MEDIOBANCA

Annual Accounts and Report
as at 30 June 2014

MEDIOBANCA

LIMITED COMPANY
SHARE CAPITAL € 430,752,106
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 2014

www.mediobanca.com

translation from the Italian original which remains the definitive version

BOARD OF DIRECTORS

		Term expires
* Renato Pagliaro	Chairman	2014
Dieter Rampl	Deputy Chairman	2014
Marco Tronchetti Provera	»	2014
* Alberto Nagel	Chief Executive Officer	2014
* Francesco Saverio Vinci	General Manager	2014
Tarak Ben Ammar	Director	2014
Gilberto Benetton	»	2014
Roberto Bertazzoni	»	2014
* Angelo Caso’	»	2014
* Maurizio Cereda	»	2014
Alessandro Decio	»	2014
* Massimo Di Carlo	»	2014
Bruno Ermolli	»	2014
Giorgio Guazzaloca	»	2014
Anne Marie Idrac	»	2014
* Vanessa Labérenne	»	2014
Elisabetta Magistretti	»	2014
Alberto Pecci	»	2014
Carlo Pesenti	»	2014
* Eric Strutz	»	2014

* Member of Executive Committee

STATUTORY AUDIT COMMITTEE

Natale Freddi	Chairman	2014
Maurizia Angelo Comneno	Standing Auditor	2014
Gabriele Villa	» »	2014
Mario Busso	Alternate Auditor	2014
Guido Croci	» »	2014

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

CONTENTS

* * *

Other Documents

CONSOLIDATED ACCOUNTS

REVIEW OF OPERATIONS

REVIEW
OF OPERATIONS

In the twelve months under review, the Mediobanca Group earned a net profit of €464.8m, compared with the €176.2m loss reported last year. This result reflects an 11.7% increase in revenues, from €1,628.4m to €1,819.4m, as well as a positive contribution from the securities portfolio of €211.9m (representing the balance between gains on disposals and writedowns) which last year showed a €387.5m loss. The main income items performed as follows:

- net interest income rose by 5.7%, from €1,028m to €1,086.9m, as a reult of growth in consumer finance (up 13.4%) on the one hand and a slowdown in wholesale business (down 5.8%) on the other. The former was boosted by higher volumes on resilient margins, while the latter was impacted by the declining stock of corporate loans and the reduced profitability of other interest-bearing assets;
- net fee and commission income rose 3.5%, from €409.7m to €423.9m, due to a positive contribution from capital market activity in the fourth quarter in particular;
- treasury activity, which fell from €200.2m to €45.1m, was penalized by the low lending rate levels against a higher cost of funding, and the low volatility levels on markets;
- the contribution from the equity-accounted companies totalled €263.5m, after a good performance was posted by Assicurazioni Generali which contributed €261m (compared with €16.8m).

The 5.2% increase in overheads, from €752.4m to €791.4m, is chiefly due to the new retail and consumer commercial initiatives and to adaptations being made to both properties and control systems (administrative expenses up 10.6%).

Loan loss provisions rose from €506.5m to €736m, an increase of 45.3%. These involve corporate and private banking as to €231m (up 90.1%), retail and consumer banking as to €473.2m (up 31.4%), and leasing as to €32.8m (up 29.6%). The ongoing difficulties being encountered by corporates and households drove a 17% increase in bad loans, in part due to the new classifications required under the ECB's Asset Quality Review process. The coverage ratio has therefore been increased on prudential grounds, from 45% as at 30 June 2013 to 50%. This heading also includes writeoffs and losses on disposals of corporate positions totalling €52.3m.

Disposals on equity investments totalling €664.1m generated gains of €242.5m (30/6/13: €16.7m), €67.2m of which in connection with the Telco transaction (in which a nominal €90m of the shareholders' loan was exchanged for Telefonica shares later sold on the market), €70.9m from the market sale of Gemina/Atlantia shares, and €42.8m in respect of the holding in UniCredit CASHES.

