8,921,846		
Net equity attributable to the group	8,759,082	—	(212,893)	(67,534)	9,032	—	—	—	—	24,019	3,067	317,855		8,832,628	
Net equity attributable to minorities	108,016	(3,094)	—	—	—	—	—	—	—	—	(18,211)	2,507			89,218

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

[2] Free equity granting following the performance shares scheme.

[3] Reduction due to purchase of Teleleasing minorities.

Statement of Changes to Consolidated Net Equity

(€ 000)

	Previously reported balance at 30/6/14	Allocation of profit for previous period		Changes during the reference period								Overall consolidated profit for the 12 mths ended 30/6/15	Total net equity at 30/6/15	Net equity attributable to the Group at 30/6/15	Net equity attributable to the minorities at 30/6/15
		Reserves	Dividends and other fund application	Changes to reserves	Transactions involving net equity										
					New shares issued	Treasury shares acquired	Extra-ordinary dividends payout	Changes to equity instruments	Treasury shares derivatives	Stock options [1]	Changes in equity instruments				
Share capital:	455,651	—	—	—	2,897	—	—	—	—	—	—	—	458,548	433,599	24,949
a) ordinary shares	455,651	—	—	—	2,897	—	—	—	—	—	—	—	458,548	433,599	24,949
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,129,035	(4,430)	—	—	22,670	—	—	—	—	—	—	—	2,147,275	2,144,489	2,786
Reserves:	4,229,465	465,797	(126,849)	(147,885)	(1,017)	(545)	—	—	—	15,550	—	—	4,434,516	4,354,406	80,110
a) retained earnings	4,146,136	465,797	(126,849)	(147,885)	(1,017) [2]	—	—	—	—	—	—	—	4,336,182	4,256,072	80,110
b) others	83,329	—	—	—	—	(545)	—	—	—	15,550	—	—	98,334	98,334	—
Valuation reserves	866,384	—	—	—	—	—	—	—	—	—	—	566,218	1,432,602	1,435,525	(2,923)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(199,233)	—	—	—	—	545	—	—	—	—	—	—	(198,688)	(198,688)	—
Profit (loss) for the period	461,367	(461,367)	—	—	—	—	—	—	—	—	—	592,845	592,845	589,751	3,094
Total net equity	7,942,669	—	(126,849)	(147,885)	24,550	—	—	—	—	15,550	—	1,159,063	8,867,098	X	X
Net equity attributable to the Group	7,838,144	—	(126,849)	(147,885)	24,550	—	—	—	—	15,550	—	1,155,572	X	8,759,082	X
Net equity attributable to minorities	104,525	—	—	—	—	—	—	—	—	—	—	3,491	X	X	108,016

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

[2] Free equity granting following the performance shares scheme.

Consolidated Cash Flow Statement Direct Method

(€ 000)

	Amount	
	30/6/16	30/6/15
A. Cash flow from operating activities		
1. Operating activities	**387,694**	**400,015**
- interest received	3,275,504	3,864,854
- interest paid	(2,389,556)	(2,796,518)
- dividends and similar income	54,056	69,707
- net fees and commission income	147,597	179,781
- cash payments to employees	(320,261)	(304,588)
- net premium income	63,788	39,329
- other premium from insurance activities	(173,776)	(156,740)
- other expenses paid	(1,417,791)	(1,058,245)
- other income received	1,299,633	611,807
- income taxes paid	(151,500)	(49,372)
- net expense/income from groups of assets being sold	—	—
2. Cash generated/absorbed by financial assets	**2,465,290**	**(237,925)**
- financial assets held for trading	756,400	816,239
- financial assets recognized at fair value	—	—
- AFS securities	(501,197)	443,613
- due from customers	3,062,752	(1,237,645)
- due from banks: on demand	(741,170)	1,494,866
- due from banks: other	9,619	(1,507,133)
- other assets	(121,114)	(247,865)
3. Cash generated/absorbed by financial liabilities	**(1,998,511)**	**(481,686)**
- due to banks: on demand	(83,379)	1,190,620
- due to banks: other	(1,917,547)	1,068,508
- due to customers	1,015,959	995,664
- debt securities	(257,874)	(3,069,120)
- trading liabilities	(377,081)	(700,223)
- financial liabilities assets recognized at fair value	—	—
- other liabilities	(378,589)	32,865
Net cash flow (outflow) from operating activities	**854,473**	**(319,596)**
B. Investment activities		
1. Cash generated from	**536,760**	**586,020**
- disposals of shareholdings	59,859	—
- dividends received in respect of equity investments	145,954	123,657
- disposals/redemptions of financial assets held to maturity	329,628	462,047
- disposals of tangible assets	1,319	316
- disposals of intangible assets	—	—
- disposals of subsidiaries or business units	—	—
2. Cash absorbed by	**(1,080,056)**	**(149,044)**
- acquisitions of shareholdings	—	—
- acquisitions of held-to-maturity investments	(1,000,206)	(101,336)
- acquisitions of tangible assets	(17,279)	(22,373)
- acquisitions of intangible assets	(62,505)	(24,595)
-acquisitions of subsidiaries or business units	(66)	(740)
- Net cash flow (outflow) from investment/servicing of finance	**(543,296)**	**436,976**
C. Funding activities		
- issuance/acquisition of treasury shares	9,031	24,549
- issuance/acquisitions of equity instruments	—	—
- dividends payout and other applications of funds	(212,893)	(126,849)
Net cash flow (outflow) from funding activities	**(203,862)**	**(102,300)**
Net cash flow (outflow) during period	**107,315**	**15,080**

Reconciliation of Movements in Cash Flow during the Period

(€ 000)

	Amounts	
	30/6/16	30/6/15
Cash and cash equivalents: balance at start of period	49,027	33,947
Total cash flow (ouflow) during period	107,315	15,080
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at end of period	156,342	49,027

NOTES TO THE ACCOUNTS

NOTES TO THE ACCOUNTS

Part A - Accounting policies

A.1 - General policies

SECTION 1

Statement of conformity with IAS/IFRS

The Mediobanca Group's consolidated financial statements for the period ended 30 June 2016 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), and the respective interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), 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 Parliament and Council on 19 July 2002. The consolidated financial statements for the period ended 30 June 2016 have also been prepared on the basis of the "Instructions on preparing statutory and consolidated financial statements for banks and financial companies which control banking groups" issued by the Bank of Italy in its circular no. 262 on 22 December 2005 (fourth amendment issued on 15 December 2015), which establish the structure of the financial statements and the methods for completing them, along with the contents of the notes to the accounts.

The financial statements have been drawn up on a going concern basis, in accordance with the principles of competence, relevance and significance with respect to the accounting information provided, and giving priority to economic substance over juridical form.

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 part A.2, 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.

The following list details the recently issued-regulations which have supplemented the accounting standards in force and have been incorporated into the Group's accounting policies:

REGULATION	ACCOUNTING STANDARD
Regulation EU 1361/2014	Changes to IFRS 3 – *Business combinations*
	Changes to IFRS 13 – *Fair value measurement*
	Changes to IAS 40 – *Investment property*
Regulation EU 28/15	Changes to IFRS 2 – *Share-based payment*
	Changes to IFRS 3 – *Business combinations*
	Changes to IFRS 8 – *Operating segments*
	Changes to IAS 16 – *Property, plant and equipment*
	Changes to IAS 24 – *Related party disclosures*
Regulation EU 29/15	Changes to IAS 19 – *Employee benefits*

The changes listed above have not impacted significantly on the Mediobanca Group's area of consolidation.

As from 1 January 2015, the Bank of Italy revised its methods of classifying non-performing financial assets for regulatory and reporting purposes (Bank of Italy circular 272/08 - 7th update) "Matrix of Accounts" issued by the Bank of Italy on 20 January 2015) to bring them in line with the new definitions of non-performing exposures and forborne exposures established by the European Commission under regulation 2015/227 based on a proposal by the EBA (EBA/ITS /2013/03/rev1 24/7/2014).

The new credit quality segmentation was incorporated into, and made obligatory by, Bank of Italy circular 262/05, fourth update issued on 22 December 2015, with the following subdivision: non-performing, unlikely to pay, and/or more than 90 days past due, for non-performing and performing assets; all these categories include the sub-category of "forborne" exposures.

These new definitions are relevant in connection with the Group's accounting policies for IFRS purposes, and have required the Bank's lending processes to be revised to adapt them to the new classification rules, as described in more detail in Part E – Information on risks and related hedging policies, Section 1 – Credit risk – Qualitative information.

It should also be noted that in 2014, the IASB released two new accounting standards, IFRS 15 – Revenue and IFRS 9 – Financial Instruments, both of which are still pending ratification by the European Commission.

The IASB has now finished the process of revising IFRS 9, except for the part on macro hedging, on financial instruments, which will come into force on 1 January 2018.

IFRS 9: The Mediobanca Group project

Regulatory framework

In July 2014,the International Accounting Standards Board (IASB) issued the new IFRS 9, "Financial Instruments", which from 1 January 2018, is due to replace IAS 39. Endorsement is expected from the European Union by next autumn.

The new standard replaces IAS 39, in particular the parts on Classification and Measurement, Impairment and Hedge Accounting, with the exception of the rules on Macro-Hedging, which are still being analysed.

The main changes regard classification and impairment, and are as follows:

– how financial assets (apart from shares) are classified and measured will depend on two tests, one of the business model and the other on the contractual cash flow characteristics, known as the "Solely Payments of Principal and Interest Test" (or SPPI). Only those instruments which pass both tests can be recognized at cost, otherwise they will have to be measured at fair value, with the effects taken through the profit and loss account (hence this will become the residual portfolio). There is also an intermediate portfolio ("Held to collect and sell"), for which, like with the existing Available for sale portfolio, the instruments are recognized at fair value through net equity (i.e. through Other comprehensive income).
– shares still have to be recognized at fair value, apart from those held for trading, the fair value effects of which can be recognized in a net equity

reserve rather than taken through the profit and loss account; however, the possibility of recycling has been removed, i.e. the effects of sales will no longer be taken through the profit and loss account.

– the new standard moves from an incurred to an expected impairment model; as the focus is on expected losses of value, provisioning will have to be carried out for the whole portfolio (i.e. for assets with no impairment as well) and based on estimates which reflect macroeconomic factors. In particular, at stage 1 of the recognition process, the instrument will have to reflect the expected loss over a 12-month time horizon; if there is a significant increase in the credit risk, the asset is classified as under-performing (stage 2), meaning its valuation will have to factor in the expected loss over its whole life-time; and if further impairment is recorded, the asset will be classified as non-performing (stage 3), where the final recoverable value will be estimated. The expected loss will be based on point-in-time data reflecting the internal credit monitoring models.

Current projects

The Mediobanca Group will adopt the new standard starting from 1 July 2018, i.e. in two years' time. An internal project was launched in spring 2015 for the assessment and implementation of IFRS 9. The project has been led jointly by the Risk Management and Group Financial Reporting areas, with the involvement of all other areas affected (in particular the front office teams, Group Technology and Operations, Group ALM, Group Treasury).

The project has already dealt with the classification and measurement issues, identifying the main critical areas in terms of products requiring new classification, and noting no material impact; meanwhile process analysis is continuing, for IT systems in particular, and should be complete by end-2016.

Following implementation of the AIRB models and stress testing exercise, a new project on the issue of impairment was launched, to quantify the adoption of the new model, which necessarily involves revision of the monitoring processes and accounting policies for financial instruments (in particular loans and receivables).

The second part of the project should be complete by 30 June 2017, so as to be able to launch a testing for the new IFRS 9 systems and processes in preparation for running IAS 39 and IFRS 9 in paralllel.

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.

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

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

– Cairn Capital Group Limited: asset management and advisory company based in London and specializing in credit products, which in turn owns 100% of Cairn Capital Limited, Cairn Capital North America Inc., Cairn Capital Guarantee Limited, Cairn Capital Investment Limited and Cairn Capital Managers Limited. The acquisition took place on 31 December 2015, hence the new companies’ contribution is limited to the six months ended 30 June 2016;

– Quarzo MB S.r.l., SPV for the securitization of Mediobanca S.p.A. receivables;

– CB! NewCo S.r.l. payments only company, created to ease the Barclays Italian business incorportation.

During the twelve months under review, Palladio Leasing and Teleleasing were both merged into SelmaBipiemme Leasing, and Sinto MB and Telco MB into Mediobanca S.p.A., all with effect from 1 July 2015 (see Part G, p. 250). Finally, the process of winding up MB Mexico was also launched during the year.

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

	Name	Registered office	Type of relation-ship[1]	Shareholding		% voting rights[2]
				Investor company	% interest	
A.	Companies included in area of consolidation					
A.1	*Line-by-line*					
1.	MEDIOBANCA - Banca di Credito Finanziario S.p.A.	Milan	1	—	—	—
2.	PROMINVESTMENT S.p.A. - in liquidation	Milan	1	A.1.1	100.00	100.00
3.	SPAFID S.p.A.	Milan	1	A.1.1	100.00	100.00
4.	SPAFID CONNECT S.p.A.	Milan	1	A.1.3	100.00 *	70.00
5.	MEDIOBANCA INNOVATION SERVICES - S.C.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.G. COMPAGNIE MONEGASQUE DE GESTION S.A.M.	Monte Carlo	1	A.1.6	99.95	99.95
8.	SMEF SOCIETE MONEGASQUE DES ETUDES FINANCIERE S.A.M.	Monte Carlo	1	A.1.6	99.96	99.96
9.	CMB ASSET MANAGEMENT S.A.M.	Monte Carlo	1	A.1.6	99.40	99.40
10.	CMB WEALTH MANAGEMENT LIMITED	London	1	A.1.6	100.00	100.00
11.	MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.	Luxembourg	1	A.1.1	99.00	99.00
			1	A.1.12	1.00	1.00
12.	COMPASS BANCA° S.p.A.	Milan	1	A.1.1	100.00	100.00
13.	CHEBANCA! S.p.A.	Milan	1	A.1.1	100.00	100.00
14.	CREDITECH S.p.A.	Milan	1	A.1.12	100.00	100.00
15.	SELMABIPIEMME LEASING S.p.A.	Milan	1	A.1.1	60.00	60.00
16.	CB!NewCo	Milan	1	A.1.13	100.00	100.00
17.	RICERCHE E STUDI S.p.A.	Milan	1	A.1.1	100.00	100.00
18.	MEDIOBANCA SECURITIES USA LLC	New York	1	A.1.1	100.00	100.00
19.	MB FACTA S.p.A.°°	Milan	1	A.1.1	100.00	100.00
20.	QUARZO S.R.L.	Milan	1	A.1.12	90.00	90.00
21.	QUARZO LEASE S.r.l.	Milan	1	A.1.15	90.00	90.00
22.	FUTURO S.p.A.	Milan	1	A.1.12	100.00	100.00
23.	QUARZO CQS S.r.l.	Milan	1	A.1.22	90.00	90.00
24.	QUARZO MB S.r.l.	Milan	1	A.1.1	90.00	90.00
25.	MEDIOBANCA COVERED BOND S.r.l.	Milan	1	A.1.13	90.00	90.00
26.	COMPASS RE (LUXEMBOURG) S.A.	Luxembourg	1	A.1.12	100.00	100.00
27.	MEDIOBANCA INTERNATIONAL IMMOBILIERE S. A R.L.	Luxembourg	1	A.1.11	100.00	100.00
28.	MB ADVISORY KURUMSAL DANISMANLIK HIZMETLERI ANONIM SIRKETI	Istanbul	1	A.1.1	100.00	100.00
29.	MB MEXICO S.A. C.V. - in liquidation	Bosques De Las Lomas	1	A.1.1	100.00	100.00
30.	Cairn Capital Group Limited	London	1	A.1.1	100.00 **	51.00
31.	Cairn Capital Limited	London	1	A.1.31	100.00	100.00
32.	Cairn Capital North America Inc.	London	1	A.1.31	100.00	100.00
33.	Cairn Capital Guarantee Limited (non operating)	London	1	A.1.31	100.00	100.00
34.	Cairn Capital Investments Limited (non operating)	London	1	A.1.31	100.00	100.00
35.	Cairn Investment Managers Limited (non operating)	London	1	A.1.31	100.00	100.00

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

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

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

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

Legend

1 Type of relationship:
1 = majority of voting rights in ordinary AGMs.
2 = dominant influence in ordinary AGMs.

2 Effective and potential voting rights in ordinary AGMs.

2. Considerations and significant assumptions used to determine consolidation area

The area of consolidation is defined on the basis of IFRS 10, "Consolidated financial statements", which provides that control occurs when the following three conditions apply:

(a) when the investor has power over the investee, defined as having substantive rights over the investee's relevant activities;

(b) when the investor has exposure, or rights, to variable returns from its involvement with the investee;

(c) when the investor has the ability to exert power over the investee to affect the amount of the variable returns.

Subsidiaries are consolidated on the line-by-line basis, which means that the carrying amount of the parent's investment and its share of the subsidiary's equity after minorities 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.

Investments in associates and joint arrangements are consolidated using the equity method. Associates are companies which are subject to dominant influence, a concept which is defined as the power to participate in activities which are significant for the company without having control of it. Dominant influence is assumed to exist in cases where one company holds at least 20% of the voting rights of another. In establishing whether or not dominant influence exists, account is also taken of potential rights, rights still to be exercised pursuant to options, warrants or conversion rights embedded in financial instruments; consideration is also given to issues of ownership structure, e.g. voting rights owned by other investors, etc.

The definition of joint arrangements used is that provided in IFRS 11, which involves the twofold requirement of the existence of a contractual arrangement and that such an arrangement must provide joint control to two or more parties.

Investments in associates and joint arrangements are consolidated using the equity method. Associates are companies which are subject to dominant influence, a concept which is defined as the power to participate in activities which are significant for the company without having control of it. Dominant influence is assumed to exist in cases where one company holds at least 20% of the voting rights of another. In establishing whether or not dominant influence exists, account is also taken of potential rights, rights still to be exercised pursuant to options, warrants or conversion rights embedded in financial instruments; consideration is also given to issues of ownership structure, e.g. voting rights owned by other investors, etc.

The definition of joint arrangements used is that provided in IFRS 11, which involves the twofold requirement of the existence of a contractual arrangement and that such an arrangement must provide joint control to two or more parties.

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. This value is also reduced if the investee company distributes dividends. The profit made or loss incurred by the investee company is recorded in the profit and loss account, as are any long-term reductions in value or reversals.

3. Investments in subsidiaries with significant minority interests

Nothing to report.

4. Significant restrictions

The Group considers that no restrictions currently in force, under the terms of its Articles of Association, shareholders' agreements or external regulations, would prevent it or otherwise limit its ability to access its assets or settle its liabilities.

The Group also considers that no rights are in force to protect the interest of minority or third parties.

5. Other information

The reporting date for the consolidated financial statements is the date on which the parent company's financial year ends. In cases where Group companies have reporting periods ending on different dates, these companies are consolidated based on financial and earnings situations prepared as at the reporting date for the consolidated financial statements.

The financial statements of all subsidiaries have been drawn up based on the same accounting principles used at Group level.

Associates which have reporting periods ending on different dates compared to the Group prepare a pro forma accounting situation as at the consolidated reporting date, or alternatively send a statement relative to a previous date as long as it is not more than three months previously (i.e. for these consolidated financial statements 31 March 2016); such an arrangement is permitted (IAS 28, par. 24-25), provided that account is taken of any significant transactions or events which take place between this date and the consolidated reporting date.

SECTION 4

Events subsequent to the reporting date

Since the reporting date, no events have taken place that would cause the results presented in the consolidated report for the twelve months ended 30 June 2016 to require adjustment.

On 18 July 2016, the company Spafid Family Office SIM S.p.A. was set up, 100%-owned by Spafid S.p.A. The company will provide financial advisory services on investments.

On 1 August 2016, the memorandum of incorporation was signed for the creation of CB!NewCo S.r.l., a payment institution set up to enable the technical integration of the Barclays business unit.

CheBanca! completed its acquisition of Barclays' Italian retail operations on 26 August 2016. The acquisition involves 220,000 customers, 85 branches, 564 commercial retail staff, 68 financial promoters, €2.5bn in residential mortgages (performing), €0.4bn in cash and liquida ssets, €2.9bn in direct funding and €2.9bn in indirect funding, €2bn of which in asset management. Under the terms of the deal, Barclays will pay CheBanca! €240.5m in respect of a business unit with balanced assets and liabilities. To safeguard capital in view of the increase in RWAs, on 22 July 2016 a total of 12.5 million ordinary shares were issued, subscribed for by Mediobanca S.p.A. in an amount of €100m, plus a new subordinated loan of €50m.

For a description of the most significant events since the reporting date, please refer to the relevant section in the Review of Operations.

A.2 - Significant accounting policies

Financial assets held for trading

This category comprises debt securities, equities, loans held for trading purposes, 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 [1] 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. 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 Level3 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*.

[1] See Part A - Information on fair value, pp. 87 for further details.

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 [2]. Changes in fair value are recognized in a separate net equity reserve, which is then eliminated against the corresponding item in the profit and loss account as and when an asset is disposed of or impairment is recognized. 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 30% or for longer than twenty-four months, 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 [3], which is calculated as at the settlement date and includes any transaction costs or income directly

[2] See Part A – Information on fair value, pp. 100-110 for further details.

[3] See Part A – Information on fair value, pp. 100-110 for further details.

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.

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 stipulates that for finance leases, interest income should be recorded based on methods which reflect a constant, regular return on the lessor's net investment.

In accordance with this principle, in the event of changes to contracts one these have become effective, any difference arising from comparison between the outstanding principal amount prior to renegotiation and the value of the new future flows discounted at the original interest rate have been taken through the profit and loss account for the period [4].

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;
- 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

[4] As required by the amortized cost rules under IAS 39.

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, with the effects taken through the profit and loss account.

The hedge relationship may also be discontinued either voluntarily or when the hedged instrument is derecognized or the hedging instrument wound up early.

Equity investments

This heading consists of investments in:

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

Where there is objective evidence that the value of an investment may be impaired, estimates are made of its current value using market prices if possible, and of the present value of estimated cash flows generated by the investment, including its terminal value. Where the value thus calculated is lower than the asset's carrying amount, the difference is taken through the profit and loss account. Where the reasons for the loss of value cease to apply, due to an event which takes place subsequent to the date on which the value reduction is recorded, writebacks are credited up to the amount of the impairment charges previously recorded.

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, long-term computer software applications and other intangible assets (list of clients and development software) deriving from the Purchase Price Allocation process.

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 (even in the form of repos and securities lending transactions) 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 and net interest.

Since 1 July 2013, conversely, actuarial gains and/or losses are recorded in a net equity valuation reserve, i.e. in the other comprehensive income statement (OCI) and no longer in the profit and loss account as required by the new IAS 19 revised (Employee Benefits), which was approved by the IASB on 16 June 2011 and incorporated into EU law under regulation EE 475/12 [5].

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.

As permitted by IAS 37, para. 92, no precise indication has been given of any potential liabilities.

[5] These items may therefore no longer be accounted for under labour costs as was the Group's previous practice.

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).

The assets and liabilities of the non-Italian entities consolidated line-by-line have been converted at the exchange rate prevailing at the reporting date, whereas the profit-and-loss items have been converted on the basis of the average exchange rates for the period. Any differences arising upon conversion have been taken through the net equity valuation reserves.

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.

EU regulation 634/14 introduced IFRIC 21, providing guidelines on the methods of accounting for certain taxes not covered in the treatment provided for in IAS 12. In particular, the interpretation states the nature of the"obligating event" which gives rise to the recognition of the liability to pay a tax, i.e. the event which triggers the obligation to pay. For example, the interpretation establishes the treatment to be adopted if the obligation to pay the tax arises from having reached a minimum level of assets or from the circumstance of the entity being operative at a certain date in the future. This interpretation is significant in establishing the accounting treatment for the obligations to contribute to the Bank Resolution Fund and Deposit Guarantee Fund schemes, as illustrated in more depth in the following section "Contributions to Deposit Guarantee and Resolution Mechanism Systems".

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

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

a) individuals or entities which directly or indirectly, are subject to joint control by Mediobanca, parties to the Mediobanca shareholders' agreement with syndicated interests of over 2% of the company's share capital, and the entities controlled by or controlling them;

b) associate companies, joint ventures and entities controlled by them;

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) entities controlled or jointly controlled by one or more of the individuals listed under the foregoing letter c);

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 otherwise associated with such individuals;

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

g) transactions involving vehicle companies, even if these are not directly attributable to related parties but the benefits from them still accrue to related parties.

A.3 - Information on transfers between financial asset portfolios

A.3.1 Reclassified financial assets: book value, fair value and effects on comprehensive income

(€ 000)

Type of instrument	Transferred from	Transferred to	Book value at 30/6/16	Fair value at 30/6/16	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	74,641	76,632	(2,220)	1,331	—	1,331
Debt securities [1] (ABS)	AFS securities	Due from customers	9,166	9,226	(302)	195	—	195
Debt securities [2]	AFS securities	Financial assets held to maturity	268,149	286,274	(6,234)	14,131	—	14,131
Total			351,956	372,132	(8,756)	15,657	—	15,657

[1] Made during FY 08/09.

[2] Made during FY 10/11.

No transfers were made during the period under review.

A.4 - Information on fair value

QUALITATIVE INFORMATION

This section provides the disclosure on fair value stipulated by IFRS 13 paragraph 24, which defines fair value as the price which would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market.

For financial instruments listed on active markets, fair value is determined on the basis of the official prices prevailing on the principal market, or alternatively the most advantageous market to which the Group has access; such instruments are thus said to be marked to market. A market is defined as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

For instruments not listed on an active market or in cases where the market is not functioning properly, that is, it does not have a sufficient and continuous number of transactions, or sufficiently low bid-ask spreads and volatility, valuation models using market inputs are used instead, such as:

- valuations of instruments with similar characteristics;
- discounted cash flow calculations;
- option price calculation models, values recorded in recent comparable transactions, prudentially adjusted to reflect the illiquid nature of some market data and other risks associated with specific transactions (reputational risk, replacement risk, etc.).

If no market inputs are available, valuation models based on data estimated internally are used.

Equities and equity-linked derivatives for which it is not possible to reliably determine fair value using the methods described above are stated at costs. For investment funds, including mutual funds, private equity funds, hedge funds (including funds of funds) and real estate funds, fair value is taken to be the net asset value (NAV) per stock unit published by the funds themselves.

As a further guarantee that the valuations deriving from the measurement models the Group uses remain objective, independent price verification processes (IPVs) are also carried out, in which a unit unrelated to the one assuming the risk checks the prices of the individual financial instruments on a daily basis, using data provided by information providers as its reference.

Fair value is reported according to rankings based on the quality of the input parameters used to determine it [5].

In accordance with the provisions of IFRS 13 as enacted in Bank of Italy circular no. 262, the fair value hierarchy assigns decreasing priority to measurements based on different market parameters. The highest priority (Level1) is assigned to measurements based on prices quoted (un-adjusted) on an active market for identical assets or liabilities; while the lowest of priority (Level3) is assigned to valuations deriving predominantly from unobservable inputs.

[5] Cf. IFRS 13, paragraph 73: "the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement"; and paragraph 74: "The fair value hierarch ranks fair value measurements based on the type of inputs; it does not depend on the type of valuation techniques used". For further details see IFRS 13, paragraphs 72-90.

The fair value ranking level assigned to an asset or liability is defined as the lowest-level input that is significant to the entire measurement. Three levels are identified.

– Level1: quoted prices (single and unadjusted) in active markets for the individual financial instrument being measured.

– Level2: inputs other than the quoted prices referred to above, that are observable on the market either directly (prices) or indirectly (price derivatives). In this case fair value is measured via a comparable approach, or by using a pricing model which leaves little scope for subjective interpretation and is commonly used by other financial operators.

– Level3: significant inputs which are either unobservable on the market and/or reflect complex pricing models. In this case the fair value is set based on assumptions of future cash flows, which could lead to different estimates by different observers of the value of the same financial instrument.

As a rule Mediobanca uses market prices (Level1) or models based on observable inputs (Level2). In cases where Level3 instruments are used, additional price verification procedures are set in place, including: revision of relevant historical data, analysis of profits and losses, individual measurement of each single component in a structured component, and benchmarking. This approach involves the use of subjective parameters and judgements based on experience, and adjustments may therefore be required to valuations to take account of the bid-ask spread, liquidity or counterparty risk, and the type of measurement model adopted. All models in any case, including those developed internally, are verified independently and validated by different Bank units, thus ensuring an independent control structure.

Fair Value Adjustment

Fair value adjustment is defined as the quantity that has to be added to the price observed on the market or the theoretical price generated by the model, to ensure that the fair value reflects the price that can be realized in a market transaction which is effectively possible. The following adjustments in particular should be noted:

– credit/debt valuation adjustment;

– other adjustments.

Credit/Debt Valuation Adjustment (CVA/DVA)

Credit and debt value adjustments (CVA and DVA respectively) are incorporated into the valuation of derivatives to reflect the impact respectively of the counterparty's credit risk and the Bank's own credit quality on the fair value, as follows:

- CVA is a negative quantity which takes into account the scenarios in which the counterparty might fail before the Bank does while amounts are still receivable (positive MTM) by the Bank from the counterparty;
- DVA is a positive quantity which takes into account the scenarios in which the Bank itself might fail before the party does while amounts are still payable (negative MTM) to the counterparty.

CVA and DVA are calculated taking into consideration any counterparty risk mitigation agreements that have been entered into, in particular collateral and netting agreements for each individual counterparty.

The CVA/DVA methodology used by Mediobanca is based on the following inputs:

- expected positive exposure (EPE) and expected negative exposure (ENE) of the valuation of the derivatives, deriving from simulation techniques;
- PD (probability of default (PD), derived from historical PD readings or those implied in market prices for credit default swaps or bond securities;
- loss given default (LGD) based on the estimated value of recovery in the event of the counterparty going bankrupt, as defined in specific analysis conducted by the Bank itself or the default rates conventionally utilized for credit default swap prices.

Other adjustments

Other adjustments of fair value not included in the categories described above, may be taken into consideration in order to align the valuation with the exit price inter alia on the basis of market liquidity levels or valuation parameters.

A.4.1 Fair value Levels2 and 3: measurement techniques and inputs used

Assets and liabilities measured at fair value on a recurring basis

This section provides disclosure on the measurement techniques and inputs used for assets and liabilities measured at fair value on a recurring basis.

- bonds: instruments not traded on active markets are marked to model using the implied credit spread curves obtained from Level1 instruments, to which a further spread is added to reflect their illiquidity. The model makes maximum use of observable inputs and minimum use of non-observable inputs. In this way, depending on how representative the credit spread curve applied is, bonds are categorized as either Level2 or Level3 (the latter in cases where non-observable credit spreads are used). In fair value measurement, fair value adjustments can be used in cases where there is reduced liquidity and model risk, to compensate for the lack of observable market inputs for Leve2 and Level3 positions.
- asset-backed securities, CLOs and loans: the measurement process relies on information providers which effectively collect market prices. All the ABS owned by Mediobanca are categorized as Level3, with the exception of those for which a bid/ask contribution can be provided with the respective quantities on an ongoing basis, in which case they are categorized as Level1.
- derivatives: the fair value of derivatives not traded on an active market derives from application of mark-to-model measurement techniques. In cases where there is an active market to provide inputs for the various components of the derivative to the valuation model, the fair value is measured on the basis of the market prices. Measurement techniques based on observable inputs are categorized as Level2, whereas those based on non-observable inputs are categorized as Level3.

– Equities: equities are categorized as Level1 when quoted prices are available on an active market considered to be liquid, and Level3 when there are no quoted prices or when quoted prices have been suspended indefinitely.
– Investment funds: Mediobanca owns holdings in investment funds which publish the net asset value (NAV) per stock unit. Such funds include mutual funds, private equity funds, hedge funds (including funds of funds) and real estate funds. Investments in funds are usually classified as Level1 in cases where quoted prices are available on an active market; otherwise they are categorized as Level3.

Assets and liabilities measured at fair value on a non-recurring basis

Financial instruments measured at fair value on a non-recurring basis (including amounts payable to and receivable from customers and banks) are not accounted for on the basis of fair value.

In such cases the fair value is calculated solely for the purpose of meeting the Bank's responsibilities in terms of providing market disclosure, and the calculation does not impact in any way on the book value of the investment and has no effect on the profit and loss account. Such instruments are not normally traded, and their fair value is thus measured on the basis of inputs compiled internally rather than directly observable on the market.

For loans to corporates, fair value is measured via the discounted cash flow method, using rates and/or flows adjusted to reflect credit risk in each case. Loans to counterparties with official ratings are categorized as Level2, and in all other cases as Level3. The same applies to retail loans (i.e. mortgage loans and consumer credit).

Bonds issued by Mediobanca are categorized as fair value Level1 if quoted on an active market (using the market price as the input); if not, i.e. in cases where there are no quoted prices, the fair value is categorized as Level2 and is calculated via the expected discounted cash flow using a market interest rate adjusted for the Bank's issuer risk (with a distinction being made between senior and subordinated risks).

A.4.2 Measurement processes and sensibilities

As required by IFRS 13, quantitative information on the significant non-observable inputs used in measuring the fair value of Level3 instruments is provided below.

Uncertainties inherent in inputs and impact on mark-to-market for equity products

Non-observable inputs	Quantification of uncertainty inherent input	+/- delta vs MtM (€'000), 30/6/16	+/- delta vs MtM (€'000), 30/6/15
Implicit volatility	On average equal to 50 bps for volatility surface points falling outside the contribution of Totem application (maturity > 3Y for single stocks and maturity > 5Y for indexes)	266	181
Equity-equity correlation	Equal to 1% between two indexes and 2% between two single stocks	90	50

Measurement techniques used for equity, credit and interest rate products

Product	Measurement technique	Non-observable inputs	Fair value* Assets 30/6/16 (€m)	Fair value* Liabilities 30/6/16 (€m)	Fair value* Assets 30/6/15 (€m)	Fair value* Liabilities 30/6/15 (€m)
OTC equity plain vanilla options, OTC equity digital options, variance swap	Black-Scholes/ Black model	Implicit volatility [1]	5.49	(12.84)	11.46	(25.23)
OTC equity basket options, best of/ worst of	Black-Scholes method	Implicit volatility Equity-equity correlation [2]	7.20	—	16.87	—
Synthetic CDOs	Gaussian copula model using factor with base correlation	Base correlation with bootstrap starting from quoted data on liquid index tranches [3]	0.16	(0.29)	0.32	(0.79)
Structured CCSs [4]	Discount cash flow		—	—	18.24	—

* Values are shown net of reserves booked.

[1] Volatility in a financial context is a measurement of how much the price of an instrument underlying a derivative may vary over time. The higher the volatility of the underlying instrument, the greater the risk associated with it. In general terms long positions in options benefit from increases in volatility, whereas short positions in options lose out from them. For equity derivatives, the implicit volatility surface may be obtained from the price of the call and put options, as there are regulated markets for these. The uncertainty inherent in this input is attributable to one of the following scenarios: illiquidity of quoted prices (wide bid/ask spreads, typically present on long maturities or moneyness far from the at-the-money spot), concentration effects and non-observable market data (here too present when maturities are considered too long or moneyness too far from the at-the-money spot).

[2] Equity-equity correlation is a measurement of the correlation between two equity financial instruments underlying a derivative. Variations in the correlation levels may impact favourably or unfavourably, depending on the correlation type, on an instrument's fair value. Equity-equity correlations are less observable than volatilities, because correlation products are not quoted on any regulated markets. For this reason correlations are more prone to input uncertainty.

[3] The base correlation is the level of relation between the default events for the underlying instruments belonging to the principal credit indexes. The correlation is obtained from the quoted market prices of synthetic CDOs on the indexes, in particular from instruments hedging the various parts of the equity structure of these indexes.

[4] The contract has been reclassified to Level2, following amendments to certain contractual clauses making it easier to calculate the fair value.

A.4.3 Fair value ranking

Transfers between levels of fair value ranking

The main factors contributing to transfers between the different fair value levels include changes in market conditions and refinements in the measurement models and/or the non-observable inputs.

An instrument is transferred from fair value Level1 to Level2 or vice versa mainly as a result of changes in the significance of a price expressed by the reference active market for the instrument concerned.

Conversely, transfers from Level2 to Level3 (or vice versa) are decided on the basis of the significance of the input data, in particular the weight which non-observable data have in the inputs compared to observable data.

A.4.4 Other information

The Mediobanca Group has availed itself of the exception provided under IFRS 13, paragraph 48 from measuring fair value on a net basis for financial assets and liabilities with positions compensating for the counterparty's market or credit risks.

QUANTITATIVE INFORMATION

A.4.5 Fair value ranking

A.4.5.1 Assets and liabilities recognized at fair value on a recurring basis by fair value ranking

(€ 000)

Financial Assets/Liabilities measured at fair value	30/6/16			30/6/15		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	4,101,756	5,319,409	84,130	5,855,061	5,595,458	410,267
2. Financial assets recognized at fair value	—	—	—	—	—	—
3. AFS securities	7,851,033	567,930	220,429	7,434,406	366,921	261,811
4. Hedge derivatives	—	933,434	—	—	754,941	—
5. Tangible assets	—	—	—	—	—	—
6. Intangible assets	—	—	—	—	—	—
Total	11,952,789	6,820,773	304,559	13,289,467	6,717,320	672,078
1. Financial liabilities held for trading	(2,286,362)	(4,794,269)	(60,827)	(3,074,413)	(5,170,199)	(354,320)
2. Financial liabilities recognized at fair value	—	—	—	—	—	—
3. Hedge derivatives	—	(339,901)	—	—	(291,201)	—
Total	(2,286,362)	(5,134,170)	(60,827)	(3,074,413)	(5,461,400)	(354,320)

The Level3 instruments held for trading include options traded, i.e. contracts with the same underlying instrument but executed with different counterparties, in an amount of €43.2m (30/6/15: €323.8m), plus €4.8m (€5.3m) in options linked to bonds issued and hedged on the market.

Net of these items, the Level3 assets decreased from €81.2m to €36.1m, including €18.2m reclassified to Level2, new deals worth €2.7m, disposals and redemptions totalling €19m, and other changes, including movements in fair value, amounting to €10.6m.

AFS assets consist of investments in unlisted companies (valued on the basis of internal models) and private equity funds. During the year under review AFS assets declined from €261.8m to €220.4m, representing the balance between €68.7m in additions and €110.1m in reductions (€17.6m transfers to Level1).

A.4.5.2 Annual changes in financial assets recognized at fair value on a recurring basis (Level3 assets)

(€ 000)

	Held for trading [1]	Recognized at fair value	AFS [2]	Hedges
1. Balance at start of period	81,176	—	261,811	—
2. Additions	6,633	—	68,675	—
2.1 Purchases	2,685	—	52,527	—
2.2 Profits recognized in:	3,886	—	14,790	—
2.2.1 profit and loss	3,886	—	4,467	—
- of which, gains	1,360	—	—	—
2.2.2 net equity	X	X	10,323	—
2.3 Transfers from other levels	—	—	—	—
2.4 Other additions	62	—	1,358	—
3. Reductions	51,670	—	110,062	—
3.1 Disposals	3,707	—	65,516	—
3.2 Redemptions	15,308	—	3,360	—
3.3 Losses recognized in:	13,446	—	23,566	—
3.3.1 profit and loss	13,446	—	12,749	—
- of which, losses	13,438	—	12,661	—
3.3.2 net equity	X	X	10,817	—
3.4 Transfers to other levels	18,238	—	17,620	—
3.5 Other reductions	971	—	—	—
4. Balance at end of period	36,139	—	220,424	—

[1] Includes market value of options covering those attached to bond issues (€4.8m as at 30/6/16 and €5.3m as at 30/6/15) as well as options traded (€43.2m and €323.8m 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.

A.4.5.3 Annual changes in liabilities recognized at fair value on a recurring basis (Level3 liabilities)

(€ 000)

	Held for trading [1]	Recognized at fair value	Hedges
1. Balance at start of period	25,230	—	—
2. Additions	5,031	—	—
2.1 Issues	2,508	—	—
2.2 Losses recognized in:	1,738	—	—
2.2.1 profit and loss	1,738	—	—
- of which, losses	1,738	—	—
2.2.2 net equity	X	X	—
2.3 Transfers from other levels	—	—	—
2.4 Other additions	785	—	—
3. Reductions	17,423	—	—
3.1 Redemptions	6,930	—	—
3.2 Buybacks	—	—	—
3.3 Profits recognized in:	8,425	—	—
3.3.1 profit and loss	8,425	—	—
- of which, gains	6,939	—	—
3.3.2 net equity	X	X	—
3.4 Transfers to other levels	2,068	—	—
3.5 Other reductions	—	—	—
4. Balance at end of period	12,838	—	—

[1] Includes market value of options covering those attached to bond issues (€4.8m as at 30/6/16 and €5.3m as at 30/6/15) as well as options traded (€43.2m and €323.8m respectively), the values of which are recorded as both assets and liabilities for the same amount.

A.4.5.4 Assets and liabilities not recognized at fair value or recognized at fair value on a non-recurring basis, by fair value ranking

(€ 000)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	30/6/16				30/6/15			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Financial assets held to maturity	1,975,411	1,994,385	59,439	19,459	1,311,696	1,350,529	43,100	21,002
2. Due from banks	3,386,601	—	5,114,831	269,186	6,078,256	—	5,857,245	221,077
3. Due from customers	37,881,476	—	12,439,572	26,399,738	37,122,531	—	10,961,656	26,250,313
4. Tangible assets held for investment purposes	70,676	—	—	136,789	72,915	—	—	139,110
5. Non-current assets and groups of assets being sold	—	—	—	—	—	—	—	—
Total	43,314,164	1,994,385	17,613,842	26,825,172	44,585,398	1,350,529	16,862,001	26,631,502
1. Due to banks	11,940,298	—	11,940,298	—	14,303,929	—	14,303,929	—
2. Due to customers	18,164,542	—	18,185,154	—	16,873,388	—	16,904,574	—
3. Debt securities in issue	21,813,134	1,649,708	20,585,608	19,159	20,154,478	3,148,487	17,519,990	302,268
4. Liabilities in respect of non-current assets being sold	—	—	—	—	—	—	—	—
Total	51,917,974	1,649,708	50,711,060	19,159	51,331,795	3,148,487	48,728,493	302,268

A.5 - Information on day one profit/loss

For Level3 transactions, the fair value derived from the model may differ from the price of the transaction itself. If the difference is positive (day one profit), it is amortized over the outstanding life of the financial instrument; if it is negative (day one loss), it is taken directly to the profit and loss account, on prudential grounds. Any subsequent changes in fair value will therefore be linked to the trends in the various risk factors to which the instrument is exposed (interest rate/exchange rate risk, etc.) and recorded directly in the profit and loss account.

At the reporting date the Group’s consolidated financial statements do not contain any amounts reflecting suspended day one profits/losses in the profit and loss account to be released over time.

Part B - Notes to Consolidated Balance Sheet *

Assets

SECTION 1

Heading 10: Cash and cash equivalents

1.1 Cash and cash equivalents: composition

	30/6/16	30/6/15
a) Cash	54,651	44,023
b) Demand deposits with Central banks	101,691	5,004
Total	156,342	49,027

* 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 **

Items/Values	30/6/16			30/6/15		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Balance-sheet assets						
1. Debt securities	2,025,974	736,434	11,194	3,205,161	735,879	22,259
1.1 Structured securities	10,955	30,496	—	49,616	113,608	—
1.2 Others	2,015,019	705,938	11,194	3,155,545	622,271	22,259
2. Equity instruments [1]	1,286,344	—	—	1,726,920	24,634	—
3. Units in investment funds [1]	141,488	132,444	12,055	279,199	134,019	12,052
4. Loans	15,234	—	—	22,090	—	—
4.1 Repos	—	—	—	—	—	—
4.2 Others	15,234	—	—	22,090	—	—
Total A	3,469,040	868,878	23,249	5,233,370	894,532	34,311
B. Derivative instruments						
1. Financial derivatives	632,716	4,258,512	60,670	621,691	4,487,089	375,653
1.1 Trading	632,716	3,790,656	55,764 [2]	621,691	4,080,891	370,158 [2]
1.2 Related to fair value option	—	—	—	—	—	—
1.3 Others	—	467,856	4,906 [3]	—	406,198	5,495 [3]
2. Credit derivatives	—	192,019	211	—	213,837	303
2.1 Trading	—	192,019	211	—	213,837	303
2.2 Related to fair value option	—	—	—	—	—	—
2.3 Others	—	—	—	—	—	—
Total B	632,716	4,450,531	60,881	621,691	4,700,926	375,956
Total (A+B)	4,101,756	5,319,409	84,130	5,855,061	5,595,458	410,267

* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A – “Accounting Policies”.

[1] Equities as at 30/6/16 include shares committed in securities lending transactions totalling €483,011,000 (30/6/15: €1,598,144,000).

[2] Respectively €43,185,000 and €323,795,000 by way of options traded, with the equivalent amount being recorded as trading liabilities.

[3] Includes the market value of options (€4.8m at 30/6/16 and (€5.3m at 30/6/15) covering those linked with bonds issued, with the equivalent amount being recorded as trading liabilities.

2.2 Financial assets held for trading: by borrower/issuer

Items/Values	30/6/16	30/6/15
A. FINANCIAL ASSETS (NON-DERIVATIVES)		
1. Debt securities	2,773,602	3,963,299
a) Governments and Central banks	1,708,687	1,931,561
b) Other public-sector entities	11,990	64,042
c) Banks	501,702	956,769
d) Other issuers	551,223	1,010,927
2. Equity instruments	1,286,344	1,751,554
a) Banks	35,583	65,633
b) Other issuers:	1,250,761	1,685,921
- Insurance companies	53,537	31,102
- Financial companies	92,027	176,345
- Non-financial companies	1,094,629	1,476,630
- Other	10,568	1,844
3. Units in investment funds	285,987	425,270
4. Loans	15,234	22,090
a) Goverments and Central banks	—	—
b) Other public-sector entities	—	—
c) Banks	—	—
d) Other issuers	15,234	22,090
Total A	4,361,167	6,162,213
B. DERIVATIVE INSTRUMENTS		
a) Banks	2,990,546	3,509,619
- Fair Value	2,990,546	3,509,619
b) Customers	2,153,582	2,188,954
- Fair Value	2,153,582	2,188,954
Total B	5,144,128	5,698,573
Total (A+B)	9,505,295	11,860,786

SECTION 4

Heading 40: Available for sale (AFS) securities

4.1 AFS securities: composition *

Items/Values	30/6/16			30/6/15		
	Level 1	Level 2	Level 3 [1]	Level 1	Level 2	Level 3 [1]
1. Debt securities	7,157,167	567,930	—	6,572,244	366,537	11,686
1.1 Structured securities	—	—	—	—	—	—
1.2 Other	7,157,167	567,930	—	6,572,244	366,537	11,686
2. Equity instruments	642,407	—	39,606	842,430	—	115,468
2.1 Designated at fair value	642,407	—	39,554	842,430	—	115,416
2.2 Recognised at cost	—	—	52	—	—	52
3. Units in investment funds	51,459	—	180,823	19,732	384	134,657
4. Loans	—	—	—	—	—	—
Total	7,851,033	567,930	220,429	7,434,406	366,921	261,811

* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A – "Accounting Policies".

[1] Includes shares in non-listed companies based on internal rating models.

4.2 AFS securities: by borrower/issuer

Items/Values	30/6/16	30/6/15
1. Debt securities	7,725,097	6,950,467
a) Governments and Central banks	5,761,180	5,111,273
b) Other public-sector entities	229,297	—
c) Banks	880,226	946,207
d) Other entities	854,394	892,987
2. Equity instruments	682,013	957,898
a) Banks	722	643
b) Other issuers:	681,291	957,255
- Insurance companies	—	—
- Financial companies	13,372	31,751
- Non-financial companies	661,437	916,664
- Other	6,482	8,840
3. Units in investment funds (including Private Equity funds)	232,282	154,773
4. Loans	—	—
a) Governments and Central banks	—	—
b) Other public-sector entities	—	—
c) Banks	—	—
d) Other entities	—	—
Total	8,639,392	8,063,138

4.3 AFS securities: assets subject to specific hedging

Items/Values	30/6/16	30/6/15
1. Financial instruments subject to fair value micro hedging	1,909,659	314,292
a) Interest rate risk	1,909,659	314,292
b) Currency risk	—	—
c) Credit risk	—	—
d) Multiple risks	—	—
2. Financial instruments subject to cash flow micro hedging	85,692	—
a) Interest rate risk	—	—
b) Currency rsk	—	—
c) Other	85,692	—
Total	1,995,351	314,292

SECTION 5

Heading 50: Financial assets held to maturity

*5.1 Financial assets held to maturity: composition **

	Total 30/6/16				Total 30/6/15			
	Book Value	Fair value			Book Value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	1,975,411	1,994,385	59,439	19,459	1,311,696	1,350,529	43,100	21,002
- structured	—	—	—	—	—	—	—	—
- other	1,975,411	1,994,385	59,439	19,459	1,311,696	1,350,529	43,100	21,002
2. Loans	—	—	—	—	—	—	—	—

* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A – "Accounting Policies".

5.2 Assets held to maturity: by borrower/issuer

Type of transaction/Values	30/6/16	30/6/15
1. Debt securities	1,975,411	1,311,696
a) Government and Central banks	1,115,134	359,024
b) Other public-sector entities	—	—
c) Banks	265,196	330,898
d) Other issuers	595,081	621,774
2. Loans	—	—
a) Government and Central banks	—	—
b) Other public-sector entities	—	—
c) Banks	—	—
d) Other entities	—	—
Total	1,975,411	1,311,696
Total Fair Value	2,073,283	1,414,631

SECTION 6

Heading 60: Due from banks

*6.1 Due from banks: composition **

Type of transactions/Values	30/6/16				30/6/15			
	Book Value	Fair Value			Book Value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Loans to Central Banks	162,893	—	162,896	—	131,490	—	131,490	—
1. Time deposits	—	X	X	X	—	X	X	X
2. Compulsory reserves	162,893	X	X	X	131,490	X	X	X
3. Repos	—	X	X	X	—	X	X	X
4. Other	—	X	X	X	—	X	X	X
B. Loans to banks	5,223,708	—	4,951,935	269,186	5,946,766	—	5,725,755	221,077
1. Loans	5,223,708	—	4,951,935	269,186	5,946,766	—	5,725,755	221,077
1.1 Current accounts and demand deposits	1,087,313	X	X	X	770,681	X	X	X
1.2 Time deposits	48,528	X	X	X	70,307	X	X	X
1.3 Other loans	4,087,867	X	X	X	5,105,778	X	X	X
- Repos	2,628,164	X	X	X	3,914,788	X	X	X
- Finance leases	4,795	X	X	X	5,067	X	X	X
- Other	1,454,908	X	X	X	1,185,923	X	X	X
2. Debt securities	—	—	—	—	—	—	—	—
2.1 Structured	—	X	X	X	—	X	X	X
2.2 Other	—	X	X	X	—	X	X	X
Total	5,386,601	—	5,114,831	269,186	6,078,256	—	5,857,245	221,077

* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A – "Accounting Policies".

*6.3 Financial leasing **

	30/6/16					
	Non performing exposures	Minmum Payments			Gross investments	
		Principal		Interest share		
			of which outstanding amount guaranteed			of which outstanding amount guaranteed
Up to 3 months	—	300	—	53	353	3
Between 3 months and 1 year	—	744	—	136	880	7
Between 1 year and 5 years	—	2,822	—	317	3,139	3
Over 5 years	—	932	—	138	1,070	19
Unspecified	—	—	—	—	—	—
Total	—	4,798	—	644	5,442	32

* The table, based on the "Instructions for preparing annual reports for banks registered in the special register of electronic money institutions, fund management companies and brokers" published by the Bank of Italy, provides a breakdown of the book value of non-performing items, the current value of minimum payments (net of value adjustments, if any), and gross investments, by amount of time overdue.

SECTION 7

Heading 70: Due from customers

*7.1 Due from customers: composition **

Type of transaction/Value	30/6/16						30/6/15					
	Book Value			*Fair Value*			Book Value			*Fair Value*		
	Performing	Non performing		Level 1	Level 2	Level 3	Performing	Non performing		Level 1	Level 2	Level 3
		Purchased	Other					Purchased	Other			
Loans	36,674,996	70,451	946,257	—	12,363,379	26,284,052	35,488,055	73,801	1,078,456	—	10,712,897	26,002,107
1. Current accounts	188,140	—	151	X	X	X	272,716	—	80	X	X	X
2. Repos	3,567,070	—	—	X	X	X	3,689,916	—	—	X	X	X
3. Mortgages	17,916,862	—	527,343	X	X	X	17,099,642	—	576,797	X	X	X
4. Credit cards, personal loans and salary-backed finance	8,727,568	70,451	145,291	X	X	X	8,322,581	73,801	204,761	X	X	X
5. Financial leases	2,258,599	—	227,840	X	X	X	2,485,482	—	267,043	X	X	X
6. Factoring	791,335	—	10,154	X	X	X	446,701	—	3,735	X	X	X
7. Other loans	3,225,422	—	35,478	X	X	X	3,171,017	—	26,040	X	X	X
Debt securities	189,772	—	—	—	79,193	115,686	482,219	—	—	—	248,759	248,206
8. Structured instruments	—	—	—	X	X	X	—	—	—	X	X	X
9. Others	189,772	—	—	X	X	X	482,219	—	—	X	X	X
Total	36,864,768	70,451	946,257	—	12,439,572	26,399,738	35,970,274	73,801	1,078,456	—	10,961,656	26,250,313

* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A – "Accounting Policies".

7.2 Due from customers: by borrower/issuer

Type of transaction/Values	30/6/16			30/6/15		
	Performing	Non performing		Performing	Non performing	
		Purchased	Other		Purchased	Other
1. Debt securities issued by:	189,772	—	—	482,219	—	—
a) Governments	—	—	—	—	—	—
b) Other public-sector entities	—	—	—	—	—	—
c) Other issuers	189,772	—	—	482,219	—	—
- Non-financial companies	—	—	—	17,949	—	—
- Financial companies	189,772	—	—	464,270	—	—
- Insurance companies	—	—	—	—	—	—
- Other	—	—	—	—	—	—
2. Loans to:	36,674,996	70,451	946,257	35,488,055	73,801	1,078,456
a) Governments	—	—	—	—	—	—
b) Other public-sector entities	441,253	—	14,648	94,822	—	12
c) Other entities	36,233,743	70,451	931,609	35,393,234	73,801	1,078,444
- Non-financial companies	14,365,068	1,074	582,478	13,151,353	2,947	661,032
- Financial companies	4,603,597	—	19,179	5,562,883	24	24,444
- Insurance companies	783,257	—	1	947,831	—	1,888
- Other	16,481,821	69,377	329,951	15,731,165	70,830	391,080
Total	36,864,768	70,451	946,257	35,970,274	73,801	1,078,456

7.3 Due from customers: assets subject to specific hedging

	30/6/16	30/6/15
1. Loans and receivables subject to micro-hedging of fair value	1,046,593	686,254
a) Interest rate risk	1,046,593	686,254
b) Currency risk	—	—
c) Credit risk	—	—
d) Multiple risk	—	—
2. Loans and receivables subject to micro-hedging of cash flows	—	—
a) Interest rate risk	—	—
b) Currency risk	—	—
c) Expected transaction	—	—
d) Other hedged activities	—	—
Total	1,046,593	686,254

*7.4 Financial leasing **

	30/6/16					
	Non performing exposures	Minmum Payments			Gross investments	
		Principal		Interest share		
			of which outstanding amount guaranteed			of which outstanding amount guaranteed
Up to 3 months	14,251	126,444	—	20,167	183,386	4,953
Between 3 months and 1 year	7,047	322,457	—	52,426	381,931	14,706
Between 1 year and 5 years	206,087	1,013,501	—	162,974	1,382,562	72,789
Over 5 years	455	786,668	—	99,921	887,044	232,698
Unspecified	—	—	—	—	—	—
Total	227,840	2,249,070	—	335,488	2,834,923	325,146

* The table, based on the "Instructions for preparing annual reports for banks registered in the special register of electronic money institutions, fund management companies and brokers" published by the Bank of Italy, provides a breakdown of the book value of non-performing items, the current value of minimum payments (net of value adjustments, if any), and gross investments, by amount of time overdue.

SECTION 8

Heading 80: Hedging derivatives

8.1 Hedging derivatives: by hedge type and level

	30/6/16				30/6/15			
	Fair Value			Nominal value	Fair Value			Nominal Value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	933,434	—	9,622,800	—	754,941	—	12,568,015
1) Fair value	—	926,811	—	9,537,121	—	754,941	—	12,568,015
2) Cash flow	—	6,623	—	85,679	—	—	—	—
3) Net investments in foreign subsidiaries	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	933,434	—	9,622,800	—	754,941	—	12,568,015

8.2 Hedging derivatives: by portfolio hedged and hedge type

Transaction/Type of hedging	Fair Value						Cash-flow hedges		Non Italian investments
	Micro					General	Specific	General	
	Interest rate risk	Currency risk	Credit risk	Price risk	Multiple risk				
1. Available-for-sale financial instruments	—	—	—	—	—	X	—	X	X
2. Loans and receivables	—	—	—	X	—	X	—	X	X
3. Held-to-maturity investments	X	—	—	X	—	X	—	X	X
4. Portfolio	X	X	X	X	X	—	X	—	X
5. Others	—	—	—	—	—	X	—	X	—
Total assets	—	—	—	—	—	—	—	—	—
1. Financial liabilities	926,811	—	—	X	—	X	—	X	X
2. Portfolio	X	X	X	X	X	—	X	—	X
Total liabilities	926,811	—	—	X	—	—	—	—	X
1. Estimated transactions	X	X	X	X	X	X	6,623	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	—	X	—	—

SECTION 10

Heading 100: Equity investments

As at 30 June 2016, the stakes held as part of the Equity investment portfolio reflected a book value of €3,193.3m.

10.1 Equity investments: disclosure on relationships

Company name	Legal office	Operating office	Control type	Ownership		Voting rights %
				Controlling entity	% shareholding	
A. Jointly-controlled entities						
1. Banca Esperia	Milano	Milano	1	Mediobanca S.p.A.	50.0	50.0
B. Entities under signficant influence						
1. Assicurazioni Generali	Trieste	Trieste	2	Mediobanca S.p.A.	13.0	13.0
2. Burgo Group	Altavilla Vicentina (VI)	Milan	2	Mediobanca S.p.A.	22.13	22.13
3. Athena Private Equity S.A. (under liquidation)	Luxembourg	Luxembourg	2	Mediobanca S.p.A.	24.27	24.27

Legend:
1 Joint control.
2 Subject to significant influence.
3 Exclusively controlled and not consolidated.

The criteria and methods for establishing the area of consolidation are illustrated in "Section 3 – Part A – Accounting Policies" to which reference is made.

10.2 Equity investments: book values, fair values and dividends received

Company name	Book value	Fair Value *	Dividends received **
A. Jointly-controlled entities			
1. Banca Esperia	96,653 [1]	n.a.	—
B. Entities under signficant influence			
1. Assicurazioni Generali	3,091,794	2,138,628	145,954
2. Burgo Group	—	n.a.	—
3. Athena Private Equity S.A. (under liquidation)	4,850	n.a.	—
4. Others	48	*n.a.*	—
Total	3,193,345	—	—

[1] Includes goodwill of €1,833,000.

* Available only for listed companies.

** Dividends collected in the course of the financial year have been deducted from the book value of the investment (as described in Part A – Accounting Policies" of the Notes to the Accounts.

As at 30 June 2016 there were no commitments outstanding for the Group's joint arrangements and associates.

The equity investments subject to significant influence and/or joint control are valued using the equity method, and the calculation of their value includes treasury shares owned, dividends collected, and any Mediobanca shares owned by the investee companies.

Impairment testing of equity investments

The value of the equity investments has been subjected to impairment testing, as required by IAS28, IAS36, IFRS10 and IFRS11, in order to ascertain whether or not there is objective evidence to suggest that the full book value at which the assets were recognized might not be able to be recovered.

For investments in associates and jointly-controlled enterprises, the process of recording impairment charges involves checking whether there are indicators of impairment and then proceeding to write the investment down if appropriate. Indicators of impairment may be subdivided into two main categories:

– qualitative indicators: manifest financial difficulties, negative earnings results, falling by a significant margin of targets set in budgets or long-term business plans disclosed to the market, announcing/launching composition procedures or restructuring plans, or downgrade of credit rating by more than two notches;
– quantitative indicators: market capitalization below the company's net asset value, in cases where the securities are listed on active markets.

Where there are indicators of impairment, the recoverable value is calculated from the higher between fair value (net of sales costs) and net present value, and if the recoverable value is lower than the book value, impairment charges are recorded.

IAS 28, paragraph 43 states that:

– impairment charges must be taken in respect of an asset if the book value is higher than the recoverable value defined by IAS 36 as the higher between the fair value (net of sales costs) and the net present value;

– to calculate fair value (as governed by IFRS 13), the methodologies that may be used are as follows:
  - stock market prices, in cases where the investee company is listed on an active market;
  - valuation models generally recognized by the market, including market multiples, for significant transactions in particular.

– to calculate net present value (as governed by IAS 28 paragraph 42) one or other of the following methodologies may be used:
  - the discounted value of the cash flows generated by the investee company, deriving from the cash flows generated by the investments owned by the company and proceeds deriving from the sale of those investments (unlevered discounted cash flow); or alternatively
  - the discounted value of the cash flows assumed to derive from the dividends receivable and the eventual sale of the investment.

For details on the parameters taken into consideration for purposes of the impairment testing, please refer to the comments on impairment testing of goodwill in the relevant section of these Notes to the Consolidated Accounts.

It should be noted that prudential factors have been used to value the equity investments, in the estimate of cash flows and the discount rates.

Accounting data for the investee companies accounted for using the equity method is provided below, as taken from the most recent official financial statements of these companies, up to 31 December 2015.

10.3 Significant investments: accounting data

Company name	**A. Jointly-controlled entities**	**B. Entities under signficant influence**
	Banca Esperia	**Assicurazioni Generali**
Cash and cash-convertible assets	—	X
Financial assets	1,819	459,154
Non-financial assets	108	32,350
Financial liabilities	1,668	58,732
Non-financial liabilities	72	417,108
Total revenues	83	91,961
Interest margin	13	X
Adjustments and reversals on tangible and intangible assets	(2)	X
Profit/(Loss) on ordinary activities before tax	12	3,407
Profit/(Loss) on ordinary activities after tax	7	2,295
Profit/(Loss) on held-for-sale assets after tax	—	(35)
Profir/(Loss) for the period (1)	7	2,259
Other profit/(loss) components after tax (2)	(1)	(46)
Total profit/(loss) for the period (3) = (1) + (2)	6	2,213

The table below shows the difference between the book value of each significant investment and the data used to value it.

Company name	**Aggregate net equity**	**Pro rata net equity**	**Differences arising upon consolidation** [1]	**Consolidated book value**
A. Jointly-controlled entities:				
Banca Esperia	189,639	94,820	1,833	96,653
B. Companies subject to significant influence				
Assicurazioni Generali	23,800,500	3,093,856	(2,061)	3,091,794

[1] The differences arising on consolidation refer, for Banca Esperia, to the goodwill paid to acquire a minority interest, and for Assicurazioni Generali, to the Mediobanca shares owned by the company (worth €15.9m). The book value of the Assicurazioni Generali investment also reflects the dividend received on 25 May 2016 (€146m).

As at 30 June 2016 the market value of the Assicurazioni Generali was €2,138.6m, i.e. lower than the book value of €3,091.8m. As required by IAS 28, then, and in accordance with the internal policy, an impairment test was carried out which involved establishing the investment's net present value, bearing in mind inter alia the following issues:

– Mediobanca has historically been the leading shareholder of the Assicurazioni Generali group with a share of 13% of the ordinary share capital;

– the investment has a medium-/long-term time horizon and is compatible with the Group's net equity. Plans to sell 3% announced in June 2013 have been shelved temporarily on account of the unfavourable market conditions;

– the book value of the investment is aligned with the Assicurazioni Generali group's net asset value (pro rata) and does therefore does not factor in any goodwill.

The excess capital version of the dividend discount model was used to determine the net present value. For purpose of the analysis, leading financial analysts' estimates for the 2016-18 period have been used, along with a cost of capital and growth rate considered to be consistent with the macroeconomic scenario prevailing as at 30 June 2016.

The flows used are also consistent with the targets disclosed by the company in May 2015 and confirmed in the half-yearly results presentation on 30 June 2016. A sensitivity analysis has also been carried out on the results obtained to reflect changes in the valuation parameters.

The impairment testing process has confirmed that the recoverable value of the investment is higher than its book value; hence under the terms of IAS 28 paragraph 33, the investment has passed the impairment test.

10.4 Non-significant investments: accounting data

Company name	**B. Entities under signficant influence**	
	Burgo Group	**Athena Private Equity S.A. (in liquidation)**
Book value of equity interests	—	4,850
Total assets	1,783	24
Total liabilities	1,495	—
Total revenues	2,212	1
Profit/(Loss) on ordinary activities after tax	155	—
Profit/(Loss) for held-for-sale assets after tax	(2)	—
Profit/(Loss) for the period (1)	153	—
Other profit/(loss) components after tax (2)	7	—
Total profit/(loss) (3)=(1)+(2)	160	—

For details on the nature of the relationship, please see Section 10.1.

During the twelve months under review, Burgo Group finalized its debt restructuring agreement (pursuant to Article 67 of Italian law 80/05, resulting in the previous exposure (€496.5m) being converted into: i) equity instruments worth €130.4m; ii) a €65.2m convertible bond; and iii) a residual loan of €300.9m expiring in 2022. The new instruments assigned to Mediobanca entail rights basically protecting the creditors' position and do not alter the ownership interest. As previously, these instruments have been written off entirely on a prudential basis using the existing provisions.

The Fidia investment was also written off, with a total of €0.5m collected during the final liquidation, and a further €1m was collected from Athena PE, also in connection with the fund's liquidation process.

10.5 Equity investments: movements during the period

	30/6/16	30/6/15
A. Opening balance	3,411,361	2,871,375
B. Increases	23,406	544,535
B.1 Purchases	—	—
B.2 Writebacks	—	—
B.3 Revaluations	—	—
B.4 Other changes	23,406	544,535
C. Decreases	241,422	4,549
C.1 Sales	61,363	—
C.2 Adjustments	—	129
C.3 Other changes	180,059	4,420
D. Closing balance	3,193,345	3,411,361
E. Total revaluations	—	—
F. Total adjustments	733,478	733,478

SECTION 12

Heading 120: Property, plant and equipment

12.1 Tangible core assets stated at cost

Assets/Values	30/6/16	30/6/15
1. Assets owned by the Group	234,168	235,703
a) land	84,883	84,883
b) buildings	107,349	107,320
c) furniture	10,558	11,262
d) electronic equipment	11,466	12,670
e) other assets	19,912	19,568
2. Assets acquired under finance leases	—	—
a) land	—	—
b) buildings	—	—
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	—	—
Total	234,168	235,703

12.2 Tangible assets held for investment purposes stated at cost: composition

Assets/Values	30/6/16				30/6/15			
	Book Value	Fair Value			Book Value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Assets owned by the Group	70,676	—	—	136,789	72,915	—	—	139,110
a) land	27,401	—	—	79,542	27,382	—	—	79,523
b) buildings	43,275	—	—	57,247	45,533	—	—	59,587
2. Assets acquired under finance lease	—	—	—	—	—	—	—	—
a) land	—	—	—	—	—	—	—	—
b) buildings	—	—	—	—	—	—	—	—
Total	70,676	—	—	136,789	72,915	—	—	139,110

12.5 Tangible core assets: movements during the period

Assets/Values	Land	Buildings	Furniture	Electronic system	Other	Total
A. Gross opening balance	84,883	142,024	36,362	27,460	75,492	366,221
A.1 Total net reduction value	—	(34,704)	(25,100)	(14,790)	(55,924)	(130,518)
A.2 Net opening balance	84,883	107,320	11,262	12,670	19,568	235,703
B. Increases	—	4,161	2,784	1,107	8,101	16,153
B.1 Purchases	—	4,099	2,257	1,046	7,780	15,182
B.2 Capitalized expenditures on improvements	—	62	—	—	—	62
B.3 Write-backs	—	—	—	—	—	—
B.4 Positive changes in fair value allocated to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss	—	—	—	—	—	—
B.5 Exchange differences (+)	—	—	—	—	—	—
B.6 Transfer from investment properties	—	—	—	—	—	—
B.7 Other adjustments	—	—	527	61	321	909
C. Decreases	—	4,132	3,488	2,311	7,757	17,688
C.1 Sales	—	—	3	—	342	345
C.2 Amortizations	—	4,131	3,467	2,274	6,796	16,668
C.3 Impairment losses allocated to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss	—	—	—	—	—	—
C.4 Negative changes in fair value allocated to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss	—	—	—	—	—	—
C.5 Exchange differences (+)	—	1	6	3	5	15
C.6 Transfers to:	—	—	—	—	—	—
a) tangible assets held for investment purpose	—	—	—	—	—	—
b) assets classified as held-for-sale	—	—	—	—	—	—
C.7 Other adjustments	—	—	12	34	614	660
D. Net closing balance	84,883	107,349	10,558	11,466	19,912	234,168
D.1 Total net writedowns	—	(37,624)	(29,152)	(17,362)	(61,640)	(145,778)
D.2 Final gross balance	84,883	144,973	39,710	28,828	81,552	379,946
E. Carried at cost	—	—	—	—	—	—

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

	Total	
	Land	Building
A. Opening balance	27,382	45,533
B. Increases	285	2,348
B.1 Purchases	285	1,812
B.2 Capitalized expenditures on improvements	—	536
B.3 Increases in fair value	—	—
B.4 Write-backs	—	—
B.5 Positive exchange difference	—	—
B.6 Transfers from properties used in the business	—	—
B.7 Other changes	—	—
C. Reductions	266	4,606
C.1 Disposals	266	708
C.2 Depreciations	—	2,938
C.3 Negative changes in fair value	—	—
C.4 Impairment losses	—	960
C.5 Negative exchange differences	—	—
C.6 Transfers to:	—	—
a) properties used in the business	—	—
b) non-current assets classified as held-for-sale	—	—
C.7 Other changes	—	—
D. Closing balance	27,401	43,275
E. Measured at fair value	79,542	57,247

These consist of the following properties:

Properties	SQU. m.	Book value (€'000)	Book value per SQU.m. (€'000)
Rome	8,228	25,917	3.1
Lecce	21,024	20,250	1.0
Verona	30,502	10,378	0.3
Bologna	9,571	7,240	0.8
Brescia	3,720	1,984	0.5
Pavia	2,250	1,296	0.6
Other	4,902	3,611	0.7
Total	80,197	70,676	

SECTION 13

Heading 130: Intangible assets

13.1 Intangible assets: composition

Assets/Values	30/6/16		30/6/15	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	416,740	X	374,098
A.1.1 Attributable to the Group	X	416,740	X	374,098
A.1.2 Attributable to minorities	X	—	X	—
A.2 Other intangible assets	36,192	—	36,158	—
A.2.1 Assets valued at cost	36,192	—	36,158	—
a) Intangible assets generated internally	—	—	—	—
b) Other assets	36,192	—	36,158	—
A.2.2 Assets valued at fair value	—	—	—	—
a) Intangible assets generated internally	—	—	—	—
b) Other assets	—	—	—	—
Total	36,192	416,740	36,158	374,098

Intangible assets also include the effects of the acquisitions made by the Group in recent years, in particular the acquisition by Compass in June 2008 of 100% of leading consumer credit company Linea (which in turn owned 100% of salary-backed finance operator Futuro), and the acquisitions by Spafid of the fiduciary business unit of the Istituto Fiduciario Italiano (IFID) in August 2014, and of Spafid Connect (a company which provides corporate services in connection with the annual general meetings of listed companies) in June 2015. In December 2015 Mediobanca S.p.A. acquired a controlling interest in Cairn Capital Group Ltd, the London-based asset management and advisory company specializing in credit products.

Overall the four transactions contribute a total of €423.2m, €6.4m of which accounted for intangible assets and €416.7m as goodwill. The table below summarizes the effects of the transactions.

Table 1: Other intangible assets acquired through extraordinary transactions

Type	**Deal**	**30/06/16**	**30/06/15**
Commercial agreements	Linea	2,740	4,111
Customer relationships	IFID	600	700
Software acquired	Spafid Connect	3,088	—
Total		**6,428**	**4,811**

Table 2: Goodwill

Deal	**30/06/16**	**30/06/15**
Linea	365,934	365,934
IFID	3,540	3,540
Spafid Connect	2,342	4,624
Cairn Capital	44,924	—
Total	**416,740**	**374,098**

Under IFRS 3, the transactions are subject a purchase price allocation process within twelve months of the acquisition. For the Linea, IFID and Spafid Connect transactions, an overview of the main effects of the PPA process are set out below, with an indication of how the residual goodwill has been allocated between the individual cash-generating units (CGUs).

The Linea acquisition has been allocated to the three CGUs (consumer credit, credit cards and salary-backed finance) to which Compass's activities refer; while IFID has been allocated to the "fiduciary services" CGU along with Spafid's operations.

As at 30 June 2016, the assets with defined life had been amortized as to €41.7m, with the residual balance for the Linea transaction in particular now totalling €2.7m. It should also be noted that the "Linea" and "Carta Viva" brands, originally recognized at €6.3m, have been written off entirely in the course of the years following changes in the company's commercial strategy.

With regard to Cairn Capital, the acquisition took place through the transfer of a 51% stake in return for payment of a £21.7m consideration. The terms of the agreement make provision for put-and-call options over the other 49% exercisable between 2018 and 2021, along with payment of a potential earn-out in respect of shares owned by the current management.

In the light of these agreements, the goodwill has been calculated on the basis of a 100% investment and is matched by a liability in connection with the deferred payment. On 13 June 2016, following approval of Cairn's financial statements for FY 2015, a difference of approx. £1.3m emerged in the working capital which was taken to adjust the price of the 51% stake. In view of the loss incurred by the company in the first six months of the year and the unstable scenario in the U.K. post-Brexit, no further revaluations will be made of the put-and-call options, the values for which were in any case updated as at the point-in-time exchange rate prevailing at 30 June 2016 (0.8265).

Goodwill as at 30 June 2016 therefore totalled €44.9m, including the €1.6m price adjustment made on 13 June referred to above, the €25.2m liability and a negative net equity reserve of €2.4m calculated at the exchange rate prevailing at that date.

Table 3: Summary of PPA effects

	Linea	IFID	Spafid Connect
Acquisition date	*27/6/2008*	*1/8/2014*	*18/6/2015*
Price paid	406,938	3,600	5,124
of which: ancillary charges	*2,000*	*200*	—
Intangible assets, defined life	44,200	700	3,250
no. of years amortization	*8*	*7*	*10*
Brands	6,300	—	—
Balance of other assets (liabilities)	2,659	(420)	466
Tax effects	(12,155)	(220)	(934)
Goodwill	**365,934**	**3,540**	**2,342**

Table 4: Overview of cash-generating units

CGU	Deal	30/6/16	30/6/15
Consumer credit	Linea	280,634	280,634
Credit cards	Linea	73,400	73,400
Salary-backed finance	Linea	11,900	11,900
Fiduciary services	IFID	3,540	3,540
Corporate services	Spafid Connect	2,342	4,624
Cairn Capital	Cairn capital	44,924	—
Total goodwill		**416,740**	**374,098**

As stated in the Accounting Policies section, IAS 36 requires any loss of value, or impairment, of individual tangible and intangible assets to be tested at least once a year, in preparing the annual financial statements, or more frequently if events or circumstances occur which suggest that there may have been a reduction in value.

If it is not realistically possible to establish the recoverable value of the individual asset directly, the standard allows the calculation to be made based on the recoverable value of the cash-generating unit, or CGU, to which the asset belongs. The CGU is defined as the smallest identifiable group of assets able to generate cash flows that do not present synergies with the other parts of the company, may be considered separately and sold individually.

In order to establish the recoverable value versus the book value at which the asset has been recognized in the accounts, reference is made to the higher between the fair value (net of any sales costs) and the net present value of an asset. The net present value in particular is calculated by discounting the future cash flows expected from an asset or cash-generating unit; the cash flow projections must reflect reasonable assumptions and must therefore be based on recent budget or estimates approved by the company's governing bodies. The cash flows must also be discounted at a rate which factors in the current cost of money and risks associated with the specific activity.

The Group has adopted a policy, the most recent update of which was submitted to the approval of the Board of Directors on 7 July 2016, governing the impairment testing process which incorporates the guidance issued jointly by the Bank of Italy, Consob, ISVAP (now IVASS) (document no. 4 dated 3 March 2010) and the Organismo Italiano di Valutazione (discussion paper no. 1/2012), as well as the recommendations made by Consob in its communication no. 3907 issued on 19 January 2015.

The recoverable value for goodwill has been estimated using the excess capital version of the dividend discount model methodology, which is commonly used for this purpose by financial institutions.

The cash flows have been projected over a five-year time horizon and reflect the assumptions on which the Group's strategic plan is based, as well as the most recent market scenarios.

To estimate the cost of capital, certain parameters common to all CGUs have been used, namely:

– the risk-free rate, identified as the 12-month average on ten-year BTPs in order to ensure the Italy country risk is factored in;

– the market risk premium, which reflects the average risk premium commonly accepted by valuation practice for Italy country risk, taking into consideration a variety of sources, including research carried out by companies and leading academics, with the contribution of various university professors in order to estimate the long-term payout ratio and the spread of returns on equities and the spot levels of government securities;

– the growth rate (g), to calculate the terminal value, using the so-called "perpetuity" methodology, established taking into account the inflation rate expected over the long term.

Table 5: Cost of equity parameters common to all CGUs

	30/6/2016	30/6/2015
Risk-free rate	1.63%	2.35%
Risk premium	6.75%	5.40%
Estimated growth rate	1.50%	1.0%

However, all the individual CGUs show a different cost of equity, based on the difference in the systemic risk indicator (Beta) considered over a two-year time horizon based on market peers for each individual activity. The different costs of capital based on the Beta used are shown in the table below.

Table 6: Beta 2y e cost of equity per CGU

CGU	Beta 2Y 2016	Ke 2016	Ke 2015
Consumer credit	0.88	7.55%	7.62%
Credit cards	0.88	7.55%	7.62%
Salary-backed finance	0.88	7.55%	7.62%
Fiduciary services	0.99	8.30%	9.87%
Corporate services	0.55	5.34%	—

All segments passed the impairment test, as the net present value was higher than the book value. A sensitivity analysis exercise was also performed, to ascertain the results in various scenarios, such as 0.25% increase or decrease in the cost of equity and/or a 0.50% increase or decrease in the growth rate.

13.2 Intangible assets: movements during the period

	Goodwill	Other intangible assets generated internally		Other intangible assets		Total
		Finite	Indefinite	Finite	Indefinite	
A. Gross opening balance	374,098	—	—	136,854	—	510,952
A.1 Total net reduction in value	—	—	—	(100,696)	—	(100,696)
A.2 Net opening balance	374,098	—	—	36,158	—	410,256
B. Increases	42,642	—	—	19,870	—	62,512
B.1 Purchases	42,642	—	—	19,863	—	62,505
B.2 Increases in intangible assets generated internally	X	—	—	—	—	—
B.3 Write-backs	X	—	—	—	—	—
B.4 Increases in fair value allocated to:	—	—	—	—	—	—
- net equity	X	—	—	—	—	—
- profit and loss	X	—	—	—	—	—
B.5 Positive exchange differences	—	—	—	—	—	—
B.6 Other changes	—	—	—	7	—	7
C. Reduction	—	—	—	19,836	—	19,836
C.1 Disposals	—	—	—	—	—	—
C.2 Writedowns	—	—	—	19,836	—	19,836
- Amortization	X	—	—	17,836	—	17,836
- Writedowns	—	—	—	2,000	—	2,000
+ in equity	X	—	—	—	—	—
+ in profit and loss	—	—	—	2,000	—	2,000
C.3 Reduction in fair value allocated to	—	—	—	—	—	—
- net equity	X	—	—	—	—	—
- profit and loss	X	—	—	—	—	—
C.4 Transfers to non-current assets held-for-sale	—	—	—	—	—	—
C.5 Negative exchange differences	—	—	—	—	—	—
C.6 Other changes	—	—	—	—	—	—
D. Net closing balance	416,740	—	—	36,192	—	452,932
D.1 Total net reduction in value	—	—	—	(117,511)	—	(117,511)
E. Closing balance	416,740	—	—	153,703	—	570,443
F. Carried at cost	—	—	—	—	—	—

SECTION 14

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

14.1 Advance tax assets: composition

	30/6/16	30/6/15
- Balancing entry in the Income Statement	728,782	715,467
- Balancing entry in Equity	22,545	20,185
Total	751,327	735,652

14.2 Deferred tax liabilities: composition

	30/6/16	30/6/15
- Balancing entry in the Income Statement	279,641	282,899
- Balancing entry in Equity	85,433	82,169
Total	365,074	365,068

14.3 Changes in advance tax during the period

	30/6/16	30/6/15
1. Opening balance	715,467	682,828
2. Increases	113,379	138,065
2.1 Deferred tax assets of the year	113,297	132,629
a) Relating to previous years	2,638	138
b) Due to change in accounting policies	—	—
c) Write-backs	—	64
d) Other (creation of temporary differences, use of TLCF)	110,659	132,427
2.2 New taxes or increase in tax rates	—	4,278
2.3 Other increases	82	1,158
3. Decreases	100,064	105,425
3.1 Deferred tax assets derecognized in the year	97,951	99,435
a) Reversals of temporary differences	97,581	96,935
b) Writedowns of non-recoverable items	—	—
c) Change in accounting policies	—	—
d) Other	370	2,500
3.2 Reduction in tax rates	—	—
3.3 Other decreases	2,113	5,990
a) Conversion into tax credit under L. 214/2011	2,035	5,953
b) Other	78	37
4. Final amount	728,782	715,467

*14.3.1 Changes in advance tax during the period (pursuant to Italian Law 214/2011) **

	30/6/16	30/6/15
1. Opening balance	627,793	588,140
2. Increases	103,073	127,785
3. Decreases	83,340	88,132
3.1 Reversals of temporary differences	80,945	80,162
3.2 Conversion on tax credit deriving from	2,035	5,882
a) year losses	—	—
b) tax losses	2,035	5,882
3.3 Other decreases	360	2,088
4. Final amount	647,526	627,793

* Italian decree law 59/16 in respect of deferred tax assets pursuant to Italian law 214/11 was converted into law on 30 June 2016. The regulation stipulates that, in order to retain the right to convert deferred tax assets into tax credits, an irrevocable option must be expressly exercised, which provides for payment of an annual charge until 2029, equal to 1.5% of the difference between the increase in advance tax assets since 30 June 2008 and the tax paid during the intervening period. Mediobanca has exercised this option to retain its right under the regulations in force to convert its deferred tax assets. No charge will be payable given that the amount of tax paid is higher than the increase in the deferred tax assets since 30 June 2008.

14.4 Changes in deferred tax during the period (balancing to the profit and loss)

	30/6/16	30/6/15
1. Opening balance	282,899	272,729
2. Increases	640	13,942
2.1 Deferred tax liabilities of the year	404	5,678
a) Relating to previous years	—	—
b) Due to change in accounting policies	—	—
c) Other	404	5,678
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	236	8,264
3. Decreases	3,896	3,772
3.1 Deferred tax liabilities derecognized in the year	930	690
a) Reversals of temporary differences	930	660
b) Due to change in accounting policies	—	—
c) Other	—	30
3.2 Reductions in tax rates	80	—
3.3 Other decreases	2,886	3,082
4. Final amount	279,641	282,899

14.5 Changes in advance tax during the period (balancing to the net equity) [1]

	30/6/16	30/6/15
1. Opening balance	20,185	28,444
2. Increases	38,347	11,384
2.1 Deferred tax assets of the year	37,637	11,084
a) Relating to previous years	—	—
b) Due to change in accounting policies	—	—
c) Other (creation of temporary differences)	37,637	11,084
2.2 New taxes or increases in tax rates	—	253
2.3 Other increases	710	47
3. Decreases	35,987	19,644
3.1 Deferred tax assets derecognized during the year	35,984	19,563
a) Reversals of temporary differences	35,968	17,381
b) Writedowns of non-recoverable items	—	—
c) Due to change in accounting policies	—	—
d) Other	16	2,182
3.2 Reduction in tax rates	—	—
3.3 Other decreases	3	80
4. Final amount	22,545	20,185

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

14.6 Changes in deferred tax during the period (balancing to the net equity) [1]

	30/6/16	30/6/15
1. Opening balance	82,169	88,390
2. Increases	324,426	80,485
2.1 Deferred tax liabilities of the year	323,499	76,817
a) Relating to previous years	—	—
b) Due to change in accounting policies	—	—
c) Other (creation of temporary differences)	323,499	76,817
2.2 New taxes or increases in tax rates	—	22
2.3 Other increases	927	3,646
3. Decreases	321,162	86,706
3.1 Deferred tax liabilities derecognized in the year	321,092	86,706
a) Reversals of temporary differences	319,684	85,087
b) Due to change in accounting policies	—	—
c) Other	1,408	1,619
3.2 Reduction in tax rates	70	—
3.3 Other decreases	—	—
4. Final amount	85,433	82,169

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

SECTION 16

Heading 160: Other assets

16.1 Other assets: composition

	30/6/16	30/6/15
1. Gold, silver and precious metals	695	695
2. Accrued income other than capitalized income from financial assets	7,510	8,503
3. Trade receivables or invoices to be issued	142,235	115,369
4. Amounts due from tax revenue authorities (not recorded under Heading 140)	175,446	193,076
5. Other items	74,905	68,158
- bills for collection	7,748	11,247
- amounts due in respect of premiums, grants, indemnities and other items in respect of lending transactions	24,810	31,120
- advance payments on deposit commissions	6,916	7,409
- other items in transit	20,761	10,123
- amounts due from staff	317	381
- fiscal consolidated	—	—
- sundry other items	11,488	7,746
- improvements on third parties assets	2,865	132
6. Adjustment arising on consolidation	—	2
Total	400,791	385,802

Liabilities

SECTION 1

Heading 10: Due to banks

1.1 Due to banks: composition

Type of transaction/Values	30/6/16	30/6/15
1. Deposits from Central Banks	5,513,463	5,479,290
2. Deposits from banks	6,426,835	8,824,639
2.1 Other current accounts and demand deposits	620,291	1,122,882
2.2 Time deposits	18,024	357,384
2.3 Loans	5,783,605	7,286,914
2.3.1 Repos	1,597,598	3,955,064
2.3.2 Other	4,186,007	3,331,850
2.4 Liabilities in respect of commitments to repurchase treasury shares	—	—
2.5 Other debt	4,915	57,459
Total	11,940,298	14,303,929
Fair Value - Level1	—	—
Fair Value - Level2	*11,940,298*	*14,303,929*
Fair Value - Level3	—	—
Total Fair Value	11,940,298	14,303,929

1.4 Due to banks: items subject to specific hedges

	30/6/16	30/6/15
1. Liability items subject to micro-hedging of fair value	1,196,684	1,088,890
a) Interest rate risk	1,196,684	1,088,890
b) Currency risk	—	—
c) Multiple risks	—	—
2. Liability items subject to micro-hedging of cash flows	1,805,000	915,000
a) Interest rate risk	1,805,000	915,000
b) Currency risk	—	—
c) Other	—	—
Total	3,001,684	2,003,890

SECTION 2

Heading 20: Due to customers

2.1 Due to customers: composition

Type of transaction/Values	30/6/16	30/6/15
1. Current accounts and demand deposits	9,240,571	6,949,043
2. Time deposits including saving deposits with maturity	5,477,191	7,116,087
3. Loans	3,341,831	2,807,660
3.1 Repos	2,373,602	1,478,593
3.2 Other	968,229	1,329,067
4. Liabilities in respect of commitments to repurchase treasury shares	—	—
5. Other	104,949	598
Total	18,164,542	16,873,388
Fair Value - Level1	—	—
Fair Value - Level2	*18,185,154*	*16,904,574*
Fair Value - Level3	—	—
Total Fair Value	18,185,154	16,904,574

2.4 Due to customers: items subject to specific hedges

	30/6/16	30/6/15
1. Liability items subject to micro-hedging of fair value:	164,919	123,435
a) Interest rate risk	164,919	123,435
b) Currency risk	—	—
c) Multiple risks	—	—
2. Liability items subject to micro-hedging of cash flows:	—	—
a) Interest rate risk	—	—
b) Currency risk	—	—
c) Other	—	—
Total	164,919	123,435

SECTION 3

Heading 30: Debt securities in issue

3.1 Debt securities in issue: composition

Type of transaction/ Values	30/6/16				30/6/15			
	Book Value	Fair Value *			Book Value	Fair Value *		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Debt certificates including bonds								
1. Bonds	20,645,320	1,649,708	19,436,953	—	19,852,210	3,148,487	17,519,990	—
1.1 structured	8,260,581	—	8,589,242	—	6,668,862	22,295	7,261,120	—
1.2 other	12,384,739	1,649,708	10,847,711	—	13,183,348	3,126,192	10,258,870	—
2. Other structured securities	1,167,814	—	1,148,655	19,159	302,268	—	—	302,268
2.1 structured	—	—	—	—	—	—	—	—
2.2 other	1,167,814	—	1,148,655	19,159	302,268	—	—	302,268
Total	21,813,134	1,649,708	20,585,608	19,159	20,154,478	3,148,487	17,519,990	302,268

* The fair values are shown net of Mediobanca issuer risk; if this item is included, the fair value at 30 June 2016 would show a gain of €491m (€325m).

Debt securities in issue rose from €19,852,210 to €20,645,320, on new issuance of €3.5bn, expiries and buybacks totalling €2.9bn (and generating losses of €4.1m), and other upward adjustments (exchange rates, amortized cost and hedging effects) amounting to €118.2m.

3.2 Breakdown of heading 30 "Debt securities in issue": subordinated liabilities

The heading "Debt securities in issue" includes five subordinate lower tier 2 issues, for a total amount of €2,429,509:

Issue	30/6/16		
	ISIN code	Nominal value	Book value
MB GBP Lower Tier II Fixed/Floating Rate Note 2018 (Not included in calculation of regulatory capital)	XS0270002669	22,379	27,102
MB Secondo Atto 5% 2020 Lower Tier 2	IT0004645542	745,151	833,289
MB Quarto Atto a Tasso Variabile 2021 Lower Tier 2	IT0004720436	495,289	495,310
MB CARATTERE 5,75% 2023 Lower Tier2	IT0004917842	499,863	566,216
MB Valore aa Tasso Variabile con minimo 3% annuo 2025	IT0005127508	499,885	507,592
Total subordinated securities		2,262,567	2,429,509

3.3 Breakdown of heading 30 "Debt securities in issue": items

	30/6/16	30/6/15
1. Securities subject to micro-hedging of fair value:	13,545,111	13,152,759
a) Interest rate risk	13,545,111	13,152,759
b) Currency risk	—	—
c) Multiple risks	—	—
2. Securities subject to micro-hedging of cash flows:	4,724,559	4,606,003
a) Interest rate risk	4,724,559	4,606,003
b) Currency risk	—	—
c) Other	—	—
Total	18,269,670	17,758,762

SECTION 4

Heading 40: Trading liabilities

4.1 Trading liabilities: composition

Type of transaction/ Values	30/6/16					30/6/15				
	Nominal values	Fair Value			Fair Value *	Nominal values	Fair Value			Fair Value *
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Financial liabilities										
1. Deposits from banks	771,649	825,840	53	—	825,893	1,238,054	1,743,333	—	—	1,743,333
2. Deposits from customers	747,165	799,638	51	—	799,689	415,802	585,502	—	—	585,502
3. Debt securities	—	—	—	—	—	—	—	—	—	—
3.1 Bonds	—	—	—	—	—	—	—	—	—	—
3.1.1 Structured	—	—	—	—	X	—	—	—	—	X
3.1.2 Other bonds	—	—	—	—	X	—	—	—	—	X
3.2 Other securities	—	—	—	—	—	—	—	—	—	—
3.2.1 Structured	—	—	—	—	X	—	—	—	—	X
3.2.2 Other	—	—	—	—	X	—	—	—	—	X
Total A	1,518,814	1,625,478	104	—	1,625,582	1,653,856	2,328,835	—	—	2,328,835
B. Derivative instruments										
1. Financial derivatives	—	660,884	4,260,188	60,827	X	—	745,578	4,672,613	354,320	X
1.1 Trading	X	660,884	3,782,340	55,642 [1]	X	X	745,578	4,244,453	348,776 [1]	X
1.2 Related with fair value option	X	—	—	—	X	X	—	—	—	X
1.3 Other	X	—	477,848	5,185 [2]	X	X	—	428,160	5,544 [2]	X
2. Credit derivatives	—	—	533,977	—	X	—	—	497,585	—	X
2.1 Trading	X	—	533,977	—	X	X	—	497,585	—	X
2.2 Related with fair value option	X	—	—	—	X	X	—	—	—	X
2.3 Other	X	—	—	—	X	X	—	—	—	X
Total B	X	660,884	4,794,165	60,827	X	X	745,578	5,170,198	354,320	X
Total (A + B)	X	2,286,362	4,794,269	60,827	X	X	3,074,413	5,170,198	354,320	X

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

[1] Respectively €43,185,000 and €323,795,000 for options traded, matching the amount recorded among assets held for trading.

[2] Includes the market value (€4.8m at 30/6/16 and €5.3m) of options covering options matched with bonds issued by Mediobanca and Mediobanca International, against the same amount recorded among assets held for trading.

SECTION 6

Heading 60: Hedging derivatives

6.1 Hedging derivatives: by type of product/underlying asset

Items/Values	30/6/16				30/6/15			
	Fair Value			Nominal values	Fair Value			Nominal values
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	339,900	—	6,913,380	—	291,201	—	6,682,071
1) Fair value	—	330,691	—	6,863,380	—	274,314	—	6,427,071
2) Cash flow	—	9,209	—	50,000	—	16,887	—	255,000
3) Net investment in foreign subsidiaries	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	339,900	—	6,913,380	—	291,201	—	6,682,071

6.2 Hedging derivatives: by portfolio hedged/hedge type

Operations/ Type of hedging	Fair Value						Cash flow		Non-Italian investments
	Specifica					General	Specific	General	
	Interest rate risk	Interest rate risk	Credit risk	Price risk	Multiple risks				
1. AFS securities	98,473	—	—	—	—	X	—	X	X
2. Loans and advances	30,167	—	—	X	—	X	—	X	X
3. Held to maturity investments	X	—	—	X	—	X	—	X	X
4. Portfolio	X	X	X	X	X	—	X	—	X
5. Others	—	—	—	—	—	X	—	X	—
Total assets	128,640	—	—	—	—	—	—	—	—
1. Financial liabilities	202,052	—	—	X	—	X	9,209	X	X
2. Portfolio	X	X	X	X	X	—	X	—	X
Total liabilities	202,052	—	—		—	—	9,209	—	—
1. Expected transactions	X	X	X	X	X	X	—	X	X
2. Financial assets and liabilities portfolio	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

	30/6/16	30/6/15
1. Payment agreements (IFRS 2)	—	—
2. Impaired endorsements	17,347	17,727
3. Working capital payables and invoices pending receipt	234,113	233,994
4. Amounts due to revenue authorities	49,467	75,459
5. Amounts due to staff	160,135	157,055
6. Other items:	135,228	199,910
- bills for collection	26,440	28,190
- coupons and dividends pending collection	2,260	2,235
- available sums payable to third parties	30,724	114,944
- premiums, grants and other items in respect of lending transactions	33,352	35,168
- credit notes to be issued	—	10,550
- other [1]	42,452	8,823
7. Adjustments upon consolidation	—	—
Total	596,290	684,145

[1] Includes the liability in respect of the potential outlay to acquire the other 49% of Cairn Capital under the terms of the put-and-call agreements; the definitive estimate of the contingent liability will be made by 31 December 2016.

SECTION 11

Heading 110: Staff severance indemnity provision

11.1 Staff severance indemnity provision: changes during the period

	30/6/16	30/6/15
A. Initial amount	26,655	28,737
B. Increases	11,644	9,800
B.1 Provision of the year	10,001	9,162
B.2 Other increases	1,643	638
C. Reductions	9,324	11,882
C.1 Severance payments	1,131	2,658
C.2 Other decreases [1]	8,193	9,224
D. Closing balance	28,975	26,655
Total	28,975	26,655

[1] Includes €7,305,000 in transfers to external, defined contribution pension schemes (30/6/15: €6,895,000).

SECTION 12

Heading 120: Provisions

12.1 Provisions: composition

Items	30/6/16	30/6/15
1. Provision to retirement payments and similar	—	—
2. Other provisions	151,341	157,938
2.1 Staff expenses	3,399	2,069
2.2 Other	147,942	155,869
Total	151,341	157,938

IAS 37 requires provisions to be set aside in cases where there is an obligation, whether actual, legal or implicit, the amount of which may be reliably determined and the resolution of which is likely to entail a cash outflow for the company. The amount of the provision is determined from the management's best estimate, based on experience of similar operations or the opinion of independent experts. The provisions are revised on a regular basis in order to reflect the best current estimate.

As at 30 June 2016, the heading "Other provisions" totalled €151.3m, and includes €3.4m in staff-related costs (including incentives to leave the company already agreed) plus €147.9m for litigation and other contingent liabilities. The provisions mainly involve Mediobanca S.p.A. (€129.6m), with the remaining €18.3m chiefly attributable to CheBanca! (€7.1m), CMB (€5.2m) and SelmaBPM (€2.3m). No provisions have been set aside in respect of disputes with the Italian revenue authorities.

The most significant litigation pending against Mediobanca S.p.A. is as follows:

– five cases still pending in connection with the Bank's alleged failure to launch a full takeover bid for La Fondiaria in 2002, initiated against Mediobanca and UnipolSai only in all cases, with the total damages being claimed jointly from the defendants (known as the *petitum* in Italian law) amounting to €42m (plus interest and expenses), of which Mediobanca's, as agreed with UnipolSai, would be approx. €14m (again plus interest and expenses); of which:

- four claims, in which the court of appeals has ruled in favour of Mediobanca, have been referred by the court of cassation to the court of appeals in Milan to establish the damages incurred by the shareholders;
- one claim is pending at the court of cassation after the court of appeals in Milan partly amended the first-degree ruling by reducing the amount of the damages due to the plaintiff.

– Claim for damages by Monte dei Paschi di Siena ("FMPS") against – inter alia – Mediobanca, for participation with criminal intent by virtue of an alleged non-contractual liability, jointly with the other twelve lender banks, for alleged damages to FMPS in connection with the execution of the Term Facility Agreement on 4 June 2011 and the consequent breach of FMPS's Articles of Association (20% limit on debt/equity ratio) in a total amount of €286m. The court of Siena, following a petition submitted the Italian ministry for the economy and finance at the request of FMPS, has ruled that the court of Florence may have jurisdiction in this case which accordingly has returned to it.

The following developments have taken place during the twelve months under review:

– one case in connection with the La Fondiaria takeover bid (2012) was settled out-of-court (along with the other nine which had been settled in previous financial years, plus another which has been statute-barred);

– in the dispute between Centrobanca (now UbiBanca) and Mediobanca, cited by Centrobanca in connection with the Burani group bankruptcies, the ruling has been dismissed as a result of the action being discontinued as lodged at a hearing held 28 June 2016; this follows the end to the dispute between the assignee Roger 13 S.r.l., which took over in the Burani bankruptcy proceedings under the terms of the composition procedure with creditors as ratified by the court of Milan and Centrobanca.

With reference to the disputes outstanding with the Italian revenue authorities, the Mediobanca Group had cases pending in respect of higher tax worth a notified amount of €35.6m plus interest and fines. All the cases involve disputes with the Italian tax revenue authority and almost all of them involve leasing: fourteen claims in respect of allegedly non-existent leasing transactions, involving higher tax worth a notified amount of €35.3m (€31.4m by way of VAT and €3.8m IRES/IRAP); €24.1m of this amount involves leases on yachts, while the remainder involves real estate and brands;

The companies concerned have appealed against all the above rulings in the conviction that their actions were correct. For this reason no provisions have been set aside, including in view of how the legal process is progressing.

The following events should also be noted:

- settlement of a dispute with the Italian revenue authorities with regard to income produced Group company Compass RE (Luxembourg) in the financial years from 2009/10 to 2013/14; a total of €24.2m has been paid, €5.6m by way of fines and interest;
- settlement of a dispute with the Italian revenue authorities with regard to an intragroup transaction between Compass and Cofactor (now Creditech), entailing additional tax of €1.3m.

Mediobanca believes that the provisions are adequate to cover any charges due in connection with all the cases that have been brought against the Bank itself and the other Group companies (for which no other significant litigation is pending) and any other contingent liabilities, of which, as permitted by IAS 37, paragraph 92, no precise indication has been given.

12.2 Provisions: movements during the period

Items	Charges relating to staff [1]	Other provisions	Total
A. Opening balance	2,069	155,869	157,938
B. Increases	4,294	6,016	10,310
B.1 Provision for the year	4,294	6,002	10,296
B.2 Changes due to the passage of time	—	—	—
B.3 Difference due to discount rate changes	—	—	—
B.4 Other increases	—	14	14
C. Decreases	2,964	13,943	16,907
C.1 Use during the year	2,954	13,942	16,896
C.2 Difference due to discount rate changes	—	—	—
C.3 Other decreases	10	1	11
D. Closing balance	3,399	147,942	151,341

[1] Includes sums set aside in respect of staff exit incentivizations.

SECTION 13

Heading 130: Technical reserves

13.1 Technical reserves: composition

	Direct business	Indirect business	Total 30/6/16	Total 30/6/15
A. Non-life business:	—	147,861	147,861	127,894
A.1 Provision for unearned premiums	—	133,420	133,420	114,016
A.2 Provision for outstanding claims	—	14,441	14,441	13,878
A.3 Other provisions	—	—	—	—
B. Life business	—	—	—	—
B.1 Mathematical provisions	—	—	—	—
B.2 Provisions for amounts payable	—	—	—	—
B.3 Other insurance provisions	—	—	—	—
C. Insurance provisions when investments risk is borne by the insured party	—	—	—	—
C.1 Provision for policies where the performance is connected to investment funds and market indices	—	—	—	—
C.2 Provision for pension funds	—	—	—	—
D. Total insurance provisions	—	147,861	147,861	127,894

13.2 Technical reserves: movements during the year

	30/6/16	30/6/15
A. Non-life business		
Balance at start of period	127,894	123,664
Combinations involving group companies	—	—
Changes to reserves (+/-)	19,967	4,230
Other additions	—	—
Balance at end of period	147,861	127,894
B. Life business and other reserves		
Balance at start of period	—	—
Combinations involving group companies	—	—
Changes due to premiums	—	—
Changes due to sums to be paid out	—	—
Changes due to payments	—	—
Changes due to incomes and other bonuses recognized to insured parties (+/-)	—	—
Changes to other technical reserves (+/-)	—	—
Other reductions	—	—
Balance at end of period	—	—
C. Total technical reserves	147,861	127,894

SECTION 15

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

15.1 "Capital" and "treasury shares": 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 the period

Item/Type	Ordinary
A. Shares in issue at start of period	867,197,761
- entirely unrestricted	867,197,761
- with restrictions	—
A.1 Treasury shares (-)	(15,801,963)
A.2 Shares in issue: balance at start of period	851,395,798
B. Additions	3,844,059
B.1 New shares issuance as a result of:	3,822,333
- rights issued	—
- business combinations	—
- bond conversions	—
- exercise of warrants	—
- others	—
- bonus issues	3,822,333
- to staff members	3,822,333
- to Board members	—
- others	—
B.2 Treasury shares' disposals	21,726
B.3 Other additions	—
C. Reductions	—
C.1 Cancellations	—
C.2 Treasury shares' buybacks	—
C.3 Disposals of businesses	—
C.4 Other reductions	—
D. Shares in issue: balance at end of period	855,239,857
D.1 Add: treasury shares	(15,780,237)
D.2 Shares in issue at end of period	871,020,094
- entirely unrestricted	871,020,094
- with restrictions	—

15.3 Share capital: other information

During the twelve months under review a total of 21,726 treasury shares were assigned to staff as part of the performance share scheme; as at 30 June 2016, a total of 43,451 treasury shares were still subject to restrictions for this purpose.

15.4 Profit reserves: other information

Item	30/6/16	30/6/15
Legal reserve	86,720	86,150
Statutory reserve	1,233,655	1,115,292
Treasury shares	197,982	198,688
Others	3,174,372	2,954,276
Total	4,692,729	4,354,406

SECTION 16

Heading 210: Net equity attributable to minorities

16.1 Heading 210, net equity attributable to minorities: composition

Company name	30/6/16	30/6/15
1. SelmaBipiemme S.p.A.	89,202	24,831
2. Palladio Leasing S.p.A. (merged into Selma BPM)	—	41,004
3. Teleleasing S.p.A.	—	42,181
4. Others of low value	16	—
Total	89,218	108,016

Other information

1. Guarantees and commitments

Operations	**30/6/16**	**30/6/15**
1) Financial guarantees given to	634,139	411,768
a) Banks	159,246	84,003
b) Customers	474,893	327,765
2) Commercial guarantees given to	295	296
a) Banks	286	286
b) Customers	9	10
3) Irrevocable commitments to disburse funds	9,408,106	8,305,154
a) Banks	76,687	155,634
i) usage certain	46,687	145,356
ii) usage uncertain	30,000	10,278
b) Customers	9,331,419	8,149,520
i) usage certain	9,048,587	7,353,166
ii) usage uncertain	282,832	796,354
4) Commitments underlying credit derivatives protection sales [1]	10,360,369	9,537,455
5) Assets formed as collateral for third-party obligations	—	—
6) Other commitments	2,362,873	2,973,739
Total	22,765,782	21,228,412

[1] Includes transactions fully matched by hedge buys (€5,694,003,000 and €6,768,125,000 respectively).

2. Assets pledged as collateral for own liabilities and commitments

Portfolio	**30/6/16**	**30/6/15**
1. Financial instruments held for trading	1,551,244	2,769,378
2. Financial instruments designated at fair value	—	—
3. Financial instruments available for sale	2,846,703	2,630,968
4. Financial instruments held to maturity	476,014	758,201
5. Loans and receivables with banks	373,163	380,656
6. Loans and receivables with customers	13,052,604	11,674,154
7. Property, plant and equipment	—	—

5. Assets managed and traded on behalf of customers

Type of service	30/6/16	30/6/15
1. Orders execution on behalf of customers	36,804,577	71,653,206
a) purchases	18,671,049	35,279,022
1. settled	18,550,202	35,182,128
2. unsettled	120,847	96,894
b) sales	18,133,528	36,374,184
1. settled	18,012,681	36,277,290
2. unsettled	120,847	96,894
2. Portfolio management	2,780,146	2,699,000
a) Individual	1,171,000	924,000
b) Collective	1,609,146	1,775,000
3. Custody and administration of securities	40,124,680	36,395,330
a) Third-party securities on deposits; relating to depositary banks activities (excluding segregating accounts)	7,800,519	5,134,333
1. securities issued by companies included in area of consolidation	399,104	540,331
2. other securities	7,401,415	4,594,002
b) Third-party securities held in deposits (excluding segregating accounts): other	8,347,820	8,135,913
1. securities issued by companies included in area of consolidation	34	34
2. other securities	8,347,786	8,135,879
c) securities of third deposited to third	10,713,138	7,868,874
d) property securities deposited to third	13,263,203	15,256,210
4. Other operations	—	—

6. Financial assets subject to netting or master agreements or similar arrangements

Instrument type	Gross amount of financial assets (a)	Financial liabilities offset in Balance Sheet (b)	Net Balance Sheet value of financial assets (c=a-b)	Related amounts not recognised in Balance Sheet		Net amount 30/6/16 (f=c-d-e)	Net amount 30/6/15
				Financial instruments (d)	Cash collateral received (e)		
1. Derivatives	4,367,687	—	4,367,687	3,663,882	373,336	330,469	385,294
2. Repos	6,195,234	—	6,195,234	6,195,234	—	—	—
3. Securities lending	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—
Total 30/6/16	10,562,921	—	10,562,921	9,859,116	373,336	330,469	X
Total 30/6/15	12,892,601	229,117	12,663,484	11,646,313	631,877	X	385,294

7. Financial liabilities subject to netting or master agreements or similar arrangements

Instrument type	Gross amounts of financial liabilities (a)	Financial assets offset in Balance Sheet (b)	Net Balance Sheet value of financial liabilities (c=a-b)	Related amount not recognised in Balance Sheet		Net amount 30/6/16 (f=c-d-e)	Net amount 30/6/15
				Financial instruments (d)	Cash collateral pledged (e)		
1. Derivatives	4,412,614	116,191	4,296,423	3,650,578	518,214	127,631	118,755
2. Repos	3,971,200	—	3,971,200	3,971,200	—	—	—
3. Securities lending	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—
Total 30/6/16	8,383,814	116,191	8,267,623	7,621,778	518,214	127,631	X
Total 30/6/15	9,888,777	—	9,888,777	9,464,517	305,505	X	118,755

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

Voices/Technical forms	Debt securities	Loans	Other transactions	12 mths ended 30/6/16	12 mths ended 30/6/15
1. Financial assets hedl for trading - Cash instruments	48,404	819	—	49,223	67,456
2. Financial assets designated at fair value through profit or loss	—	—	—	—	—
3. Available for sale financial assets	112,516	—	—	112,516	135,631
4. Held to maturity investments	57,238	—	—	57,238	69,734
5. Loans and receivables with banks	—	34,163	—	34,163	39,737
6. Loans and receivables with customers	5,228	1,489,213	—	1,494,441	1,507,702
7. Hedging derivatives	X	X	157,345	157,345	270,034
8. Other assets	X	X	1,630	1,630	1,274
Total	223,386	1,524,195	158,975	1,906,556	2,091,568

1.2 Interest and similar income: differences arising on hedging transactions

Items	12 mths ended 30/6/16	12 mths ended 30/6/15
A. Positive differentials related to hedging operations	339,663	547,201
B. Negative differentials related to hedging operations	(180,183)	(277,167)
C. Net differentials (A-B)	159,480	270,034

1.3 Interest and similar income: other information

Items	12 mths ended 30/6/16	12 mths ended 30/6/15
Interest income from currency assets	209,287	204,601
Interest income from leasing	72,047	89,491
Interest income on receivables involving customers' funds held on a discretionary basis	—	—
Total	281,334	294,092

1.4 Interest expense and similar charges: composition

Voices/Technical forms	Debts	Securities	Other transactions	12 mths ended 30/6/16	12 mths ended 30/6/15
1. Deposits from central banks	(3,365)	X	—	(3,365)	(4,230)
2. Deposits from banks	(35,633)	X	—	(35,633)	(40,484)
3. Deposits from customers	(117,094)	X	—	(117,094)	(174,602)
4. Debt securities in issue	X	(549,947)	—	(549,947)	(729,735)
5. Financial liabilities held for trading	—	—	—	—	—
6. Financial liabilities at fair value through profit or loss	—	—	—	—	—
7. Other liabilities and found	X	X	(12)	(12)	(4)
8. Hedging derivatives	X	X	—	—	—
Total	(156,092)	(549,947)	(12)	(706,051)	(949,055)

1.6 Interest expense and similar charges: other information

Items	12 mths ended 30/6/16	12 mths ended 30/6/15
Interest expense on liabilities held in foreign currency	(61,398)	(26,164)
Interest expense on finance lease transactions	—	—
Interest payable on customers' funds held on a non-discretionary basis	—	—
Total	(61,398)	(26,164)

SECTION 2

Headings 40 and 50: Net fee and commission income

2.1 Fee and commission income: composition

Services/Amounts	12 mths ended 30/6/16	12 mths ended 30/6/15
a) guarantees given	3,350	2,864
b) credit derivatives	—	—
c) management, brokerage and consultancy incomes:	216,639	239,132
1. securities trading	14,179	11,090
2. currency trading	—	—
3. portfolio management	15,315	9,840
3.1 individual	8,718	9,840
3.2 collective	6,597	—
4. custody and administration of securities	11,499	10,874
5. custodian bank	7,458	7,458
6. placement of securities	79,740	116,465
7. reception and transmission of orders	10,309	15,725
8. advisory services	2,292	—
8.1 related to investments	2,292	—
8.2 related to financial structure	—	—
9. distribution of third parties services	75,847	67,680
9.1 portfolio management	20,707	18,712
9.1.1 individual	20,707	18,712
9.1.2 collective	—	—
9.2 insurance products	53,321	47,338
9.3 other products	1,819	1,630
d) collection and payment services	17,324	16,679
e) securitization servicing	2	—
f) factoring services	2,763	910
g) tax collection services	—	—
h) manaement of multilateral trading facilities	—	—
i) management of current accounts	3,035	1,699
j) other services	163,645	164,679
Total	406,758	425,963

2.2 Fee and commission expense: composition

Services/Amounts	12 mths ended 30/6/16	12 mths ended 30/6/15
a) guarantees received	—	—
b) credit derivatives	—	(306)
c) management, brokerage and consultancy services:	(11,757)	(9,999)
1. trading in financial instruments	(7,934)	(6,223)
2. currency trading	—	—
3. portfolio management	—	—
3.1 own portfolio	—	—
3.2 third parties portfolio	—	—
4. custody and administration securities	(3,185)	(2,741)
5. financial instruments placement	(638)	(1,035)
6. off-site distribution of financial instruments, products and services	—	—
d) collection and payment services	(9,055)	(8,121)
e) other services	(63,229)	(41,253)
Total	(84,041)	(59,678)

SECTION 3

Heading 70: Dividends and similar income

3.1 Dividends and similar income: composition

Items/Income	12 mths ended 30/6/16		12 mths ended 30/6/15	
	Dividends	Incomes from units in investment funds	Dividends	Incomes from units in investment funds
a) Financial assets held for trading	50,231	920	18,025	—
b) Available for sale financial assets	20,871	8,498	19,838	9,756
c) Financial assets through profit or loss - other	—	—	—	—
d) Investments	—	X	—	X
Total	71,102	9,418	37,863	9,756

SECTION 4

Heading 80: Net trading income

4.1 Net trading income: composition

Transaction/Income	Unrealized profit (A)	Realized profit (B)	Unrealized losses (C)	Realized losses (D)	Net Profit (A+B)-(C+D)
1. Financial assets held for trading	70,704	382,251	(264,936)	(499,810)	(311,791)
1.1 Debt securities	37,285	144,154	(34,746)	(61,152)	85,541
1.2 Equity	31,264	228,991	(226,068)	(432,256)	(398,069)
1.3 Units in investment funds	1,952	9,106	(3,981)	(6,207)	870
1.4 Loans	203	—	(141)	(195)	(133)
1.5 Other	—	—	—	—	—
2. Financial liabilities held for trading	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—
2.2 Deposits	—	—	—	—	—
2.3 Other	—	—	—	—	—
3. Financial assets and liabilities in foreign currency: exchange differences	X	X	X	X	(20,564)
4. Derivatives	3,787,586	2,179,235	(3,851,721)	(1,780,143)	370,942
4.1 Financial derivatives	3,591,754	2,002,374	(3,582,240)	(1,621,355)	426,518
- on debt securities and interest rates [1]	2,128,410	475,148	(2,131,222)	(478,583)	(6,247)
- on equity securities and shares' indexes	1,461,723	1,495,567	(1,449,888)	(1,142,772)	364,630
- on currencies and gold	X	X	X	X	35,985
- other [2]	1,621	31,659	(1,130)	—	32,150
4.2 Credit derivatives	195,832	176,861	(269,481)	(158,788)	(55,576)
Total	3,858,290	2,561,486	(4,116,657)	(2,279,953)	38,587

[1] Of which €2,082,000 in positive margins on interest rate derivatives (30/6/15: €174,000).

[2] Equity swap contracts have been classified as equity derivatives.

SECTION 5

Heading 90: Net hedging income (expense)

5.1 Net hedging income (expense): composition

Income elements/Amounts	12 mths ended 30/6/16	12 mths ended 30/6/15
A. Incomes from:		
A.1 Fair value hedging instruments	367,193	320,446
A.2 Hedged asset items (in fair value hedge relationships)	87,624	1,100
A.3 Hedged liability items (in fair value hedge relationship)	94,939	150,874
A.4 Cash-flows hedging derivatives (including ineffectiveness of net investment hedge)	141	8
A.5 Assets and liabilities denominated in currency (not derivative hedging instruments)	—	—
Total gains on hedging activities (A)	549,897	472,428
B. Losses on:		
B.1 Fair value hedging instruments	(129,301)	(297,039)
B.2 Hedged asset items (in fair value hedge relationships)	(4,893)	(30,980)
B.3 Hedged liability items (in fair value hedge relationship)	(407,382)	(145,479)
B.4 Cash-flows hedging derivatives (including ineffectiveness of net investment hedge)	—	(5)
B.5 Assets and liabilities denominated in currency (not derivative hedging instruments)	—	—
Total losses on hedging activities (B)	(541,576)	(473,503)
C. Net profit from hedging activities (A-B)	8,321	(1,075)

SECTION 6

Heading 100: Gains (losses) on disposals/repurchases

6.1 Gains (losses) on disposals/repurchases: composition

Items/Income	12 mths ended 30/6/16			12 mths ended 30/6/15		
	Gains	Losses	Net profit	Gains	Losses	Net profit
Financial assets						
1. Loans and receivables with banks	—	—	—	5,317	—	5,317
2. Loans and receivables with customers	25,023	(40,982)	(15,959)	9,230	(64,441)	(55,211)
3. Financial assets available for sale	125,305	(9,517)	115,788	166,623	(513)	166,110
3.1 Debt securities	21,087	(9,517)	11,570	41,072	(459)	40,613
3.2 Equity instruments	103,660	—	103,660	125,503	—	125,503
3.3 Units in investment funds	558	—	558	48	(54)	(6)
3.4 Loans	—	—	—	—	—	—
4. Financial assets held to maturity	620	(2)	618	20,039	(148)	19,891
Total assets	150,948	(50,501)	100,447	201,209	(65,102)	136,107
Financial liabilities						
1. Deposits with banks	—	—	—	—	—	—
2. Deposits with customers	—	—	—	—	—	—
3. Debt securities in issue	—	(4,146)	(4,146)	391	(14,083)	(13,690)
Total liabilities	—	(4,146)	(4,146)	391	(14,083)	(13,690)

SECTION 8

Heading 130: Adjustments for impairment

8.1 Net value adjustments for impairment: composition

Transactions/Income	Write - downs			Write - backs				12 mths ended 30/6/16	12 mths ended 30/6/15
	Specific		Portfolio	Specific		Portfolio			
	Write - offs	Other		A	B	A	B		
A. Loans and receivables with banks									
- Loans	—	—	—	—	—	—	187	187	(478)
- Debt receivables	—	—	—	—	—	—	—	—	—
B. Loans and receivables with customers									
Deteriorated purchased loans									
- Loans	(21,780)	(11,588)	X	—	12,232	X	X	(21,136)	(3.413)
- Debt securities	—	—	X	—	—	X	X	—	—
Other receivables									
- Loans	(50,898)	(340,293)	(175,642)	3,721	137,330	—	48,034	(377,749)	(465.520)
- Debt receivables	—	—	(16)	—	—	—	—	(16)	(39)
C. Total	(72,678)	(351,881)	(175,658)	3,721	149,562	—	48,221	(398,714)	(469.450)

Legend

A = interest

B = other amounts recovered.

8.2 Net value adjustments for impairment to AFS securities: composition

Transactions/Income	Adjustments		Reversals of impairment losses		12 mths ended 30/6/16	12 mths ended 30/6/15
	Specific		Specific			
	Write - offs	Other	A	B		
A. Debt securities	—	—	—	—	—	—
B. Equity instruments	—	(14,340)	X	X	(14,340)	(18,893)
C. Units in investment funds	—	(3,650)	X	—	(3,650)	(2,083)
D. Loans to banks	—	—	—	—	—	—
E. Loans to customers	—	—	—	—	—	—
Total	—	(17,990)	—	—	(17,990)	(20,976)

Legend

A = interest

B = other amounts recovered.

8.3 Net value adjustments for impairment to financial assets held to maturity: composition

Transactions/Income	Adjustments			Reversals of impairment losses				12 mths ended 30/6/16	12 mths ended 30/6/15
	Specific		Portfolio	Specific		Portfolio			
	Write - offs	Other		A	B	A	B		
A. Debt securities	—	—	(1,361)	—	—	—	316	(1,045)	898
B. Loans to banks	—	—	—	—	—	—	—	—	—
C. Loans to customers	—	—	—	—	—	—	—	—	—
D. Total	—	—	(1,361)	—	—	—	316	(1,045)	898

Legend

A = interest

B = other amounts recovered.

8.4 Net value adjustments for impairment to other financial transactions: composition

Transactions/Income	Adjustments			Reversals of impairment losses				12 mths ended 30/6/16	12 mths ended 30/6/15
	Specific		Portfolio	Specific		Portfolio			
	Write - offs	Other		A	B	A	B		
A. Guarantees given	—	—	(1,311)	—	—	—	33	(1,278)	81
B. Credit derivatives	—	—	—	—	—	—	—	—	—
C. Commitments to disburse funds	—	(2,052)	—	—	—	—	3,705	1,653	1,322
D. Other transactions	—	—	—	—	—	—	—	—	—
E. Total	—	(2,052)	(1,311)	—	—	—	3,738	375	1,403

Legend

A = interest

B = other amounts recovered.

SECTION 9

Heading 150: Administrative expenses

9.1 Net premium income: composition

Premium for insurance	Direct business	Indirect business	12 mths ended 30/6/16	12 mths ended 30/6/15
A. Life business				
A.1 Gross premiums written (+)	—	—	—	—
A.2 Reinsurance premiums paid (-)	—	X	—	—
A.3 Total	—	—	—	—
B. Non-life business				
B.1 Gross premiums written (+)	—	66,185	66,185	44,590
B.2 Reinsurance premiums paid (-)	—	X	—	—
B.3 Change in gross value of premium reserve (+/-)	—	(19,404)	(19,404)	(2,573)
B.4 Change in provision for unearned premiums ceded to reinsurers (+/-)	—	—	—	—
B.5 Total	—	46,781	46,781	42,017
C. Total net premiums	—	46,781	46,781	42,017

SECTION 10

Heading 160: Other net income (expense) from insurance operations

10.1 Other net income (expense) from insurance operations: composition

	12 mths ended 30/6/16	12 mths ended 30/6/15
1. Net change in insurance provisions	—	—
2. Claims paid pertaining to the year	(9,623)	(11,134)
3. Other income and expense (net) from insurance business	(5,944)	(6,618)
Total	(15,567)	(17,752)

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

Changes for claims	12 mths ended 30/6/16	12 mths ended 30/6/15
Life-business: expense related to claims, net of reinsurers' portion		
A. Amounts paid out	—	—
A.1 Gross annual amount	—	—
A.2 Amount attributable to reinsurers	—	—
B. Change in reserve for amount payable	—	—
B.1 Gross annual amount	—	—
B.2 Amount attributable to reinsurers	—	—
Total life-business claims	—	—
Non-life business: expense related to claims, net of amounts recovered from reinsurers		
C. Claims paid	(9,060)	(9,477)
C.1 Gross annual amount	(9,060)	(9,477)
C.2 Amount attributable to reinsurers	—	—
D. Change in recoveries net of reinsurers' portion	—	—
E. Change in claims reserves	(563)	(1,657)
E.1 Gross annual amount	(563)	(1,657)
E.2 Amount attributable to reinsurers	—	—
Total non-life business claims	(9,623)	(11,134)

SECTION 11

Heading 180: Administrative expenses

11.1 Personnel costs: composition

Type of expense/Amounts	12 mths ended 30/6/16	12 mths ended 30/6/15
1) Employees	(423,869)	(400,230)
a) wages and salaries	(301,670)	(282,501)
b) social security contributions	(70,587)	(66,932)
c) Severance pay (only for Italian legal entities)	(1,484)	(1,665)
d) social security costs	—	—
e) allocation to employees severance pay provision	(8,230)	(7,674)
f) provision for retirement and similar provisions	—	—
- defined contribution	—	—
- defined benefits	—	—
g) payments to external pension funds	(13,504)	(12,667)
- defined contribution	(13,504)	(12,667)
- defined benefits	—	—
h) expenses resulting from share-based payments	(10,910)	(14,556)
i) other employees' benefits	(17,484)	(14,233)
2) Other staff	(4,373)	(5,051)
3) Directors and Statutory Auditors	(8,309)	(8,512)
4) Early retirement costs	(6,735)	(5,491)
Total	(443,286)	(419,282)

11.2 Average number of staff by category

	12 mths ended 30/6/16	12 mths ended 30/6/15
Employees		
a) Senior managers	253	226
b) Managers	1,347	1,251
c) Remaining employees staff	2,280	2,173
Other staff	187	170
Total	4,067	3,820

11.5 Other administrative expenses: composition

Type of expense/Amounts	12 mths ended 30/6/16	12 mths ended 30/6/15
OTHER ADMINISTRATIVE EXPENSES		
– legal, tax and professional services	(55,251)	(45,725)
– loan recovery activity	(51,943)	(52,046)
– marketing and communications	(51,193)	(53,220)
– property	(38,786)	(37,075)
– EDP	(67,906)	(61,835)
– info-provider	(30,006)	(28,873)
– bank charges, collection and payment fees	(17,485)	(17,300)
– operating expenses	(52,589)	(50,750)
– other staff expenses	(20,697)	(21,956)
– other costs [1]	(105,936)	(24,050)
– indirect and other taxes	(65,566)	(62,499)
Total other administrative expenses	(557,358)	(455,329)

[1] Includes the €91.900,000 contribution to the Single Resolution Fund (SRF) (30/6/15: €13,500,000).

SECTION 12

Heading 190: Net transfers to provisions

12.1 Net transfers to provisions: composition

	12 mths ended 30/6/16	12 mths ended 30/6/15
Net transfers to provisions for risks and charges - legal expenses	(324)	78
Net transfers to provisions for risks and charges - promotional commitment	—	—
Net transfers to provisions for risks and charges - certain or probable exposures or commitments [1]	(4,687)	(3,983)
Total transfers to provisions for risks and charges	(5,011)	(3,905)

[1] Includes discount effect.

SECTION 13

Heading 200: Net adjustments to tangible assets

13.1 Net adjustments to tangible assets: composition

Assets/Income	Depreciation (a)	Impairment losses (b)	Write - backs (c)	Net result (a+b+c)
A. Property, equipment and investment properties				
A.1 Owned	(19,606)	(960)	—	(20,566)
- For operational use	(16,668)	—	—	(16,668)
- For investment	(2,938)	(960)	—	(3,898)
A.2 Acquired through finance lease	—	—	—	—
- For operational use	—	—	—	—
- For investment	—	—	—	—
Total	(19,606)	(960)	—	(20,566)

SECTION 14

Heading 210: Net adjustments to intangible assets

14.1 Net adjustments to intangible assets: composition

Asset/Income	Depreciation (a)	Impairment losses (b)	Write - backs (c)	Net result (a+b+c)
A. Intangible assets				
A.1 Owned	(17,836)	(2,000)	—	(19,836)
- Software	(8,022)	—	—	(8,022)
- Other	(9,814)	(2,000)	—	(11,814)
A.2 Acquired through finance lease	—	—	—	—
Total	(17,836)	(2,000)	—	(19,836)

SECTION 15

Heading 220: Other operating income (expense)

15.1 Other operating expense: composition

Income-based components/Values	12 mths ended 30/6/16	12 mths ended 30/6/15
a) Leasing activity	(15,878)	(17,684)
b) Sundry costs and expenses	(5,187)	(2,521)
Total	(21,065)	(20,205)

15.2 Other operating income: composition

Income-based components/Values	12 mths ended 30/6/16	12 mths ended 30/6/15
a) Amounts recovered from customers	55,111	61,483
b) Leasing activity	14,269	16,047
c) Other income	96,529	84,397
Total	165,909	161,927

SECTION 16

Heading 240: Gains (losses) on equity investments

16.1 Gains (losses) on equity investments: composition

Income/Value	12 mths ended 30/6/16	12 mths ended 30/6/15
1) Joint venture		
A. Incomes	1,771	37
1. Revaluation	1,771	37
2. Gains on disposal	—	—
3. Writedowns	—	—
4. Other gains	—	—
B. Expenses	—	—
1. Writedowns	—	—
2. Impairment losses	—	—
3. Losses on disposal	—	—
4. Other expenses	—	—
Net profit	1,771	37
2) Companies subject to significant influence		
A. Incomes	274,990	223,969
1. Revaluation	255,004	223,969
2. Gains on disposal	19,986	—
3. Writedowns	—	—
4. Other gains	—	—
B. Expenses	(53)	(73)
1. Writedowns	(53)	(42)
2. Impairment losses	—	(31)
3. Losses on disposal	—	—
4. Other expenses	—	—
Net profit	274,937	223,896
Total	276,708	223,933

SECTION 19

Heading 270: Net gains (losses) upon disposal of investments

19.1 Net gains (losses) upon disposal of investments: composition

Income/Value	12 mths ended 30/6/16	12 mths ended 30/6/15
A. Assets	—	—
- Gains on disposal	—	—
- Losses on disposal	—	—
B. Other assets	(18)	(17)
- Gains on disposal	—	7
- Losses on disposal	(18)	(24)
Net result	(18)	(17)

SECTION 20

Heading 290: Income tax on ordinary activities

20.1 Income tax on ordinary activities: composition

Income components/Sectors	12 mths ended 30/6/16	12 mths ended 30/6/15
1. Current tax expense (-)	(136,156)	(197,932)
2. Changes of current tax expense of previous years (+/-)	(11,335)	206
3. Reduction in current tax expense for the period (+)	—	108
3.bis Reductions in current tax expense for the period due to tax credit related to L. 214/2011 (+)	1,252	1,901
4. Changes of deferred tax assets (+-)	14,053	36,751
5. Changes of deferred tax liabilities (-)	3,534	(5,275)
6. Tax expense for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(128,652)	(164,241)

20.2 Reconciliation between theoretical and effective tax burden

Income/Value	**12 mths ended 30/6/16**	
	Amounts %	**Absolute value**
Total profit or loss before tax from current operations	100.0%	736,267
Theoretical tax rate	27.50%	202,473
Dividends (-)	-7.89%	(58,075)
Gains on disposals of equity investments (PEX) (-)	-5.01%	(36,870)
Gains on equity-accounted investments (-)	-0.41%	(2,991)
Changes in deferred tax for previous years (-)	-0.49%	(3,588)
Other taxes (non-Italian companies) (-)	-0.50%	(3,675)
Non-taxable income 10% IRAP (-)	-0.39%	(2,908)
Interest on exempt securities (-)	-0.04%	(274)
Tax losses (-)	—	—
Tax sparing credit	-0.13%	(928)
Non-deductible interest expense 3% (+)	1.76%	12,925
Benefit from tax consolidation (-)	-0.73%	(5,378)
Impairment (+/–)	0.31%	2,309
Extraordinary items (rate adjustments, …)	1.57%	11,538
Other differences	-2.93%	(21,549)
TOTAL IRES	12.63%	93,009
IRAP	4.84%	35,643
TOTAL HEADING [1]	17.47%	128,652

[1] Compared with a tax rate of 21.69% last year.

SECTION 22

Heading 330: Net profit (loss) attributable to minorities

22.1 Breakdown of Heading 330, "Net profit (loss) for the year attributable to minorities"

Company name	**12 mths ended 30/6/16**	**12 mths ended 30/6/15**
1. SelmaBipiemme S.p.A.	3,070	(938)
2. Palladio Leasing S.p.A. (merged into Selma BPM)	—	2,243
3. Teleleasing S.p.A.	—	1,789
4. Others	(4)	—
Total	3,066	3,094

SECTION 24

Earnings per share

24.1Average number of ordinary shares on a diluted basis

	12 mths ended 30/6/16	12 mths ended 30/6/15
Net profit	604,550	589,751
Avg. no. of shares in issue	849,895,132	847,414,629
Avg. no. of potentially diluted shares	17,545,396	31,940,173
Avg. no. of diluted shares	867,440,528	879,354,802
Earnings per share	0.71	0.70
Earnings per share, diluted	0.70	0.67

Part D - Comprehensive consolidated 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**	**607,616**
	Other income items not passing through P&L			
20.	Property, plant and equipment	—	—	—
30.	Intangible assets	—	—	—
40.	Defined benefits plans	(2,574)	682	(1,892)
50.	Non-current assets classified as held for sale	—	—	—
60.	Valuation reserves from equity-accounted investments:	80,776	—	80,776
	Other income items passing through P&L			
70.	Hedges of non-Italian investments:	—	—	—
	a) changes in fair value:	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
80.	Exchange differences:	(3,463)	—	(3,463)
	a) changes in fair value:	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	(3,463)	—	(3,463)
90.	Cash flow hedges:	5,652	(2,721)	2,931
	a) changes in fair value:	5,652	(2,721)	2,931
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
100.	AFS securities:	(43,158)	(6,518)	(49,676)
	a) changes in fair value:	80,814	(18,417)	62,397
	b) reclassifications through profit or loss account	(123,972)	11,899	(112,073)
	- due to impairment	(12,688)	810	(11,878)
	- gain/losses on disposals	(111,284)	11,089	(100,195)
	c) other variations	—	—	—
110.	Non-current assets classified as held for sale:	—	—	—
	a) changes in fair value:	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
120.	Valuation reserves from equity-accounted investments:	(315,930)	—	(315,930)
130.	**Total other comprehensive income**	**(278,697)**	**(8,557)**	**(287,254)**
140.	**Comprehensive income after tax (10 + 130)**	**X**	**X**	**320,362**
150.	Consolidated comprehensive income attributable to minorities	X	X	2,507
160.	**Consolidated comprehensive income attributable to parent company**	**X**	**X**	**317,855**

Part E - Information on risks and related hedging policies

SECTION 1

Banking Group Risks

1.1 CREDIT RISK

QUALITATIVE INFORMATION

Description of risk governance organization

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

The Board of Directors, in view in particular of its role of strategic supervision, is responsible for approving strategic guidelines and directions of the risk appetite framework (RAF), business and financial plans, budgets, and risk management and internal control policies.

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

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

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

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

Although risk management is the responsibility of each individual business unit, the Risk Management unit presides over the functioning of the Bank's risk system, defining the appropriate global methodologies for measuring risks, current and future, in conformity with the regulatory requirements in force as well as the Bank's own operating choices identified in the RAF, monitoring risks and ascertaining that the various limits established for the various business lines are complied with. The risk management process, which is supervised by the Chief Risk Officer, reporting directly to the Chief Executive Officer, is implemented by the following units: *i)* Enterprise Risk Management, which helps to develop risk management policies at Group level, and is responsible for integrated Group risks monitoring, ICAAP reporting and internal risk measurement model validation; *ii)* Credit Risk Management, responsible for credit risk analysis, assigning internal ratings to counterparties and the loss-given default indicator (LGD); *iii*) Market and Liquidity Risk Management, which monitors market, counterparty, liquidity and interest rate risk on the banking book; *iv*) Quantitative Risk Methodologies, responsible for developing quantitative analysis and credit and market risk management methodologies; *v)* and Operational Risk Management, responsible for developing and maintaining the systems for measuring and managing operational risks.

Establishment of risk propensity and process for managing relevant risks

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

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

Credit risk

While adopting the standardized methodology defined by the supervisory provisions in force for calculating regulatory capital, the Group has also internal rating models for operating purposes for the following customer segments: Banks, Insurances, Corporates (customers mostly targeted by Mediobanca S.p.A.), Mid-corporate and Small businesses (customers targeted mostly by the leasing companies), and Private individuals (targeted by Compass for consumer credit, CheBanca! for mortgage lending, and Creditech for instalment factoring business).

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

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

For an asset to be classified as forborne, the Group assesses whether, following possible amendments to the contract favourable to the client (typically rescheduling expiry dates, suspending payments, refinancings or waivers to covenants), a situation of difficulty arises as a result of the accumulation, actual or potential (in the latter case if the concessions are not granted) of more than thirty days past due. Assessment of the borrower's financial difficulties is based primarily on individual analysis carried out as part of corporate banking and leasing business, or alternatively, on certain predefined conditions being recorded in consumer credit activities (e.g. the number of times overdue instalments have had to be queued) and mortgage lending (e.g. whether the borrower has been made unemployed, cases of serious illness and/or divorce and separation).

Corporate lending (Mediobanca)

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

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

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

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

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

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

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

Leasing

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

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

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

Consumer credit (Compass)

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

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

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

Factoring (Creditech)

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

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

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

Mortgage lending (CheBanca!)

Mortgage applications are processed and approved centrally at head office. The applications are approved, using an internal rating model, based on individual appraisal of the applicant's income and maximum borrowing levels, as well as the value of the property itself. Risks are monitored on a monthly basis, ensuring the company's loan book is regularly assessed.

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

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

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

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

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

QUANTITATIVE INFORMATION

A. Credit quality

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

A.1.1 Credit exposures by portfolio and credit quality (book value)

Asset portfolio/quality	Bad loans	Unlikely to pay	Overdue exposures (NPLs)	Other exposures (non performing) [1]	Other exposures (performing)	Total
1. AFS securities	—	—	—	—	7,821,950	7,821,950
2. Financial assets held to maturity	—	—	—	—	1,975,411	1,975,411
3. Due from banks	—	—	—	—	5,327,477	5,327,477
4. Due from customers	255,919	710,651	53,632	343,592	36,985,857	38,349,651
5. Financial assets recognized at fair value	—	—	—	—	—	—
6. Financial assets being sold	—	—	—	—	—	—
Total 30/6/16	255,919	710,651	53,632	343,592	52,110,695	53,474,489
Total 30/6/15	259,375	801,056	95,047	420,551	50,510,907	52,086,935

[1] Regards the net exposure to unpaid instalments (totalling €29.1m), of which €79.2m is attributable to leasing (3.5% of the performing loans in this segment), €118.4m to consumer credit (1.1%), and €119.9m to CheBanca! mortgage loans (2.3%). Gross exposures being renegotiated under the terms of collective agreements amount to €43.2m, virtually all of which attributable to mortgage loans granted by CheBanca!.

*A.1.2 Credit exposures by portfolio/credit quality (gross/net values) **

Asset portfolio/quality	Non-performing loans			Performing loans			Total net exposure
	Gross exposure	Individual adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
1. AFS securities	—	—	—	7,821,950	—	7,821,950	7,821,950
2. Financial assets held to maturity	—	—	—	1,989,876	(14,465)	1,975,411	1,975,411
3. Due from banks	—	—	—	5,328,686	(1,209)	5,327,477	5,327,477
4. Due from customers	2,143,566	(1,123,364)	1,020,202	37,650,803	(321,354)	37,329,449	38,349,651
5. Financial assets recognized at fair value	—	—	—	X	X	—	—
6. Financial assets being sold	—	—	—	—	—	—	—
Total 30/6/16	2,143,566	(1,123,364)	1,020,202	52,791,315	(337,028)	52,454,287	53,474,489
Total 30/6/15	2,385,276	(1,229,799)	1,155,477	51,185,963	(254,505)	50,931,458	52,086,935

Asset portfolio/quality	Assets with obviously poor credit quality		Other assets
	Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading	—	9,562	8,160,678
2. Hedge derivatives	—	—	933,431
Total 30/6/16	—	9,562	9,094,109
Total 30/6/15	—	12,305	10,491,232

Information on sovereign debt exposures

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

Portafogli/qualità	Non performing loans				Performing			Total net exposure [1]
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	—	X	X	339,329	339,329
Italy	—	—	—	—	X	X	263,179	263,179
Germany	—	—	—	—	X	X	160,436	160,436
France	—	—	—	—	X	X	(241,516)	(241,516)
Spain	—	—	—	—	X	X	51,377	51,377
Others	—	—	—	—	X	X	105,853	105,853
2. AFS securities	—	—	—	—	6,087,334	—	6,087,334	6,087,334
Italy	—	—	—	—	4,475,778	—	4,475,778	4,475,778
Germany	—	—	—	—	802,773	—	802,773	802,773
France	—	—	—	—	374,704	—	374,704	374,704
United States	—	—	—	—	229,297	—	229,297	229,297
Spain	—	—	—	—	179,489	—	179,489	179,489
Others	—	—	—	—	25,293	—	25,293	25,293
3. Financial assets held to maturity	—	—	—	—	1,115,134	—	1,115,134	1,115,134
Italy	—	—	—	—	704,725	—	704,725	704,725
France	—	—	—	—	254,826	—	254,826	254,826
Spain	—	—	—	—	104,096	—	104,096	104,096
Germany	—	—	—	—	50,683	—	50,683	50,683
Others	—	—	—	—	804	—	804	804
Total at 30/6/16	—	—	—	—	7,202,468	—	7,541,797	7,541,797

* Does not include financial or credit derivatives.

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

A.1.2b Exposures to sovereign debt securities by portfolio

Portfolio/quality	Trading Book [1]			Banking Book [2]			
	Nominal value	Book value	Duration	Nominal value	Book value	Fair value	Duration
Italy	232,137	263,179	1.76	4,989,825	5,180,503	5,202,289	2.02
Germany	156,719	160,436	0.96	775,000	853,457	854,136	6.07
France	(200,000)	(241,516)	4.82	618,415	629,530	632,276	4.04
Spain	50,000	51,377	5.08	263,750	283,584	284,884	7.29
United States	180	181	1.0	225,185	229,297	229,297	6.75
Others	94,133	105,672	—	34,204	26,097	39,406	—
Total at 30/6/16	333,169	339,329		6,906,379	7,202,468	7,242,288	

[1] Does not include sales of €40.5m on Bund/Bobl/Schatz futures (Germany), with a fair value of minus €0.8m; or purchases of €4m on the Treasury future (United States, with a fair value of €0.01m), and sales of €56.5m on the BPT future (Italy) with a fair value of minus €0.7m. Net hedge buys of €210m (€200m of which on France country risk, €7m on Italy country risk and €3m on Hungary country risk) have also not been included.

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

A.1.3 Banking Group - Cash and off-balance-sheet exposures to banks: gross/net values and overdue classes

Type of exposure/asset	Gross exposure					Individual adjustments	Collective adjustments	Net exposure
	Non-performing loans				Performing loans			
	Up to three months	From three to six months	From six months to one year	More than one year				
A. CASH EXPOSURES								
a) Bad loans	—	—	—	—	X	—	X	—
- of which: exposures for which concessions have been made	—	—	—	—	*X*	—	*X*	—
b) Unlikely to pay	—	—	—	—	X	—	X	—
- of which: exposures for which concessions have been made	—	—	—	—	*X*	—	*X*	—
c) Overdue exposures (NPLs)	—	—	—	—	X	—	X	—
- of which: exposures for which concessions have been made	—	—	—	—	*X*	—	*X*	—
d) Overdue exposures (performing)	X	X	X	X	—	X	—	—
- of which: exposures for which concessions have been made	*X*	*X*	*X*	*X*	—	*X*	—	—
e) Other exposures (performing)	X	X	X	X	6,961,397	X	(2,089)	6,959,308
- of which: exposures for which concessions have been made	*X*	*X*	*X*	*X*	—	*X*	—	—
Total A	—	—	—	—	6,961,397	—	(2,089)	6,959,308
B. OFF-BALANCE-SHEET EXPOSURES								
a) Non-performing	—	—	—	—	X	—	X	—
b) Performing [1]	X	X	X	X	22,476,909	X	(133)	22,476,776
Total B	—	—	—	—	22,476,909	—	(133)	22,476,776
Total (A+B)	—	—	—	—	29,438,306	—	(2,222)	29,436,084

[1] Balance as at 30/6/16 includes trades worth €5,694,003,000, fully matched by hedge buys.

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

Type of exposure/asset	Gross exposure					Individual adjustments	Collective adjustments	Net exposure
	Non-performing loans				Performing loans			
	Up to three months	From three to six months	From six months to one year	More than one year				
A. CASH EXPOSURES								
a) Bad loans	27,360	828	11,045	585,300	X	(368,614)	X	255,919
- of which: exposures for which concessions have been made	*5,699*	*464*	*2,262*	*84,621*	*X*	*(72,900)*	*X*	*20,146*
b) Unlikely to pay	748,336	55,562	355,823	214,224	X	(663,294)	X	710,651
- of which: exposures for which concessions have been made	*708,591*	*30,197*	*222,229*	*112,830*	*X*	*(506,450)*	*X*	*567,397*
c) Overdue exposures (NPLs)	8,212	115,533	11,975	9,368	X	(91,456)	X	53,632
- of which: exposures for which concessions have been made	*389*	*35,570*	*590*	*2*	*X*	*(28,162)*	*X*	*8,389*
d) Overdue exposures (performing)	X	X	X	X	408,955	X	(65,363)	343,592
- of which: exposures for which concessions have been made	*X*	*X*	*X*	*X*	*91,365*	*X*	*(20,776)*	*70,589*
e) Other exposures (performing)	X	X	X	X	48,444,757	X	(269,573)	48,175,184
- of which: exposures for which concessions have been made	*X*	*X*	*X*	*X*	*385,383*	*X*	*(28,694)*	*356,689*
Total A	783,908	171,923	378,843	808,892	48,853,712	(1,123,364)	(334,936)	49,538,976
B. OFF-BALANCE-SHEET EXPOSURES								
a) Non-performing	8,854	—	—	—	X	(2,135)	X	6,719
b) Performing	X	X	X	X	19,676,070	X	(15,124)	19,660,946
Total B	8,854	—	—	—	19,676,070	(2,135)	(15,124)	19,667,665
Total (A+B)	792,762	171,923	378,843	808,892	68,529,782	(1,125,499)	(350,060)	69,206,641

The non-performing items include €70.4m attributable to Creditech, i.e. acquisitions of non-performing loans with a nominal value of €1.8bn. Of these items, €14.8m (with a nominal book value of €633m) involve assets acquired from other Group companies, mostly those involved in consumer credit activities.

A.1.7 Banking Group - Cash exposures to customers: trends in gross impaired positions

Descriptions/categories	Bad loans	Unlikely to pay	Overdue exposures (NPLs)
A. Gross exposure at start of period	613,665	1,584,388	187,223
- *of which: exposures sold but not derecognized*	*47,528*	*122,333*	*44,269*
B. Additions	299,436	512,221	417,351
B.1 transferred from performing exposures	12,581	137,774	382,952
B.2 transferred from other categories of non-performing exposure	219,120	332,000	26,887
B.3 other additions	67,735	42,447	7,512
C. Reductions	288,568	722,664	459,486
C.1 transferred to performing exposures	5,464	62,482	57,729
C.2 writeoffs	52,379	178,087	1,773
C.3 collections	73,535	94,738	59,644
C.4 amounts realized on disposals	37,662	9,794	2,500
C.5 losses incurred on disposals	109,133	107,346	1,588
C.6 transferred to other categories of non-performing exposure	5,182	241,466	331,358
C.7 other reductions	5,215	28,751	4,894
D. Gross exposure at end of period	624,533	1,373,945	145,088
- *of which: exposures sold but not derecognized*	*2,222*	*31,333*	*28,930*

A.1.8 Banking Group - Cash exposures to non-performing customers: trends in collective value adjustments

Descriptions/categories	Bad loans	Unlikely to pay	Overdue exposures (NPLs)
A. Overall adjustments at start of period	354,288	783,333	92,178
- *of which: exposures sold but not derecognized*	*33,300*	69,676	*27,153*
B. Additions	337,626	484,331	232,625
B.1 value adjustments	100,556	155,088	120,939
B.2 losses incurred on disposals	109,133	107,346	1,588
B.3 transferred from other categories of non-performing exposure	126,061	202,912	38,597
B.4 other additions	1,878	18,985	71,501
C. Reductions	323,302	604,370	233,347
C.1 amounts reversed following changes in valuation	8,755	19,162	6,976
C.2 amounts reversed following collections	41,128	43,081	9,109
C.3 gains realized on disposals	3,054	—	—
C.4 writeoffs	138,273	256,029	2,894
C.5 transferred to other categories of non-performing exposure	8,191	161,856	197,523
C.6 other reductions	123,901	124,242	16,845
D. Overall adjustments at end of period	368,614	663,294	91,456
- *of which: exposures sold but not derecognized*	*1,966*	*21,826*	*22,535*

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

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 classes						Without rating	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Lower than B-		
A. On-balance-sheet credit exposures	2,766,673	3,177,653	11,026,219	3,614,024	898,399	10,649	35,004,667	56,498,284
B. Derivative contracts	153,833	18,747,305	5,596,608	855,067	1,447,964	—	5,300,248	32,101,025
B.1 Financial derivative contracts	153,833	12,065,230	2,881,821	855,067	1,447,964	—	4,632,901	22,036,816
B.2 Credit derivatives	—	6,682,075	2,714,787	—	—	—	667,347	10,064,209
C. Guarantees given	—	—	263	7,804	—	—	592,363	600,430
D. Other commitments to disburse funds	5,894	173,870	5,059,643	1,139,404	77,923	—	2,981,743	9,438,477
E. Others [1]	—	—	1,354	—	—	—	3,155	4,509
Total	2,926,400	22,098,828	21,684,087	5,616,299	2,424,286	10,649	43,882,176	98,642,725

[1] Balance as at 30/6/16 includes trades worth €5,694,003,000, fully matched by hedge buys.

The Mediobanca Group adopts the Standard & Poor's ratings for all portfolios subject to assessment.

A.2.2 Banking Group - Cash and off-balance-sheet exposures by internal rating category

Exposures	Internal rating classes						NPLs	Without rating	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6			
A. On-balance-sheet exposures	1,995,053	1,664,694	17,784,426	15,434,419	6,493,854	894,454	1,018,477	11,212,907	56,498,284
B. Derivative contracts	—	20,422,846	5,574,430	2,545,662	1,266,913	—	—	2,291,174	32,101,025
B.1 Financial derivative contracts	—	12,998,114	2,984,993	2,545,662	1,266,913	—	—	2,241,134 [1]	22,036,816
B.2 Credit derivatives	—	7,424,732	2,589,437	—	—	—	—	50,040	10,064,209
C. Guarantees given	—	—	34,437	358,174	18,291	—	57	189,471	600,430
D. Other commitments to disburse funds	81,095	408,598	5,527,986	2,411,585	174,215	3,889	6,234	824,875	9,438,477
E. Others	—	—	1,354	—	—	—	—	3,155	4,509
Total	2,076,148	22,496,138	28,922,633	20,749,840	7,953,273	898,343	1,024,768	14,521,582	98,642,725

[1] €2,043,076,000 of which related to exposures towards central counterparties.

To assign the ratings to each counterparty, Mediobanca uses the models developed internally used in the process of managing credit risk.

The models' different rating scales are mapped against a single Group masterscale consisting of six different rating classes based on the underlying probability of default (PD) attributable to the S&P masterscale.

A.3 Secured exposures by type of security

A.3.1 Banking Group - Secured cash exposures to banks

	Net exposures	Collaterals (1)				Guarantees (2)									Total (1)+(2)
		Property, Mortgages	Financial leasing property	Securities	Other guarantees	Credit derivatives: CLN	Credit derivatives – Other derivatives: Governments and Central Banks	Credit derivatives – Other derivatives: Other public entities	Credit derivatives – Other derivatives: Banks	Credit derivatives – Other derivatives: Other entities	Signature loans: Governments and Central Banks	Signature loans: Other public entities	Signature loans: Banks	Signature loans: Other entities	
1. Secured balance sheet credit exposures	2,358,383	—	—	2,278,637	4,626	—	—	—	—	—	4,531	50	—	180	2,288,024
1.1 totally secured	2,041,364	—	—	2,035,017	4,626	—	—	—	—	—	1,491	50	—	180	2,041,364
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1.2 partially secured	317,019	—	—	243,620	—	—	—	—	—	—	3,040	—	—	—	246,660
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Secured off-balance sheet credit exposures	49,940	—	—	49,940	—	—	—	—	—	—	—	—	—	—	49,940
2.1 totally secured	49,940	—	—	49,940	—	—	—	—	—	—	—	—	—	—	49,940
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.2 partially secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

A.3.2 Banking Group - Secured cash exposures to customers

	Net exposures	Collaterals (1)				Guarantees (2)									Total (1)+(2)
		Property, Mortgages	Financial leasing property	Securities	Other guarantees	Credit derivatives					Signature loans				
						CLN	Other derivatives				Governments and Central Banks	Other public entities	Banks	Other entities	
							Governments and Central Banks	Other public entities	Banks	Other entities					
1. Secured balance sheet credit exposures	19,783,957	6,148,334	749,442	5,864,275	1,133,335	—	1,350	—	15,234	—	87,810	203,925	2,410,795	1,591,945	18,206,445
1.1 totally secured	11,896,413	5,579,292	749,442	2,705,884	788,539	—	—	—	15,234	—	87,810	66,214	312,257	1,591,685	11,896,357
- of which impaired	516,582	218,640	62,837	3,177	19,971	—	—	—	—	—	333	—	62,431	149,146	516,535
1.2 partially secured	7,887,544	569,042	—	3,158,391	344,796	—	1,350	—	—	—	—	137,711	2,098,538	260	6,310,088
- of which impaired	274,188	5,878	—	56,880	14,709	—	—	—	—	—	—	—	—	—	77,467
2. Secured off-balance sheet credit exposures	1,388,233	74,434	—	51,875	30,927	—	—	—	—	—	7,285	23,339	788,735	160,735	1,137,330
2.1 totally secured	530,908	72,535	—	44,832	30,053	—	—	—	—	—	7,285	—	214,998	160,735	530,438
- of which impaired	*473*	*442*	—	*1*	*30*	—	—	—	—	—	—	—	—	—	*473*
2.2 partially secured	857,325	1,899	—	7,043	874	—	—	—	—	—	—	23,339	573,737	—	606,892
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

B. Exposures distribution and concentration

B.1 Banking Group - Cash and off-balance-sheet exposures to customers by sector (book value)

Exposures/geographical areas	Governments			Other public entities			Financial companies			Insurances			Non-financial companies			Other parties		
	Net exposure	Individual value adjustments	Collective value adjustments	Net exposure	Individual value adjustments	Collective value adjustments	Net exposure	Individual value adjustments	Collective value adjustments	Net exposure	Individual value adjustments	Collective value adjustments	Net exposure	Individual value adjustments	Collective value adjustments	Net exposure	Individual value adjustments	Collective value adjustments
A. Cash exposures																		
A.1 Bad loans	—	—	X	—	—	X	489	(604)	X	—	—	X	65,674	(67,954)	X	189,756	(300,056)	X
- of which forborne exposures	—	—	*X*	—	—	*X*	—	—	*X*	—	—	*X*	*14,740*	*(11,331)*	*X*	*5,407*	*(61,568)*	*X*
A.2 Unlikely to pay	—	—	X	12,582	(1,530)	X	18,952	(16,437)	X	—	—	X	505,310	(398,845)	X	173,807	(246,482)	X
- of which forborne exposures	—	—	*X*	—	—	*X*	*17,955*	*(2,533)*	*X*	—	—	*X*	*447,780*	*(338,968)*	*X*	*100,438*	*(113,620)*	*X*
A.3 Bad debts past due	—	—	X	2,066	(84)	X	2,738	(107)	X	—	—	X	12,999	(2,797)	X	35,829	(88,468)	X
- of which forborne exposures	—	—	*X*	—	—	*X*	—	—	*X*	—	—	*X*	*795*	*(263)*	*X*	*7,596*	*(27,899)*	*X*
A.4 Performing exposures	8,939,006	X	(3,120)	686,161	X	(272)	5,502,645	X	(15,989)	1,133,460	X	(2,176)	15,449,534	X	(62,680)	16,807,970	X	(250,699)
- of which forborne exposures	—	*X*	—	—	*X*	—	*44*	*X*	*(2)*	—	*X*	—	*102,375*	*X*	*(4,317)*	*324,860*	*X*	*(45,150)*
Total A	8,939,006	—	(3,120)	700,809	(1,614)	(272)	5,524,824	(17,148)	(15,989)	1,133,460	—	(2,176)	16,033,517	(469,596)	(62,680)	17,207,362	(635,006)	(250,699)
B. Off-balance-sheet exposures																		
B.1 Bad loans	—	—	X	—	—	X	—	—	X	—	—	X	—	—	X	—	—	X
B.2 Unlikely to pay	—	—	X	—	—	X	—	—	X	—	—	X	4,700	(1,894)	X	412	—	X
B.3 Other bad debts	—	—	X	—	—	X	11	(11)	X	—	—	X	1,565	(226)	X	31	(4)	X
B.4 Performing exposures	3,171,964	X	—	91,984	X	(7)	5,171,898	X	(2,789)	725,303	X	(55)	10,219,526	X	(12,270)	280,271	X	(3)
Total B	3,171,964	—	—	91,984	—	(7)	5,171,909	(11)	(2,789)	725,303	—	(55)	10,225,791	(2,120)	(12,270)	280,714	(4)	(3)
Total (A+B)	12,110,970	—	(3,120)	792,793	(1,614)	(279)	10,696,733	(17,159)	(18,778)	1,858,763	(1)	(2,231)	26,259,308	(471,716)	(74,950)	17,488,076	(635,010)	(250,702)
Total (A+B)	8,211,916	—	(3,661)	177,373	—	(4,129)	15,875,046	(14,880)	(18,050)	1,704,398	(144)	(2,241)	23,825,932	(591,454)	(82,810)	16,760,428	(623,388)	(159,034)

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

Exposures/geographical areas	Italy		Other European countries		Americas		Asia		Rest of world	
	Net exposure	Collective value adjustmen	Net exposure	Collective value adjustmen	Net exposure	Collective value adjustmen	Net exposure	Collective value adjustmen	Net exposure	Collective value adjustmen
A. Cash exposures										
A.1 Bad loand	248,913	(357,161)	6,534	(10,369)	473	(109)	—	—	—	(975)
A.2 Unlikely to pay	706,634	(607,388)	4,016	(55,186)	1	(720)	—	—	—	—
A.3 Bad debts past due	50,803	(91,421)	2,286	(31)	219	(4)	—	—	324	—
A.4 Performing exposures	36,562,647	(294,775)	9,919,430	(32,270)	1,907,444	(7,853)	22,634	(33)	106,621	(5)
Total A	37,568,997	(1,350,745)	9,932,266	(97,856)	1,908,137	(8,686)	22,634	(33)	106,945	(980)
B. Off-balance-sheet exposures										
B.1 Bad loans	—	—	—	—	—	—	—	—	—	—
B.2 Unlikely to pay	5,112	(1,894)	—	—	—	—	—	—	—	—
B.3 Other bad debts	42	(15)	1,565	(226)	—	—	—	—	—	—
B.4 Performing exposures	9,729,774	(6,652)	9,799,481	(8,179)	120,251	(293)	620	—	10,820	—
Total B	9,734,928	(8,561)	9,801,046	(8,405)	120,251	(293)	620	—	10,820	—
Total A+B	47,303,925	(1,359,306)	19,733,312	(106,261)	2,028,388	(8,979)	23,254	(33)	117,765	(980)
Total A+B	43,354,872	(1,389,683)	21,357,474	(100,432)	1,696,411	(5,091)	2,428	(57)	143,908	(4,529)

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

Exposures/geographical areas	Italy		Other European countries		Americas		Asia		Rest of world	
	Net exposure	Collective value adjustments	Net exposure	Collective value adjustments	Net exposure	Collective value adjustments	Net exposure	Collective value adjustments	Net exposure	Collective value adjustments
A. Cash exposures										
A.1 Bad loans	—	—	—	—	—	—	—	—	—	—
A.2 Unlikely to pay	—	—	—	—	—	—	—	—	—	—
A.3 Bad debts past due	—	—	—	—	—	—	—	—	—	—
A.4 Performing exposures	2,922,076	(1,580)	3,830,108	(475)	156,000	(12)	14,139	(23)	36,985	1
Total A	2,922,076	(1,580)	3,830,108	(475)	156,000	(12)	14,139	(23)	36,985	1
B. Off-balance-sheet exposures										
B.1 Bad loans	—	—	—	—	—	—	—	—	—	—
B.2 Unlikely to pay	—	—	—	—	—	—	—	—	—	—
B.3 Other bad debts	—	—	—	—	—	—	—	—	—	—
B.4 Performing exposures	3,463,610	(133)	18,261,011	—	752,155	—	—	—	—	—
Total B	3,463,610	(133)	18,261,011	—	752,155	—	—	—	—	—
Total A+B	6,385,686	(1,713)	22,091,119	(475)	908,155	(12)	14,139	(23)	36,985	1
Total A+B	5,671,465	(1,390)	29,787,495	(602)	1,042,799	(14)	27,282	(234)	17,156	1

B.4a Credit risk indicators

	30/6/16	30/6/15
a) Gross bad loans/total loans	1.39%	1.45%
b) NPLs/cash exposures	4.01%	4.58%
c) Net bad loans/regulatory capital	3.11%	2.92%

B.4 Large risks

	30/6/16	30/6/15
a) Book value	7,302,743	12,698,680
b) Weighted value	5,297,734	8,878,907
c) No. of exposures	6	6

At the reporting date, aggregate exposures (including market risk and equity investments) to a total of six groups of clients were in excess of 10% of the regulatory capital, the same number recorded at end-June 2015), for a gross exposure of €7.3bn (€5.3bn taking into account guarantees and weightings).

The aggregate exposure reflects a sharp drop from one year previously, from €12.7bn to €8.9bn, due chiefly to the deduction of the Assicurazioni Generali investment to comply with the concentration limit (€1.3bn), plus the closure of secured financing transactions with other regulated counterparties worth approx. €3.4bn (€1.5bn net of guarantees).

C. Securitizations and asset disposals

Qualitative information

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

The portfolio is concentrated in the banking book (AFS and HTM) and senior-ranking securities (over 95%); there are five mezzanine issues carried at €24.2m, after purchases of €16.9m and sales totalling €7m, and one junior-ranking security (Loggi 2001-1 27/12/13) carried at €0.9m. The majority of the securities have external ratings, and around half are eligible for refinancing transactions with the European Central Bank.

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

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

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

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

Quantitative information

C.2 Banking Group - Exposures deriving from principal third-party securitizations by underlying asset and type of exposure

Type of securitized asset/ Exposure	Cash exposures					
	Senior		Mezzanine		Junior	
	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks
A. Mortgage loans on properties	139,268	198	7,402	(515)	894	(15)
B. Other receivables	24,984	5	13,948	(70)	—	—
C. Collateralized Loan Obligation	15,101	(37)	2,879	(62)	—	—
Total 30/6/16	179,353	166	24,229	(647)	894	(15)
Total 30/6/15	212,425	(789)	15,640	420	909	(10)

C.3 Banking Group - Securitization SPVs

Name	Head office	Type of Consolidation	Assets			Liabilities		
			Receivables	Debt securities	Other items	Senior	Mezzanine	Junior
Quarzo 5 - Quarzo S.r.l.	Milan	Accounting	2,060,582	—	151,473	1,694,000	—	517,000
Quarzo 6 - Quarzo S.r.l.	Milan	Accounting	3,103,277	—	209,861	2,640,000	—	672,012
Quarzo CQS S.r.l.	Milan	Accounting	798,381	—	67,856	532,733	—	82,179
Quarzo Lease S.r.l	Milan	Accounting	—	—	—	—	—	—

C.5 Banking Group - Servicing activity – own securitizations: collections of securitized receivables and redemptions of securities issued by SPVs

Servicer	Vehicle company	Securitized assets (30/6/16)		Receivables collected during the year		Percentage share of securities repaid (30/6/16)					
		Impaired	Performing	Impaired	Performing	Senior		Mezzanine		Junior	
						Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
Selma	Quarzo Lease	—	—	374	10,858	—	100.0	—	—	—	—
Selma	Quarzo Lease	—	—	808	6,980	—	100.0	—	—	—	—
Futuro	Quarzo CQS	8,084	627,590	7,081	230,314	—	28.0	—	—	—	—
Compass	Quarzo	53,760	5,602,869	190,678	2,829,960	—	—	—	—	—	—

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

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

This company therefore currently has no securitizations outstanding.

Quarzo S.r.l. (Compass)

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

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

Quarzo CQS S.r.l. (Futuro)

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

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

SPV	Receivables ceded	Amounts collected	Servicing fees	Interest on junior amounts	Additional return accrued
Quarzo CQS S.r.l.	1,252.0	3,020.6	15.7	24.5	332.3
Quarzo S.r.l.	—	237.4	0.7	1.5	0.1

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

D. Disclosure on structured entities other than securitization SPVs

In accordance with the provisions of IFRS 12, the Group treats the companies it sets up in order to achieve a limited or well-defined objective, which are regulated by contractual agreements often imposing close restrictions on the decision-making powers of its governing bodies, as structured entities (special purpose vehicles or entities). Such entities are therefore normally structured to ensure that the voting rights (o similar) are not the main factor in establishing who controls them (the activities are often governed by contractual agreements provisions agreed when the entity itself is structured and are therefore difficult to change).

D.1 Consolidated structured entities

The four securitization SPVs are included in the Group's area of consolidation, as described in Part A – Section 3 of the Notes to the Accounts pursuant to Italian law 130/99: Quarzo S.r.l., Quarzo Lease S.r.l. and Quarzo CQS S.r.l., all of which were consolidated last year, plus the newly-incorporated Quarzo MB S.r.l. (90%-owned by Mediobanca S.p.A., with the other 10% owned by SPV Holding).

Furthermore, in order to enable integration of the Barclays Italia business unit in technical terms, a new payment institution was set up, known as CB! NewCo S.r.l., wholly-owned by CheBanca! and with its own dedicated ABI code which is different from that of CheBanca! to be given to former Barclays clients. This institution was officially mreged into CheBanca! S.p.A. under a notarial deed dated 1 August 2016.

Telco MB and Sinto MB, both of which were merged into Mediobanca S.p.A. on 12 January 2016, have exited the area of consolidation.

D.2 Structured entities not consolidated in accounting terms

The Group has no other interests in structured entities to report, apart from the stock units held in UCITs (stated in Part B, Assets, tables 2.1 and 4.1) in connection with its activity as sponsor (CheBanca! and Compagnie Monégasque de Banque) and investor in Mediobanca S.p.A. funds. Following the acquisition of a majority share in Cairn Capital Ltd, this section also includes interests in the Cairn Special Opportunities Credit Fund and in Cairn European Commercial Mortgage Fund, as well as in the SPE Cairn Loan Investments LLP linked to their alternative funds activities; the direct investment is slightly below €63m and forms part of the Bank's seed capital activities.

D.2.1. Structured entities consolidated for regulatory purposes

As at 30 June 2016 there was no disclosure to be made as no instances of this type of interest apply in the case of Mediobanca.

D.2.2. Other structured entities

QUALITATIVE INFORMATION

The Group's operations in this area are mainly carried out through vehicle companies, in particular as follows:

UCITs

As part of its asset management business, CheBanca! follows the sale, exclusive to its clients, of five different segments of its Yellow Funds SICAV, an authorized company incorporated under Luxembourg law. Of the five segments, one involves debt securities, one equities, and the other three target volatility funds of funds. The SICAV is managed by fund management company Duemme International Luxemburg, while the three funds of funds are managed by BlackRock and the other funds by Duemme Sgr. CheBanca! itself has subscribed for 203,461 units with a net asset value (NAV) of €19.1m. The fees collected by CheBanca! as at the reporting date were negligible, at €0.2m.

During the twelve months under review, Compagnie Monégasque de Banque launched the sale to its clients of the four fund segments operated by CMB Global Lux, an company authorized under Luxembourg law, two of which are bond funds (CMB Global Lux Expansion and CMB Global Lux Corporate) and two equity funds (CMB Global Lux High Yield Equity and CMB Global Lux Emerging Markets). The SICAV itself is managed directly by Compagnie Monégasque de Banque, whereas the fund management and custody activities are performed by its subsidiary Compagnie Monégasque de Gestione and by CACEIS Luxembourg respectively. At the launch phase CMB subscribed for approx. €5m for each fund line, with a NAV of €18.9m. At 30 June 2016, commissions from management of the funds subscribed to totalled €1.9m, €0.6m of which in relation to the new funds referred to above.

As part of its alternative funds activity, Cairn Capital Ltd manages for funds which it has launched itself: a real estate bond fund (Cairn European Commercial Mortgage Fund), a balanced absolute return fund (Cairn Special Opportunities Credit Fund), a subordinated bond fund (Cairn Subordinated Financials Fund II), and a multi-asset fund (Cairn Strata Credit Fund). Cairn itself has subscribed to the Cairn Special Opportunities Credit Fund in an amount (NAV) of €0.4m, whereas Mediobanca S.p.A. at the launch phase subscribed for the full amount of the real estate fund (NAV €50.9m); as at 30 June 2016 the commissions on this investment were negligible, at €0.2m.

The process of delegating and sub-delegating investment activity, along with the broad powers of discretion afforded to delegates, mean that the ability to impact on returns stipulated by IFRS 10 as a precondition for establishing control of the UCITs owned.

Asset-backed SPEs

The entities in this case have been set up to acquire, build or manage actual or financial assets, for which the prospect of recovering the credit concerned depend largely on the cash flows to be generated by the assets.

As part of its ordinary lending operations, the Group finances asset-backed SPEs but without holding any form of direct equity stake or interest in them, hence such activity does not constitute acting as sponsor.

The lending transactions, recorded under asset heading 70, in which the Group is the sole lender involve an amount of €638.3m, plus €49m in notes held as available for sale (asset heading 40).

QUANTITATIVE INFORMATION

Balance-sheet item/SPE type	Accounted for under asset heading	Total assets (A)	Accounted for under liability heading	Total liabilities (B)	Net asset value (NAV) (C=A-B)	Maximum exposure to risk of loss (D)	Difference between exposure to risk of loss and NAV (E=D-C)
Yellow Fund Sicav	AFS financial assets	19,139	—	—	19,139	19,139	—
CMB Global Lux	AFS financial assets	18,887	—	—	18,887	18,887	—
Cairn Special Opportunities Credit Fund	AFS financial assets	435	—	—	435	435	—
Cairn European Commercial Mortgage Fund	AFS financial assets	50,926	—	—	50,926	50,926	—
Asset Back	*Loans and receivables*	638,260	—	—	638,260	638,260	—
Asset Back	AFS financial assets	48,967	—	—	48,967	48,967	—

D.3 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 2016 exposure to this type of transaction amounted to €1,182.2m [1], slightly lower than the €1,272.7m reported last year. Such deals represented just under 8% of the corporate portfolio, 26% of which in relation to domestic transactions, three deals with North American clients (for a value of approx. €165m), and the remainder deals within the confines of the European Union. The leveraged finance market returned to dynamic levels, with repayments of €467m (including 9 deals being wound up) and additions totalling €377m (with five new deals).

[1] Plus off-balance-sheet exposures (commitments and derivatives) totalling €162.9m (30/6/15: €361.1m).

E. Assets disposal

A. Financial assets sold but not derecognized

QUANTITATIVE INFORMATION

*E.1 Banking Group - Financial assets sold but not derecognized: book value and full value **

Type/Portfolio	Financial assets held for trading	Financial assets carried at fair value	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables with banks	Loans and receivables with customers	Total	
							30/6/16	30/6/15
A. Balance sheet assets	1,391,103	—	1,413,659	356,684	—	1,238,599	4,400,045	5,025,639
1. Debt securities	773,531	—	1,413,404	356,684	—	—	2,543,619	1,649,698
2. Equity securities	617,572	—	255	X	X	X	617,827	1,598,144
3. UCITS	—	—	—	X	X	X	—	143,427
4. Loans	—	—	—	—	—	1,238,599	1,238,599	1,634,370
B. Derivatives	—	X	X	X	X	X	—	—
Total 30/6/16	1,391,103	—	1,413,659	356,684	—	1,238,599	4,400,045	X
of which: impaired	—	—	—	—	—	*17,749*	*17,749*	*X*
Total 30/6/15	2,252,734	—	862,589	275,946	—	1,634,370	X	5,025,639
of which: impaired	—	—	—	—	—	*86,872*	*X*	*86,872*

* Includes only financial assets sold recognised in full (book value).

E.2 Banking Group - Financial liabilities in respect of financial assets sold but not derecognized: book value

Liabilities/Portfolio assets	Financial assets held for trading	Financial assets carried at fair value	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables with banks	Loans and receivables with customers	Total
1. Deposits from customers	610,472	—	557,760	183,356	—	703,812	2,055,400
a) Related to fully recognized assets	610,472	—	557,760	183,356	—	703,812	2,055,400
b) Related to partially recognized assets	—	—	—	—	—	—	—
2. Deposits from banks	497,180	—	209,068	—	—	451,218	1,157,466
a) Related to fully recognized assets	497,180	—	209,068	—	—	451,218	1,157,466
b) Related to partially recognized assets	—	—	—	—	—	—	—
3. Debt securities in issue	—	—	—	—	—	387,623	387,623
a) Related to fully recognized assets	—	—	—	—	—	387,623	387,623
b) Related to partially recognized assets	—	—	—	—	—	—	—
Total 30/6/16	1,107,652	—	766,828	183,356	—	1,542,653	3,600,489
Total 30/6/15	2,169,213	—	751,436	249,281	—	1,028,822	4,198,752

*E.3 Banking Group - Disposals with liabilities referring exclusively to assets sold: fair value **

Instruments/Portfolio	Financial assets held for trading	*Financial assets carried at fair value*	Available-for-sale financial assets	Held-to-maturity investments (fair value)	Due from banks (fair value)	Due from customers (fair value)	Total	
							30/6/16	30/6/15
A. Cash assets	1,391,103	—	1,413,659	361,313	—	1,339,638	4,505,713	5,178,300
1. Debt securities	773,531	—	1,413,404	361,313	—	—	2,548,248	1,666,933
2. Equities	617,572	—	255	X	X	X	617,827	1,742,314
3. UCITS	—	—	—	X	X	X	—	—
4. Loans	—	—	—	—	—	1,339,638	1,339,638	1,769,053
B. Derivative instruments	—	X	X	X	X	X	—	—
Total assets		—	1,413,659	361,313	—	1,339,638	4,505,713	5,178,300
C. Associated liabilities	1,280,067	—	1,016,714	306,566	—	1,137,664	X	X
1. Due from customers	795,331	—	833,949	306,566	—	301,614	X	X
2. Due from banks	484,736	—	182,765	—	—	451,218	X	X
3. Debt securities in issue	—	—	—	—	—	384,832	X	X
Total liabilities	1,280,067	—	1,016,714	306,566	—	1,137,664	3,741,011	4,576,611
Net value 30/6/16	111,036	—	396,945	54,747	—	201,974	764,702	X
Net value 30/6/15	84,264	—	111,153	43,900	—	362,372	X	601,689

* Template includes liability-side collateralized operations: repos, securities borrowing and other secured financing operations; only financial assets sold recognized in full are included into the template.

E.4 Banking Group – covered bond issues

The Group has a ten-year programme of covered bond issuance in progress, securted by residential mortgages and involving an amount of up to €5bn. The programme, implemented in accordance with the provisions of Italian law 130/99, has a ten-year duration (falling due in December 2021), and involves the following parties:

– Mediobanca as the issuer of the covered bonds;
– CheBanca! as the seller (including on a revolving basis) and servicer on the transaction;
– Mediobanca Covered Bond S.r.l., an SPV incorporated pursuant to Article 7-bis of Italian law 130/99, as the non-recourse recipient of the assets anad guarantor of the covered bonds.

Three deals are outstanding under the current programme, involving a total notional amount of €2,250m, against €3,142.3m in receivables ceded. All the issues are addressed to institutional investors rated “A” by S&P and “A+” by Fitch, and involve:

– €750m issued in October 2013 at a fixed rate of 3.625% and expiring in October 2023;
– €750m issued in June 2014 at a fixed rate of 1.125% and expiring in June 2019;
– €750m to be issued during the current financial year (between November and December) at a fixed rate of 1.375% and expiring in November 2025.

1.2 MARKET RISKS

1.2.1 INTEREST RATE RISK AND PRICE RISK – TRADING BOOK

QUALITATIVE INFORMATION

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

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

– value-at-risk [2], calculated using historical scenarios which are updated daily, assuming a disposal period of a single trading day and a confidence level of 99%.

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

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

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

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

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

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

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

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

Risk factors (€ '000)	**12 mths to 30/6/16**				**12 mths to 30/6/15**
	30/6	**Min**	**Max**	**Avg.**	
Interest rates	4,047	2,175	18,757	9,780	15,339 *
Credit	28,749	6,218	36,463	20,320	n.a.
Share prices	27,327	6,644	39,302	16,798	10,544
Exchange rates	3,759	609	19,715	4,133	4,253
Inflation	4,154	1,864	8,379	4,104	2,809
Volatility	2,248	1,050	5,537	2,870	1,628
*Diversification effect ***	*(17,521)*	*(598)*	*(33,515)*	*(16,343)*	*(11,468)*
Total	52,763	21,040	83,084	41,664	23,106
Expected Shortfall	**117,410**	**25,402**	**122,708**	**51,502**	**41,115**

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

** Due to mismatch between risk factors.

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

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

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

Risk factors (€ '000)	**12 mths to 30/6/16**				**12 mths to 30/6/15**
	30/6	**Min**	**Max**	**Avg.**	
Interest rates	880	642	9,513	2,672	2,552 *
Credit	1,020	734	5,823	2,760	n.a.
Share prices	2,819	590	9,690	3,226	1,300
Exchange rates	885	138	5,179	1,249	739
Inflation	1,414	239	5,153	1,726	860
Volatility	2,104	1,117	2,686	1,796	2,278
*Diversification effect ***	*(6,037)*	*(4,587)*	*(14,727)*	*(7,221)*	*(4,435)*
Total	3,084	2,947	13,215	6,207	3,294
Expected Shortfall	**3,766**	**3,114**	**19,587**	**7,476**	**7,448**

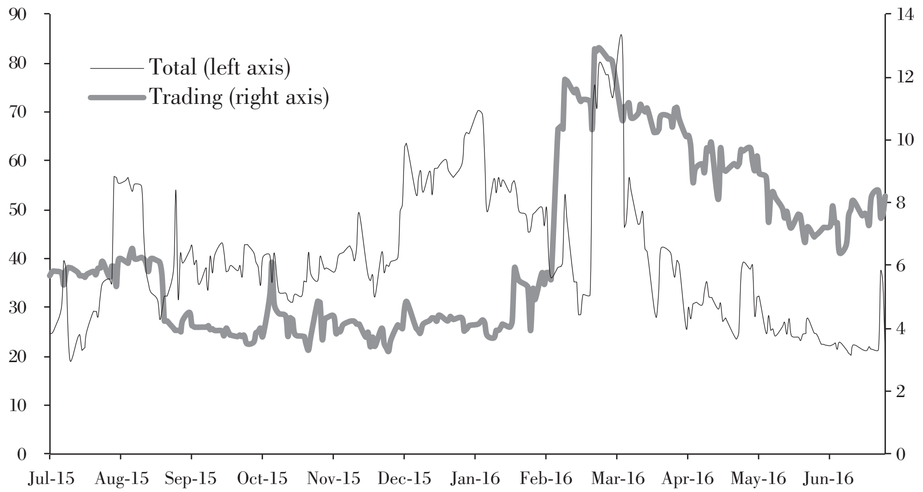
* The figure for FY 2014/15 was combined, including the diversification effect (i.e. interest rates plus credit spread), whereas the new application shows only the individual and not the combined readings. Hence the average readings for last year and this year are not fully comparable.

** Due to mismatch between risk factors.

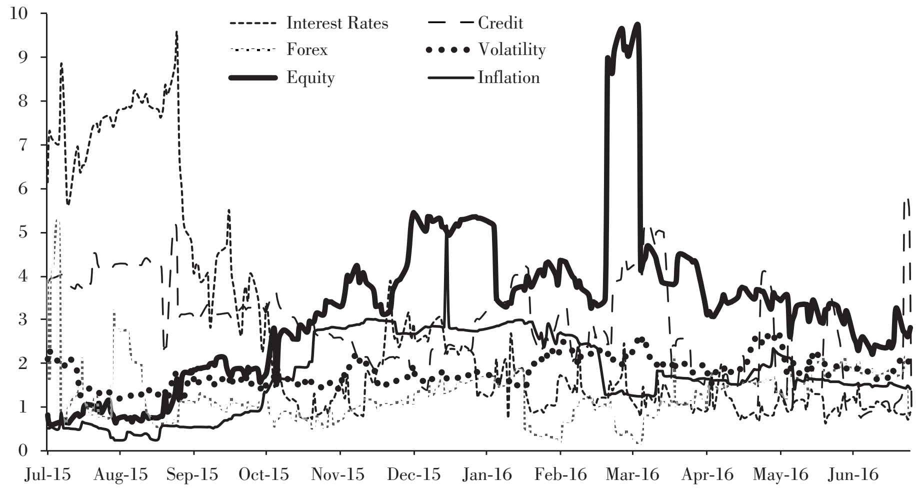
The average expected shortfall on the trading book remained stable at €7.5m, despite the higher volatility.

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

Trends in VaR



Trends in VaR constituents



The results of the daily back-testing based on calculations of theoretical profits and losses [3] show only three breaches in the course of the twelve months, in line with the theoretical level of 1% of the readings, in September 2015 and again near the end of the financial year as a result of the Brexit effect.

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

(€ m)

Data at 30/6/16		***Trading Book***
Net interest income sensitivity	+ 100 bps	(6.25)
	— 100 bps	0.67
Discounted value of cash flows sensitivity	+ 200 bps	(56.17)
	— 200 bps	21.24

[3] 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: distribution by residual maturity (repricing date) of financial cash assets and liabilities and financial derivatives

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	2,501	1,106,821	672,857	389,480	632,710	171,568	32,554	—
1.1 Debt securities	2,501	1,106,821	672,857	389,480	632,710	171,568	32,554	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	2,501	1,106,821	672,857	389,480	632,710	171,568	32,554	
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	398,975	169,364	441,563	554,776	11,072	5,623	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
2.2 Other liabilities		398,975	169,364	441,563	554,776	11,072	5,623	—
3. Financial derivatives	1,088,819	117,967,758	132,074,472	50,964,787	68,799,074	23,068,882	8,263,025	—
3.1 With underlying securities	—	382,344	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	382,344	—	—	—	—	—	—
+ long positions	—	191,172	—	—	—	—	—	—
+ short positions	—	191,172	—	—	—	—	—	—
3.2 Without underlying securities	1,088,819	117,585,414	132,074,472	50,964,787	68,799,074	23,068,882	8,263,025	—
– Options	—	49,066,526	95,685,016	37,579,174	3,720,000	952,000	1,760,000	—
+ long positions	—	24,533,263	47,842,508	18,789,587	1,860,000	476,000	880,000	—
+ short positions	—	24,533,263	47,842,508	18,789,587	1,860,000	476,000	880,000	—
– Others	1,088,819	68,518,888	36,389,456	13,385,613	65,079,074	22,116,882	6,503,025	—
+ long positions	686,715	35,026,815	16,981,245	7,373,370	31,658,332	11,622,765	3,191,637	—
+ short positions	402,104	33,492,073	19,408,211	6,012,243	33,420,742	10,494,117	3,311,388	—

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

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities [1]			
A.1 Shares	1,242,134	—	—
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	—	—
B. UCITS units			
B.1 Italian	—	—	10,273
- harmonized open	—	—	—
- non-harmonized open	—	—	—
- closed	—	—	10,273
- reserved	—	—	—
- speculative	—	—	—
B.2 Other EU states	141,488	132,437	1,782
- harmonized	129,794	—	520
- non-harmonized open	—	—	1,262
- non-harmonized closed	11,694	132,437	—
B.3 Non-EU states	—	—	—
- open	—	—	—
- closed	—	—	—
Total	1,383,622	132,437	12,055

[1] Net mismatch between trading assets and technical shortfalls booked as trading liabilities; over 92% of the next exposure regards other European countries.

1.2.2 INTEREST RATE RISK AND PRICE RISK – BANKING BOOK

QUALITATIVE INFORMATION

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

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

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

The data described above are summarized in the table below:

Data at 30/6/16		Banking Book			
		Group	Mediobanca SpA	CheBanca!	Compass
Net interest income sensitivity	+ 100 bps	(12.19)	(0.04)	(20.18)	8.03
	– 100 bps	(3.24)	(3.24)	—	—
Discounted value of cash flows sensitivity	+ 200 bps	(339.56)	(374.34)	47.58	(87.73)
	– 200 bps	150.66	103.33	5.30	1.03

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

Hedging

Hedges are intended to neutralize possible losses that may be incurred on a given asset or liability, due to the volatility of a certain financial risk factor (interest rate, exchange rate, credit or some other risk parameter), through the gains that may be realized on a hedge instrument which allow the changes in fair value or cash flows to be offset. For fair value hedges in particular, the Group seeks to minimize the financial risk on interest rates by bringing the entire interest-bearing exposure in line with Euribor (generally Euribor 3 months).[4]

B. Fair value hedges

Fair value hedges are used to neutralize exposure to interest rate, price or credit risk for particular asset or liability positions, via derivative contracts entered into with leading counterparties with high credit standings. It is principally the fixed-rate, zero coupon and structured bond issues that are fair-value hedged. If structured bonds in particular do not show risks related to the main risk, the interest-rate component (hedge) is stripped out from the

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

other risks represented in the trading book, and usually hedged by trades of the opposite sign.

Fair value hedges are used by Mediobanca S.p.A. to hedge fixed-rate transactions involving corporate loans and AFS securities or positions accounted for as Loans and receivables, and also to mitigate price risk on equity investments held as available for sale. Like-for-like books of fixed-rate mortgage loans granted by CheBanca! are also fair value-hedged.

C. Cash flow hedges

These are used chiefly as part of certain Group companies' operations, in particular those operating in consumer credit and leasing. In these cases the numerous, generally fixed-rate and relatively small-sized transactions are hedged by floating-rate deposits for large amounts. The hedge is made in order to transform floating-rate deposits into fixed rate positions, correlating the relevant cash flows. Normally the Group uses the derivative to fix the expected cost of deposits over the reference period, to cover floating-rate loans outstanding and future transactions linked to systematic renewals of such loans upon their expiring.

Mediobanca S.p.A. also implements cash flow hedges to cover the equity risk linked to shares held as available for sale by executing forward contracts.

Counterparty risk

Counterparty risk is measured in terms of potential future market value, thus doing away with the need to set arbitrary weightings for the different types of financing. As far as regards derivatives and short-term loan collateralization products (repos and securities lending), the calculation is based on determining the maximum potential exposure (assuming a 95% confidence level) at various points on a time horizon that reaches up to 30 years. The scope of application regards all groups of counterparties which have relations with Mediobanca, taking into account the existence or otherwise of netting agreements (e.g. ISDA, GMSLA or GMRA) and collateralization agreements (e.g. CSA), plus exposures deriving from interbank market transactions. For these three types of operations there are different ceilings split by counterparty and/or group. For derivatives transactions, as required by IFRS 13, the fair value incorporates the effects of the counterparty's credit risk (CVA) and Mediobanca's credit risk (DVA) based on the future exposure profile of the aggregate of such contracts outstanding.

QUANTITATIVE INFORMATION

1. Banking book: distribution by residual maturity (by repricing date) of financial assets and liabilities

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	8,936,992	17,385,599	7,192,113	3,196,082	12,467,180	3,763,009	542,163	28,684
1.1 Debt securities	338,027	1,019,882	1,462,140	1,065,332	4,194,253	1,893,686	13,815	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	338,027	1,019,882	1,462,140	1,065,332	4,194,253	1,893,686	13,815	—
1.2 Loans to banks	2,225,395	2,107,645	476,497	137,067	345,337	—	—	9,346
1.3 Loans to customers	6,373,570	14,258,072	5,253,476	1,993,683	7,927,590	1,869,323	528,348	19,338
– current accounts	490,398	—	—	—	—	—	—	93
– other loans	5,883,172	14,258,072	5,253,476	1,993,683	7,927,590	1,869,323	528,348	19,245
– with early repayment option	2,006,407	2,861,444	760,212	1,488,859	5,927,161	959,730	506,757	3,401
– others	3,876,765	11,396,628	4,493,264	504,824	2,000,429	909,593	21,591	15,844
2. Cash liabilities	13,352,196	19,532,763	3,418,344	5,040,806	7,999,251	2,321,497	598,409	3,803
2.1 Due to customers	11,613,675	3,339,748	1,157,486	2,570,663	58,593	307	164,455	3,648
– current accounts	7,138,681	395,385	43,126	51,186	25,380	—	—	—
– other amounts due	4,474,994	2,944,363	1,114,360	2,519,477	33,213	307	164,455	3,648
– with early repayment option	—	—	—	—	—	—	—	—
– others	4,474,994	2,944,363	1,114,360	2,519,477	33,213	307	164,455	3,648
2.2 Due to banks	1,436,210	7,528,641	567,791	154,484	1,686,813	516	420,746	155
– current accounts	602,243	—	—	—	—	—	—	—
– other amounts due	833,967	7,528,641	567,791	154,484	1,686,813	516	420,746	155
2.3 Debt securities	302,311	8,664,374	1,693,067	2,315,659	6,253,845	2,320,674	13,208	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	302,311	8,664,374	1,693,067	2,315,659	6,253,845	2,320,674	13,208	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products	278,066	18,011,743	2,374,709	1,362,596	6,976,777	3,806,729	685,651	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	278,066	18,011,743	2,374,709	1,362,596	6,976,777	3,806,729	685,651	—
– Options	—	—	—	—	200,000	—	516,796	—
+ long positions	—	—	—	—	100,000	—	258,398	—
+ short positions	—	—	—	—	100,000	—	258,398	—
– Others	278,066	18,011,743	2,374,709	1,362,596	6,776,777	3,806,729	168,855	—
+ long positions	—	5,564,883	1,492,382	1,317,596	5,286,977	2,576,544	151,355	—
+ short positions	278,066	12,446,860	882,327	45,000	1,489,800	1,230,185	17,500	—
4. Other OTC trades	7,864,540	9,480,616	3,409,236	1,483,839	15,176,757	5,016,298	1,320,239	—
+ long positions	3,597,288	4,457,338	1,795,575	725,403	7,775,855	2,578,827	945,478	—
+ short positions	4,267,252	5,023,078	1,613,661	758,436	7,400,902	2,437,471	374,761	—

2. Banking book: cash exposures in equities and UCITS units.

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities [1]			
A.1 Shares	642,407	—	38,635
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	—	52
B. UCITS units			
B.1 Italian	—	—	111,389
- harmonized open	—	—	—
- non-harmonized open	—	—	—
- closed	—	—	104,727
- reserved	—	—	—
- speculative	—	—	6,662
B.2 Other EU states	51,458	—	66,046
- harmonized	38,393	—	—
- non-harmonized open	13,065	—	40
- non-harmonized closed	—	—	66,006
B.3 Non-EU states	—	—	4,307
- open	—	—	—
- closed	—	—	4,307
Totale	693,865	—	220,429

[1] Of which 81% Italian and 10% other EU countries.

1.2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

A. General aspects, operating processes and measurement techniques

B. Exchange rate risk hedging

The trend in the exchange rate component of VaR shown on p. 208 is an effective representation of changes in the risks taken on the forex market, in view of the fact that exposures to foreign exchange rates are managed globally within the Finance area of Mediobanca S.p.A.

QUANTITATIVE INFORMATION

1. Financial assets, liabilities and derivatives by currency

Line items	Currency					
	US dollars	Pounds sterling	Japanese yen	Canadian dollars	Swiss francs	Other
A. Financial assets	2,614,526	831,516	18,969	32,945	101,839	122,364
A.1 Debt securities	882,922	60,725	16,155	29,182	6,162	73,053
A.2 Equities	27,215	233,000	—	—	6,377	—
A.3 Loans and advances to banks	163,561	19,727	1,684	3,551	20,250	4,859
A.4 Loans and advances to customers	1,533,963	517,415	1,106	212	69,050	44,451
A.5 Other financial assets	6,865	649	24	—	—	1
B. Other assets	—	43	—	—	—	—
C. Financial liabilities	(2,564,286)	(488,830)	(2,120)	(34,581)	(90,715)	(36,974)
C.1 Due to banks	(12,368)	—	(36)	—	(55)	(47)
C.2 Due to customers	(1,072,841)	(94,976)	(2,061)	(34,581)	(69,733)	(36,926)
C.3 Debt securities	(1,478,882)	(393,641)	—	—	(20,927)	—
C.4 Other financial liabilities	(195)	(213)	(23)	—	—	(1)
D. Other liabilities	—	(1,487)	—	—	—	—
E. Financial derivative products	61,606	(325,826)	(18,678)	3,478	(4,166)	(95,880)
- Options	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—
- Other derivatives	61,606	(325,826)	(18,678)	3,478	(4,166)	(95,880)
+ Long positions	3,639,164	423,477	5,007	3,478	228,954	510,023
+ Short positionsw	(3,577,558)	(749,303)	(23,685)	—	(233,120)	(605,903)
Total assets	6,253,690	1,255,036	23,976	36,423	330,793	632,387
Total liabilities	(6,141,844)	(1,239,620)	(25,805)	(34,581)	(323,835)	(642,877)
Difference (+/-)	111,846	15,416	(1,829)	1,842	6,958	(10,490)

2. Internal models and other methodologies used for sensitivity analysis

During the year under review, the directional positions taken on exchange rates reduced versus all the main currencies, by hedges being implemented. The sole exception to this is the USD position, which remained basically unchanged and which for Mediobanca acts as a macro hedge against turmoil on Eurozone markets. The VaR for the forex component showed an average reading of €4.2m in the twelve months, flat versus the previous year, while the point-in-time reading as at 30 June 2016 was €3.8m.

1.2.4 DERIVATIVE FINANCIAL INSTRUMNTS

A. FINANCIAL DERIVATIVES

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

Underlying assets/Type of derivatives	30/6/16		30/6/15	
	Over the counter	Clearing house	Over the counter	Clearing house
1. Debt securities and interest rate indexes	102,502,160	88,455,146	109,478,188	20,231,168
a) Options	—	87,729,988	—	19,543,795
b) Swap	97,586,160	—	96,773,438	—
c) Forward	—	—	—	—
d) Futures	—	725,158	—	687,373
e) Others	4,916,000	—	12,704,750	—
2. Equity instruments and stock indexes	14,948,134	11,742,610	11,555,553	12,768,242
a) Options	13,978,569	11,508,167	8,638,072	12,534,420
b) Swap	969,565	—	1,717,225	—
c) Forward	—	—	1,200,256	—
d) Futures	—	234,443	—	233,822
e) Others	—	—	—	—
3. Gold and currencies	10,156,104	—	11,047,949	—
a) Options	1,735,370	—	44,269	—
b) Swap	3,915,853	—	4,524,542	—
c) Forward	4,504,881	—	6,479,138	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other underlyings	—	—	—	—
Total	127,606,398	100,197,756	132,081,690	32,999,410

A.2 Banking book: reporting-date notional values

A.2.1 Hedge derivatives

Underlying assets/Type of derivatives	30/6/16		30/6/15	
	Over the counter	Clearing house	Over the counter	Clearing house
1. Debt securities and interest rate indexes	16,748,136	—	17,829,292	—
a) Options	—	—	—	—
b) Swap	16,389,738	—	17,520,894	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	358,398	—	308,398	—
2. Equity instruments and stock indexes	85,708	—	24	—
a) Options	29	—	24	—
b) Swap	—	—	—	—
c) Forward	85,679	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Gold and currencies	—	—	2,782	—
a) Options	—	—	—	—
b) Swap	—	—	2,782	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other underlyings	—	—	—	—
Total	16,833,844	—	17,832,098	—

A.2.2 Other derivatives

Uunderlying assets/Type of derivatives	30/6/16		30/6/15	
	Over the counter	Clearing house	Over the counter	Clearing house
1. Debt securities and interest rate indexes	407,251	—	302,251	—
a) Options	—	—	—	—
b) Swap	407,251	—	302,251	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equity instruments and stock indexes	2,178,229	—	2,331,100	—
a) Options	2,178,229	—	2,331,100	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Gold and currencies	—	—	2,692	—
a) Options	—	—	—	—
b) Swap	—	—	2,692	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other underlyings	—	—	—	—
Total	2,585,480	—	2,636,043	—

A.3 Financial derivatives: gross positive fair value, by product

Portfolios/Type of derivatives	Positive fair value			
	30/6/16		30/6/15	
	Over the counter	Clearing House	Over the counter	Clearing House
A. Regulatory trading portfolio	3,847,443	632,131	4,732,092	621,272
a) Options	419,192	629,729	967,565	617,262
b) Interest rate swap	2,910,959	—	3,108,280	—
c) Cross currency swap	243,239	—	250,291	—
d) Equity swap	75,174	—	60,960	—
e) Forward	198,879	—	344,996	—
f) Futures	—	2,402	—	4,010
g) Others	—	—	—	—
B. Banking book - Hedging derivatives	1,340,887	—	1,029,763	—
a) Options	—	—	—	—
b) Interest rate swap	926,381	—	766,279	—
c) Cross currency swap	—	—	19	—
d) Equity swap	—	—	—	—
e) Forward	6,623	—	—	—
f) Futures	—	—	—	—
g) Others	407,883	—	263,465	—
C. Banking book - Other derivatives	64,877	—	66,126	—
a) Options	64,877	—	58,977	—
b) Interest rate swap	—	—	7,148	—
c) Cross currency swap	—	—	1	—
d) Equity swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	5,253,207	632,131	5,827,981	621,272

A.4 Financial derivatives: gross negative fair value, by product

Portfolios/Type of derivatives	Negative fair value			
	30/6/16		30/6/15	
	Over the counter	Clearing House	Over the counter	Clearing House
A. Regulatory trading portfolio	(3,857,285)	(660,552)	(4,607,653)	(745,125)
a) Options	(454,531)	(649,353)	(738,000)	(742,326)
b) Interest rate swap	(2,918,000)	—	(3,227,551)	—
c) Cross currency swap	(267,668)	—	(393,640)	—
d) Equity swap	(17,044)	—	(15,095)	—
e) Forward	(200,042)	—	(233,367)	—
f) Futures	—	(11,199)	—	(2,799)
g) Others	—	—	—	—
B. Banking book - Hedging derivatives	(313,519)	—	(557,604)	—
a) Options	(4,525)	—	—	—
b) Interest rate swap	(308,994)	—	(293,181)	—
c) Cross currency swap	—	—	(132)	—
d) Equity swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	(264,291)	—
C. Banking book - Other derivatives	(490,064)	—	(223,574)	—
a) Options	(489,008)	—	(223,284)	—
b) Interest rate swap	(1,056)	—	(290)	—
c) Cross currency swap	—	—	—	—
d) Equity swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	(4,660,868)	(660,552)	(5,388,831)	(745,125)

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

Contract not included in netting agreements	Governments and central banks	Other public sector entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Debt securities and interest rate indexes							
- notional amount	—	—	980,000	1,126,165	—	5,458,348	—
- positive fair value	—	—	14,177	34,104	—	299,074	—
- negative fair value	—	—	(2,416)	(32,829)	—	(66,578)	—
- future exposure	—	—	3,749	6,148	—	41,113	—
2. Equity instruments and stock indexes							
- notional amount	—	15,000	11,258	675,497	1,274	1,200,253	—
- positive fair value	—	262	65	21,809	13	81,100	—
- negative fair value	—	—	(67)	(26,354)	(892)	(23,471)	—
- future exposure	—	900	675	40,530	127	96,020	—
3. Gold and currencies							
- notional amount	—	—	—	89,481	25,130	1,038,785	882
- positive fair value	—	—	—	295	110	4,230	20
- negative fair value	—	—	—	(6,427)	(670)	(135,804)	(2)
- future exposure	—	—	—	896	251	56,170	9
4. Other instruments							
- notional amount	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

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

Contracts included in netting agreements	Governments and central banks	Other public-sector entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Debt securities and interest rate indexes							
- notional amount	—	—	49,332,477	43,875,246	694,424	1,035,500	—
- positive fair value	—	—	1,877,653	573,520	55,521	194,787	—
- negative fair value	—	—	(2,158,373)	(806,855)	(3,925)	—	—
2. Equity instruments and stock indexes							
- notional amount	—	—	6,869,360	6,022,497	152,994	—	—
- positive fair value	—	—	137,166	111,008	1,672	—	—
- negative fair value	—	—	(120,695)	(125,506)	(19,352)	—	—
3. Gold and currencies							
- notional amount	—	—	7,312,727	875,171	321,885	492,043	—
- positive fair value	—	—	269,295	127,181	2,555	41,827	—
- negative fair value	—	—	(267,186)	(1,479)	(349)	(58,055)	—
4. Other instruments							
- notional amount	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

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

Contracts not included in netting agreements	Governments and central banks	Other public-sector entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Debt securities and interest rate indexes							
- notional amount	—	—	185,050	—	—	—	—
- positive fair value	—	—	409,497	—	—	—	—
- negative fair value	—	—	(9,208)	—	—	—	—
- future exposure	—	—	538	—	—	—	—
2. Equity instruments and stock indexes							
- notional amount	—	—	—	—	—	—	29
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	2
3. Gold and currencies							
- notional amount	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
4. Other instruments							
- notional amount	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

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

Contracts included in netting agreements	Governments and central banks	Other public-sector entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Debt securities and interest rate indexes							
- notional amount	—	—	13,067,334	3,495,751	—	—	—
- positive fair value	—	—	691,611	233,156	—	—	—
- negative fair value	—	—	(247,537)	(56,775)	—	—	—
2. Equity instruments and stock indexes							
- notional amount	—	—	85,679	—	—	—	—
- positive fair value	—	—	6,623	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
3. Gold and currencies							
- notional amount	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
4. Other instruments							
- notional amount	—	—	—	—	—	——	
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

A.9 OTC financial derivatives by outstanding life: notional vales

Underlyng/ residual	Up to 1 year	Over 1 year up to 5 year	Over 5 year	Total
A. Regulatory trading book	24,653,577	72,748,784	30,204,036	127,606,397
A.1 Financial derivative contracts on debt securities and interest rates	14,992,870	59,073,866	28,435,424	102,502,160
A.2 Financial derivative contracts on equity securities and stock indexes	4,255,421	10,592,328	100,384	14,948,133
A.3 Financial derivative contracts on exchange rates and gold	5,405,286	3,082,590	1,668,228	10,156,104
A.4 Financial derivative contracts on other values	—	—	—	—
B. Banking book	3,848,577	10,930,656	4,640,087	19,419,320
B.1 Financial derivative contracts on debt securities and interest rates	3,416,064	9,255,268	4,484,052	17,155,384
B.2 Financial derivative contracts on equity securities and stock indexes	432,513	1,675,388	156,035	2,263,936
B.3 Financial derivative contracts on exchange rates and gold	—	—	—	—
B.4 Financial derivative contracts on other values	—	—	—	—
Total 30/6/16	28,502,154	83,679,440	34,844,123	147,025,717
Total 30/6/15	38,105,339	71,522,823	42,921,665	152,549,827

B. CREDIT DERIVATIVES

B.1 Credit derivatives: reporting-date notional values

Type of transaction	Regulatory trading portfolio		Banking book	
	with a single counterparty	with more than one counterparty (basket)	with a single counterparty	with more than one counterparty (basket)
1. Protection buyer's contracts				
a) Credit default products	1,619,250	6,414,250	240,120	13,000
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total 30/6/16	1,619,250	6,414,250	240,120	13,000
Total 30/6/15	1,135,001	7,970,108	319,414	11,500
2. Protection seller's contracts				
a) Credit default products	1,287,762	6,382,010	36,200	2,701,937
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total 30/6/16	1,287,762	6,382,010	36,200	2,701,937
Total 30/6/15	961,977	7,440,465	36,200	1,151,867

B.2 OTC credit derivatives: gross positive fair value, by product

Portfolio/Type of derivatives	Positive fair value	
	30/6/16	30/6/15
A. Regulatory trading book	166,863	200,389
a) Credit default products	166,863	200,389
b) Credit spread products	—	—
c) Total rate of return swaps	—	—
d) Others	—	—
B. Banking book	27,334	16,721
a) Credit default products	27,334	16,721
b) Credit spread products	—	—
c) Total rate of return swaps	—	—
d) Others	—	—
Total	194,197	217,110

B.3 OTC credit derivatives: gross negative fair value, by product

Portafogli/Tipologie derivati	Negative fair value	
	30/6/16	30/6/15
A. Regulatory trading book	(521,123)	(625,723)
a) Credit default products [1]	(521,123)	(625,723)
b) Credit spread products	—	—
c) Total rate of return swaps	—	—
d) Others	—	—
B. Banking book	(15,863)	(16,729)
a) Credit default products	(15,863)	(16,729)
b) Credit spread products	—	—
c) Total rate of return swaps	—	—
d) Others	—	—
Total	(536,986)	(642,452)

[1] Of which certificates in an amount of €319,225,000 and €462,859,000 respectively.

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

Contracts not included in netting agreements	Governments and central banks	Other public-sector entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
Regulatory trading portfolio							
1. Protection purchase							
- notional amount	—	—	850,000	—	200,000	—	—
- positive fair value	—	—	56,902	—	5,017	—	—
- negative fair value	—	—	(382,361)	—	—	—	—
- future exposure	—	—	42,500	—	10,000	—	—
2. Protection sale							
- notional amount	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
Banking portfolio *							
1. Protection purchase							
- notional amount	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
2. Protection sale							
- notional amount	—	—	—	—	—	—	—
- 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 arrangement

Contracts included in netting agreements	Governments and central banks	Other public sector entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
Regulatory trading portfolio							
1. Protection purchase							
- notional amount	—	—	5,567,711	1,415,789	—	—	—
- positive fair value	—	—	6,894	768	—	—	—
- negative fair value	—	—	(66,921)	(40,627)	—	—	—
2. Protection sale							
- notional amount	—	—	6,362,366	1,307,405	—	—	—
- positive fair value	—	—	65,219	32,067	—	—	—
- negative fair value	—	—	(29,327)	(1,887)	—	—	—
Banking portfolio *							
1. Protection purchase							
- notional amount	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
2. Protection sale							
- notional amount	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

* Derivatives embedded in bonds issued not included.

B.6 Credit derivatives by outstanding duration: notional value

Underlying / Residual	Up to 1 year	From 1 year up to 5 years	Over 5 years	Total
A. Regulatory trading portfolio	927,097	13,667,874	1,108,300	15,703,271
A.1 Credit derivatives with "qualified" "reference obligation"	224,907	1,435,155	1,108,300	2,768,362
A.2 Credit derivatives with "not qualified" "reference obligation"	702,190	12,232,719	—	12,934,909
B. Banking portfolio	395,981	2,496,377	98,900	2,991,258
B.1 Credit derivatives with "qualified" "reference obligation"	26,300	68,440	35,700	130,440
B.2 Credit derivatives with "not qualified" "reference obligation"	369,681	2,427,937	63,200	2,860,818
Total 30/6/16	1,323,078	16,164,251	1,207,200	18,694,529
Total 30/6/15	2,542,843	14,850,992	1,632,698	19,026,533

C. CREDIT AND FINANCIAL DERIVATIVES

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

	Governments and central banks	Other public-sector entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1) Netting agreements related to Financial Derivatives							
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
- net counterparty risk	—	—	—	—	—	—	—
2) Netting agreements related to Credit Derivatives							
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
- net counterparty risk	—	—	—	—	—	—	—
3) Cross products netting agreements							
- positive fair value	—	—	239,655	176,421	50,372	183,693	—
- negative fair value	—	—	(324,748)	(799,147)	(14,249)	(5,132)	—
- future exposure	—	—	419,466	245,205	11,293	31,494	—
- net counterparty risk	—	—	429,803	295,646	49,448	141,397	—

* Representing the sum of the positive fair value and future exposure, net of cash collateral received amounting to €443,749,000, €231,763,000 of which in respect of banks, €125,980,000 of financial companies, €12,216,000 of insurances and €73,790,000 other non-financial companies. Conversely, to cover negative fair value readings, cash collateral of €451,386,000 was paid in, €302,756,000 of which in respect of banks, €136,400,000 of financial companies, and €12,230,000 of insurances.

1.3 LIQUIDITY RISK

QUALITATIVE INFORMATION

The Mediobanca Group monitors and manages liquidity risk in accordance with the provisions of internal documents approved in accordance with Bank of Italy circular no. 263/06 (as amended): the Liquidity risk management policy (the "Policy") and the Contingency funding plan ("CFP").

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

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

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

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

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

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

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

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

The objectives and metrics described above are addressed through the preparation of the Group Funding Plan, involving sustainable analysis of sources and applications, short-term and structural, and through definition of the Group

Risk Appetite Framework, which involves defining the Group's appetite for risk. Throughout the twelve months under review, the regulatory indicators (the liquidity coverage ratio and net stable funding ratio) and the other indicators established in the Group Risk Appetite Framework remained within the set limits at all times.

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

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

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

With a view to optimizing the cost of funding, in a market scenario with low returns on applications of cash apart from mortgages and/or corporate loans, the 2015-16 financial year was again characterized by the attempt to redefine the Group's sources of funding. In addition to renewing the bond issues which expired in the twelve months (new sales of €3.5bn, against issues of approx. €3bn falling due), the Group made greater use of short-term forms of funding such as CDs and commercial paper, which partly replaced the interbank funding. During the year the Treasury also sought to extend the duration on loans falling due, in order to take advantage of the favourable terms currently available on the market. Funding raised from monetary authorities was stable at €5.5bn, through the Targeted Long Term Refinancing Operations (TLTROs).

Funds raised through CheBanca! retail deposits increased during the twelve months, on the back of some targeted advertising campaigns. The increase in liquidity led consequently to a rise treasury applications.

As at 30 June 2016 the counterbalancing capacity stood at €11.2bn, €11bn of which in the form of bonds deliverable in exchange for cash from the ECB (30/6/15: €9.3bn); while the balance of liquidity reserves established at the European Central bank amounted to approx. €6.8bn (€6bn), approx. €1.3bn of which in the form of cash not used and hence qualifying as part of the counterbalancing capacity.

QUANTITATIVE INFORMATION

1. Financial assets and liabilities by outstanding life

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	7,145,330	482,560	641,709	1,289,064	3,778,330	4,848,007	5,164,608	23,638,022	10,835,044	166,417
A.1 Government securities	332,607	255,775	30,411	170,797	530,735	1,155,297	1,538,844	3,369,654	1,442,957	—
A.2 Other debt securities	6,314	15,295	42,841	66,393	356,886	410,430	178,793	1,830,709	1,136,842	—
A.3 UCITS units	101,456	—	—	—	—	—	—	8	—	—
A.4 Loans and advances	6,704,953	211,490	568,457	1,051,874	2,890,709	3,282,280	3,446,971	18,437,651	8,255,245	166,417
– to banks	2,225,486	139,874	137,202	146,105	684,781	897,047	138,864	820,670	932	150,559
– to customers	4,479,467	71,616	431,255	905,769	2,205,928	2,385,233	3,308,107	17,616,981	8,254,313	15,858
Cash liabilities	13,583,296	1,703,533	1,128,722	819,702	2,614,639	3,601,388	6,455,972	19,108,349	4,657,654	3,803
B.1 Deposits and currentaccounts	10,138,526	673,269	550,097	222,632	864,017	1,135,143	2,557,467	900,075	131,355	—
– to banks	637,938	20,000	35,000	2	50,000	3,988	2,607	175,000	79,528	
– to customers	9,500,588	653,269	515,097	222,630	814,017	1,131,155	2,554,860	725,075	51,827	—
B.2 Debt securities	28,552	239	24,563	153,369	179,379	1,681,840	3,114,195	12,294,759	4,347,698	
B.3 Other liabilities	3,416,218	1,030,025	554,062	443,701	1,571,243	784,405	784,310	5,913,515	178,601	3,803
Off-balance-sheet transactions	16,315,331	5,884,515	576,987	1,692,529	2,410,515	4,451,827	3,621,897	16,262,299	10,404,991	145,403
C.1 Financial derivatives with exchange of principal	187,104	98,586	219,033	624,417	838,284	604,385	2,197,686	4,330,044	1,848,228	—
– long positions	170,382	74,007	107,958	331,287	423,549	309,692	1,535,739	1,317,918	155,710	—
– short positions	16,722	24,579	111,075	293,130	414,735	294,693	661,947	3,012,126	1,692,518	—
C.2 Financial derivatives without principal exchange of	8,099,686	11,014	3,835	25,349	85,496	89,386	156,921	—	5,851	—
– long positions	4,099,836	5,274	1,696	8,312	53,801	32,227	77,888	—	5,851	—
– short positions	3,999,850	5,740	2,139	17,037	31,695	57,159	79,033	—	—	—
C.3 Deposits and loans for collection	2,979,557	3,181,095	222,327	430,144	645,718	1,504,224	619,169	3,962,032	3,385,365	—
– long positions	2,963,388	3,181,095	217,327	401,139	390,314	927,457	135,852	248,244	—	—
– short positions	16,169		5,000	29,005	255,404	576,767	483,317	3,713,788	3,385,365	—
C.4 Irrevocable commitments to disburse funds *	4,828,985	2,593,790	131,779	537,284	775,329	1,499,348	455,912	4,968,905	2,785,900	—
– long positions	2,265	25,012	35,047	82,140	460,961	517,437	420,383	4,959,992	2,785,380	
– short positions	4,826,720	2,568,778	96,732	455,144	314,368	981,911	35,529	8,913	520	
C.5 Financed guarantees issued	16,859	30	13	275	888	2,175	3,191	11,585	4,564	145,403
C.6 Financial guarantees received	—	—	—	—	—	—	—	—	—	—
C.7 Credit derivatives with exchange of principal	—	—	—	75,060	64,800	752,309	189,018	2,989,733	2,375,083	—
– long positions	—	—	—	36,030		337,351	76,000	1,516,838	1,256,783	—
– short positions	—	—	—	39,030	64,800	414,958	113,018	1,472,895	1,118,300	—
C.8 Credit derivatives without exchange of principal	203,140	—	—	—	—	—	—	—	—	—
– long positions	94,366	—	—	—	—	—	—	—	—	—
– short positions	108,774	—	—	—	—	—	—	—	—	—

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

1.4 OPERATIONAL RISKS

QUALITATIVE INFORMATION

Definition

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

Capital requirements for operational risk

Mediobanca has adopted the Basic Indicator Approach (BIA) in order to calculate the capital requirement for covering operating risk, applying a margin of 15% to the average of the last three years' readings of total income. Based on this method of calculation, the capital requirement as at the reporting date was €264.7m (30/6/15: €255.5m).

Risk mitigation

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

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

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

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

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

Legal risk: risks deriving from litigation pending

For a description of the claims currently pending against Mediobanca S.p.A., please see Section B – Liabilities on pp. 147, 148 and 149.

Other risks

As part of the process of assessing the current and future capital required for the company to perform its business (ICAAP) required by the regulations in force, the Group has identified the following types of risk as relevant (in addition to those discussed previously, i.e. credit risk, counterparty risk, market risk, interest rate risk, liquidity risk and operational risk:

- concentration risk, i.e. risk deriving from a concentration of exposures to individual counterparties or groups of counterparties ("single name concentration risk") or to counterparties operating in the same economic sector or which operate in the same business or belong to the same geographical area (geographical/sector concentration risk);
- expected shortfall on credit portfolio risk – with reference to credit risk, the risk deriving from the failure to cover the positive difference between the total amount of the expected loss calculated with reference to credit exposures with performing counterparties, via the use of risk parameters (PD and LGD) estimated using internal models (not yet ratified for supervisory purposes) and the respective balance-sheet adjustments calculated according to the accounting standards in force;
- strategic risk, both in the sense of risk deriving from current and future changes in profits/margins compared to estimated data, due to volatility in volumes or changes in customer behaviour (business risk), and of current and future risk of reductions in profits or capital deriving from disruption to business as a result of adopting new strategic choices, wrong management decisions or inadequate execution of decisions taken (pure strategic risk);

– basis risk: in the context of market risk, this is the risk of losses caused by unaligned price changes in opposite directions from each other, which are similar but not identical;
– compliance risk, i.e. the risk of incurring legal or administrative penalties, significant financial losses or damages to the Bank's reputation as a result of breaches of external laws and regulations or self-imposed regulations;
– reputational risk, i.e. the current and future risk of reductions in profits or capital deriving from a negative perception of the Bank's image by customers, counterparties, shareholders, investors or regulatory authorities;
– residual risk, i.e. the risk that the recognized techniques used by the Bank to mitigate credit risk should prove to be less effective than anticipated;
– country and transfer risk – the risk of losses being caused by events in a country other than Italy, including losses due to the borrower's difficulties in converting its currency into the currency in which the exposure is denominated.

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

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	Insurance companies	Other companies	Consolidation adjustments and eliminations	Total	Of which: minorities
Share capital	452,050	—	—	—	452,050	16,540
Share premium reserve	2,154,677	—	—	—	2,154,677	1,848
Reserves	4,767,429	—	—	(1,861)	4,765,568	72,839
Equity instruments	—	—	—	—	—	—
(Treasury shares)	(197,982)	—	—	—	(197,982)	—
Revaluation reserves:	1,139,915	—	—	—	1,139,915	(5,075)
- Financial assets available-for-sale	382,608	3,133		(2,844)	382,897	—
- Property, plant and equipment	—	—	—	—	—	—
- Intangible assets	—	—	—	—	—	—
- Foreign investment hedges	—	—	—	—	—	—
- Cash flow hedges	(21,365)	—	—	—	(21,365)	(4,962)
- Exchange differences	(3,450)	—	—	—	(3,450)	—
- Non-current assets and disposal group held-for-sale	—	—	—	—	—	—
- Actuarial gains (losses) on defined-benefit pension schemes	(7,148)	—	1	192	(6,955)	(113)
- Portion of measurement reserves relating to investments carried at equity method	779,638	(3,133)	(1)	2,652	779,156	—
- Special revaluation laws	9,632	—	—	—	9,632	—
Net profit (loss) for the period (+/-) of Group and minorities	607,615	—	—	—	607,615	3,066
Total	8,923,704	—	—	(1,861)	8,921,843	89,218

* Includes Banca Esperia, consolidated pro rata, plus Compass RE (insurance) and R&S, equity-consolidated (Other companies).

B.2 AFS valuation reserves: composition

Assets/Values	Banking Group		Insurance companies		Other companies		Consolidation adjustments and eliminations		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	122,769	(11,250)	3,266	(133)	—	—	(1,668)	120	124,367	(11,263)
2. Equities	254,103	(56)	—	—	—	—	—	—	254,103	(56)
3. UCITS units	20,159	(3,115)	—	—	—	—	(1,446)	150	18,713	(2,965)
4. Loans and advances	—	—	—	—	—	—	—	—	—	—
Total at 30/6/16	397,031	(14,421)	3,266	(133)	—	—	(3,114)	270	397,183	(14,284)
Total at 30/6/15	448,293	(17,803)	3,291	(25)	—	—	(2,187)	1,006	449,397	(16,882)

B.3 AFS valuation reserves: movements during the period

	Debt securities	Equity securities	UCITS units	Loans
1. Opening balance	97,103	315,699	19,773	—
2. Additions	53,198	43,135	6,834	—
2.1 Increases in fair value	50,691	43,135	6,834	—
2.2 Negative reserves charged back to profit and loss as a result of	2,507	—	—	—
– impairment	—	—	—	—
– disposals	2,507	—	—	—
2.3 Other additions	—	—	—	—
3. Reductions	37,198	110,260	5,385	—
3.1 Reductions in fair value	25,043	8,277	4,943	—
3.2 Adjustments for impairment	—	11,860	18	—
3.3 Positive reserves credited back to profit and loss as a result of: disposals	12,155	90,123	424	—
3.4 Other reductions	—	—	—	—
4. Balance at end of period	113,103	254,047	15,748	—

SECTION 2

Regulatory and supervisory capital requirements for banks

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

2.1 Scope of application of regulations

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

– weighting the investment Assicurazioni Generali at 370%, as permitted by Article 471 of the CRR ((up to the book value as at end-December 2012);

– neutralizing the valuation reserves for sovereign debt issued by EU member states and held as AFS financial assets.

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

2.2 Bank equity

QUALITATIVE INFORMATION

Common Equity Tier 1 (CET1) capital consists of the share attributable to the Group and to minority shareholders of capital paid up, reserves (including €754.0m, or 60%, of the positive AFS equity reserves) and the profit for the period (€604.5m) net of the dividend for the year (€230.9m, corresponding to a payout ratio of 38% calculated based on a dividend of €0.27 per share). From this amount the following items are deducted: treasury shares (€198m), intangible assets (€47.3m), goodwill (€419.5m), other prudential adjustments (€49.2m) in connection with the values of financial instruments (AVAs and DVAs), plus €1,197m in interests in banking, financial and insurance companies, €1,028.6m of which in respect of the Assicurazioni Generali investment.

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

Tier 2 capital includes the liabilities issued (€2,103.8m) plus 20% of the positive reserves for AFS securities (€251.3m) which does not include the net gain of EU member states' government securities subject to neutralization (€71m). Deductions of €632.8m regard the investments in Tier 2 instruments, in particular subordinated loans to Italian insurance companies, and the share of the investments in banking, financial and insurance companies, based on the provisions of the phase-in regime; these include €257.2m in respect of the Assicurazioni Generali investment.

Liabilities issued rose from €1,779.2m to €2,103.8m, due to the issue of the new MB Valore bond in a nominal amount of €500m expiring in 2025, and the other movements for the period, in particular repayment of the two subordinated issues, MB Secondo Atto (€90.2m) and MB Quarto Atto (€4.2m). No subordinated tier 2 issue benefits from the grand-fathering permitted under Articles 483ff of the CRR.

Issue	**30/6/16**		
	ISIN	**Nominal value**	**Book value***
MB Secondo Atto 5% 2020 Lower Tier 2	IT0004645542	745,151	638,274
MB Quarto Atto a Tasso Variabile 2021 Lower Tier 2	IT0004720436	495,289	479,747
MB CARATTERE 5,75% 2023 Lower Tier 2	IT0004917842	499,863	494,112
MB VALORE Tasso Variabile con minimo 3% 2025 Tier 2	IT0005127508	499,885	491,669
Total subordinated debt securities		**2,240,188**	**2,103,802**

* The calculated value differs from the book value for items recognized at fair value and amortized cost and for buyback commitments.

B. Quantitative information

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

2.3 Capital adequacy

Qualitative information

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

B. Quantitative information

Categories/Amounts	Unweighted amounts		Weighted amounts/requirements	
	30/6/16	30/6/15	30/6/16	30/6/15
A. RISK ASSETS				
A.1 Credit and counterpart risk	59,963,345	58,840,983	45,713,920	49,623,097
1. Standard methodology	59,802,028	58,686,010	45,320,982	49,243,919
2. Internal rating methodology	—	—	—	—
2.1 Basic	—	—	—	—
2.2 Advanced	—	—	—	—
3. Securitization	161,317	154,973	392,938	379,178
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			3,657,113	3,969,848
B.2 Credit valuation risk			65,925	66,864
B.3 Settlement risk			—	—
B.4 Market risk			321,214	473,994
1. Standard methodology			321,214	457,056
2. Internal models			—	—
3. Concentration risk			—	16,938
B.5 Other prudential requirements			264,671	255,461
1. Basic Indicator Approach (BIA)			264,671	255,461
2. Standard methodology			—	—
3. Advanced methodology			—	—
B.6 Other calculation elements			—	—
B.7 Total prudential requirements			4,308,923	4,766,167
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			53,861,538	59,577,085
C.2 CET1 capital/risk-weighted assets (CET1 capital ratio)			12.08%	11.98%
C.3 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			12.08%	11.98%
C.4 Regulatory capital/risk-weighted assets (total capital ratio)			15.27%	14.91%

Part G - Combinations involving Group companies or business units

SECTION 1

Deals executed during the year

Palladio Leasing and Teleleasing were merged into parent company SelmaBipiemme Leasing during the twelve months under review, as part of a rationalization of the leasing platform.

The merger by amalgamation of Palladio Leasing was completed in September 2015, with effect in legal terms from 1 October 2015 and in accounting terms from 1 July 2015. Meanwhile, the deed by which Teleleasing S.p.A. was merged into its parent company was registered with the Milan Companies' Register on 14 June 2015, with effect in accounting and tax terms from 1 July 2015. The merger took place after the minority 20% shareholding not already owned had been bought out from Telecom Italia.

The merger of Telco MB S.r.l. and Sinto MB S.r.l. into Mediobanca S.p.A. (both 100%-owned) was completed on 12 January 2016, effective in accounting terms from 1 July 2015.

SECTION 2

Deals executed since the reporting date

As from 1 July 2016, CB! NewCo S.r.l., a company set up in April in connection with the Barclays acquisition,[1] was merged into CheBanca!. S.p.A.

SECTION 3

Retrospective adjustments

No adjustments recorded to the accounts during the year in respect of previous business combinations.

[1] For further details on the Barclays acquisition, please see section "Part A – Events subsequent to the reporting date" where the transaction is described at greater length.

Part H - Related party disclosure

2. Related party disclosure

In January 2011 the Group adopted its own related parties procedure, in pursuance of Consob resolution no. 17221 issued on 12 March 2010. The purpose of the procedure is to ensure that transactions with related parties executed directly by Mediobanca or via subsidiaries are managed transparently and fairly.

The Board of Directors of Mediobanca, having received favourable opinions from the Bank's Related Parties and Statutory Audit Committees, has incorporated the Bank of Italy's most recent instructions on this subject to this procedure, which introduce prudential limits for risk activities versus related parties. The new version of the procedure came into force on 31 December 2012 and was updated in May. The full document is published on the Bank's website at www.mediobanca.com.

For the definition of related parties adopted, please see part A (Accounting policies) 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's compensation are provided in a footnote to the table.

2.1 Regular financial disclosure: most significant transactions

No transactions qualifying as most significant were performed during the twelve months.

2.2 Quantitative information

The exposure (representing the sum of assets plus guarantees and commitments) rose during the year under review, from €1.3bn to €1.6bn, due to the addition of the ChemChina/Pirelli position (approx. €320m), and now represents 2.57% (30/6/16: 2%) of total assets, while the percentage of net interest income reported in the profit and loss account represented by related parties rose from 2% to 2.27%.

Situation at 30 June 2016

(€ m)

	Directors, statutory auditors and strategic management	Associates	Other related parties	Total
Assets	1.6	582.8	865.6	1.450.0
of which: other activities	—	*373.5*	*344.5*	*718.0*
loans and advances	*1.6*	*209.3*	*521.1*	*732.0*
Liabilities	17.6	0.5	864.4	882.5
Guarantees and commitments	—	—	163.2	163.2
Interest income	—	25.7	17.8	43.5
Interest expense	(0.1)	—	(3.0)	(3.1)
Net fee income	—	31.4	12.6	44.0
Other income/(costs)	(28.5) [1]	(7.2)	(8.3)	(44.0)

[1] Of which: short-term benefits amounting to €25.4m and performance shares worth €2.8m. The figure refers to the staff included in the definition of management with strategic responsibilities during the year.

Situation at 30 June 2015

(€m)

	Directors, statutory auditors and strategic management	Associates	Other related parties	Total
Assets	1.8	645.3	549.3	1.196.4
of which: other activities	—	*440.9*	*278.3*	*719.2*
loans and advances	*1.8*	*204.4*	*271.0*	*477.2*
Liabilities	14.8	0.7	1.031.6	1.047.1
Guarantees and commitments	—	—	152.7	152.7
Interest income	—	31.2	15.0	46.2
Interest expense	(0.3)	—	(5.5)	(5.8)
Net fee income	—	2.4	27.8	30.2
Other income/(costs)	(30.8) [1]	6.2	34.4	9.8

[1] Of which: short-term benefits amounting to €28.3m and performance shares worth €2.5m. The figure refers to the staff included in the definition of management with strategic responsibilities during the year.

Part I - Share-based payment schemes

A. QUALITATIVE INFORMATION

1. *Information on capital increases for use in share-based payment schemes using the Bank's own equity instruments*

The increases in the Bank's share capital for use in connection with the stock option, performance stock option and performance share schemes approved by shareholders in extraordinary general meetings reflect the following situation:

Extraordinary general meeting held on	No. of shares approved	Awards expire on	Deadline for exercising options	No. of options and performance shares awarded
For use in connection with stock option and performance stock option schemes				
28 October 2004	15,000,000	28 October 2009	1 July 2020	12,765,000
of which to directors [1]	*4,000,000*	*28 October 2009*	*1 July 2020*	*3,375,000* [2]
27 ottobre 2007	40,000,000	27 June 2012	1 July 2022	15,536,000
For use in connection with performance share schemes				
28 October 2015	20,000,000	X	28 October 2020	7,334,445 [3]

[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.

[3] In respect of awards made in 2012, 2013, 2014 and 2015.

2. *Description of stock option and performance stock option schemes*

The stock option and performance stock option schemes approved pursuant to Article 2441, paragraphs 8 and 5, of the Italian Civil Code, provide for a maximum duration of eight 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.

Awards of stock options finished with the financial year ended 30 June 2012, and the vesting ended in June 2015; hence the remaining shares from the resolution adopted by shareholders in general meeting cannot be used.

3. Description of performance share scheme

As part of its use of equity instruments for staff remuneration purposes, Mediobanca has also chosen to adopt a performance share scheme, which was approved by the Bank's shareholders at the annual general meeting held on 28 October 2015 (in renewal of the scheme approved by shareholders in annual general meeting on 28 October 2010).

Under the terms of the scheme, under 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 the regulations requiring that a share of the variable remuneration component be paid in the form of equity instruments, over a time horizon of several years, subject to performance conditions and hence consistent with results sustainable over time;

– align the interests of Mediobanca's management with those of shareholders to create value over the medium/long term.

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; the 15,780,327 treasury shares owned by the Bank may also be used for this purpose.

During the period under review, as part of staff variable remuneration for the 2015 financial year, a total of 1,858,951 performance shares were awarded; the shares, which are conditional upon certain performance targets being met over a three-year time horizon (or four years in the case of Directors who are also members of the Group's management), will be made available in three tranches (up to 800,038 in FY 2017/18, up to 678,117 in FY 2018/19, and up to up to 380,796 in FY 2019/20).

Beneficiaries were also awarded a total of 2,461,559 shares, 21,726 of which were treasury shares allocated and the remainder assigned under the limit approved by shareholders in general meeting in 2010.

Subsequently, as part of staff variable remuneration for the 2016 financial year, a total of 2,208,774 performance shares were awarded, at a notional cost of €11.2m in connection with the variable component only; the shares, which are conditional upon certain performance targets being met over a three- or four-year time horizon, will be made available in tranches in November 2018 (up to 1,013,906), November 2019 (up to 629,456), November 2020 (up to 443,330) and November 2021 (up to 122,082).

B. QUANTITATIVE INFORMATION

1. Changes to stock option scheme during the period

	30/6/16			30/6/15		
	No. of performance shares	Avg. price	Avg. expiry	No. of performance shares	Avg. price	Avg. expiry
A. Balance at start of period	22,256,000	8.57	July 17	26.418.500	8,35	September 17
B. Additions						
B.1 New issues	—	—	X	—	—	X
B.2 Other additions	—	—	X	—	—	X
C. Reductions						
C.1 Performance shares cancelled	10,706,000	10.74	X	215,000	16,51	X
C.2 Performance shares made available	1,382,500	6.53	X	3,757,500	6,53	X
C.3 Performance shares expired	—	—	X	—	—	X
C.4 Other reductions	—	—	X	190,000	9,52	X
D. Balance at end of period	10,167,500	6.55	August 18	22,256,000	8,57	July 17
E. Performance shares exercisable as at reporting date	10,167,500	6.55	X	22,256,000	8,57	X

2. Changes to performance share scheme during the period

	30/6/16		30/6/15	
	No. of performance shares	Avg. price	No. of performance shares	Avg. price
A. Balance at start of period	7,980,504	4.20	8,833,822	4.11
B. Additions				
B.1 New issues	1,858,951	8.21	1,233,303	6.39
B.2 Other additions	—	—	—	—
C. Reductions				
C.1 Performance shares cancelled	—	—	—	—
C.2 Performance shares made available	2,461,559	4.62	2,077,000	5.22
C.3 Performance shares expired	—	—	—	—
C.4 Other reductions	—	—	9,621	6.11
D. Balance at end of period	7,377,896	5.27	7,980,504	4.20

Part L - Segmental reporting

A. PRIMARY SEGMENTAL REPORTING

A.1 Profit-and-loss figures by business segment

(€m)

Profit-and-loss figures	Corporate & Investment Banking	Principal Investing	Retail & Consumer Banking	Corporate Centre	Writeoffs [1]	Group
Net interest income	215.3	—	932.7	53.0	5.7	1,206.7
Net trading income	112.9	29.2	—	(0.1)	(8.9)	133.1
Net fee and commission income	310.4	—	184.2	11.2	(55.7)	450.1
Share in profits earned by equity-accounted companies	—	255.0	—	—	1.7	256.7
Total income	**638.6**	**284.2**	**1,116.9**	**64.1**	**(57.2)**	**2,046.6**
Personnel costs	(235.7)	(7.5)	(168.3)	(29.2)	(0.1)	(440.8)
Administrative expenses	(172.1)	(1.4)	(291.3)	(38.7)	52.4	(451.1)
Operating costs	**(407.8)**	**(8.9)**	**(459.6)**	**(67.9)**	**52.3**	**(891.9)**
Gain (losses) on AFS, HTM and L&R securities	4.5	119.8	—	—	(0.1)	124.2
Gain (loss) on disposal of AFS securities	(28.5)	—	(377.0)	(13.4)	—	(418.9)
Gain (loss) on disposal of other securities	(1.8)	(17.9)	—	—	0.3	(19.4)
Others	(5.4)	—	(8.1)	(92.3)	1.5	(104.3)
Profit before tax	**199.6**	**377.2**	**272.2**	**(109.5)**	**(3.2)**	**736.3**
Income tax for the period	(65.6)	(7.0)	(94.2)	35.6	2.5	(128.7)
Minority interest	—	—	—	(3.1)	—	(3.1)
Net profit	**134.0**	**370.2**	**178.0**	**(77.0)**	**(0.7)**	**604.5**
Cost/income ratio (%)	*63.9*	*3.1*	*41.1*	*105.9*	*43.6*	*43.6*

Business segments include:

– *CIB (Corporate and Investment Banking):* comprises Wholesale Banking (WSB) which includes lending, structured finance and investment banking activity, and Private Banking (PB) which includes Compagnie Monegasque de Banque, Spafid, Cairn Capital and 50% of Banca Esperia *pro rata*;

– *Principal Investing:* brings together all the Bank's shareholdings in associates (IAS28) and AFS securities;

– *Retail and Consumer Banking:* comprises consumer credit and retail banking activities, and includes Compass, Futuro, Compass RE, Creditech and CheBanca!;

– *Corporate Centre:* this division houses all other companies (including leasing), plus certain centralized Group cost functions (including the Board of Directors).

[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

(€m)

Balance-sheet data	Corporate & Investment Banking	Principal Investing	Retail & Consumer banking	Corporate Centre	Writeoffs [1]	Group
Net treasury funds	6,601.5	—	9,388.5	69.6	(10,542.5)	5,517.1
AFS securities	7,669.9	851.9	542.5	—	(424.9)	8,639.4
Financial assets held to maturity (HTM & LR)	4,958.9	—	0.8	—	(2,794.5)	2,165.2
Equity investments	—	3,096.6	—	—	96.7	3,193.3
Loans and advances to customers	26,398.0	—	16,893.1	2,494.5	(11,192.9)	34,592.7
Funding	(42,585.0)	—	(22,293.8)	(2,508.2)	21,453.2	(45,933.8)

[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 SEGMENTAL REPORTING

B.1 Profit-and-loss figures by business segment

(€m)

Profit-and-loss figures	Italy	Rest of the world [1]	Group
Net interest income	1,141.4	65.3	1,206.7
Net trading income	123.9	9.2	133.1
Net fee and commission income	357.8	92.3	450.1
Share in profits earned by equity-accounted companies	256.7	—	256.7
Total income	**1,879.8**	**166.8**	**2,046.6**
Personnel costs	(345.3)	(95.5)	(440.8)
Administrative expensives	(396.1)	(55.0)	(451.1)
Operating costs	**(741.4)**	**(150.5)**	**(891.9)**
Gain (losses) on AFS, HTM and L&R securities	119.8	4.4	124.2
Gain (loss) on disposal of AFS securities	(419.9)	1.0	(418.9)
Gain (loss) on disposal of other securities	(19.3)	(0.1)	(19.4)
Others	(99.5)	(4.8)	(104.3)
Profit before tax	**719.5**	**16.8**	**736.3**
Income tax for the period	(112.6)	(16.1)	(128.7)
Minority interest	(3.1)	—	(3.1)
Net profit	**603.8**	**0.7**	**604.5**
Cost/income ratio (%)	*39.4%*	*90.2%*	*43.6%*

[1] This heading includes Mediobanca International, Compagnie Monégasque de Banque, Compass RE, MB USA, MB Turkey, MB Mexico and Cairn Capital, plus the various Mediobanca international branches (Paris, Frankfurt, Madrid and London).

B.2 Balance-sheet data by business segment

(€m)

Balance-sheet data	Italy	Rest of the world [1]	Group
Net treasury funds	3,939.8	1,577.3	5,517.1
AFS securities	8,129.5	509.9	8,639.4
Financial assets held to maturity (HTM & LR)	2,165.2	—	2,165.2
Equity investments	3,193.3	—	3,193.3
Loans and advances to customers	30,176.2	4,416.5	34,592.7
Funding	(39,681.3)	(6,252.5)	(45,933.8)

[1] This heading includes Mediobanca International, Compagnie Monégasque de Banque, Compass RE, MB USA, MB Turkey, MB Mexico and Cairn Capital, plus the various Mediobanca international branches (Paris, Frankfurt, Madrid and London).

Information required under letters a), b) and c) of Annex A, First Part, Title III, Section 2 of Bank of Italy circular 285/13.
Situation at 30 June 2016

(€m)

Business Line	Composition	Heading 120 Total income*			Full Time Employees [1]		
		Italy	International	Group	Italy	International	Group
Wholesale	Comprises investment banking activity (including lending) performed by MB S.p.A., MB international and non-Italian subsidiaries (MB USA and MB Turkey)	441	41	482	761	20	781
Private	Comprises private banking and fidiciary activity performed by Banca Esperia, CMB, Spafid and Cairn Capital	50	93	143	181	260	441
Consumer	Comprises consumer credit, credit cards and salary-backed finance activities performed by Compass, Futuro, Compass RE (reinsurance) and contribution of Creditech *(credit management, NPL acquisitions and factoring)*	798	2	800	1,576	1	1,577
Retail	Comprises deposit-taking, mortgage lending and retail banking services performed by CheBanca!	192	—	192	964	—	964
Corporate Centre	Leasing and other companies	53	—	53	336	—	336
Adjustments [2]		76	1	77	(136)	—	(136)
Group total		1,610	137	1,747	3,682	281	3,963

* As per P&L heading 120 according to Bank of Italy circular 262/05.

[1] Full-time employees at Group level.

[2] "Adjustments" include the contribution of Banca Esperia, which for operating purposes is consolidated pro rata, along with various adjustments in connection with differences arising on consolidation (e.g. inter-company elisions) between the different business segments.

ANNUAL GENERAL MEETING,
28 OCTOBER 2016

AGENDA

1) Financial statements as at 30 June 2016, Board of Directors' review of operations and other reports, reports by external auditors and Statutory Audit Committee; related resolutions.

2) Resolutions pursuant to Article 15 of the company's Articles of Association: appointment of a director.

3) Resolutions in respect of staff remuneration policies:
   a. Staff remuneration policies.
   b. Cap on variable and fixed remuneration based on a ratio of 2:1.
   c. Policies in the event of beneficiaries leaving office or ceasing to work for Mediobanca.

4) Insurance policy to cover civil liability for members of Group companies' governing bodies.

Ordinary business

ACCOUNTS OF THE BANK

REVIEW OF OPERATIONS

REVIEW OF OPERATIONS

Overview

In the twelve months under review, which were marked by pronounced market volatility and structural interest rate reductions, Mediobanca earned a net profit of €288m, below the €333m recorded last year due to a widespread, 14.6% decrease in revenues, from €752.6m to €642.5m. The reductions in loan loss provisions (from €74.2m to €29.5m) and the gains realized on disposals of shares in Assicurazioni Generali (€41.6m) were basically offset by contributions to the Bank Resolution Fund totalling €81.8m, the majority of which were non-recurring.

The main income items performing as follows:

- net interest income fell by 21.2%, from €186.8m to €147.2m, due to reduced asset profitability reflecting a faster repricing rate than the trend in the cost of funding;
- treasury income came in at €127.9m (30/6/15: €186.4m), reflecting the reduced contribution from the banking book of €15.6m (€74.1m) and from forex trading of €13.7m (€57.2m), only in part offset by the improved result in fixed-income trading, which showed a €37.8m profit (compared with a €13.8m loss last year);
- net fee and commission income was down 13.4%, from €255.7m to €221.4m, following a weak contribution from capital market activity;
- dividends from equity investments, due entirely to Assicurazioni Generali, rose from €123.7m to €146m.

The 4.5% increase in operating costs, from €322.7m to €337.3m, was due exclusively to non-recurring costs linked to specific projects (treasury, risk management and regulation). By contrast, labour costs declined slightly, by 1.3%, due to the variable remuneration component which is linked to the trend in revenues.

Loan loss provisions decreased from €74.2m to €29.5m, helped by the improving risk profile and also by writebacks totalling €19.6m on positions repaid early at face value.

Net gains on the AFS and equity investment portfolios rose from €123.4m to €141.4m and comprise the gains realized on the Pirelli stake (€87.7m), the Perseo liquidation asset allocation (€3.7m), and other gains on listed equities (€7.8m) and private equity funds (€0.6m). In May 2016 a total of three million shares in Assicurazioni Generali were sold for an amount of €59.8m, generating a gain of €41.6m.

Provisions for other financial assets and investments totalled €21.8m (€23.4m), of which €10.2m refers to RCS MediaGroup, €3.3m to other unlisted investments, and €3.6m to private equity and real estate funds, plus a further €2.5m in controlling interests being aligned to book value.

Turning now to the balance-sheet aggregates, total assets rose from €40.8bn to €43.2bn, reflecting: higher loans and advances to customers (up 2.4%, from €22.5bn to €23.1bn), AFS securities of €7.7bn (€6.4bn) and treasury assets totalling €4.3bn (€3.2bn); equally, funding rose from €34.7bn to €37.2bn, the CheBanca! retail channel in particular (from €6.7bn to €8.6bn); debt securities were virtually unchanged (down from €19.7bn to €19.2bn), as was recourse to ECB funding.

Mediobanca's capital ratios as at 30 June 2016, based on the phase-in regime and including the proposed €0.27 per share dividend, remained at high levels, above the regulatory limits: the common equity ratio rose from 11.92% to 12.94%, while the total capital ratio rose from 15.11% to 17.17%. The fully-phased ratios (i.e. with full application of the CRR/CRDIV rules – in particular the right to include the whole AFS reserve in the CET1 calculation – and the Assicurazioni Generali investment weighted at 370%) rose during the year to 13.40% for the CET1 ratio, and to 17.52% for the total capital ratio.

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

(€m)

	12 mths ended 30/6/15	12 mths ended 30/6/16	Chg. (%) 06/15 - 06/16
Net interest income	186.8	147.2	-21.2
Net trading income	186.4	127.9	-31.4
Net fee and commission income	255.7	221.4	-13.4
Dividends on investments	123.7	146.0	18.0
Total income	**752.6**	**642.5**	**-14.6**
Labour costs	(195.0)	(192.5)	-1.3
Administrative expenses	(127.7)	(144.8)	13.4
Operating costs	**(322.7)**	**(337.3)**	**4.5**
Gain (loss) on AFS, HTM and L&R	123.4	141.4	14.6
Loan loss provisions	(74.2)	(29.5)	-60.2
Provisions for other financial assets	(20.4)	(19.3)	-5.4
Impairment on investments	(3.0)	(2.5)	-16.7
Other gains (losses)	(12.7)	(81.8)	n.m.
Profit before tax	**443.0**	**313.5**	**-29.2**
Income tax for the period	(110.0)	(25.5)	-76.8
Net profit	**333.0**	**288.0**	**-13.5**

RESTATED BALANCE SHEET

(€m)

	30/6/15	30/6/16
Assets		
Net treasury assets	3,183.3	4,269.8
AFS securities	6,407.1	7,668.1
Fixed financial assets	4,946.3	4,918.9
Loans and advances to customers	22,522.9	23,056.9
Equity investments	3,159.7	2,687.7
Tangible and intangible assets	132.2	132.0
Other assets	470.3	452.3
Total assets	40,821.8	43,185.7
Liabilities and net equity		
Funding	34,656.2	37,161.7
Other liabilities	826.6	608.9
Provisions	149.3	139.9
Net equity	4,856.7	4,987.2
Profit/(Loss) for the period	333.0	288.0
Total liabilities and net equity	40,821.8	43,185.7
Key indices and ratios for the period are as follows:		
Regulatory capital (€ mln)	4,620.0	4,748.6
Solvency margin (€ mln)	5,858.3	6,301.0
RWA (€ mln)	38,770.6	36,703.2
Regulatory capital/RWA	11.92%	12.94%
Solvency margin/RWA	15.11%	17.17%
No. of shares outstanding (mln)	867.2	871.0
Market capitalization (€ mln)	7,629.0	4.408.8

Review of key items

Funding – this item rose by 7.2%, from €34.7bn to €37.2bn, on higher deposits chiefly from the CheBanca! retail channel (which rose from €6.7bn to €8.6bn), offset by a reduction in debt securities (from €19.7bn to €19.2bn). Recourse to the ECB funding channel was basically stable, with the new Target-LTRO 2 programme being activated (involving an amount of some €1.1bn), and the previous programme being repaid as to €1.6bn. In the twelve months under review there were new issues worth €3.5bn (€0.5bn of which in subordinated Lower Tier 2 bonds and approx. €0.7bn in covered bonds), against redemptions totalling €4bn which include buybacks on the market.

	30/6/15		30/6/16		Chg.
	(€m)	%	(€m)	%	
Debt securities	19,729.1	57%	19,229.9	52%	-2.5%
Interbank funding	8,066.4	23%	10,933.1	29%	35.5%
- of which: CheBanca!, intercompany	*6,742.9*	*19%*	*8,591.3*	*23%*	*27.4%*
ECB (T-LTRO / LTRO)	5,478.0	16%	5,011.0	13%	-8.5%
Other funding	1,382.7	4%	1,987.7	6%	43.8%
Total funding	**34,656.2**	**100%**	**37,161.7**	**100%**	**7.2%**

Loans and advances to customers – loans and advances to customers rose from €22.5bn to €23.1bn, due to the increased contribution from loans to Group companies of €12.3bn (compared with €11.4bn last year). The corporate component fell from €11.1bn to €10.8bn, and is chiefly concentrated on the Italian domestic market which accounts for 64% (60%) of the total. In the twelve months under review there were new loans of €7.8bn, against repayments totalling €7.2bn (€1.8bn of which early repayments).

	30/6/15		30/6/16		Chg.
	(€m)	%	(€m)	%	
Corporate customers	11,117.8	49%	10,786.0	47%	-3.0%
Group companies	11,405.1	51%	12,270.9	53%	7.6%
Total loans and advances to customers	**22,522.9**	**100%**	**23,056.9**	**100%**	**2.4%**
- of which: impaired assets	*419.1*		*377.8*		*-9.9%*

	30/6/15		30/6/16		Chg.
	(€m)	%	(€m)	%	
Italy	6,888.3	61%	6,943.0	64%	0.8%
France	1,777.3	16%	1,110.7	10%	-37.5%
Spain	870.9	8%	842.3	8%	-3.3%
Germany	400.1	4%	455.3	4%	13.8%
UK	74.8	1%	73.3	1%	-2.0%
Other non-resident	1,106.4	10%	1,361.4	13%	23.0%
Total loans and advances to customers	**11,117.8**	**100%**	**10,786.0**	**100%**	**-3.0%**

	30/6/15		30/6/16		Chg.
	(€m)	%	(€m)	%	
Compass	4,006.1	36%	4,545.9	37%	13.5%
CheBanca!	3,069.1	27%	3,403.4	28%	10.9%
Leasing	1,759.0	15%	1,529.6	12%	-13.0%
Mediobanca International	1,385.8	12%	1,559.0	13%	12.5%
Consumer	1,162.2	10%	1,212.3	10%	4.3%
Others	22.9	—	20.7	—	-9.6%
Total intercompany accounts	**11,405.1**	**100%**	**12,270.9**	**100%**	**7.6%**

Non-performing loans totalled €377.8m (€419.1m), and consist of six exposures, one fewer than last year; together they represent 3.5% (3.8%) of the corporate loan book, plus exposures in the form of endorsements totalling €7.3m (€8.2m); the coverage ratio declined from 52% to 46%, following transfers from provisions totalling €156m.

Equity investments – these decreased from €3,159.7bn to €2,687.7m as a result of the merger by incorporation of Sinto MB S.r.l. (€486.4m) and the Assicurazioni Generali disposal (€59.8m), against the acquisition of Cairn Capital Group Ltd (€33.4m). A total of 3,381,604 Assicurazioni Generali shares, or 0.22% of its share capital, were also sold during the period at a price of €17.7 per share, generating a gain of €41.6m. The Fidia investment was also written off, with a total of €0.5m collected during the final liquidation, and a further €1m was collected from Athena PE, also in connection with the fund's liquidation process.

	Percentage shareholding	30/6/15	30/6/16
Associates			
Assicurazioni Generali	13.0	1,114.6	1,096.3
Banca Esperia	50.0	54.3	54.3
Athena Private Equity	24.27	3.8	2.9
Fidia	25.0	0.6	—
Total associates		**1,173.3**	**1,153.5**
Total subsidiaries		1,986.4	1,534.2
Total equity investments		**3,159.7**	**2,687.7**

Based on stock market prices as at 30 June 2016, the Assicurazioni Generali investment, equal to 13% of the company's ordinary share capital, reflected a surplus over book value of €1,042.4m.

The criteria adopted for the valuations and impairment tests (are explained in section 10, part B of the notes to the accounts.

Fixed financial assets – these were virtually unchanged at €4.9bn, following an increase in the position in Italian and non-Italian (Eurozone) during the twelve months, offset by redemptions of bonds issued by corporate and financial issuers which were not renewed with the exception of the Compass asset securitization (Quarzo) which was subscribed for as to €2.6bn. As at the reporting date, the unrealized gain on this portfolio had risen from €103.9m to €122m.

	30/6/15		30/6/16		Chg.
	(€m)	%	(€m)	%	
Securities held to maturity	1,302.9	26%	1,963.3	40%	50.7%
Unlisted debt securities (stated at cost)	3,643.4	74%	2,955.6	60%	-18.9%
Total fixed financial assets	**4,946.3**	**100%**	**4,918.9**	**100%**	**-0.6%**

	30/6/15		30/6/16		Chg.
	Book Value	%	Book Value	%	
Italian government securities	350.2	7%	698.7	14%	n.m.
Foreign government bonds	—	—	409.6	—	n.m.
Bonds issued by financial institutions	3,858.3	78%	3,243.2	66%	-15.9%
- of which: Italian	*3,496.2*	*71%*	*3,048.8*	*62%*	*-12.8%*
Corporate bonds	737.8	15%	567.4	12%	-23.1%
Total debt securities	**4,946.3**	**100%**	**4,918.9**	**100%**	**-0.6%**

AFS securities – this portfolio grew from €6,407.1m to €7,668m, due to the contribution of both segments: fixed-income securities rose from €5,831.3m to €6,816.1m, offsetting the trading book disposals, and equities rose from €575.8m to €851.9m, due to the merger by incorporation of Sinto MB and the related addition of the Atlantia shares (€486.4m).

	30/6/15		30/6/16		Chg.
	(€m)	%	(€m)	%	
Debt securities	5,831.3	91%	6,816.2	89%	16.9%
Equities	575.8	9%	851.9	11%	48.0%
Total AFS securities	**6,407.1**	**100%**	**7,668.1**	**100%**	**19.7%**

On the fixed-income side there were purchases of €1,911.6m, redemptions totalling €675.1m, and sales of €312.3m, yielding a €10.1m profit. The increases involved approx. €563m in German Bund, €155m in Spanish Bonos and approx. €220m in US Treasury bills.

	30/6/15			30/6/16			Chg.
	Book Value	**%**	**AFS reserve**	**Book Value**	**%**	**AFS reserve**	
Italian government securities	3,811.1	65%	67.7	3,872.3	57%	88.1	1.6%
Other government securities	564.5	10%	(2.1)	1,553.6	23%	15.9	n.m.
Financial bonds	937.0	16%	31.9	874.7	13%	26.6	-6.6%
- of which: Italian	*635.5*	*11%*	*18.3*	*697.0*	*10%*	*19.7*	*9.7%*
Corporate bonds	518.7	9%	24.5	515.6	7%	22.3	-0.6%
Total debt securities	**5,831.3**	**100%**	**122.0**	**6,816.2**	**100%**	**152.9**	**16.9%**

On the equity side the following stakes were sold: Pirelli (€217.4m); Edipower (€55.1m); and other minor listed investments (€13.6m). A net €50.1m was invested in funds, including those relating to Cairn Capital (€61.6m), in addition to the Atlantia shares being booked as mentioned above (€486.4m). Overall gains of €99.8m were recorded (€87.7m in respect of the Pirelli stake). Writedowns of €17.9m were charged, chiefly the adjustments made to the interim accounts for the 6% stake in RCS MediaGroup (€10.2m), the 14.3% interest in Bisazza (€2.7m), and the Clessidra I fund holdings (€2.6m). Recognizing the portfolio at its fair value as at the reporting date led to a €46.8m increase in book value.

	30/6/15			30/6/16		
	Book value	**ord. %**	**AFS reserve**	**Book value**	**% ord.**	**AFS reserve**
Atlantia	—	—	—	500.4	2.71	198.4
Pirelli & C.	217.4	3.0	89.7	—	—	—
Italmobiliare	54.1	9.5	19.6	66.5	9.5	31.9
RCS MediaGroup	36.9	6.2	6.5	26.2	6.2	6.0
Other listed equities	38.3	—	11.1	48.2	—	27.8
Edipower	55.1	5.1	—	—	—	—
Other unlisted equities	174.0	—	32.3	210.6	—	25.1
Total equities	**575.8**		**159.2**	**851.9**		**289.2**

The valuation reserve increased from €281.2m to €442.1m, representing the balance between the Atlantia shares (€198.4m) and the disposals for the period; €264.1m involves listed shares, €25.1m unlisted shares, €88.1m Italian government securities, and €64.8m other securities and bonds.

Treasury assets – the growth in this item, from €3,183.3m to €4,269.8m, reflects the increase in funding chiefly deployed in money market assets (which were up €1,965.7m). The €1,730.1m reduction in debt securities primarily involved bonds by financial and corporate issuers, replaced by new banking book investments. Conversely, the position in equities linked to short-term transactions with clients increased. The compulsory reserve held with the ECB as at end-June 2016 amounted to €126.5m (€111.4m).

	30/6/15		30/6/16		Chg.
	(€m)	%	(€m)	%	
Debt securities	2,051.4	64%	321.3	8%	-84.3%
Equities	742.1	23%	1,383.8	32%	86.5%
Derivative contract valuations	(422.1)	-13%	(212.9)	-5%	-49.6%
Stock lending	81.1	3%	561.0	13%	n.m.
Others (cash, repos, time deposits)	730.8	23%	2,216.6	52%	n.m.
Total net treasury assets	**3,183.3**	**100%**	**4,269.8**	**100%**	**34.1%**

	30/6/15		30/6/16	
	Book Value	%	Book Value	%
Italian government securities	207.4	10%	8.3	3%
Other government securities	654.3	32%	(239.7)	-75%
Financial bonds	874.8	43%	437.4	n.m.
- of which: Italian	*633.9*	*31%*	*374.2*	*n.m.*
Corporate bonds	314.9	15%	115.3	36%
Total debt securities	**2,051.4**	**100%**	**321.3**	**100%**

Tangible and intangible assets – these were virtually unchanged, at €132m, following depreciation and amortization charges for the period totalling €9.6m and investments of €9.5m, the latter particularly in new IT applications.

	30/6/15		30/6/16		Chg.
	(€m)	%	(€m)	%	
Land and properties	115.5	88%	114.4	86%	-1.0%
- of which: core	*89.6*	*68%*	*88.5*	*67%*	*-1.2%*
Other tangible assets	5.9	4%	4.9	4%	-16.9%
Other intangible assets	10.8	8%	12.7	10%	17.6%
Total tangible and intangible assets	**132.2**	**100%**	**132.0**	**100%**	**-0.2%**

Provisions – this item reduced from €149.3m to €139.9m following net withdrawals from the provisions for risks totalling €10m and an increase in the staff severance indemnity provision (€0.7m).

	30/6/15		30/6/16		Chg.
	(€m)	%	(€m)	%	
Provisions for risk and charges	140.4	94%	130.3	93%	-7.2%
Staff severance provision	8.9	6%	9.6	7%	7.9%
of which: staff severance provision discount	—	—	*0.7*	—	*n.m.*
Total provisions	**149.3**	**100%**	**139.9**	**100%**	**-6.3%**

Net equity – the €85.6m, or 1.6%, increase in this item reflects the profit for the period (€288m), net of the 2015 dividend (€212.9m) and a €22.7m reduction in the valuation reserves, those for AFS equities in particular. The Bank's share capital rose from €433.6m to €435.5m following the exercise of 1,382,500 stock options and the award of 2,439,833 performance shares to staff worth a total amount of €10.3m, including the share premiums reserve.

(€m)

	30/6/15	30/6/16	Chg.
Share capital	433.6	435.5	0.4%
Other reserves	4,020.9	4,172.2	3.8%
Valuation reserve	402.2	379.5	-5.6%
- of which: AFS reserve	*401.3*	*368.3*	*-8.2%*
cash flow hedge	*(5.0)*	*6.2*	*n.m.*
Net profit for the year	333.0	288.0	-13.5%
Total net equity	**5,189.7**	**5,275.2**	**1.6%**

The AFS reserve involves listed equities as to €289.2m, Italian government securities as to €88m, and other bonds as to €67.6m, net of the €76.6m tax effect.

(€m)

	30/6/15	30/6/16	Chg.
Equities	343.6	289.2	-15.8%
Bonds	126.3	155.6	23.2%
of which: Italian government bonds	*67.7*	*88.0*	*30.0%*
Tax effect	(68.6)	(76.6)	11.7%
Total AFS reserve	**401.3**	**368.2**	**-8.2%**

Net interest income – net interest income declined by 21.2%, from €186.8m to €147.2m, despite increasing average volumes, and was hit heavily by the ongoing asset repricing (treasury assets in particular) which offset the lower cost of funding.

(€m)

	30/6/15	30/6/16	Chg.
Interest income	1,206.5	902.5	-25.2%
Interest expense	(1,047.4)	(770.3)	-26.5%
Other [1]	27.7	15.0	-45.8%
Interest margin	**186.8**	**147.2**	**-21.2%**

[1] Includes margins on interest rate derivative contracts (heading 80) and the hedging effect (heading 90).

Net trading income – net trading income fell from €186.4 to €127.9m, reflecting reduced contributions from forex trading of €13.7m (€57.2m) and from the banking book of €15.6m (€74.1m), despite a good performance in fixed-income trading (which delivered a €37.8m profit, compared with a €13.8m loss last year), in the second half of the year in particular.

(€m)

	12 mths ended 30/6/15	12 mths ended 30/6/16	Chg.
AFS Dividends	16.6	29.2	75.9%
Fixed-income trading profit	105.5	67.1	-36.4%
Equity trading profit	64.3	31.6	-50.9%
Net trading income	**186.4**	**127.9**	**-31.4%**

Net fee and commission income – the 13.4% reduction in this item reflects the weak contribution from capital market activity, which declined from €106.6m to €70.6m, and from lending (which deteriorated from €68.5m to €45.5m), partly offset by the 37.3% rise in corporate finance business. The heading "Other income" includes renting fees of €4.8m (€4.5m).

(€m)

	12 mths ended 30/6/15	12 mths ended 30/6/16	Chg.
Lending	68.5	45.5	-33.6%
Advisory M&A	41.8	57.4	37.3%
Capital Market	106.6	70.6	-33.8%
Sales and Markets	19.8	23.2	17.2%
Other income	19.0	24.7	30.0%
Net fee and commission income	**255.7**	**221.4**	**-13.4%**

Operating costs – the 4.5% increase in this item reflects rising overheads (which were up from €127.7m to €144.8m) against a slight reduction in labour costs (from €195m to €192.5m) attributable to the variable remuneration component.

(€m)

	12 mths ended 30/6/15	12 mths ended 30/6/16	Chg.
Labour costs	195.0	192.5	-1.3%
of which: directors	*3.2*	*3.4*	*6.3%*
stock options and performance shares schemes	*14.4*	*10.6*	*-26.4%*
Sundry operating costs and expenses	127.7	144.8	13.4%
of which: depreciations and amortizations	*9.4*	*9.6*	*2.1%*
administrative expenses	*118.3*	*135.1*	*14.2%*
Operating costs	**322.7**	**337.3**	**4.5%**

(€m)

	12 mths ended 30/6/15	12 mths ended 30/6/16	Chg.
Legal, tax and professional services	9.1	10.5	15.4%
Other consultancy expenses	12.6	21.1	67.5%
Marketing and communication	2.7	2.3	-14.8%
Rent and property maintenance	9.2	8.9	-3.3%
EDP	34.8	36.2	4.0%
Financial information subscription	17.3	18.0	4.0%
Bank services, collection and payment commissions	1.1	1.3	18.2%
Operating expenses	4.8	5.0	4.2%
Other labour costs	11.1	9.5	-14.4%
Other costs	11.6	16.3	40.5%
Direct and indirect taxes	4.0	6.0	50.0%
Total administrative expenses	**118.3**	**135.1**	**14.2%**

The 14.2% increase in administrative expenses is due mainly to consultancy services for the treasury, risk management and regulation projects. Other costs of €2.1m include the ECB supervisory contribution (€0.7m).

Gains (losses) on disposals of AFS equities and IAS 28 investments – these chiefly regard the Pirelli stake disposal (€87.7m), gains arising on sale of the Assicurazioni Generali shares (€41.6m), the Perseo liquidation asset allocation (€3.7m), and other gains on listed equities (€7.8m) and private equity funds (€0.6m).

Loan loss provisions – the substantial reduction in this item, from €74.2m to €29.5m, is due to the improved risk profile and the €19.6m writebacks as a result of collections mentioned previously; the cost of risk fell from 35 bps to 13 bps.

Provisions for other financial assets and impairment charges to investments – these involve adjustments of: €10.2m for the 6% stake in RCS MediaGroup charged at 31 December 2015; €3.3m in respect of unlisted investments (in particular Bisazza); and €3.6m for private equity and real estate funds. In addition, value adjustments in respect of Group companies totalling €2.5m were booked.

(€m)

	12 mths ended 30/6/15	12 mths ended 30/6/16	Chg.
Equity investments	3.0	2.5	-16.7%
Equities	20.9	17.9	-14.4%
Bonds	(0.5)	1.4	n.m.
Total	**23.4**	**21.8**	**-6.8%**

Income tax for the year – income tax decreased from €110m to €25.5m, with more of the dividends on the profit for the year qualifying for PEX treatment and the cost of staff employed permanently being tax-deductible for IRAP purposes.

Mediobanca (as consolidating entity) has adopted tax consolidation, which includes Compass Banca, SelmaBipiemme Leasing, MIS, CheBanca!, Creditech 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.

* * *

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

– further disposals from the Bank's equity investment portfolio, in line with the 2014-16 strategic plan which has seen sales totalling €1.5bn yielding gains of almost €500m; the process of reducing the Assicurazioni Generali stake was launched, with 3 million shares being sold for an amount of €59.8m), although the process has had to be interrupted due to the adverse market conditions;

– acquisition of a 51% stake in Cairn Capital Group Ltd, the London-based asset management and credit advisory specialist. The purchase was completed on 31 December 2015 through the transfer of the 51% stake in return for payment of a £23m; the terms of the agreement provide for put-and-call clauses over the other 49% exercisable between 2018 and 2021, along with payment of a possible earn-out on shares sold by the current management (23.9%);

– finalization of the debt restructuring agreement for Burgo Group (pursuant to Article 67 of Italian law 80/05), resulting in the previous exposure (€496.5m) being converted into: i) equity instruments worth €130.4m; ii) a €65.2m convertible bond; and iii) a residual loan of €300.9m expiring in 2022. As previously, the new instruments (which entail rights essentially protecting the creditors' position) have been written off entirely against the existing provisions;

– approval by the Board of Directors of the self-assessment process for governing bodies required under the instructions issued by the Bank of Italy on 11 January 2012, and the requirement of certain directors to qualify as independent as defined by Article 148, para. 3 of Italian legislative decree 58/98 and by the Code of Conduct in respect of listed companies;
– approval by the Board of Directors of the first Group Recovery Plan as required by the Bank Recovery and Resolution Directive ("BRRD"; or Directive 2014/59/EU);
– the appointment of Philippe Dufournier (formerly Head of Global Finance for the EMEA area in Nomura) as Head of Lending and Structured Finance;
– confirmation of Mediobanca's ratings by Fitch at BBB+ with stable outlook and by S&P's at BBB-, again with stable outlook.

Related party disclosure

Financial accounts outstanding as at 30 June 2016 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 company's ordinary operations, are maintained on an arm's length basis, and are entered into in the interests of the Group itself. No atypical or unusual transactions have been entered into with these counterparties.

Other information

With regard to securities trading, a total of 33.2 million Mediobanca shares were traded on behalf of customers, worth €273m;

The Bank's organizational model instituted pursuant to Italian Legislative Decree 231/01 was updated during the year.

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 Corporate Governance.

Assets which have been revalued and recorded in the balance sheet are listed in table A.

The other information (litigation pending, tax litigation and research) is shown on p. 55 of the consolidated Review of Operations and the Notes to the Accounts.

Outlook

The outlook continues to be dependent on the adverse economic scenario impacted by interest rates being near to their all-time lows, sluggish growth in the reference economies, strong market volatility and political uncertainties (due, for example, to Brexit, the Italian referendum and elections in Germany and France). This set of factors tends to slow corporate activities, both ordinary (new investments) and extraordinary (M&A), with a potentially negative impact on Mediobanca's business. The cost/income ratio will reflect further strengthening of the risk management and treasury platform.

Milan, 21 September 2016

THE BOARD OF DIRECTORS

Proposal to approve financial statements and allocation profit for year ended 30 June 2016

Dear shareholders,
The net profit for the year was €288,037,576.29
to be allocated as follows:

€ 381,600.00	to the *Legal Reserve*, which accordingly would amount to €87.1m, or 20% of the Bank's share capital;
€ 56,741,214.90	to the *Statutory Reserve*, which accordingly would amount to €1,290.4m;
€ 230,914,761.39	profit remaining

We therefore propose to distribute a €0.27 dividend on each of the 855,239,857 shares in issue entitling their holders to such rights, which, including the redistribution of amounts payable in respect of the treasury shares, makes for a total amount of €230,914,761.39.

Accordingly, you are invited to approve the financial statements for the year ended 30 June 2016, including the balance sheet, profit and loss account and accompanying schedules, and the following profit allocation:

Net profit for the year	€ 288,037,576.29
To the Legal Reserve	€ 381,600.00
To the Statutory Reserve	€ 56,741,214.90
Residual amount	€ 230,914,761.39
Dividend of €0.27 on 855,239,857 shares	€ 230,914,761.39

The dividend of €0.27 per share will be paid on 23 November 2016, with the shares going ex-rights on 21 November 2016.

Milan, 21 September 2016

THE BOARD OF DIRECTORS

DECLARATION IN RESPECT OF INDIVIDUAL FINANCIAL STATEMENTS

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 consolidated financial statements:
   - were adequate in view of the company's characteristics;
   - were effectively applied in the year ended 30 June 2016.
2. Assessment of the adequacy of said administrative and accounting procedures for the preparation of the consolidated financial statements as at 30 June 2016 was based on a model defined by Mediobanca in accordance with benchmark standards for internal control systems which are widely accepted at international level (CoSO and CobiT framework).
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 EC regulation no. 1606/02 issued by the European Parliament and Council on 19 July 2002;
   - corresponds 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 2016

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

AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the shareholders of
Mediobanca SpA

Report on the financial statements

We have audited the accompanying financial statements of Mediobanca SpA, which comprise the balance sheet as of 30 June 2016, the profit and loss account, the comprehensive profit and loss account, statement of changes to net equity and the cash flows statement for the year then ended, a summary of significant accounting policies and other explanatory notes to the accounts.

Directors' responsibility for the financial statements

The directors of Mediobanca SpA are responsible for the preparation of financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Mediobanca SpA as of 30 June 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Report on compliance with other laws and regulations

Opinion on the consistency with the financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, which are the responsibility of the directors of Mediobanca SpA, with the financial statements of Mediobanca SpA as of 30 June 2016. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Mediobanca SpA as of 30 June 2016.

Milan, 30 September 2016

PricewaterhouseCoopers SpA

Signed by

Marco Palumbo
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

STATUTORY AUDITORS' REPORT

STATUTORY AUDIT COMMITTE’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 (the “Statutory Audit Committee”) of Mediobanca S.p.A. (“Mediobanca”, the “Bank” or the “Company”) during the financial year ended 30 June 2016, in accordance with the relevant regulations, and taking into account the Rules of Conduct for Statutory Audit Committees recommended by the Italian national council of chartered accounts and accounting experts. During the course of the year, the Statutory Audit Committee met on a total of 31 occasions, 13 of which with the Risks Committee; it also took part in 8 Board meetings, 10 Executive Committee meetings, and 7 Remunerations Committee meetings.

1. Supervision of compliance with law and Articles of Association

The Statutory Audit Committee has received regular information from the directors, inter alia through participating in Board and Executive Committee meetings, on the activities carried out and the most significant transactions in earnings, financial and capital terms approved and executed by the Bank and the other Group companies, including in compliance with Article 150, paragraph 1 of the Italian Consolidated Finance Act. 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, in conflict with the resolutions adopted by shareholders in general meeting, 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;

Significant events during the twelve months under review which the Statutory Audit Committee considers appropriate to recall here in view of their relevance to assessment of the Bank’s solidity and the consistency of the management decisions made with the strategic guidelines established in the 2014-16 business plan include:

- conclusion of the stress test exercised carried out by the ECB in July 2016, which showed, in the adverse scenario for 2018, an impact on CET1 of just 94 basis points (compared to a banking system average of 380 bps); the CET1 ratio as at December 2018, calculated using the phase-in rules, currently stands at 11.46%, comfortably above the SREP minimum requisite of 8.75%;
- further disposals from the Bank's equity investment portfolio, in line with the 2014-16 strategic plan which has seen sales totalling €1.5bn yielding gains of almost €500m;
- transformation of Compass from financial services company to bank with effect from 1 October 2015, under the name of Compass Banca;
- execution of an agreement with Barclays Bank PLC for CheBanca! to acquire a selected perimeter of Barclays' Retail Banking operations in Italy consisting of 85 branches, €2.5bn in mortgage loans, approx. €2.9bn in deposits and €2.9bn in indirect funding, €2bn of which assets under management;
- acquisition of a 51% stake in Cairn Capital Group Ltd, the London-based asset management and credit advisory specialist. The purchase was completed on 31 December 2015 through transfer of the 51% stake in return for payment of a £23m consideration; the terms of the agreement provide for put-and-call clauses over the other 49% exercisable between 2018 and 2021, along with payment of a possible earn-out on shares sold (23.9%) by the current management;
- finalization of the debt restructuring agreement for Burgo Group (pursuant to Article 67 of Italian law 80/05, resulting in the previous exposure (€496.5m) being converted into: i) equity instruments worth €130.4m; ii) a €65.2m convertible bond; and iii) a residual loan of €300.9m expiring in 2022.

2. Monitoring compliance with principles of proper management and adequacy of the Bank's organizational structure

The Statutory Audit Committee has 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 obtaining information from the heads of the relevant company divisions and meetings with the External Auditors involving the mutual exchange of relevant data and information.

During the twelve months under review, the rationalization of some of the Bank's internal units has continued, involving the institution and/or launch of new forms of operations or different organizational units (such as Group Expense Management, Group Demand, Group Human Resources and Organization). These, operating Group-wide, serve not only to optimize operations for the individual Group companies, but also to enable broader-based alignment and co-operation across the Group as a whole.

Action also continued to strengthen the role of direction performed by Mediobanca S.p.A. as parent company through the issuance of regulations in a variety of areas, intended where possible to govern Group-wide processes for the Group companies as well.

Our review of the annual reports on the financial statements of Group companies by the Statutory Audit Committee revealed no critical issues. Equally, no such issues emerged from our meetings with the members of the same Committees, which in each of the Group companies also act as the supervisory bodies instituted pursuant to Italian Legislative Decree 231/01.

The Statutory Audit Committee also noted that no atypical or unusual transactions had been entered into with Group companies, third parties or related parties.

3. Supervision of the internal control and risk management systems

The Statutory Audit Committee has monitored the adequacy of the internal control and risk management system, by:

– holding meetings with the Bank's senior management to examine the internal control and risk management system;
– holding regular meetings with the Group Audit, Compliance/AML and Risk Management units (the "Control Units") to evaluate the methods used for planning activities based on an identification and assessment of the principal risks involved in the various processes and organizational units;

– review of the Control Units' reports and regular information on the outcome of monitoring activity and the status of corrective action highlighted;

– receiving information from the heads of the various divisions of the company;

– 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 and the internal controls system considered to be significant;

– discussion of the results of the work performed by the External Auditors;

– taking part in meetings of the Risks Committee, and dealing with issues in conjunction with it where necessary.

In the performance of its control activities, the Statutory Audit Committee has maintained an ongoing dialogue with the Control Units.

The Group Audit Unit's operations are based on three-year and one-year audit plans. The three-year plan sets the objectives and establishes the methodological choices adopted, and serves also to co-ordinate and direct the work for the three-year and one-year plans prepared by the individual companies. In the space of three years assurance is provided for all processes identified in the risk assessment. The one-year plan establishes which activities and processes are to be analysed in accordance with the three-year plan and from a risk-based perspective. Both plans are approved once a year by the Board of Directors.

The activities planned for the year under review substantially covered the scope of activities which the unit had undertaken to execute, and also the target in terms of mix of audits to be carried out was basically met. No significant critical issues emerged from this activity. Areas for improvement, which are residual to every banking activity, generated remediation action for the relevant areas which are already in the process of being implemented.

The Compliance unit has concentrated, as provided in its annual plan, on the activities which emerged from a risk assessment of the regulations provided over by the unit, which include primarily those in respect of market abuse, MiFID and transparency versus clients. The controls performed are either ongoing or sample-based and carried out at regular intervals. These activities have not shown any critical issues worthy of notice.

The assessment made by a leading international legal firm with the assistance of a primary consultancy company of the set of procedures and controls and the education system set in place on the issue of market abuse last year, in addition to confirming the thoroughness and adequacy of the company framework and alignment to the best international practices, also provided certain suggestions for improvement which the Bank undertook to implement. The implementation process was completed during the year under review.

In connection with the activities performed by the AML unit, the Statutory Audit Committee also monitored, with reference to tackling money-laundering and terrorist financing, the development of electronic and control instruments intended to strengthen the measures in force. Regarding the controls carried out after the fact to ensure that the AML procedures have been complied with, no significant critical issues were noted. Certain errors in the automatic input to the Single Electronic Archive were dealt with promptly and soon rectified.

The unit provided support to the business units in assessing compliance with the national and international regulatory framework. The approach adopted has always been prudent, in order to minimize the reputational risks and risks of possible breaches of the regulations.

As planned, the unit has started to calculate the first Key Risk Indicators which confirm, among other things, the low risk of potential involvement in instances of terrorist financing, in view inter alia of the type of customers.

As requested by the Bank of Italy in a memo sent in October 2015, the unit also carried out a self-assessment of the risks of money-laundering and terrorist financing, including from a Group perspective. The outcome confirmed that Mediobanca's exposure was not significant, bearing in mind the nature of the counterparties (chiefly parties which are EU residents, regulated or listed), the type of activities involved and the effectiveness of the measures implemented. The exposure of the Banking Group as a whole to the same risk was also confirmed as low.

The Risk Management unit manages and monitors the principal risks to which the Bank is involved with reference to credit risk, financial and market risks and operational risks. This activity revealed no critical issues worth reporting, while for the points noted as requiring improvement, remediation action is already underway.

In addition, the unit is involved in major activities to implement the processes and procedures intended to strengthen coverage of the risks facing the company.

On 14 June 2016, the Board of Directors approved the annual revised version of the Risk Appetite Framework (RAF), in particular the introduction of additional specific metrics and certain methodological improvements and adjustments to the calibration of the metrics already in use. These changes have been introduced partly in order to address the recommendations made by the ECB in the course of its inspections.

The unit also has a role of direction and co-ordination for the project to develop advanced credit risk measurement models at Group level. In the coming months the ECB should launch the validation phase for the PD and LGD models for the Mediobanca corporate segment and for the PD, LGD and EAD models for the Compass retail segment.

The unit also prepared the Internal Capital Adequacy Assessment Process (ICAAP) report, which takes into account all risks detected, current and future, and was approved by the Board of Directors on 27 October 2015. The outcome of the ICAAP process showed that the Group operates at a capitalization level which is above the minimum limits set, on prudential grounds, in order to maintain a buffer in order to tackle risks identified as not measurable, ensure a degree of operating and strategic flexibility, and to absorb fluctuations in the economic cycle and crisis scenarios.

In accordance with the aspects of the Supervisory Review and Evaluation Process (SREP) incorporated into CRD IV, as part of the ICAAP reporting the Mediobanca for FY 2015 prepared a section on the Internal Liquidity Adequacy Assessment Process (ILAAP), providing the set of policies, processes and instruments for governing liquidity and funding risks.

Insofar as regards the structures and staffing available, it should be noted that the Group Risk Management unit has been strengthened through an increase in the headcount and an expansion of its scope, with an equivalent unit set up in Creditech where factoring business is carried out.

Particular attention is paid to the activities of the international branches. In particular, regarding the London branch which has now assumed an important role in the business model, in line with the principles set out in the Strategic Plan, the control units have further increased the existing measures. In particular all the control units have stable teams of their own based in London.

The Statutory Audit Committee notes that the annual reports by the Control Units conclude with a favourable opinion being expressed on the overall internal controls system in terms of its thoroughness, adequacy, functioning and reliability.

On the subject of business continuity and IT risk, ad hoc reports have been prepared in accordance with the supervisory instructions in force. With reference to business continuity, the planned tests performed during the year have all been passed successfully. Critical issues which emerge are highlighted, addressed and dealt with. Regarding IT risk, the remediation actions identified in order to mitigate the risks emerged last year have been implemented. The results of the IT analysis completed in July 2016 showed no significant risks, i.e. for which the damage expected was higher than the level of acceptance defined in accordance with the risk propensity.

The Statutory Audit Committee, having been vested with the powers attributable to the supervisory body instituted pursuant to Article 6, para. 4-bis of the Italian Legislative Decree 231/01 regarding corporate administrative liability, viewed and obtained information regarding the organizational and procedural activity implemented in compliance with the aforementioned legislative decree. The supervisory body reported on the activities performed by it during the year ended 30 June 2016 without highlighting any critical issues worthy of note, revealing a situation which on the whole was satisfactory and in line with the provisions set forth in the Organizational, management and control model.

Based on the activities performed, the information obtained and the contents of the Control Units' reports, the Statutory Audit Committee believes there are no critical issues that could jeopardize the Group's internal controls and risk management system.

4. Supervision of the administrative and accounting system and the financial reporting process

The Statutory Audit Committee has met regularly with the Head of Company Financial Reporting (the "Head of Company Financial Reporting") to exchange information on the administrative and accounting system, its reliability for the purposes of correctly representing operations, and has reviewed the Head of Company Financial Reporting's report containing the results of the tests of the controls performed and the main problems noted in the application of Italian law 262/05. The Statutory Audit Committee also reviewed the statements made by the

Chief Executive Officer and the Head of Company Financial Reporting as required by the instructions contained in Article 154-*bis* of the Italian Finance Act. The Statutory Audit Committee has found no evidence of shortcomings that could affect the opinion that the administrative and accounting procedures are adequate.

The representatives of the External Auditors, in their regular meetings with the Statutory Audit Committee, have not reported any critical issues which could affect the internal controls system with reference to the administrative and accounting procedures.

The Statutory Audit Committee has ascertained that the flows provided by the non-EU Group companies of significant relevance are adequate to allow the activity of auditing the annual and interim accounts to be performed as required by Article 36 of the Regulations for Markets.

The Statutory Audit Committee, in view of the information obtained and the meetings it has taken part in, believes that the Bank's administrative and accounting system and financial reporting process are adequate.

5. Supervision of transactions with related parties

The Statutory Audit Committee has reviewed the Procedure in respect of related parties, its compliance with the regulations in force, and its application in practice. The Statutory Audit Committee has taken part in meetings of the Related Parties Committee, instituted under the procedure referred to, and has received regular information on the transactions that have been executed. The Statutory Audit Committee is not aware of any intra-group transactions or deals with related parties carried out in conflict with the interests of Mediobanca.

No transactions qualifying as most significant under the terms of the Procedure were performed during the twelve months under review.

The Statutory Audit Committee checked that adequate information had been provided on transactions with related parties by the Board of Directors in its Review of Operations and the notes to the accounts, in view of the requirements set in the regulations in force.

The Procedure in respect of related parties, which includes the internal controls policies on risk assets and conflicts of interest versus connected parties as an annex, was revised by the Board of Directors at a meeting held on 10 December 2015. The changes were necessary in order to specify the functioning of the Related Parties Committee more clearly following the increase in the number of members from three to four.

The Statutory Audit Committee expressed a favourable opinion on the changes.

The Statutory Audit Committee, in view *inter alia* of the results of the activities of the various units involved in the Related Parties procedure, considers that transactions with related parties are managed adequately.

6. Methods for implementing corporate governance rules in practice

The Statutory Audit Committee has assessed the ways in which the Code of conduct in respect of listed companies operated by Borsa Italiana and adopted by Mediobanca on the terms illustrated in the "Annual statement on corporate governance and ownership structure" is implemented.

The Statutory Audit Committee has also ascertained that the criteria and procedures adopted by the Board of Directors to assess the independence of its members have been applied correctly.

7. Supervision of External Auditors' activity

In accordance with the provisions of Article 19 of Italian Legislative Decree 39/10, the Statutory Audit Committee, identified therein as the "Committee for internal control and auditing", duly carried out the required activity in terms of monitoring the External Auditor's operations.

The Statutory Audit Committee met on several occasions with External Auditor PriceWaterhouseCoopers S.p.A. as appointed inter alia pursuant to Article 150 of the Italian Consolidated Finance Act in order to exchange information regarding the latter's activity. In such meetings the External Auditor has at no stage shown evidence of facts considered to be censurable or other irregularities such as would warrant reporting as required by Article 155, para. 2 of the Italian Consolidated Finance Act.

The Statutory Audit Committee met with the External Auditor during the year under review during the preparation of the company's interim financial statements for the period ended 31 December 2015. On this occasion, the External Auditor submitted a document summarizing its activities, with reference in particular to the most significant valuation items. On 11 February 2016 the External Auditor issued a report on the auditing of the accounts limited to only the consolidated interim financial statements, without noting any exceptions.

On 30 September 2016 the External Auditors, charged with the duties of legal audit for the company's individual and consolidated financial statements pursuant to a resolution adopted by shareholders at an ordinary general meeting held on 27 October 2012, 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 2016 present 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. In the view of the External Auditors, the Reviews of Operations attached to the individual and consolidated financial statements for the twelve months ended 30 June 2016 and the information presented in the "Report on Corporate Governance and Ownership Structure" stipulated in Article 123-bis, para. 4 of the Italian Consolidated Finance Act are consistent with the individual and consolidated financial statements as at 30 June 2016.

With respect to the preparation of the Bank's individual and consolidated financial statements, the Statutory Audit Committee:

– hereby gives notice that at a Board meeting held on 29 June 2016 the Directors of Mediobanca approved the impairment criteria established by the combined Bank of Italy/Consob/ISVAP document dated 3 March 2010;
– with respect to legal and tax risks, draws shareholders' attention to the description contained in the Notes to the consolidated financial statements regarding the litigation pending involving Mediobanca.

On 30 September 2016 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 significant shortcomings in the internal control system in relation to the financial reporting process worthy of being brought to the attention of those responsible for governance activities.

The External Auditor submitted its report on the independence of the auditor to the Statutory Audit Committee as required by Article 17 of Italian Legislative Decree 39/10, from which no situations emerged that could compromise its independence or constitute grounds for incompatibility under the terms of the aforementioned decree.

In addition to the duties prescribed by regulations for listed companies, the External Auditors 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	**PricewaterhouseCoopers €'000**	**PricewaterhouseCoopers network €'000**
Statements	183	36
Other services	0	0
Total	183	36

Given the mandates conferred on PricewaterhouseCoopers S.p.A. and its network by Mediobanca 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.

The External Auditors have also confirmed to the Statutory Audit Committee that no external opinions have been expressed by them as required by law in the course of the financial year under review, in the absence of any grounds for such opinions.

8. Omissions, censurable facts, opinions given and initiatives undertaken

During the year letters were received by the Statutory Audit Committee pursuant to Article 2408 of the Italian Civil Code from shareholder Tommaso Marino on the following dates: 29 November 2015; 30 November 2015; 4 December 2015 (partially amending the letter sent on 30 November 2015); 29 December 2015; 31 January 2016; 9 February 2016; 12 March 2016.

In these letters the shareholder complains about the fact that: (i) the comments he made at the annual general meeting held on 28 October 2015 had been wrongly entered in the minutes; (ii) again with reference to the annual general meeting held on 28 October 2015, the answers to some of the questions tabled prior to the meeting had been omitted; (iii) the existence of possible conflicts of interest regarding the payment of sums to entities or associations; (iv) according to comments published in press articles, the disagreements between Alberto Nagel and Mr Greco, CEO of Assicurazioni Generali led to the latter resigning.

The Committee reviewed the complaints, carried out the requisite enquiries and analysis, and obtained the relevant information from the Bank's various units. Based on this initial activity the Committee felt that there were no grounds for following up on the complaints received.

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.

During the year, the Statutory Audit Committee issued opinions or made observations as required by the regulations in force, in particular the following:

- Opinion on the changes to the Procedure in respect of transactions with related parties referred to under section 5 above;
- Opinion on the issuance of covered bonds;
- Opinion on the distribution of credit-linked products;
- Considerations on the annual report on outsourcing important corporate functions.

In the course of the Committee's activities and based on the information obtained, 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 its attention.

9. Remunerations policy

The Statutory Audit Committee has reviewed the corporate processes which have led to the definition of the company's remunerations policies, with reference in particular to the criteria used in determining the remuneration of the executive directors, the heads of the Control Units and the Head of Company Financial Reporting.

During the year under review the ECB carried out follow-up activity of the inspection performed by the Bank of Italy late in 2014. In a letter dated 17 June 2016, the ECB acknowledged that the points they had raised in the inspection had been dealt with, but at the same time also made further operational recommendations for improvements. The Bank has duly incorporated the recommendations made.

10. Conclusions

The agenda for the ordinary Annual General Meeting of Mediobanca shareholders to take place on 28 October 2016 includes the following items in addition to approval of the financial statements for the year ended 30 June 2016:

- Resolutions pursuant to Article 15 of the company's Articles of Association: appointment of a director
- Resolutions in respect of staff remuneration policies:
  a. Staff remuneration policies.
  b. Cap on variable and fixed remuneration based on a ratio of 2:1.
  c. Policies in the event of beneficiaries leaving office or ceasing to work for Mediobanca.
- Insurance policy to cover civil liability for members of the Group companies' governing bodies.

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, pursuant to Article 153 of the Italian Consolidated Finance Act, regarding approval of the financial statements for the year ended 30 June 2016 and the Review of Operations as presented by the Board of Directors, and the proposed profit allocation and dividend distribution formulated by the Board itself.

Milan, 30 September 2016

THE STATUTORY AUDIT COMMITTEE

INDIVIDUAL FINANCIAL STATEMENTS *

* Figures in Euros.

Mediobanca S.p.A. Balance Sheet

Assets		30/6/16	30/6/15
10.	Cash and cash equivalents	102,153,798	4,788,058
20.	Financial assets held for trading	8,535,224,199	10,841,096,162
30.	Financial assets at fair value through profit or loss	—	—
40.	Financial assets available-for-sale	7,668,088,791	6,407,061,495
50.	Financial assets held-to-maturity	1,963,257,965	1,302,837,095
60.	Due from banks	15,029,843,248	10,784,548,102
70.	Due from customers	19,552,312,488	24,859,774,055
80.	Hedging derivatives	936,701,733	817,728,572
90.	Adjustment of hedging financial assets (+/-)	—	—
100.	Equity investments	2,687,686,029	3,159,688,247
110.	Property, plant and equipment	119,370,247	121,419,865
120.	Intangible assets	12,665,064	10,761,490
	of which: goodwill	—	—
130.	Tax assets	295,081,147	294,690,763
	a) current	*162,759,064*	*152,405,739*
	b) deferred	*132,322,083*	*142,285,024*
	of which under L. 214/2011	*57,842,390*	*56,020,388*
140.	Loans classified as held-for-sale	—	—
150.	Other assets	105,026,619	60,999,769
Total assets		**57,007,411,328**	**58,665,393,673**

Liabilities and net equity	30/6/16	30/6/15
10. Due to banks	19,748,564,036	19,449,008,699
20. Due to customers	3,855,263,618	4,015,148,088
30. Debt securities in issue	19,536,496,756	19,990,870,690
40. Trading liabilities	7,042,997,028	8,469,730,032
50. Financial liabilities designated at fair value	—	—
60. Hedging derivatives	726,273,646	584,684,675
70. Changes in fair value of portfolio hedged items (-)	—	—
80. Tax liabilities	447,077,035	491,570,578
a) current	*150,475,312*	*201,558,192*
b) deferred	*296,601,723*	*290,012,386*
100. Other liabilities	235,544,101	325,381,168
110. Staff severance indemnity provision	9,603,103	8,891,191
120. Provisions	130,324,370	140,369,158
a) post-employment and similar benefits	—	—
b) other provisions	*130,324,370*	*140,369,158*
130. Revaluation reserves	379,537,513	402,203,647
140. Redeemable shares repayable on demand	—	—
150. Equity instruments repayable on demand	—	—
160. Reserves	2,217,335,267	2,074,656,421
170. Share premium reserve	2,152,828,778	2,144,489,313
180. Share capital	435,510,047	433,598,881
190. Treasury shares (-)	(197,981,546)	(198,254,123)
200. Profit for the period (+/-)	288,037,576	333,045,255
Total liabilities and net equity	**57,007,411,328**	**58,665,393,673**

Mediobanca S.p.A. Profit and Loss Account

Item		30/6/16	30/6/15
10.	Interest and similar income	902,487,077	1,206,446,047
20.	Interest expense and similar charges	(770,270,958)	(1,047,426,029)
30.	**Net interest income**	**132,216,119**	**159,020,018**
40.	Fee and commission income	211,635,406	251,598,169
50.	Fee and commission expense	(14,535,067)	(13,331,299)
60.	**Net fee and commission income**	**197,100,339**	**238,266,870**
70.	Dividends and similar income	226,263,942	158,310,351
80.	Net trading income	43,314,793	118,166,883
90.	Net hedging income (expense)	7,622,689	(990,835)
100.	Gain (loss) on disposal/repurchase of:	111,444,564	185,982,169
	a) loans and advances	*4,856,595*	*14,547,109*
	b) AFS securities	*109,861,333*	*163,048,318*
	c) financial assets held to maturity	*618,154*	*19,891,350*
	d) financial liabilities	*(3,891,518)*	*(11,504,608)*
110.	Net result from assets/liabilities recognized	—	—
120.	**Total income**	**717,962,446**	**858,755,456**
130.	Adjustments for impairment to:	(48,794,105)	(94,544,517)
	a) loans and advances	*(20,448,591)*	*(63,467,428)*
	b) AFS securities	*(17,916,205)*	*(20,894,881)*
	c) financial assets held to maturity	*(1,360,889)*	*596,810*
	d) other financial assets	*(9,068,420)*	*(10,779,018)*
140.	**Net income from financial operation**	**669,168,341**	**764,210,939**
150.	Administrative expenses:	(405,777,270)	(328,075,593)
	a) personnel costs	*(192,540,124)*	*(194,960,893)*
	b) other administrative expenses	*(213,237,146)*	*(133,114,700)*
160.	Net transfers to provisions	—	—
170.	Net adjustments to tangible assets	(3,668,877)	(3,558,966)
180.	Net adjustments to intangible assets	(5,962,598)	(5,800,517)
	of which: goodwill	—	—
190.	Other operating income (expense)	20,713,605	19,324,308
200.	**Operating costs**	**(394,695,140)**	**(318,110,768)**
210.	Gain (loss) on equity investments	39,082,816	(3,034,243)
230.	Writedowns on intangible assets - goodwill	—	—
240.	Gain (loss) on disposal of investments in:	(18,441)	(20,673)
	a) property	—	—
	b) other assets	*(18,441)*	*(20,673)*
250.	**Profit (loss) on ordinary activities before tax**	**313,537,576**	**443,045,255**
260.	Income tax for the year on ordinary activities	(25,500,000)	(110,000,000)
270.	**Profit (loss) on ordinary activities after tax**	**288,037,576**	**333,045,255**
290.	**Net profit (loss) for the period**	**288,037,576**	**333,045,255**

Mediobanca S.p.A. Comprehensive Profit and Loss Account

Items		30/6/16	30/6/15
10.	Profit (loss) for the period	288,037,576	333,045,255
	Other income items net of tax without passing through profit and loss	**(877,554)**	**339,179**
20.	Property, plant and equipment	—	—
30.	Intangible assets	—	—
40.	Defined benefit schemes	(877,554)	339,179
50.	Non-current assets being sold	—	—
60.	Share of valuation reserves attributable to equity-accounted companies	—	—
	Other income items net of tax passing through profit and loss	**(21,788,580)**	**(50,290,010)**
70.	Foreign investments hedges	—	—
80.	Exchange rate differences	—	—
90.	Cash flow hedges	11,187,005	5,906,989
100.	AFS financial assets	(32,975,585)	(56,196,999)
110.	Non-current assets being sold	—	—
120.	Share of valuation reserves attributable to equity-accounted companies	—	—
130.	**Total other income items, net of tax**	**(22,666,134)**	**(49,950,831)**
140.	**Comprehensive income (headings 10 + 130)**	**265,371,442**	**283,094,424**

Statement of Changes to Mediobanca Net Equity

	Previously reported balance at 30/6/15	Allocation of profit for previous period		Changes during the reference period							Other comprehensive income statement for the 12 mths ended 30/6/16	Total net equity at 30/6/16
		Reserves	Dividends and other fund application	Changes to reserves	Transactions involving net equity							
					New shares issued	Treasury shares acquired	Extra-ordinary dividends payout	Changes to equity instruments	Treasury shares derivatives	Stock options [1]		
Share capital:	433,598,881	—	—	—	1,911,166	—	—	—	—	—	—	435,510,047
a) ordinary shares	433,598,881	—	—	—	1,911,166	—	—	—	—	—	—	435,510,047
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,144,489,313	—	—	—	8,339,465	—	—	—	—	—	—	2,152,828,778
Reserves:	2,074,656,421	333,045,255	(212,892,699)	—	(1,219,916)	(272,577)	—	—	—	24,018,783	—	2,217,335,267
a) retained earnings	1,974,193,590	333,045,255	(212,892,699)	—	(1,219,916) [2]		—	—	—	—	—	2,093,126,230
b) others	100,462,831	—	—	—	—	(272,577)	—	—	—	24,018,783	—	124,209,037
Valuation reserves	402,203,647	—	—	—	—	—	—	—	—	—	(22,666,134)	379,537,513
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(198,254,123)	—	—	—	—	272,577	—	—	—	—	—	(197,981,546)
Profit (loss) for the period	333,045,255	(333,045,255)	—	—	—	—	—	—	—	—	288,037,576	288,037,576
Total net equity	5,189,739,394	—	(212,892,699)	—	9,030,715	—	—	—	—	24,018,783	265,371,442	5,275,267,635

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

[2] Free equity granting following the performance shares scheme.

Statement of Changes to Mediobanca Net Equity

	Previously reported balance at 30/6/14	Allocation of profit for previous period		Changes during the reference period							Other comprehensive income statement for the 12 mths ended 30/6/15	Total net equity at 30/6/15
					Transactions involving net equity							
		Reserves	Dividends and other fund application	Changes to reserves	New shares issued	Treasury shares acquired	Extra-ordinary dividends payout	Changes to equity instruments	Treasury shares derivatives	Stock options [1]		
Share capital:	430,703,356	—	—	—	2,895,525	—	—	—	—	—	—	433,598,881
a) ordinary shares	430,703,356	—	—	—	2,895,525	—	—	—	—	—	—	433,598,881
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,121,818,661	—	—	—	22,670,652	—	—	—	—	—	—	2,144,489,313
Reserves:	2,021,603,868	165,913,070	(126,848,820)	—	(1,016,774)	(545,144)	—	—	—	15,550,221	—	2,074,656,421
a) retained earnings	1,936,146,114	165,913,070	(126,848,820)	—	(1,016,774) [2]		—	—	—	—	—	1,974,193,590
b) others	85,457,754	—	—	—	—	(545,144)	—	—	—	15,550,221	—	100,462,831
Valuation reserves	452,154,478	—	—	—	—	—	—	—	—	—	(49,950,831)	402,203,647
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(198,799,267)	—	—	—	—	545,144	—	—	—	—	—	(198,254,123)
Profit (loss) for the period	165,913,070	(165,913,070)	—	—	—	—	—	—	—	—	333,045,255	333,045,255
Total net equity	4,993,394,166		(126,848,820)	—	24,549,403	—	—	—	—	15,550,221	283,094,424	5,189,739,394

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

[2] Free equity granting in respect of performance shares scheme.

Mediobanca Cash Flow Statement Direct Method

	Amount	
	30/6/16	**30/6/15**
A. Cash flow from operating activities		
1. Operating activities	**145,885,365**	**171,079,842**
- interest received	2,704,862,478	3,385,620,669
- interest paid	(2,613,572,266)	(2,979,314,127)
- dividends and similar income	63,995,319	69,707,454
- net fees and commission income	71,624,890	100,563,895
- cash payments to employees	(96,465,507)	(91,231,722)
- net premiums gains (+)	—	—
- other insurance gains/losses (+/-)	—	—
- other expenses paid	(1,105,384,996)	(808,923,548)
- other income received	1,136,119,439	431,311,679
- income taxes paid	(15,293,992)	63,345,542
- net expense/income from groups of assets being sold	—	—
2. Cash generated/absorbed by financial assets	**2,153,585,046**	**2,767,703,372**
- financial assets held for trading	746,811,585	1,120,767,706
- financial assets recognized at fair value	—	—
- AFS securities	(199,256,961)	446,079,000
- due from customers	1,849,848,681	2,350,459,869
- due from banks: on demand	32,291,952	276,889,671
- due from banks: other	(179,993,319)	(1,140,385,577)
- other assets	(96,116,892)	(286,107,297)
3. Cash generated/absorbed by financial liabilities	**(1,491,350,129)**	**(3,297,634,077)**
- due to banks: on demand	3,558,081,160	(1,984,234,202)
- due to banks: other	(2,020,909,877)	2,173,669,157
- due to customers	(2,093,703,556)	1,238,656,972
- debt securities	(183,322,073)	(4,135,700,000)
- trading liabilities	(368,037,192)	(687,017,652)
- financial liabilities assets recognized at fair value	—	—
- other liabilities	(383,458,592)	96,991,648
Net cash flow (outflow) from operating activities	**808,120,281**	**(358,850,863)**
B. Investment activities		
1. Cash generated from	**533,162,525**	**580,308,068**
- disposals of shareholdings	59,858,798	2,000
- dividends received in respect of equity investments	145,953,727	123,657,068
- disposals/redemptions of financial assets held to maturity	327,350,000	456,586,000
- disposals of tangible assets	—	63,000
- disposals of intangible assets	—	—
- disposals of business units	—	—
2. Cash absorbed by	**(1,040,055,084)**	**(114,878,000)**
- acquisitions of shareholdings	(36,114,474)	(5,311,000)
- acquisitions of held-to-maturity investments	(995,017,610)	(101,336,000)
- acquisitions of tangible assets	(1,056,000)	(1,176,000)
- acquisitions of intangible assets	(7,867,000)	(7,055,000)
- acquisitions of business units	—	—
Net cash flow (outflow) from investment/servicing of finance	**(506,892,558)**	**465,430,068**
C. Funding activities		
- issuance/acquisition of treasury shares	9,030,715	24,549,403
- issuance/acquisitions of equity instruments	—	—
- dividends payout and other applications of funds	(212,892,700)	(126,848,820)
Net cash flow (outflow) from funding activities	**(203,861,985)**	**(102,299,417)**
Net cash flow (outflow) during period	**97,365,738**	**4,279,788**

Reconciliation of Movements in Cash Flow During the Period

	Amounts	
	30/6/16	30/6/15
Cash and cash equivalents: balance at start of period	4,788,059	508,271
Total cash flow (ouflow) during period	97,365,738	4,279,788
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at end of period	102,153,798	4,788,059

NOTES TO THE ACCOUNTS

NOTES TO INDIVIDUAL ACCOUNTS

Part A - Accounting policies

A.1 - General policies

SECTION 1

Statement of conformity with IAS/IFRS

Mediobanca's individual financial statements for the period ended 30 June 2016 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), and the respective interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), 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 Parliament and Council on 19 July 2002. The consolidated financial statements for the period ended 30 June 2016 have also been prepared on the basis of the "Instructions on preparing statutory and consolidated financial statements for banks and financial companies which control banking groups" issued by the Bank of Italy in its circular no. 262 on 22 December 2005 (fourth amendment issued on 15 December 2015), which establish the structure of the financial statements and the methods for completing them, along with the contents of the notes to the account.

The financial statements have been drawn up on a going concern basis, in accordance with the principles of competence, relevance and significance with respect to the accounting information provided, and giving priority to economic substance over juridical form.

SECTION 2

General principles

These 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 part A.2, 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.

The following list details the recently issued-regulations which have supplemented the accounting standards in force and have been incorporated into the Group's accounting policies:

REGULATION	ACCOUNTING STANDARD
Regulation EU 1361/2014	Changes to IFRS 3 – *Business combinations*
	Changes to IFRS 13 – *Fair value measurement*
	Changes to IAS 40 – *Investment property*
Regulation EU 28/15	Changes to IFRS 2 – *Share-based payment*
	Changes to IFRS 3 – *Business combinations*
	Changes to IFRS 8 – *Operating segments*
	Changes to IAS 16 – *Property, plant and equipment*
	Changes to IAS 24 – *Related party disclosures*
Regulation EU 29/15	Changes to IAS 19 – *Employee benefits*

The changes listed above have not impacted significantly on the Bank's area of consolidation.

As from 1 January 2015, the Bank of Italy revised its methods of classifying non-performing financial assets for regulatory and reporting purposes (Bank of Italy circular 272/08 - "Matrix of Accounts" issued by the Bank of Italy on 20 January 2015) to bring them in line with the new definitions of non-performing exposures and forborne exposures established by the European Commission under regulation 2015/227 based on a proposal by the EBA (EBA/ITS /2013/03/ rev1 24/7/2014).

The new credit quality segmentation was incorporated into, and made obligatory by, Bank of Italy circular 262/05, fourth update issued on 22 December 2015, with the following subdivision: non-performing, unlikely to pay, and/or more than 90 days past due, for non-performing and performing assets; all these categories include the sub-category of "forborne" exposures.

These new definitions are relevant in connection with the Group's accounting policies for IFRS purposes, and have required the Bank's lending processes to be revised to adapt them to the new classification rules, as described in more detail in Part E – Information on risks and related hedging policies, Section 1 – Credit risk – Qualitative information.

It should also be noted that in 2014, the IASB released two new accounting standards, IFRS 15 – Revenue and IFRS 9 – Financial Instruments, both of which are still pending ratification by the European Commission.

The IASB has now finished the process of revising IFRS 9, except for the part on macro hedging, on financial instruments, which will come into force on 1 January 2018.

IFRS 9: The Mediobanca Group project

Regulatory framework

In July 2014,the International Accounting Standards Board (IASB) issued the new IFRS 9, "Financial Instruments", which from 1 January 2018, is due to replace IAS 39. Endorsement is expected from the European Union by next autumn.

The new standard replaces IAS 39, in particular the parts on Classification and Measurement, Impairment and Hedge Accounting, with the exception of the rules on Macro-Hedging, which are still being analysed.

The main changes regard classification and impairment, and are as follows:

– how financial assets (apart from shares) are classified and measured will depend on two tests, one of the business model and the other on the contractual cash flow characteristics, known as the "Solely Payments of Principal and Interest Test" (or SPPI). Only those instruments which pass both tests can be recognized at cost, otherwise they will have to be measured at fair value, with the effects taken through the profit and loss account (hence this will become the residual portfolio). There is also an intermediate portfolio ("Held to collect and sell"), for which, like with the existing Available for sale portfolio, the instruments are recognized at fair value through net equity (i.e. through Other comprehensive income).

– shares still have to be recognized at fair value, apart from those held for trading, the fair value effects of which can be recognized in a net equity reserve rather than taken through the profit and loss account; however, the possibility of recycling has been removed, i.e. the effects of reductions will no longer be taken through the profit and loss account.

– the new standard moves from an incurred to an expected impairment model; as the focus is on expected losses of value, provisioning will have to be carried out for the whole portfolio (i.e. for assets with no impairment as well) and based on estimates which reflect macroeconomic factors. In particular, at stage 1 of the recognition process, the instrument will have to reflect the expected loss over a 12-month time horizon; if there is a significant increase in the credit risk, the asset is classified as under-performing (stage 2), meaning its valuation will have to factor in the expected loss over its whole life-time; and if further impairment is recorded, the asset will be classified as non-performing (stage 3), where the final recoverable value will be estimated. The expected loss will be based on point-in-time data reflecting the internal credit monitoring models.

Current projects

The Mediobanca Group will adopt the new standard starting from 1 July 2018, i.e. in two years' time. An internal project was launched in spring 2015 for the assessment and implementation of IFRS 9. The project has been led jointly by the Risk Management and Group Financial Reporting areas, with the involvement of all other areas affected (in particular the front office teams, Group Technology and Operations, Group ALM, Group Treasury).

The project has already dealt with the classification and measurement issues, identifying the main critical areas in terms of products requiring new classification, and noting no material impact; meanwhile process analysis is continuing, for IT systems in particular, and should be complete by end-2016.

Following implementation of the AIRB models and stress testing exercise, a new project on the issue of impairment was launched, to quantify the adoption of the new model, which necessarily involves revision of the monitoring processes and accounting policies for financial instruments (in particular loans and receivables).

The second part of the project should be complete by 30 June 2017, so as to be able to launch a testing for the new IFRS 9 systems and processes in preparation for running IAS 39 and IFRS 9 in paralllel.

SECTION 3

Events subsequent to the reporting date

Since the reporting date, no events have taken place that would cause the results presented in the consolidated report for the twelve months ended 30 June 2016 to require adjustment.

On 22 July 2016 Mediobanca subscribed for a €100m capital increase implemented by CheBanca!, which involved issuance of 12.5 million new ordinary shares, plus the disbursement of a €50m subordinated loan. The transaction is related to the acquisition of Barclays' Italian retail business unit which was completed on 26 August 2016.

For a description of the most significant events since the reporting date, please refer to the relevant section in the Review of Operations.

A.2 - Significant accounting policies

Financial assets held for trading

This category comprises debt securities, equities, loans held for trading purposes, 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 [1] not including any transaction expenses or income directly attributable to the asset concerned, which are taken through the profit and loss account.

[1] See Part A3 – Information on fair value, pp. 338-348 for further details.

After initial recognition they continue to be measured at fair value. 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 Level3 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 [2], which includes transaction costs and income directly attributable to them. Thereafter they continue to be measured at fair value. Changes in fair value are recognized in a separate net equity reserve, which is then eliminated against the corresponding item in the profit and loss account as and when an asset is disposed of or impairment is recognized. 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 30% or for longer than twenty-four months, compared to the initial recognition value. If the reasons for which the loss was

[2] See Part A3 – Information on fair value, pp. 338-348 for further details.

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 [3] 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*.

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.

[3] See Part A3 - Information on fair value, pp. 338-348 for further details.

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 stipulates that for finance leases, interest income should be recorded based on methods which reflect a constant, regular return on the lessor's net investment.

In accordance with this principle, in the event of changes to contracts one these have become effective, any difference arising from comparison between the outstanding principal amount prior to renegotiation and the value of the new future flows discounted at the original interest rate have been taken through the profit and loss account for the period [4].

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.

[4] As required by the amortized cost rules under IAS 39.

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;
- 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, with the effects taken through the profit and loss account.

The hedge relationship may also be discontinued either voluntarily or when the hedged instrument is derecognized or the hedging instrument wound up early.

Equity investments

This heading consists of investments in:

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

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

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, long-term computer software applications and other intangible assets.

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 (even in the form of repos and securities lending transactions) 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 and net interest.

Since 1 July 2013, conversely, actuarial gains and/or losses are recorded in a net equity valuation reserve, i.e. in the other comprehensive income statement (OCI) and no longer in the profit and loss account as required by the new IAS 19 revised (Employee Benefits), which was approved by the IASB on 16 June 2011 and incorporated into EU law under regulation EE 475/12 [5].

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.

As permitted by IAS 37, para. 92, no precise indication has been given of any potential liabilities.

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).

[5] These items may therefore no longer be accounted for under labour costs as was the Group's previous practice.

The assets and liabilities of the non-Italian entities consolidated line-by-line have been converted at the exchange rate prevailing at the reporting date, whereas the profit-and-loss items have been converted on the basis of the average exchange rates for the period. Any differences arising upon conversion have been taken through the net equity valuation reserves.

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.

EU regulation 634/14 introduced IFRIC 21, providing guidelines on the methods of accounting for certain taxes not covered in the treatment provided for in IAS 12. In particular, the interpretation states the nature of the"obligating event" which gives rise to the recognition of the liability to pay a tax, i.e. the event which triggers the obligation to pay. For example, the interpretation establishes the treatment to be adopted if the obligation to pay the tax arises from having reached a minimum level of assets or from the circumstance of the entity being operative at a certain date in the future. This interpretation is significant in establishing the accounting treatment for the obligations to contribute to the Bank Resolution Fund and Deposit Guarantee Fund schemes, as illustrated in more depth in the following section "Contributions to Deposit Guarantee and Resolution Mechanism Systems".

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

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

a) individuals or entities which directly or indirectly, are subject to joint control by Mediobanca, parties to the Mediobanca shareholders' agreement with syndicated interests of over 2% of the company's share capital, and the entities controlled by or controlling them;

b) associate companies, joint ventures and entities controlled by them;

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) entities controlled or jointly controlled by one or more of the individuals listed under the foregoing letter c);

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 otherwise associated with such individuals;

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

g) transactions involving vehicle companies, even if these are not directly attributable to related parties but the benefits from them still accrue to related parties.

A.3 - Information on transfers between financial asset portfolios

A.3.1 Reclassified financial assets: book value, fair value and effects on comprehensive income

(€'000)

Type of instrument	Transferred from	Transferred to	Book value at 30/6/16	Fair value at 30/6/16	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	74,641	76,632	(2,220)	1,331	—	1,331
Debt securities [1] (ABS)	AFS securities	Due from customers	9,166	9,226	(302)	195	—	195
Debt securities [2]	AFS securities	Financial assets held to maturity	268,149	286,274	(6,234)	14,131	—	14,131
Total			351,956	372,132	(8,756)	15,657	—	15,657

[1] Made during FY 08/09.

[2] Made during FY 10/11.

No transfers were made during the twelve months under review.

A.4 - Information on Fair Value

QUALITATIVE INFORMATION

This section provides the disclosure on fair value stipulated by IFRS 13 paragraph 24, which defines fair value as the price which would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market.

For financial instruments listed on active markets, fair value is determined on the basis of the official prices prevailing on the principal market, or alternatively the most advantageous market to which the Group has access; such instruments are thus said to be marked to market. A market is defined as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

For instruments not listed on an active market or in cases where the market is not functioning properly, that is, it does not have a sufficient and continuous number of transactions, or sufficiently low bid-ask spreads and volatility, valuation models using market inputs are used instead, such as:

- valuations of instruments with similar characteristics;
- discounted cash flow calculations;
- option price calculation models, values recorded in recent comparable transactions, prudentially adjusted to reflect the illiquid nature of some market data and other risks associated with specific transactions (reputational risk, replacement risk, etc.).

If no market inputs are available, valuation models based on data estimated internally are used.

Equities and equity-linked derivatives for which it is not possible to reliably determine fair value using the methods described above are stated at costs. For investment funds, including mutual funds, private equity funds, hedge funds (including funds of funds) and real estate funds, fair value is taken to be the net asset value (NAV) per stock unit published by the funds themselves.

As a further guarantee that the valuations deriving from the measurement models the Group uses remain objective, independent price verification processes (IPVs) are also carried out, in which a unit unrelated to the one assuming the risk checks the prices of the individual financial instruments on a daily basis, using data provided by information providers as its reference.

Fair value is reported according to rankings based on the quality of the input parameters used to determine it [6].

In accordance with the provisions of IFRS 13 as enacted in Bank of Italy circular no. 262, the fair value hierarchy assigns decreasing priority to measurements based on different market parameters. The highest priority (Level1) is assigned to measurements based on prices quoted (un-adjusted) on an active market for identical assets or liabilities; while the lowest of priority (Level3) is assigned to valuations deriving predominantly from unobservable inputs.

[6] Cf. IFRS 13, paragraph 73: "the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement"; and paragraph 74: "The fair value hierarch ranks fair value measurements based on the type of inputs; it does not depend on the type of valuation techniques used". For further details see IFRS 13, paragraphs 72-90.

The fair value ranking level assigned to an asset or liability is defined as the lowest-level input that is significant to the entire measurement. Three levels are identified.

– Level1: quoted prices (single and unadjusted) in active markets for the individual financial instrument being measured.

– Level 2: inputs other than the quoted prices referred to above, that are observable on the market either directly (prices) or indirectly (price derivatives). In this case fair value is measured via a comparable approach, or by using a pricing model which leaves little scope for subjective interpretation and is commonly used by other financial operators.

– Level3: significant inputs which are either unobservable on the market and/or reflect complex pricing models. In this case the fair value is set based on assumptions of future cash flows, which could lead to different estimates by different observers of the value of the same financial instrument.

As a rule Mediobanca uses market prices (Level1) or models based on observable inputs (Level2). In cases where Level3 instruments are used, additional price verification procedures are set in place, including: revision of relevant historical data, analysis of profits and losses, individual measurement of each single component in a structured component, and benchmarking. This approach involves the use of subjective parameters and judgements based on experience, and adjustments may therefore be required to valuations to take account of the bid-ask spread, liquidity or counterparty risk, and the type of measurement model adopted. All models in any case, including those developed internally, are verified independently and validated by different Bank units, thus ensuring an independent control structure.

Fair value adjustment

Fair value adjustment is defined as the quantity that has to be added to the price observed on the market or the theoretical price generated by the model, to ensure that the fair value reflects the price that can be realized in a market transaction which is effectively possible. The following adjustments in particular should be noted:

– credit/debt valuation adjustment;

– other adjustments.

Credit/debt valuation adjustment (CVA/DVA)

Credit and debt value adjustments (CVA and DVA respectively) are incorporated into the valuation of derivatives to reflect the impact respectively of the counterparty's credit risk and the Bank's own credit quality on the fair value, as follows:

– CVA is a negative quantity which takes into account the scenarios in which the counterparty might fail before the Bank does while amounts are still receivable (positive MTM) by the Bank from the counterparty;
– DVA is a positive quantity which takes into account the scenarios in which the Bank itself might fail before the party does while amounts are still payable (negative MTM) to the counterparty.

CVA and DVA are calculated taking into consideration any counterparty risk mitigation agreements that have been entered into, in particular collateral and netting agreements for each individual counterparty.

The CVA/DVA methodology used by Mediobanca is based on the following inputs:

– expected positive exposure (EPE) and expected negative exposure (ENE) of the valuation of the derivatives, deriving from simulation techniques;
– PD (probability of default (PD), derived from historical PD readings or those implied in market prices for credit default swaps or bond securities;
– loss given default (LGD) based on the estimated value of recovery in the event of the counterparty going bankrupt, as defined in specific analysis conducted by the Bank itself or the default rates conventionally utilized for credit default swap prices.

Other adjustments

Other adjustments of fair value not included in the categories described above, may be taken into consideration in order to align the valuation with the exit price inter alia on the basis of market liquidity levels or valuation parameters.

A.4.1 Fair value levels 2 and 3: measurement techniques and inputs used

Assets and liabilities measured at fair value on a recurring basis

This section provides disclosure on the measurement techniques and inputs used for assets and liabilities measured at fair value on a recurring basis.

– bonds: instruments not traded on active markets are marked to model using the implied credit spread curves obtained from Level1 instruments, to which a further spread is added to reflect their illiquidity. The model makes maximum use of observable inputs and minimum use of non-observable inputs. In this way, depending on how representative the credit spread curve applied is, bonds are categorized as either Level2 or Level3 (the latter in cases where non-observable credit spreads are used). In fair value measurement, fair value adjustments can be used in cases where there is reduced liquidity and model risk, to compensate for the lack of observable market inputs for Level2 and Level3 positions.

– asset-backed securities, CLOs and loans: the measurement process relies on information providers which effectively collect market prices. All the ABS owned by Mediobanca are categorized as Level3, with the exception of those for which a bid/ask contribution can be provided with the respective quantities on an ongoing basis, in which case they are categorized as Level1.

– derivatives: the fair value of derivatives not traded on an active market derives from application of mark-to-model measurement techniques. In cases where there is an active market to provide inputs for the various components of the derivative to the valuation model, the fair value is measured on the basis of the market prices. Measurement techniques based on observable inputs are categorized as Level2, whereas those based on non-observable inputs are categorized as Level3.

- Equities: equities are categorized as Level1 when quoted prices are available on an active market considered to be liquid, and Level3 when there are no quoted prices or when quoted prices have been suspended indefinitely.
- Investment funds: Mediobanca owns holdings in investment funds which publish the net asset value (NAV) per stock unit. Such funds include mutual funds, private equity funds, hedge funds (including funds of funds) and real estate funds. Investments in funds are usually classified as Level1 in cases where quoted prices are available on an active market; otherwise they are categorized as Level3.

Assets and liabilities measured at fair value on a non-recurring basis

Financial instruments measured at fair value on a non-recurring basis (including amounts payable to and receivable from customers and banks) are not accounted for on the basis of fair value.

In such cases the fair value is calculated solely for the purpose of meeting the Bank's responsibilities in terms of providing market disclosure, and the calculation does not impact in any way on the book value of the investment and has no effect on the profit and loss account. Such instruments are not normally traded, and their fair value is thus measured on the basis of inputs compiled internally rather than directly observable on the market.

For loans to corporates, fair value is measured via discounted cash flow, using rates and/or flows adjusted to reflect credit risk in each case. Loans to counterparties with official ratings are categorized as Level2, and in all other cases as Level3. The same applies to retail loans (i.e. mortgage loans and consumer credit).

Bonds issued by Mediobanca are categorized as fair value Level1 if quoted on an active market (using the market price as the input); if not, i.e. in cases where there are no quoted prices, the fair value is categorized as Level2 and is calculated via the expected discounted cash flow using a market interest rate adjusted for the Bank's issuer risk (with a distinction being made between senior and subordinated risks).

A.4.2 Measurement processes and sensibilities

As required by IFRS 13, quantitative information on the significant non-observable inputs used in measuring the fair value of Level3 instruments is provided below.

Uncertainties inherent in inputs and impact on mark-to-market for equity products

Non-observable inputs	Quantification of uncertainty inherent input	+/- delta vs MtM (€m), 30/6/16	+/- delta vs MtM (€m), 30/6/15
Implicit volatility	On average equal to 50 bps for volatility surface points falling outside the contribution of Totem application (maturity > 3Y for single stocks and maturity > 5Y for indexes)	266	181
Equity-equity correlation	Equal to 1% between two indexes and 2% between two single stocks	90	50

Measurement techniques used for equity, credit and interest rate products

Product	Measurement technique	Non-observable inputs	Fair value* Assets 30/6/16 (€m)	Fair value* Liabilities 30/6/16 (€m)	Fair value* Assets 30/6/15 (€m)	Fair value* Liabilities 30/6/15 (€m)
OTC equity plain vanilla options, OTC equity digital options, variance swap	Black-Scholes/ Black model	Implicit volatility [1]	5.49	(12.84)	11.46	(25.23)
OTC equity basket options, best of/ worst of	Black-Scholes method	Implicit volatility Equity-equity correlation	7.20	—	16.87	—
Synthetic CDOs	Gaussian copula model using factor with base correlation	Base correlation with bootstrap starting from quoted data on liquid index tranches [3]	0.16	(0.29)	0.32	(0.79)
Structured CCSs [4]	Discount cash flow		—	—	18.24	—

* Values are shown net of reserves booked.

[1] Volatility in a financial context is a measurement of how much the price of an instrument underlying a derivative may vary over time. The higher the volatility of the underlying instrument, the greater the risk associated with it. In general terms long positions in options benefit from increases in volatility, whereas short positions in options lose out from them. For equity derivatives, the implicit volatility surface may be obtained from the price of the call and put options, as there are regulated markets for these. The uncertainty inherent in this input is attributable to one of the following scenarios: illiquidity of quoted prices (wide bid/ask spreads, typically present on long maturities or moneyness far from the at-the-money spot), concentration effects and non-observable market data (here too present when maturities are considered too long or moneyness too far from the at-the-money spot).

[2] Equity-equity correlation is a measurement of the correlation between two equity financial instruments underlying a derivative. Variations in the correlation levels may impact favourably or unfavourably, depending on the correlation type, on an instrument's fair value. Equity-equity correlations are less observable than volatilities, because correlation products are not quoted on any regulated markets. For this reason correlations are more prone to input uncertainty.

[3] The base correlation is the level of relation between the default events for the underlying instruments belonging to the principal credit indexes. The correlation is obtained from the quoted market prices of synthetic CDOs on the indexes, in particular from instruments hedging the various parts of the equity structure of these indexes.

[4] The contract has been reclassified to Level 2, following amendments to certain contractual clauses.

A.4.3 Fair value ranking

Transfers between levels of fair value ranking

The main factors contributing to transfers between the different fair value levels include changes in market conditions and refinements in the measurement models and/or the non-observable inputs.

An instrument is transferred from fair value Level1 to Level2 or vice versa mainly as a result of changes in the significance of a price expressed by the reference active market for the instrument concerned.

Conversely, transfers from Level2 to Level3 (or vice versa) are decided on the basis of the significance of the input data, in particular the weight which non-observable data have in the inputs compared to observable data.

A.4.4 Other information

The Mediobanca Group has availed itself of the exception provided under IFRS 13, paragraph 48 from measuring fair value on a net basis for financial assets and liabilities with positions compensating for the counterparty’s market or credit risks.

A.4.5 Fair value ranking

A.4.5.1 Assets and liabilities recognized at fair value on a recurring basis by fair value ranking

(€'000)

Financial assets/ Liabilities measured at fair value	30/6/16			30/6/15		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	3,394,155	5,058,245	82,824	5,075,095	5,357,207	408,794
2. Financial assets recognized at fair value	—	—	—	—	—	—
3. AFS securities	6,957,349	500,189	210,551	5,844,452	321,819	240,790
4. Hedge derivatives	—	936,702	—	—	817,729	—
5. Tangible assets	—	—	—	—	—	—
6. Intangible assets	—	—	—	—	—	—
Total	10,351,504	6,495,136	293,375	10,919,547	6,496,755	649,584
1. Financial liabilities held for trading	(2,286,362)	(4,695,514)	(61,121)	(3,074,413)	(5,040,212)	(355,106)
2. Financial liabilities recognized at fair value	—	—	—	—	—	—
3. Hedge derivatives	—	(726,274)	—	—	(584,685)	—
Total	(2,286,362)	(5,421,788)	(61,121)	(3,074,413)	(5,624,897)	(355,106)

The Level3 instruments held for trading include options traded, i.e. contracts with the same underlying instrument but executed with different counterparties, in an amount of €43.2m (30/6/15: €323.8m), plus €4.8m (€5.3m) in options linked to bonds issued and hedged on the market.

Net of these items, the Level3 assets decreased from €79.7m to €34.8m, including €18.2m reclassified to Level2, new deals worth €2.7m, disposals and redemptions totalling €19m, and other changes, including movements in fair value, amounting to €10.4m.

AFS assets consist of investments in unlisted companies (valued on the basis of internal models) and private equity funds. During the year under review AFS assets declined from €240.8m to €210.5m, representing the balance between €62.2m in additions and €92.4m in reductions (€8.3m transfers to Level1).

A.4.5.2 Annual changes in financial assets recognized at fair value on a recurring basis (level 3 assets)

(€'000)

	FINANCIAL ASSETS			
	Held for trading [1]	Recognized at fair value	AFS [2]	Hedges
1. Balance at start of period	79,702	—	240,790	—
2. Additions	6,571	—	62,197	—
2.1 Purchases	2,685	—	51,840	—
2.2 Profits recognized in:	3,886	—	10,355	—
2.2.1 profit and loss	3,886	—	32	—
- of which, gains	1,360	—	—	—
2.2.2 net equity	X	X	10,323	—
2.3 Transfers from other levels	—	—	—	—
2.4 Other additions	—	—	2	—
3. Reductions	51,441	—	92,443	—
3.1 Disposals	3,707	—	60,512	—
3.2 Redemptions	15,308	—	3,360	—
3.3 Losses recognized in:	13,446	—	20,265	—
3.3.1 profit and loss	13,446	—	12,681	—
- of which, losses	13,438	—	12,592	—
3.3.2 net equity	X	X	7,584	—
3.4 Transfers to other levels	18,238	—	8,306	—
3.5 Other reductions	742	—	—	—
4. Balance at end of period	34,832	—	210,544	—

[1] Includes market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€4.8m as at 30/6/16 and €5.3m as at 30/6/15) as well as options traded (€43.2m and €323.8m 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.

A.4.5.3 Annual changes in liabilities recognized at fair value on a recurring basis (level 3 liabilities)

(€'000)

	FINANCIAL LIABILITIES		
	Held for trading [1]	Recognized at fair value	Hedges
1. Balance at start of period	26,016	—	—
2. Additions	4,246	—	—
2.1 Issues	2,508	—	—
2.2 Losses recognized in:	1,738	—	—
2.2.1 profit and loss	1,738	—	—
- of which, losses	1,738	—	—
2.2.2 net equity	X	X	—
2.3 Transfers from other levels	—	—	—
2.4 Other additions	—	—	—
3. Reductions	17,129	—	—
3.1 Redemptions	6,636	—	—
3.2 Buybacks	—	—	—
3.3 Profits recognized in:	8,425	—	—
3.3.1 profit and loss	8,425	—	—
- of which, gains	6,939	—	—
3.3.2 net equity	X	X	—
3.4 Transfers to other levels	2,068	—	—
3.5 Other reductions	—	—	—
4. Balance at end of period	13,133	—	—

[1] Includes market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€4.8m as at 30/6/16 and €5.3m as at 30/6/15) as well as options traded (€43.2m and €323.8m respectively), the values of which are recorded as both assets and liabilities for the same amount.

A.4.5.4 Assets and liabilities not recognized at fair value or recognized at fair value on a non-recurring basis, by fair value ranking

(€ 000)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	30/6/16				30/6/15			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Financial assets held to maturity	1,963,258	1,968,923	59,439	19,459	1,302,837	1,327,890	43,100	21,002
2. Due from banks	15,029,843	—	12,946,272	2,080,773	10,784,548	—	10,592,135	192,479
3. Due from customers	19,552,312	—	9,926,711	9,619,056	24,859,774	—	13,369,752	11,459,716
4. Tangible assets held for investment purposes	25,917	—	—	92,030	25,835	—	—	92,030
5. Non-current assets and groups of assets being sold	—	—	—	—	—	—	—	—
Total	36,571,330	1,968,923	22,932,422	11,811,318	36,972,994	1,327,890	24,004,987	11,765,227
1. Due to banks	19,748,564	—	19,748,564	—	19,449,009	—	19,449,009	—
2. Due to customers	3,855,264	—	3,855,264	—	4,015,148	—	4,015,148	—
3. Debt securities in issue	19,536,497	1,264,876	18,712,242	19,159	19,990,871	1,990,109	18,808,960	20,848
4. Liabilities in respect of non-current assets being sold	—	—	—	—	—	—	—	—
Total	43,140,325	1,264,876	42,316,070	19,159	43,455,028	1,990,109	42,273,117	20,848

A.5 - Information on day one profit/loss

For Level3 transactions, the fair value derived from the model may differ from the price of the transaction itself. If the difference is positive (day one profit), it is amortized over the outstanding life of the financial instrument; if it is negative (day one loss), it is taken directly to the profit and loss account, on prudential grounds. Any subsequent changes in fair value will therefore be linked to the trends in the various risk factors to which the instrument is exposed (interest rate/exchange rate risk, etc.) and recorded directly in the profit and loss account.

At the reporting date the Group's consolidated financial statements do not contain any amounts reflecting suspended day one profits/losses in the profit and loss account to be released over time.

Part B - Notes to Individual Balance Sheet *

Assets

SECTION 1

Heading 10: Cash and cash equivalents

1.1 Cash and cash equivalents: composition

	30/6/16	30/6/15
a) Cash	468	438
b) Demand deposits with Central banks	101,686	4,350
Total	102,154	4,788

* 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 **

Items/Values	30/6/16			30/6/15		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Balance-sheet assets						
1. Debt securities	1,344,175	547,331	11,194	2,449,283	611,465	22,259
1.1 Structured securities	10,955	33,527	—	49,616	121,952	—
1.2 Others	1,333,220	513,804	11,194	2,399,667	489,513	22,259
2. Equity instruments[1]	1,275,776	—	—	1,724,922	24,634	—
3. Units in investment funds[1]	141,488	—	10,793	279,199	—	10,561
4. Loans	—	—	—	—	—	—
4.1 Repos	—	—	—	—	—	—
4.2 Others	—	—	—	—	—	—
Total A	2,761,439	547,331	21,987	4,453,404	636,099	32,820
B. Derivative instruments						
1. Financial derivatives	632,716	4,319,078	60,837	621,691	4,507,469	375,974
1.1 Trading	632,716	3,852,201	55,931 [2]	621,691	4,101,492	370,479 [2]
1.2 Related to fair value option	—	—	—	—	—	—
1.3 Others	—	466,877	4,906 [3]	—	405,977	5,495 [3]
2. Credit derivatives	—	191,836	—	—	213,639	—
2.1 Trading	—	191,836	—	—	213,639	—
2.2 Related to fair value option	—	—	—	—	—	—
2.3 Others	—	—	—	—	—	—
Total B	632,716	4,510,914	60,837	621,691	4,721,108	375,974
Total (A+B)	3,394,155	5,058,245	82,824	5,075,095	5,357,207	408,794

* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A – "Accounting Policies".

[1] Equities as at 30/6/16 include shares committed in securities lending transactions totalling €483,011,000 (30/6/15: €1,598,144,000).

[2] Respectively €43,185,000 and €323,795,000 by way of options traded, with the equivalent amount being recorded as trading liabilities

[3] Includes the market value of options (€4.8m at 30/6/16 and (€5.3m at 30/6/15) covering those linked with bonds issued by Mediobanca S.p.A., with the equivalent amount being recorded as trading liabilities.

2.2 Financial assets held for trading: by borrower/issuer

Items/Values	30/6/16	30/6/15
A. Financial assets (non-derivatives)		
1. Debt securities	1,902,700	3,083,007
a) Governments and Central banks	1,334,319	1,807,748
b) Other public-sector entities	11,990	64,042
c) Banks	67,813	311,772
d) Other issuers	488,578	899,445
2. Equity instruments	1,275,776	1,749,556
a) Banks	35,583	65,479
b) Other issuers:	1,240,193	1,684,077
- Insurance companies	53,537	31,102
- Financial companies	92,027	176,345
- Non-financial companies	1,094,629	1,476,630
- Other	—	—
3. Units in investment funds	152,281	289,760
4. Loans	—	—
a) Goverments and Central banks	—	—
b) Other public-sector entities	—	—
c) Banks	—	—
d) Other issuers	—	—
Total A	3,330,757	5,122,323
B. Derivative instruments		
a) Banks	3,033,897	3,514,436
- Fair Value	3,033,897	3,514,436
b) Customers	2,170,570	2,204,337
- Fair Value	2,170,570	2,204,337
Total B	5,204,467	5,718,773
Total (A+B)	8,535,224	10,841,096

SECTION 4

Heading 40: Available for sale (AFS) securities

4.1 AFS securities: composition

Items/Values	30/6/16			30/6/15		
	Level 1	Level 2	Level 3*	Level 1	Level 2	Level 3*
1. Debt securities	6,315,963	500,189	—	5,497,743	321,819	11,686
1.1 Structured securities	—	—	—	—	—	—
1.2 Other	6,315,963	500,189	—	5,497,743	321,819	11,686
2. Equity instruments	641,386	—	32,350	346,709	—	105,933
2.1 Designated at fair value	641,386	—	32,350	346,709	—	105,933
2.2 Recognised at cost	—	—	—	—	—	—
3. Units in investment funds	—	—	178,201	—	—	123,171
4. Loans	—	—	—	—	—	—
Total	6,957,349	500,189	210,551	5,844,452	321,819	240,790

[1] Includes shares in non-listed companies based on internal rating models.

4.2 AFS securities: by borrower/issuer

Items/Values	30/6/16	30/6/15
1. Debt securities	6,816,152	5,831,248
a) Governments and Central banks	5,196,469	4,365,306
b) Other public-sector entities	229,297	—
c) Banks	612,829	614,802
d) Other entities	777,557	851,140
2. Equity instruments	673,736	452,642
a) Banks	—	—
b) Other issuers:	673,736	452,642
- Insurance companies	—	—
- Financial companies	12,351	31,751
- Non-financial companies	661,385	420,891
- Other	—	—
3. Units in investment funds (including Private Equity funds)	178,201	123,171
4. Loans	—	—
a) Governments and Central banks	—	—
b) Other public-sector entities	—	—
c) Banks	—	—
d) Other entities	—	—
Total	7,668,089	6,407,061

4.3 AFS securities: assets subject to specific hedging

Items/Values	30/6/16	30/6/15
1. Financial instruments subject to fair value micro hedging	1,909,659	314,292
a) Interest rate risk	1,909,659	314,292
b) Currency rsk	—	—
c) Credit risk	—	—
d) Multiple risks	—	—
2. Financial instruments subject to cash flow micro hedging	85,692	—
a) Interest rate risk	—	—
b) Currency rsk	—	—
c) Other	85,692	—
Total	1,995,351	314,292

SECTION 5

Heading 50: Financial assets held to maturity

5.1 Financial assets held to maturity: composition

	Total 30/6/16				Total 30/6/15			
	Book Value	Fair value			Book Value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	1,963,258	1,968,923	59,439	19,459	1,302,837	1,327,890	43,100	21,002
- structured	—	—	—	—	—	—	—	—
- other	1,963,258	1,968,923	59,439	19,459	1,302,837	1,327,890	43,100	21,002
2. Loans	—	—	—	—	—	—	—	—

5.2 Assets held to maturity: by borrower/issuer

Type of transaction/Values	30/6/16	30/6/15
1. Debt securities	1,963,258	1,302,837
a) Government and Central banks	1,108,290	350,165
b) Other public-sector entities	—	—
c) Banks	259,887	330,898
d) Other issuers	595,081	621,774
2. Loans	—	—
a) Government and Central banks	—	—
b) Other public-sector entities	—	—
c) Banks	—	—
d) Other entities	—	—
Total	1,963,258	1,302,837
Total Fair Value	2,047,821	1,391,992

SECTION 6

Heading 60: Due from banks

6.1 Due from banks: composition

Type of transactions/Values	30/6/16				30/6/15			
	Book Value	Fair value			Book Value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Loans to Central Banks	126,505	—	126,505	—	111,398	—	111,398	—
1. Time deposits	—	X	X	X	—	X	X	X
2. Compulsory reserves	126,505	X	X	X	111,398	X	X	X
3. Repos	—	X	X	X	—	X	X	X
4. Other	—	X	X	X	—	X	X	X
B. Loans to banks	14,903,338	—	12,819,767	2,080,773	10,673,150	—	10,480,737	192,479
1. Loans	14,903,338	—	12,819,767	2,080,773	10,673,150	—	10,480,737	192,479
1.1 Current accounts and demand deposits	780,059	X	X	X	493,748	X	X	X
1.2 Time deposits	339,505	X	X	X	30,055	X	X	X
1.3 Other loans	13,783,774	X	X	X	10,149,347	X	X	X
- Repos	2,758,981	X	X	X	4,429,255	X	X	X
- Finance leases	—	X	X	X	—	X	X	X
- Other*	11,024,793	X	X	X	5,720,092	X	X	X
2. Debt securities	—	—	—	—	—	—	—	—
2.1 Structured	—	X	X	X	—	X	X	X
2.2 Other	—	X	X	X	—	X	X	X
Total	15,029,843	—	12,946,272	2,080,773	10,784,548	—	10,592,135	192,479

* As at 30/6/16 this item includes amounts receivable from Group company Compass Banca S.p.A., which became a bank on 1 October 2015.

SECTION 7

Heading 70: Due from customers

7.1 Due from customers: composition

Type of transaction/Value	30/6/16						30/6/15					
	Book Value			Fair value			Book Value			Fair Value		
	Performing	Non performing		Level 1	Level 2	Level 3	Performing	Non performing		Level 1	Level 2	Level 3
		Purchased	Other					Purchased	Other			
Loans	16,218,937	—	377,774	—	9,850,518	6,702,254	20,797,246	—	419,094	—	13,120,993	8,050,295
1. Current accounts	342,294	—	—	X	X	X	88,918	—	—	X	X	X
2. Repos	3,567,070	—	—	X	X	X	3,689,916	—	—	X	X	X
3. Mortgages	11,562,830	—	377,774	X	X	X	15,147,952	—	419,094	X	X	X
4. Credit cards, personal loans and salary-backed finance	—	—	—	X	X	X	—	—	—	X	X	X
5. Financial leases	—	—	—	X	X	X	—	—	—	X	X	X
6. Factoring	—	—	—	X	X	X	—	—	—	X	X	X
7. Other loans*	746,743	—	—	X	X	X	1,870,460	—	—	X	X	X
Debt securities	2,955,601	—	—	—	76,193	2,916,802	3,643,434	—	—	—	248,759	3,409,421
8. Structured instruments	—	—	—	X	X	X	—	—	—	X	X	X
9. Others1	2,955,601	—	—	X	X	X	3,643,434	—	—	X	X	X
Total	19,174,538	—	377,774	—	9,926,711	9,619,056	24,440,680	—	419,094	—	13,369,752	11,459,716

[1] €2,765,829,000 of which in respect of securitizations by Group companies (Compass and Futuro).

* As at 30/6/15 this item includes amounts receivable from Group company Compass Banca S.p.A., which became a bank in October 2015.

7.2 Due from customers: by borrower/issuer

Type of transaction/Values	30/6/16			30/6/15		
	Performing	Non performing		Performing	Non performing	
		Purchased	Other		Purchased	Other
1. Debt securities issued by:	2,955,601	—	—	3,643,434	—	—
a) Governments	—	—	—	—	—	—
b) Other public-sector entities	—	—	—	—	—	—
c) Other issuers	2,955,601	—	—	3,643,434	—	—
- Non-financial companies	—	—	—	17,949	—	—
- Financial companies	2,955,601	—	—	3,625,485	—	—
- Insurance companies	—	—	—	—	—	—
- Other	—	—	—	—	—	—
2. Loans to:	16,218,937	—	377,774	20,797,246	—	419,094
a) Governments	—	—	—	—	—	—
b) Other public-sector entities	425,699	—	—	53,489	—	—
c) Other entities	15,793,238	—	377,774	20,743,757	—	419,094
- Non-financial companies	7,930,785	—	360,290	7,968,018	—	401,611
- Financial companies	7,091,880	—	17,484	11,838,567	—	17,483
- Insurance companies	769,088	—	—	935,697	—	—
- Other	1,485	—	—	1,475	—	—
Total	19,174,538	—	377,774	24,440,680	—	419,094

* In October 2015 Compass obtained authorization from the Bank of Italy to operate as a bank, hence its balances have been transferred to the heading “Due from banks”.

7.3 Due from customers: assets subject to specific hedging

	30/6/16	30/6/15
1. Loans and receivables subject to micro-hedging of fair value	238,859	326,465
a) Interest rate risk	238,859	326,465
b) Currency risk	—	—
c) Credit risk	—	—
d) Multiple risk	—	—
2. Loans and receivables subject to micro-hedging of cash flows	—	—
a) Interest rate risk	—	—
b) Currency risk	—	—
c) Other	—	—
Total	238,859	326,465

SECTION 8

Heading 80: Hedging derivatives

8.1 Hedging derivatives: by hedge type and level

	30/6/16				30/6/15			
	Fair Value			Nominal value	Fair Value			Nominal value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	936,702	—	10,406,186	—	817,729	—	11,715,335
1) Fair value	—	930,079	—	10,320,507	—	817,729	—	11,715,335
2) Cash flow	—	6,623	—	85,679	—	—	—	—
3) Net investments in foreign subsidiaries	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	936,702	—	10,406,186	—	817,729	—	11,715,335

8.2 Hedging derivatives: by portfolio hedged and hedge type

Transaction/ Type of hedging	Fair Value						Cash-flow hedges		Non Italian investments
	Micro					General	Specific	General	
	Interest rate risk	Currency risk	Credit risk	Price risk	Multiple risk				
1. Available-for-sale financial instruments	—	—	—	—	—	X	—	X	X
2. Loans and receivables	—	—	—	X	—	X	—	X	X
3. Held-to-maturity investments	X	—	—	X	—	X	—	X	X
4. Portfolio	X	X	X	X	X	—	X	—	X
5. Others	—	—	—	—	—	X	—	X	—
Total assets	—	—	—	—	—	—	—	—	—
1. Financial liabilities	930,079	—	—	X	—	X	—	X	X
2. Portfolio	X	X	X	X	X	—	X	—	X
Total liabilities	930,079	—	—	—	—	—	—	—	—
1. Estimated transactions	X	X	X	X	X	X	6,623	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	—	X	—	—

SECTION 10

Heading 100: Equity investments

As at 30 June 2016, the stakes held as part of the Equity investment portfolio reflected a book value of €2,678.7m.

10.1 Equity investments: disclosure on relationships

Company name	Legal office	Operating office	Shareholding %	Voting right %
A. Directly-held investments				
Cairn Capital Group Limited * Share Capital GBP 263,000	London	London	100.0 *	51.0
CheBanca S.p.A. Share capital € 220m, in par value € 0.50 shares	Milan	Milan	100.0	100.0
Compagnie Monegasque de Banque - CMB S.A.M. Share capital € 111.1m, in par value € 200 shares	Monte Carlo	Monte Carlo	100.0	100.0
Compass Banca S.p.A. Share capital € 587.5m, in par value € 5 shares	Milan	Milan	100.0	100.0
Mediobanca Innovation Services - MIS S.c.p.A. Share capital € 35m, in par value € 5 shares	Milan	Milan	99.99	99.99
MB Advisory Kurumsal Danismanlik Hizmetleri A.S. Share capital TRY 7.1m	Istanbul	Istanbul	100.0	100.0
MB Facta S.p.A. Share capital € 3m	Milan	Milan	100.0	100.0
MB International (Luxembourg) S.A. Share capital € 10m, in par value € 10 shares	Luxembourg	Luxembourg	99.0	99.0
MB Messico S.A. C.V. (under liquidation) Share capital MXN 16.3m	Mexico City	Mexico City	100.0	100.0
MB Securities USA LLC Share capital $ 2.25m	New York	New York	100.0	100.0
Prominvestment S.p.A. (under liquidation) Share capital € 743,000, in par value € 0.52 shares	Rome	Rome	100.0	100.0
Quarzo MB S.r.l. Share capital € 10,000	Milan	Milan	90.0	90.0
Ricerche e Studi S.p.A. Share capital € 100,000, in par value € 5 shares	Milan	Milan	100.0	100.0
SelmaBipiemme Leasing S.p.A. Share capital € 41.3m, in par value € 0.50 shares	Milan	Milan	60.0	60.0
Spafid S.p.A. Share capital € 100,000, in par value € 10 shares	Milan	Milan	100.0	100.0
B. Jointly-controlled companies				
Banca Esperia Share capital € 63m, in par value € 0.52 shares	Milan	Milan	50.0	50.0
C. Companies subject to significant influence				
Assicurazioni Generali Share capital € 1,556.9m, in par value € 1 shares	Trieste	Trieste	13.0	13.0
Athena Private Equity S.A. (under liquidation) Share capital € 19.6m, in par value € 0.26 shares	Luxembourg	Luxembourg	24.27	24.27
Burgo Group Share capital € 20m, in shares without nominal value	Altavilla Vicentina (VI)	Milan	22.13	22.13

* Taking into account the put-and-call option exercisable from the fifth year after the date on which the transaction was executed.

10.2 Significant equity investments: book value, fair value and dividends received

Company name	Book value	Fair Value	Dividends received
A. Directly-held companies			
Cairn Capital Group Limited	33,466		
CheBanca! S.p.A.	283,216	n.a.	—
Compagnie Monegasque de Banque - CMB S.A.M.	371,682	n.a.	—
Compass Banca S.p.A.	764,492	n.a.	—
Mediobanca Innovation Services - MIS S.C.p.A.	35,020	n.a.	—
MB Advisory Kurumsal Danismanlik Hizmetleri A. S.	272	n.a.	—
MB Facta S.p.A.	3,023	n.a.	—
MB International (Luxembourg) S.A.	5,942	n.a.	—
MB Messico S.A. C.V. (under liquidation)	—	n.a.	—
MB Securities USA LLC	211	n.a.	—
Prominvestment S.p.A. (under liquidation)	—	n.a.	—
Quarzo MB S.r.l.	9	n.a.	—
Ricerche e Studi S.p.A.	103	n.a.	—
SelmaBipiemme Leasing S.p.A.	32,909	n.a.	—
Spafid S.p.A.	3,888	n.a.	—
B. Jointly-controlled companies			
Banca Esperia	54,290	n.a.	—
C. Companies under significant influence			
Assicurazioni Generali	1,096,272	2,138,628	145,954
Athena Private Equity S.A. (under liquidation)	2,891	n.a.	—
Burgo Group	—	n.a.	—
Total	2,687,686		

An illustration of the reasons why an investee company is subject to joint control or significant influence is contained in Section 3, Part A, “Accounting policies”, to which reference is made.

*10.3 Significant equity investments: financial information **

Company name	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues **	Interest margin	Adjustments and reversals on tangible and intangible assets	Profit/(Loss) from ordinary activities before tax	Profit/(Loss) from ordinary activities after tax	Profit/(Loss) from held-for-sale assets after tax	Profit/(Loss) for the period (1)	Other profit/loss items after tax (2)	Total profit/loss (3) = (1) +(2)
A. Directly-controlled companies														
Cairn Capital Group Limited ***	—	4,295	9,152	340	3,872	8,769	1	(78)	(1,233)	(997)	—	(997)	54	(943)
Chebanca! S.p.A.	50,469	14,438,187	201,166	14,281,923	180,113	192,058	148,516	(2,550)	7,683	4,251	—	4,251	(2,685)	1,566
Compagnie Monegasque de Banque - CMB S.A.M.	2,221	3,731,225	35,500	3,023,701	26,576	84,289	31,000	(8,300)	31,674	28,826	—	28,826	(5,935)	22,891
Compass Banca S.p.A.	1,481	9,994,372	970,595	9,418,379	184,373	694,883	693,838	(4,175)	196,403	143,222	—	143,222	(25,355)	117,867
Mediobanca Innovation Services - MIS S.c.p.A.	1	37	68,127	16,245	14,338	—	—	(9,378)	(630)	1	—	1	(84)	(83)
MB Advisory Kurumsal Danismanlik Hizmetleri A. S.	—	35	181	3	73	68	14	(21)	(1,500)	(1,500)	—	(1,500)	—	(1,500)
MB Facta S.p.A.	—	2,880	154	—	1	—	—	—	(24)	(24)	—	(24)	—	(24)
MB International (Luxembourg) S.A.	—	6,280,058	20,211	5,963,208	29,288	33,712	30,340	(13)	26,987	19,048	—	19,048	—	19,048
MB Messico S.A. C.V. (under liquidation)	—	162	10	—	1	8	8	(38)	(546)	(555)	—	(555)	—	(555)
MB Securities USA LLC	—	6,225	684	1,816	1,561	3,691	(58)	(2)	1,022	288	—	288	—	288
Prominvestment S.p.A. (under liquidation)	—	4,551	786	2,596	4,581	73	(15)	—	(709)	(709)	—	(709)	—	(709)
Quarzo MB S.r.l.	—	10	—	—	—	—	—	—	—	—	—	—	—	—
Ricerche e Studi S.p.A.	3	397	521	—	869	—	—	—	4	(5)	—	(5)	(18)	(23)
SelmaBipiemme Leasing S.p.A.	7	2,592,274	184,298	2,512,031	41,541	52,801	53,286	(4,045)	11,577	7,676	—	7,675	(1,398)	6,277
Spafid S.p.A.	4	44,615	10,088	2,264	9,635	7,530	553	(107)	1,633	1,125	—	1,125	(49)	1,076
B. Jointly-controlled companies														
Banca Esperia	129	1,818,526	108,338	1,667,532	71,721	82,583	12,834	(1,769)	11,514	6,550	—	6,550	-500	6,050
C. Companies subject to significant influence														
Assicurazioni Generali	X	459,154,000	32,350,000	58,732,000	417,108,000	91,961,000	X	X	3,407,000	2,295,000	(35,000)	2,259,000	(46,000)	2,213,000
Athena Private Equity S.A. (under liquidation)	X	22,320	—	48	295	724	X	X	265	8	—	8	—	8
Burgo Group	X	657,408	1,125,434	1,319,773	175,360	2,212,330	X	X	149,990	154,858	(2,102)	152,755	7,036	159,791

* All data in Euros, including for non-Italian Group companies.

** Interim results: total income as per the financial statements.

*** P&L data refer to six months ended 30/6/16.

Impairment testing of equity investments

On 31 December 2015, a controlling interest was acquired in Cairn Capital Group Ltd, an asset management company specializing in credit products. The consideration paid in respect of 51% of the company was £23m, which increased by a further £1.3m at end-June 2016 to reflect changes in working capital. At the reporting date the investment was carried at a book value of €33.5m.

During the twelve months under review, the Burgo Group debt restructuring agreement was finalized (pursuant to Article 67 of Italian law 80/05), resulting in the previous exposure (€496.5m) being converted into: i) equity instruments worth €130.4m; ii) a €65.2m convertible bond; and iii) a residual loan of €300.9m expiring in 2022. The new instruments assigned to Mediobanca entail rights basically protecting the creditors' position and do not alter the ownership interest. As previously, these instruments have been written off entirely on a prudential basis using the existing provisions.

Sinto MB and Telco MB have both been excluded, after being merged into Mediobanca; and MB Facta (previously Consortium) implemented a capital increase in an amount of €2.9m, while the Fidia investment was written off, with a total of €0.5m collected during the final liquidation, and a further €1m was collected from Athena PE, also in connection with the fund's liquidation process.

The other investments (Assicurazioni Generali and Banca Esperia) continue to be recognized at cost.

The book value of the stake in CheBanca! has been subject to impairment testing, but shows no evidence of impairment.

10.5 Equity investments: movements during the period

	30/6/16	30/6/15
A. Opening balance	3,159,688	2,667,950
B. Increases	77,672	492,653
B.1 Purchases	36,114	5,311
B.2 Writebacks	—	—
B.3 Revaluations	—	—
B.4 Other changes	41,558	487,342
C. Decreases	549,674	915
C.1 Sales	59,859	2
C.2 Adjustments	2,475	913
C.3 Other changes	487,340	—
D. Closing balance	2,687,686	3,159,688
E. Total revaluations	—	—
F. Total adjustments	820,806	818,331

Movements during the period include the inflow due to Sinto MB (€487,421,000) and the gain arising on disposal of shares in Assicurazioni Generali (€41.6m).

SECTION 11

Heading 110: Property, plant and equipment

11.1 Tangible core assets stated at cost

Assets/Values	30/6/16	30/6/15
1. Assets owned by the Group	93,453	95,585
a) land	67,897	67,897
b) buildings	20,634	21,738
c) furniture	1,153	1,096
d) electronic equipment	1,476	1,837
e) other assets	2,293	3,017
2. Assets acquired under finance leases	—	—
a) land	—	—
b) buildings	—	—
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	—	—
Total	93,453	95,585

11.2 Tangible assets held for investment purposes stated at cost : composition

Items/Value	30/6/16				30/6/15			
	Book Value	Fair Value			Book Value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Owned assets	25,917	—	—	92,030	25,835	—	—	92,030
a) Land	20,350	—	—	72,491	20,350	—	—	72,491
b) Buildings	5,567	—	—	19,539	5,485	—	—	19,539
2. Leased assets	—	—	—	—	—	—	—	—
a) Land	—	—	—	—	—	—	—	—
b) Buildings	—	—	—	—	—	—	—	—
Total	25,917	—	—	92,030	25,835	—	—	92,030

11.5 Tangible core assets: movements during the period

Assets/Values	Land	Buildings	Furniture	Computer systems	Other	Total
A. Gross opening balance	67,897	40,360	4,851	7,256	19,397	139,761
A.1 Total net reduction value	—	(18,622)	(3,755)	(5,419)	(16,380)	(44,176)
A.2 Net opening balance	67,897	21,738	1,096	1,837	3,017	95,585
B. Increases	—	62	373	145	538	1,118
B.1 Purchases	—	—	373	145	538	1,056
B.2 Capitalized expenditures on improvements	—	62	—	—	—	62
B.3 Write-backs	—	—	—	—	—	—
B.4 Positive changes in fair value allocated to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss	—	—	—	—	—	—
B.5 Exchange differences (+)	—	—	—	—	—	—
B.6 Transfer from investment properties	—	—	—	—	—	—
B.7 Other adjustments	—	—	—	—	—	—
C. Decreases	—	1,166	316	506	1,262	3,250
C.1 Sales	—	—	—	—	—	—
C.2 Amortizations	—	1,166	305	506	1,238	3,215
C.3 Impairment losses allocated to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss	—	—	—	—	—	—
C.4 Negative changes in fair value allocated to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss	—	—	—	—	—	—
C.5 Exchange differences (+)	—	—	—	—	—	—
C.6 Transfers to:	—	—	—	—	—	—
a) tangible assets held for investment purpose	—	—	—	—	—	—
b) assets classified as held-for-sale	—	—	—	—	—	—
C.7 Other adjustments	—	—	11	—	24	35
D. Net closing balance	67,897	20,634	1,153	1,476	2,293	93,453
D.1 Total net writedowns	—	(19,846)	(4,027)	(5,925)	(17,318)	(47,116)
D.2 Final gross balance	67,897	40,480	5,180	7,401	19,611	140,569
E. Carried at cost	—	—	—	—	—	—

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

	Total	
	Land	Building
A. Gross opening balance	20,350	5,485
B. Increases	—	536
B.1 Purchases	—	—
B.2 Capitalized expenditures on improvements	—	536
B.3 Increases in fair value	—	—
B.4 Write-backs	—	—
B.5 Positive exchange differences	—	—
B.6 Transfers from properties used in the business	—	—
B.7 Other changes	—	—
C. Reductions	—	454
C.1 Disposals	—	—
C.2 Depreciations	—	454
C.3 Negative changes in fair value	—	—
C.4 Impairment losses	—	—
C.5 Negative exchange differences	—	—
C.6 Transfers to:	—	—
a) properties used in the business	—	—
b) non-current assets classified as held-for-sale	—	—
C.7 Other changes	—	—
D. Closing balance	20,350	5,567
E. Measured at fair value	72,491	19,539

SECTION 12

Heading 120: Intangible assets

12.1 Intangible assets: composition

Assets/Values	30/6/16		30/6/15	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	—	X	—
A.2 Other intangible assets	12,665	—	10,761	—
A.2.1 Assets valued at cost	12,665	—	10,761	—
a) Intangible assets generated internally	—	—	—	—
b) Other assets	12,665	—	10,761	—
A.2.2 Assets valued at fair value	—	—	—	—
a) Intangible assets generated internally	—	—	—	—
b) Other assets	—	—	—	—
Total	12,665	—	10,761	—

12.2 Intangible assets: movements during the period

	Goodwill	Other intangible assets generated internally		Other intangible assets		Total
		Finite	Indefinite	Finite	Indefinite	
A. Gross opening balance	—	—	—	65,434	—	65,434
A.1 Total net reduction in value	—	—	—	(54,673)	—	(54,673)
A.2 Net opening balance	—	—	—	10,761	—	10,761
B. Increases	—	—	—	7,867	—	7,867
B.1 Purchases	—	—	—	7,867	—	7,867
B.2 Increases in intangible assets generated internally	X	—	—	—	—	—
B.3 Write-backs	X	—	—	—	—	—
B.4 Increases in fair value allocated to:	—	—	—	—	—	—
- net equity	X	—	—	—	—	—
- profit and loss	X	—	—	—	—	—
B.5 Positive exchange differences	—	—	—	—	—	—
B.6 Other changes	—	—	—	—	—	—
C. Reduction	—	—	—	5,963	—	5,963
C.1 Disposals	—	—	—	—	—	—
C.2 Writedowns	—	—	—	5,963	—	5,963
- Amortization	X	—	—	5,963	—	5,963
- Writedowns	—	—	—	—	—	—
+ in equity	X	—	—	—	—	—
+ in profit and loss	—	—	—	—	—	—
C.3 Reduction in fair value allocated to	—	—	—	—	—	—
- net equity	X	—	—	—	—	—
- profit and loss	X	—	—	—	—	—
C.4 Transfers to non-current assets held-for-sale	—	—	—	—	—	—
C.5 Negative exchange differences	—	—	—	—	—	—
C.6 Other changes	—	—	—	—	—	—
D. Net closing balance	—	—	—	12,665	—	12,665
D.1 Total net reduction in value	—	—	—	(60,636)	—	(60,636)
E. Closing balance	—	—	—	73,301	—	73,301
F. Carried at cost	—	—	—	—	—	—

SECTION 13

Asset heading 130 and Liability heading 80: Tax assets and liabilities

13.1 Advance tax assets: composition

	30/6/16	30/6/15
Balancing to the Profit and Loss	125,090	131,717
Balancing to the Net Equity	7,232	10,568
Total	132,322	142,285

13.2 Deferred tax liabilities: composition

	30/6/16	30/6/15
Balancing to the Profit and Loss	212,325	213,207
Balancing to the Net Equity	84,277	76,805
Total	296,602	290,012

13.3 Changes in advance tax during the period

	30/6/16	30/6/15
1. Opening balance	131,717	134,733
2. Increases	7,039	25,932
2.1 Deferred tax assets of the year	7,039	24,141
a) Relating to previous years	—	—
b) Due to change in accounting policies	—	—
c) Write-backs	—	—
d) Other (creation of temporary differences, use of TLCF)	7,039	24,141
2.2 New taxes or increase in tax rates	—	1,791
2.3 Other increases	—	—
3. Decreases	13,666	28,948
3.1 Deferred tax assets derecognized in the year	13,666	28,948
a) Reversals of temporary differences	13,666	28,948
b) Writedowns of non-recoverable items	—	—
c) Change in accounting policies	—	—
d) Other	—	—
3.2 Reduction in tax rates	—	—
3.3 Other decreases	—	—
a) Conversion into tax credit under L. 214/2011	—	—
b) Other	—	—
4. Final amount	125,090	131,717

13.3.1 Changes in advance tax during the period pursuant to Italian Law 214/2011 (balancing to the profit and loss) *

	30/6/16	30/6/15
1. Opening balance	56,020	51,888
2. Increases	1,822	20,548
3. Decreases	—	16,416
3.1 Reversals of temporary differences	—	16,416
3.2 Conversion on tax credit deriving from	—	—
a) year losses	—	—
b) tax losses	—	—
3.3 Other decreases	—	—
4. Final amount	57,842	56,020

* Italian decree law 59/16 in respect of deferred tax assets pursuant to Italian law 214/11 was converted into law on 30 June 2016. The regulation stipulates that, in order to retain the right to convert deferred tax assets into tax credits, an irrevocable option must be expressly exercised, which provides for payment of an annual charge until 2029, equal to 1.5% of the difference between the increase in advance tax assets since 30 June 2008 and the tax paid during the intervening period. Mediobanca has exercised this option to retain its right under the regulations in force to convert its deferred tax assets. No charge will be payable given that the amount of tax paid is higher than the increase in the deferred tax assets since 30 June 2008.

13.4 Changes in deferred tax during the period (balancing to the profit and loss)

	30/6/16	30/6/15
1. Opening balance	213,207	213,798
2. Increases	—	—
2.1 Deferred tax liabilities of the year	—	—
a) Relating to previous years	—	—
b) Due to change in accounting policies	—	—
c) Other	—	—
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	—	—
3. Decreases	882	591
3.1 Deferred tax liabilities derecognized in the year	882	591
a) Reversals of temporary differences	882	591
b) Due to change in accounting policies	—	—
c) Other	—	—
3.2 Reductions in tax rates	—	—
3.3 Other decreases	—	—
4. Final amount	212,325	213,207

13.5 Changes in advance tax during the period (balancing to the net equity)[1]

	30/6/16	30/6/15
1. Opening balance	10,568	7,357
2. Increases	30,417	10,568
2.1 Deferred tax assets of the year	30,417	10,568
a) Relating to previous years	—	—
b) Due to change in accounting policies	—	—
c) Other (creation of temporary differences)	30,417	10,568
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	—	—
3. Decreases	33,753	7,357
3.1 Deferred tax assets derecognized during the year	33,753	7,357
a) Reversals of temporary differences	33,753	7,357
b) Writedowns of non-recoverable items	—	—
c) Due to change in accounting policies	—	—
d) Other	—	—
3.2 Reduction in tax rates	—	—
3.3 Other decreases	—	—
4. Final amount	7,232	10,568

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

13.6 Changes in deferred tax during the period (balancing to the net equity)[1]

	30/6/16	30/6/15
1. Opening balance	76,805	85,166
2. Increases	327,135	76,726
2.1 Deferred tax liabilities of the year	323,490	76,726
a) Relating to previous years	—	—
b) Due to change in accounting policies	—	—
c) Other (creation of temporary differences)	323,490	76,726
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	3,645	—
3. Decreases	319,663	85,087
3.1 Deferred tax liabilities derecognized in the year	319,663	85,087
a) Reversals of temporary differences	319,663	85,087
b) Due to change in accounting policies	—	—
c) Other	—	—
3.2 Reduction in tax rates	—	—
3.3 Other decreases	—	—
4. Final amount	84,277	76,805

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

SECTION 15

Heading 150: Other assets

15.1 Other assets: composition

	30/6/16	30/6/15
1. Gold, silver and precious metals	—	—
2. Accrued income other than capitalized income from financial assets	5,194	4,314
3. Trade receivables or invoices to be issued	55,291	49,459
4. Amounts due from tax revenue authorities (not recorded under Heading 140)	9,363	6,865
5. Other items:	35,179	362
- bills for collection	—	—
- amounts due in respect of premiums, grants, indemnities and other items in respect of lending transactions	—	—
- prepaid assets	—	—
- futures and other securities transactions	365	254
- advance payments on deposit commissions	—	3
- other items in transit	—	—
- amounts due from staff	146	105
- improvements on third parties' assets	2,865	—
- fiscal consolidated	28,956	—
- sundry other items	2,847	—
Total Other Assets	105,027	61,000

Liabilities

SECTION 1

Heading 10: Due to banks

1.1 Due to banks: composition

Type of transaction/Values	30/6/16	30/6/15
1. Deposits from Central Banks	5,518,540	5,479,348
2. Deposits from banks	14,230,024	13,969,661
2.1 Other current accounts and demand deposits	10,386,749	8,045,173
2.2 Time deposits	641,878	601,869
2.3 Loans	3,192,872	5,264,195
2.3.1 Repos	2,005,734	4,376,735
2.3.2 Other	1,187,138	887,460
2.4 Liabilities in respect of commitments to repurchase treasury shares	—	—
2.5 Other debt	8,525	58,424
Total	19,748,564	19,449,009
Fair Value - Level1	—	—
Fair Value - Level2	*19,748,564*	*19,449,009*
Fair Value - Level3	—	—
Total Fair Value	19,748,564	19,449,009

1.4 Due to banks: items subject to specific hedges

	30/6/16	30/6/15
1. Liability items subject to micro-hedging of fair value:	790,463	785,165
a) Interest rate risk	790,463	785,165
b) Currency risk	—	—
c) Multiple risks	—	—
2. Liability items subject to micro-hedging of cash flows:	—	—
a) Interest rate risk	—	—
b) Currency risk	—	—
c) Other	—	—
Total	790,463	785,165

SECTION 2

Heading 20: Due to customers

2.1 Due to customers: composition

Type of transaction/Values	30/6/16	30/6/15
1. Current accounts and demand deposits	1,355,770	945,843
2. Time deposits including saving deposits with maturity	52,131	1,343,633
3. Loans	2,446,370	1,725,611
3.1 Repos	2,373,602	1,478,593
3.2 Other	72,768	247,018
4. Liabilities in respect of commitments to repurchase treasury shares	—	—
5. Other	993	61
Total	3,855,264	4,015,148
Fair Value - Level1	—	—
Fair Value - Level2	*3,855,264*	*4,015,148*
Fair Value - Level3	—	—
Total Fair Value	3,855,264	4,015,148

SECTION 3

Heading 30: Debt securities in issue

3.1 Debt securities in issue: composition

Type of securities/ Values	30/6/16				30/6/15			
	Book Value	Fair Value *			Book Value	Fair Value *		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Debt certificates including bonds								
1. Bonds	19,517,338	1,264,876	18,712,242	—	19,970,023	1,990,109	18,808,960	—
1.1 structured	8,028,294	—	8,361,335	—	6,517,020	—	7,136,342	—
1.2 other	11,489,044	1,264,876	10,350,907	—	13,453,003	1,990,109	11,672,618	—
2. Other structured securities	19,159	—	—	19,159	20,848	—	—	20,848
2.1 structured	—	—	—	—	—	—	—	—
2.2 other	19,159	—	—	19,159	20,848	—	—	20,848
Total	19,536,497	1,264,876	18,712,242	19,159	19,990,871	1,990,109	18,808,960	20,848

* The fair values are shown net of Mediobanca issuer risk; if this item is included, the fair value at 30 June 2016 would show a gain of €466m (€305m).

Debt securities in issue fell from €19,970,023 to €19,517,338, on new issuance of €3.5bn including buybacks on the market totalling €4bn (and generating losses of €3.9m), and other upward adjustments (exchange rates, amortized cost and hedging effects) amounting to €89.4m.

3.2 Breakdown of heading 30 "Debt securities in issue": subordinated liabilities

The heading "Debt securities in issue" includes five subordinate lower tier 2 issues, for a total amount of €2,435,864:

Issue	**30/6/16**		
	ISIN code	**Nominal value**	**Book value**
MB GBP Lower Tier II Fixed/Floating Rate Note 2018 (Not included in calculation of regulatory capital)	XS0270002669	22,379	27,102
MB Secondo Atto 5% 2020 Lower Tier 2	IT0004645542	748,151	836,644
MB Quarto Atto a Tasso Variabile 2021 Lower Tier 2	IT0004720436	498,289	498,310
MB CARATTERE 5,75% 2023 Lower Tier 2	IT0004917842	499,863	566,216
MB Valore a Tasso Variabile con minimo 3% annuo 2025	IT0005127508	499,885	507,592
Total subordinated securities		**2,268,567**	**2,435,864**

3.3 Breakdown of heading 30 "Debt securities in issue": items

	30/6/16	**30/6/15**
1. Securities subject to micro-hedging of fair value:	13,470,797	13,396,630
a) Interest rate risk	13,470,797	13,396,630
b) Currency risk	—	—
c) Multiple risks	—	—
2. Securities subject to micro-hedging of cash flows:	—	246,003
a) Interest rate risk	—	246,003
b) Currency risk	—	—
c) Other	—	—
Total	13,470,797	13,642,633

SECTION 4

Heading 40: Trading liabilities

4.1 Trading liabilities: composition

Type of transaction/Values	30/6/16					30/6/15				
	Nominal values	Fair Value			Fair Value *	Nominal values	Fair Value			Fair Value *
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Financial liabilities										
1. Deposits from banks	771,649	825,840	53	—	825,893	1,238,054	1,743,333	—	—	1,743,333
2. Deposits from customers	747,165	799,638	51	—	799,689	415,802	585,502	—	—	585,502
3. Debt securities	—	—	—	—	—	—	—	—	—	—
3.1 Bonds	—	—	—	—	—	—	—	—	—	—
3.1.1 Structured	—	—	—	—	X	—	—	—	—	X
3.1.2 Other bonds	—	—	—	—	X	—	—	—	—	X
3.2 Other securities	—	—	—	—	—	—	—	—	—	—
3.2.1 Structured	—	—	—	—	X	—	—	—	—	X
3.2.2 Other	—	—	—	—	X	—	—	—	—	X
Total (A)	1,518,814	1,625,478	104	—	1,625,582	1,653,856	2,328,835	—	—	2,328,835
B. Derivative instruments										
1. Financial derivatives	—	660,884	4,299,891	60,827	5,021,602	—	745,578	4,540,317	354,320	5,640,215
1.1 Trading	X	660,884	3,822,042	55,642 (1)	X	X	745,578	4,110,016	349,025 (1)	X
1.2 Related with fair value option	X	—	—	—	X	X	—	—	—	X
1.3 Other	X	—	477,849	5,185 (2)	X	X	—	430,301	5,295 (2)	X
2. Credit derivatives	—	—	395,519	294	395,813	—	—	499,895	786	500,681
2.1 Trading	X	—	395,519	294	X	X	—	499,895	786	X
2.2 Related with fair value option	X	—	—	—	X	X	—	—	—	X
2.3 Other	X	—	—	—	X	X	—	—	—	X
Total (B)	X	660,884	4,695,410	61,121	X	X	745,578	5,040,212	355,106	X
Total (A+B)	X	2,286,362	4,695,514	61,121	X	X	3,074,413	5,040,212	355,106	X

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

[1] Respectively €43,185,000 and €323,795,000 for options traded, matching the amount recorded among assets held for trading.

[2] Includes the market value (€4.8m at 30/6/16 and €5.3m) of options covering options matched with bonds issued, against the same amount recorded among assets held for trading.

SECTION 6

Heading 60: Hedging derivatives

6.1 Hedging derivatives: by type of product/underlying asset

	30/6/16				30/6/15			
	Fair Value			Nominal values	Fair Value			Nominal values
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	726,274	—	7,090,812	—	584,685	—	7,533,326
1) Fair value	—	726,274	—	7,090,812	—	576,472	—	7,333,326
2) Cash flow	—	—	—	—	—	8,213	—	200,000
3) Net investment in foreign subsidiaries	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	726,274	—	7,090,812	—	584,685	—	7,533,326

6.2 Hedging derivatives: by portfolio hedged/hedge type

Operations/ Type of hedging	Fair Value						Cash flow		Non-Italian investments
	Micro					General	Specific	General	
	Interest rate risk	Currency risk	Credit risk	Price risk	Multiple risks				
1. AFS securities	98,473	—	—	—	—	X	—	X	X
2. Loans and advances	4,245	—	—	X	—	X	—	X	X
3. Held to maturity investments	X	—	—	X	—	X	—	X	X
4. Portfolio	X	X	X	X	X	—	X	—	X
5. Others	—	—	—	—	—	X	—	X	—
Total assets	102,718	—	—	—	—	—	—	—	—
1. Financial liabilities	623,556	—	—	X	—	X	—	X	X
2. Portfolio	X	X	X	X	X	—	X	—	X
Total liabilities	623,556	—	—	—	—	—	—	—	—
1. Expected transactions	X	X	X	X	X	X	—	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	—	X	—	—

SECTION 8

Heading 80 – Deferred liabilities

Please see asset section 13.

SECTION 10

Heading 100: Other liabilities

10.1 Other liabilities: composition

	30/6/16	30/6/15
1. Payments agreements (IFRS2)	—	—
2. Impaired endorsements	79,212	70,143
3. Working capital payables and invoices pending receipts	23,795	35,909
4. Prepaid expenses other than capitalized expenses or related financial assets	214	331
5. Amounts due to revenue authorities	4,550	9,199
6. Amounts due to staff	106,473	103,194
7. Other items	21,300	106,605
- bills for cllection	—	—
- coupons and dividends pending collection	2,258	2,233
- available sum payable to third parties	18,407	104,372
- premium, grants and other items in respect of lending transactions	—	—
- fiscal consolidated	228	—
- other	407	—
Total	235,544	325,381

SECTION 11

Heading 110: Staff severance indemnity provision

Heading 110: Staff severance indemnity provision

	30 giugno 2016	30 giugno 2015
A. Initial amount	8,891	9,968
B. Increases	3,841	3,642
B.1 Provision of the year	3,841	3,642
B.2 Other increases	—	—
C. Reductions	3,129	4,719
C.1 Severance payments	107	950
C.2 Other decreases [1]	3,022	3,769
D. Closing balance	9,603	8,891
Total	9,603	8,891

[1] Includes €3,632,000 in transfers to external, defined contribution pension schemes (30/6/15: €3,426,000).

11.2 Other information

The staff severance indemnity provision, calculated in accordance with the provisions of the Italian Civil Code, amounts to €8,877,000 (30/6/15: €8,914,000), with no new service costs accruing for the year.

In order to calculate the actuarial value, the provision has been adjusted in line with a rate of 1.5% for the current year, and discounted using the IBOXX Eurozone Corporate AA index (for a panel of comparable companies) as at 30 June 2016, with an effect (interest cost) of 89.

SECTION 12

Heading 120: Provisions

12.1 Provisions: composition

Items	30/6/16	30/6/15
1. Provision to retirement payments and similar	—	—
2. Other provisions	130,324	140,369
2.1 Staff expenses	765	1,479
2.2 Other	129,559	138,890
Total	130,324	140,369

IAS 37 requires provisions to be set aside in cases where there is an obligation, whether actual, legal or implicit, the amount of which may be reliably determined and the resolution of which is likely to entail a cash outflow for the company. The amount of the provision is determined from the management's best estimate, based on experience of similar operations or the opinion of independent experts. The provisions are revised on a regular basis in order to reflect the best current estimate.

As at 30 June 2016, the heading "Other provisions" totalled €130.3m, and includes €0.8m in staff-related costs (including incentives to leave the company already agreed) plus €129.6m for litigation and other contingent liabilities. No provisions have been set aside in respect of disputes with the Italian revenue authorities.

The most significant litigation pending against Mediobanca S.p.A. is as follows:

– five cases still pending in connection with the Bank's alleged failure to launch a full takeover bid for La Fondiaria in 2002, initiated against Mediobanca and UnipolSai only in all cases, with the total damages being claimed jointly from the defendants (known as the *petitum* in Italian law) amounting to €42m (plus interest and expenses), of which Mediobanca's, as agreed with UnipolSai, would be approx. €14m (again plus interest and expenses); of which:
  - four claims, in which the court of appeals has ruled in favour of Mediobanca, have been referred by the court of cassation to the court of appeals in Milan to establish the damages incurred by the shareholders;
  - one claim is pending at the court of cassation after the court of appeals in Milan partly amended the first-degree ruling by reducing the amount of the damages due to the plaintiff.

– Claim for damages by Monte dei Paschi di Siena ("FMPS") against – inter alia – Mediobanca, for participation with criminal intent by virtue of an alleged non-contractual liability, jointly with the other twelve lender banks, for alleged damages to FMPS in connection with the execution of the Term Facility Agreement on 4 June 2011 and the consequent breach of FMPS's Articles of Association (20% limit on debt/equity ratio) in a total amount of €286m. The court of Siena, following a petition submitted the Italian ministry for the economy and finance at the request of FMPS, has ruled that the court of Florence may have jurisdiction in this case which accordingly has returned to it.

The following developments have taken place during the twelve months under review:

– one case in connection with the La Fondiaria takeover bid was settled out-of-court (along with the other nine which had been settled in previous financial years, plus another which has been statute-barred);

– in the dispute between Centrobanca (now UbiBanca) and Mediobanca, cited by Centrobanca in connection with the Burani group bankruptcies, the ruling has been dismissed as a result of the action being discontinued as lodged at a hearing held 28 June 2016; this follows the end to the dispute between the assignee Roger 13 S.r.l., which took over in the Burani bankruptcy proceedings under the terms of the composition procedure with creditors as ratified by the court of Milan and Centrobanca.

Mediobanca believes that the provisions are adequate to cover any charges due in connection with all the cases that have been brought against the Bank itself and the other Group companies (for which no other significant litigation is pending) and any other contingent liabilities, of which, as permitted by IAS 37, paragraph 92, no precise indication has been given.

12.2 Provisions: movements during the period

Items	Charges relating to staff [1]	Other provisions	Total
A. Opening balance	1,479	138,890	140,369
B. Increases	1,794	991	2,785
B.1 Provision for the year	1,794	991	2,785
B.2 Changes due to the passage of time	—	—	—
B.3 Difference due to discount rate changes	—	—	—
B.4 Other increases	—	—	—
C. Decreases	2,508	10,322	12,830
C.1 Use during the year	2,508	10,322	12,830
C.2 Difference due to discount rate changes	—	—	—
C.3 Other decreases	—	—	—
D. Closing balance	765	129,559	130,324

[1] Includes sums set aside in respect of staff exit incentivizations.

SECTION 14

Headings 130, 150, 160, 170, 180, 190 and 200: net equity

14.1 "Capital" and "treasury shares": composition

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

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

Item/Type	Ordinary
A. Shares in issue at start of period	867,197,761
- entirely unrestricted	867,197,761
- with restrictions	—
A.1 Treasury shares (-)	(15,801,963)
A.2 Shares in issue: balance at start of period	851,395,798
B. Additions	3,844,059
B.1 New shares issuance as a result of:	3,822,333
- rights issued	—
- business combinations	—
- bond conversions	—
- exercise of warrants	—
- others	—
- bonus issues	3,822,333
- to staff members	3,822,333
- to Board members	—
- others	—
B.2 Treasury shares' disposals	21,726
B.3 Other additions	—
C. Reductions	—
C.1 Cancellations	—
C.2 Treasury shares' buybacks	—
C.3 Disposals of businesses	—
C.4 Other reductions	—
D. Shares in issue: balance at end of period	855,239,857
D.1 Add: treasury shares	(15,780,237)
D.2 Shares in issue at end of period	871,020,094
- entirely unrestricted	871,020,094
- with restrictions	—

During the twelve months under review a total of 21,726 treasury shares were assigned to staff as part of the performance share scheme; as at 30 June 2016, a total of 43,451 treasury shares were still subject to restrictions for this purpose.

14.3 Net equity: available and distributable reserves (Article 2427 of the Italian Civil Code, para. 7-bis)

	Amount	Possible uses	Portion available	Summary of uses over three previous years	
				To cover losses	Other
Share capital	435,510	—	—	—	—
Share premium reserve	2,152,829	A – B – C	2,152,829	—	—
Reserves:					
- Legal reserve	86,720	B	86,720	—	—
- Statutory reserve	1,233,655	A – B – C	1,233,655	—	—
- Treasury share reserve	197,982	A – B – C	197,982	—	—
- Other reserves	698,978	A – B – C	698,978	435,148	42,206
Valuation reserves:					
- AFS securities	368,294	—	—	—	—
- Cash flow hedges	6,163	—	—	—	—
- Special laws	9,632	A – B – C	9,632	—	—
- Treasury shares	(4,551)	—	—	—	—
- Own shares	(197,982)	—	—	—	—
Total	4,987,230	—	4,379,796	435,148	42,206
Portion unavailable	—	—	284,702	—	—
Remainder distributable	—	—	4,095,094	—	—

Legend:
A: due to rights issues
B: to cover losses
C: distribution to shareholders.

Other information

1. Guarantees and commitments

Operations	**30/6/16**	**30/6/15**
1) Financial guarantees given to	5,722,884	4,048,740
a) Banks	2,708,246	1,710,901
b) Customers	3,014,638	2,337,839
2) Commercial guarantees given to	67,748	18,241
a) Banks	13,433	10,605
b) Customers	54,315	7,636
3) Irrevocable commitments to disburse funds	20,140,348	20,097,861
a) Banks	10,863,962	11,223,455
i) usage certain	3,978,302	3,523,533
ii) usage uncertain	6,885,660	7,699,922
b) Customers	9,276,386	8,874,406
i) usage certain	9,156,367	8,339,451
ii) usage uncertain	120,019	534,955
4) Commitments underlying credit derivatives protection sales [1]	10,365,184	9,543,598
5) Assets formed as collateral for third-party obligations	—	—
6) Other commitments	2,360,794	2,973,739
Total	38,656,958	36,682,179

[1] Includes transactions fully matched by hedge buys (€5,694,003,000 and €6,768,125,000 respectively).

2. Assets pledged as collateral for own liabilities and commitments

Portfolio	**30/6/16**	**30/6/15**
1. Financial instruments held for trading	1,551,244	2,769,378
2. Financial instruments designated at fair value	—	—
3. Financial instruments available for sale	2,582,830	2,069,099
4. Financial instruments held to maturity	476,014	758,201
5. Loans and receivables with banks	317,528	380,656
6. Loans and receivables with customers	5,855,451	6,212,892
7. Property, plant and equipment	—	—

4. Assets managed and traded on behalf of customers

Type of service	30/6/16	30/6/15
1. Orders execution on behalf of customers	36,804,577	71,653,206
a) purchases	18,671,049	35,279,022
1. settled	18,550,202	35,182,128
2. unsettled	120,847	96,894
b) sales	18,133,528	36,374,184
1. settled	18,012,681	36,277,290
2. unsettled	120,847	96,894
2. Portfolio management	—	—
a) Individual	—	—
b) Collective	—	—
3. Custody and administration of securities	32,724,545	28,509,947
a) Third-party securities on deposits; relating to depositary banks activities (excluding segregating accounts)	7,794,571	5,134,333
1. securities issued by companies included in area of consolidation	399,104	540,331
2. other securities	7,395,467	4,594,002
b) Third-party securities held in deposits (excluding segregating accounts): other	—	—
1. securities issued by companies included in area of consolidation	—	—
2. other securities	—	—
c) securities of third deposited to third	7,169,844	5,116,789
d) property securities deposited to third	17,760,130	18,258,825
4. Other operations	—	—

5. Financial assets subject to netting or master agreements or similar arrangements

Instrument type	Gross amount of financial assets (a)	Financial liabilities offset in Balance Sheet (b)	Net Balance Sheet value of financial assets (c=a-b)	Related amounts not recognised in Balance Sheet		Net amount 30/6/16 (f=c-d-e)	Net amount 30/6/15
				Financial instruments (d)	Cash collateral received (e)		
1. Derivatives	4,781,229	—	4,781,229	4,077,424	373,336	330,469	395,316
2. Repos	6,326,051	—	6,326,051	6,326,051	—	—	—
3. Securities lending	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—
Total 30/6/16	11,107,280	—	11,107,280	10,403,475	373,336	330,469	X
Total 30/6/15	13,741,468	229,117	13,512,351	12,485,158	631,877	X	395,316

6. Financial liabilities subject to netting or master agreements or similar arrangements

Instrument type	Gross amounts of financial liabilities (a)	Financial assets offset in Balance Sheet (b)	Net Balance Sheet value of financial liabilities (c=a-b)	Related amount not recognised in Balance Sheet		Net amount 30/6/16 (f=c-d-e)	Net amount 30/6/15
				Financial instruments (d)	Cash collateral pledged (e)		
1. Derivatives	4,853,208	116,191	4,737,017	4,064,120	535,924	136,973	128,727
2. Repos	4,379,336	—	4,379,336	4,379,336	—	—	—
3. Securities lending	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—
Total 30/6/16	9,232,544	116,191	9,116,353	8,443,456	535,924	136,973	X
Total 30/6/15	10,669,342	—	10,669,342	10,210,566	330,049	X	128,727

Part C - Notes to individual profit and loss account

SECTION 1

Headings 10 and 20: Net interest income

1.1 Interest and similar income: composition

Voices/Technical forms	Debt securities	Loans	Other transactions	12 mths ended 30/6/16	12 mths ended 30/6/15
1. Financial assets held for trading - Cash Instruments	40,669	—	—	40,669	60,782
2. Available for sale financial assets	95,077	—	—	95,077	117,111
3. Held to maturity investments	51,492	—	—	51,492	62,980
4. Loans and receivables with banks *	—	248,386	—	248,386	132,003
5. Loans and receivables with customers	57,616	244,526	—	302,142	505,987
6. Financial assets designated at fair value through profit or loss	—	—	—	—	—
7. Hedging derivaives	X	X	164,584	164,584	327,583
8. Other assets	X	X	137	137	—
Total	244,854	492,912	164,721	902,487	1,206,446

* Following the company's change of name and status to Compass Banca S.p.A. as from 1 October 2015, interest has been accounted for under "Banks" rather than "Customers."

1.2 Interest and similar income: differences arising on hedging transactions

Items	12 mths ended 30/6/16	12 mths ended 30/6/15
A. Positive differentials related to hedging operations	360,065	622,342
B. Negative differentials related to hedging operations	(195,481)	(294,759)
C. Net differentials (A-B)	164,584	327,583

1.3 Interest and similar income: other information

Items	12 mths ended 30/6/16	12 mths ended 30/6/15
Interest income from currency assets	66,863	72,873
Interest income from leasing	—	—
Interest income on receivables involving customers' funds held on a discretionary basis	—	—
Total	66,863	72,873

1.4 Interest expense and similar charges: composition

Voices/Technical forms	Debts	Securities	Other transactions	12 mths ended 30/6/16	12 mths ended 30/6/15
1. Deposits from central banks	(3,365)	X	—	(3,365)	(4,230)
2. Deposits from banks	(208,710)	X	—	(208,710)	(227,862)
3. Deposits from customers	(1,091)	X	—	(1,091)	(2,904)
4. Debt securities in issue	X	(557,105)	—	(557,105)	(812,430)
5. Financial liabilities held for trading	—	—	—	—	—
6. Financial liabilities at fair value through profit or loss	—	—	—	—	—
7. Other liabilities and found	X	X	—	—	—
8. Hedging derivatives	X	X	—	—	—
Total	(213,166)	(557,105)	—	(770,271)	(1,047,426)

1.6 Interest expense and similar charges: other information

Items	12 mths ended 30/6/16	12 mths ended 30/6/15
Interest expense on liabilities held in foreign currency	(44,374)	(22,047)
Interest expense on finance lease transactions	—	—
Interest payable on customers' funds held on a non-discretionary basis	—	—
Total	(44,374)	(22,047)

SECTION 2

Headings 40 and 50: Net fee and commission income

2.1 Fee and commission income: composition

Type of services/Values	12 mths ended 30/6/16	12 mths ended 30/6/15
a) guarantees given	7,131	6,191
b) credit derivatives	—	—
c) management, brokerage and consultancy services:	87,751	129,808
1. securities trading	13,476	9,961
2. currency trading	—	—
3. portfolio management	—	—
3.1 individual	—	—
3.2 collective	—	—
4. custody and administration of securities	—	—
5. custodian bank	7,458	7,458
6. placement of securities	66,529	109,179
7. reception and transmission of orders	288	3,210
8. advisory services	—	—
8.1 related to investments	—	—
8.2 related to financial structure	—	—
9. distribution of third parties services	—	—
9.1 portfolio management	—	—
9.1.1 individual	—	—
9.1.2 collective	—	—
9.2 insurance products	—	—
9.3 other products	—	—
d) collection and payment services	—	—
e) securitization servicing	—	—
f) factoring services	—	—
g) tax collection services	—	—
h) manaement of multilateral trading facilities	—	—
i) management of current accounts	—	—
j) other services	116,753	115,599
Total	211,635	251,598

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

Channels/Values	12 mths ended 30/6/16	12 mths ended 30/6/15
a) through Group bank branches	66,529	109,179
1. portfolio management	—	—
2. placement of securities	66,529	109,179
3. others' products and services	—	—
b) off-site	—	—
1. portfolio management	—	—
2. placement of securities	—	—
3. others' products and services	—	—
c) other distribution channels	—	—
1. portfolio management	—	—
2. placement of securities	—	—
3. others products and services	—	—

2.3 Fee and commission expense: composition

Services/Amounts	12 mths ended 30/6/16	12 mths ended 30/6/15
a) guarantees received	—	—
b) credit derivatives	—	(306)
c) management, brokerage and consultancy services:	(7,605)	(5,260)
1. trading in financial instruments	(5,191)	(3,019)
2. currency trading	—	—
3. portfolio management	—	—
3.1 own portfolio	—	—
3.2 third parties portfolio	—	—
4. custody and administration securities	(1,792)	(1,225)
5. financial instruments placement	(622)	(1,016)
6. off-site distribution of financial instruments, products and services	—	—
d) collection and payment services	(2,675)	(3,056)
e) other services	(4,255)	(4,709)
Total	(14,535)	(13,331)

SECTION 3

Heading 70: Dividends and similar income

3.1 Dividends and similar income: composition

Items/Income	12 mths ended 30/6/16		12 mths ended 30/6/15	
	Dividends	Incomes from units in investment funds	Dividends	Incomes from units in investment funds
a) Financial assets held for trading	50,231	920	18,025	—
b) Available for sale financial assets	20,859	8,300	6,872	9,756
c) Financial assets at fair value through profit or loss	—	—	—	—
d) Investments	145,954	X	123,657	X
Total	217,044	9,220	148,554	9,756

SECTION 4

Heading 80: Net trading income

4.1 Net trading income: composition

Transaction/Income	Unrealized profit (A)	Realized profit (B)	Unrealized loss (C)	Realized loss (D)	Net Profit (A+B)-(C+D)
1. Financial assets held for trading	66,670	382,406	(262,210)	(499,615)	(312,749)
1.1 Debt securities	33,759	144,309	(34,793)	(61,152)	82,123
1.2 Equity	30,959	228,991	(226,068)	(432,256)	(398,374)
1.3 Units in investment funds	1,952	9,106	(1,349)	(6,207)	3,502
1.4 Loans	—	—	—	—	—
1.5 Other	—	—	—	—	—
2. Financial liabilities held for trading	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—
2.2 Deposits	—	—	—	—	—
2.3 Other	—	—	—	—	—
3. Financial assets and liabilities in foreign currency: exchange differences	X	X	X	X	(21,769)
4. Derivatives	3,838,465	2,191,296	(3,899,180)	(1,785,216)	377,833
4.1 Financial derivatives	3,641,084	2,012,537	(3,627,918)	(1,621,196)	436,975
- on debt securities and interest rates	2,171,642	482,011	(2,171,233)	(478,424)	3,996
- on equity securities and shares' indexes	1,467,821	1,495,634	(1,455,482)	(1,142,772)	365,201
- on currencies and gold	X	X	X	X	32,468
- other[2]	1,621	34,892	(1,203)	—	35,310
4.2 Credit derivatives	197,381	178,759	(271,262)	(164,020)	(59,142)
Total	3,905,135	2,573,702	(4,161,390)	(2,284,831)	43,315

[1] Of which €7,398,000 in positive margins on interest rate derivatives (30/6/15: €27,845,000).

[2] Equity swap contracts have been classified as equity derivatives.

SECTION 5

Heading 90: Net hedging income (expense)

5.1 Net hedging income (expense): composition

Income elements/Amounts	12 mths ended 30/6/16	12 mths ended 30/6/15
A. Incomes from:		
A.1 Fair value hedging instruments	414,427	320,944
A.2 Hedged asset items (in fair value hedge relationships)	55,273	1,100
A.3 Hedged liability items (in fair value hedge relationship)	93,445	145,868
A.4 Cash-flows hedging derivatives (including ineffectiveness of net investment hedge)	—	—
A.5 Assets and liabilities denominated in currency (not derivative hedging instruments)	—	—
Total gains on hedging activities (A)	563,145	467,912
B. Losses on:		
B.1 Fair value hedging instruments	(278,411)	(381,326)
B.2 Hedged asset items (in fair value hedge relationships)	(4,893)	(4,627)
B.3 Hedged liability items (in fair value hedge relationship)	(272,218)	(82,950)
B.4 Cash-flows hedging derivatives (including ineffectiveness of net investment hedge)	—	—
B.5 Assets and liabilities denominated in currency (not derivative hedging instruments)	—	—
Total losses on hedging activities (B)	(555,522)	(468,903)
C. Net profit from hedging activities (A-B)	7,623	(991)

SECTION 6

Heading 100: Gains (losses) on disposals/repurchases

6.1 Gains (losses) on disposals/repurchases: composition

Items/Income	12 mths ended 30/6/16			12 mths ended 30/6/15		
	Gains	Losses	Net profit	Gains	Losses	Net profit
Financial assets						
1. Loans and receivables with banks	—	—	—	5,317	—	5,317
2. Loans and receivables with customers	6,259	(1,402)	4,857	9,230	—	9,230
3. Financial assets available for sale	119,379	(9,517)	109,862	163,507	(459)	163,048
3.1 Debt securities	19,596	(9,517)	10,079	40,133	(459)	39,674
3.2 Equity instruments	99,225	—	99,225	123,326	—	123,326
3.3 Units in investment funds	558	—	558	48	—	48
3.4 Loans	—	—	—	—	—	—
4. Financial assets held to maturity	620	(2)	618	20,039	(148)	19,891
Total assets	126,258	(10,921)	115,337	198,093	(607)	197,486
Financial liabilities						
1. Deposits with banks	—	—	—	—	—	—
2. Deposits with customers	—	—	—	—	—	—
3. Debt securities in issue	—	(3,892)	(3,892)	—	(11,505)	(11,505)
Total liabilities	—	(3,892)	(3,892)	—	(11,505)	(11,505)

SECTION 8

Heading 130: Adjustments for impairment

8.1 Net value adjustments for impairment: composition

Transactions/Income	Write - downs (1)			Write - backs (2)				12 mths ended 30/6/16	12 mths ended 30/6/15
	Specific		Portfolio	Specific		Portfolio			
	Write - offs	Others		A	B	A	B		
A. Loans and receivables with banks									
- Loans	—	—	—	—	—	—	187	187	(523)
- Debt receivables	—	—	—	—	—	—	—	—	—
B. Loans and receivables with customers									
Non-performing loans acquired									
- Loans	—	—	X	—	—	X	X	—	—
- Debt securities	—	—	X	—	—	X	X	—	—
Other receivables									
- Loans	—	(38,545)	—	—	4,822	—	13,103	(20,620)	(62,905)
- Debt securities	—	—	(16)	—	—	—	—	(16)	(39)
C. Total	—	(38,545)	(16)	—	4,822	—	13,290	(20,449)	(63,467)

Legend

A = interest

B = other amounts recovered.

8.2 Net value adjustments for impairment to AFS securities: composition

Transactions/Income	Adjustments (1)		Reversals of impairment losses (2)		12 mths ended 30/6/16	12 mths ended 30/6/15
	Specific		Specific			
	Write - offs	Others	A	B		
A. Debt securities	—	—	—	—	—	—
B. Equity instruments	—	(14,335)	X	X	(14,335)	(18,893)
C. Units in investment funds	—	(3,581)	X	—	(3,581)	(2,002)
D. Loans to banks	—	—	—	—	—	—
E. Loans to customers	—	—	—	—	—	—
Total	—	(17,916)	—	—	(17,916)	(20,895)

Legend

A = interest

B = other amounts recovered.

8.3 Net value adjustments for impairment to financial assets held to maturity: composition

Transactions/Income	Adjustments			Reversals of impairment losses				12 mths ended 30/6/16	12 mths ended 30/6/15
	Specific		Portfolio	Specific		Portfolio			
	Write - offs	Others		A	B	A	B		
A. Debt securities	—	—	(1,361)	—	—	—	—	(1,361)	597
B. Loans to banks	—	—	—	—	—	—	—	—	—
C. Loans to customers	—	—	—	—	—	—	—	—	—
D. Total	—	—	(1,361)	—	—	—	—	(1,361)	597

Legend

A = interest

B = other amounts recovered.

8.4 Net value adjustments for impairment to other financial transactions: composition

Transactions/Income	Adjustments			Reversals of impairment losses				12 mths ended 30/6/16	12 mths ended 30/6/15
	Specific		Portfolio	Specific		Portfolio			
	Write - offs	Others		A	B	A	B		
A. Guarantees given	—	(5,154)	(5,218)	—	—	—	—	(10,372)	(11,782)
B. Credit derivatives	—	—	—	—	—	—	—	—	—
C. Commitments to disburse funds	—	(2,052)	—	—	—	—	3,356	1,304	1,003
D. Other transactions	—	—	—	—	—	—	—	—	—
E. Total	—	(7,206)	(5,218)	—	—	—	3,356	(9,068)	(10,779)

Legend

A = interest

B = other amounts recovered.

SECTION 9

Heading 150: Administrative expenses

9.1 Personnel costs: composition

Type of expense/Amounts	12 mths ended 30/6/16	12 mths ended 30/6/15
1) Employees	(178,904)	(182,709)
a) wages and salaries	(127,802)	(129,212)
b) social security contributions	(27,683)	(27,085)
c) severance pay (only for Italian legal entities)	—	—
d) social security costs	—	—
e) allocation to employees severance pay provision	(3,747)	(3,715)
f) provision for retirement and similar provisions	—	—
- defined contribution	—	—
- defined benefits	—	—
g) payments to external pension funds	(6,284)	(5,989)
- defined contribution	(6,284)	(5,989)
- defined benefits	—	—
h) expenses resulting from share-based payments	(10,635)	(14,379)
i) other employees' benefits	(2,753)	(2,329)
2) Other staff	(4,811)	(4,644)
3) Directors and Statutory Auditors	(3,396)	(3,235)
4) Early retirement costs	(6,735)	(5,491)
5) Recovery of expenses for employees seconded to other companies	1,306	1,118
6) Reimbursement of cost of third-party employees seconded to the Bank	—	—
Total	(192,540)	(194,961)

9.2 Average number of staff by category

	12 mths ended 30/6/16	12 mths ended 30/6/15
Employees		
a) Senior managers	173	161
b) Managers	439	410
c) Remaining employees staff	121	128
Other staff	89	85
Total	822	784

9.5 Other administrative expenses: composition

Type of expense/Values	12 mths ended 30/6/16	12 mths ended 30/6/15
OTHER ADMINISTRATIVE EXPENSES		
– legal, tax and professional services	(31,944)	(24,022)
– loan recovery activity	—	—
– marketing and communications	(2,297)	(2,691)
– property	(8,940)	(9,208)
– EDP	(36,233)	(34,761)
– info-provider	(17,990)	(17,280)
– bank charges, collection and payment fees	(1,336)	(1,078)
– operating expenses	(5,017)	(4,772)
– other staff expenses	(9,453)	(11,056)
– other costs [1]	(93,787)	(23,527)
– indirect and other taxes	(6,240)	(4,720)
Total other administrative expenses	(213,237)	(133,115)

[1] Includes €81,784,000 transfer to Single Resolution Fund (SRF) (30/6/15: €12,715,000)

SECTION 11

Heading 170: Net adjustments to tangible assets

11.1 Net adjustments to tangible assets: composition

Assets/Income	Depreciation (a)	Impairment losses (b)	Write - backs (c)	Net result (a+b+c)
A. Property, plant and equipment				
A.1 Owned	(3,669)	—	—	(3,669)
- For operational use	(3,215)	—	—	(3,215)
- For investment	(454)	—	—	(454)
A.2 Acquired through finance lease	—	—	—	—
- For operational use	—	—	—	—
- For investment	—	—	—	—
Total	(3,669)	—	—	(3,669)

SECTION 12

Heading 180: Net adjustments to intangible assets

12.1 Net adjustments to intangible assets: composition

Asset/Income	Depreciation (a)	Impairment losses (b)	Write - backs (c)	Net result (a + b - c)
A. Intangible assets				
A.1 Owned	(5,963)	—	—	(5,963)
- Software	—	—	—	—
- Other	(5,963)	—	—	(5,963)
A.2 Acquired under finance lease	—	—	—	—
Total	(5,963)	—	—	(5,963)

SECTION 13

Heading 190: Other operating income (expense)

13.1 Other operating expense: composition

Income-based components/values	12 mths ended 30/6/16	12 mths ended 30/6/15
a) Leasing activity	—	—
b) Sundry costs and expenses	(4,188)	(938)
Total	(4,188)	(938)

13.2 Other operating income: composition

Income-based components/values	12 mths ended 30/6/16	12 mths ended 30/6/15
a) Amounts recovered from customers	198	1,295
b) Other income	24,704	18,967
Total	24,902	20,262

SECTION 14

Heading 210: Gains (losses) on equity investments

14.1 Gains (losses) on equity investments: composition

Income/Value	12 mths ended 30/6/16	12 mths ended 30/6/15
A. Incomes	41,558	1
1. Revaluations	—	—
2. Gains on disposal	41,558	1
3. Write-backs	—	—
4. Other gains	—	—
B. Expenses	(2,475)	(3,035)
1. Writedowns	—	—
2. Impairment losses	(2,475)	(3,035)
3. Losses on disposal	—	—
4. Other expenses	—	—
Total	39,083	(3,034)

SECTION 17

Heading 240: Net gain (loss) upon disposal of investments

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

Income/Value	12 mths ended 30/6/16	12 mths ended 30/6/15
A. Assets	—	—
- Gains on disposal	—	—
- Losses on disposal	—	—
B. Other assets	(18)	(21)
- Gains on disposal	—	7
- Losses on disposal	(18)	(28)
Net result	(18)	(21)

SECTION 18

Heading 260: Income tax on ordinary activities

18.1 Income tax on ordinary activities: composition

Income components/Sectors	12 mths ended 30/6/16	12 mths ended 30/6/15
1. Current tax expense (-)	(19,754)	(107,575)
2. Changes of current tax expense of previous years (+/-)	—	—
3. Reduction in current tax expense for the period (+)	—	—
3.bis Reductions in current tax expense for the period due to tax credit related to L. 214/2011 (+)	—	—
4. Changes of deferred tax assets (+-)	(6,628)	(3,016)
5. Changes of deferred tax liabilities (-)	882	591
6. Tax expense for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(25,500)	(110,000)

18.2 Reconciliation between theoretical and effective tax burden

	12 mths ended 30/6/16	
	Amounts %	Absolute value
Total profit or loss before tax from current operations	100.0%	313,538
Theoretical tax rate	27.50%	86,223
Dividends (-)	-14.50%	(45,470)
Gains on disposals of equity investments (PEX) (-)	-11.76%	(36,870)
Gains on equity-accounted investments (-)	—	—
Changes in deferred tax for previous years (-)	—	—
Other taxes (non-Italian companies) (-)	—	—
Non-taxable income 10% IRAP (-)	-0.59%	(1,850)
Interest on exempt securities (-)	-0.09%	(274)
Tax losses (-)	—	—
Tax sparing credit	-0.30%	(927)
Non-deductible interest expense 3% (+)	2.70%	8,473
Benefit from tax consolidation (-)	-0.66%	(2,084)
Impairment (+/–)	1.47%	4,623
Extraordinary items (rate adjustments, …)	—	—
Other differences	-0.43%	(1,343)
TOTAL IRES	3.35%	10,500
IRAP	4.78%	15,000
TOTAL HEADING [1]	8.13%	25,500

[1] Compared with a tax rate of 24.83% in the previous financial year.

SECTION 21

Earnings per share

21.1 Average number of ordinary shares on a diluted basis

	12 mths ended 30/6/16	12 mths ended 30/6/15
Net profit	288,037	333,045
Avg. no. of shares in issue	849,895,132	847,414,629
Avg. no. of potentially diluted shares	17,545,396	31,940,173
Avg. no. of diluted shares	867,440,528	879,354,802
Earnings per share	0.34	0.39
Earnings per share, diluted	0.33	0.38

Part D - Comprehensive Profit and Loss Account

Breakdown of Comprehensive Profit and Loss Constituents

Items	Before tax effect	Tax effect	After tax effect
10. Profit (loss) for the period	X	X	288,038
Other comprehensive income without passing through profit and loss			
20. Property, plant and equipment	—	—	—
30. Intangible assets	—	—	—
40. Defined benefits schemes	(1,210)	332	(878)
50. Non-current assets classified as held-for-sale	—	—	—
60. Valuation reserves from equity-accounted investments:	—	—	—
Other comprehensive income passing through profit and loss			
70. Hedges of non-Italian investments:	—	—	—
a) changes in fair value:	—	—	—
b) reclassifications through profit and loss account	—	—	—
c) other variations	—	—	—
80. Exchange differences:	—	—	—
a) changes in fair value:	—	—	—
b) reclassifications through profit and loss account	—	—	—
c) other variations	—	—	—
90. Cash flow hedges:	14,129	(2,942)	11,187
a) changes in fair value:	14,129	(2,942)	11,187
b) reclassifications through profit and loss account	—	—	—
c) other variations	—	—	—
100. AFS securities:	(25,110)	(7,864)	(32,976)
a) changes in fair value:	98,715	(19,763)	78,952
b) reclassifications through profit and loss account	(123,825)	11,899	(111,926)
- due to impairment	*(12,688)*	*810*	*(11,878)*
- gain/losses on disposals	*(111,137)*	*11,089*	*(100,048)*
c) other variations	—	—	—
110. Non-current assets classified as held-for-sale:	—	—	—
a) changes in fair value:	—	—	—
b) reclassifications through profit and loss account	—	—	—
c) other variations	—	—	—
120. Non-current assets classified as held-for-sale:	—	—	—
a) changes in fair value:	—	—	—
b) reclassifications through profit and loss account	—	—	—
- due to impairment	—	—	—
- gain/losses on disposals	—	—	—
c) other variations	—	—	—
130. Total other comprehensive income	**(12,192)**	**(10,474)**	**(22,667)**
140. Comprehensive income after tax (10 + 130)	X	X	265,371

Part E - Information on risks and related hedging policies

SECTION 1

Credit risk

QUALITATIVE INFORMATION

Description of risk governance organization

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

The Board of Directors, in view in particular of its role of strategic supervision, is responsible for approving strategic guidelines and directions of the risk appetite framework (RAF), business and financial plans, budgets, and risk management and internal control policies.

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

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

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

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

Although risk management is the responsibility of each individual business unit, the Risk Management unit presides over the functioning of the Bank's risk system, defining the appropriate global methodologies for measuring risks, current and future, in conformity with the regulatory requirements in force as well as the Bank's own operating choices identified in the RAF, monitoring risks and ascertaining that the various limits established for the various business lines are complied with. The risk management process, which is supervised by the Chief Risk Officer, reporting directly to the Chief Executive Officer, is implemented by the following units: *i)* Enterprise Risk Management, which helps to develop risk management policies at Group level, and is responsible for integrated Group risks monitoring, ICAAP reporting and internal risk measurement model validation; *ii)* Credit Risk Management, responsible for credit risk analysis, assigning internal ratings to counterparties and the loss-given default indicator (LGD); *iii)* Market and Liquidity Risk Management, which monitors market, counterparty, liquidity and interest rate risk on the banking book; *iv)* Quantitative Risk Methodologies, responsible for developing quantitative analysis and credit and market risk management methodologies; *v)* and Operational Risk Management, responsible for developing and maintaining the systems for measuring and managing operational risks.

Establishment of risk propensity and process for managing relevant risks

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

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

1.2 Credit risk

While adopting the standardized methodology defined by the supervisory provisions in force for calculating regulatory capital, the Group has also internal rating models for operating purposes for the following customer segments: Banks, Insurances, and Corporates.

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

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

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

Corporate lending (Mediobanca)

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

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

For the assumption of credit risk, all counterparties must be analysed and where possible assigned an internal rating, which takes into account the specific quantitative and qualitative characteristics of the counterparty concerned.

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

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

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

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

QUANTITATIVE INFORMATION

A. Credit quality

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

A.1.1 Credit exposures by portfolio and credit quality (book value)

	Bad loans	Unlikely to pay	Overdue exposures (NPLs)	Overdue exposures (non performing)	Other exposures (performing) *	Total
1. AFS securities	—	—	—	—	6,816,152	6,816,152
2. Financial assets held to maturity	—	—	—	—	1,963,258	1,963,258
3. Due from banks	—	—	—	—	15,029,843	15,029,843
4. Due from customers	—	377,774	—	—	19,174,538	19,552,312
5. Financial assets recognized at fair value	—	—	—	—	—	—
6. Financial assets being sold	—	—	—	—	—	—
Total 30/6/16	—	377,774	—	—	42,983,791	43,361,565
Total 30/6/15	—	419,094	—	—	42,359,313	42,778,407

* No performing exposures which are past due or subject to renegotiation under collective agreements.

A.1.2 Credit exposures by portfolio/credit quality (gross/net values)

Asset portfolio/quality	Non-performing loans			Performing loans			Total net exposure
	Gross exposure	Individual adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
1. AFS securities	—	—	—	6,816,152	—	6,816,152	6,816,152
2. Financial assets held to maturity	—	—	—	1,974,729	(11,471)	1,963,258	1,963,258
3. Due from banks	—	—	—	15,030,997	(1,154)	15,029,843	15,029,843
4. Due from customers	703,938	(326,164)	377,774	19,213,001	(38,463)	19,174,538	19,552,312
5. Financial assets recognized at fair value	—	—	—	X	X	—	—
6. Financial assets being sold	—	—	—	—	—	—	—
Total 30/6/16	703,938	(326,164)	377,774	43,034,879	(51,088)	42,983,791	43,361,565
Total 30/6/15	864,917	(445,822)	419,094	42,422,110	(62,797)	42,359,313	42,778,407

Asset portfolio/quality	Assets with obviously poor credit quality		Other assets
	Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading	—	9,562	7,097,605
2. Hedge derivatives	—	—	936,702
Total 30/6/16	—	9,562	8,034,307
Total 30/6/15	—	12,305	9,607,204

INFORMATION ON SOVEREIGN DEBT EXPOSURES

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

Portfolio/quality	Non performing loans				Performing			Total net exposure [1]
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	—	X	X	(231,417)	(231,417)
Italy	—	—	—	—	X	X	8,312	8,312
Germany	—	—	—	—	X	X	(94,450)	(94,450)
France	—	—	—	—	X	X	(241,516)	(241,516)
Spain	—	—	—	—	X	X	51,377	51,377
Others	—	—	—	—	X	X	44,860	44,860
2. AFS securities	—	—	—	—	5,425,455	—	5,425,455	5,425,455
Italy	—	—	—	—	3,872,178	—	3,872,178	3,872,178
Germany	—	—	—	—	802,773	—	802,773	802,773
France	—	—	—	—	356,038	—	356,038	356,038
United States	—	—	—	—	229,297	—	229,297	229,297
Spain	—	—	—	—	165,169	—	165,169	165,169
Others	—	—	—	—	—	—	—	—
3. Financial assets held to maturity	—	—	—	—	1,108,290	—	1,108,290	1,108,290
Italy	—	—	—	—	698,685	—	698,685	698,685
France	—	—	—	—	254,826	—	254,826	254,826
Spain	—	—	—	—	104,096	—	104,096	104,096
Germany	—	—	—	—	50,683	—	50,683	50,683
Others	—	—	—	—	—	—	—	—
Total at 30/6/16	—	—	—	—	6,533,745	—	6,302,328	6,302,328

* Does not include financial or credit derivatives.

[1] The net exposure includes positions in securities (long and short) recognized at fair value (including the outstanding accrual) except for assets held to maturity which are stated at amortized cost, the implied fair value of which is €26.5m.

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

Portfolio/quality	Trading Book [1]			Banking Book [2]			
	Nominal value	Book value	Duration	Nominal value	Book value	Fair value	Duration
Italy	8,000	8,312	1.87	4,388,275	4,570,863	4,592,597	2.13
Germany	(88,281)	(94,450)	3.57	775,000	853,457	854,136	6.07
France	(200,000)	(241,516)	4.82	600,000	610,864	613,610	4.11
Spain	50,000	51,377	5.08	250,000	269,264	270,564	7.24
United States	180	181	1.0	225,185	229,297	229,297	6.75
Others	39,240	44,679	—	—	—	—	—
Total at 30/6/16	(190,861)	(231,417)		6,238,460	6,533,745	6,560,204	

[1] Does not include sales of €40.5m on *Bund/Bobl/Schatz* futures (Germany), with a fair value of minus €0.8m; or purchases of €4m on the Treasury future (United States, with a fair value of €0.01m), and sales of €56.5m on the *BPT* future (Italy) with a fair value of minus €0.7m. Net hedge buys of €210m (€200m of which on France country risk and €3m on Hungary country risk) have also not been included.

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

A.1.3 Cash and off-balance-sheet exposures to banks: gross/net values and overdue classes

Type of exposure/asset	Gross exposure					Individual adjustments	Collective adjustments	Net exposure
	Non-performing loans				Performing loans			
	Up to three months	From three to six months	From six months to one year	More than one year				
A. CASH EXPOSURES								
a) Bad loans	—	—	—	—	X	—	X	—
- *of which: exposures for which concessions have been made*	—	—	—	—	*X*	—	*X*	—
b) Unlikely to pay	—	—	—	—	X	—	X	—
- *of which: exposures for which concessions have been made*	—	—	—	—	*X*	—	*X*	—
c) Overdue exposures (NPLs)	—	—	—	—	X	—	X	—
- *of which: exposures for which concessions have been made*	—	—	—	—	*X*	—	*X*	—
d) Overdue exposures (performing)	X	X	X	X	—	X	—	—
- *of which: exposures for which concessions have been made*	*X*	*X*	*X*	*X*	—	*X*	—	—
e) Other exposures (performing)	X	X	X	X	15,972,407	X	(2,035)	15,970,372
- *of which: exposures for which concessions have been made*	*X*	*X*	*X*	*X*	—	*X*	—	—
Total A	—	—	—	—	15,972,407	—	(2,035)	15,970,372
B. OFF-BALANCE-SHEET EXPOSURES								
a) Non-performing	—	—	—	—	X	—	X	—
b) Performing [1]	X	X	X	X	36,850,265	X	(133)	36,850,132
Total B	—	—	—	—	36,850,265	—	(133)	36,850,132
Total (A+B)	—	—	—	—	52,822,672	—	(2,168)	52,820,504

[1] Balance as at 30/6/16 includes trades worth €5,694,003,000, fully matched by hedge buys.

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

Type of exposure/asset	Gross exposure					Individual adjustments	Collective adjustments	Net exposure
	Non-performing loans				Performing loans			
	Up to three months	From three to six months	From six months to one year	More than one year				
A. CASH EXPOSURES								
a) Bad loans	—	—	—	—	X	—	X	—
- of which: exposures for which concessions have been made	—	—	—	—	*X*	—	*X*	—
b) Unlikely to pay	554,454	—	149,484	—	X	(326,164)	X	377,774
- of which: exposures for which concessions have been made	*553,801*	—	*149,484*	—	*X*	*(325,516)*	*X*	*377,769*
c) Overdue exposures (NPLs)	—	—	—	—	X	—	X	—
- of which: exposures for which concessions have been made	—	—	—	—	*X*	—	*X*	—
d) Overdue exposures (performing)	X	X	X	X	—	X	—	—
- of which: exposures for which concessions have been made	*X*	*X*	*X*	*X*	—	*X*	—	—
e) Other exposures (performing)	X	X	X	X	28,965,171	X	(49,052)	28,916,119
- of which: exposures for which concessions have been made	*X*	*X*	*X*	*X*	*64,098*	*X*	*(2,477)*	*61,621*
Total A	554,454	—	149,484	—	28,965,171	(326,164)	(49,052)	29,293,893
B. OFF-BALANCE-SHEET EXPOSURES								
a) Non-performing	60,706	—	—	—	X	(53,448)	X	7,258
b) Performing	X	X	X	X	22,256,391	X	(25,631)	22,230,760
Total B	60,706	—	—	—	22,256,391	(53,448)	(25,631)	22,238,018
Total (A+B)	615,160	—	149,484	—	51,221,562	(379,612)	(74,683)	51,531,911

A.1.7 Cash exposures to customers: trends in gross impaired positions

Descriptions/categories	Bad loans	Unlikely to pay	Overdue exposures (NPLs)
A. Gross exposure at start of period	3,428	861,488	—
- *of which: exposures sold but not derecognized*	—	—	—
B. Additions	—	15,286	—
B.1 transferred from performing exposures	—	—	—
B.2 transferred from other categories of non-performing exposure	—	—	—
B.3 other additions	—	15,286	—
C. Reductions	3,428	172,836	—
C.1 transferred to performing exposures	—	—	—
C.2 writeoffs	—	155,971	—
C.3 collections	374	16,865	—
C.4 amounts realized on disposals	3,054	—	—
C.5 losses incurred on disposals	—	—	—
C.6 transferred to other categories of non-performing exposure	—	—	—
C.7 other reductions	—	—	—
D. Gross exposure at end of period	—	703,938	—
- *of which: exposures sold but not derecognized*	—	—	—

A.1.8 Cash exposures to non-performing customers: trends in collective value adjustments

Descriptions/categories	Bad loans	Unlikely to pay	Overdue exposures (NPLs)
A. Overall adjustments at start of period	3,428	442,394	—
- *of which: exposures sold but not derecognized*	—	—	—
B. Additions	—	41,110	—
B.1 value adjustments	—	38,000	—
B.2 losses incurred on disposals	—	—	—
B.3 transferred from other categories of non-performing exposure	—	—	—
B.4 other additions	—	3,110	—
C. Reductions	3,428	157,340	—
C.1 amounts reversed following changes in valuation	—	—	—
C.2 amounts reversed following collections	374	963	—
C.3 gains realized on disposals	3,054	—	—
C.4 writeoffs	—	155,972	—
C.5 transferred to other categories of non-performing exposure	—	—	—
C.6 other reductions	—	405	—
D. Overall adjustments at end of period	—	326,164	—
- *of which: exposures sold but not derecognized*	—	—	—

As at 30 June 2016 non-performing loans net of forborne exposures amounted to €377.8m, with a coverage ratio of 46%, while performing loans qualifying as forborne amounted to €61.6m with a coverage ratio of 4%. Overall the non-performing forborne positions represent 1.93% of the total customer loan book, and the performing forborne exposures 0.32%.

A.2 Exposures by internal and external ratings

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

Exposures	External rating classes						Without rating	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Lower than B-		
A. On-balance-sheet credit exposures	1,849,780	1,527,077	26,251,300	2,915,048	783,871	10,649	11,926,540	45,264,265
B. Derivative contracts	153,833	18,747,305	6,732,323	855,067	1,447,964	—	5,249,770	33,186,262
B.1 Financial derivative contracts	153,833	12,065,230	3,666,521	855,067	1,447,964	—	4,632,463	22,821,078
B.2 Credit derivatives [1]	—	6,682,075	3,065,802	—	—	—	617,307	10,365,184
C. Guarantees given	—	—	3,126,552	331,465	72,617	—	2,260,000	5,790,634
D. Other commitments to disburse funds	5,894	173,870	16,416,558	1,028,668	77,923	—	2,408,341	20,111,254
E. Others	—	—	—	—	—	—	—	—
Total	2,009,507	20,448,252	52,526,733	5,130,248	2,382,375	10,649	21,844,651	104,352,415

[1] Balance as at 30/6/16 includes trades worth €5,694,003,000, fully matched by hedge buys.

The Mediobanca Group adopts the Standard & Poor's ratings for all portfolios subject to assessment.

A.2.2 Cash and off-balance-sheet exposures by internal rating category

Exposures	Internal rating classes						NPLs	Without rating	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6			
A. On-balance-sheet exposures	1,994,111	1,291,385	29,152,210	6,523,841	1,702,618	2,512	377,774	4,219,814	45,264,265
B. Derivative contracts	—	20,422,846	6,710,145	2,545,662	1,266,913	—	—	2,240,696	33,186,262
B.1 Financial derivative contracts	—	12,998,114	3,769,693	2,545,662	1,266,913	—	—	2,240,696 ([1])	22,821,078
B.2 Credit derivatives	—	7,424,732	2,940,452	—	—	—	—	—	10,365,184
C. Guarantees given	—	—	3,410,851	1,818,062	167,118	—	1,204	393,399	5,790,634
D. Other commitments to disburse funds	80,887	404,771	16,803,392	2,193,313	122,287	—	6,054	500,550	20,111,254
E. Others	—	—	—	—	—	—	—	—	—
Total	2,074,998	22,119,002	56,076,598	13,080,878	3,258,936	2,512	385,032	7,354,459	104,352,415

[1] €2,043,076,000 of which related to exposures towards central counterparties.

To assign the ratings to each counterparty, Mediobanca uses the models developed internally used in the process of managing credit risk.

The models' different rating scales are mapped against a single Group masterscale consisting of six different rating classes based on the underlying probability of default (PD) attributable to the S&P masterscale.

A.3 Secured exposures by type of security

A.3.1 Secured cash exposures to banks

	Net exposures	Collaterals (1)				Guarantees (2)									Total (1)+(2)
						Credit derivatives					Signature loans				
							Other derivatives								
		Property, Mortgages	Financial leasing property	Securities	Other guarantees	CLN	Governments and Central Banks	Other public entities	Banks	Other entities	Governments and Central Banks	Other public entities	Banks	Other entities	
1. Secured balance sheet credit exposures	2,484,405	—	—	2,409,207	—	—	—	—	—	—	4,531	50	—	11	2,413,799
1.1 totally secured	2,036,569	—	—	2,035,017	—	—	—	—	—	—	1,491	50	—	11	2,036,569
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1.2 partially secured	447,836	—	—	374,190	—	—	—	—	—	—	3,040	—	—	—	377,230
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Secured off-balance sheet credit exposures	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.1 totally secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.2 partially secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

A.3.2 Secured cash exposures to customers

	Net exposures	Collaterals (1)				Guarantees (2)									Total (1)+(2)
						Credit derivatives					Signature loans				
		Property, Mortgages	Financial leasing property	Securities	Other guarantees	CLN	Other derivatives				Governments and Central Banks	Other public entities	Banks	Other entities	
							Governments and Central Banks	Other public entities	Banks	Other entities					
1. Secured balance sheet credit exposures	7,530,939	636,415	—	5,391,500	45,802	—	—	—	—	—	77,008	—	54,812	556,087	6,761,624
1.1 totally secured	3,758,643	570,592	—	2,482,074	20,957	—	—	—	—	—	77,008	—	51,925	556,087	3,758,643
- of which impaired	87,221	69,700	—	3,078	—	—	—	—	—	—	—	—	—	14,443	87,221
1.2 partially secured	3,772,296	65,823	—	2,909,426	24,845	—	—	—	—	—	—	—	2,887	—	3,002,981
- of which impaired	268,759	—	—	56,616	14,709	—	—	—	—	—	—	—	—	—	71,325
2. Secured off-balance sheet credit exposures	242,799	59,922	—	6,280	—	—	—	—	—	—	7,285	—	—	160,064	233,551
2.1 totally secured	229,487	59,922	—	2,216	—	—	—	—	—	—	7,285	—	—	160,064	229,487
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.2 partially secured	13,312	—	—	4,064	—	—	—	—	—	—	—	—	—	—	4,064
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

B. Exposures distribution and concentration

B.1 Cash and off-balance-sheet exposures to customers by sector (book value)

Exposures/Counterparts	Goverments			Other public entities			Financial companies			Insurance companies			Non-financial companies			Other entities		
	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments
A. Balance sheet exposures																		
A.1 Bad loans	—	—	X	—	—	X	—	—	X	—	—	X	—	—	X	—	—	X
- of wich: forborne exposures	—	—	*X*	—	—	*X*	—	—	*X*	—	—	*X*	—	—	*X*	—	—	*X*
A.2 Unlikely to pay	—	—	X	—	—	X	17,484	(2,518)	X	—	—	X	360,290	(323,646)	X	—	—	X
- of wich: forborne exposures	—	—	*X*	—	—	*X*	*17,484*	*(2,518)*	*X*	—	—	*X*	*360,285*	*(322,998)*	*X*	—	—	*X*
A.3 Impaired past due exposures	—	—	X	—	—	X	—	—	X	—	—	X	—	—	X	—	—	X
- of wich: forborne exposures	—	—	*X*	—	—	*X*	—	—	*X*	—	—	*X*	—	—	*X*	—	—	*X*
A.4 Not impaired exposures	7,639,079	X	—	666,986	X	—	10,688,200	X	(14,634)	1,133,004	X	(2,171)	8,757,472	X	(32,247)	31,378	X	—
- of wich: forborne exposures	—	*X*	—	—	*X*	—	—	*X*	—	—	*X*	—	*61,621*	*X*	*(2,477)*	—	*X*	—
TOTAL A	7,639,079	—	—	666,986	—	—	10,705,684	(2,518)	(14,634)	1,133,004	—	(2,171)	9,117,762	(323,646)	(32,247)	31,378	—	—
B. Off-balance sheet exposures																		
B.1 Bad loans	—	—	X	—	—	X	—	—	X	—	—	X	—	—	X	—	—	X
B.2 Unlikely to pay	—	—	X	—	—	X	—	—	X	—	—	X	7,258	(53,448)	X	—	—	X
B.3 Other impaired assets	—	—	X	—	—	X	—	—	X	—	—	X	—	—	X	—	—	X
B.4 Not impaired exposures	3,171,964	X	—	90,157	X	(7)	7,865,091	X	(3,324)	725,303	X	(55)	10,378,205	X	(22,245)	40	X	—
TOTAL B	3,171,964	—	—	90,157	—	(7)	7,865,091	—	(3,324)	725,303	—	(55)	10,385,463	(53,448)	(22,245)	40	—	—
Total (A+B) at 30/6/16	10,811,043	—	—	757,143	—	(7)	18,570,775	(2,518)	(17,958)	1,858,307	—	(2,226)	19,503,225	(377,094)	(54,492)	31,418	—	—
Total (A+B) at 30/6/15	7,074,566	—	(375)	122,717	—	—	27,724,876	(5,946)	(16,649)	1,701,275	—	(2,226)	18,449,935	(486,117)	(65,389)	120,190	—	—

B.2 Cash and off-balance-sheet exposures to customers by geography (book value)

Exposures/geographical areas	Italy		Other European countries		Americas		Asia		Rest of world	
	Net exposure	Collective value adjustments	Net exposure	Collective value adjustments	Net exposure	Collective value adjustments	Net exposure	Collective value adjustments	Net exposure	Collective value adjustments
A. Cash exposures										
A.1 Bad loans	—	—	—	—	—	—	—	—	—	—
A.2 Unlikely to pay	377,728	(323,312)	45	(2,132)	1	(720)	—	—	—	—
A.3 Bad debts past due	—	—	—	—	—	—	—	—	—	—
A.4 Performing exposures	22,379,082	(28,141)	5,971,411	(18,898)	550,152	(2,013)	—	—	15,474	—
Total A	22,756,810	(351,453)	5,971,456	(21,030)	550,153	(2,733)	—	—	15,474	—
B. Off-balance-sheet exposures										
B.1 Bad loans	—	—	—	—	—	—	—	—	—	—
B.2 Unlikely to pay	4,488	(1,894)	2,770	(51,554)	—	—	—	—	—	—
B.3 Other bad debts	—	—	—	—	—	—	—	—	—	—
B.4 Performing exposures	10,479,269	(7,060)	11,065,307	(14,082)	686,090	(4,489)	—	—	94	—
Total B	10,483,757	(8,954)	11,068,077	(65,636)	686,090	(4,489)	—	—	94	—
Total A+B 30/6/16	33,240,567	(360,407)	17,039,533	(86,666)	1,236,243	(7,222)	—	—	15,568	—
Total A+B 30/6/15	35,643,947	(491,525)	18,518,035	(81,785)	1,012,957	(3,392)	492	—	18,128	—

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

Exposures/geographical areas	Italy		Other European countries		Americas		Asia		Rest of world	
	Net exposure	Collective value adjustments	Net exposure	Collective value adjustments	Net exposure	Collective value adjustments	Net exposure	Collective value adjustments	Net exposure	Collective value adjustments
A. Cash exposures										
A.1 Bad loans	—	—	—	—	—	—	—	—	—	—
A.2 Unlikely to pay	—	—	—	—	—	—	—	—	—	—
A.3 Bad debts past due	—	—	—	—	—	—	—	—	—	—
A.4 Performing exposures	10,807,657	(1,534)	5,127,198	(468)	21,488	(10)	14,028	(23)	1	—
Total A	10,807,657	(1,534)	5,127,198	(468)	21,488	(10)	14,028	(23)	1	—
B. Off-balance-sheet exposures										
B.1 Bad loans	—	—	—	—	—	—	—	—	—	—
B.2 Unlikely to pay	—	—	—	—	—	—	—	—	—	—
B.3 Other bad debts	—	—	—	—	—	—	—	—	—	—
B.4 Performing exposures	4,284,745	(133)	31,813,232	—	752,155	—	—	—	—	—
Total B	4,284,745	(133)	31,813,232	—	752,155	—	—	—	—	—
Total A+B 30/6/16	15,092,402	(1,667)	36,940,430	(468)	773,643	(10)	14,028	(23)	1	—
Total A+B 30/6/15	9,674,246	(1,210)	44,498,893	(602)	782,806	(14)	26,448	(234)	1	—

B.4 Large risks

	30/6/16	30/6/15
a) Book value	9,614,822	16,875,873
b) Weighted value	6,353,267	11,438,337
c) No. of exposures	11	15

At the reporting date, aggregate exposures to a total of eleven groups of clients were in excess of 10% of the regulatory capital, four fewer than the number recorded at end-June 2015, for a gross exposure at book value which declined from €16.9bn to €9.6bn and a weighted value which falls from €11.4bn to €6.4bn as a result of a generalized reduction in risk positions.

C. Securitizations

Qualitative information

The bulk of the portfolio consists of the Group's senior securitizations, with €2,621m in Quarzo bonds, with performing Compass receivables as the underlying instrument, and €144m in Quarzo CQS notes (which have Futuro salary-backed finance receivables as the underlying instrument). The Quarzo ABS issue has recently been revolved and will expire in November 2019, against repayment of €2,960m in respect of the deal subscribed for in 2013.

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

Virtually all the portfolio is concentrated in the banking book (AFS and HTM) and senior-ranking securities (over 98%); there are five mezzanine issues carried at €24.2m, after purchases of €16.9m and sales totalling €7m, and one junior-ranking security (Loggi 2001-1 sub) carried at €0.9m. The majority of the securities have external ratings, and around half are eligible for refinancing transactions with the European Central Bank.

The fair value of the securities held for trading, calculated based on prices supplied by info-providers, decreased very slightly, by €0.7m. Securities held to maturity, for which internal valuation models have been used as well, reflect a notional gain of €1.4m, as well as the €35.3m gains on the Group's tranches.

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

Apart from the consumer credit deals (€2,781.8m), the portfolio remains concentrated on senior tranches of domestic stocks backed by mortgages (€72.8m) and state-owned properties (€66.4m). The other exposures involve CLOs with European corporate loans as the underlying instrument (€15.1m). There is also a single synthetic security (ELM) carried at €23.0m).

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

Quantitative information

C.2 Exposures deriving from principal third-party securitizations by underlying asset and type of exposure

Type of securitized asset/ Exposure	Cash exposures					
	Senior		Mezzanine		Junior	
	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks
A. Mortgage loans on properties	139,268	198	7,402	(515)	894	(15)
B. Other receivables	24,984	5	13,948	(70)	—	—
C. Other receivables held by Group's entities	2,765,829	—	—	—	—	—
D. Collateralized Loan Obligation	15,101	(37)	2,879	(62)	—	—
Total 30/6/16	2,945,182	166	24,229	(647)	894	(15)
Total 30/6/15	3,373,641	(789)	15,640	420	909	10

D. Disclosure on structured entities other than securitization SPVs

Qualitative information

No disclosure is given here, having already been provided in the Notes to the consolidated financial statements.

Quantitative information

No disclosure is given here, having already been provided in the Notes to the consolidated financial statements.

E. Assets disposal

A. Financial assets sold but not derecognized

QUANTITATIVE INFORMATION

*E.1 Financial assets sold but not derecognized: book value and full value **

Type / Portfolio	Fiancial assets held for trading	Financial assets carried at fair value	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables with banks	Loans and receivables with customers	Total	
							30/6/16	30/6/15
A. Balance-sheet assets	1,304,498	—	1,396,610	356,684	—	172,683	3,230,475	3,506,494
1. Debt securities	686,926	—	1,396,355	356,684	—	—	2,439,965	1,525,044
2. Equity securities	617,572	—	255	X	X	X	617,827	1,598,144
3. UCIS	—	—	—	X	X	X	—	143,427
4. Loans	—	—	—	—	—	172,683	172,683	239,879
B. Derivatives	—	X	X	X	X	X	—	—
Total 30/6/16	1,304,498	—	1,396,610	356,684	—	172,683	3,230,475	x
of which impaired	—	—	—	—	—	—	—	*x*
Total 30/6/15	2,220,567	—	770,102	275,946	—	239,879	x	3,506,494
of which impaired	—	—	—	—	—	—	*x*	—

* Includes only financial assets sold recognized in full (book value)

E.2 Financial liabilities in respect of financial assets sold but not derecognized: book value

Liabilities/Portfolio assets	Financial assets held for trading	Financial assets carried at fair value	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables with banks	Loans and receivables with customers	Total
1. Deposits from customers	585,460	—	557,760	183,356	—	—	1,326,576
a) Related to fully recognized assets	585,460	—	557,760	183,356	—	—	1,326,576
b) Related to partially recognized assets	—	—	—	—	—	—	—
2. Deposits from banks	448,643	—	464,695	123,541	—	277,756	1,314,635
a) Related to fully recognized assets	448,643	—	464,695	123,541	—	277,756	1,314,635
b) Related to partially recognized assets	—	—	—	—	—	—	—
Total 30/6/16	1,034,103	—	1,022,455	306,897	—	277,756	2,641,211
Total 30/6/15	2,139,366	—	678,708	249,281	—	180,914	3,248,269

*E.3 Disposals with liabilities referring exclusively to assets sold: fair value **

Instruments/Portfolio	Financial assets held for trading	Financial assets carried at fair value	Available-for-sale financial assets	Held-to-maturity investments (fair value)	Due from banks (fair value)	Due from customers (fair value)	Total	
							30/6/16	30/6/15
A. Cash assets	1,304,498	—	1,396,610	361,313	—	176,506	3,238,927	3,529,921
1. Debt securities	686,926	—	1,396,355	361,313	—	—	2,444,594	1,542,279
2. Equities	617,572	—	255	X	X	X	617,827	1,742,314
3. UCITS	—	—	—	X	X	X	—	—
4. Loans	—	—	—	—	—	176,506	176,506	245,328
B. Derivative instruments	—	X	X	X	X	X	—	—
Total assets	1,304,498	—	1,396,610	361,313	—	176,506	3,238,927	3,529,921
C. Associated liabilities	1,208,440	—	1,131,034	358,997	—	277,756	X	X
1. Due from customers	771,681	—	556,439	183,240	—	—	X	X
2. Due from banks	436,759	—	574,595	175,757	—	277,756	X	X
Total liabilities	1,208,440	—	1,131,034	358,997	—	277,756	2,976,227	3,248,269
Net value 30/6/16	96,058	—	265,576	2,316	—	(101,250)	262,700	X
Net value 30/6/15	81,944	—	91,394	43,900	—	64,414	X	281,652

* Table includes collateralized liability transactions: repos, securities lending and other secured financing transactions; only financial assets which have been sold and recognized in full have been included.

SECTION 2

Market risks

2.1 INTEREST RATE RISK AND PRICE RISK – TRADING BOOK

QUALITATIVE INFORMATION

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

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

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

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

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

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

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

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

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

The average reading for the twelve months was €41.6m, much higher than the €23.1m for last year. All asset classes contributed to this increase, in particular equities, for which the reading rose from €10.5m to €16.7m (due to the addition of the Atlantia shares to the banking book), and fixed-income securities, up from €15.3m to €30m due to the increase in the credit component (it is worth noting that compared to last year the individual items are open and in particular the fact that the diversification effect cannot be associated with a single asset class). The forex component remains stable at €4m despite the pronounced volatility, on account of the main positions being closed (with only the long USD position still open, which acts as a macro hedge on crisis situations in the European currency markets). The volatility and inflation factors also showed increases.

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

Risk factors (€ '000)	**12 mths to 30/6/16**				**12 mths to 30/6/15**
	30/6	**Min**	**Max**	**Avg.**	**Avg.**
Interest rates	4,047	2,175	18,757	9,780	15,339 *
Credit	28,749	6,218	36,463	20,320	
Share prices	27,327	6,644	39,302	16,798	10,544
Exchange rates	3,759	609	19,715	4,133	4,253
Inflation	4,154	1,864	8,379	4,104	2,809
Volatility	2,248	1,050	5,537	2,870	1,628
Diversification effect **	(17,521)	(598)	(33,515)	(16,343)	(11,468)
Total	52,763	21,040	83,084	41,664	23,106
Expected Shortfall	*117,410*	*25,402*	*122,708*	*51,502*	*41,115*

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

** Due to mismatch between risk factors.

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

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

Tab. 2: Value at Risk and Expected Shortfall trading book

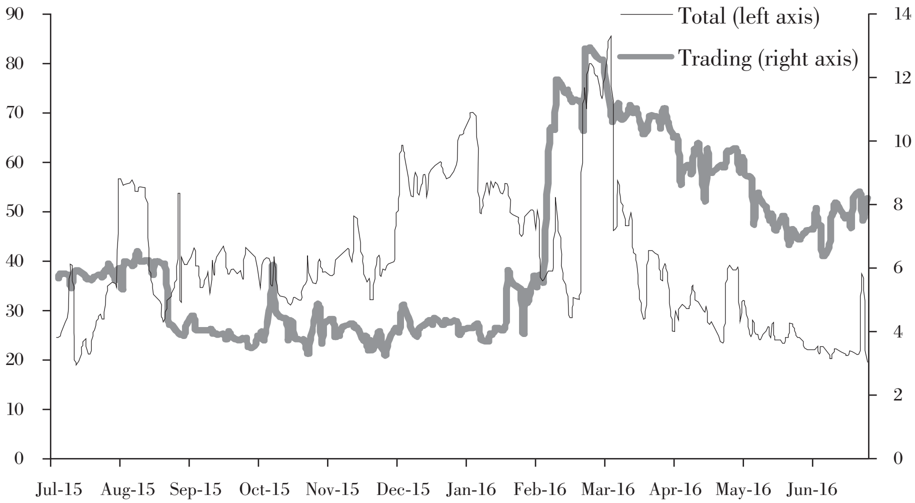
Risk factors (€ '000)	**12 mths to 30/6/16**				**12 mths to 30/6/15**
	30/6	**Min**	**Max**	**Avg.**	**Avg.**
Interest rates	880	642	9,513	2,671	2,552 *
Credit	1,020	734	5,823	2,760	
Share prices	2,819	590	9,690	3,226	1,300
Exchange rates	885	138	5,179	1,249	739
Inflation	1,413	239	5,153	1,726	860
Volatility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

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

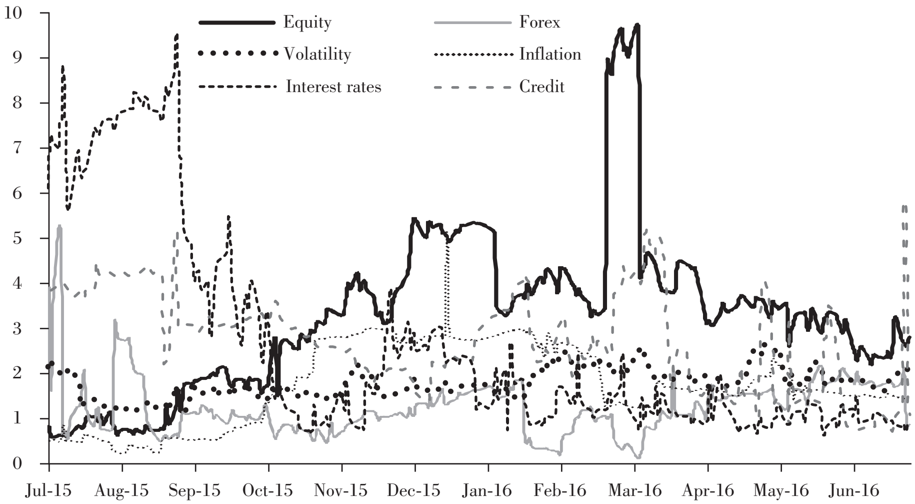
** Due to mismatch between risk factors.

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

Trends in VaR



Trends in VaR constituents



The results of the daily back-testing based on calculations of theoretical profits and losses[2] show only three breaches in the course of the twelve months, in line with the theoretical level of 1% of the readings, in September 2015 and again near the end of the financial year as a result of the Brexit effect.

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

(€m)

Data at 30/6/16		**Trading Book**
Net interest income sensitivity	+ 100 bps	(6.25)
	- 100 bps	0.67
Discounted value of cash flows sensitivity	+ 200 bps	(56.17)
	- 200 bps	21.24

[2] 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: distribution by residual maturity (repricing date) of financial cash assets and liabilities and financial derivatives

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	—	290,234	493,908	380,955	533,593	171,456	32,554	—
1.1 Debt securities	—	290,234	493,908	380,955	533,593	171,456	32,554	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	—	290,234	493,908	380,955	533,593	171,456	32,554	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	398,975	169,364	441,563	554,776	11,072	5,623	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
2.2 Other liabilities		398,975	169,364	441,563	554,776	11,072	5,623	
3. Financial derivatives	1,142,863	120,708,929	132,189,912	50,993,033	71,480,374	23,076,782	8,872,894	—
3.1 With underlying securities	—	382,344	—	—	105,600	—	—	—
– Options	—	—	—	—	105,600	—	—	—
+ long positions	—	—	—	—	52,800	—	—	—
+ short positions	—	—	—	—	52,800	—	—	—
– Others	—	382,344	—	—	—	—	—	—
+ long positions	—	191,172	—	—	—	—	—	—
+ short positions	—	191,172	—	—	—	—	—	—
3.2 Without underlying securities	1,142,863	120,326,585	132,189,912	50,993,033	71,374,774	23,076,782	8,872,894	—
– Options	—	49,066,526	95,685,016	37,579,174	3,720,000	952,000	1,760,000	—
+ long positions	—	24,533,263	47,842,508	18,789,587	1,860,000	476,000	880,000	—
+ short positions	—	24,533,263	47,842,508	18,789,587	1,860,000	476,000	880,000	—
– Others	1,142,863	71,260,059	36,504,896	13,413,859	67,654,774	22,124,782	7,112,894	—
+ long positions	713,737	35,221,086	16,986,245	7,393,993	33,861,032	11,629,465	3,801,506	—
+ short positions	429,126	36,038,973	19,518,651	6,019,866	33,793,742	10,495,317	3,311,388	—

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

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities [1]			
A.1 Shares	1,231,566	—	—
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	—	—
B. UCITS units			
B.1 Italian	—	—	10,273
- harmonized open	—	—	—
- non-harmonized open	—	—	—
- closed	—	—	10,273
- reserved	—	—	—
- speculative	—	—	—
B.2 Other EU states	141,488	—	520
- harmonized	129,794	—	520
- non-harmonized open	—	—	—
- non-harmonized closed	11,694	—	—
B.3 Non-EU states	—	—	—
- open	—	—	—
- closed	—	—	—
Total	1,373,054	—	10,793

[1] Net mismatch between trading assets and technical shortfalls booked as trading liabilities; over 81% of the next exposure regards other European countries.

2.2 INTEREST RATE RISK AND PRICE RISK – BANKING BOOK

QUALITATIVE INFORMATION

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

With reference to the positions held as part of Mediobanca's banking book as at 30 June 2016, if interest rates were to rise, net interest income would fall by €400.

With reference to analysis of the discounted value of estimated cash flows on the banking book, the instantaneous and parallel shifts of 200 basis points generate a loss of €374.3m. In the opposite scenario, i.e. if interest rates reduce, net interest income on the banking book would rise €103.3m.

The data described above are summarized in the table below:

(€m)

Data at 30/6/16		**Banking Book Mediobanca S.p.A.**
Net interest income sensitivity	+ 100 bps	(0.04)
	- 100 bps	(3.24)
Discount cash flows sensitivity	+ 200 bps	(374.34)
	- 200 bps	103.33

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

Hedging

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

B. Fair value hedges

Fair value hedges are used to neutralize exposure to interest rate, price or credit risk for particular asset or liability positions, via derivative contracts entered into with leading counterparties with high credit standings. It is principally the fixed-rate, zero coupon and structured bond issues that are fair-value hedged. If structured bonds in particular do not show risks related to the main risk, the interest-rate component (hedge) is stripped out from the other risks represented in the trading book, and usually hedged by trades of the opposite sign.

Fair value hedges are used by Mediobanca to hedge fixed-rate transactions involving corporate loans and AFS securities or positions accounted for as Loans and receivables, and also to mitigate price risk on equity investments held as available for sale.

C. Cash flow hedges

These are used chiefly as part of certain Group companies' operations, in particular those operating in consumer credit and leasing. In these cases the numerous, generally fixed-rate and relatively small-sized transactions are hedged by floating-rate deposits for large amounts. The hedge is made in order to transform floating-rate deposits into fixed rate positions, correlating the relevant cash flows. Normally the Group uses the derivative to fix the expected cost

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

of deposits over the reference period, to cover floating-rate loans outstanding and future transactions linked to systematic renewals of such loans upon their expiring.

Mediobanca also implements cash flow hedges to cover the equity risk linked to shares held as available for sale by executing forward contracts.

Counterparty risk

Counterparty risk is measured in terms of potential future market value, thus doing away with the need to set arbitrary weightings for the different types of financing. As far as regards derivatives and short-term loan collateralization products (repos and securities lending), the calculation is based on determining the maximum potential exposure (assuming a 95% confidence level) at various points on a time horizon that reaches up to 30 years. The scope of application regards all groups of counterparties which have relations with Mediobanca, taking into account the existence or otherwise of netting agreements (e.g. ISDA, GMSLA or GMRA) and collateralization agreements (e.g. CSA), plus exposures deriving from interbank market transactions.

For these three types of operations there are different ceilings split by counterparty and/or group. For derivatives transactions, as required by IFRS 13, the fair value incorporates the effects of the counterparty's credit risk (CVA) and Mediobanca's credit risk (DVA) based on the future exposure profile of the aggregate of such contracts outstanding.

QUANTITATIVE INFORMATION

1. Banking book: distribution by residual maturity (by repricing date) of financial assets and liabilities

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	5,078,136	19,561,528	5,162,609	1,532,274	9,465,199	2,557,398	7,188	26,505
1.1 Debt securities	82,604	3,537,148	1,379,806	1,028,646	3,842,562	1,857,135	7,111	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	82,604	3,537,148	1,379,806	1,028,646	3,842,562	1,857,135	7,111	—
1.2 Loans to banks	2,121,339	7,468,850	864,053	175,403	4,251,043	140,000	—	10,463
1.3 Loans to customers	2,874,193	8,555,530	2,918,750	328,225	1,371,594	560,263	77	16,042
– current accounts	2	—	—	—	339,105	—	—	—
– other loans	2,874,191	8,555,530	2,918,750	328,225	1,032,489	560,263	77	16,042
– with early repayment option	—	—	—	—	—	—	—	—
– others	2,874,191	8,555,530	2,918,750	328,225	1,032,489	560,263	77	16,042
2. Cash liabilities	14,883,869	13,466,552	2,195,744	2,188,631	7,453,323	2,309,788	51,819	3,908
2.1 Due to customers	3,418,938	379,569	50,122	2,983	—	—	—	3,648
– current accounts	1,355,767	—	—	—	—	—	—	—
– other amounts due	2,063,171	379,569	50,122	2,983	—	—	—	3,648
– with early repayment option	—	—	—	—	—	—	—	—
– others	2,063,171	379,569	50,122	2,983	—	—	—	3,648
2.2 Due to banks	11,190,003	5,301,728	935,310	538,643	1,511,000	—	38,611	260
– current accounts	10,386,779	—	—	—	—	—	—	—
– other amounts due	803,224	5,301,728	935,310	538,643	1,511,000		38,611	260
2.3 Debt securities	274,928	7,785,255	1,210,312	1,647,005	5,942,323	2,309,788	13,208	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	274,928	7,785,255	1,210,312	1,647,005	5,942,323	2,309,788	13,208	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products	278,066	19,003,726	2,411,308	1,578,901	7,546,777	3,780,879	809,775	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	278,066	19,003,726	2,411,308	1,578,901	7,546,777	3,780,879	809,775	—
– Options	—	—	—	—	200,000	—	516,794	—
+ long positions	—	—	—	—	100,000	—	258,397	—
+ short positions	—	—	—	—	100,000	—	258,397	—
– Others	278,066	19,003,726	2,411,308	1,578,901	7,346,777	3,780,879	292,981	—
+ long positions	—	5,707,716	1,526,981	1,527,596	5,861,977	2,570,694	151,355	—
+ short positions	278,066	13,296,010	884,327	51,305	1,484,800	1,210,185	141,626	—
4. Other OTC trades	6,554,258	8,927,821	3,377,061	1,481,914	16,340,024	5,191,659	1,315,094	—
+ long positions	3,590,870	3,979,495	1,763,400	717,173	7,959,597	2,643,049	940,333	—
+ short positions	2,963,388	4,948,326	1,613,661	764,741	8,380,427	2,548,610	374,761	—

2. Banking book: cash exposures in equities and UCITS units.

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities [1]			
A.1 Shares	641,386	—	32,351
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	—	—
B. UCITS units			
B.1 Italian	—	—	111,389
- harmonized open	—	—	—
- non-harmonized open	—	—	—
- closed	—	—	104,727
- reserved	—	—	—
- speculative	—	—	6,662
B.2 Other EU states	—	—	62,504
- harmonized	—	—	—
- non-harmonized open	—	—	—
- non-harmonized closed	—	—	62,504
B.3 Non-EU states	—	—	4,307
- open	—	—	—
- closed	—	—	4,307
Total	641,386	—	210,551

[1] Of which 87% Italian and 5% other EU countries.

2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

A. General aspects, operating processes and measurement techniques

B. Exchange rate risk hedging

The trend in the exchange rate component of VaR shown on p. 419 is an effective representation of changes in the risks taken on the forex market, in view of the fact that exposures to foreign exchange rates are managed globally within the Finance area of Mediobanca S.p.A.

QUANTITATIVE INFORMATION

1. Financial assets, liabilities and derivatives by currency

Line items	Currency					
	US dollars	Pounds sterling	Japanese yen	Canadian dollars	Swiss francs	Other
A. Financial assets	1,533,162	692,002	16,732	1,806	28,691	74,719
A.1 Debt securities	130,426	26,404	16,155	10	6,162	41,373
A.2 Equities	25,359	222,347	—	—	6,377	—
A.3 Loans and advances to banks	1,207,811	439,156	577	1,796	16,032	33,194
A.4 Loans and advances to customers	169,566	4,095	—	—	120	152
A.5 Other financial assets	—	—	—	—	—	—
B. Other assets	—	—	—	—	—	—
C. Financial liabilities	(1,440,534)	(419,082)	—	(74)	(86,884)	(449)
C.1 Due to banks	(48,905)	(25,441)	—	(74)	(70,576)	(449)
C.2 Due to customers	(20,319)	—	—	—	—	—
C.3 Debt securities	(1,371,310)	(393,641)	—	—	(16,308)	—
C.4 Other financial liabilities	—	—	—	—	—	—
D. Other liabilities	—	—	—	—	—	—
E. Financial derivative products	24,731	(251,581)	(18,763)	—	69,431	(80,370)
- Options	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—
- Other derivatives	24,731	(251,581)	(18,763)	—	69,431	(80,370)
+ Long positions	3,580,856	495,026	1,754	—	302,551	518,925
+ Short positionsw	(3,556,125)	(746,607)	(20,517)	—	(233,120)	(599,295)
Total assets	5,114,018	1,187,028	18,486	1,806	331,242	593,644
Total liabilities	(4,996,659)	(1,165,689)	(20,517)	(74)	(320,004)	(599,744)
Difference (+/-)	117,359	21,339	(2,031)	1,732	11,238	(6,100)

2. Internal models and other methodologies used for sensitivity analysis

During the year under review, the directional positions taken on exchange rates reduced versus all the main currencies, by hedges being implemented. The sole exception to this is the USD position, which remained basically unchanged and which for Mediobanca acts as a macro hedge against turmoil on Eurozone markets. The VaR for the forex component showed an average reading of €4.2m in the twelve months, flat versus the previous year, while the point-in-time reading as at 30 June 2016 was €3.8m.

2.4 DERIVATIVE FINANCIAL INSTRUMNTS

A. FINANCIAL DERIVATIVES

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

Underlying assets/ Type of derivatives	30/6/16		30/6/15	
	Over the counter	Clearing House	Over the counter	Clearing House
1. Debt securities and interest rate indexes	105,332,655	88,455,146	110,833,854	20,231,168
a) Options	52,800	87,729,988	—	19,543,795
b) Swap	100,363,855	—	98,129,104	—
c) Forward	—	—	—	—
d) Futures	—	725,158	—	687,373
e) Others	4,916,000	—	12,704,750	—
2. Equity instruments and stock indexes	15,321,570	11,742,610	11,928,907	12,768,242
a) Options	14,349,303	11,508,167	9,008,745	12,534,420
b) Swap	972,267	—	1,719,906	—
c) Forward	—	—	1,200,256	—
d) Futures	—	234,443	—	233,822
e) Others	—	—	—	—
3. Gold and currencies	10,444,593	—	11,422,631	—
a) Options	1,735,370	—	44,269	—
b) Swap	4,011,000	—	4,584,655	—
c) Forward	4,698,223	—	6,793,707	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other underlyings	—	—	—	—
Total	131,098,818	100,197,756	134,185,392	32,999,410

A.2 Banking book: reporting-date notional values

A.2.1 Hedge derivatives

Underlying assets/ Type of derivatives	30/6/16		30/6/15	
	Over the counter	Clearing House	Over the counter	Clearing House
1. Debt securities and interest rate indexes	17,704,716	—	19,535,715	—
a) Options	—	—	—	—
b) Swap	17,346,319	—	19,227,318	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	358,397	—	308,397	—
2. Equity instruments and stock indexes	85,708	—	24	—
a) Options	29	—	24	—
b) Swap	—	—	—	—
c) Forward	85,679	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Gold and currencies	—	—	5,533	—
a) Options	—	—	—	—
b) Swap	—	—	5,533	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other underlyings	—	—	—	—
Total	17,790,424	—	19,541,272	—

A.2.2 Other derivatives

Underlying assets/ Type of derivatives	30/6/16		30/6/15	
	Over the counter	**Clearing House**	**Over the counter**	**Clearing House**
1. Debt securities and interest rate indexes	162,251	—	12,251	—
a) Options	—	—	—	—
b) Swap	162,251	—	12,251	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equity instruments and stock indexes	1,871,672	—	2,022,482	—
a) Options	1,871,672	—	2,022,482	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Gold and currencies	—	—	—	—
a) Options	—	—	—	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other underlyings	—	—	—	—
Total	2,033,923	—	2,034,733	—

A.3 Financial derivatives: gross positive fair value, by product

Portfolios/Types of derivatives	Positive fair value			
	30/6/16		30/6/15	
	Over the counter	Clearing House	Over the counter	Clearing House
A. Regulatory trading portfolio	3,908,716	632,131	4,815,925	621,272
a) Options	420,200	629,729	1,017,559	617,262
b) Interest rate swap	2,969,608	—	3,135,182	—
c) Cross currency swap	245,092	—	254,133	—
d) Equity Swap	75,252	—	61,110	—
e) Forward	198,564	—	347,941	—
f) Futures	—	2,402	—	4,010
g) Other	—	—	—	—
B. Banking book - Hedging derivatives	936,702	—	1,092,964	—
a) Options	—	—	—	—
b) Interest rate swap	930,079	—	829,348	—
c) Cross currency swap	—	—	151	—
d) Equity Swap	—	—	—	—
e) Forward	6,623	—	—	—
f) Futures	—	—	—	—
g) Other	—	—	263,465	—
C. Banking book - Other derivatives	471,783	—	13,214	—
a) Options	471,783	—	9,263	—
b) Interest rate swap	—	—	3,951	—
c) Cross currency swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	5,317,201	632,131	5,922,103	621,272

A.4 Financial derivatives: gross negative fair value, by product

Portfolios/Type of derivatives	Negative fair value			
	30/6/16		30/6/15	
	Over the counter	Clearing House	Over the counter	Clearing House
A. Regulatory trading portfolio	(3,878,016)	(660,552)	(4,683,895)	(745,125)
a) Options	(466,810)	(649,353)	(797,414)	(742,326)
b) Interest rate swap	(2,922,382)	—	(3,244,381)	—
c) Cross currency swap	(267,668)	—	(393,719)	—
d) Equity swap	(17,044)	—	(15,095)	—
e) Forward	(204,112)	—	(233,286)	—
f) Futures	—	(11,199)	—	(2,799)
g) Others	—	—	—	—
B. Banking book - Hedging derivatives	(726,273)	—	(851,721)	—
a) Options	(4,525)	—	—	—
b) Interest rate swap	(721,748)	—	(587,280)	—
c) Cross currency swap	—	—	(150)	—
d) Equity swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	(264,291)	—
C. Banking book - Other derivatives	(483,033)	—	(169,695)	—
a) Options	(483,033)	—	(169,695)	—
b) Interest rate swap	—	—	—	—
c) Cross currency swap	—	—	—	—
d) Equity swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	(5,087,322)	(660,552)	(5,705,311)	(745,125)

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

Contracts not included in netting agreement	Governments and central banks	Other public-sector entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Debt securities and interest rate indexes							
- notional amount	—	—	2,876,907	1,684,365	—	5,458,348	—
- positive fair value	—	—	56,465	49,959	—	299,074	—
- negative fair value	—	—	(5,223)	(32,829)	—	(66,578)	—
- future exposure	—	—	19,075	8,849	—	41,113	—
2. Equity instruments and stock indexes							
- notional amount	—	15,000	11,258	675,497	1,274	1,200,253	—
- positive fair value	—	262	65	21,809	13	81,100	—
- negative fair value	—	—	(67)	(26,354)	(892)	(23,471)	—
- future exposure	—	900	675	40,530	127	96,020	—
3. Gold and currencies							
- notional amount	—	—	14,250	67,582	25,130	1,038,785	—
- positive fair value	—	—	—	949	110	4,230	—
- negative fair value	—	—	(626)	(6,156)	(670)	(135,804)	—
- future exposure	—	—	143	1,006	251	56,170	—
4. Other instruments							
- notional amount	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

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

Contracts included in netting agreement	Governments and central banks	Other public-sector entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Debt securities and interest rate indexes							
- notional amount	—	—	49,607,865	43,975,246	694,424	1,035,500	—
- positive fair value	—	—	1,877,821	573,858	55,521	194,787	—
- negative fair value	—	—	(2,159,948)	(806,855)	(3,925)	—	—
2. Equity instruments and stock indexes							
- notional amount	—	—	7,242,796	6,022,497	152,994	—	—
- positive fair value	—	—	138,252	111,008	1,672	—	—
- negative fair value	—	—	(132,974)	(125,506)	(19,352)	—	—
3. Gold and currencies							
- notional amount	—	—	7,609,747	875,171	321,885	492,043	—
- positive fair value	—	—	270,198	127,181	2,555	41,827	—
- negative fair value	—	—	(270,903)	(1,479)	(349)	(58,055)	—
4. Other instruments							
- notional amount	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

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

Contracts not included in netting agreement	Governments and central banks	Other public-sector entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Debt securities and interest rate indexes							
- notional amount	—	—	700,000	85,000	—	—	—
- positive fair value	—	—	4,532	780	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	2,500	375	—	—	—
2. Equity instruments and stock indexes							
- notional amount	—	—	—	—	—	—	29
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	2
3. Gold and currencies							
- notional amount	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
4. Other instruments							
- notional amount	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

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

Contracts included in netting agreements	Governments and central banks	Other public-sector entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Debt securities and interest rate indexes							
- notional amount	—	—	13,423,964	3,495,751	—	—	—
- positive fair value	—	—	691,611	233,156	—	—	—
- negative fair value	—	—	(669,499)	(56,775)	—	—	—
2. Equity instruments and stock indexes							
- notional amount	—	—	85,679	—	—	—	—
- positive fair value	—	—	6,623	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
3. Gold and currencies							
- notional amount	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
4. Other instruments							
- notional amount	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

A.9 OTC financial derivatives by outstanding life: notional vales

Underlyng/ residual	Up to 1 year	Over 1 year up to 5 year	Over 5 year	Total
A. Regulatory trading book	25,282,499	74,989,440	30,826,878	131,098,817
A.1 Financial derivative contracts on debt securities and interest rates	15,124,596	61,154,866	29,053,193	105,332,655
A.2 Financial derivative contracts on equity securities and stock indexes	4,559,275	10,661,910	100,384	15,321,569
A.3 Financial derivative contracts on exchange rates and gold	5,598,628	3,172,664	1,673,301	10,444,593
A.4 Financial derivative contracts on other values	—	—	—	—
B. Banking book	3,743,830	11,212,954	4,867,562	19,824,346
B.1 Financial derivative contracts on debt securities and interest rates	3,615,171	9,540,268	4,711,527	17,866,966
B.2 Financial derivative contracts on equity securities and stock indexes	128,659	1,672,686	156,035	1,957,380
B.3 Financial derivative contracts on exchange rates and gold	—	—	—	—
B.4 Financial derivative contracts on other values	—	—	—	—
Total 30/6/16	29,026,329	86,202,394	35,694,440	150,923,163
Total 30/6/15	39,613,780	72,603,146	43,544,471	155,761,397

B. CREDIT DERIVATIVES

B.1 Credit derivatives: reporting-date notional values

Type of transaction	Regulatory trading portfolio		Banking book	
	with a single counterparty	with more than one counterparty (basket)	with a single counterparty	with more than one counterparty (basket)
1. Protection buyer's contracts				
a) Credit default products	1,710,631	6,422,250	117,400	5,000
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total 30/6/16	1,710,631	6,422,250	117,400	5,000
Total 30/6/15	1,267,060	7,979,108	150,400	—
2. Protection seller's contracts				
a) Credit default products	1,261,237	6,712,010	20,000	2,371,937
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total 30/6/16	1,261,237	6,712,010	20,000	2,371,937
Total 30/6/15	931,265	7,770,465	20,000	821,867

B.2 OTC credit derivatives: gross positive fair value, by product

Portfolio/Type of derivatives	Positive Fair Value	
	30/6/16	30/6/15
A. Regulatory trading book	168,204	202,408
a) Credit default products	168,204	202,408
b) Credit spread products	—	—
c) Total rate of return swaps	—	—
d) Others	—	—
B. Banking book	23,632	11,224
a) Credit default products	23,632	11,224
b) Credit spread products	—	—
c) Total rate of return swaps	—	—
d) Others	—	—
Total	191,836	213,632

B.3 OTC credit derivatives: gross negative fair value, by product

Portfolio/Type of derivatives	Negative fair value	
	30/6/16	**30/6/15**
A. Regulatory trading book	(383,009)	(489,093)
a) Credit default products [1]	(383,009)	(489,093)
b) Credit spread products	—	—
c) Total rate of return swaps	—	—
d) Others	—	—
B. Banking book	(12,804)	(11,594)
a) Credit default products	(12,804)	(11,594)
b) Credit spread products	—	—
c) Total rate of return swaps	—	—
d) Others	—	—
Total	(395,813)	(500,687)

[1] Of which certificates in an amount of €180,163,000 and €323,058,000 respectively.

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

Contracts not included in netting agreements	Governments and central banks	Other public-sector entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
Regulatory trading portfolio							
1. Protection purchase							
- notional amount	—	—	850,000	—	200,000	—	—
- positive fair value	—	—	56,902	—	5,017	—	—
- negative fair value	—	—	(243,299)	—	—	—	—
- future exposure	—	—	42,500	—	10,000	—	—
2. Protection sale							
- notional amount	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
Banking portfolio*							
1. Protection purchase							
- notional amount	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
2. Protection sale							
- notional amount	—	—	—	—	—	—	—
- 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 arrangement

Contracts included in netting agreements	Governments and central banks	Other public sector entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
Regulatory trading portfolio							
1. Protection purchase							
- notional amount	—	—	5,667,092	1,415,789	—	—	—
- positive fair value	—	—	7,524	768	—	—	—
- negative fair value	—	—	(67,942)	(40,627)	—	—	—
2. Protection sale							
- notional amount	—	—	6,665,841	1,307,405	—	—	—
- positive fair value	—	—	65,927	32,067	—	—	—
- negative fair value	—	—	(29,254)	(1,887)	—	—	—
Banking portfolio *							
1. Protection purchase							
- notional amount	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
2. Protection sale							
- notional amount	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

* Derivatives embedded in bonds issued not included.

B.6 Credit derivatives by outstanding duration: notional value

Underlying / Residual	Up to 1 year	From 1 year up to 5 years	Over 5 years	Total
A. Regulatory trading portfolio	1,296,778	13,699,849	1,109,500	16,106,127
A.1 Credit derivatives with "qualified" "reference obligation"	263,237	1,451,130	1,109,500	2,823,867
A.2 Credit derivatives with "not qualified" "reference obligation"	1,033,541	12,248,719	—	13,282,260
B. Banking portfolio	26,300	2,390,337	97,700	2,514,337
B.1 Credit derivatives with "qualified" "reference obligation"	26,300	18,400	35,700	80,400
B.2 Credit derivatives with "not qualified" "reference obligation"	—	2,371,937	62,000	2,433,937
Total 30/6/16	1,323,078	16,090,186	1,207,200	18,620,464
Total 30/6/15	2,531,712	14,775,755	1,632,698	18,940,165

C. CREDIT AND FINANCIAL DERIVATIVES

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

	Governments and central banks	Other public-sector entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1) Netting agreements related to financial derivatives							
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
- net counterparty risk	—	—	—	—	—	—	—
2) Netting agreements related to credit derivatives							
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
- net counterparty risk	—	—	—	—	—	—	—
3) Cross product netting agreements							
- positive fair value	—	—	237,610	176,421	50,372	183,693	—
- negative fair value	—	—	(351,850)	(799,147)	(14,249)	(5,132)	—
- future exposure	—	—	429,066	245,205	11,293	31,494	—
- net counterparty risk	—	—	439,514	295,646	49,448	141,397	—

* Representing the sum of the positive fair value and future exposure, net of cash collateral received amounting to €439,149,000, €227,163,000 of which in respect of banks, €125,980,000 of financial companies, €12,216,000 of insurances and €73,790,000 other non-financial companies. Conversely, to cover negative fair value readings, cash collateral of €469,386,000 was paid in, €320,756,000 of which in respect of banks, €136,400,000 of financial companies, and €12,230,000 of insurances.

SECTION 3

Liquidity risk

QUALITATIVE INFORMATION

The Mediobanca Group monitors and manages liquidity risk in accordance with the provisions of internal documents approved in accordance with Bank of Italy circular no. 263/06 (as amended): the Liquidity risk management policy (the "Policy") and the Contingency funding plan ("CFP").

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

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

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

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

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

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

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

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

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

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

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

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

With a view to optimizing the cost of funding, in a market scenario with low returns on applications of cash apart from mortgages and/or corporate loans, the 2015-16 financial year was again characterized by the attempt to redefine the Group's sources of funding. In addition to renewing the bond issues which expired in the twelve months (new sales of €3.5bn, against issues of approx. €3bn falling due), the Group made greater use of short-term forms of funding such as CDs and commercial paper, which partly replaced the interbank funding. During the year the Treasury also sought to extend the duration on loans falling due, in order to take advantage of the favourable terms currently available on the market. Funding raised from monetary authorities was stable at €5.5bn, through the Targeted Long Term Refinancing Operations (TLTROs).

Funds raised through CheBanca! retail deposits increased during the twelve months, on the back of some targeted advertising campaigns. The increase in liquidity led consequently to a rise treasury applications.

As at 30 June 2016 the counterbalancing capacity stood at €11.2bn, €11bn of which in the form of bonds deliverable in exchange for cash from the ECB (30/6/15: €9.3bn); while the balance of liquidity reserves established at the European Central bank amounted to approx. €6.8bn (€6bn), approx. €1.3bn of which in the form of cash not used and hence qualifying as part of the counterbalancing capacity.

QUANTITATIVE INFORMATION

1. Financial assets and liabilities by outstanding life:

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	5,078,376	338,352	414,659	775,451	2,762,344	4,336,759	3,009,880	21,326,027	7,667,197	153,010
A.1 Government securities	82,607	839	30,362	27,369	408,303	1,120,364	1,363,228	3,122,032	1,370,918	—
A.2 Other debt securities	1,202	11,213	3,508	5,423	112,404	269,836	158,369	4,189,401	1,274,093	—
A.3 UCITS units	—	—	—	—	—	—	—	—	—	—
A.4 Loans and advances	4,994,567	326,300	380,789	742,659	2,241,637	2,946,559	1,488,283	14,014,594	5,022,186	153,010
– to banks	2,121,641	297,225	176,101	125,475	910,845	1,458,321	352,094	6,591,434	3,006,175	136,968
– to customers	2,872,926	29,075	204,688	617,184	1,330,792	1,488,238	1,136,189	7,423,160	2,016,011	16,042
Cash liabilities	15,116,192	518,473	188,881	485,208	1,369,576	1,992,065	2,995,938	17,283,654	4,390,375	3,908
B.1 Deposits and currentaccounts	11,756,674	—	—	—	—	—	—	—	—	—
– to banks	10,400,910	—	—	—	—	—	—	—	—	—
– to customers	1,355,764	—	—	—	—	—	—	—	—	—
B.2 Debt securities	1,206	239	24,241	5,833	84,938	841,436	2,425,848	11,751,192	4,298,705	
B.3 Other liabilities	3,358,312	518,234	164,640	479,375	1,284,638	1,150,629	570,090	5,532,462	91,670	3,908
Off-balance-sheet transactions	15,020,698	5,838,175	649,524	1,677,735	2,115,643	3,620,859	3,576,335	15,336,002	10,322,342	—
C.1 Financial derivatives with exchange of principal	187,104	102,300	291,628	676,206	838,284	604,385	2,205,309	4,420,118	1,853,301	—
– long positions	170,382	77,721	180,553	440,698	423,549	309,692	1,543,362	1,317,918	155,710	—
– short positions	16,722	24,579	111,075	235,508	414,735	294,693	661,947	3,102,200	1,697,591	—
C.2 Financial derivatives without principal exchange of	8,082,043	11,014	3,835	25,301	79,226	88,920	156,141	—	—	—
– long positions	4,083,444	5,274	1,696	8,312	53,801	32,227	77,888	—	—	—
– short positions	3,998,599	5,740	2,139	16,989	25,425	56,693	78,253	—	—	—
C.3 Deposits and loans for collection	2,979,557	3,181,095	222,327	430,144	645,718	1,504,224	619,169	3,962,032	3,385,365	—
– long positions	2,963,388	3,181,095	217,327	401,139	390,314	927,457	135,852	248,244	—	—
– short positions	16,169	—	5,000	29,005	255,404	576,767	483,317	3,713,788	3,385,365	—
C.4 Irrevocable commitments to disburse funds *	3,574,700	2,543,766	131,734	471,024	487,615	1,332,021	406,698	3,885,104	2,689,578	—
– long positions	—	—	35,002	49,007	288,424	429,764	384,241	3,885,104	2,689,578	—
– short positions	3,574,700	2,543,766	96,732	422,017	199,191	902,257	22,457	—	—	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—
C.6 Financial guarantees received	—	—	—	—	—	—	—	—	—	—
C.7 Credit derivatives with exchange of principal	—	—	—	75,060	64,800	91,309	189,018	3,068,748	2,394,098	—
- long positions	—	—	—	36,030	—	6,351	76,000	1,547,338	1,275,798	—
- short positions	—	—	—	39,030	64,800	84,958	113,018	1,521,410	1,118,300	—
C.8 Credit derivatives without exchange of principal	197,294	—	—	—	—	—	—	—	—	—
- long positions	92,114	—	—	—	—	—	—	—	—	—
- short positions	105,180	—	—	—	—	—	—	—	—	—

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

SECTION 4

Operational risks

QUALITATIVE INFORMATION

Definition

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

Capital requirements for operational risk

Mediobanca has adopted the Basic Indicator Approach (BIA) in order to calculate the capital requirement for covering operating risk, applying a margin of 15% to the average of the last three years' readings of total income. Based on this method of calculation, the capital requirement as at the reporting date was €117.8m (30/6/15: €115.6m).

Risk mitigation

Operational risks are managed by a specific Operational risk management team within the Risk Management unit.

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

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

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

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

Legal risk: risks deriving from litigation pending

For a description of the claims currently pending against Mediobanca S.p.A., please see Section B – Liabilities on pp. 375, 376 and 377.

Other risks

As part of the process of assessing the current and future capital required for the company to perform its business (ICAAP) required by the regulations in force, the Group has identified the following types of risk as relevant (in addition to those discussed previously, i.e. credit risk, counterparty risk, market risk, interest rate risk, liquidity risk and operational risk:

– concentration risk, i.e. risk deriving from a concentration of exposures to individual counterparties or groups of counterparties ("single name concentration risk") or to counterparties operating in the same economic sector or which operate in the same business or belong to the same geographical area (geographical/sector concentration risk);

– expected shortfall on credit portfolio risk – with reference to credit risk, the risk deriving from the failure to cover the positive difference between the total amount of the expected loss calculated with reference to credit exposures with performing counterparties, via the use of risk parameters (PD and LGD) estimated using internal models (not yet ratified for supervisory purposes) and the respective balance-sheet adjustments calculated according to the accounting standards in force;

– strategic risk, both in the sense of risk deriving from current and future changes in profits/margins compared to estimated data, due to volatility in volumes or changes in customer behaviour (business risk), and of current and future risk of reductions in profits or capital deriving from disruption to business as a result of adopting new strategic choices, wrong management decisions or inadequate execution of decisions taken (pure strategic risk);

- basis risk: in the context of market risk, this is the risk of losses caused by unaligned price changes in opposite directions from each other, which are similar but not identical;
- compliance risk, i.e. the risk of incurring legal or administrative penalties, significant financial losses or damages to the Bank's reputation as a result of breaches of external laws and regulations or self-imposed regulations;
- reputational risk, i.e. the current and future risk of reductions in profits or capital deriving from a negative perception of the Bank's image by customers, counterparties, shareholders, investors or regulatory authorities;
- residual risk, i.e. the risk that the recognized techniques used by the Bank to mitigate credit risk should prove to be less effective than anticipated;
- country and transfer risk – the risk of losses being caused by events in a country other than Italy, including losses due to the borrower's difficulties in converting its currency into the currency in which the exposure is denominated.

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

Part F - Information on capital

SECTION 1

Capital of the company

Quantitative information

B.1 Net equity: composition

Net equity constituents	30/6/16	30/6/15
1. Share capital	435,510	433,599
2. Share premium	2,152,829	2,144,489
3. Reserves	2,217,335	2,074,656
- of gains	2,093,126	1,974,193
a) legal	86,720	86,150
b) statutory	1,233,655	1,115,292
c) treasury shares	197,982	198,254
d) others	574,769	574,497
- others	124,209	100,463
4. Equity instruments	—	—
5. (Treasury shares)	(197,982)	(198,254)
6. Valuation reserves:	379,538	402,204
- AFS securities	368,294	401,269
- Property, plant and equipment	—	—
- Intangible assets	—	—
- Foreign investment hedges	—	—
- Cash flow hedges	6,163	(5,024)
- Exchange rate difference	—	—
- Non-current assets being sold	—	—
- Actuarial gains (losses) on defined-benefit pension schemes	(4,551)	(3,673)
- Share of valuation reserves represented by equity-accounted companies	—	—
- Special valuation laws	9,632	9,632
7. Gain (loss) for the period	288,038	333,045
Total	5,275,268	5,189,739

For further information, please see Section 14 “Capital of the company – Headings 130, 150, 160, 170, 180, 190 and 200”.

B.2 AFS valuation reserves: composition

Assets/amounts	30/6/16		30/6/15	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	115,276	(11,129)	100,718	(16,218)
2. Equity securities	250,065	(40)	306,103	(41)
3. UCITS units	15,344	(1,222)	10,711	(4)
4. Loans and advances	—	—	—	—
Total	380,685	(12,391)	417,532	(16,263)

B.3 AFS valuation reserves: movements during the period

	Debt securities	Equity securities	UCITS units	Loans
1. Opening balance	84,500	306,062	10,707	—
2. Additions	51,439	50,933	6,290	—
2.1 Increases in fair value	48,957	50,933	6,290	—
2.2 Negative reserves charged back to profit and loss as a result of	2,482	—	—	—
- impairment	—	—	—	—
- disposals	2,482	—	—	—
2.3 Other additions	—	—	—	—
3. Reductions	31,792	106,970	2,875	—
3.1 Reductions in fair value	19,809	4,983	2,437	—
3.2 Adjustments for impairment	—	11,864	14	—
3.3 Positive reserves credited back to profit and loss as a result of: disposals	11,983	90,123	424	—
3.4 Other reductions	—	—	—	—
4. Balance at end of period	104,147	250,025	14,122	—

SECTION 2

Regulatory and supervisory capital requirements for banks

Since its inception one of the distinguishing features of Mediobanca has been the solidity of its financial structure, with capital ratios consistently higher than those required by the regulatory guidelines. The surplus capital is justified by the type of operations performed by the Bank on the corporate market.

2.1 Bank equity

Scope of application of regulations

Based on the new body of supervisory and corporate governance rules for banks, which consists of a directive ("Capital Requirements Directive IV – CRD IV") and a regulation ("Capital Requirements Regulation - CRR") issued by the European Parliament in June 2013 and incorporated into the Italian regulatory framework under Bank of Italy circular no. 285, Mediobanca has applied the phase-in regime, which means in particular that once the requisite clearance was obtained, it proceeded to

– weight the investment Assicurazioni Generali at 370%; and
– neutralize the valuation reserves for sovereign debt issued by EU member states and held as AFS financial assets.

As from 30 June 2016, authorization to weight the Assicurazioni Generali investment at 370% is confined to the part required in order to comply with the concentration limit of 25% of regulatory capital; a level which is met comfortably.

QUALITATIVE INFORMATION

Common Equity Tier 1 (CET1) capital consists of the share attributable to the Group and to minority shareholders of capital paid up, reserves (including €179.3m, or 60%, of the positive AFS equity reserves) and the profit for the period (€288.0m) net of the dividend for the year (€230.9m). From this amount the following items are deducted: treasury shares (€198.0m), intangible assets (€12.7m), and the other prudential adjustments (€49.2m) in connection with the values of financial instruments (AVAs and DVAs), plus €38.6m in interests in financial companies (banks and insurances) exceeding the limits set under the regime.

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

Tier 2 capital includes the liabilities issued (€2,103.8m) plus 20% of the positive reserves for AFS securities (€59.8m) which does not include the net gain of EU member states' government securities subject to neutralization (€69.5m). Deductions of €611.2m regard the investments in Tier 2 instruments, in particular subordinated loans to Italian insurance companies, and the share of the investments in financial companies, based on the provisions of the phase-in regime.

Liabilities issued rose from €1,779.2m to €2,103.8m, due to the issue of the new MB Valore bond in a nominal amount of €500m expiring in 2025, and the other movements for the period, in particular repayment of the two subordinated issues, MB Secondo Atto (€90.2m) and MB Quarto Atto (€4.2m). No subordinated tier 2 issue benefits from the grand-fathering.

Issue	**30/6/16**		
	ISIN	**Nominal value**	**Book value***
MB Secondo Atto 5% 2020 Lower Tier 2	IT0004645542	748,151	638,274
MB Quarto Atto a Tasso Variabile 2021 Lower Tier 2	IT0004720436	498,289	479,747
MB CARATTERE 5,75% 2023 Lower Tier 2	IT0004917842	499,863	494,112
MB VALORE Tasso Variabile con minimo 3% 2025 Tier 2	IT0005127508	499,885	491,669
Total subordinated debt securities		**2,246,188**	**2,103,802**

* The calculated value differs from the book value for items recognized at fair value and amortized cost and for buyback commitments.

Quantitative information

	30/6/16	30/6/15
A. Common equity tier 1 (CET1) prior to application of prudential filters	5,044,354	4,984,645
of which: CET1 instruments subject to phase-in regime	—	—
B. CET1 prudential filters (+/-)	(55,390)	(30,814)
C. CET1 gross of items to be deducted and effects of phase-in regime (A +/- B)	4,988,964	4,953,831
D. Items to be deducted from CET1	(68,844)	(119,669)
E. Phase-in regime - impact on CET1 (+/-)	(171,484)	(214,193)
F. Total common equity tieer 1 (CET1) (C - D +/- E)	4,748,636	4,619,969
G. Additional tier 1 (AT1) gross of items to be deducted and effects of phase-in regime	—	—
of which: AT1 instruments subject to temporary provisions	—	—
H. Items to be deducted from AT1	—	—
I. Phase-in regime - impact on AT1 (+/-)	—	—
L. Total Additional Tier 1 (AT1) gross of items to be deducted and effects of phase-in regime (G - H +/- I)	—	—
M. Tier 2 (T2) gross of items to be deducted and effects of phase-in regime	2,103,802	1,779,200
of which: T2 instruments subject to phase-in regime	—	—
N. Items to be deducted from T2	(587,853)	(611,230)
O. Phase-in regime - Impact on T2 (+/-)	36,416	70,376
P. Total T2 (M - N +/- O)	1,552,365	1,238,346
Q. Total own funds (F+L+P)	6,301,001	5,858,315

2.3 Capital adequacy

A. Qualitative information

As at 30 June 2016, the Bank’s Common Equity Ratio, calculated as CET 1 capital as a percentage of total risk-weighted assets, amounted to 12.94%, higher than last year (11.92%) due to the reduction in RWAs (from €38.8bn to €36.7bn), chiefly due to the contraction in market risks, which at the reporting date totalled €3.9bn (€5.7bn). There was also an equivalent rise in the total capital ratio, from 15.11% to 17.17%, boosted also by the new MB Valore issue.

B. Quantitative information

Categories/Amounts	Unweighted amounts		Weighted amounts/requirements	
	30/6/16	30/6/15	30/6/16	30/6/15
A. RISK ASSETS				
A.1 Credit and counterpart risk	56,176,075	50,962,863	30,519,282	30,826,797
1. Standard methodology	56,014,758	50,807,890	30,126,344	30,447,619
2. Internal rating methodology	—	—	—	—
2.1 Basic	—	—	—	—
2.2 Advanced	—	—	—	—
3. Securitization	161,317	154,973	392,938	379,178
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			2,441,543	2,466,144
B.2 Credit valuation risk			65,223	67,738
B.3 Settlement risk			—	—
B.4 Market risk			311,669	452,218
1. Standard methodology			311,669	452,218
2. Internal models			—	—
3. Concentration risk			—	—
B.5 Operational risk			117,821	115,552
1. Basic Indicator Approach (BIA)			117,821	115,552
2. Standard methodology			—	—
3. Advanced methodology			—	—
B.6 Other prudential requirements			—	—
B.7 Total prudential requirements			2,936,255	3,101,652
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			36,703,193	38,770,645
C.2 CET 1 capital/risk-weighted assets (CET 1 capital ratio)			12.94%	11.92%
C.3 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			12.94%	11.92%
C.4 Total own funds/risk-weighted assets (Total capital ratio)			17.17%	15.11%

Part H - Related party disclosure

1. Board member and senior management remuneration

Remuneration paid to directors, statutory auditors and management with strategic responsibilities

	Compensation			
	Emoluments payable in connection with post	Non-cash benefits*	Bonuses and other incentives	Other compensation
BOARD OF DIRECTORS [1]	2,503.0	1,158.6	686.6	6,008.7
of which: management	*400.0*	*1,158.6*	*686.6*	*5,440.0*
MANAGEMENT with strategic responsibilities [2]	—	233.1	424.4	2,531.6
STATUTORY AUDIT COMMITTEE [3]	350.0	—	—	—

* Includes the value of fringe benefits (according to which items are taxable), including insurance policies and complementary pension schemes, and hence does not include costs in respect of equity payments equal to €2.4m.
[1] Includes 18 directors in office at 30 June 2016.
[2] Includes five strategic managers (unchanged from last year).
[3] Includes three statutory auditors in office at 30 June 2016.

2. Related party disclosure

The Board of Directors of Mediobanca, having received favourable opinions from the Bank's Related Parties and Statutory Audit Committees, has incorporated the Bank of Italy's most recent instructions on this subject to this procedure, which introduce prudential limits for risk activities versus related parties. The new version of the procedure came into force on 31 December 2012. The full document is published on the Bank's website at www.mediobanca.com.

For the definition of related parties adopted, please see part A (Accounting policies) 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's compensation are provided in a footnote to the table.

1.1 Regular financial disclosure: most significant transactions

No transactions qualifying as most significant were performed during the twelve months.

1.2 Quantitative information

The exposure to non-Group companies (representing the sum of assets plus guarantees and commitments) rose during the year under review, from €1.3bn to €1.6bn, and now represents approx. 3.3% of total assets, while the percentage of net interest income reported in the profit and loss account represented by related parties rose from 4% to 4.7%.

Situation at 30 June 2016

(€m)

	Group companies	**Directors and strategic management**	**Associates**	**Other related parties**	**Total**
Assets	16,032.6	—	*574.0*	846.6	17,453.2
of which: other assets	*3,696.7*	—	*368.5*	325.6	4,390.8
loans and advances	*12,335.9*	—	*205.5*	521.0	13,062.4
Liabilities	12,132.1	—	*0.5*	413.6	12,546.2
Guarantees and commitments	*17,953.0*	—	—	163.2	18,116.2
Interest income	*322.1*	—	*25.7*	17.8	365.6
Interest expense	(351.8)	—	—	(0.1)	(351.9)
Net fee income	21.1	—	7.6	13.0	41.7
Other income (costs)	168.3 [1]	(16.2) [2]	*(4.7)*	(4.9)	142.5

[1] Includes €199.6m in respect of hedge derivatives.

[2] Of which: short-term benefits amounting to €13.4m and performance shares worth €2.7m. The figure includes five management staff with strategic responsibilities.

Situation at 30 June 2015

(€m)

	Group companies	**Directors and strategic management**	**Associates**	**Other related parties**	**Total**
Assets	15,299.8	—	645.3	528.2	16,473.3
of which: other assets	*3,838.0*	—	*440.9*	*261.5*	*4,540.4*
loans and advances	*11,461.8*	—	*204.4*	*266.7*	*11,932.9*
Liabilities	9,033.2	—	0.7	698.2	9,732.1
Guarantees and commitments	17,699.5	—	—	152.7	17,852.2
Interest income	364.6	—	31.2	14.6	410.4
Interest expense	(287.8)	—	—	(0.7)	(288.5)
Net fee income	18.8	—	2.4	16.7	37.9
Other income (costs)	(1.5) [1]	(19.7) [2]	6.2	49.7	34.7

[1] Includes €29.3m in respect of hedge derivatives.

[2] Of which: short-term benefits amounting to €17.3m and performance shares worth €2.4m. The figure includes five management staff with strategic responsibilities.

Part I - Share-based payment schemes

QUALITATIVE INFORMATION

1. *Information on capital increases for use in share-based payment schemes using the Bank's own equity instruments*

The increases in the Bank's share capital for use in connection with the stock option, performance stock option and performance share schemes approved reflect the following situation:

Extraordinary general meeting held on	No. of shares approved	Awards expire on	Deadline for exercising options	No. of options and performance shares awarded
Stock options schemes				
28 October 2004	15,000,000	28 October 2009	1 July 2020	12,765,000
of which to directors [1]	*4,000,000*	*28 October 2009*	*1 July 2020*	*3,375,000* [2]
27 October 2007	40,000,000	27 June 2012	1 July 2022	15,536,000
Performance Share schemes				
28 October 2015	20,000,000	X	28 October 2020	7,334,445 [3]

[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.

[3] In respect of awards made in 2012, 2013, 2014 and 2015.

2. *Description of stock option and performance stock option schemes*

The stock option and performance stock option schemes approved pursuant to Article 2441, paragraphs 8 and 5, of the Italian Civil Code, provide for a maximum duration of eight 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.

Awards of stock options finished with the financial year ended 30 June 2012, and the vesting ended in June 2015; hence the remaining shares from the resolution adopted by shareholders in general meeting cannot be used.

3. Description of performance share scheme

As part of its use of equity instruments for staff remuneration purposes, Mediobanca has also chosen to adopt a performance share scheme, which was approved by the Bank's shareholders at the annual general meeting held on 28 October 2015 (in renewal of the scheme approved by shareholders in annual general meeting on 28 October 2010).

Under the terms of the scheme, under 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 the regulations requiring that a share of the variable remuneration component be paid in the form of equity instruments, over a time horizon of several years, subject to performance conditions and hence consistent with results sustainable over time;
- align the interests of Mediobanca's management with those of shareholders to create value over the medium/long term.

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; the 15,780,327 treasury shares owned by the Bank may also be used for this purpose.

Performance shares were awarded; the shares, which are conditional upon certain performance targets being met over a three-year time horizon (or four years in the case of Directors who are also members of the Group's management), will be made available in tranches in November 2017 (up to 767,308), November 2018 (up to 655,953), and November 2019 (up to 364,995), taking into account the additional holding period of one year.

Beneficiaries were also awarded a total of 2,461,559 shares, 21,726 of which were treasury shares allocated and the remainder assigned under the limit approved by shareholders in general meeting in 2010.

Subsequently, as part of staff variable remuneration for the 2016 financial year, a total of 2,108,818 performance shares were awarded, at a notional cost of €10.6m, in connection with the variable component only; the shares, which are conditional upon certain performance targets being met over a three- or four-year time horizon, will be made available in tranches in November 2018 (up to 965,077), November 2019 (up to 604,581), November 2020 (up to 423,764) and November 2021 (up to 115,396).

B. QUANTITATIVE INFORMATION

1. Changes to stock option scheme during the period

	30/6/16			30/6/15		
	No. of performance shares	**Avg. price**	**Avg. expiry**	**No. of performance shares**	**Avg. price**	**Avg. expiry**
A. Balance at start of period	21,246,000	8.51	August 17	25,193,500	8.27	September 17
B. Additions	—	—	X			
B.1 New issues	—	—	X	—	—	X
B.2 Other additions	—	—	X	—	—	X
C. Reductions						
C.1 Performance shares cancelled	9,806,000	10.78	X	100,000	16.87	X
C.2 Performance shares made available	1,342,500	6.53	X	3,657,500	6.53	X
C.3 Performance shares expired	—	—	X	—	—	X
C.4 Other reductions	—	—	X	190,000	9.52	X
D. Balance at end of period	10,097,500	6.55	August 2018	21,246,000	8.51	August 2017
E. Performance shares exercisable as at reporting date	10,097,500	6.55	X	21,246,000	8.51	X

2. Changes to performance share scheme during the period

	30/6/16		30/6/15	
	No. of performance shares	**Avg. price**	**No. of performance shares**	**Avg. price**
A. Balance at start of period	7,909,124	4.18	8,833,822	4.11
B. Additions				
B.1 New issues	1,788,256	8.21	1,161,923	6.40
B.2 Other additions	—	—	—	—
C. Reductions				
C.1 Performance shares cancelled	—	—	—	—
C.2 Performance shares made available	2,461,559	4.62	2,077,000	5.22
C.3 Performance shares expired	—	—	—	—
C.4 Other reductions	—	—	9,621	6.11
D. Balance at end of period	7,235,821	5.23	7,909,124	4.18

ANNEXES

Consolidated Financial Statements

Consolidated Balance Sheet (IAS/IFRS-compliant)

(€m)

	Assets	IAS-compliant 30/6/16	IAS-compliant 30/6/15
10.	Cash and cash equivalents	156.3	49.0
20.	Financial assets held for trading	9,505.3	11,860.8
30.	Financial assets recognized at fair value	—	—
40.	AFS securities	8,639.4	8,063.1
50.	Financial assets held to maturity	1,975.4	1,311.7
60.	Due from banks	5,386.6	6,078.3
	of which:		
	other trading items	*3,964.2*	*4,955.3*
	securities	—	—
	other items	*31.8*	*25.8*
70.	Due from customers	37,881.5	37,122.5
	of which:		
	other trading items	*4,278.6*	*4,773.3*
	securities	*189.8*	*482.2*
	other items	*65.0*	*54.0*
80.	Hedging derivatives	933.4	754.9
	of which:		
	funding hedge derivatives	*926.4*	*737.2*
	lending hedge derivatives	—	*17.4*
90.	Value adjustments to financial assets subject to general hedging	—	—
100.	Equity investments	3,193.3	3,411.4
110.	Total reinsurers' share of technical reserves	—	—
120.	Property, plant and equipment	304.9	308.6
130.	Intangible assets	452.9	410.3
	of which:		
	goodwill	*416.7*	*374.1*
140.	Tax assets	988.7	954.2
	a) current	*237.4*	*218.6*
	b) advance	*751.3*	*735.7*
150.	Other non-current and Group assets being sold	—	—
160.	Other assets	400.9	385.8
	of which:		
	other trading items	*8.7*	*8.3*
	Total assets	**69,818.6**	**70,710.6**

The balance sheet provided on p. 21 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 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), the relevant amounts in respect of hedging derivatives shown under asset heading 80 and liability heading 60, and the impairment charges taken under liability heading 100.

(€m)

	Liabilities and net equity	IAS-compliant 30/6/16	IAS-compliant 30/6/15
10.	Due to banks	11,940.3	14,304.0
	of which:		
	other trading items	*2,032.2*	*4,986.7*
	other liabilities	*1.0*	*1.4*
20.	Due to customers	18,164.5	16,873.4
	of which:		
	other trading items	*2,722.5*	*3,140.6*
	other liabilities	*3.8*	*8.4*
30.	Debt securities	21,813.1	20,154.5
40.	Trading liabilities	7,141.5	8,598.9
50.	Financial liabilities recognized at fair value	—	—
60.	Hedging derivatives	339.9	291.2
	of which:		
	funding hedge derivatives	*201.7*	*253.9*
	lending hedge derivatives	*128.6*	*20.3*
70.	Value adjustments to financial liabilities subject to general hedging	—	—
80.	Tax liabilities	573.0	625.0
	a) current	*207.9*	*259.9*
	b) deferred	*365.1*	*365.1*
90.	Liabilities in respect of Group assets being sold	—	—
100.	Other liabilities	596.4	684.0
	of which:		
	other trading items	—	—
	loan loss provisions	*17.4*	*17.7*
110.	Staff severance indemnity provision	29.0	26.7
120.	Provisions	151.3	157.9
	a) post-employment and similar benefits	—	—
	b) other provisions	*151.3*	*157.9*
130.	Technical reserves	147.9	127.9
140.	Valuation reserves	1,145.0	1.435.5
150.	Shares with right of withdrawal	—	—
160.	Equity instruments	—	—
170.	Reserves	4,692.7	4,354.4
180.	Share premium reserve	2,152.8	2,144.5
190.	Share capital	435.5	433.6
200.	Treasury shares (-)	(198.0)	(198.7)
210.	Net equity attributable to minorities	89.2	108.0
220.	Profit (loss) for the year	604.5	589.8
	Total liabilities and net equity	**69,818.6**	**70,710.6**

Consolidated Profit and Loss Account (IAS/IFRS-compliant)

(€m)

	Profit and loss account	IAS-compliant 30/6/16	IAS-compliant 30/6/15
10.	Interest and similar income	1,906.6	2,091.6
20.	Interest expense and similar charges	(706.1)	(949.1)
30.	**Net interest income**	**1,200.5**	**1,142.5**
40.	Fee and commission income	406.8	426.0
50.	Fee and commission expense	(84.0)	(59.7)
60.	**Net fee and commission income**	**322.8**	**366.3**
70.	Dividends and similar income	80.5	47.6
80.	Net trading income	38.6	98.9
90.	Net hedging income (expense)	8.3	(1.1)
100.	Gain (loss) on disposal of:	96.4	122.5
	a) loans and advances	*(16.0)*	*(49.9)*
	b) AFS securities	*115.8*	*166.1*
	c) financial assets held to maturity	*0.6*	*19.9*
	d) other financial liabilities	*(4.0)*	*(13.6)*
120.	**Total income**	**1,747.1**	**1,776.7**
130.	Adjustments for impairment to:	(417.4)	(488.1)
	a) loans and advances	*(398.7)*	*(469.5)*
	b) AFS securities	*(18.0)*	*(21.0)*
	c) financial assets held to maturity	*(1.0)*	*0.9*
	d) other financial assets	0.4	1.4
140.	**Net income from financial operations**	**1,329.7**	**1,288.6**
150.	Net premium income	46.8	42.0
160.	Income less expense from insurance operations	(15.6)	(17.8)
170.	**Net income from financial and insurance operations**	**1,360.9**	**1,312.8**
180.	Administrative expenses:	(1,000.7)	(874.6)
	a) personnel costs	*(443.3)*	*(419.3)*
	b) other administrative expenses	*(557.4)*	*(455.3)*
190.	Net transfers to provisions for liabilities and charges	(5.0)	(3.9)
200.	Net adjustments to property, plant and equipment	(20.6)	(19.2)
210.	Net adjustments to intangible assets	(19.8)	(23.7)
	of which: goodwill		—
220.	Other operating income (expenses)	144.8	141.7
230.	**Operating costs**	**(901.3)**	**(779.7)**
240.	Profit (loss) for equity-accounted companies	276.7	224.0
270.	Gain (loss) on disposal of investments	—	—
280.	**Profit (loss) before tax on ordinary activities**	**736.3**	**757.1**
290.	Income tax on ordinary activities for the year	(128.7)	(164.2)
300.	**Profit (loss) after tax on ordinary activities**	**607.6**	**592.9**
310.	Net gain (loss) on non-current assets being sold	—	—
320.	**Profit (loss) for the year**	**607.6**	**592.9**
330.	Profi (loss) for the year attributable to minorities	(3.1)	(3.1)
340.	**Net profit (loss) for the year attributable to Mediobanca**	**604.5**	**589.8**

The profit and loss account shown on p. 20 reflects the following restatements:
- *Net interest income* includes the result of funding and lending hedging activity (€8.3m and minus €0.2m respectively), plus the margins on swaps reported under heading 80 (minus €2.1m and €0.2m respectively);
- amounts under Heading 220 have been restated as Net fee and commission income, save for amounts refunded/recovered totalling €49.4m and €58.9m respectively which net operating costs; the amounts stated under headings 150 and 160 have also been accounted for as *Net fee and commission income*, net of fees in respect of securities lending (minus €1m and minus €0.3m) respectively which are accounted for as Net treasury income;
- *Net treasury income* includes the amounts shown under headings 70 and 80, the gains (losses) on disposal of bonds (respectively €17.1m and €75.6m) as well as financial liabilities reported under heading 100 (taking into account the items already stated);
- *Provisions for other financial assets* include both the AFS securities and HTM financial assets accounted for here under heading 130 and the equity investments shown under heading 240;
- *Loan loss provisions* include the remaining amount under Heading 130, along with the losses incurred as a result of the disposal of receivables to third parties under Heading 100 totalling €20.9m and €65m.
- *Other gains (losses)* include the transfers to the SRF and DGS resolution funds booked here as Other administrative expenses (€91.3m at 30/6/16 and €13.5m at 30/6/15), plus writedowns to tangible and intangible assets (€3m) and incentives to take early retirement accounted for as labour expenses.
- *Gains (losses) on equity investments* include the €20m profit on sale of 3% of the investment in Assicurazioni Generali treated as Profits (losses) on disposal of AFS and IAS 28 shares.

Mediobanca S.p.A. Financial Statements

Mediobanca S.p.A. balance sheet (IAS/IFRS-compliant)

(€m)

	Assets	IAS-compliant 30/6/16	IAS-compliant 30/6/15
10.	Cash and cash equivalents	102.2	4.8
20.	Financial assets held for trading	8,535.2	10,841.1
40.	AFS securities	7,668.1	6,407.1
50.	Financial assets held to maturity	1,963.3	1,302.8
60.	Due from banks	15,029.8	10,784.5
	of which:		
	other trading items	*4,042.7*	*5,132.7*
	securities	—	—
	other items	*28.0*	*30.6*
70.	Due from customers	19,552.3	24,859.8
	of which:		
	other trading items	*4,299.4*	*4,140.0*
	securities	*2,955.6*	*3,643.5*
	other items	*17.6*	*84.0*
80.	Hedging derivatives	936.7	817.7
	of which:		
	funding hedge derivatives	*930.1*	*800.3*
	lending hedge derivatives	—	*17.4*
100.	Equity investments	2,687.7	3,159.7
120.	Property, plant and equipment	119.3	121.4
130.	Intangible assets	12.7	10.8
	of which:		
	goodwill	—	—
140.	Tax assets	295.1	294.7
	a) current	*162.8*	*152.4*
	b) advance	*132.3*	*142.3*
150.	Other assets	105.0	61.0
	Total assets	**57,007.4**	**58,665.4**

The balance sheet provided on p. 272 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 150 and liability headings 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*), the relevant amounts in respect of hedging derivatives shown under asset heading 80 and liability heading 60, and the impairment charges taken under liability heading 100.

(€m)

	Liabilities and net equity	IAS-compliant 30/6/16	IAS-compliant 30/6/15
10.	Due to banks	19,748.6	19,449.0
	of which:		
	other trading items	*2,941.3*	*5,408.4*
	other liabilities	*4.0*	*2.8*
20.	Due to customers	3,855.3	4,015.1
	of which:		
	other trading items	*2,724.1*	*3,054.2*
	other liabilities	*2.6*	*71.7*
30.	Debt securities	19,536.5	19,990.9
40.	Trading liabilities	7,043.0	8,469.7
60.	Hedging derivatives	726.3	584.7
	of which:		
	funding hedge derivatives	*623.4*	*538.6*
	lending hedge derivatives	*102.7*	*37.9*
80.	Tax liabilities	447.1	491.6
	a) current	*150.5*	*201.6*
	b) deferred	*296.6*	*290.0*
100.	Other liabilities	235.5	325.4
	of which:		
	other trading items	*1.3*	*3.0*
	loan loss provisions	*79.2*	*70.1*
110.	Staff severance indemnity provision	9.6	8.9
120.	Provisions	130.3	140.4
	a) post-employment and similar benefits	—	—
	b) other provisions	*130.3*	*140.4*
130.	Valuation reserves	379.5	402.2
140.	Shares with right of withdrawal	—	—
150.	Equity instruments	—	—
160.	Reserves	2,217.4	2,074.7
170.	Share premium reserve	2,152.8	2,144.5
180.	Share capital	435.5	433.6
190.	Treasury shares (-)	(198.0)	(198.3)
200.	Profit (loss) for the year	288.0	333.0
	Total liabilities and net equity	**57,007.4**	**58,665.4**

Mediobanca S.p.A: Profit and loss Account (IAS/IFRS-compliant)

(€m)

	Profit and loss account	IAS-compliant 30/6/16	IAS-compliant 30/6/15
10.	Interest and similar income	902.5	1.206.4
20.	Interest expense and similar charges	(770.3)	(1.047.4)
30.	**Net interest income**	**132.2**	**159.0**
40.	Fee and commission income	211.6	251.6
50.	Fee and commission expense	(14.5)	(13.3)
60.	**Net fee and commission income**	**197.1**	**238.3**
70.	Dividends and similar income	226.3	158.3
80.	Net trading income	43.3	118.2
90.	Net hedging income (expense)	7.6	(1.0)
100.	Gain (loss) on disposal of:	111.5	185.9
	a) loans and advances	*4.9*	*14.5*
	b) AFS securities	*109.9*	*163.0*
	c) financial assets held to maturity	*0.6*	*19.9*
	d) other financial liabilities	*(3.9)*	*(11.5)*
120.	**Total income**	**718.0**	**858.7**
130.	Adjustments for impairment to:	(48.8)	(94.6)
	a) loans and advances	*(20.4)*	*(63.5)*
	b) AFS securities	*(17.9)*	*(20.9)*
	c) financial assets held to maturity	*(1.4)*	*0.6*
	d) other financial liabilities	*(9.1)*	*(10.8)*
140.	**Net income from financial operations**	**669.2**	**764.1**
150.	Administrative expenses:	(405.7)	(328.1)
	a) personnel costs	*(192.5)*	*(195.0)*
	b) other administrative expenses	*(213.2)*	*(133.1)*
160.	Net transfers to provisions for liabilities and charges	—	—
170.	Net adjustments to property, plant and equipment	(3.7)	(3.6)
180.	Net adjustments to intangible assets	(6.0)	(5.8)
	of which:		
	goodwill	—	—
190.	Other operating income (expenses)	20.7	19.4
200.	**Operating costs**	**(394.7)**	**(318.1)**
210.	Profit (loss) for equity-accounted companies	39.1	(3.0)
240.	Gain (loss) on disposal of investments	—	—
250.	**Profit (loss) before tax on ordinary activities**	**313.6**	**443.0**
260.	Income tax on ordinary activities for the year	(25.6)	(110.0)
270.	**Profit (loss) after tax on ordinary activities**	**288.0**	**333.0**
290.	**Profit (loss) for the year**	**288.0**	**333.0**

The profit-and-loss account provided on p. 272 reflects the following restatements:
– *Net interest income* includes the result of funding and lending hedging activity (€7.6m and minus €0.1m respectively), plus the margins on swaps reported under heading 80 (€7.4m and €27.8m respectively);
– amounts under Heading 190 have been restated as *Net fee and commission income*, save for amounts refunded/recovered totalling €4m and €0.4m respectively which net operating costs; fees in respect of securities lending (€0.1m and €0.3m respectively) are accounted for as *Net treasury income*;
– *Net treasury income* includes the amounts shown under heading 80, gains (losses) on disposal of financial liabilities reported under heading 100 (losses of €3.9m and €11.5m), dividends shown under heading 70 net of those in respect of equity investments (€146m and €123.7m respectively), and also the other items already stated;
– *Provisions for other financial assets* include both the AFS securities and HTM financial assets accounted for here under heading 130;
– *Other gains (losses)* include the transfers to the SRF and DGS resolution funds booked here as *Other administrative expenses* (€81.8m and €12.7m respectively);
– *Gains (losses) on equity investments* include the €41.6m profit on sale of 3% of the investment in Assicurazioni Generali.

Table A

Asset Revaluation Statement

Revalued assets		Original revaluation		Decrease due to disposal or writedown		Current revaluation
– Property in Piazzetta Enrico Cuccia 1 (formerly Via Filodrammatici 6-8-10)						
revaluations effected under Law no. 576 of 2 december 1975	€	2,609,651.24	€	—	€	2,609,651.24
revaluations effected under Law no. 72 of 19 march 1983	€	11,620,280.23	€	—	€	11,620,280.23
revaluations effected under Law no. 413 of 30 december 1991	€	4,174,707.04	€	—	€	4,174,707.04
					€	**18,404,638.51**
– Property in Piazza Paolo Ferrari 6						
revaluations effected under Law no. 72 of 19 march 1983	€	815,743.67	€	—	€	815,743.67
					€	**815,743.67**

Balance sheets and profit and loss accounts of investments in Group undertakings (including indirect investments)

Banks (IAS/IFRS) Table B

BALANCE SHEETS

		COMPAGNIE MONEGASQUE DE BANQUE * (€'000)	CHEBANCA! (€'000)	COMPASS BANCA (€'000)
	ASSETS			
10.	Cash and cash equivalents	2,221	50,469	1,481
20.	Financial assets held for trading	906,726	—	—
40.	AFS securities	633,165	460,351	1,020
50.	Financial assets held to maturity	20,008	—	—
60.	Due from banks	1,097,087	8,615,114	60,148
70.	Due from customers	1,072,577	5,362,528	9,829,522
80.	Hedging derivatives	1,614	—	—
90.	Adjustment of hedging financial assets (+/-)	—	—	—
100.	Equity investments	48	194	103,681
110.	Property, plant and equipment	22,001	4,132	14,086
120.	Intangible assets	3,517	1,217	357,555
	of which: goodwill	—	—	*354,033*
130.	Tax assets	—	34,712	579,837
	. Current	—	*3,429*	*41,244*
	. Advance	—	*31,283*	*538,593*
	- of which pursuant to Italian Law 214/11	—	*23,815*	*522,408*
140.	Non-current assets and groups of assets being sold	—	—	—
150.	Other assets	9,982	161,107	19,118
	TOTAL ASSETS	**3,768,946**	**14,689,824**	**10,966,448**
	LIABILITIES			
10.	Due to banks	19,782	3,533,528	9,321,827
20.	Due to customers	3,003,461	10,724,057	74,789
30.	Debt securities in issue	—	—	—
40.	Financial liabilities	458	—	—
50.	Financial liabilities designed at fair Value FV	—	—	—
60.	Hedging derivatives	—	24,341	21,763
80.	Tax liabilities	—	6,822	21,860
	. Current	—	*2,149*	*19,300*
	. Deferred	—	*4,673*	*2,560*
90.	Liabilities associated with assets being sold	—	—	—
100.	Other liabilities	21,377	164,914	152,827
110.	Staff severance indemnity provision	—	1,225	8,724
120.	Provisions	5,199	7,151	961
	. post-employment and similar benefits	—	—	—
	. other provisions	*5,199*	*7,151*	*961*
130.	Valuation reserves	11,573	(143)	(30,802)
140.	Redemable shares	—	—	—
150.	Equity instruments (-)	—	—	—
160.	Reserves	562,587	(136,322)	663,778
170.	Share premium reserve	4,573	140,000	—
180.	Share capital	111,110	220,000	587,500
190.	Trasury shares (-)	—	—	—
200.	Profit (loss) for the period	28,826	4,251	143,221
	TOTAL LIABILITIES AND NET EQUITY	**3,768,946**	**14,689,824**	**10,966,448**

* Table compiled in accordance with the regulations provided for under Article 36 of Consob's Market Regulations and Articles 2, 6, 2 C12.

Banks (IAS/IFRS)

PROFIT AND LOSS ACCOUNTS

		COMPAGNIE MONEGASQUE DE BANQUE *	CHEBANCA!	COMPASS BANCA
		(€'000)	(€'000)	(€'000)
10.	Interest and similar income	39,418	298,210	888,656
20.	Interest and similar expense	(8,418)	(149,694)	(194,818)
30.	**Net interest income**	**31,000**	**148,516**	**693,838**
40.	Fee and commission income	47,447	50,837	65,634
50.	Fee and commission expense	(7,118)	(7,824)	(35,013)
60.	**Net fee and commission income**	**40,329**	**43,013**	**30,621**
70.	Dividends and similar income	12	61	10,000
80.	Net trading income (expense)	7,022	—	—
90.	Net hedging income (expense)	—	469	—
100.	Gain (loss) on disposal/repurchase on financial assets	5,926	—	(39,577)
	a) loans and advances	—	—	*(39,577)*
	b) AFS securities	*5,926*	—	—
	c) financial assets held to maturity	—	—	—
	d) financial liabilities	—	—	—
110.	Net income from financial assets and liabilities	—	—	—
120.	**Total income**	**84,289**	**192,059**	**694,882**
130.	Adjustments for impairment	(110)	(16,564)	(310,367)
	a) loans and advances	*(41)*	*(16,564)*	*(310,367)*
	b) AFS securities	*(69)*	—	—
	c) HTM securities	—	—	—
	d) other financial assets	—	—	—
140.	**Net income from financial operations**	**84,179**	**175,495**	**384,515**
150.	Administrative expenses	(44,884)	(185,201)	(285,953)
	. labour costs	*(31,247)*	*(65,007)*	*(83,656)*
	. ohter administrative expenses	*(13,637)*	*(120,194)*	*(202,297)*
160.	Net transfers to provisions	(2,076)	(1,346)	(324)
170.	Net adjustments to tangible assets	(2,141)	(1,723)	(2,312)
180.	Net adjustments to intangible assets	(6,159)	(827)	(1,863)
190.	Other operating income (expense)	2,755	21,285	102,339
200.	**Operating costs**	**(52,505)**	**(167,812)**	**(188,113)**
210.	Gain (loss) on equity investments	—	—	—
220.	Net result of recognizing tangible and intangible assets at fair value	—	—	—
230.	Writedowns to goodwill	—	—	—
240.	Gain (loss) on disposal of investments	—	—	—
250.	**Profit (loss) on ordinary activities before tax**	**31,674**	**7,683**	**196,402**
260.	Income tax on ordinary activities for the year	(2,848)	(3,432)	(53,181)
270.	**Profit (loss) on ordinary activities after tax**	**28,826**	**4,251**	**143,221**
280.	Gain (loss) on groups of assets being sold	—	—	—
290.	**Net profit (loss) for the period**	**28,826**	**4,251**	**143,221**

* Table compiled in accordance with the regulations provided for under Article 36 of Consob's Market Regulations and Articles 2, 6, 2 C12.

Banks (IAS/IFRS)

continued **Table B**

BALANCE SHEETS

		MEDIOBANCA INTERNATIONAL (LUXEMBOURG) (€'000)
	ASSETS	
10.	Cash and cash equivalents	8,569
20.	Financial assets held for trading	581,421
40.	AFS securities	—
50.	Financial assets held to maturity	57,931
60.	Due from banks	1,801,712
70.	Due from customers	3,404,310
80.	Hedging derivatives	421,965
100.	Equity investments	4,150
110.	Property, plant and equipment	23
120.	Intangible assets	—
130.	Tax assets	—
	. Current	—
	. Advance	—
	- of which pursuant to Italian Law 214/11	—
150.	Other assets	1,831
	TOTAL ASSETS	**6,281,912**
	LIABILITIES	
10.	Due to banks	2,334,389
20.	Due to customers	868,731
30.	Debt securities in issue	2,200,452
40.	Financial liabilities	559,638
60.	Hedging derivatives	—
80.	Tax liabilities	5,646
	. Current	*4,770*
	. Deferred	*876*
100.	Other liabilities	5,283
110.	Staff severance indemnity provision	—
120.	Provisions	—
	. other provisions	—
130.	Valuation reserves	—
160.	Reserves	278,725
170.	Share premium reserve	—
190.	Trasury shares (-)	10,000
200.	Profit (loss) for the period	19,048
	TOTAL LIABILITIES AND NET EQUITY	**6,281,912**

Banks (IAS/IFRS)

PROFIT AND LOSS ACCOUNTS

		MEDIOBANCA INTERNATIONAL (LUXEMBOURG) (€'000)
10.	Interest and similar income	101,080
20.	Interest and similar expense	(70,741)
30.	**Net interest income**	**30,339**
40.	Fee and commission income	13,037
50.	Fee and commission expense	(12,218)
60.	**Net fee and commission income**	**819**
70.	Dividends and similar income	—
80.	Net trading income (expense)	2,573
90.	Net hedging income (expense)	(3)
100.	Gain (loss) on disposal/repurchase on financial assets	(15)
	a) loans and advances	73
	b) AFS securities	*—*
	c) financial assets held to maturity	*(88)*
110.	Net income from financial assets and liabilities	—
120.	**Total income**	**33,713**
130.	Adjustments for impairment	995
	a) loans and advances	*612*
	b) AFS securities	*—*
	c) HTM securities	*—*
	d) other financial assets	*383*
140.	**Net income from financial operations**	**34,708**
150.	Administrative expenses	(7,738)
	. labour costs	*(1,054)*
	. ohter administrative expenses	*(6,684)*
160.	Net transfers to provisions	—
170.	Net adjustments to tangible assets	(13)
180.	Net adjustments to intangible assets	—
190.	Other operating income (expense)	30
200.	**Operating costs**	**(7,721)**
210.	Gain (loss) on equity investments	—
240.	Gain (loss) on disposal of investments	—
250.	**Profit (loss) on ordinary activities before tax**	**26,987**
260.	Income tax on ordinary activities for the year	(7,939)
270.	**Profit (loss) on ordinary activities after tax**	**19,048**
280.	Gain (loss) on groups of assets being sold	—
290.	**Net profit (loss) for the period**	**19,048**

Financial companies (IAS/IFRS)

BALANCE SHEETS

		FUTURO (€'000)	CREDITECH (€'000)
	ASSETS		
10.	Cash and cash equivalents	—	2
20.	Financial assets held for trading	—	—
30.	Financial assets recognized at fair value	—	—
40.	AFS securities	—	—
50.	Financial assets held to maturity	—	804
60.	Amounts receivable	1,529,674	900,631
70.	Hedging derivatives	430	—
80.	Value adjustments to financial assets subjects to general hedging (+/-)	—	—
90.	Equity investments	9	—
100.	Property, plant and equipment	43	228
110.	Intangible assets	262	754
120.	Tax assets	6,597	18,518
	. Current	*2,044*	*6,798*
	. Advance	*4,553*	*11,720*
	- of which pursuant to Italian Law 214/11	*2,014*	*10,589*
140.	Other assets	1,703	14,659
	TOTAL ASSETS	**1,538,718**	**935,596**
	LIABILITIES		
10.	Amounts payable	1,415,823	810,474
20.	Debt securities in issue	—	—
30.	Trading liabilities	—	—
40	Liabilities recognized at fair value	—	—
50.	Hedging derivatives	7,162	—
60	Value adjustments fo financial liabilities subject to general hedging (+/-)	—	—
70.	Tax liabilities	1,913	10,013
	. Current	*1,913*	*10,013*
	. Deferred	—	—
80.	Liabilities associated with assets being sold	—	—
90.	Other liabilities	29,186	9,816
100.	Staff severance indemnity provision	138	3,669
110.	Provisions	1,440	3,263
	a) post-employment and similar benefits	—	—
	b) other provisions	*1,440*	*3,263*
120.	Share capital	14,800	32,500
130.	Treasury shares	—	—
140.	Equity instruments (-)	—	—
150.	Share premium reserve	—	—
160.	Reserves	57,230	50,383
170.	Valuation reserves	(4,299)	(528)
180.	Profit (loss) for the period	15,325	16,006
	TOTAL LIABILITIES AND NET EQUITY	**1,538,718**	**935,596**

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS ACCOUNTS

		FUTURO (€'000)	CREDITECH (€'000)
10.	Interest and similar income	83,422	39,111
20.	Interest and similar expense	(33,840)	(2,305)
	Net interest income	**49,582**	**36,806**
30.	Fee and commission income	1,786	31,935
40.	Fee and commission expense	(8,359)	(13,279)
	Net fee and commission income	**(6,573)**	**18,656**
50.	Dividends and similar income	—	—
60.	Net trading income (expense)	—	(5)
70.	Net hedging income (expense)	—	—
80.	Net gain (loss) on financial assets and liabilities recognized at fair value	—	—
90.	Gain (loss) on disposal/repurchase of financial assets	—	18,688
	Total income	**43,009**	**74,145**
100.	Adjustments for impairments to financial assets	(4,464)	(24,653)
	a) financial assets	*(4,464)*	*(24,653)*
	b) other financial transactions	—	—
110.	Administrative expenses	(15,022)	(30,139)
	. labour costs	*(4,614)*	*(15,532)*
	. other administrative expenses	*(10,408)*	*(14,607)*
120.	Net adjustments to tangible assets	(26)	(48)
130.	Net adjustments to intangible assets	(151)	(318)
140.	Net result from recognizing tangible and intangible assets at fair value	—	—
150.	Net transfers to provisions	(422)	(179)
160.	Other operating income (expense)	(352)	1,188
	Operating profit (loss)	**22,572**	**19,996**
170.	Profit (loss) on investments	—	—
180.	Gain (loss) on disposal of equity investments	—	(2)
	Profit (loss) on ordinary activities before tax	**22,572**	**19,994**
190.	Income tax on ordinary activities for the year	(7,247)	(3,988)
	Profit (loss) on ordinary activities after tax	**15,325**	**16,006**
200.	Gain (loss) on groups of assets being sold	—	—
	Net profit (loss) for the period	**15,325**	**16,006**

Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEETS

		SELMABIPIEMME LEASING (€'000)
	ASSETS	
10.	Cash and cash equivalents	7
20.	Financial assets held for trading	—
30.	Financial assets recognized at fair value	—
40.	AFS securities	—
50.	Financial assets held to maturity	—
60.	Amounts receivable	2,592,263
70.	Hedging derivatives	—
80.	Value adjustments to financial assets subjects to general hedging (+/-)	—
90.	Equity investments	9
100.	Property, plant and equipment	50,599
110.	Intangible assets	695
120.	Tax assets	43,742
	. Current	*3,650*
	. Advance	*40,092*
	. of which pursuant to Italian Law 214/11	*30,859*
150.	Other assets	89,262
	TOTAL ASSETS	**2,776,577**
	LIABILITIES	
10.	Amounts payable	2,491,760
20.	Debt securities in issue	—
30.	Trading liabilities	944
40.	Liabilities recognized at fair value	—
50.	Hedging derivatives	19,328
70.	Tax liabilities	10,837
	. Current	*2,457*
	. Deferred	*8,380*
80.	Liabilities associated with assets being sold	—
90.	Other liabilities	25,446
100.	Staff severance indemnity provision	2,775
110.	Provisions	2,483
	. post-employment and similar benefits	—
	. other provisions	*2,483*
120.	Share capital	41,305
130.	Treasury shares	—
140.	Equity instruments (-)	—
150.	Share premium reserve	4,620
160.	Reserves	182,090
170.	Valuation reserves	(12,686)
180.	Profit (loss) for the period (+/-)	7,675
	TOTAL LIABILITIES AND NET EQUITY	**2,776,577**

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS ACCOUNTS

		SELMABIPIEMME LEASING (€'000)
10.	Interest and similar income	77,412
20.	Interest and similar expense	(24,126)
	Net interest income	**53,286**
30.	Fee and commission income	1,344
40.	Fee and commission expense	(1,413)
	Net fee and commission income	**(69)**
50.	Dividends and similar income	—
60.	Net trading income (expense)	(140)
70.	Net hedging income (expense)	(276)
80.	Net gain (loss) on financial assets and liabilities recognized at fair value	—
90.	Gain (loss) on disposal/repurchase of financial assets	—
	a) financial assets	—
	b) financial liabilities	—
	Total income	**52,801**
100.	Adjustments for impairment	(13,411)
	a) financial assets	*(13,411)*
	b) other financial transactions	—
110.	Administrative expenses	(24,897)
	a) labour costs	*(14,651)*
	b) other administrative expenses	*(10,246)*
120.	Net adjustments to tangible assets	(3,823)
130.	Net adjustments to intangible assets	(221)
140.	Net result from recognizing tangible and intangible assets at fair value	—
150.	Net transfers to provisions	(664)
160.	Other operating income (expense)	1,791
	Profit (loss) on ordinary operations	**11,576**
170.	Profit (loss) on investments	—
180.	Gain (loss) on disposal of equity investments	—
	Profit (loss) on ordinary activities before tax	**11,576**
190.	Income tax on ordinary activities for the year	(3,901)
	Profit (loss) on ordinary activities after tax	**7,675**
200.	Gain (loss) on groups of assets being sold	—
	Net profit (loss) for the period	**7,675**

Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEETS

	PROMINVESTMENT (in liquidation) (€'000)	MEDIOBANCA INTERNATIONAL IMMOBILIERE (€'000)	CAIRN CAPITAL LIMITED GROUP * (€'000)
ASSETS			
10. Cash and cash equivalents	—	—	—
20. Financial assets held for trading	—	—	—
30. Financial assets recognized at *fair value*	—	—	—
40. AFS securities	—	—	1,120
50. Financial assets held to maturity	—	—	—
60. Amounts receivable	4,551	33	2,430
70. Hedging derivatives	—	—	—
80. Value adjustments to financial assets subjects to general hedging (+/-)	—	—	—
90. Equity investments	—	—	—
100. Property, plant and equipment	—	1,916	140
110. Intangible assets	—	—	—
120. Tax assets	684	10	187
a) Current	*684*	*10*	*187*
b) Advance	—	—	—
130. Non-current assets and groups of assets being sold	—	—	—
140. Other assets	102	11	7,238
TOTAL ASSETS	**5,337**	**1,970**	**11,115**
LIABILITIES			
10. Amounts payable	2,596	280	—
20. Debt securities in issue	—	—	—
30. Trading liabilities	—	—	281
40. Liabilities recognized at *fair value*	—	—	—
50. Hedge derivatives	—	—	—
60. Value adjustments fo financial liabilities subject to general hedging (+/-)	—	—	—
70. Tax liabilities	300	21	607
a) Current	*300*	*21*	*539*
b) Deferred	—	—	*68*
80. Liabilities associated with assets being sold	—	—	—
90. Other liabilities	3,636	3	2,595
100. Staff severance indemnity provision	125	—	—
110. Provisions	520	—	—
a) post-employment and similar benefits	—	—	—
b) Other provisions	*520*	—	—
120. Share capital	743	40	—
130. Treasury shares	—	—	—
140. Equity instruments (-)	—	—	—
150. Share premium reserve	—	—	5,000
160. Reserves	(1,874)	1,614	3,366
170. Valuation reserve	—	—	42
180. Profit (loss) for the period (+/-)	(709)	12	(776)
TOTAL LIABILITIES AND NET EQUITY	**5,337**	**1,970**	**11,115**

* Table compiled in accordance with the regulations provided for under Article 36 of Consob's Market Regulations and Articles 2, 6, 2 C12.

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS ACCOUNTS

		PROMINVESTMENT (in liquidation)	MEDIOBANCA INTERNATIONAL IMMOBILIERE	CAIRN CAPITAL LIMITED GROUP *
		(€'000)	**(€'000)**	**(€'000)**
10.	Interest and similar income	—	—	1
20.	Interest and similar expense	(15)	(20)	—
	Net interest income	**(15)**	**(20)**	**1**
30.	Fee and commission income	127	—	6,920
40.	Fee and commission expense	(40)	(2)	—
	Net fee and commission income	**87**	**(2)**	**6,920**
50.	Dividends and similar income	—	—	107
60.	Net trading income (expense)	—	—	(201)
70.	Net hedging income (expense)	—	—	—
80.	Net gain (loss) on financial assets and liabilities recognized at fair value	—	—	—
	Net gain (loss) on financial assets and liabilities recognized at fair value	**—**	**—**	**—**
90.	Gain (loss) on disposal/repurchase of financial assets	—	—	—
	a) financial assets	—	—	—
	b) financial liabilities	—	—	—
	Total income	**72**	**(22)**	**6,827**
100.	Value adjustments for impairment to	—	—	(2)
	a) financial assets	—	—	*(2)*
	b) other financial transactions	—	—	—
110.	Administrative expenses	(844)	(44)	
	a) labour costs	*(555)*	—	*(4,278)*
	b) other administrative expenses	*(289)*	*(44)*	*(3,304)*
120.	Net adjustments to tangible assets	—	(78)	(61)
130.	Net adjustments to intangible assets	—	—	—
140.	Net result from recognizing tangible and intangible assets at fair value	—	—	—
150.	Net transfer to provisions for risks and charges	—	—	—
160.	Other operating income (expense)	63	161	(142)
	Profit (loss) on ordinary activities	**(709)**	**17**	**(960)**
170.	Gain (loss) on equity investments	—	—	—
180.	Gain (loss) on disposal of equity investments	—	—	—
	Profit (loss) on ordinary activities before tax	**(709)**	**17**	**(960)**
190.	Income tax on ordinary activities for the year	—	(5)	184
	Profit (loss) on ordinary activities after tax	**(709)**	**12**	**(776)**
200.	Gain (loss) on groups of assets being sold	—	—	—
	Net profit (loss) for the period	**(709)**	**12**	**(776)**

* Table compiled in accordance with the regulations provided for under Article 36 of Consob's Market Regulations and Articles 2, 6, 2 C12.

Financial companies (IAS/IFRS)

BALANCE SHEETS

		MB ADVISORY TURKEY (Turkish Lira '000)	MB ADVISORY MEXICO (in liquidation) (Mexican Peso'000)	MEDIOBANCA SECURITIES LLC ($'000)
	ASSETS			
10.	Cash and cash equivalents	1	—	—
20.	Financial assets held for trading	—	—	—
30.	Financial assets recognized at fair value	—	—	—
40.	AFS securities	—	—	—
50.	Financial assets held to maturity	—	—	—
60.	Amounts receivable	112	3,343	6,668
70.	Hedging derivatives	—	—	—
80.	Value adjustments to financial assets subjects to general hedging (+/-)	—	—	—
90.	Equity investments	—	—	—
100.	Property, plant and equipment	108	—	1
110.	Intangible assets	—	—	—
120.	Tax assets	392	32	—
	a) Current	—	*32*	—
	b) Advance	*392*	—	—
	. of which pursuant to Italian Law 214/11	—	—	—
130.	Non-current assets and groups of assets being sold	—	—	—
140.	Other assets	79	161	758
	TOTAL ASSETS	**692**	**3,536**	**7,427**
	LIABILITIES			
10.	Amounts payable	10	—	2,016
20.	Debt securities in issue	—	—	—
30.	Trading liabilities	—	—	—
40.	Liabilities recognized at fair value	—	—	—
50.	Hedge derivatives	—	—	—
60.	Value adjustments fo financial liabilities subject to general hedging (+/-)	—	—	—
70.	Tax liabilities	214	—	—
	a) Current	—	—	—
	b) Deferred	*214*	—	—
80.	Liabilities associated with assets being sold	—	—	—
90.	Other liabilities	20	—	1,489
100.	Staff severance indemnity provision	—	—	—
110.	Provisions	—	—	—
	a) post-employment and similar benefits	—	—	—
	b)) other provisions	—	—	—
120.	Share capital	7,100	16,342	2,250
130.	Treasury shares	—	—	—
140.	Equity instruments (-)	—	—	—
150.	Share premium reserve	—	—	—
160.	Reserves	(1,821)	(2,136)	970
170.	Valuation reserve	—	—	—
180.	Profit (loss) for the period (+/-)	(4,831)	(10,670)	702
	TOTAL LIABILITIES AND NET EQUITY	**692**	**3,536**	**7,427**

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS ACCOUNTS

	MB ADVISORY TURKEY (Turkish Lira '000)	MB ADVISORY MEXICO (in liquidation) (Mexican Peso'000)	MEDIOBANCA SECURITIES LLC ($'000)
10. Interest and similar income	44	147	—
20. Interest and similar expense	—	—	—
Net interest income	**44**	**147**	**—**
30. Fee and commission income	173	—	4,159
40. Fee and commission expense	—	—	—
Net fee and commission income	**173**	**—**	**4,159**
50. Dividends and similar income	—	—	—
60. Net trading income (expense)	—	—	—
70. Net hedging income (expense)	—	—	—
80. Net gain (loss) on financial assets and liabilities recognized at fair value	—	—	—
90. Gain (loss) on disposal/repurchase of financial assets	—	—	—
a) financial assets	—	—	—
b) financial liabilities	—	—	—
Total income	**217**	**147**	**4,159**
100. Value adjustments for impairment to	—	—	—
a) financial assets	—	—	—
b) other financial trasactions	—	—	—
110. Administrative expenses	(4,981)	(9,412)	(2,937)
a) labour costs	*(3,780)*	*(4,361)*	*(1,495)*
b) other administrative expenses	*(1,201)*	*(5,051)*	*(1,442)*
120. Net adjustments to tangible assets	(67)	(733)	—
130. Net adjustments to intangible assets	—	—	—
140. Net result from recognizing tangible and intangible assets at fair value	—	—	—
150. Net transfer to provisions for risks and charges	—	—	—
160. Other operating income (expense)	—	(492)	—
Profit (loss) on ordinary activities	**(4,831)**	**(10,637)**	**(2,937)**
170. Gain (loss) on equity investments	—	—	—
180. Gain (loss) on disposal of equity investments	—	—	—
Profit (loss) on ordinary activities before tax	**(4,831)**	**(10,490)**	**1,222**
190. Income tax on ordinary activities for the year	—	(180)	(520)
Profit (loss) on ordinary activities after tax	**(4,831)**	**(10,670)**	**702**
200. Gain (loss) on groups of assets being sold	—	—	—
Net profit (loss) for the period	**(4,831)**	**(10,670)**	**702**

Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEETS

	MBFACTA * (€'000)	SPAFID (€'000)
ASSETS		
10. Cash and cash equivalents	—	4
20. Financial assets held for trading	—	—
30. Financial assets recognized at fair value	—	—
40. AFS securities	—	—
50. Financial assets held to maturity	—	20,027
60. Due from banks	2,880	19,465
70. Due from customers	—	—
80. Value adjustments to financial assets subjects to general hedging (+/-)	—	—
90. Equity investments	—	5,123
100. Tangible assets	—	3
110. Intangible assets	—	4,301
120. Tax assets	154	1,406
. current	*154*	*172*
. advance	—	*1,234*
130. Non-current assets and groups of assets being sold	—	—
140. Other assets	—	4,378
TOTAL ASSETS	**3,034**	**54,707**
LIABILITIES		
10. Amounts payable	—	4
20. Debt securities in issue	—	—
30. Trading liabilities	—	—
40. Liabilities recognized at fair value	—	—
50. Hedge derivatives	—	—
60. Value adjustments fo financial liabilities subject to general hedging (+/-)	—	—
70. Tax liabilities	—	728
a) Current	—	*684*
b) Deferred	—	*44*
80. Liabilities associated with assets being sold	—	—
90. Other liabilities	1	10,085
100. Staff severance indemnity provision	—	1,082
110. Provisions	—	—
a) post-employment and similar benefits	—	—
b) Other provisions	—	—
120. Share capital	3,000	1,100
130. Treasury shares	—	—
140. Equity instruments (-)	—	—
150. Share premium reserve	—	3,500
160. Reserves	57	37,153
170. Valuation reserve	—	(70)
180. Profit (loss) for the period (+/-)	(24)	1,125
TOTAL LIABILITIES AND NET EQUITY	**3,034**	**54,707**

* Formerly Consortium, which on 1 April 2016 changed name and legal status (from S.r.l. to S.p.A.).

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS ACCOUNTS

		MBFACTA * (€'000)	SPAFID (€'000)
10.	Interest and similar income	—	553
20.	Interest and similar expense	—	—
	Net interest income	**—**	**553**
30.	Fee and commission income	—	7,982
40.	Fee and commission expense	—	(1,005)
	Net fee and commission income	**—**	**6,977**
50.	Dividends and similar income	—	—
60.	Net trading income (expense)	—	—
70.	Net hedging income (expense)	—	—
80.	Net gain (loss) on financial assets and liabilities recognized at fair value	—	—
90.	Gain (loss) on disposal/repurchase of financial assets	—	—
	a) financial assets	—	—
	b) financial liabilities	—	—
	Total income	**—**	**7,530**
100.	Value adjustments for impairment to	—	—
	a) financial assets	—	—
	b) other financial transactions	—	—
110.	Administrative expenses	(24)	(6,095)
	a) labour costs	*(5)*	*(3,810)*
	b) other administrative expenses	*(19)*	*(2,285)*
120.	Net adjustments to tangible assets	—	—
130.	Net adjustments to intangible assets	—	(107)
140.	Net result from recognizing tangible and intangible assets at fair value	—	—
150.	Net transfer to provisions for risks and charges	—	—
160.	Other operating income (expense)	—	305
	Profit (loss) on ordinary activities	**(24)**	**1,633**
170.	Gain (loss) on equity investments	—	—
180.	Gain (loss) on disposal of equity investments	—	—
	Profit (loss) on ordinary activities before tax	**(24)**	**1,633**
190.	Income tax on ordinary activities for the year	—	(508)
	Profit (loss) on ordinary activities after tax	**(24)**	**1,125**
200.	Gain (loss) on groups of assets being sold	—	—
	Net profit (loss) for the period	**(24)**	**1,125**

* Formerly Consortium, which on 1 April 2016 changed name and legal status (from S.r.l. to S.p.A.).

Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEETS

	MEDIOBANCA COVERED BOND (€'000)	CBNEWCO (€'000)	QUARZO LEASE (€'000)	QUARZO (€'000)	QUARZO CQS (€'000)	QUARZO MB (€'000)
ASSETS						
10. Cash and cash equivalents	—	—	—	—	—	—
20. Financial assets held for trading	—	—	—	—	—	—
30. Financial assets recognized at fair value	—	—	—	—	—	—
40. AFS securities	—	—	—	—	—	—
50. Financial assets held to maturity	—	—	—	—	—	—
60. Amounts receivable	100	125	27	10	10	10
70. Hedging derivatives	—	—	—	—	—	—
80. Value adjustments to financial assets subjects to general hedging (+/-)	—	—	—	—	—	—
90. Equity investments	—	—	—	—	—	—
100. Property, plant and equipment	—	—	—	—	—	—
110. Intangible assets	—	—	—	—	—	—
120. Tax assets	—	—	109	1	—	—
. Current	—	—	*109*	*1*	—	—
. Advance	—	—	—	—	—	—
130. Non-current assets and groups of assets being sold	—	—	—	—	—	—
140. Other assets	238	—	—	165	146	—
TOTAL ASSETS	**338**	**125**	**136**	**176**	**156**	**10**
LIABILITIES						
10. Amounts payable	—	—	—	—	—	—
20. Debt securities in issue	—	—	—	—	—	—
30. Trading liabilities	—	—	—	—	—	—
40. Liabilities recognized at fair value	—	—	—	—	—	—
50. Hedging derivatives	—	—	—	—	—	—
60. Value adjustments fo financial liabilities subject to general hedging (+/-)	—	—	—	—	—	—
70. Tax liabilities	—	—	—	—	1	—
. Current	—	—	—	—	*1*	—
. Deferred	—	—	—	—	—	—
80. Liabilities associated with assets being sold	—	—	—	—	—	—
90. Other liabilities	262	—	114	163	145	—
100. Staff severance indemnity provision	—	—	—	—	—	—
110. Provisions	—	—	—	—	—	—
a) post-employment and similar benefits	—	—	—	—	—	—
b) Other provisions	—	—	—	—	—	—
120. Share capital	100	125	10	10	10	10
130. Treasury shares	—	—	—	—	—	—
140. Equity instruments (-)	—	—	—	—	—	—
150. Share premium reserve	—	—	—	—	—	—
160. Reserves	(24)	—	20	3	—	—
170. Valuation reserves	—	—	—	—	—	—
180. Profit (loss) for the period	—	—	(8)	—	—	—
TOTAL LIABILITIES AND NET EQUITY	**338**	**125**	**136**	**176**	**156**	**10**

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS ACCOUNTS

	MEDIOBANCA COVERED BOND (€'000)	CB!NEWCO (€'000)	QUARZO LEASE (€'000)	QUARZO (€'000)	QUARZO CQS (€'000)	QUARZO MB (€'000)
10. Interest and similar income	—	—	—	—	—	—
20. Interest and similar expense	—	—	—	—	—	—
Net interest income	**—**	**—**	**—**	**—**	**—**	**—**
30. Fee and commission income	—	—	—	—	—	—
40. Fee and commission expense	—	—	—	—	—	—
Net fee and commission income	**—**	**—**	**—**	**—**	**—**	**—**
50. Dividends and similar income	—	—	—	—	—	—
60. Net trading income (expense)	—	—	—	—	—	—
70. Net hedging income (expense)	—	—	—	—	—	—
80. Net gain (loss) on financial assets and liabilities recognized at fair value	—	—	—	—	—	—
90. Gain (loss) on disposal/repurchase of financial assets	—	—	—	—	—	—
a) financial assets	—	—	—	—	—	—
b) financial liabilities	—	—	—	—	—	—
Total income	**—**	**—**	**—**	**—**	**—**	**—**
100. Adjustments for impairments to financial assets	—	—	—	—	—	—
a) financial assets	—	—	—	—	—	—
b) other financial transactions	—	—	—	—	—	—
110. Administrative expenses	(65)	—	(38)	(143)	(103)	—
. labour costs	—	—	*(10)*	*(15)*	*(9)*	—
. other administrative expenses	*(65)*	—	*(28)*	*(128)*	*(94)*	—
120. Net adjustments to tangible assets	—	—	—	—	—	—
130. Net adjustments to intangible assets	—	—	—	—	—	—
140. Net result from recognizing tangible and intangible assets at fair value	—	—	—	—	—	—
150. Net transfers to provisions	—	—	—	—	—	—
160. Other operating income (expense)	63	—	30	143	104	—
Operating profit (loss)	**(2)**	**—**	**(8)**	**—**	**1**	**—**
170. Profit (loss) on investments	—	—	—	—	—	—
180. Gain (loss) on disposal of equity investments	—	—	—	—	—	—
Profit (loss) on ordinary activities before tax	**(2)**	**—**	**(8)**	**—**	**1**	**—**
190. Income tax on ordinary activities for the year	2	—	—	—	(1)	—
Profit (loss) on ordinary activities after tax	**—**	**—**	**(8)**	**—**	**—**	**—**
200. Gain (loss) on groups of assets being sold	—	—	—	—	—	—
Net profit (loss) for the period	**—**	**—**	**(8)**	**—**	**—**	**—**

Non-financial undertakings

continued **Table B**

BALANCE SHEETS

	RICERCHE E STUDI S.p.A. (€'000)	MEDIOBANCA INNOVATION SERVICES S.C.p.A. (€'000)	SPAFID CONNECT S.p.A. (€'000)
ASSETS			
Non-current assets			
Intangible assets	—	8,721	6,516
Tangible assets	2	48,791	21
Other non-current assets	—	1	—
Advance tax assets	—	141	—
Total non-current assets	**2**	**57,654**	**6,537**
Current assets			
Accounts receivable	—	1,378	1,635
Other receivables	—	—	—
Sundry receivables and other current assets	516	—	—
Current tax assets	—	1,163	—
Other current financial assets	—	7,932	—
Cash and liquid assets	403	38	333
Total current assets	**919**	**10,511**	**1,968**
TOTAL ASSETS	**921**	**68,165**	**8,505**
LIABILITIES			
A) Net equity:			
Share capital	100	35,000	1,000
Reserves	3	2,581	4,495
Profit (loss) for previous years	—	—	—
Profit (loss) for period	—	1	(838)
Total net equity	**103**	**37,582**	**4,657**
Non-current liabilities			
Provisions for liabilities and charges	—	—	1,637
Staff-related provisions	368	1,387	295
Deferred tax liabilities	—	556	—
Other non-current liabilities	—	—	—
Total non-current liabilities	**368**	**1,943**	**1,932**
Current liabilities			
Due to banks	—	—	—
Accounts payable	—	5,563	—
Current tax liabilities	—	15	—
Current financial liabilities	—	16,245	—
Other current liabilities	450	6,817	1,916
Total current liabilities	**450**	**30,583**	**3,848**
TOTAL LIABILITIES	**921**	**68,165**	**8,505**

Non-financial undertakings

continued **Table B**

PROFIT AND LOSS ACCOUNTS

	RICERCHE E STUDI S.p.A.	MEDIOBANCA INNOVATION SERVICES S.C.p.A.	SPAFID CONNECT S.p.A.
	(€'000)	(€'000)	(€'000)
Value of production	1,896	52,067	1,650
Pruduction costs	(542)	(23,964)	—
Personnel costs	(1,353)	(15,737)	(798)
Other operating income	—	(3,999)	(521)
Sundry operating expenses	(23)	—	
Amortization, other intangible assets	—	(4,059)	(1,530)
Depreciation on property, plant and equipment	(1)	(5,320)	(7)
Operating profit (loss)	**(23)**	**(1,012)**	**(1,206)**
Financial income	—	—	—
Financial expenses	—	(1)	—
Other income	—	396	—
Other expenses	—	(13)	—
Extraordinary income	32	—	—
Extraordinary expenses	—	—	—
Net profit before tax	**9**	**(630)**	**(1,206)**
Tax charges and income	—	(630)	—
Income tax	(9)	640	(94)
Advance and deferred tax	—	(9)	462
Net profit for the period	**—**	**1**	**(838)**

BALANCE SHEETS

	COMPASS RE S.A. (€'000)
ASSETS	
A) Amounts due from shareholders by way of unpaid amounts on capital call	—
B) Intangible assets	—
C) Investments	193,579
II Investments in Group companies and other subsidiaries	
2) bonds issued by companies	
2) other	*5,064*
3) loans and advances to companies	
A) parent company	*50,000*
III Other financial investments	
3) bonds and other fixed-income securities	72,015
6) deposits held with banks	66,500
I) Land and buildings (total)	—
II) Investments in Group companies and other subsidiaries (total)	—
III) Other financial investments	
1) Shares and stock units	—
2) Mutual investment fund stock units	—
3) Bonds and other fixed-income securities	—
4) Loans and advances	—
6) Deposits with banks	—
7) Sundry financial investments	—
Total other financial investments	—
IV) Deposits with ceding companies	—
Total investments (C)	—
D) Investments for the benefit of insured parties (life)	—
E) Sundry receivables	16,770
II Receivables deriving from reinsurance operations	*13,709*
III Other receivables	*3,061*
F) Other asset items	16,828
II Cash and liquid assets	*16,711*
IV Other assets	*117*
G) Accrued income and deferred expenses	18,081
III) Shares or stock units	—
1 By way of interest	*1,582*
3 Other accrued income and deferred expenses	*16,499*
TOTAL ASSETS	**245,258**
LIABILITIES AND NET EQUITY	
A) Net equity	17,152
I Share capital paid up or equivalent funds	*15,000*
IV Legal reserve	*1,500*
VIII Retained earnings (losses)	*652*
IX Profit (loss) for the period	—
B) Subordinated liabilities	—
C) Technical reserves	222,338
I Non-life business	
1. Premiums reserve	*133,420*
2. Claims reserve	*14,441*
3. Equalization reserve	*74,477*
II Life business	—
D) Technical reserves where risk is borne by insured party	—
E) Provisions for risks and charges	16
F) Deposits received from reinsurers	—
G) Amounts payable and other items	5,589
I Amounts payable from direct insurance operations	—
II Amounts payable from direct reinsurance operations	*52*
III Other amounts payable	—
2. By way of sundry tax duties	*5,537*
H) Accruals and deferrals	163
1. Interest	—
2. Instalments	*16*
3. Other accruals and deferrals	*147*
TOTAL LIABILITIES AND NET EQUITY	**245,258**

Insurance companies

continued **Table B**

PROFIT AND LOSS ACCOUNTS

	COMPASS RE S.A.
	(€'000)
I) TECHNICAL ACCOUNT	
Gross premiums written	66,185
Changes to premium reserves	(19,404)
Reinsured premiums	—
Total net premiums written	**46,781**
Income from non-underwriting investments	—
1) TOTAL INCOME AND REVENUES	**46,781**
Net expense in respect of claims	(9,061)
Changes to claims reserve	(563)
Acquisition costs	(5,227)
Future acquisitions costs	(716)
Operating expenses	(455)
2) TOTAL COSTS AND EXPENSES	**(16,022)**
Provisions to compensation reserves	(2,686)
Underwriting profit (loss)	**28,073**
II) NON-TECHNICAL ACCOUNT	
Interest income	4,480
Other gains on investments	357
Other losses on investments	(790)
Investment expenses	(25)
Other costs	(24,127)
Writebacks to investments	(305)
Investments income/expenses transferred to technical account	—
Non-underwriting profit	**(20,410)**
PROFIT (LOSS) FOR THE PERIOD BEFORE TAX	**7,663**
Income tax for the period	(7,663)
NET PROFIT (LOSS) FOR THE PERIOD	**—**

BALANCE SHEETS

		COMPAGNIE MONEGASQUE DE BANQUE 31.12.2015 (€'000)
	ASSETS	
10.	Cash and cash equivalents	28,570
20.	Financial assets held for trading	888,646
30.	Financial assets recognized at fair value	—
40.	AFS securities	556,185
50.	Financial assets held to maturity	—
60.	Due from banks	665,785
70.	Due from customers	951,414
80.	Hedging derivatives	—
90.	Adjustment of hedging financial assets (+/-)	—
100.	Equity investments	15,361
110.	Property, plant and equipment	21,931
120.	Intangible assets	6,985
	- of which goodwill	—
130.	Tax assets	—
	. Current	—
	. Advance	—
140.	Loans classified as held for sale	—
150.	Other assets	8,152
	TOTAL ASSETS	**3,143,029**
	LIABILITIES	
10.	Due to banks	9,568
20.	Due to customers	2,409,806
30.	Debt securities in issue	—
40.	Financial liabilities	—
50.	Financial liabilities designated at fair value	—
60.	Hedging derivatives	—
70.	Value adjustment to financial liabilities subject to general hedging (+/-)	—
80.	Tax liabilities	—
	. Current	—
	. Deferred	—
90.	Liabilities associated with assets being sold	—
100.	Other liabilities	25,576
110.	Staff severance indemnity provision	—
120.	Provisions	4,217
	. post-employment and similar benefits	—
	. other provisions	*4,217*
130.	Valuation reserves	—
140.	Redeemable shares	—
150.	Equity instruments	—
160.	Reserves	531,243
170.	Share premium reserve	4,573
180.	Share capital	111,110
190.	Trasury shares (-)	—
200.	Profit (loss) for the period	46,936
	TOTAL LIABILITIES	**3,143,029**

PROFIT AND LOSS ACCOUNTS

		COMPAGNIE MONEGASQUE DE BANQUE 31.12.2015
		(€'000)
10.	Interest and similar income	32,608
20.	Interest and similar expense	(8,123)
30.	**Net interest income**	**24,485**
40.	Fee and commission income	36,463
50.	Fee and commission expense	(3,025)
60.	**Net fee and commission income**	**33,438**
70.	Dividends and similar income	7,337
80.	Net trading income (expense)	15,722
90.	Net hedging income (expense)	—
100.	Gain (loss) on disposal/repurchase on financial assets	—
	a) loans and advances	—
	b) AFS securities	—
	c) financial assets held to maturity	—
	d) financial liabilities	—
110.	*Net income from financial assets and liabilities*	—
120.	**Total income**	**80,982**
130.	Adjustments for impairment	(131)
	a) loans and advances	*(131)*
	b) AFS securities	—
	c) HTM securities	—
	d) other financial assets	—
140.	**Net income from financial operations**	**80,851**
150.	Administrative expenses	(38,633)
	. labour costs	*(27,593)*
	. other administrative expenses	*(11,040)*
160.	Net transfers to provisions	—
170.	Net adjustments to tangible assets	(1,740)
180.	Net adjustments to intangible assets	(4,194)
190.	Other operating income (expense)	(4,348)
200.	**Operating costs**	**(48,915)**
210.	Gain (loss) on equity investments	—
220.	Net result of recognizing tangible and intangible assets at fair value	—
230.	Writedowns to goodwill	—
240.	Gain (loss) on disposal of investments	15,000
250.	**Profit (loss) on ordinary activities before tax**	**46,936**
260.	Income tax on ordinary activities for the year	—
270.	**Profit (loss) on ordinary activities after tax**	**46,936**
280.	Gain (loss) on groups of assets being sold	—
290.	**Net profit (loss) for the period**	**46,936**

Financial companies

continued **Table B**

BALANCE SHEETS

	Société Monégasque d'Etudes Financières 31.12.2015	CMB Asset Management S.A.M. 31.12.2015	CMB Wealth Management Ltd 31.12.2015	COMPAGNIE MONEGASQUE DE GESTION 31.12.2015
	(€'000)	(€'000)	(£'000)	(€'000)
ASSETS				
10. Cash and cash equivalents	29	6,018	2,718	9,864
20. Financial assets held for trading	—	—	—	399
30. Financial assets recognized at fair value	—	—	—	—
40. AFS securities	—	—	—	—
50. Financial assets held to maturity	1	—	—	—
60. Amounts receivable	296	484	26	—
70. Hedging derivatives	—	—	—	—
80. Value adjustments to financial assets subjects to general hedging (+/-)	—	—	—	—
90. Equity investments	—	—	—	—
100. Property, plant and equipment	—	—	67	—
110. Intangible assets	—	—	—	—
120. Tax assets	—	—	—	—
a) Current	—	—	—	—
b) Advance	—	—	—	—
130. Non-current assets and groups of assets being sold	—	—	—	—
140. Other assets	109	—	17	4,129
TOTAL ASSETS	**435**	**6,502**	**2,828**	**14,392**
LIABILITIES				
10. Amounts payable	—	—	349	—
20. Debt securities in issue	—	—	—	—
30. Trading liabilities	—	—	—	—
40. Liabilities recognized at fair value	—	—	—	—
50. Hedge derivatives	—	—	—	—
60. Value adjustments fo financial liabilities subject to general hedging (+/-)	—	—	—	—
70. Tax liabilities	—	64	—	—
a) Current	—	—	—	—
b) Deferred	—	64	—	—
80. Liabilities associated with assets being sold	—	—	—	—
90. Other liabilities	719	6,229	54	3,719
100. Staff severance indemnity provision	—	—	—	—
110. Provisions	—	—	—	—
a) post-employment and similar benefits	—	—	—	—
b) Other provisions	—	—	—	—
120. Share capital	775	150	3,000	600
130. Treasury shares	—	—	—	—
140. Equity instruments (-)	—	—	—	—
150. Share premium reserve	—	—	—	—
160. Reserves	(1,502)	52	—	81
170. Valuation reserve	—	—	—	—
180. Profit (loss) for the period (+/-)	443	7	(575)	9,992
TOTAL LIABILITIES AND NET EQUITY	**435**	**6,502**	**2,828**	**14,392**

Financial companies

continued **Table B**

PROFIT AND LOSS ACCOUNTS

	Société Monégasque d'Etudes Financières 31.12.2015 (€'000)	CMB Asset Management S.A.M. 31.12.2015 (€'000)	CMB Wealth Management Ltd 31.12.2015 (£'000)	COMPAGNIE MONEGASQUE DE GESTION 31.12.2015 (€'000)
10. Interest and similar income	—	—	—	—
20. Interest and similar expense	—	—	—	—
Net interest income	**—**	**—**	**—**	**—**
30. Fee and commission income	122	2,012	23	13,241
40. Fee and commission expense	—	—	—	—
Net fee and commission income	**122**	**2,012**	**23**	**13,241**
50. Dividends and similar income	—	—	—	—
60. Net trading income (expense)	—	—	—	—
70. Net hedging income (expense)	—	—	—	—
80. Net gain (loss) on financial assets and liabilities recognized at fair value	—	—	—	—
90. Gain (loss) on disposal/repurchase of financial assets	—	—	—	—
a) financial assets	—	—	—	—
b) financial liabilities	—	—	—	—
Total income	**122**	**2,012**	**23**	**13,241**
100. Value adjustments for impairment to	—	—	—	—
a) financial assets	—	—	—	—
b) other financial transactions	—	—	—	—
110. Administrative expenses	(955)	(2,000)	(598)	(3,248)
a) labour costs	—	*(1,480)*	*(400)*	*(1,332)*
b) other administrative expenses	*(955)*	*(520)*	*(198)*	*(1,916)*
120. Net adjustments to tangible assets	—	(1)	—	—
130. Net adjustments to intangible assets	—	—	—	—
140. Net result from recognizing tangible and intangible assets at fair value	—	—	—	—
150. Net transfer to provisions for risks and charges	—	—	—	—
160. Other operating income (expense)	1,276	—	—	(1)
Profit (loss) on ordinary activities	**443**	**11**	**(575)**	**9,992**
170. Gain (loss) on equity investments	—	—	—	—
180. Gain (loss) on disposal of equity investments	—	—	—	—
Profit (loss) on ordinary activities before tax	**443**	**11**	**(575)**	**9,992**
190. Income tax on ordinary activities for the year	—	(4)	—	—
Profit (loss) on ordinary activities after tax	**443**	**7**	**(575)**	**9,992**
200. Gain (loss) on groups of assets being sold	—	—	—	—
Net profit (loss) for the period	**443**	**7**	**(575)**	**9,992**

Financial companies

BALANCE SHEETS

	CAIRN CAPITAL GROUP LTD 31.12.2015 (£'000)	CAIRN CAPITAL LTD 31.12.2015 (£'000)
Non-current assets		
Intangible assets	3	—
Tangible assets	132	—
Other non-current assets	3,305	—
Total non-current assets	**3,440**	**—**
Current assets		
Accounts receivable	6,934	6,848
Cash and liquid assets	12,162	1,417
Due to customers	(17,287)	(2,827)
Total current assets	**1,809**	**5,438**
Due to banks	—	(1,000)
Net assets	**5,249**	**4,438**
Provisions for liabilities	(52)	—
Net equity		
Share capital	—	1,200
Legal reserve	—	—
Other reserves	5,000	—
Retained earnings (losses)	1,874	5,025
Profit/loss for the period	(1,677)	(1,787)
Total net equity	**5,197**	**4,438**

Financial companies

PROFIT AND LOSS ACCOUNT

	CAIRN CAPITAL GROUP LTD (£'000)	CAIRN CAPITAL LTD (£'000)
Revenues	683	11,927
Administrative expenses	(2,579)	(14,129)
Operating income	**(1,896)**	**(2,202)**
Fee and commision income	110	3
Fee and commission expense	—	(110)
Profit (loss) on ordinary activities before tax	**(1,786)**	**(2,309)**
Income tax for the year on ordinary activities	109	522
Net profit (loss) for the period	**(1,677)**	**(1,787)**

Associate companies

Table C

BALANCE SHEETS

	ASSICURAZIONI GENERALI S.p.A. 31.12.2015 (€'000)
ASSETS	
B) Total intangible assets	37,320
C) Investments	
I) Land and buildings (total)	120,628
II) Investments in Group and other undertakings (total)	30,022,745
III) Other financial investments	
1) Shares and stock units	43,280
2) Mutual fund units	1,208,251
3) Bonds and other fixed-income securities	1,727,254
4) Loans	3,551
6) Deposits with banks	129,798
7) Other financial investments	7,813
Total other financial investments	3,119,947
IV) Deposits with reinsurers	7,906,952
Total investments (C)	41,170,272
D) Investments for the benefit of life policyholders who carry the risk and deriving from pension fund management (total)	3,598,803
Dbis) Reinsurers' share of technical reserves	
I) General business (total)	535,965
II) Life business (total)	356,946
Total reinsurers' share of technical reserves (Dbis)	892,911
E) Accounts receivable	
I) Amounts due in respect of primary insurances (total)	120,961
II) Amount due in respect of reinsurances (total)	407,652
III) Other accounts receivable	752,509
Total accounts receivable (E)	1,281,122
F) Other assets	
I) Tangible assets and inventories (total)	2,110
II) Cash (total)	549,905
III) Own shares or stock units	1,815
IV) Other assets (total)	223,969
Total other assets (F)	777,799
G) Accruals and prepayments (total)	234,375
TOTAL ASSETS (B+C+D+Dbis+E+F+G)	**47,992,602**

Associate companies

continued **Table C**

BALANCE SHEETS

	ASSICURAZIONI GENERALI S.p.A. 31.12.2015 (€'000)
LIABILITIES AND SHAREHOLDERS' EQUITY	
A) Shareholders' equity	
I) Share capital or equivalent fund	1,556,873
II-VII) Reserves (total)	12,210,637
IX) Profit (loss) for year	931,469
Total shareholders' equity (A)	**14,698,979**
B) Subordinated liabilities	6,864,544
C) Technical reserves	
I) General business (total)	2,520,646
II) Life business (total)	8,897,163
Total technical reserves (C)	**11,417,809**
D) Technical reserves where investment risk is carried by policyholders and reserves arising from pension fund management (total)	3,595,160
E) Provisions for risks and charges (total)	106,693
F) Deposits received from reinsurers	295,046
G) Accounts payable and other liabilities	
I) Amounts payable in respect of primary insurances	14,692
II) Amounts payable in respect of reinsurance	170,721
III) Bond issues	3,319,424
IV) Amounts payable to banks and financial institutions	998,270
V) Secured debt	—
VI) Loans and other debt	3,602,479
VII) Staff termination indemnity provision	5,615
VIII) Other accounts payable	2,124,442
IX) Other liabilities	390,844
Total accounts payable and other liabilities (G)	**10,626,487**
H) Accruals and deferrals (total)	387,884
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (A+B+C+D+E+F+G+H)	**47,992,602**
GUARANTEES, COMMITMENTS AND OTHER CONTRA ACCOUNTS (TOTAL)	15,075,473

Associate companies

continued **Table C**

STATEMENT OF EARNINGS (non-technical accounts)

	ASSICURAZIONI GENERALI S.p.A. 31.12.2015 (€'000)
1) Underwriting profit (loss) from general business	198,995
2) Underwriting profit (loss) from life business	289,066
3) Investment income in general business	—
a) Dividends	619,237
b) Other investment income (total)	71,585
c) Writebacks in book value of investments	10,248
d) Gain on disposal of investments	21,406
Total investment income in general business	722,476
4) (+) Portion of investment income transferred from technical accounts of life business	655,887
5) Operating and financial expenses in general business (3)	—
a) Investment management expenses and interest paid	62,171
b) Writedowns to investments	70,831
c) Loss on disposal of investments	162,007
Total operating and financial expenses in general business (5)	295,009
6) Portion of investment income transferred from technical accounts of general business	61,192
7) Other income	398,464
8) Other expenditure	1,455,546
9) Profit (loss) on ordinary operations	453,141
10) Extraordinary income	373,027
11) Extraordinary expenditure	36,746
12) Net extraordinary income (expenditure) (10-11)	336,281
13) Earnings before tax	789,422
14) Taxation for the year	(142,047)
15) Profit (loss) for the year (13-14)	**931,469**

Associate companies

continued **Table C**

BALANCE SHEETS

	Burgo Group S.p.A. 31.12.2015 (€'000)
ASSETS	
Non-current assets	**1,078,345**
Tangible assets	**576,409**
Property, plant and equipment	575,754
Real estate investments	655
Intangible assets	**27,165**
Goodwill and other long-term intangible assets	20,691
Intangible assets with deferred life	6,474
Other non-current assets	**409,959**
Investments in subsidiaries	404,316
Investment in other companies	93
Securities not qualifying as equity investments	—
Financial receivables and other non-current financial assets	4,943
Sundry receivables and other non-current assets	607
Advance tax assets	**64,812**
Tax assets for advance taxation	64,812
Current assets	**530,544**
Inventory stocks	113,167
Trade receivables	234,698
Sundry receivable and other non-current assets	25,120
Equity investments	933
Securities not qualifying as equity investments	1
Financial receivables and other non-current financial assets	122,559
Cash and cash equivalents	34,066
TOTAL ASSETS	**1,608,889**
LIABILITIES	
Net equity	**384,432**
Share capital	20,000
Reserves	196,739
Retained earnings (losses) including profit (loss) for the period	167,693
Non-current liabilities	**640,931**
Non-current financial liabilities	585,013
Staff-related provisions	33,700
Deferred tax provision	22,218
Current liabilities	**583,526**
Current financial liabilities	204,083
Trade payables	348,716
Amounts due in respect of current taxes	4,334
Sundry payables and other current liabilities	26,393
TOTAL LIABILITIES	**1,608,889**

Associate companies

continued **Table C**

PROFIT AND LOSS ACCOUNTS

	Burgo Group S.p.A. 31.12.2015 (€'000)
Revenues	1,300,151
Other revenues and income	45,067
Total revenues and income from operations	**1,345,218**
Cost of materials and external services	(1,164,296)
Labour costs	(105,587)
Other operating costs	(28,548)
Changes to stocks	(2,805)
Capitalized cost of work carried out internally	1,054
Total operating costs	**(1,300,182)**
Profit before depreciation, amortization and non-recurring expenses	**45,036**
Depreciation and amortization	(57,341)
Gain (loss) on disposal of non-current assets	24
Writebacks (writedowns) to non-recurring assets	(8,000)
Non-recurring expenses, net	(7,321)
Restructuring charges, net	(7,037)
Operating profit (loss)	**(34,639)**
Interest income	(49,744)
Interest expense	223,822
Profit before tax	**139,439**
Taxation for the period	14,040
Profit for the period	**153,479**

Associate companies

continued **Table C**

BALANCE SHEETS

	GB Holding 31.12.2015 (€'000)
ASSETS	
B) Fixed assets:	
I) Intangible assets	—
II) Tangible assets	—
III) Financial fixed assets	10,049
Total (B)	**10,049**
C) Current assets:	
I) Inventories	—
II) Accounts receivable:	
4 bis) from tax authorities	2
Total accounts receivable	2
III) Financial assets other than fixed assets	—
IV) Cash and cash equivalents	7
Total C	**9**
D) Accrued income and prepaid expenses	—
TOTAL ASSETS (B+C+D)	**10,058**
LIABILITIES	
A) Shareholders' equity:	
I) Share capital	97
II) Share premium reserve	10,771
III) Revaluation reserve	—
IV) Legal reserve	19
VII) Other reserve	—
VIII) Retained earnings (accumulated loss)	—
IX) Profit (loss) for the period	(834)
Total A	**10,053**
B) Provisions for liabilities and charges	
Total B	**—**
C) Provision for staff termination indemnities	—
D) Accounts payable	
7) Trade payables	5
Total D	**5**
E) Accrued expenses and deferred income	—
TOTAL LIABILITIES (A+B+C+D+E)	**10,058**

Associate companies

continued **Table C**

PROFIT AND LOSS ACCOUNTS

	GB Holding 31.12.2015 (€'000)
A) Value of production:	
Total A	**—**
B) Costs of production:	
7) Service costs	(12)
Total personnel costs	**—**
Total depreciation, amortization and writedowns	**—**
11) Changes in stocks of raw materials, secondary materials, consumables and merchandise	—
12) Provisions for liabilities	—
13) Other provisions	—
14) Sundry operating expenses	(1)
Total costs of production (B)	**(13)**
Difference between value and cost of production (A–B)	**(13)**
C) Financial income (expense)	
15) Income from investments	—
16) Other financial income	166
17) Interest and other financial expenses	—
17bis) Gains (losses) on exchange rates	—
Total C	**166**
D) Value adjustments to financial assets:	
18) Writebacks	—
19) Writedowns	(987)
Total D	**(987)**
E) Extraordinary income (expenses):	
Total E	**—**
Profit (loss) before tax (A-B+C+D+E)	**(834)**
22) Income tax for the period	
26) Profit (loss) for the period	**(834)**

Associate companies

continued **Table C**

BALANCE SHEETS

		BANCA ESPERIA S.p.A. 31.12.2015 (€'000)
ASSETS		
10.	Cash and cash equivalents	121
20.	Financial assets held for trading	278,256
40.	AFS securities	438,000
60.	Due from banks	63,595
70.	Due from customers	1,032,439
80.	Hedging derivatives	283
100.	Equity investments	17,021
110.	Tangible assets	814
120.	Intangible assets	2,143
130.	Tax assets	7,733
	a) Current	*3,406*
	b) Advance	*4,327*
150.	Other assets	71,869
	TOTAL ASSETS	**1,912,274**
LIABILITIES		
10.	Due to banks	185,463
20.	Due to customers	1,265,702
30.	Debt securities in issue	227,113
40.	Trading financial liabilities	9,306
80.	Tax liabilities	4,278
	a) Current	—
	b) Deferred	*4,278*
100.	Other liabilities	54,324
110.	Staff severance indemnity provision	947
120.	Provisions for risks and charges	2,966
	- post-retirement benefits and similar obligations	—
	- other provisions	*2,966*
130.	Valuation reserves	5,976
160.	Reserves	49,204
170.	Share premium reserve	38,646
180.	Share capital	63,000
200.	Profit (loss) for the period	5,349
	TOTAL LIABILITIES	**1,912,274**

Associate companies

PROFIT AND LOSS ACCOUNTS

	BANCA ESPERIA S.p.A. 31.12.2015 (€'000)
10. Interest and similar income	23,277
20. Interest and similar expense	(10,557)
30. Net interest income	**12,720**
40. Fee and commission income	41,202
50. Fee and commission expense	(4,324)
60. Net fee and commission income	**36,878**
70. Dividends and similar income	10,513
80. Net trading income (expense)	(327)
90. Net hedging income	5
100. Gain (loss) on disposal/repurchase of:	5,000
a) loans and advances	—
b) AFS securities	*5,029*
c) financial assets held to maturity	—
d) financial liabilities	*(29)*
120. Total income	**64,789**
130. Adjustments for impairment to:	(1,040)
a) loans and advances	*(820)*
b) AFS securities	*(155)*
c) financial assets held to maturity	—
d) other financial transactions	*(65)*
140. Net income from financial operations	**63,749**
150. Administrative expenses	(60,348)
a) labour costs	*(38,042)*
b) other administrative expenses	*(22,306)*
160. Net transfers to provisions	1,159
170. Net adjustments to tangible assets	(323)
180. Net adjustments to intangible assets	(1,244)
190. Other operating income (expense)	4,475
200. Operating costs	**(56,281)**
250. Profit (loss) on ordinary activities before tax	**7,468**
260. Income tax on ordinary activities for the period	(2,119)
270. Profit (loss) on ordinary activities after tax	**5,349**
290. Net profit (loss) for the period	**5,349**

Associate companies

continued **Table C**

BALANCE SHEETS

	ATHENA PRIVATE EQUITY S.A. 31.12.2015 (in liquidation) (€'000)
ASSETS	
10. Cash and cash equivalents	2,057
40. AFS securities	5,065
60. Due from banks	9,160
a) in respect of asset management	—
b) other amounts receivable	*9,160*
70. Equity investments	5,700
100. Tangible assets	—
120. Tax assets	—
a) Current	—
b) Advance	—
140. Other assets	2,395
TOTAL ASSETS	**24,377**

LIABILITIES	
10. Due to banks	—
70. Tax liabilities	—
a) Current	—
b) Deferred	—
90. Other liabilities	251
100. Staff severance indemnity provision	—
110. Provision for liabilities and charges	92
a) post-retirement and similar obligations	—
b) other provisions	*92*
120. Share capital	19,648
130. Share premium reserve	—
140. Reserves	(1,012)
160. Retained earnings (accumulated loss)	5,390
180. Profit (loss) for the period	8
TOTAL LIABILITIES	**24,377**

Associate companies

continued **Table C**

PROFIT AND LOSS ACCOUNTS

		ATHENA PRIVATE EQUITY S.A. 31.12.2015 (in liquidation) (€'000)
10.	Fee and commission income	—
20.	Fee and commission expense	—
	Net fee and commission income	**—**
40.	Interest and similar income	721
50.	Interest and similar expense	—
60.	Net fee and commission income	—
90.	Gain (loss) on disposal or buyback of financial assets	—
	Total Income	**721**
110.	Administrative expenses	(671)
	a) labour costs	—
	b) other administrative expenses	*(671)*
130.	Net adjustments to tangible assets	—
140.	Writedowns (writebacks) to intangible assets	—
150.	Net transfers to provisions for risks and charges	—
160.	Other operating income (expense)	(32)
	Operating profit (loss)	**18**
	Profit (loss) on ordinary activities before tax	**18**
190.	Income tax on ordinary activities for the period	(10)
	Profit (loss) on ordinary activities after tax	8
	Net profit (loss) for the period	**8**

Table D

FEES PAID FOR AUDITING AND SUNDRY OTHER SERVICES
(pursuant to Article 149-*duodecies* of Consob resolution 11971/99)

Type of service	**Mediobanca S.p.A.**		**Group companies***	
	Pricewaterhouse Coopers S.p.A.	**Pricewaterhouse Coopers S.p.A. network**	**Pricewaterhouse Coopers S.p.A.**	**Pricewaterhouse Coopers S.p.A. network**
Auditing	596	—	1,066	113
Statements	156		27	36
Other services:	—	—	—	—
– *Observation and analysis of the administrative/accounting internal control system*	—	—	—	—
– other		—	—	—
Total	**752**	**—**	**1,093**	**149**

* Group companies and other companies consolidated line-by-line.

RESOLUTIONS PURSUANT TO ARTICLE 15 OF THE COMPANY'S ARTICLES OF ASSOCIATION: APPOINTMENT OF A DIRECTOR

Dear shareholders,

On 1 March 2016, Alessandro Decio, appointed by shareholders in an annual general meeting held on 28 October 2014 from the candidates on the majority list, tendered his resignation from the position of director of Mediobanca. The Board of Directors, at a meeting held on 16 March 2016, proceeded, in accordance with the provisions of Article 15 of the Bank's Articles of Association and the guidance on replacement of directors contained in the Statement on corporate governance and ownership structure, to co-opt Mr Massimiliano Fossati, Group Chief Risk Officer of Unicredit, to the Board pursuant to Article 2386 of the Italian Civil Code, based on a proposal made by the Appointments Committee and with the agreement of the Statutory Audit Committee. In recent days Mr Fossati too has resigned as director, citing an increase in commitments as a result of the recent Unicredit group reorganization.

You are therefore invited to re-establish the Board of Directors in accordance with the provisions of Article 15 of the company's Articles of Association, bearing in mind the guidelines illustrated in the Report on the qualitative-quantitative composition of the Board of Directors" approved by the Board on 4 July 2014 and available on the company's website (www.mediobanca.com, Corporate Governance/General Meetings/2014) and that at the annual general meeting held on 28 October 2014, the shareholders of Mediobanca set the number of directors composing the Board at 18 (eighteen).

To ensure smooth proceedings at the general meeting and to ensure applications are publicized appropriately, including with regard to the practice adopted on international markets, please file your proposals at the Bank's headquarters in good time, around twenty days ahead of the date set for the general meeting. Applications must include a statement by the candidate themselves stating that they agree to stand, and declaring, under their own responsibility, that there are no grounds that would render them ineligible for and/or incompatible with the proposed office, that they are in possession of the requisites stipulated by the law and the Articles of Association, and, if applicable, that they qualify as independent under the terms of Article 148, para. 3, of Italian Legislative Decree 58/98 and the Code of conduct in respect of listed companies, plus exhaustive information on their own personal details and professional qualifications and a list of the managerial and supervisory positions held by them at other companies.

As provided by Article 15 of the company's Articles of Association, the appointment will be made without the submission of voting lists, based on a relative majority according to the proposals made.

Milan, 21 September 2016

THE BOARD OF DIRECTORS

REPORT ON REMUNERATION

Dear Shareholders,

We have called you together in general meeting to:

A) report on the remuneration policies adopted for the twelve months ended 30 June 2016 and;

B) submit the Mediobanca Group's new remuneration policies, approved by the Board of Directors on 21 September 2016, to your approval.

During the year under review, the governing bodies of Mediobanca have continued to devote particular attention to the issue of staff remuneration policies, including in the light of the new documents published by the supervisory authorities on this subject. In particular the following have been taken into consideration: the EBA Guidelines on remuneration policies published on 21 December 2015; and the Opinion on application of the criteria of proportionality addressed to the European Commission to be submitted to the European and Council with a view to possible revision of CRD IV and CRR. The new guidelines will come into force on 1 January 2017, and the Policies being submitted to your approval substantially reflect them.

This report incorporates the disclosure requirements established by both the Bank of Italy and Consob.

SECTION 1

A) Staff remuneration policies for FY 2015/16

Introduction

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

– Focus on three diversified, specialist businesses (CIB, Consumer Credit and Wealth Management) unaffected by restructuring processes;
– Excellent asset quality (Texas ratio 16%);
– High capital solidity levels (CET1 above 12%, leverage ratio approx.10%);
– Low cost/income ratio (44%).

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

Governance

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

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

The main items on the agenda in Committee meetings are: formulation of proposals to the Board of Directors regarding the variable remuneration of directors who are members of the Group's management (defining and marking their scorecards); assessment of the proposals made by the Chief Executive

Officer regarding the variable remuneration of the other staff; review of the internal processes and procedures adopted in connection with the remuneration system; review of developments in the regulatory framework; analysis of market compensation; application of the severance policy; and drafting the new remuneration policies to be submitted to the approval of the Board of Directors and shareholders in general meeting.

The Group Human Resources department has provided support on the above governance activities in co-ordinating the process of formulating the proposals and resolutions, and executing them. The services of leading external consultants have also been used in the course of various activities, in particular market benchmark analysis and finalizing the remunerations new policies.

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

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

The variable component remuneration component to be assigned to the "identified staff" [1] constitutes the so-called "bonus pool". Payment is conditional upon certain conditions, or "gateways", which consist of the following indicators approved by shareholders at the last general meeting, being met:

a) capital adequacy and liquidity requirements [2] adopted in the Risk Appetite Framework [3] approved by the Board of Directors;

b) positive operating profit delivered at Group level [4].

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

[2] CET 1 ratio > 8,75% ex SREP, Leverage ratio, AFR/ECAP, Liquidity Coverage Ratio ≥ 100%, Net Stable Funding Ratio ≥ 100%, Retail funding ratio.

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

[4] Total income less operating costs and loan loss provisions, as shown in the restated financial statements.

The Chief Executive Officer allocates the aggregate bonus pool to be awarded on the basis of the Economic Profit [5] earned by the Wholesale Banking division (the area in which most staff with the potential to impact on Mediobanca's risk profile are employed) according to quantitative and qualitative indicators. The bonus pool for the individual business areas is calculated on the basis of scorecards which generally use Economic Profit as their primary metric as well as other secondary quantitative and qualitative metrics, whereas individual awards are made on the basis of overall assessment of personal performance, with particular attention being paid to reputational and compliance issues as well. The bonus pool for staff employed by the control units and staff and support areas is established based on qualitative considerations, to limit the correlation between bonuses paid and the results delivered by the Bank and so guarantee the independence of their role. The Chief Executive Officer's decisions are illustrated to the Remunerations Committee and the Board of Directors. The remuneration paid to the head of company financial reporting and the heads of the control units is approved by the Board.

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

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

The various items performed as follows:

– net interest income rose 6%, driven by the consumer segment which grew 12%, with wholesale business down 18%;

– net fee and commission income down 5%, with significant growth in asset management business, mass market and affluent, which offset the reduction in capital market activities;

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

- net treasury income declining, in part due to reduced gains on AFS securities (from €76m to €16m);
- increase in the contribution from equity-accounted companies (from €224m to €257m);
- further reduction in loan loss provisions, from €533m to €419m, on a 7% increase in lending;
- cost/income and compensation/income ratios stable at 2014 levels.

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

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

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

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

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

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

All the Group's gateways for the year ended 30 June 2016 were thus met[6].

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

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

Having therefore ascertained that all the conditions precedent to the distribution of the bonus pool had been met, and in application of the criteria provided for in the remuneration policies, the Chief Executive Officer, after consulting with the General Manager, established an aggregate variable remuneration component of €57.5m for Mediobanca (compared to €69m in 2015), €25m of which for identified staff (approx. €34m), corresponding to a payout ratio 40% and 20% of the WB Economic Profit respectively, and down 17% and 23% on last year. These amounts include the variable component reserved to directors who are members of the Mediobanca Group's senior management. The aggregate variable component amounts to 92% of the fixed component for identified staff[7] (124% last year). Considering the headcount as a whole for Mediobanca, the ratio is 66%, compared to 76% in 2015. One of the main objectives in making the award of the variable component was to maintain a competitive compensation package for younger and business staff from a talent retention perspective.

For the Retail and Consumer division, the risk-adjusted earnings performances delivered in the year were positive too. The total variable remuneration component awarded to the division was €11.7m, basically flat

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

[7] Excluding identified staff working in control and support units.

versus 2015, €1.3m (€1.1m) was the bonus pool for identified staff, up 18% in line with the division's excellent results. The bonus pool for identified staff represented approx. 98% of the fixed remuneration, whereas for the headcount as a whole the ratio fell from 9% in 2015 to 8%.

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

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

The annual variable remuneration component for directors who are members of the Group's senior management is included in the aggregate bonus pool and reflects the achievement of the quantitative and qualitative targets assigned in the individual scorecards approved by the Board of Directors. In general terms, If the quantitative objectives are met, the amount of the bonus payable to the CEO and the General Manager may be between 50% and 200% of their gross annual salary. This amount may be adjusted by the BoD according to whether or not the qualitative objectives are also met (without prejudice to the 2:1 cap).

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

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

Means of distributing the variable component

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

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

Accordingly, the Board of Directors adopted a resolution to award Group staff a total of 2,208,774 performance shares [8] (at the average stock market value of Mediobanca shares in the month prior to the award, i.e. €5.7079) including those awarded to identified staff employed at Group companies [9].

[8] 183,956 of which to the CEO and 91,627 to the General Manager.

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

B) New staff remuneration policies

Introduction

As in the past, the new Remunerations policies:

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

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

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

Governance

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

a) Corporate governance

Under the current Articles of Association:

- shareholders in general meeting establish the annual fixed fee payable to members of the Board of Directors when they are appointed, and for the entire duration of their term of office, to be allocated among the individual members based on the Board's own decision. Directors who are not members of the Group's senior management are entitled to refunds on expenses incurred by them in the performance of their duties;

- shareholders in general meeting, within the terms set by the regulations in force at the time, also approve the remuneration policies and compensation schemes based on financial instruments for Group directors, staff and collaborators, and set the criteria for establishing compensation to be agreed in the event of a beneficiary leaving the company or office;
- at the Board of Directors' proposal, shareholders in general meeting may, with the requisite majorities, establish the variable remuneration of Group staff and collaborators up to the limit of 200% of their fixed salaries or any other limit set by the regulations in force at the time;
- the Board of Directors institutes the committees envisaged by the regulations in force from among its own number, including the Remunerations Committee, establishing their composition and powers.

Under the regulations in force:

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

- the Risks Committee ascertains whether the incentives provided by the remuneration system take adequate account of the Group's risks, capital and liquidity situation, liaising with the Remunerations Committee;
- the Chief Executive Officer presents the proposed Group staff remuneration and retention policies to the governing bodies, is responsible for staff management, and after consulting with the General Manager, determines the bonus pool based on the criteria established by the Board of Directors and then distributes it.

b) Organizational governance

- Human Resources directs and governs the entire remuneration process, involving the governing bodies, control units and other teams responsible for verifying the Group's earnings and financial data.
- The Accounting and Financial Reporting and Planning and Control units provide the data for ascertaining that the gateways have been met and for determining the business areas' and divisions' performances based on the results achieved.
- The Risk Management unit helps in defining the metrics to be used to calculate the risk-adjusted company performance, in validating the results and the gateways, and in checking that these are consistent with the provisions of the Risk Appetite Framework.

- The Compliance unit carries out an annual assessment of the remuneration policies' compliance with the sector regulatory framework. It is also responsible, after consulting with the other control units, for checking whether or not any compliance breaches have been committed with relevance for purposes of assessing the performance and award of the variable remuneration component. The Compliance unit is involved in the processes of revising, adapting and managing the remuneration systems to ensure these are in line with the regulations in force at the time, including in terms of establishing the identified staff, analysing the metrics adopted, and the practice in cases where the beneficiary has left the company.
- The Group Audit unit makes a statement declaring that the staff remuneration and incentivization policy adopted by the Bank complies with the Instructions. It also carries out annual controls on the data and process, and brings any irregularities to the attention of the relevant bodies for the appropriate corrective action to be taken.

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

Definition of "identified staff"

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

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

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

Cluster	Definition	EBA regulations	PPR No. (2016)
1) Non-executive directors	• Non-executive members of BoD, including Chairman	Article 3. 2	1 (+13)
2) Directors with executive duties	• Management who are members of Executive Committee	Article 3. 1	4
3) Senior management and heads of relevant BUs (principal business lines, geographical areas and other senior business figures)	• Co Head CIB • Head Principal Investing • Head Divisione Finanza • Head Corporate Finance • Head Equity Capital Markets • Head Debt Capital Markets • Head Lending and Structured Finance • Head CMS/ Londra • Head Financial Institutions Group • Head Global Coverage • Head Frankfurt • Head Madrid • Head Paris • Head MB Turkey • CEO, CMB	Article 3. 3 Article 3.6	15
4) Heads and senior staff of internal control units	• Compliance • Risk Management • Group Audit	Article 3. 4 Article 3.5 Article 3.7 Article 3.15	9
5) Staff with managerial responsibilities in relevant business units	• Heads of trading desks, liquidity and trading origination • Staff with significant responsibility in the Lending and Structured Finance and Corporate Finance areas • Other heads of product areas (MB Securities, Research) • General Managers, Compass, CB! and CMB; CEOs of SelmaBPM and Spafid	Article 3.8 Article 3.15	22
6) Heads and senior staff in Staff and support units	• Human Resources • Head of company financial reporting • Accounting/ financial reporting • Budget/Planning and control • Legal counsel • COO • CIO	Article 3. 9 Article 3.15	7
7) Quantitative criteria	Roles with total compensation ≥ €500,000 or same remuneration bracket in previous financial year not included in categories listed above	Article 4	20
	TOTAL at 30/6/16[10]	**78 (91)**	
	% of total Mediobanca S.p.A. staff	10.5%	
	% of total Mediobanca Group staff	1.94%	

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

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

Pay mix

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

a) Remuneration structure for non-executive directors

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

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

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

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

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

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

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

3) upon the approval of a long-term Group plan, the Board of Directors may choose to award an extraordinary bonus conditional upon the objectives set out in the plan itself being reached (long-term incentives). In such cases, the short-term scheme described under the previous point will be linked to the provisions of the long-term scheme, without prejudice to the 200% cap on variable remuneration, which must be complied with in each financial year. Actual payment will be made on the terms, conditions and methods provided for the variable remuneration component referred to above, unless provided otherwise by the Board of Directors, having consulted with the Remunerations Committee, in accordance with the regulations in force for long-term incentivization schemes.

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

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

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

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

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

d) Remuneration structure for other "identified staff"

– Fixed salary: this reflects technical, professional and managerial capabilities, and the related responsibilities. Mediobanca devotes continuous attention to the value of the fixed salaries it pays, which are monitored in relation to its competitors and adapted to changes in the market scenario from time to time, avoiding excessive reliance on the variable component while at the same time being careful not to make the overall package unduly inflexible.
– Variable remuneration: this functions as recognition and reward for targets set and results achieved, and is calculated based on risk-adjusted indicators. It constitutes an important motivational factor, and for some

business figures (in the Wholesale Banking division in particular) may form a significant portion of their annual pay, in line with reference market practice, without prejudice to the cap and to the other conditions established by the regulations in force.

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

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

e) Other information on remuneration structure

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

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

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

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

Limit on variable remuneration

Subject to approval by shareholders in general meeting, and in accordance with the national and supranational regulations, the upper limit on the variable remuneration component for all staff belonging to the Mediobanca Group [11] and hence for all identified staff has been set at 200% the amount of their fixed remuneration (without prejudice to the provisions in place for staff employed in the control units, Human Resources and the Head of company financial reporting) [12].

The reasons justifying this proposed limit are primarily:

– the need to attract and retain the most talented staff, in investment banking especially, by aligning the Bank's practice with that of its competitors;

– the need to maintain the appropriate operating flexibility, minimizing the risks that would be associated with increasing the fixed labour cost component excessively;

– to ensure that the remuneration policy is consistent with incentives which seek to promote virtuous conduct in the pursuit of business objectives and value creation;

– to align the Bank with the policies adopted by the leading Italian and international banks;

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

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

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

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

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

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

In more detail:

a) Gateways

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

a) capital adequacy and liquidity requirements [13] indicated by the risk metrics adopted in the Risk Appetite Framework [14] approved by the Board of Directors, which are the primary indicators taken into consideration in the ICAAP;
b) positive operating profit delivered at Group level [15].

[13] CET 1 ratio, leverage ratio, AFR/ECAP, liquidity coverage ratio, net stable funding ratio, retail funding ratio.

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

[15] Total income less operating costs and loan loss provisions, as shown in the consolidated restated financial statements.

b) Budgeting phase

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

c) Determination of variable remuneration and divisional bonus pools

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

For the Wholesale Banking division [16] (the area in which the highest number of staff with a substantial impact on Mediobanca's risk profile are employed), the Chief Executive Officer of Mediobanca identifies the share of the share of the division's Economic Profit to be used for the bonus pool and variable remuneration. The amount reflects assessment of quantitative parameters (Group results, Risk Appetite Framework indicators other than those already included among the gateways, comparison of performances delivered versus annual budget objectives and the three-year business plan, comparison versus historical performances, and cost/income and compensation/income ratios) and qualitative parameters (market positioning and market share, retention of key staff, need to recruit new professional talent). The amount this determined is measured against the bonus pools resulting from the scorecards for the individual business units, which may be fine-tuned to ensure that overall sustainability is maintained.

For the other divisions (Retail & Consumer and Private Banking), the amounts are determined by the Chief Executive Officers of the legal entities

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

forming part of them, who to this end liaise with the General Manager and Human Resources department of Mediobanca S.p.A. (see section entitled "Remuneration policies for staff employed at Group companies").

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

d) Distribution and allocation of variable remuneration and bonus pools

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

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

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

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

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

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

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

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

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

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

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

- earnings results achieved, e.g. reaching or not reaching budget targets and objectives in terms of improvement from the previous year, with reference to the risk/return and cost/income ratios;
- qualitative criteria: development of product offering, professional conduct and reliability, quality in terms of customer relationships, technical and analytical skills in the field of finance, ability to control costs, importance placed on achieving operating efficiency, and co-operation with other areas of the Bank, reputational and compliance issues, and adherence to the Bank's values.

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

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

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

Variable component structure: timescale for distribution and instruments

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

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

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

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

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

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

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

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

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

Performance conditions, malus condition and clawback

The deferred variable remuneration component is paid, provided that:

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

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

– the beneficiary has not committed any compliance breaches (i.e. has not been subject to disciplinary measures under the terms, inter alia, of Mediobanca's Code of ethics, Organizational model, Business conduct policy and other internal regulations [17]) and no losses have been incurred which were attributable to their actions.

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

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

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

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

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

Performance share schemes

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

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

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

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

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

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

2349 of the Italian Civil Code, which was approved by shareholders on 28 October 2015. Alternatively and/or in addition, those of the 15,736,786 treasury shares held by the Bank and not reserved for other purposes may be used to this end. At present a total of 9,586,670 shares have been awarded but not assigned, 65,177 from the treasury share holdings and the other 9,543,219 from the limit approved by shareholders in general meeting.

Performance stock option scheme

At an extraordinary general meeting held on 27 June 2007, the shareholders of Mediobanca approved a capital increase involving the issue of 40,000,000 shares for use as part of a stock option scheme (to be exercised by 1 July 2022). A total of 24,464,000 are outstanding, and at present their use in the scheme is not anticipated [18]. At an ordinary general meeting held on 27 October 2007, in accordance with the provisions of the regulatory instructions, the shareholders of Mediobanca approved a resolution to adopt the scheme and its methods of implementation. At a Board meeting held on 24 June 2011, in exercise of the powers granted to them, the directors of Mediobanca revised the stock option scheme to bring it in line with the Instructions, including provision for performance conditions for exercise in addition to those of a purely temporal nature, thereby effectively transforming the scheme into a performance stock option scheme.

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

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

options awarded. Failure to meet the performance conditions in any one year will result in the relevant share being cancelled.

Remuneration policies for staff employed at Group companies

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

Mediobanca approves the amount of the variable remuneration and bonus pools for identified staff in the various divisions and their allocation; establishes the objectives for the CEOs and/or General Managers of the Group companies, and ascertains whether they have been met; and defines the basic principles of the guidelines of the incentives mechanism for the other staff at the companies, leaving the specific decisions up to their respective Boards of Directors.

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

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

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

Policies in the event of employment being terminated or otherwise ending

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

a) Treatment for directors leaving office early

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

b) Treatment for employees

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

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

- the amount established and due in accordance with the provisions of law and the locally applicable contractual regulations in respect of the cost of the failure to provide notice and other entitlements payable upon termination (severance provision, holiday leave etc.);
- a possible additional amount by way of severance: severance pay is the main instrument recognized in the various jurisdictions for cases where the employment relationship is terminated by mutual consent, with a view to minimizing the earnings and reputational risks, present and future, which the Bank might face as a result of possible disputes;
- other types of arrangement, e.g. to cover non-competition agreements or settlements paid in respect of potential moral or material damages.

c) Severance pay amount

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

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

Mediobanca, apart from the exceptions contemplated under point g) below, defines the total maximum amount payable by way of severance as 24 monthly salaries, as previously defined and in any case no more than €5m, unless provided otherwise by shareholders in general meeting. This amount includes any non-competition agreements, but does not include any amounts paid as indemnity for failure to give notice and the other amounts due in connection with termination of the employment relationship (severance provision, holiday leave etc.)[19]. Severance payments may not under any circumstances exceed the limits set by the applicable laws, regulations and collective contracts.

Severance may not be paid in cases where the conduct of individual staff members has resulted in damages to the integrity of the Bank's capital, profitability and earnings/financial or reputational situation, whether or not fraud and/or wilful misconduct is established.

d) Timescales for payment and instruments used

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

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

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

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

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

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

f) Decisions by third parties

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

g) Exceptions and involvement of governing bodies

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

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

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

In cases where the Chairman (if a member of the Group's management), Chief Executive Officer and/or General Manager leave the Bank's employment for any reason, the provisions of the Group's remuneration policies for identified staff and the sector regulations in force from time to time shall apply. Any amounts paid in cash, in addition to notice, shall be subject to contributions to the company's complementary pension scheme, and save in cases of dismissal for just cause, the said persons will be allowed to retain any financial instruments assigned to them up to the time when the employment relationship is terminated.

Dear shareholders,

In view of the foregoing, we invite you to adopt the following proposed resolution (for which three separate votes will be held, one for each proposal, each with its own executive mandate):

"At an ordinary general meeting, the shareholders of Mediobanca,

in view of the Staff remunerations policies for FY 2015/16 as illustrated in the Board of Directors' report,

HEREBY RESOLVE

Resolution 1: to approve the new staff remuneration policies as illustrated in the Board of Directors' report;

Resolution 2: to adopt the provision instituted in the section entitled "Limit on variable remuneration" which establishes the ratio between variable and fixed remuneration at a maximum of 2:1, without prejudice to the fact that such ratio may not in any case exceed the maximum amount permitted by the law and regulations in force;

Resolution 3: to adopt the provision instituted in the section entitled "Policies in the event of employment being terminated or otherwise ended", establishing the criteria for determining the compensation to be agreed in cases where directors or staff leave office or cease working for Mediobanca early, including the limits on such compensation in terms of the number of annual fixed salary payments to be made and the maximum amount deriving from their application;

and to confer on the Board of Directors and the Chief Executive Officer and/or the General Manager on its behalf, the broadest powers to execute all deeds and perform all measures and formalities necessary in order to implement each of the three foregoing resolutions including the power to make all amendments to the new staff remunerations policies that prove necessary to bring them into line with the law and regulations in force from time to time".

Milan, 21 September 2016

THE BOARD OF DIRECTORS

SECTION 2

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

(A)	(B)	(C)			(1)			(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Post	Period for which post has been held		Term of office expires	Fixed compensation			Fees payable for participation in committees	Variable compensation (non-equity)		Non-cash benefits	Other forms of compensation	Total	Fair value of equity compensation	Indemnity payable on leaving office/ severance (i)
					Emoluments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Renato Pagliaro	Chairman of Board of Directors	01/07/15	30/06/16	30/06/17	100,000	1,800,000	1,900,000				350,369				
											of which complementary pension scheme				
											346,417				
	(I) Compensation in company preparing the accounts				**100,000**	**1,800,000**	**1,900,000**				**350,369**		**2,250,369**	**–**	
	(II) Compensation from subsidiaries/associates at 30/06/2016						**–**						**–**		
	(III) Total				**100,000**	**1,800,000**	**1,900,000**	**–**	**–**	**–**	**350,369**	**–**	**2,250,369**	**–**	**–**
Maurizia Angelo Comneno	Deputy Chairman of Board of Directors	01/07/15	30/06/16	30/06/17	135,000		135,000						135,000		
	Member of Executive Committee	01/07/15	30/06/16	30/06/17	90,000		90,000						90,000		
	(I) Compensation in company preparing the accounts				**225,000**		**225,000**						**225,000**		
	(II) Compensation from subsidiaries/associates at 30/06/2016						**–**						**–**		
	(III) Total				**225,000**	**–**	**225,000**	**–**	**–**	**–**	**–**	**–**	**225,000**	**–**	**–**
Marco Tronchetti Provera	Deputy Chairman of Board of Directors	01/07/15	30/06/16	30/06/17	135,000		135,000						135,000		
	(I) Compensation in company preparing the accounts (1)				**135,000**		**135,000**						**135,000**		**–**
	(II) Compensation from subsidiaries/associates at 30/06/2016						**–**						**–**		
	(III) Total				**135,000**	**–**	**135,000**	**–**	**–**	**–**	**–**	**–**	**135,000**		**–**

(A)	(B)	(C)			(1)			(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Post	Period for which post has been held		Term of office expires	Fixed compensation			Fees payable for participation in committees	Variable compensation (non-equity)		Non-cash benefits	Other forms of compensation	Total	Fair value of equity compensation	Indemnity payable on leaving office/ severance (i)
					Emoluments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Alberto Nagel	CEO	01/07/15	30/06/16	30/06/17	100,000	1,800,000	1,900,000		420,000		433,304		2,753,304	505,894	
											of which complementary pension scheme				
											428,486				
	(I) Compensation in company preparing the accounts				**100,000**	**1,800,000**	**1,900,000**	**–**	**420,000**	**–**	**433,304**	**–**	**2,753,304**	**505,894**	**–**
	(II) Compensation from subsidiaries/associates at 30/06/2016						**–**						**–**		
	(III) Total				**100,000**	**1,800,000**	**1,900,000**	**–**	**420,000**	**–**	**433,304**	**–**	**2,753,304**	**505,894**	**–**
Francesco Saverio Vinci	General Manager	01/07/15	30/06/16	30/06/17	100,000	1,500,000	1,600,000		209,200		334,965		2,144,165	347,671	
											of which complementary pension scheme				
											329,087				
	(I) Compensation in company preparing the accounts				**100,000**	**1,500,000**	**1,600,000**	**–**	**209,200**		**334,965**		**2,144,165**	**347,671**	**–**
	(II) Compensation from subsidiaries/associates at 30/06/2016 (1) (2)				**20,000**		**20,000**	**–**					**20,000**		
	(III) Total				**120,000**	**1,500,000**	**1,620,000**	**–**	**209,200**	**–**	**334,965**	**–**	**2,164,165**	**347,671**	**–**
Tarak Ben Ammar	Director	01/07/15	30/06/16	30/06/17	100,000		100,000						100,000		
	(I) Compensation in company preparing the accounts				**100,000**		**100,000**						**100,000**		**–**
	(II) Compensation from subsidiaries/associates at 30/06/2016						**–**						**–**		
	(III) Total				**100,000**	**–**	**100,000**	**–**	**–**	**–**	**–**	**–**	**100,000**		**–**
Gilberto Benetton	Director	01/07/15	30/06/16	30/06/17	100,000		100,000						100,000		
	(I) Compensation in company preparing the accounts				**100,000**		**100,000**						**100,000**		
	(II) Compensation from subsidiaries/associates at 30/06/2016						**–**						**–**		
	(III) Total				**100,000**	**–**	**100,000**	**–**	**–**	**–**	**–**	**–**	**100,000**		**–**

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

(A)	(B)	(C)			(1)			(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Post	Period for which post has been held		Term of office expires	Fixed compensation			Fees payable for participation in committees	Variable compensation (non-equity)		Non-cash benefits	Other forms of compensation	Total	Fair value of equity compensation	Indemnity payable on leaving office/ severance (i)
					Emoluments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Mauro Bini	Director	01/07/15	30/06/16	30/06/17	100,000		100,000						100,000		
	Member of Risks committee and Related parties committee	01/07/15	30/06/16	30/06/17	80,000		80,000						80,000		
	Chairman of Appointments committee	01/07/15	30/06/16	30/06/17	20,000		20,000						20,000		
	(I) Compensation in company preparing the accounts				**200,000**	**–**	**200,000**	**–**			**–**		**200,000**		
	(II) Compensation from subsidiaries/associates at 30/06/2016						**–**						**–**		
	(III) Total				**200,000**	**–**	**200,000**	**–**	**–**	**–**	**–**	**–**	**200,000**		**–**
Marie Bolloré	Director	01/07/15	30/06/16	30/06/17	100,000		100,000						100,000		
	Member of Appointments committee	28/10/15	30/06/16	30/06/17	13,425		13,425						13,425		
	(I) Compensation in company preparing the accounts				**113,425**	**–**	**113,425**	**–**			**–**		**113,425**		
	(II) Compensation from subsidiaries/associates at 30/06/2016						**–**						**–**		
	(III) Total				**113,425**	**–**	**113,425**	**–**	**–**	**–**	**–**	**–**	**113,425**		**–**
Maurizio Carfagna	Director	01/07/15	30/06/16	30/06/17	100,000		100,000						100,000		
	Member of Risks committee and Related parties committee	28/10/15	30/06/16	30/06/17	53,700		53,700						53,700		
	Member of Remunerations committee	01/07/15	30/06/16	30/06/17	30,000		30,000						30,000		
	(I) Compensation in company preparing the accounts				**183,700**	**–**	**183,700**	**–**			**–**		**183,700**		
	(II) Compensation from subsidiaries/associates at 30/06/2016 (2)				**20,000**		**20,000**	**10,000**					**30,000**		
	(III) Total				**203,700**	**–**	**203,700**	**10,000**	**–**	**–**	**–**	**–**	**213,700**		**–**
Angelo Casò	Director	01/07/15	30/06/16	30/06/17	100,000		100,000						100,000		
	Member of Executive Committee	01/07/15	30/06/16	30/06/17	90,000		90,000						90,000		
	(I) Compensation in company preparing the accounts				**190,000**	**–**	**190,000**						**190,000**		**–**
	(II) Compensation from subsidiaries/associates at 30/06/2016						**–**						**–**		
	(III) Total				**190,000**	**–**	**190,000**	**–**	**–**	**–**	**–**	**–**	**190,000**		**–**

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

(A)	(B)	(C)			(1)			(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Post	Period for which post has been held		Term of office expires	Fixed compensation			Fees payable for participation in committees	Variable compensation (non-equity)		Non-cash benefits	Other forms of compensation	Total	Fair value of equity compensation	Indemnity payable on leaving office/ severance (i)
					Emoluments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Maurizio Costa	Director	01/07/15	30/06/16	30/06/17	100,000		100,000						100,000		
	Member of Remunerations committee	01/07/15	30/06/16	30/06/17	30,000		30,000						30,000		
	Member of Appointments committee	01/07/15	30/06/16	30/06/17	20,000		20,000						20,000		
	(I) Compensation in company preparing the accounts				**150,000**	**–**	**150,000**	**–**			**–**		**150,000**		
	(II) Compensation from subsidiaries/associates at 30/06/2016						**–**						**–**		
	(III) Total				**150,000**	**–**	**150,000**	**–**	**–**	**–**	**–**	**–**	**150,000**		**–**
Alessandro Decio	Director	01/07/15	16/03/16		71,037		71,037						71,037		
	(I) Compensation in company preparing the accounts (3)				**71,037**	**–**	**71,037**	**–**			**–**		**71,037**		
	(II) Compensation from subsidiaries/associates at 30/06/2016						**–**						**–**		
	(III) Total				**71,037**	**–**	**71,037**	**–**	**–**	**–**	**–**	**–**	**71,037**		**–**
Massimiliano Fossati	Director	16/03/16	30/06/16	30/06/16	29,041		29,041						29,041		
	(I) Compensation in company preparing the accounts (1)				**29,041**	**–**	**29,041**				**–**		**29,041**		
	(II) Compensation from subsidiaries/associates at 30/06/2016						**–**						**–**		
	(III) Total				**29,041**	**–**	**29,041**	**–**	**–**	**–**	**–**	**–**	**29,041**		**–**
Vanessa Labérenne	Director	01/07/15	30/06/16	30/06/17	100,000		100,000						100,000		
	Chairman of Remunerations committee	01/07/15	30/06/16	30/06/17	30,000		30,000						30,000		
	Member of Risks committee and Related parties committee	01/07/15	30/06/16	30/06/17	80,000		80,000						80,000		
	Member of Appointments committee	01/07/15	28/10/15		6,575		6,575						6,575		
	(I) Compensation in company preparing the accounts				**216,575**	**–**	**216,575**	**–**			**–**		**216,575**		**–**
	(II) Compensation from subsidiaries/associates at 30/06/2016						**–**						**–**		
	(III) Total				**216,575**	**–**	**216,575**	**–**	**–**	**–**	**–**	**–**	**216,575**		**–**

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

(A)	(B)	(C)			(1)			(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Post	Period for which post has been held		Term of office expires	Fixed compensation			Fees payable for participation in committees	Variable compensation (non-equity)		Non-cash benefits	Other forms of compensation	Total	Fair value of equity compensation	Indemnity payable on leaving office/ severance (i)
					Emoluments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Elisabetta Magistretti	Director	01/07/15	30/06/16	30/06/17	100,000		100,000						100,000		
	Chairman of Risks committee and Related parties committee	01/07/15	30/06/16	30/06/17	80,000		80,000						80,000		
	Member of Appointments committee	01/07/15	30/06/16	30/06/17	20,000		20,000						20,000		
	Member of Remunerations committee	01/07/15	30/06/16	30/06/17	30,000		30,000						30,000		
	(I) Compensation in company preparing the accounts				**230,000**	**–**	**230,000**	**–**			**–**		**230,000**		**–**
	(II) Compensation from subsidiaries/associates at 30/06/2016						**–**						**–**		
	(III) Total				**230,000**	**–**	**230,000**	**–**	**–**	**–**	**–**	**–**	**230,000**		**–**
Alberto Pecci	Director	01/07/15	30/06/16	30/06/17	100,000		100,000						100,000		
	Member of Remunerations committee	01/07/15	30/06/16	30/06/17	30,000		30,000						30,000		
	(I) Compensation in company preparing the accounts				**130,000**	**–**	**130,000**	**–**			**–**		**130,000**		
	(II) Compensation from subsidiaries/associates at 30/06/2016						**–**						**–**		
	(III) Total				**130,000**	**–**	**130,000**	**–**	**–**	**–**	**–**	**–**	**130,000**		**–**
Gian Luca Sichel	Director	01/07/15	30/06/16	30/06/17	100,000		100,000						100,000	190,630	
	(I) Compensation in company preparing the accounts				**100,000**		**100,000**	**–**			**–**		**100,000**		
	(II) Compensation from subsidiaries/associates at 30/06/2016					**568,681**	**568,681**		**263,215**		**5,732**		**837,628**	**190,630**	
	(III) Total				**100,000**	**568,681**	**668,681**	**–**	**263,215**	**–**	**5,732**	**–**	**937,628**	**190,630**	**–**
Alexandra Young	Director	01/07/15	30/06/16	30/06/17	100,000	340,000	440,000	–	57,360		39,954		537,314	55,478	
											of which complementary pension scheme				
											34,973				
	(I) Compensation in company preparing the accounts				**100,000**	**340,000**	**440,000**	**–**	**57,360**		**39,954**		**537,314**	**55,478**	
	(II) Compensation from subsidiaries/associates at 30/06/2016						**–**						**–**		
	(III) Total				**100,000**	**340,000**	**440,000**	**–**	**57,360**	**–**	**39,954**	**–**	**537,314**	**55,478**	**–**

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

(A)	(B)	(C)			(1)			(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Post	Period for which post has been held		Term of office expires	Fixed compensation			Fees payable for participation in committees	Variable compensation (non-equity)		Non-cash benefits	Other forms of compensation	Total	Fair value of equity compensation	Indemnity payable on leaving office/ severance (i)
					Emoluments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Management with strategic responsibilities						2,531,620	2,531,620	–	424,400		233,061		3,189,081	1,526,741	
											of which complementary pension scheme				
											216,775				
	(I) Compensation in company preparing the accounts					**2,531,620**	**2,531,620**	**–**	**424,400**		**233,061**	**–**	**3,189,081**	**1,526,741**	
	(II) Compensation from subsidiaries/associates at 30/06/2016						**–**						**–**		
	(III) Total				**–**	**2,531,620**	**2,531,620**	**–**	**424,400**	**–**	**233,061**	**–**	**3,189,081**	**1,526,741**	**–**
Natale Freddi	Chairman of Statutory Audit Committee	01/07/15	30/06/16	30/06/17	140,000		140,000						140,000		
	(I) Compensation in company preparing the accounts				**140,000**	**–**	**140,000**		**–**		**–**		**140,000**	**–**	
	(II) Compensation from subsidiaries/associates at 30/06/2016						**–**						**–**		
	(III) Total				**140,000**	**–**	**140,000**	**–**	**–**	**–**	**–**	**–**	**140,000**	**–**	**–**
Laura Gualtieri	Member of Statutory Audit Committee	01/07/15	30/06/16	30/06/17	105,000		105,000						105,000		
	(I) Compensation in company preparing the accounts				**105,000**	**–**	**105,000**		**–**		**–**		**105,000**	**–**	
	(II) Compensation from subsidiaries/associates at 30/06/2016						**–**						**–**		
	(III) Total				**105,000**	**–**	**105,000**	**–**	**–**	**–**	**–**	**–**	**105,000**	**–**	**–**
Gabriele Villa	Member ofStatutory Audit Committee	01/07/15	30/06/16	30/06/17	105,000		105,000						105,000		
	(I) Compensation in company preparing the accounts				**105,000**	**–**	**105,000**		**–**		**–**		**105,000**	**–**	
	(II) Compensation from subsidiaries/associates at 30/06/2016						**–**						**–**		
	(III) Total				**105,000**	**–**	**105,000**	**–**	**–**	**–**	**–**	**–**	**105,000**	**–**	**–**

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

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

3) Of which € 50,819 paid directly to the company of origin.

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

Table 2: Stock options granted to members of management and control bodies, general managers and other managerial staff with strategic responsibilities

			Options held at start of financial year			Options awarded during the year						Options exercised during the year			Options expired during the year	Options held at year-end	Options attributable to the year
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = (2)+(5)-(11)-(14)	(16)
Name and surname	**Post**	**Scheme**	**No. of options**	**Strike price**	**Possible exercise period (from-to)**	**No. of options**	**Strike price**	**Possible exercise period (from-to)**	***Fair value at award date***	**Award date**	**Market price of shares underlying award**	**No. of options**	**Strike price**	**Market price of underlying shares at exercise date**	**No. of options**	**No. of options**	**Fair value**
Renato Pagliaro	Chairman	28/10/04	275,000	€ 10.31	From 1 July 2011 to 30 June 2016										275,000		
		27/10/07	350,000	€ 6.54	From 2 August 2013 to 1 August 2018											350,000	
Alberto Nagel	CEO	28/10/04	275,000	€ 10.31	From 1 July 2011 to 30 June 2016										275,000		
		27/10/07	350,000	€ 6.54	From 2 August 2013 to 1 August 2018											350,000	
Francesco Saverio Vinci	GM	28/10/04	275,000	€ 10.31	From 1 July 2011 to 30 June 2016										275,000		
		27/10/07	250,000	€ 6.54	From 2 August 2013 to 1 August 2018											250,000	
Gianluca Sichel	Director	28/10/04	100,000	€ 10.31	From 1 July 2011 to 30 June 2016										100,000		
Managerial staff with strategic responsibilities		28/10/04	160,000	€ 10.31	From 1 July 2011 to 30 June 2016										160,000		
		27/10/07	80,000	€ 6.54	From 2 August 2013 to 1 August 2018											80,000	
(III) Total			**2,115,000**												**1,085,000**	**1,030,000**	

Table 3A: Incentivization schemes based on financial instrumentsother than stock options paid to members of the governing body, general managers and other managerial staff with strategic responsibilities

			Financial instruments awarded in previous years which have not vested during the course of the year		Financial instruments awarded during the year					Financial instruments vested during the year and not allocated	Financial instruments vested during the year and not allocated		Financial instruments attributable to the year
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Name and surname	Post	Scheme	No. and type of instrument	Vesting period	No. and type of financial instrument	Fair value at award date	Vesting period	Award date	Market price at award	No. and type	No. and type	Value upon vesting	Fair value
Alberto Nagel	CEO	28-oct-10	122,605 Performance shares	Nov. 2017 – Nov. 2019									262,442
		28-oct-15			183,956 Performance shares	922,642	Nov. 2018 – Nov. 2021	27-sept-16	€5,960				243,452
Francesco Saverio Vinci	GM	28-oct-10	101,898 Performance shares	Nov. 2017 – Nov. 2019									226,410
		28-oct-15			91,627 Performance shares	459,561	Nov. 2018 – Nov. 2021	27-sept-16	€5,960				121,261
Gian Luca Sichel	Director	28-oct-10	29,494 Performance Shares	Nov. 2016 – Nov. 2018									50,299
		28-oct-10	29,970 Performance shares	Nov. 2017 – Nov. 2019									66,592
		28-oct-15			55,719 Performance shares	279,462	Nov. 2018 – Nov. 2021	27-sept-16	€5,960				73,739
Alexandra Young	Director	28-oct-10	11,089 Performance shares	Nov. 2017 – Nov. 2019									26,034
		28-oct-15			21,181 Performance shares	106,887	Nov. 2018 – Nov. 2021	27-sept-16	€5,960				29,444
Managerial staff with strategic responsibilities		28-oct-10	390,840 Performance Shares	Nov. 2016 – Nov. 2018							243,273	2,197,972	1,131,949
		28-oct-10	100,809 Performance shares	Nov. 2017 – Nov. 2019									229,617
		28-oct-15			122,462 Performance shares	615,652	Nov. 2018 – Nov. 2021	27-sept-16	€5,960				165,175
Total					**474,945**	**2,384,204**					**243,273**	**2,197,972**	**2,626,414**

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

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

A	B	(1)	(2)			(3)		
			Bonus for the year			Previous years' bonuses		
Name and surname	Post	Scheme	(A)	(B)	(C)	(A)	(B)	(C)
			Payable/paid	Deferred	Deferral period	No longer payable	Payable/ paid	Still deferred
Alberto Nagel	CEO	FY 2015/2016	420,000	630,000	Nov.2017-Nov.2021			
		FY 2014/2015						675,000
Francesco Saverio Vinci	GM	FY 2015/2016	209,200	313,800	Nov.2017-Nov.2021			
		FY 2014/2015						561,000
Gianluca Sichel	Director	FY 2015/2016	127,215	190,822	Nov.2017-Nov.2021			
		FY 2014/2015						165,000
		FY 2013/2014					80,000	40,000
		FY 2012/2013					30,000	30,000
		FY 2011/2012					26,000	
Alexandra Young	Director	FY 2015/2016	57,360	63,540	Nov.2017-Nov.2021			
		FY 2014/2015						49,850
Management with strategic responsibilities		FY 2015/2016	424,400	399,600	Nov.2017-Nov.2021			
		FY 2014/2015						545,000
Total compensation in company preparing the accounts			**1,238,175**	**1,597,763**			**136,000**	**2,065,850**

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

Name and surname	Post	Investee company	No. of shares held at end of previous year	No. of shares acquired	No. of shares sold	No. of shares owned at end of present year
Pagliaro Renato	Chairman	MEDIOBANCA	2,730,000	==	130,000	2,600,000
Nagel Alberto	CEO	MEDIOBANCA	2,626,050	==	==	2,626,050
Vinci Francesco Saverio	GM	MEDIOBANCA	945,000	==	==	945,000
Maurizio Carfagna	Director	MEDIOBANCA	28,000 *	5,000	==	33,000 **
Pecci Alberto	Director	MEDIOBANCA	4,757,500 ***	==	50,000	4,707,500 ***
Gian Luca Sichel	Director	MEDIOBANCA	7,600	==	==	7,600

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

* of which n. 8,000 shares owned through subsidiaries.

** of which n. 13,000 shares owned through subsidiaries.

*** Investment owned through subsidiaries.

Investments held by other managerial staff with strategic responsibilities

No. of managerial staff with strategic responsibilities	Investee company	No. of shares owned at end of previous year	No. of shares acquired	No. of shares sold	No. of shares owned at end of present year
5 (*)	MEDIOBANCA	97,125	243,273 (**)	243,273 (**)	97,125

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

* Managerial staff with strategic responsibilities as at 30.6.2016.

** Shares awarded in execution of performance share scheme.

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

Mediobanca area of activity	Fixed Salary	Variable	% variable maximum	% variable on fixed salary	Cash Upfront	Equity Upfront	Deferred Cash	Deferred equity
1) Management body Supervisory function - Mediobanca	3,993.8	—	—	—	—	—	—	—
2) Management body Management function - Mediobanca	4,640	4,024	200%	87%	813.8	813.8	1,198.2	1,198.2
3) Staff and support	89,687.6	13,714.1	200%	15%	13,382.4	96	171.70	64
4) Control functions	13,203.6	2,360.4	33%	18%	2,291.8	29.4	19.6	19.6
5) Investment Banking - business	58,069.8	46,317	200%	80%	26,866.1	4,696.6	9,316.9	5,437.4
6) Retail e Consumer - business	53,083	2,909.3	200%	5%	2,379.55	151.5	277.3	101
7) Private Banking / Asset Management - business	13,795	4,656	200%	34%	4,416.3	60	90	90
	236,472.8	**73,981.1**	**—**	**31.3%**	**50,149.9**	**5,847.3**	**11,073.7**	**6,910.2**

EBA classification

Gross amounts in €'000.

Includes Group companies which ended their fiscal year on 31 December 2015.

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

Mediobanca Group	#	Fixed Salary	Variable	% variable maximum	% variable on fixed salary	Cash Upfront	Equity Upfront	Deferred Cash	Deferred equity
1) Non-executive directors (non-executive members of BoD, including Chairman)	1	1,800	—	—	—	—	—	—	—
2) CEO	1	1,800	2,100	200%	117%	420	420	630	630
3) GM	1	1,500	1,046	200%	70%	209.2	209.2	313.8	313.8
4) Other Directors with executive duties (management who are members of Executive Committee)	2	940	877,9	200%	93%	184.6	184.6	254.4	254.4
5) Senior management and heads of relevant BUs (principle business lines, geographical areas and other senior business figures)	13	9,406.5	7,980	200%	85%	1,596	1,596	2,394	2,394
6) Heads and senior staff of Internal control units (Compliance, Risk Management, Group Audit)	9	1,395	427,5	33%	31%	359	29.4	19.6	19.6
7) Staff with managerial responsibilities in relevant business units	21	6,042	6,745	200%	112%	1,608	1,608	1,764.5	1,764.5
8) Heads and senior staff in Staff and support units (Head of company finacial reporting, HR, Operations and IT, Legal)	7	1,757.9	587.8	200%	33%	364	96	64	64
9) Quantitative criteria	20	5,763.4	5,920	200%	103%	1,618.5	1.618.5	1,341.5	1,341.5
	75	**30,404.8**	**25,684.1**	**—**	**84%**	**6,358.9**	**5,761.7**	**6,781.8**	**6,781.8**

Gross amounts in €'000.

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

Includes relevant staff (one person) employed at Group company which ended its fiscal year on 31 December 2015.

Mediobanca Group	#	Deferred from previous years and paid during the year in cash [1]	#	Deferred from previous years and paid during the year in number of MB shares [2]	#	Deferred from previous years due for cash payment during the year being cancelled
1) Non-executive directors (non-executive members of BoD, including Chairman)	—	—	—	—	—	—
2) Directors with executive duties (management who are members of Executive Committee)	1	136	—	—	—	—
3) Senior management and heads of relevant BUs (principle business lines, geographical areas and other senior business figures)	8	1,572	6	712,854	—	—
4) Heads and senior staff of Internal control units (Compliance, Risk Management, Group Audit)	—	—	—	—	—	—
5) Staff with managerial responsibilities in relevant business units	20	2,105	9	467,858	—	—
6) Heads and senior staff in Staff and support units (Head of company finacial reporting, HR, Operations and IT, Legal)	—	—	—	—	—	—
7) Quantitative criteria	16	1,710	5	397,635	—	—
	45	**5,523**	**20**	**1,578,347**	**—**	**—**

[1] Gross amounts in €'000.

[2] Number of Mediobanca shares.

Group	#	Treatment at start of relationship	#	Treatment at end of relationship[1]
1) Non-executive directors (non-executive members of BoD, including Chairman)	—	—	—	—
2) Directors with executive duties (management who are members of Executive Committee)	—	—	—	—
3) Senior management and heads of relevant BUs (principle business lines, geographical areas and other senior business figures)	—	—	1	4,000*
4) Heads and senior staff of Internal control units (Compliance, Risk Management, Group Audit)	—	—	1	310
5) Staff with managerial responsibilities in relevant business units	1	1,321	3	1,083
6) Heads and senior staff in Staff and support units (Head of company finacial reporting, HR, Operations and IT, Legal)	—	—	—	—
7) Quantitative criteria	—	—	3	1,059**
	1	**1,321**	**8**	**6,452**

Gross amounts in €'000.

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

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

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

Total remuneration awarded over € 1 mln.	#
€ 1 million - 1.5 millions	11
€ 1.5 - 2 millions	3
€ 2 - 2.5 millions	1
€ 2.5 - 3 millions	1
€ 3 - 3.5 millions	1
€ 3.5 - 4 millions	—
€ 4 - 4.5 millions	2

INSURANCE POLICY TO COVER CIVIL LIABILITY FOR MEMBERS OF GROUP COMPANIES' GOVERNING BODIES

Dear shareholders,

At the annual general meeting held in October 2004, the shareholders of Mediobanca adopted a resolution to take out an insurance policy covering the civil liability of the members of Mediobanca's governing bodies (Board of Directors, Statutory Audit Committee and General Manager) including the insured parties' legal and other advisory expenses, but excluding liability deriving from fraudulent misconduct, and fines handed down by the supervisory authorities. Under the terms of the resolution, the maximum annual cost of the policy was not to exceed €450,000 and should provide cover of up to €35m. To date the annual cost incurred has been far lower than the amount approved, and no significant future increases are anticipated.

We are therefore submitting to your approval today a proposal to extend this insurance cover to the members of the governing bodies of all Mediobanca Group companies, on account of the increasing complexity and delicacy of the activities and responsibilities undertaken by governing bodies (and hence the increased risk of their incurring financial liability directly as a result of events linked to the performance of their duties), and also on account of the increasing presence of independent directors.

In line with this decision, and in view of the increase in the number of parties being insured, the maximum coverage must be increased from its current level of €35m to €50m. This increase may be achieved while keeping the maximum annual amount of the premium unchanged at €450,000.

Accordingly, you are invited to adopt the following resolution:

The shareholders of Mediobanca, gathered in ordinary general meeting, having referred to the resolution adopted at an ordinary general meeting held on 28 October 2004,

hereby resolve

to renew their authorization to execute an insurance policy covering the civil liability (and related legal and advisory expenses) of the members of the governing bodies of all Mediobanca Group companies versus third parties, deriving from non-fraudulent conduct in breach of the obligations deriving from the law or intrinsic to their duties, with the exclusion of liabilities arising from fraudulent conduct and fines handed down by the supervisory authorities, at a maximum aggregate annual cost of €450,000, and up to a maximum amount of €50m.

Milan, 21 September 2016

The Board of Directors

STATEMENT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

Statement on Corporate Governance and Ownership Structure
(2016)

This statement has been prepared in accordance with the provisions of Article 123-bis of Italian legislative decree 58/98 and the code of conduct for listed companies operated by Borsa Italiana (most recent update July 2014 and available at www.borsaitaliana.it), to which Mediobanca adheres, on the terms set forth below.

The statement is also intended to meet the public disclosure requirements for banks instituted by the Bank of Italy's supervisory instructions on the issue of corporate governance.

Parent 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 and capital market services. Its footprint is international: it has branch offices in London, Paris, Frankfurt and Madrid, and subsidiaries based in New York, Luxembourg, Istanbul and London.

As a listed company, Mediobanca is a bank of large size with complex operations, and for this reason is subject to prudential supervision by the ECB given its status as a significant bank.

Mediobanca adopts a traditional model of corporate governance based on the presence of Board of Directors (body with responsibility for strategic supervision), an Executive Committee (body with responsibility for management) and a Statutory Audit Committee (body with responsibility for control). This corporate governance system combines maximum efficiency in terms of operations with effective control.

The Articles of Association now in force provide for a significant number of executives (currently five) to be represented on the Banking Group's Board of Directors, as part of a system of corporate governance based on wide-ranging powers being granted to the Executive Committee (made up of a majority of executive members) and the Chief Executive Officer 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 vis-à-vis shareholders. At the same time, under the provisions of the Articles, the Board of Directors is vested with the role of strategic supervision in the form of the traditional, non-delegable powers under primary regulations (approval of draft financial statements, rights issues pursuant to Article 2443 of the Italian Civil Code, etc.) and secondary regulations (decisions concerning strategic direction and business and financial plans, acquisition and disposal of significant equity investments, appointments to the post of General Manager and the control units).

The Statutory Audit Committee is responsible for supervising control activities.

Mediobanca is fully aware that an efficient corporate governance system is a key factor in pursuing its objectives, and for this reason devotes careful attention to its governance structures to ensure these are aligned not only with changes in the regulatory framework but also the best national and international practice.

The Bank's traditional governance model was confirmed by its shareholders at the Annual General Meeting held on 28 October 2015, with the approval of the new Articles of Association revised to incorporate the Bank of Italy's new Supervisory Instructions for Banks on the subject of corporate governance.

In particular, at the 2015 AGM the Bank's shareholders adopted a resolution (with 99.9% voting in favour) to introduce new aspects to governance model in order to develop and refine it, seeking to ensure a system of efficient governance based on the principle of equilibrium between the respective powers, in which the body with responsibility for strategic supervision is called to adopt resolutions on the Bank's strategic direction and to monitor their implementation on an ongoing basis, whereas the executive bodies (Executive Committee, Chief Executive Officer and General Manager) are responsible for implementing the strategic guidelines and for the company's operations.

Overall, the changes to the Articles of Association are intended to:

1. provide clear definition of the role of the Chairman;
2. allow for clearer definition of the Board of Directors' role as body of strategic supervision;
3. provide for the Board of Directors to be entitled, rather than obliged as is presently the case, to establish an Executive Committee based on the size of the Board

in terms of the number of Directors, in view of the complexity of the Banking Group's operations and the variety and number of business areas covered;

4. submit the definition of the Executive Committees and the Chief Executive Officer's powers and responsibilities to the discretion of the Board of Directors.

By introducing a temporary provision, Mediobanca has availed itself of the right to defer the effectiveness of the following amendments to the Articles of Association until the next occasion on which the governing bodies are reappointed, i.e. the annual general meeting called to approve the financial statements for the year ending 30 June 2017:

1. reduction in the size of the Board of Directors to a variable number comprised between nine and fifteen;
2. reduction in the number of directors chosen from among members of the Group's senior management with at least three years' experience working for Mediobanca Group companies from five to three;
3. increase in the number of directors to be appointed from the minority list from one to two;
4. reduction in the number of members of the Executive Committee (if instituted), from nine as at present to a variable number comprised between three and five;
5. application of the independence criteria set forth in Article 19 of the Bank's Articles of Association.

In general terms, the Articles of Association are intended to define governance arrangements which will allow for speed of decision-making on the part of the executive Directors in running the Company, while at the same time ensuring the Board itself has an effective role in terms of strategic supervision, and that information flows more smoothly between and within the governing bodies themselves.

Mediobanca Group

Mediobanca is the parent company of the Mediobanca Banking Group, which has operations in consumer credit (through the Compass group), retail banking (through CheBanca!), leasing (through the SelmaBipiemme group), private banking (through Compagnie Monégasque de Banque, Spafid and investee company Banca Esperia), and asset management (CheBanca! and the Cairn Capital group).

The Group Regulations, approved by the Board of Directors of Mediobanca S.p.A. and adopted by the Boards of each of the Group's subsidiaries, regulate the activities of management, governance and control of the companies forming part of the Banking Group, activities which are performed by the parent company. In particular the Regulations define the Group's organizational architecture, the co-ordination mechanisms and governance instruments, the areas of competence and responsibility of the parent company's central functions, and the ranking of the various sources of internal regulations.

In the exercise of its management, governance and control activities, Mediobanca seeks to promote value creation for both the individual Group companies and the Group as a whole, directing its policies for growth and management according to objectives of operating efficiency and profitability which is sustainable over time. The Group companies' management contributes to achieving the Group's objectives. The governance rules contained in the Regulations are intended to guarantee the unity of the Group as a whole.

Mediobanca fulfils its activities of direction and co-ordination by governing the process of planning at Group level, issuing Group-wide Policies, Regulations and Directives, providing centralized risk management, and issuing guidance on how to implement instructions received from the Bank of Italy.

Share capital and ownership

The Bank's share capital at 30 June 2016 totalled € 435,510,047 made up of 871,020,094 par value € 0.50 shares. The shares are registered shares, and entitle shareholders to one vote per share in general meeting.

At the annual general meeting held on 28 October 2015, the shareholders of Mediobanca renewed the Board of Directors' authorization:

– 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 issue 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.

  The two mandates above shall not lead to the issue of a total number of shares in excess of 200 million;

– under Article 2443 of the Italian Civil Code, to increase the company's share capital by means of rights issues, 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 € 40m, including via warrants, through the issue of up to 80 million par value € 0.50 ordinary 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 2441, paragraph four, second sentence of the Italian Civil Code, in accordance with the procedure and conditions set forth therein, with the right to establish the issue price of the shares from time to time (again in accordance with the provisions of Article 2441, paragraph four, second sentence of the Italian Civil Code);

– under Article 2349 of the Italian Civil Code, to increase the Company's share capital by and no later than 28 October 2020, in an amount of up to € 10m through the award of no more than 20 million par value € 0.50 ordinary shares, to be reserved to Mediobanca Group staff members by way of performance shares.

The performance share schemes approved by shareholders at the 2010 and 2015 general meetings, and the various press releases regarding the awards made since 2010 are published on the Bank's website at www.mediobanca.com. In particular, up to 30 June 2016 the Board of Directors had approved the award of 7,377,896 performance shares by 2020.

Mediobanca owns a total of 15,780,237 treasury shares (average book value € 13.17 per share) acquired following a resolution adopted in a general meeting held on 27 October 2007.

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 or other information received by the company or published on the regulatory authorities' websites, the significant interests in the Bank's share capital as at 30 June 2016 were as follows:

Shareholder	No. of shares	% of share capital
Unicredit group	74,532,273	8.56
Bolloré group	69,681,608	8.00
Banca Mediolanum group	29,895,110	3.43
Benetton group*	18,625,029	2.14
Fininvest group*	17,713,785	2.03

* Data as at 30 June 2016 according to shareholders' register.

Mediobanca has approximately 46,000 shareholders. Shareholders representing some 31% of the Bank's share capital as at 30 June 2016 have entered into a shareholders' agreement expiring on 31 December 2016. 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.com/CorporateGovernance).

Governing bodes

- Shareholders in general meeting
- Board of Directors
- Chairman of Board of Directors
- Board committees
- Chief Executive Officer
- 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:

1) approval of financial statements and allocation of profits;

2) appointment and/or dismissal of the Board of Directors and Statutory Audit Committee;

3) responsibilities of members of the Board of Directors and Statutory Audit Committee;

4) engagement of, and termination of agreements with, external legal auditors;

5) transactions required by law to be approved by shareholders in extraordinary general meeting;

6) remuneration policies and compensation schemes based on financial instruments adopted for directors, Group employees and collaborators, the criteria for determining the compensation payable in the event of employment being terminated, and the cap on variable remuneration, if set, at 200% of the fixed salary or any other such limit set under the regulations in force at the time.

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, by the end of the third business day prior to the date set for such meeting, notification 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 meeting in the first or only instance. Authorization to take part and vote in cases where the notice is received by the issuer after this 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. Proxies may also be issued free of charge, along with instructions on how to vote on all or some of the items on the agenda, to a representative appointed to such end by Mediobanca under Article 135-undecies of Italian legislative decree 58/98.

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.

As provided under Article 127-ter of the Italian consolidated finance act, shareholders may table questions on items on the agenda even prior to the meeting itself. Questions received prior to the meeting will be answered during the meeting itself at the latest, including by means of a single answer if other questions with substantially the same content have been received.

The Board of Directors reports on the activities performed to shareholders at the general meeting in the review of operations, and prepares the reports on the various items of agenda within the timeframe set by the regulations in force.

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 one-third, who may coincide with the three qualifying as independent referred to above, qualify as independent based on the Code of conduct for listed companies. No person may be appointed director if they are aged seventy-five or over.

In order to incorporate the changes introduced by Italian law 120/11 which supplements Articles 147-ter and 148 of the Italian consolidated finance act (Italian legislative decree. 58/98) on the matter of gender representation in the composition of the Board of Directors, at an annual general meeting held on 27 October 2012 the shareholders of Mediobanca introduced provisions to the company's Articles of Association regarding the composition of the governing bodies, to ensure that the least represented gender accounts for at least one-fifth (in the current term of office) or one-third (of future terms of office) of the total number of directors. Currently at least one-fifth of the total number of directors must be made up by the least-represented gender.

The current Board of Directors of Mediobanca was appointed by shareholders in a general meeting held 28 October 2014 for the 2015-17 three-year period, with one member having been co-opted to the Board on 16 March 2016 following the resignation of a director. 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 for the AGM (currently 1%).

In submitting their lists of candidates, the shareholders have taken account of the guidance issued by the Board of Directors in its "Report on the qualitative-quantitative composition of the Board of Directors" dated 4 July 2014 to the effect that such candidates should possess the appropriate expertise or experience in one or other of the following areas:

- banking sector, valuation methodologies and management of risks relating to exercise of banking operations;
- experience of business management or organization;
- capability to analyse and interpret balance-sheet data for financial institutions and their counterparties;
- expertise in corporate affairs (audit, compliance, legal, corporate);
- knowledge of banking and financial regulation;
- international experience or knowledge of non-domestic markets;
- understanding of global trends in the economic system;
- expertise in the area of corporate governance.

Please see Article 15 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.

As from the next occasion on which the governing bodies are reappointed, i.e. the annual general meeting called to approve the financial statements for the year ending 30 June 2017, the provisions of Article 15 of the new Articles of Association will apply, hence the Board of Directors will consist of between 9 and 15, members, two of whom to be appointed from the minority list, and three of whom from senior management with at least three years' experience working for the Mediobanca Banking Group. At least one-third of the Board shall also qualify as independent according to the definition to be provided in Article 19 of the new Articles of Association, and at least one-third shall consist of members of the least-represented gender.

The current Board of Directors consists of 18 members, eleven of whom qualify as independent pursuant to Article 148, para. 3 of Italian Legislative Decree 58/98, with eight of the eleven also qualifying as independent pursuant to the Code of Conduct. Its composition reflects the legal requirements in terms of gender balance:

Member	**Post held**	**Date of birth**	**Indep ***	**Indep ****	**Management**	**In office since *****
Renato Pagliaro •	Chairman	20/02/1957			X	02/07/07
Maurizia Angelo Comneno •	Deputy Chairman	18/06/1948	X	X		28/10/14
Marco Tronchetti Provera •	Deputy Chairman	18/01/1948		X		23/05/07
Alberto Nagel •	CEO	07/06/1965			X	02/07/07
Francesco Saverio Vinci •	General Manager	10/11/1962			X	02/07/07
Tarak Ben Ammar •	Director	12/06/1949	X	X		15/09/03
Gilberto Benetton •	Director	19/06/1941				28/10/02
Mauro Bini ■	Director	20/10/1957	X	X		28/10/14
Marie Bolloré •	Director	08/05/1988		X		28/10/14
Maurizio Carfagna •	Director	13/11/1947	X	X		28/10/14
Angelo Casò •	Director	11/08/1940	X	X		27/06/07
Maurizio Costa •	Director	29/10/1948	X	X		28/10/14
Massimiliano Fossati #	Director	30/01/1968		X		16/03/16
Vanessa Labérenne •	Director	08/01/1978	X	X		09/05/12
Elisabetta Magistretti •	Director	21/07/1947	X	X		28/10/11
Alberto Pecci •	Director	18/09/1943				27/10/12
Gian Luca Sichel •	Director	19/06/1968			X	28/10/14
Alexandra Young •	Director	14/02/1968			X	28/10/14

* Independent as required in Code of conduct for listed companies.

** Independent as required by Article 148, para. 3 of Italian Legislative Decree 58/98.

*** Period also comprises post held in governing bodies under dualistic governance system adopted by Mediobanca from 27/6/07 to 28/10/08.

• Taken from the list submitted by shareholder Unicredit S.p.A., owner of 8.655% of the company's share capital.

■ Taken from the list submitted by a group of investors holding 1.699% of the share capital.

\# Co-opted to replace Alessandro Decio on 16 March 2016.

A breakdown of the Board of Directors by years of seniority is shown below.

0-2 years	**2-4 years**	**6 years**
44%	17%	39%

The Board includes prominent figures from the banking 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. The composition of the Board of Directors reflects the appropriate combination of capabilities and professional expertise, in line with the recommendations made in the "Report on the qualitative-quantitative composition of the Board of Directors".

The Board of Directors is comprised of thirteen men (72%) and five women (28%); a breakdown of the Board members by age bracket is shown below:

<40	41/45	46/50	51/55	56/60	61/65	66/70	71/75
2	0	3	2	2	0	6	3

Subsequent to their appointment, the directors, with the support of the Appointments Committee, ascertained that its composition as a result of the appointment process effectively matched with the composition considered to be optimal in qualitative and quantitative terms.

All the Directors, upon their appointment and then annually, make 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 (including those provided by Article 36 of Italian decree law 201/11 in respect of interlocking directorates), 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 also any relations which might compromise, or appear to compromise, the Director's independence of judgement are assessed accordingly.

The Board of Mediobanca has ascertained that the following directors qualify as independent under the terms of the Code of conduct in respect of listed companies: Maurizia Angelo Comneno, Tarak Ben Ammar, Mauro Bini, Maurizio Carfagna, Angelo Casò, Maurizio Costa, Vanessa Labérenne and Elisabetta Magistretti (on15 December 2015).

With reference to the fact that some independent directors are members of the Executive Committee, under the governance model adopted by the Bank members of the Executive Committee do not become "executive" as defined by the Code of Conduct merely by fact of their belonging to this body, as a result in particular of its composition, given that the Executive Committee includes four members of the Bank's senior management, including the Chief Executive Officer (who chairs the Committee) and General Manager, who are responsible for the day-to-day running of the Bank. The other non-management members of the Committee do not have individual powers of management, and the Bank's governance model also features managerial committees with broad powers in respect of the Bank's ordinary operations. In accordance with the supervisory instructions for banks in the area of corporate governance, directors who are members of the Executive Committee are not included in the Remunerations, Appointments and Risks Committees.

The Statutory Audit Committee then checked that the criteria and procedures adopted by the Board of Directors had been applied correctly with respect to the ascertaining of its members' independence. The Committee's activities were principally aimed at ensuring that the Board expressed its opinion on the basis of adequate information and material, that the proper procedural process was followed for decisions made by the Board, and that the criteria stipulated by the regulations (the Code of conduct and Article 148 of the Italian consolidated finance act) regarding the requirements for independence were correctly applied.

The independent Directors meet regularly on their own without the other Directors present.

The documentation submitted by the Directors in conjunction with the lists for appointment to the Board of Directors is available on the Bank's website at www.mediobanca.com/Corporate Governance.

Under the Articles of Association currently in force, the following matters are the sole jurisdiction of the Board of Directors:

1) definition and 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 are equal to 10% of the investee company's share capital and also involve an amount which is above 5% of the Group's regulatory capital;
4) appointment and dismissal of the Executive Committee, Chief Executive Officer, General Manager, Head of company financial reporting and the heads of the Group Audit, Compliance and Risk Management units;
5) definition of the overall governance arrangements and approval of the Bank's organizational structure, ensuring clear distinction of duties and function and preventing conflicts of interest.

Under the regulations currently in force, and the resolution in respect of powers, the following matters are also under the sole jurisdiction of the Board of Directors:

– proposals to be submitted to shareholders in ordinary and extraordinary general meetings, including staff remuneration policies;
– 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;
– approval of "most significant" transactions involving related parties;
– approval of the Risk Appetite Framework and the general guidelines for the ICAAP process;

– approval of the Recovery Plan (required under EU Directive 2014/59);
– approval of annual plans and review of reports by the internal control units.

Twice a year the Board of Directors also assesses the adequacy of the Bank's administrative and accounting structure, with particular attention paid to the internal control system and risk management based on the enquiries made by the Control and risks committee and the report presented by the Head of company financial reporting on the adequacy and application of administrative and accounting procedures required by Italian law 262/05.

The delegated bodies report to the Board of Directors on the Bank's general performance, outlook, and the most significant transactions in terms of size or characteristics that have been executed either by Mediobanca itself or by Mediobanca Group companies.

The Board of Directors normally adopts resolutions on proposals from the Executive Committee or Chief Executive Officer, with a majority of those in attendance voting in favour.

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 six 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 has been notified to such effect in advance.

The Chairman is responsible for ensuring that the directors receive adequate information on the various items on the agenda in good time for the meeting, and ensures that sufficient room is given for discussing the individual items, giving priority to issues of strategic relevance and guaranteeing that the debate is effective. The Chairman regularly invites Board members to indicate issues of interest to them which require further analysis or explanation. The secretary to the Board is available to arrange induction sessions or further analysis for the individual directors.

The Chief Risk Officer, Head of company financial reporting and other Group staff whose presence is necessary also take part in Board meetings.

A total of eight Board meetings took place in the period from 1 July 2015 to 30 June 2016. Four induction meetings were also held for Board members.

The average duration of Board meetings was around three hours and 30 minutes.

During the year induction meetings were also held for Board members and Statutory Auditors on strategic issues, IAS/IFRS, internal models and the RAF.

Self assessment of Board of Directors

The Board of Directors has approved internal regulations in the area of self-assessment to govern the various phases into which the process is structured, identifying the means and instruments by which it is implemented.

The process of self-assessment of the size, composition and functioning of the Board of Directors and its committees required *inter alia* by the supervisory instructions for banks in the area of corporate governance was conducted in the months of May and July 2016, with the assistance of an external specialist advisor.

The process was structured in three different phases:

- obtaining indications from each director, following the outline of a questionnaire with standard contents for all recipients, which, building on the results to emerge from last year's process, focused increasingly on concrete areas for improvement;
- analysis by the Appointments Committee of aggregated data collected;
- approval by the Board of Directors of the summary report including the key outcomes, subject to a prior favourable opinion being expressed by the Appointments Committee.

The self-assessment process, in which sixteen of the directors participated and also, in line with the supervisory instructions for banks, the three standing auditors plus four members of the Bank's management external to the Board, revealed a positive situation which confirms the effectiveness of the work carried out by the Board of Directors.

The following points in particular emerged:

- the composition (in terms of size, capabilities, diversity and number of independent members) and functioning of the Board itself and the committees set up by it were considered to be adequate;
- the flow of information ahead of the meetings, the operations of the Board in terms of the number and duration of its meetings, meeting agendas in terms of the amount of time devoted to dealing with each item despite their high number, documentation on risks facing the company and risk controls, and segmentation of budget and closing data by business line, were all held to be satisfactory;
- the exchanges of information with the bodies delegated by the Board, debate within the Board itself and the accuracy of the minutes for the meetings were all judged to be effective;
- the Board members were appreciative of the ways in which the Chairman informs, directs and stimulates the discussions in the Board meetings and of the leadership shown by him;
- there was general satisfaction at the induction sessions arranged and the supporting documentation provided;
- the verdict on the work done by the Board as a whole and by each of its members was also generally satisfactory.

The Executive, Appointments, Remunerations and Risks Committees were felt to be excellent in terms of role, functioning, composition and size, including since the latter has been expanded to four members (cf. below).

As from FY 2015/2016, the Board's self-assessment process has also been extended to include the Group's other four banks, in order to provide an overview of the functioning of the Group's governance. The self-assessment exercises performed by the Group companies, in which all directors and Statutory Auditors participated, revealed a generally positive view of the Board's role, the adequacy and timing of the information flows regarding the items on the agenda, the role of the Chairman and Statutory Audit Committee (where there is one), the mixture of professional capabilities represented on the Board of Directors, and the number and duration of the meetings. Certain areas for improvement also emerged from the self-assessment exercise.

Chairman of Board of Directors

The Chairman of the Board of Directors calls, chairs and directs proceedings at general meetings and Board meetings, and ensures that the other Directors are provided with adequate information regarding the items on the agenda. No person aged seventy or over may be elected as Chairman.

The Chairman has a duty of care versus the Board as a whole, while at the same time forms the main point of contact with the executive Directors. The Chairman is responsible for ensuring that the corporate governance system runs smoothly in practice, guaranteeing due balance between the powers of the Chief Executive Officer and the other executive Directors; he is the counterparty for dialogue with the internal control bodies and internal committees.

He ensures that the self-assessment process is completed effectively, and that the corrective measures devised in order to meet any shortcomings detected are implemented in practice; he ensures that the directors are able to take part in meetings to analyse strategic issues in greater depth, with a view to providing adequate knowledge of the company itself and the regulatory framework. In addition to the duties provided for under Article 16 of the Bank's Articles of Association, the Board of Directors has also assigned responsibility to the Chairman for overseeing internal audit activities.

The Board of Directors has not tasked the Chairman with specific duties or vested him with special powers; his participation in Board meetings reflects the provisions contained in the Articles of Association.

In addition to the duties associated with his role, the Chairman of Mediobanca, Renato Pagliaro, as a member of its senior management, also participates in internal committee meetings without having voting rights.

Board committees

In the new arrangements provided for in the Articles of Association approved by shareholders in the annual general meeting held on 28 October 2015, the Board of Directors, at the Appointments Committee's proposal, confirmed the institution of the Executive Committee, the composition of which has been adapted to reflect the Supervisory Instructions referred to above.

Furthermore, in accordance with the recommendations made in the Code of conduct and the Bank of Italy's corporate governance instructions, the Board of Directors has established three committees consisting exclusively of non-executive directors, the majority of whom are independent from whom the Chairman is selected.

The Board committees reach a quorum when the majority of directors in office participate and resolutions are adopted on the basis of the majority of those participating voting in favour.

Minutes are taken of meetings by each Committee which are kept in specific registers.

Composition and role of Executive Committee

The Executive Committee presently has six members.

As from the next occasion on which the governing bodies are reappointed, i.e. when the financial statements for the year ending 30 June 2017 are approved, the provisions of Article 23 of the new Articles of Association will start to apply, hence the Executive Committee, if appointed, will consist of between three and five directors.

Without prejudice to situations of incompatibility and the restrictions set under the regulations in force, the 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 without prejudice to the provisions of the law 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 without prejudice to the provisions of the law and 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.

The Executive Committee remains in office for the entire duration of the office of the Board of Directors which appointed it.

The Executive Committee is chaired by the Chief Executive Officer. The Chairman of the Board of Directors also takes part as a guest in Executive Committee meetings, to ensure adequate information and reporting flows to the full Board of Directors. The Statutory Audit Committee also participates, as does the Chief Risk Officer and the Head of Company Financial Reporting.

Members	Post held	Executive
Alberto Nagel	CEO and EC Chairman	X
Maurizia Angelo Comneno *	Deputy Chair	
Francesco Saverio Vinci	General Manager	X
Angelo Casò *	Director	
Gian Luca Sichel	Director	X
Alexandra Young	Director	X

* Independent as defined in Code of conduct for listed companies and under Article 148, para. 3 of Italian legislative decree 58/98.

The Executive Committee comprises four men (67%) and two women (33%). A breakdown of the committee members by age is provided below:

<40	41/45	46/50	51/55	56/60	61/65	66/70	71/75
0	0	2	2	0	0	1	1

Under the Articles of Association, the Executive Committee is responsible for managing the ordinary activities of the Bank, vested with every power including to disburse credit, without prejudice to those issues for which the Board of Directors has sole jurisdiction or which the Board has otherwise delegated to the Chief Executive Officer. In particular the Executive Committee:

- manages the Bank's ordinary activities;
- approves resolutions, in accordance with the guidelines and general directives adopted by the Board of Directors, to grant loans, including pursuant to Article 136 of the Italian banking act, and trading involving shareholdings considered relevant under the terms of the Articles and for percentage values not to exceed those for which the Board of Directors itself has jurisdiction;
- draws up and implements 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;

– establishes operating limits on the taking of various types of risk, in accordance with the Risk Appetite Framework. The Executive Committee may delegate some of their powers to the internal managerial committees or to individual management staff, while giving priority to the principle of collegiality in decision-making. In accordance with the provisions of the Articles of Association, and in order to facilitate the smooth running of the company's operations, the Executive Committee has assigned the following powers to the following committees:
  - Group Risk Management, powers of consultation on matters of credit, issuer, operational and conduct risk, and executive powers on market risks;
  - Lending and Underwriting, with executive powers for matters of credit, issuer and conduct risk;
  - Group ALM and Operating ALM, for monitoring the Group's ALM risk-taking and management policy (treasury and funding) and approving the methodologies for measuring exposure to liquidity and interest rate risk and the internal fund transfer rate;
  - Investments, for the equity investments referred to in Article 18 of the Bank's Articles of Association and other equities and banking book investments (excluding those in the Banking Group companies and Banca Esperia);
  - New Operations, for prior analysis of new operations and the possibility of entering new sectors, new products and the related pricing models;
  - Operational Risks, for management of operational risks in terms of monitoring risk profiles and defining mitigation actions.

Reports on these committees' activities are presented at each Executive Committee meeting.

The Committee regularly assesses the general operating performance, including on the basis of information received from the Chief Executive Officer and from the internal management committees.

Resolutions are approved by the Executive Committee with the majority of its members in attendance and voting in favour.

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 ten meetings were held in the period from 1 July 2015 to 30 June 2016, with an average duration of roughly 1 hour and 45 minutes.

Risks Committee

Risks Committee	**Auditor ◊**	**Independent (Code) ***	**Independent (Finance Act) ****
Elisabetta Magistretti (C)	X	X	X
Mauro Bini		X	X
Maurizio Carfagna [1]		X	X
Vanessa Labérenne		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.
[1] Since 28 October 2015.

The Risks Committee is currently made up of four non-executive 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 accounting/reporting organization. The person chairing the Committee is an independent director in possession of the requisite experience in accounting and financial matters. The Committee consists of two men (50%) and two women (50%). A breakdown of the Committee members by age is shown below:

<40	41/45	46/50	51/55	56/60	61/65	66/70	71/75
1	0	0	0	1	0	2	0

In particular, the committee:

1) performs duties of monitoring, instruction and support to the Board of Directors in respect of:
   - defining the Risk Appetite Framework, monitoring its thoroughness, adequacy, functioning and reliability and those of the risk governance policies;
   - defining the guidelines for the internal control and risk management system, to ensure that the principal risks facing the Bank and its Group companies are properly identified and adequately measured, managed and monitored;
   - reviewing, at least once a year, the adequacy of the internal control and risk management system vis-à-vis the Bank's characteristics and the risk profile assumed;

2) expresses non-binding opinions, with the assistance of the Appointments Committee, on the appointment and dismissal of the heads of the internal control units (Group Audit, Compliance and Risk Management), their salaries and powers, and the means guaranteed for them to exercise their functions;
3) examines the regular reports and work plans of the Group Audit, Compliance and Risk Management units, and supervising the internal auditing system;
4) reports to the Board, at least once every six months, on the activities performed and the adequacy of the internal control and risk management system;
5) 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;
6) checks that the Bank's remuneration and incentivization system is consistent with the Risk Appetite Framework.

With reference to the structure of the Bank's IT and financial reporting organization, the 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 Committee meetings, and the Chief Executive Officer and General Manager are also invited to take part as guests. The head of company financial reporting, the heads of the control units and other Group staff considered necessary.

The Risks Committee currently also acts as the Related Parties Committee instituted pursuant to the procedure for transactions with related parties approved on 20 June 2012 and most recently revised on 15 December 2015 (www.mediobanca.com/Corporate Governance), with the following duties:

1) expressing opinions in advance on the adoption and possible amendments to the procedure;
2) participating in negotiating and processing the most significant transactions with related parties, by receiving thorough and prompt reporting on them with the right to request further information and make comments;

3) expressing reasoned opinions (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 the financial terms, including with the help of independent experts.

The Risks Committee met on a total of thirteen occasions in the period from 1 July 2015 to 30 June 2016 and on twelve occasions as the Related Parties Committee.

The average duration of Risk Committee meetings was roughly two hours and 40 minutes, and that of Related Parties Committee meetings of around 40 minutes.

Remunerations Committee

Remunerations Committee	Independent (Code)*	Independent (Finance Act) **
Vanessa Labérenne (P)	X	X
Maurizio Carfagna	X	X
Maurizio Costa	X	X
Elisabetta Magistretti	X	X
Alberto Pecci		

* 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 currently made up five non-executive members, the majority of whom qualify as independent under the terms of the Code of conduct for listed companies, including the Chair. The Committee has duties of consultation and enquiry to determine the remuneration of Directors vested with particular duties and the General Manager, as well as on the proposals formulated by the Chief Executive Officer regarding the guidelines for the remuneration system for senior management and Group staff remuneration, loyalty retention and incentivization schemes. The Committee currently consists of three men (60%) and two women (40%). A breakdown of the Committee members by age is shown below:

<40	41/45	46/50	51/55	56/60	61/65	66/70	71/75
1	0	0	0	0	0	3	1

In particular the Committee:

1) proposes the allocation of the fixed emolument approved by the shareholders in general meeting among the various directors;

2) regularly assesses the adequacy, overall consistency and practical application of the remuneration policy for directors and relevant staff;

3) formulates proposals and/or opinions regarding the remuneration of directors who are members of the Group's senior management and relevant staff, and verifies the achievement of their performance;

4) monitors application of the rules on the remuneration of the heads of the company's control units, liaising closely with the body with responsibility for control;

5) gives its opinion on the Remunerations Policies to be submitted to the approval of the Board of Directors and shareholders in annual general meeting, with reference in particular to the issue of whether or not the performance objectives have been reached on which the incentivization schemes are based, and to ascertaining whether or not the further conditions set to payment of bonuses have been met.

The Chairman of the Board of Directors, the Statutory Audit Committee, the Chief Risk Officer and Head of Human Resources take part in Committee meetings, along with (in an advisory capacity) the Chief Executive Officer, the General Manager, the Head of company financial reporting and any other Group staff considered necessary.

The Committee met seven times in the period from 1 July 2015 to 30 June 2016, to review changes in the regulatory framework and formulate proposals to the Board of Directors in respect of the staff remuneration policies. For further information on the issue of remuneration, please see the Report on remuneration available on the Bank's website under www.mediobanca.it/Corporate Governance.

The average duration of Committee meetings was roughly one hour and 45 minutes.

Appointments committee

Appointments committee	Independent (Code)*	Independent (Finance Act)**
Mauro Bini (P)	X	X
Marie Bolloré		X
Maurizio Costa	X	X
Elisabetta Magistretti	X	X
Renato Pagliaro		

* 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 Appointments Committee currently consists of five non-executive directors, the majority of whom qualify as independent under the Code of conduct for listed companies, including the Chairman.

The Committee consists of three men (60%) and two women (40%). A breakdown of the Committee members by age is provided below:

<40	41/45	46/50	51/55	56/60	61/65	66/70	71/75
1	0	0	0	2	0	2	0

The Appointments Committee:

- performs administrative activities in connection with the Board of Directors' annual self-assessment exercise;
- performs advisory duties to identify the optimal qualitative/quantitative composition of the Board of Directors, and subsequently checks that this corresponds to the actual composition which results from the appointment process;
- has duties of enquiry in respect of proposals of submission of lists for the Board of Directors, co-opting of new directors to replace those who have left their post, and for the appointment of the Executive Committee, Chief Executive Officer and, at the CEO's proposal, the General Manager;
- performs administrative duties in connection with succession planning for directors who are members of the Bank's management;
- supports the Risk Committee in identifying the heads of the company control units.

The Chief Executive Officer, General Manager and Head of Company Financial Reporting take part in Committee meetings, along with any other Group staff considered necessary.

The Committee met five times in the period from 1 July 2015 to 30 June 2016 to adopt resolutions on appointments to positions in investee companies, the Board of Directors' self-assessment process and succession planning.

The average duration of committee meetings was roughly 1 hour and 10 minutes.

Committee instituted pursuant to article 18, para. 4 of the articles of association

In addition to the Committees provided for in the regulations and codes of conduct and listed above, the Board of Directors has also set up a committee pursuant to Article 18, para. 4 of the new Articles of Association, as approved by shareholders in the Annual General Meeting held on 28 October 2015.

Committee instituted pursuant to Article 18, para. 4 of Articles of Association	Independent (Code)*	Independent (Finance Act) **
Alberto Nagel (C)		
Francesco Saverio Vinci		
Gian Luca Sichel		
Marie Bolloré		X
Elisabetta Magistretti	X	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 consists of three men (60%) and two women (40%). A breakdown of the Committee members by age is provided below:

<40	41/45	46/50	51/55	56/60	61/65	66/70	71/75
1	0	1	2	0	0	1	0

The Committee currently consists of the three Banking Group senior management members and two Directors qualifying as independent, and adopts resolutions in respect of decisions to be taken in general meetings of listed investee companies in which the Bank's investment is equal to at least 10% of the investee company's share capital and at the same time involves an amount in excess of 5% of the Group's own consolidated regulatory capital.

The Committee met on one occasion in the period from 28 October 2015 to 30 June 2016.

Chief Executive Officer

The Board of Directors appoints a Chief Executive Officer from among the Directors who have been members of the Banking Group's management for at least three years and who is not more than sixty-five years old.

The Board of Directors, without prejudice to the provisions of the Articles of Association, establishes the duties and powers of the Chief Executive Officer. In particular the Chief Executive Officer has executive powers and is responsible for implementing resolutions adopted by the Board of Directors and the Executive Committee, which he chairs, and also:

1) within the limits of his powers, implements the plans and strategic guidelines set 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, and the principal internal regulations;
3) is empowered to make proposals to the Committee instituted pursuant to Article 18, para. 4 of the Articles of Association regarding the decisions to be taken regarding appointments to the governing bodies of the investee companies, if listed;
4) is responsible for staff management, and having sought the opinions of the General Manager, if appointed, appoints managerial staff;
5) ensures that the organizational, administrative and accounting systems of the bank are adequate for its operations and the size of the Company;
6) 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 Chief Executive Officers is Mr Alberto Nagel.

General Manager

The Board of Directors may, at the Chief Executive Officer's proposal with an indication of powers and duties, appoint a General Manager from among the Directors who have members of the Banking Group's management for at least three years and who is not more than sixty-five years old.

The Board of Directors vests the General Manager, who is the head of the internal organization and as such has duties of management, with powers to carry out the day-to-day business of the company which in particular involve supervision of the other Group companies, and 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 Chief Executive Officer. The General Manager is responsible for approving the guidelines to ensure that the risk mitigation techniques implemented are effective and that suitable training programmes are instituted to embed the requisite risk culture.

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 Chief Executive Officer, and having consulted with 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.

At the annual general meeting held on 27 October 2012, the shareholders of Mediobanca appointed PricewaterhouseCoopers to audit the company's full-year financial statements and interim accounts, and to perform other activities provided for under Article 155 of the Italian Consolidated Finance Act for the 2013/2021 period.

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. 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 according to the relevance of the company, accounts or processes.

Checks are carried out according to two distinct methods based on the reference process:

- test of controls, for non-accounting processes (chiefly relating to the support areas) IT processes, which are carried out by the process-owners using a self-assessment methodology and checked by the heads of their respective organizational areas;

[1] The CoSO Framework has been compiled by the Committee of Sponsoring Organizations of the Treadway Commission, a US body with the objective of improving the quality of corporate information through defining ethical standards and an effective corporate governance and organizational system. The CobIT Framework-Control Objectives for IT and related technology, meanwhile, is a set of rules prepared by the IT Governance Institute, another US body whose objective is to set and improve corporate standards in the IT sector.

– test of controls for accounting processes, carried out in part using a self-assessment methodology and in part by the Group Audit Unit.

The Group Audit unit ascertains annually that the tests carried out on a self-assessment basis have been performed in accordance with the relevant methodologies.

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.

Statutory Audit Committee

The Statutory Audit Committee consists of three standing auditors and three 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, without prejudice to the provisions of the law, 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 Chief Executive Officer, 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 at the date of the general meeting (currently 1%).

The mechanism for appointments provides that the Chairman of the Statutory Audit Committee shall be chosen from the minority list.

Its composition also ensures the gender balance stipulated in Italian law 120/11.

The Statutory Audit Committee, appointed on 28 October 2014 for the 2015, 2016 and 2017 financial years, is currently made up as follows:

Members	**Position**	**In office since**
Natale Freddi *	Chairman	28.10.2011
Laura Gualtieri ◊	Standing Auditor	28.10.2014
Gabriele Villa ◊	Standing Auditor	28.10.2008
Alessandro Trotter ◊	Alternate Auditor	28.10.2014 **
Barbara Negri ◊	Alternate Auditor	28.10.2014
Silvia Olivotto *	Alternate Auditor	28.10.2014

◊ Appointed from the list submitted by shareholder UniCredit S.p.A., which holds 8.65% of the company's share capital.
* Appointed from the minority list submitted by a group of investors owning 1.699% of the share capital.
** Alternate audit until 2 July 2007; member of Management Board from 2 July 2007 to 28 October 2008; and alternate auditor as from 28 October 2014.

The members of the Statutory Audit Committee all qualify as independent under Article 148 of Italian legislative decree 58/98 and the Code of conduct in respect of listed companies.

The CVs of the Statutory Auditors deposited along with the lists for appointments to the Statutory Audit Committee may be found on the Bank's website at www.mediobanca.it/Corporate Governance.

The Statutory Audit Committee performs the duties and functions required of it under the regulations in force. In particular it:

1) is responsible for monitoring compliance with the provisions of the law, regulations 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;

2) monitors the thoroughness, adequacy, functioning and reliability of the internal control system and Risk Appetite Framework;
3) annually reviews the plans of activity for the company's control units, along with the reports prepared by them on the work carried out;
4) 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);
5) assesses the proposal submitted by audit companies to act as the Bank's legal external auditors;
6) reviews the working plan prepared by the external auditors to audit the Bank's accounts, and the results as described in their report and their letter containing suggestions;
7) monitors the effectiveness of the external auditing process of the annual and consolidated accounts;
8) monitors the independence of the external legal auditors, in particular with respect to the provision of non-auditing services;
9) gives its opinion on the appointment and dismissal of the heads of the control units and appointments to the post of Head of Company Financial Reporting;
10) reports any operating irregularities or breaches of regulations noted to the supervisory authorities;
11) monitors the adequacy of the procedures adopted to regulate transactions involving related parties and compliance with them;
12) checks that the criteria and procedures adopted by the Board of Directors to assess the independence of its members are applied correctly;
13) monitors the thoroughness, adequacy, functioning and reliability of the business continuity plan.

The statutory auditors are vested with the broadest powers provided for by legal and regulatory provisions in force.

The committee takes part in all meetings of the Board of Directors, the Executive Committee and the other committees set up by the Board for which their participation is required under the Board's regulations. In this way the 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, transactions with related parties, and transactions in which the Directors have an interest either in their own right or by means of third parties.

Information is also provided to the Statutory Audit Committee outside of meetings of the Board of Directors, the Executive Committee and the other committees, in writing, addressed to the Chairman of the Statutory Audit Committee.

The Statutory Audit Committee receives information flows organized and channelled via the company's control units, i.e. Group audit, Risk management and Compliance, deals with issues in conjunction with the Risks Committee, and maintains regular relations, with a view to reciprocal exchanges of information, with the external legal auditors, and with other Group companies' Statutory Audit Committees. The heads of the various areas of the company hold regular meetings with the Statutory Audit Committee to provide further analysis or training on issues that are of interest to them.

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.

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, thirteen of which jointly with the Risks committee, and met on several occasions with representatives of the external auditors engaged to audit the company's financial statements pursuant to the Italian Finance Act.

The average duration of the Statutory Audit Committee meetings was roughly three hours.

Internal Audit Unit

As required by Bank of Italy regulations, Mediobanca maintains a Group audit unit, centralized at Mediobanca S.p.A. but covering the Group as a whole, 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 (where applicable; e.g. in the case of Compagnie Monégasque de Banque).

The unit is responsible in particular for assessing the thoroughness, adequacy, functioning and reliability of the individual components of the internal control system.

The unit is independent in its operations, has direct access to all useful information, and adequate means to perform all its duties. The head of Group Audit takes part in meetings of the Risks Committee to support the Committee in its own supervisory activities. The unit prepares a six-monthly report on the activities carried out by it, which it submits to the Risks Committee and the Board of Directors, and presents an update on the critical issues encountered to the Risks Committee, again twice a year.

The planned audits are conducted in accordance with the unit's own Regulations and with the audit plan approved by the Board of Directors for the year in course.

Centralizing internal audit activities in this way allows Mediobanca's role of co-ordination of the internal controls system to be strengthened and make the whole control structure more efficient by:

1. centralizing co-ordination responsibilities at, and providing for direct coverage, by the Group audit unit for all subsidiaries;
2. defining a Banking Group audit plan, to be submitted to the approval of Mediobanca's Board of Directors and thereafter of the individual companies' Boards for what concerns them;
3. 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.

The head of the Group Audit Unit is Piero Pezzati, who reports to the Board of Directors.

A suitable budget is made available to the head of the Group Audit Unit each year, subject to the approval of the relevant governing bodies.

Compliance Unit

The Compliance unit manages the regulatory and reputational risks of the Group, 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 and the Group. For the Bank, the unit proposes and monitors the adoption of procedures intended, as required by the joint Consob-Bank of Italy resolution issued on 29 October 2007, to manage risks of non-compliance linked to the provision of investment services and activities and ancillary services governed by the MiFID directive, ensuring staff are fully updated on developments in the domestic and European regulatory scenario. The unit manages compliance risks at the Group level as well, with the assistance of representatives and officers of the various Group companies, who in functional terms report to the head of the Compliance unit on such matters.

The head of Compliance takes part in Risks Committee meetings, providing support to the committee in its control activities. The Compliance unit reports to the Control and risks committee, the Board of Directors and the Statutory Audit Committee twice a year. The Compliance unit is headed up by Massimiliano Carnevali, who reports directly to the Chief Executive Officer.

A suitable budget is made available to the head of the Compliance unit each year, subject to the approval of the relevant governing bodies.

Anti-money-laundering Unit

The Anti-money-laundering unit was established in 2011, and again is headed up by Massimiliano Carnevali. As required by the instructions issued by the Bank of Italy on 10 March 2011 as amended, the unit is responsible for ongoing monitoring of the company's procedures to prevent and tackle breach of the regulations on money-laundering and terrorist financing. The unit manages these risks at the Group level as well, with the assistance of representatives and officers of the various Group companies, who in functional terms report to the head of the AML unit on such matters

Risk Management Unit

The Risk Management unit reports directly to the Chief Executive Officer under the leadership of the Chief Risk Officer, Mr Pierpaolo Montana.

The Risk Management unit is responsible for identifying and implementing an efficient risk management process and for ensuring this is embedded across the Group. To this end it presides over the functioning of the Bank's and the Group's risk management systems, defining the appropriate methodologies for measuring the current and future set of risks faced by them. The unit ensures ongoing control of the aggregate exposure, at Group and individual unit level, to credit, financial, operational and other relevant risks, within the limits set by the internal and supervisory regulations. The unit also issues guidance to the Group companies, to ensure that the entire Group's exposure to the above risks is governed appropriately.

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.

The Chief Risk Officer takes part in Risks Committee meetings, providing support to the Committee in its control activities. The Risk Management unit reports to the Risks Committee and the Board of Directors twice a year on the activities performed.

As part of the Risk Appetite Framework, the Risk Management unit performs a set of regular internal controls with the aim of measuring the current level of the metrics relative to the limits set in the framework. It also gives prior opinions on whether Most Significant Transactions are consistent with the Risk Appetite Framework and identifies any needs in terms of decision-making escalation. If needs be and depending on the nature of the transaction, it also seeks the opinion of other units involved in the risk management process.

A suitable budget is made available to the head of the Risk Management unit each year, subject to the approval of the relevant governing bodies.

Organization model instituted pursuant to Italian legislative decree 231/01

At a Board meeting held on 15 December 2015, the Directors of Mediobanca approved the revised version of the new organizational model following changes to the regulatory framework.

The organizational model consists of:

1. **General Part**, which provides an overview of the set of principles on which the model is based and functions, containing references to the primary regulations and with them a list of the crimes pursuant to Italian Legislative Decree 231/01, the cases of possible exemption from liability, an indication of the requisites for the supervisory body and its members, references to the staff remuneration and incentivization system, the disciplinary system and reporting flows to the supervisory body. For each category there is also a series of considerations regarding sensitive areas and the principles of conduct to be adopted in each case.
2. **Special Parts:**
   - **Map of activities at risk:** these involve crimes against the public administration, money-laundering and self-laundering, white-collar crimes and instances of market abuse, for which specific preventative measures have been adopted, crimes committed in breach of the law on protection of health and safety in the workplace, and bribery and corruption between private individuals, for which specific preventative measures have been adopted.
   - **Protocols**, summarizing the principles of conduct and operating procedures for each sensitive area: in particular the protocols contain the methods to be followed in conducting relations with the public administration, in compliance with the principles of accountability and transparency.
   - **Reporting flows** from/to the supervisory body, containing the data and information which each organizational unit is required to transmit to the supervisory body. Obtaining such data allows the supervisory body to monitor the model's functioning and compliance with it, and to propose revisions where these may be necessary in order to render the company's organizational and internal control measures more effective. 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 and the Control and risks committee on the controls carried out with a view to preventing the crimes to which the model refers.

- **Form for reporting** suspected breaches of the model to the supervisory body.
- the Group Code of ethics, which has been adopted by all Group companies, constitutes an integral part of the model, and contains references and principles which are complementary to the legal obligations and self-regulation requirements for directors, advisors, outside staff and suppliers, and are continuous and consistent with the Group's mission and its basic values. The document is available on the Bank's website at www.mediobanca.it/Corporate Governance

The Statutory Audit Unit also performs the functions assigned to the supervisory unit instituted pursuant to Italian legislative decree 231/01. In this connection the Statutory Audit Committee is responsible for monitoring the functioning of and compliance with the model and the functioning of the disciplinary system. It maintains and ensures flows of information to the Board of Directors, including:

– presenting an annual report on the activity carried out;

– serious breaches of the model, also informing the Chairman of the Control and Risks Committee.

The Committee also maintains relations with the external auditors with a view to appraising all data and information regarding the decree and the model.

Code of Ethics and Code of Conduct

Mediobanca has adopted a Code of Ethics summarizing the ethical principles on which the Bank bases its activity and describing the values which underpin its daily operations.

These principles have also been set out in a Code of Conduct, which represents the benchmark for governing, in cases not expressly covered by the regulations, the Banks's internal and external relations in ethical terms, describing the standard of conduct required from all staff and collaborators.

Whistle-blowing

Mediobanca has also adopted a policy on whistle-blowing to enable staff to report, including on a confidential basis, any issues with the functioning of the Bank's organizational structure or internal control systems, or any other irregularity in the Bank's operations or breaches of the regulations on banking activity. The policy provides for liaison with the supervisory body, to which such reports are addressed. The policy, adopted by all Group companies, defines the the principles, methods and measures to ensure that such instances of whistle-blowing are managed correctly, respecting the confidentiality of the parties involved.

The head of the internal reporting systems is Massimiliano Carnevali, who is also responsible for the Compliance unit.

Personal transactions

In accordance with the provisions of Article 18 of the Bank of Italy-Consob combined regulations issued on 29 October 2007, Mediobanca has adopted a procedure to ban and/or identify personal transactions made (or transactions recommended, solicited or divulged to third parties) by relevant persons 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 and comply with the restrictions and reporting requirements on personal transactions.

Internal Dealing

The Board of Directors has adopted Regulations on Internal Dealing to govern reporting requirements for 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 two days of their completion. Transactions involving sums of less than € 5,000 (or a higher figure set by the relevant authority, if any) are not considered. Mediobanca then discloses all such information to the market and Consob by the next successive day, using the methods laid down by the 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, interim and quarterly accounts is made public.

Related party transactions

At a Board meeting held on 15 December 2015, following the unanimous favourable opinion of the Related Parties Committee and the Statutory Audit Committee, the Directors of Mediobanca approved a revised version of the Procedure in respect of transactions with related parties and their associates adopted in pursuance of Consob resolution 17221/10 and the Bank of Italy's 2011 provisions on this subject, which set out the provisions with which the Bank must comply to ensure that transactions with related parties carried out directly or also via Group companies are executed transparently, fairly in terms of both substance and form, objectively and impartially, whether directly or via subsidiaries, and also that the prudential limits on risk assets vs related parties are complied with.

The procedure uses a definition of "related party" which combines the areas of application provided under the Consob regulations and Bank of Italy instructions in respect of procedural and approval obligations. The scope of the definition of related parties to which the prudential limits set by the Bank of Italy and the transparency regulations set by Consob apply remains distinct.

The procedure is activated every time the Bank intends to implement a Transaction with a related party (as defined in Annex 1 of the regulations). It involves an initial classification between "Most significant transactions" and "Transactions of minor significance", which determines the respective responsibilities and approval procedures. The procedure does not apply to transactions which qualify as "Exemptions" (which include "Ordinary transactions of minor significance carried out on market terms" and "Transactions involving negligible amounts").

The procedure also prescribes a specific "transparency regime" which defines the reporting requirements and deadlines versus both the public and the company's governing bodies. This procedure is published on the Bank's website at www.mediobanca.com/Corporate Governance.

Directors' and strategic management's remuneration

The executive directors' 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, as part of a framework of regulations directed towards achieving proper management of the current and future risks facing the company, and maintaining appropriate liquidity and capitalization levels. The compensation package is structured into three components so that the economic benefits accruing to executive Directors are diversified over time:

1) fixed salary;

2) a variable annual component which accrues only if the gateways established in the Remuneration policies approved by shareholders in general meeting are met. The amount of the individual bonuses will depend on certain specific quantitative and qualitative performance criteria being met, which are assigned annually by the relevant governing bodies. Achievement of these objectives results in variable remuneration being paid which varies from 50% (or a lower percentage) of annual gross salary when minimum targets (usually those set by the budget) are reached to up to of 200% for particularly outstanding performances (indicatively between 115% and 150% of the minimum). Payment of the bonus is made in accordance with the terms, conditions and methods stipulated in the Remuneration policies;

3) when the Group's long-term plans are approved, the Board of Directors may establish a further extraordinary bonus by way of a long-term incentive, as recognition for achievement of the targets set in the plan. In such cases, the short-term scheme is linked to the provisions of the long-term scheme, without prejudice to the cap on variable remuneration in force (currently 200%). Actual payment is made in accordance with the terms, conditions and methods stipulated in the Remuneration policies, unless provided otherwise by the Board of Directors in accordance with the regulations in force.

The Chairman is entitled to fixed remuneration only.

Directors who are also members of the Group's senior management receive a fee for their position as directors, but do not receive any remuneration in respect of their participation in committees, and in cases where such directors hold posts on Mediobanca's behalf in Group or investee companies, any emoluments due are paid to Mediobanca itself as the persons concerned are members of the Bank's staff.

Non-executive Directors' remuneration is set by shareholders in annual general meeting, and does not include incentives linked to the Bank's performance.

The policy on 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 annual general meeting. The policy for FY 2015/16 as approved by the shareholders is available on the Bank's website at www.mediobanca.com/Corporate Governance.

Other information required under article 123-bis of the Italian consolidated finance act on severance pay agreements

In the event of the directors employed by Mediobanca ceasing to work for the company for any reason, the provisions of the Group's remuneration policies for identified staff and the sector regulations in force at the time shall apply, as approved by the shareholders in annual general meeting and published on the Bank's website at www.mediobanca.com.

Succession planning

Mediobanca's "Succession planning policy" for the positions of the executive directors and key managers (business areas, control units, and staff and support roles) was updated in the course of the 2015/16 financial year.

It also reflects the regulatory authority's specific instructions on the heads of the control units.

A total of 24 key positions have been identified, which include the executive directors, for which positions internal staff have been earmarked as able to ensure they are replaced smoothly, without, however, ceasing to monitor the market constantly. The skills and capabilities which candidates for the various leadership profiles must possess have also been defined and formalized. The types of role identified, in addition to the Chief Executive Officer and the General Manager, are the other executive directors responsible for business areas, the other heads of the parent company's main areas of operation (Corporate and Investment Banking, Principal Investing, and Finance) and the principal Group companies (Compass, CheBanca! and CMB), and the heads of the control, staff and support units.

The Chief Executive Officer and General Manager, with the help of Human Resources, annually select the staff who will make up the senior talent pool, currently consisting of 34 staff, to ensure key positions can be replaced in the short and medium term. Career development paths are identified for these staff members, including in terms of involvement in specific strategic projects, exposure to Board/committee meetings, and international and intra-group rotation. As far as regards the role of Chief Executive Officer, particular attention is paid to individuals who play senior and/or key roles in Mediobanca. Selection is based on an assessment of professional and technical characteristics, as shown by the candidates' CVs and track record in Mediobanca, performance over time, and possession and development of key leadership capabilities.

The results of this process are presented to the Appointments committee and to the Board of Directors.

With reference to the succession of directors, in line with the best international practice the Board of Directors intends to following the recommendations made in the "Report on the qualitative-quantitative composition of the Board of Directors" dated 4 July 2014" for cases in which a new director has to be co-opted to replace a Board member leaving office.

In particular the Board will take steps primarily in order to identify a candidate who possesses the same characteristics as the director who has left office (in terms of gender, independence, international experience and specialization), and where this is not possible, a candidate who in any case possesses the characteristics identified in the "Report on the qualitative-quantitative composition of the Board of Directors".

If the director leaving office was appointed by the minority shareholders, their replacement will be also be chosen, wherever possible, from the candidates included in the same list or based on the recommendation of the shareholder which submitted the list.

The regulations in force at the time in respect of the balance of directors in terms of gender and independence will of course be observed.

During the twelve months under review, Alessandro Decio resigned from his position as director of Mediobanca; Massimiliano Fossati *, who has the same professional profile as Mr Decio, was co-opted to replace him.

As for the limitations on the number of posts which representatives of banks may hold under the new CRD IV directive, the relevant decree law has still to be enacted by the Italian ministry for the economy and finance which, after consulting with the Bank of Italy, will set the limits pursuant to Article 26 of the Italian banking act, as amended by Italian legislative decree 72/15. These provisions will apply to appointments subsequent to its coming into force as provided by Article 2 of Italian legislative decree 72/15.

Relations with shareholders and investors

Mediobanca maintains an ongoing dialogue with its shareholders, institutional investors and individual holders of shares and bonds and with all other stakeholders within the national and international financial community.

Transparent and prompt disclosure are the hallmarks of the relationship between Mediobanca and its interlocutors, in compliance with the regulations and the internal procedures governing the circulation of inside information.

* Resigned on September 21,2016.

To enable all shareholders to exercise their rights knowingly, information concerning the Group's business model, corporate governance structure, earnings/financial data, products and services, and social and cultural initiatives, is available on the Bank's website; to promote the widest possible attendance at annual general meetings, the relevant documentation is sent beforehand to the addresses of participants at the most recent meetings.

Furthermore, to promote dialogue via its institutional website at www.mediobanca.com (content in English and Italian), Mediobanca offers interested parties an opportunity to be kept up-to-date with the Group's earnings results and strategic objectives. As well as making available the full documentation produced by the Bank (again in both languages), the website also offers the opportunity to follow the conference calls organized for the publication of the Bank's quarterly, half-yearly and annual results via a web streaming service.

Relations with institutional investors, financial analysts and journalists are handled by the relevant units (Paola Schneider – Group Corporate Affairs, Jessica Spina - Investor Relations and Lorenza Pigozzi – Media Relations).

Milan, 21 September 2016

Table 1: Structure of Board of Directors and Committees as at 30 June 2016

Board of Directors													Executive Committee		Risks Committee		Remuneration Committee		Appointments Committee	
Office	**Member***	**Year of birth**	**Date first appointed ****	**In office since**	**In office until**	**List**	**Non exec.**	**Exec.**	**Indep., Code of conduct**	**Indep., Finance act**	**No. of other posts held*****	**B (%)**	**A (Office)**	**B (%)**	**A (Office)**	**B (%)**	**A (Office)**	**B (%)**	**A (Office)**	**B (%)**
Chairman	Renato Pagliaro	1957	28/10/08 [1]	28/10/14	28/10/17	(a)	X				0	100%	[3]	100%						100%
Deputy Chair •	Maurizia Angelo Comneno	1948	28/10/14	28/10/14	28/10/17	(a)	X		X	X	0	100%		100%						
Deputy Chair	Marco Tronchetti Provera	1948	23/05/07	28/10/14	28/10/17	(a)	X			X	5	50%								
CEO ◊ •	Alberto Nagel	1965	28/10/08 [1]	28/10/14	28/10/17	(a)		X			0	100%	P[4]	100%					[6]	100%
Director and General Manager •	Francesco Saverio Vinci	1962	28/10/08 [1]	28/10/14	28/10/17	(a)		X			1	100%		100%					[6]	100%
Director	Tarak Ben Ammar	1949	15/09/03	28/10/14	28/10/17	(a)	X		X	X	7	50%								
Director	Gilberto Benetton	1941	28/10/02	28/10/14	28/10/17	(a)	X				3	100%								
Director	Mauro Bini	1957	28/10/14	28/10/14	28/10/17	(b)	X		X	X	0	100%				84.6%			P	100%
Director	Marie Bolloré	1988	28/10/14	28/10/14	28/10/17	(a)	X			X	7	100%							[7]	100%
Director	Maurizio Carfagna	1947	28/10/14	28/10/14	28/10/17	(a)	X		X	X	6	75%			[5]	100%		100%		
Director •	Angelo Casò	1940	28/10/08	28/10/14	28/10/17	(a)	X		X	X	10	87.5%		100%						
Director	Maurizio Costa	1948	28/10/14	28/10/14	28/10/17	(a)	X		X	X	2	75%						71.4%		80%
Director	Massimiliano Fossati [2]	1968	16/03/16	16/03/16	28/10/16		X			X	0	100%								
Director	Vanessa Labérenne	1978	09/05/12	28/10/14	28/10/17	(a)	X		X	X	0	100%				100%	P	100%	[6]	100%
Director	Elisabetta Magistretti	1947	28/10/11	28/10/14	28/10/17	(a)	X		X	X	2	100%			P	100%		100%		100%
Director	Alberto Pecci	1943	27/10/12	28/10/14	28/10/17	(a)	X				3	87.5%						85.7%		
Director •	Gian Luca Sichel	1968	28/10/14	28/10/14	28/10/17	(a)		X			0	87.5%		80%						
Director •	Alexandra Young	1968	28/10/14	28/10/14	28/10/17	(a)		X			0	100%		100%						

Directors who left office during fy 2015/16

Board of Directors												Executive Committee		Risks Committee		Remuneration Committee		Appointments Committee	
Office	**Member***	**Year of birth**	**Date first appointed ****	**In office since**	**In office until**	**List (***)**	**Non exec.**	**Exec.**	**Indep., Code of conduct**	**Indep., Finance act**	**B (%)**	**A (Office)**	**B (%)**	**A (Office)**	**B (%)**	**A (Office)**	**B (%)**	**A (Office)**	**B (%)**
Director	Alessandro Decio	1966	27/06/12	28/10/14	16/03/16	(a)	X			X	83.3%								

No. of meetings held during year ended 30 June 2016:

Board of Directors	8	Executive Committee:	10	Risks Committee:	13	Related Parties Committee	12	Remunerations Committee:	7	Appointments Committee:	5

Quorum required for minority shareholders to submit lists for the appointment of one or more directors: at least 1% of the share capital

* The CVs submitted by the directors in conjunction with the lists for appointment to the Board of Directors are available on the Bank's website at www.mediobanca.com/Corporate Governance.

** The "date first appointed" for each Director refers to the date on which they were appointed for the first time (ever) to the issuer's Board of Directors.

*** Data refers to posts held in other listed companies in regulated markets, including outside Italy, in financial companies, banks and/or insurances of significant size.

• Members of the Executive Committee.

a. Taken from the majority list submitted by Unicredit S.p.A. which holds 8.65% of the Bank's share capital.

b. Taken from a minority list submitted by a group of investors representing an aggregate1,699% of the Bank's share capital.

A. Indicates the director's role within the committee: "C": Chairman.

B. Indicates the directors' attendance records in percentage terms at meetings of the Board of Directors and Committees (no. of meetings which each director attended out the total no. of meetings which they could have attended).

◊ Main person responsible for managing the issuer (Chief Executive Officer, or CEO).

[1] Member of the Management Board from 2 July 2007 to 28 October 2008.

[2] Co-opted by the Board of Directors meeting held on 16 March 2016.

[3] Chairman of the Executive Committee until 27 October 2015.

[4] Chairman of the Executive Committee from 27 October 2015.

[5] Member of Risks Committee from 27 October 2015

[6] Member of Appointments Committee until 27 October 2015.

[7] Member of Appointments Committee from 27 October 2015.

– In the year ended 30 June 2016, the Board of Directors also held one meeting of independent directors (16 March 2016) and four induction sessions (25 November 2015, 16 March, 10 May and 27 May 2016).

Table 2: Structure of Statutory Audit Committee as at 30 June 2016

Office	Member	Year of birth	Date first appointed *	In office since	In office until	List	Indep., Code of conduct	Percentage of Committee meetings attended °	No. of other posts held **
Chairman	Natale FREDDI	1952	28/10/11	28/10/14	28/10/17	(b)	X	100%	—
Standing Auditor	Laura GUALTIERI	1968	28/10/14	28/10/14	28/10/17	(a)	X	100%	1
Standing Auditor	Gabriele VILLA	1964	28/10/11	28/10/14	28/10/17	(a)	X	88.9%	1
Alternate Auditor	Alessandro TROTTER	1940	28/10/00	28/10/14	28/10/17	(a)			
Alternate Auditor	Barbara NEGRI	1973	28/10/14	28/10/14	28/10/17	(a)			
Alternate Auditor	Silvia OLIVOTTO	1950	28/10/14	28/10/14	28/10/17	(b)			

No. of meetings held during the year ended 30 June 2016§:

31

Quorum required for minority shareholders to submit lists for the appointment of one or more Statutory Auditors: at least 1% of the share capital

§ 13 of which in conjunction with the Risks Committee.

* The "date first appointed" for each Statutory Auditor refers to the date on which they were appointed for the (very) first time to the issuer's Statutory Audit Committee.

** Indicates the no. of posts as director or Statutory Auditor held by the person concerned in other companies listed on regulated Italian markets.

a. Taken from the majority list submitted by Unicredit S.p.A. which holds 8.65% of the Bank's share capital.

b. Taken from a minority list submitted by a group of investors representing an aggregate1.699% of the Bank's share capital.

° The percentage refers to the Statutory Audit Committee meetings excluding those held jointly with the Risks Committee. The percentages for the meetings as a whole are as follows: Natale Freddi (96.8%), Laura Gualtieri (100%) and Gabriele Villa (93.5%).

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 twenty-five 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 twenty-five 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 controls			
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	X		Group 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 +39 02 8829.860 - fax +39 02 8829.819 e-mail investor.relations@mediobanca.it		

Posts held in other financial companies, banks, insurances or other companies of significant size by members of the Board of Directors of Mediobanca [1]

Name	Post held in Mediobanca	Post held in other companies
PAGLIARO Renato	Chairman	=
ANGELO COMNENO Maurizia	Deputy Chair and Executive Committee member	=
TRONCHETTI PROVERA Marco	Deputy Chair	Deputy Executive Chairman and CEO, Pirelli & C. Chairman and Chief Executive Officer, Pirelli Tyre Chairman, Gruppo Partecipazioni Industriali Chairman, Coinv Director, Eurostazioni
NAGEL Alberto	Chief Executive Officer and Chairman of Executive Committee	=
VINCI Francesco Saverio	General Manager, Director and Executive Committee member	Director, Banca Esperia
BEN AMMAR Tarak	Director	Director, Telecom Italia Member of Supervisory Board, Vivendi Chairman and Chief Executive Officer, Prima TV Chairman, Eagle Pictures Chief Executive Officer (CEO), Quinta Communications Chief Executive Officer, Carthago Film Services Chief Executive Officer (CEO), Andromeda Tunisie
BENETTON Gilberto	Director	Chairman, Edizione Chairman, Autogrill Director, Atlantia
BINI Mauro	Director	=
BOLLORE Marie	Director	Director, Bolloré S.A. Director, Financière de l'Odet Director, Bolloré Participations Director, Financière V Director, Omnium Bolloré Director, Société Industrielle et Financière de l'Artois Member of Supervisory Board, Sofibol
CARFAGNA Maurizio	Director	Chief Executive Officer, H-Invest Director, Banca Esperia Director, Class Editori Director, Compagnia Immobiliare Azionaria Director, Duemme SGR Director, Futura Invest
CASO' Angelo	Director and Executive Committee member	Chairman of Statutory Audit Committee, Edizione Chairman of Statutory Audit Committee, Bracco Chairman of Statutory Audit Committee, Bracco Imaging Chairman of Statutory Audit Committee, Falck Chairman of Statutory Audit Committee, Bic Italia Statutory Auditor, Italmobiliare Chairman, Fineldo Director, Tre Laghi Statutory Auditor, Padis Investimenti Statutory Auditor, Sidis Investimenti

Name	Post held in Mediobanca	Post held in other companies
COSTA Maurizio	Director	Chairman, RCS Mediagroup [2] Director, Amplifon
FOSSATI Massimiliano	Director	=
LABERENNE Vanessa	Director	=
MAGISTRETTI Elisabetta	Director	Director, Luxottica Group Director, Smeg
PECCI Alberto	Director	Chairman, Pecci Filati Chairman, Tosco-Fin Director, El.EN.
SICHEL Gian Luca	Director and Executive Committee member	=
YOUNG Alexandra	Director and Executive Committee member	=

[1] Full list of positions available at www.mediobanca.it.

[2] Left office on 3 August 2016.

RESOLUTIONS ADOPTED BY SHAREHOLDERS IN ANNUAL GENERAL MEETING HELD ON 28 OCTOBER 2016

MEDIOBANCA BANCA DI CREDITO FINANZIARIO

Resolutions adopted by Shareholders at the Annual General Meeting held on 28 october 2016

At the annual general meeting held on 28 October 2016, the shareholders of Mediobanca adopted resolutions in respect of the following:

- the financial statements for the year ended 30 June 2016;
- the distribution of a gross dividend of € 0.27 per share in respect of the 855,239,857 shares granting such entitlement, payable as from 23 November 2016, with record date 22 November 2016 after coupon no. 33 has been detached on 21 November 2016;
- the appointment of Marina Natale as director, with term of office to expire on the same date as that of the other directors in office, hence with the approval of the financial statements for the year ending 30 June 2017;
- the "Resolutions in respect of staff remuneration policies", including the cap on variable and fixed remuneration based on a ratio of 2:1 and the criteria for establishing the compensation due in cases where beneficiaries leave office or cease to work for Mediobanca;
- renewal of the insurance policy to cover civil liability of the members of the governing bodies, now extended to all Mediobanca Group companies.

BALANCE SHEET AND FUND ALLOCATION ANALYSES

Balance sheet analysis ASSETS (€'000)

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
1946/1947	1,536	398	—	—	—	—	6	33	1,973	387	2,360
1947/1948	1,344	1,900	—	—	—	—	6	33	3,283	465	3,748
1948/1949	2,830	3,569	—	1	—	24	—	32	6,456	264	6,720
1949/1950	3,532	5,315	889	3	—	—	—	35	9,774	853	10,627
1950/1951	3,751	6,760	546	25	—	—	—	31	11,113	315	11,428
1951/1952	3,706	9,779	464	38	—	—	—	31	14,018	176	14,194
1952/1953	5,395	12,654	263	—	—	—	—	35	18,347	8,841	27,188
1953/1954	7,804	15,909	763	1	—	—	—	137	24,614	553	25,167
1954/1955	10,294	18,690	971	58	—	—	—	85	30,098	1,644	31,742
1955/1956	14,713	23,573	1,283	5	—	—	—	484	40,058	12,272	52,330
1956/1957	17,670	28,648	1,540	—	—	—	—	245	48,103	10,394	58,497
1957/1958	18,727	31,577	1,798	—	—	—	—	439	52,541	4,799	57,340
1958/1959	31,724	40,713	4,131	—	—	—	—	1,391	77,959	16,828	94,787
1959/1960	45,099	49,813	4,286	—	—	—	—	227	99,425	7,622	107,047
1960/1961	48,464	66,669	6,412	110	—	—	—	244	121,899	7,974	129,873
1961/1962	29,895	100,913	9,027	39	—	—	—	435	140,309	32,419	172,728
1962/1963	39,529	124,090	9,282	142	—	—	—	626	173,669	28,175	201,844
1963/1964	49,714	153,282	9,337	90	—	—	—	1,332	213,755	23,277	237,032
1964/1965	67,815	157,552	13,417	5	—	—	—	1,273	240,062	37,932	277,994
1965/1966	100,651	191,935	15,115	—	—	—	—	2,385	310,086	100,762	410,848
1966/1967	107,097	245,565	17,396	5	—	—	—	3,342	373,405	112,502	485,907
1967/1968	121,745	305,666	17,317	—	—	—	—	4,569	449,297	122,695	571,992
1968/1969	104,636	374,711	19,877	—	—	—	—	6,028	505,252	179,385	684,637
1969/1970	108,075	513,117	19,759	5	—	—	—	5,512	646,468	148,926	795,394
1970/1971	296,325	533,281	19,833	21	—	—	—	4,804	854,264	220,019	1,074,283
1971/1972	211,681	644,004	22,501	541	—	26	—	6,373	885,126	248,839	1,133,965
1972/1973	219,061	768,777	23,083	671	—	26	79	7,999	1,019,696	317,492	1,337,188
1973/1974	725,455	1,091,712	29,243	755	—	190	102	16,095	1,863,552	283,551	2,147,103
1974/1975	898,375	1,243,559	32,603	755	—	190	108	24,963	2,200,553	270,792	2,471,345
1975/1976	842,638	1,394,824	27,159	1,573	—	190	133	27,826	2,294,343	260,533	2,554,876
1976/1977	930,863	1,526,989	32,255	4,042	—	3,615	190	31,666	2,529,620	266,527	2,796,147
1977/1978	931,722	1,719,338	34,759	4,137	—	3,615	198	72,125	2,765,894	414,045	3,179,939
1978/1979	506,795	1,703,992	78,140	4,173	—	3,615	228	74,652	2,371,595	312,152	2,683,747
1979/1980	520,954	1,834,527	55,983	4,174	7,230	3,615	251	75,576	2,502,310	385,483	2,887,793
1980/1981	446,588	2,215,915	73,762	4,008	14,977	3,615	423	174,332	2,933,620	618,841	3,552,461
1981/1982	638,435	2,540,960	165,104	4,008	14,993	3,615	438	174,142	3,541,695	714,778	4,256,473
1982/1983	839,289	2,773,956	170,991	4,008	16,217	3,615	481	231,585	4,040,142	575,962	4,616,104
1983/1984	859,764	3,002,978	225,314	8,088	16,217	19,625	511	224,145	4,356,642	650,010	5,006,652
1984/1985	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
1985/1986	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
1986/1987	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
1987/1988	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
1988/1989	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
1989/1990	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
1990/1991	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
1991/1992	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
1992/1993	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
1993/1994	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
1994/1995	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
1995/1996	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
1996/1997	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
1997/1998	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
1998/1999	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
1999/2000	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
2000/2001	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
2001/2002	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
2002/2003	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
2003/2004	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
2004/2005	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
2005/2006	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

(€'000)

At year-end	Net treasury fund application	AFS securities	Financial assets held to maturity	Loans and advances to customers	Investment in Group undertakings	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
2011/2012	10,760,583	9,356,653	4,013,408	27,219,512	1,358,759	1,855,681	119,494	18,565	538,166	55,240,821
2012/2013	9,138,557	10,319,344	5,004,318	23,003,606	1,509,341	1,208,272	118,060	13,879	419,245	50,734,622
2013/2014	9,599,504	7,301,515	5,000,765	20,181,604	1,494,603	1,173,347	116,723	16,650	567,212	45,451,923
2014/2015	3,183,252	6,407,061	4,946,271	22,522,908	1,986,439	1,173,249	115,471	16,710	470,294	40,821,655
2015/2016	4,269,787	7,668,089	4,918,859	23,056,855	1,534,234	1,153,452	114,447	17,588	452,332	43,185,643

§ IAS/IFRS-compliant.

Balance sheet analysis LIABILITIES

(€'000)

At year-end	Capital			Specific credit risks provisions	Provision for discounts and expenses on bonds issued	Securities fluctuation allowance	Provision for writedowns on investments	Time deposits and current accounts	Loans and other funding typologies	Debt securities	Debt securities in issue	Due to banks and EIB funds	Accumulated depreciation on furniture and equipment	Accumulated depreciation on property	Other liabilities and provisions	Profit for the year	Total liabilities	Contra accounts	Grand total
	Share capital	Reserves, provisions qualifying as reserves * and retained earnings	Total																
1946/1947	516	—	516	—	—	—	—	1,448	—	—	—	—	—	—	24	(15)	1,973	387	2,360
1947/1948	516	—	516	—	—	—	—	2,729	—	—	—	—	—	—	30	8	3,283	465	3,748
1948/1949	516	2	518	—	—	—	—	5,746	—	—	—	—	—	—	143	49	6,456	264	6,720
1949/1950	1,033	26	1,059	—	—	—	—	8,325	—	—	—	—	—	—	303	87	9,774	853	10,627
1950/1951	1,549	54	1,603	—	—	—	—	8,985	—	—	—	—	—	—	335	190	11,113	315	11,428
1951/1952	1,549	109	1,658	—	—	—	—	11,745	—	—	—	—	—	—	405	210	14,018	176	14,194
1952/1953	1,549	169	1,718	—	—	—	—	15,623	—	—	—	—	—	—	791	215	18,347	8,841	27,188
1953/1954	1,549	273	1,822	—	—	—	—	21,681	—	—	—	—	—	—	898	213	24,614	553	25,167
1954/1955	1,549	322	1,871	—	—	—	—	26,945	—	—	—	—	—	—	1,045	237	30,098	1,644	31,742
1955/1956	2,066	365	2,431	—	—	—	—	35,586	—	—	—	—	—	—	1,764	277	40,058	12,272	52,330
1956/1957	3,099	446	3,545	—	—	—	—	41,798	—	—	—	—	—	—	2,437	323	48,103	10,394	58,497
1957/1958	3,099	522	3,621	—	—	—	—	45,287	—	—	—	—	—	—	3,245	388	52,541	4,799	57,340
1958/1959	3,099	607	3,706	—	—	—	—	68,934	—	—	—	—	—	—	4,923	396	77,959	16,828	94,787
1959/1960	5,165	747	5,912	—	—	—	—	87,472	—	—	—	—	—	—	5,323	718	99,425	7,622	107,047
1960/1961	5,165	1,127	6,292	—	—	—	—	107,712	—	—	—	—	—	—	6,929	966	121,899	7,974	129,873
1961/1962	5,165	1,562	6,727	—	—	—	—	125,489	—	—	—	—	—	—	7,089	1,004	140,309	32,419	172,728
1962/1963	6,197	2,285	8,482	—	—	—	—	155,196	—	—	—	—	—	—	9,276	715	173,669	28,175	201,844
1963/1964	6,197	2,901	9,098	—	—	—	—	189,266	—	—	—	—	—	—	14,618	773	213,755	23,277	237,032
1964/1965	7,230	3,607	10,837	—	—	—	—	211,506	—	—	—	—	—	—	16,943	776	240,062	37,932	277,994
1965/1966	7,230	4,484	11,714	—	—	—	—	274,589	—	—	—	—	—	—	22,862	921	310,086	100,762	410,848
1966/1967	7,230	5,933	13,163	—	—	—	—	336,544	—	—	—	—	—	—	22,742	956	373,405	112,502	485,907
1967/1968	8,263	7,307	15,570	—	—	—	—	402,293	—	—	—	—	—	—	30,377	1,057	449,297	122,695	571,992
1968/1969	8,263	8,994	17,257	—	—	—	—	449,103	—	—	—	—	—	—	37,439	1,453	505,252	179,385	684,637
1969/1970	8,263	11,326	19,589	—	—	—	—	534,360	—	41,317	—	—	—	—	50,034	1,168	646,468	148,926	795,394
1970/1971	8,263	13,500	21,763	—	—	—	—	726,356	—	41,317	—	—	—	—	63,113	1,715	854,264	220,019	1,074,283
1971/1972	8,263	16,462	24,725	—	—	—	541	745,717	—	41,317	—	—	—	26	71,605	1,195	885,126	248,839	1,133,965
1972/1973	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
1973/1974	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
1974/1975	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
1975/1976	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
1976/1977	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
1977/1978	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
1978/1979	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
1979/1980	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
1980/1981	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
1981/1982	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
1982/1983	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
1983/1984	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
1984/1985	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
1985/1986	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
1986/1987	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
1987/1988	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
1988/1989	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
1989/1990	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
1990/1991	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
1991/1992	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
1992/1993	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
1993/1994	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
1994/1995	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
1995/1996	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
1996/1997	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
1997/1998	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
1998/1999	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
1999/2000	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
2000/2001	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
2001/2002	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
2002/2003	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
2003/2004	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
2004/2005	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
2005/2006	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
2006/2007	408,781	5,128,989	5,537,770	—	—	—	—	—	4,077,662	—	23,027,454	—	—	—	945,209	561,110	34,149,205	157,987,333	192,136,538

* Provision for general banking risks, general credit risks provisions 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 the book value of securities.

Balance sheet analysis § LIABILITIES

(€'000)

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
2011/2012	430,565	4,191,175	4,621,740	160,075	31,561,792	18,494,608	602,757	(200,151)	55,240,821
2012/2013	430,565	4,296,680	4,727,245	160,458	26,905,614	18,463,685	712,618	(234,998)	50,734,622
2013/2014	430,703	4,396,778	4,827,481	161,676	23,606,132	15,826,116	864,605	165,913	45,451,923
2014/2015	433,599	4,423,095	4,856,694	149,260	19,729,098	14,927,077	826,481	333,045	40,821,655
2015/2016	435,510	4,551,720	4,987,230	139,927	19,229,901	17,931,792	608,755	288,038	43,185,643

§ IAS/IFRS-compliant.

* Provision for general banking risks, general credit risks provisions and securities fluctuation allowance (between 1967 and 1984, when this allowance was taken to Reserve).

Fund allocation analysis

(€'000)

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]	
1946/1947	(15)	—	(15)	—	—	—	—	—	—	—
1947/1948	23	—	23	2	—	21 [3]	—	—	—	—
1948/1949	49	—	49	24	—	24	—	—	1	—
1949/1950	87	—	87	26	—	3	54	7	2	2
1950/1951	190	—	190	52	—	25	108	7	2	3
1951/1952	210	—	210	52	—	38	108	7	3	9
1952/1953	215	—	215	103	—	—	108	7	3	1
1953/1954	213	—	213	52	—	52	108	7	3	(2)
1954/1955	237	—	237	52	—	84	108	7	3	(10)
1955/1956	277	—	277	77	—	57	135	7,50	3	5
1956/1957	323	—	323	77	—	52	194	7,50	3	(3)
1957/1958	388	—	388	77	—	52	248	8	3	8
1958/1959	396	—	396	129	—	—	248	8	8	11
1959/1960	718	—	718	387	—	—	331	8	8	(8)
1960/1961	966	—	966	439	—	109	413	8	8	(3)
1961/1962	1,004	—	1,004	413	—	116	465	9	9	1
1962/1963	1,025	310	715	103	—	142	465	9	9	(4)
1963/1964	1,289	516	773	103	—	90	558	9	12	10
1964/1965	1,370	594	776	155	—	5	604	9	12	—
1965/1966	1,644	723	921	181	—	—	723	10	14	3
1966/1967	1,911	955	956	207	—	5	723	10	15	6
1967/1968	2,219	1,162	1,057	258	—	—	775	10	16	8
1968/1969	2,873	1,420	1,453	516	—	—	909	11	19	9
1969/1970	2,976	1,808	1,168	258	—	5	909	11	18	(22)
1970/1971	3,652	1,937	1,715	258	—	537	909	11	19	(8)
1971/1972	3,390	2,195	1,195	258	—	—	909	11	19	9
1972/1973	4,822	2,970	1,852	387	—	155	1,273	11	26	11
1973/1974	6,988	4,777	2,211	511	—	395	1,273	11	26	6
1974/1975	11,112	8,134	2,978	775	—	155	1,983	12	41	24
1975/1976	17,077	6,972	10,105	1,808	4,132	2,109	1,983	12	41	32
1976/1977	22,549	7,876	14,673	5,165	178	6,059	3,223	12	66	(18)
1977/1978	25,034	9,296	15,738	6,197	6,197	98	3,223	12	65	(42)
1978/1979	29,346	12,911	16,435	7,747	—	2,489	6,074	14	124	1
1979/1980	33,728	15,494	18,234	7,747	3,099	1,214	6,074	14	123	(23)
1980/1981	67,940	23,241	44,699	17,043	17,560	2,571	7,375	14	150	—
1981/1982	29,720	10,423	19,297	7,747	—	1,498	9,833	14	201	18
1982/1983	52,450	13,658	38,792	10,329	17,560	878	9,833	14	200	(8)
1983/1984	60,560	16,119	44,441	27,372	—	3,476	13,170	15	272	151
1984/1985	87,848	20,840	67,008	51,646	—	—	14,926	17	307	129
1985/1986	124,380	35,115	89,265	67,139	—	4,080	17,560	20	361	125
1986/1987	89,906	31,546	58,360	40,800	—	—	17,560	20	351	(351)
1987/1988	84,324	22,068	62,256	40,800	—	—	21,071	20	429	(44)
1988/1989	110,642	26,782	83,860	38,734	—	16,649	28,095	20	311	71
1989/1990	153,577	33,709	119,868	83,912	—	339	35,119	20	454	44
1990/1991	147,192	33,363	113,829	59,450	—	18,666	35,119	20	456	138
1991/1992	171,152	35,791	135,361	99,852	—	—	35,119	20	452	(62)
1992/1993	141,654	38,295	103,359	64,041	—	—	38,631	20	528	159
1993/1994	154,910	43,382	111,528	61,975	—	—	49,167	20	733	(347)
1994/1995	126,220	46,120	80,100	30,213	—	—	49,167	20	740	(20)
1995/1996	110,692	48,550	62,142	12,137	—	—	49,167	20	742	97
1996/1997	128,026	56,205	71,821	21,949	—	—	49,167	20	739	(34)
1997/1998	191,858	62,297	129,561	62,090	—	—	66,401	22,50	1,091	(20)
1998/1999	175,711	62,233	113,478	45,914	—	—	66,460	22,50	1,093	11
1999/2000	198,407	71,994	126,413	47,898	—	—	77,230	25	1,312	(27)
2000/2001	233,894	82,633	151,261	49,913	—	—	99,522	30	1,769	57
2001/2002	204,646	87,000	117,646	265	—	—	116,782	30	618	(19)
2002/2003	30,973	45,000	(14,027)	(154,166) [4]	—	—	140,139	36	—	(81)
2003/2004	460,563	33,000	427,563	111,201	—	—	311,535	80	4,827	—
2004/2005	440,054	—	440,054	51,416	—	—	382,365	96	6,273	—
2005/2006	494,334	—	494,334	15,058	—	—	473,003	116	6,273	—
2006/2007	561,110	—	561,110	22,423	—	—	532,414	130	6,273	—

[1] Allocation 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 from 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 §

(€'000)

Financial year	Profit before tax for the year	Transfers to risk provisions	Net profit	Allocation of net profit				Changes in retained earnings
				To reserves	Dividends paid out	%	Remuneration due to Board [1]	
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	—	—
2011/2012	(200,151)	—	(200,151)	(242,357) [2]	42,206	10	—	—
2012/2013	(234,998)	—	(234,998)	(234,998)	—	—	—	—
2013/2014	165,913	—	165,913	39,064	126,849	30	—	—
2014/2015	333,045	—	333,045	120,152	212,893	50	—	—
2015/2016	288,038	—	288,038	57,123	230,915	54	—	—

§ IAS/IFRS-compliant.

[1] Plus fixed fee of €258,000 as from 30/6/89 and €1.5m as from 30/6/02.

[2] Of which €200,151 to cover losses for the period and €42,206 to pay for the dividend.

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