Provisions for other financial assets totalled €30.6m (€404.2m), chiefly involving the Burgo Group investment, which was written down in full on prudential grounds (€18.6m), and other impairment charges taken in respect of AFS equities (€8.7m) and HTM securities (€3.3m).

The sharp reduction in taxation, which fell from €157.6m to €39.6m despite the significant improvement in pre-tax profit, is due to the substantial proportion of taxable income (gains) which is subject to exemption under the PEX regime.

Turning now to the individual areas of activity, as from the current financial year and in accordance with the new three-year plan, the Group's business segmentation has been revised to comprise three banking divisions: Corporate and Private Banking (CIB), Retail and Consumer Banking (RCB) and Principal Investing (PI, which brings together all the Group's equity investments, investments in associates, and those held as available for sale), plus a Corporate Centre, which combines the other companies (including the leasing firms) and certain centralized Group services costs.

CIB earned a profit of €17.2m, down sharply on the €204.7m earned last year, on lower revenues from wholesale banking activity (down from €630.4m to €459.5m) mainly as a result of the lack of income from treasury operations (which declined from €185.1m to €1.4m) as well as higher loan loss provisions totalling €233.1m (€120.1m), and despite a healthy performance in fee and commission income (up 13.6%). The profit earned from private banking operations increased from €41.1m to €50.7m.

RCB recorded a net profit of €23.3m, down from the €44.5m reported last year despite growth in revenues (up 9.4%, from €854 to €934m), due to higher loan loss provisions (up from €360.1m to €473.2m) which, however, as from this year are tax-deductible for IRAP purposes. In detail, consumer credit saw a 7,9% increase in revenues (from €713.2m to €769.8m), with costs and loan loss provisions up respectively by 7.5% (from €257.7m to €277.1m) and 32.9% (from €335m to €445.3m), leading to a net profit of €48.4m (€72.3m). CheBanca! recorded a €25.1m loss, slightly lower than the €27.8m reported last year, following 53.4% growth in fee income (from €14.8m to €22.7m) which was in part absorbed by higher operating costs (up from €144.3m to €159m, due to the launch of commercial projects and a one-off, €5m contribution to the Italian interbank deposit protection fund).

PI earned a profit of €449.3m, compared with a €407.1m loss last year, due to the higher contribution from the investee companies (which added €258.6m, compared with a €9.9m loss) plus gains of €240.2m (€16.7m); writedowns to investments fell from €422.3m last year to €25.3m.

The Corporate Centre reported a €21.8m loss (€19.6m), with revenues of €52.9m (€55.4m) mostly from leasing operations, and costs totalling €56.4m (€57m), €25.6m (€23.6m) of which was attributable to Mediobanca S.p.A.

Total assets declined from €59.7bn to €55.4bn, on lower loans and advances to customers (down from €33.5bn to €30.6bn) in the corporate segment in particular (which was down €3bn), with a reduction in AFS securities also (from €11.5bn to €8.4bn) on a slight increase in net treasury assets (from €8.2bn to €9.3bn). Funding, by contrast, decreased from €51.3bn to €45.8bn, in particular the debt security component (down from €25.9bn to €22.6bn) and the ECB loans (from €7.5bn to €5.5bn). Assets under management in private banking increasd from €13.8bn to €15bn.

The Group's capital ratios as at 30 June 2014, which have been calculated in accordance with the new supervisory provisions in this area (CRR/CRDIV), stood at 11.08% for the common equity ratio (CET1 ratio) and 13.76% for the total capital ratio. These ratios reflect the phase-in period for application of the new regulations, and also the 370% weighting (as opposed to deduction) of the Assicurazioni Generali investment. The fully-phased ratios (i.e. with full application of the CRR/CRDIV rules, in particular the possibility of including the entire AFS reserve in the CET1 definition) rise to 12.50% for the CET1 ratio and to 14.70% for the total capital ratio.

* * *

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

– approval by the Board of Directors of the guidelines and policies for Group risk governance and monitoring, including finalization of the Risk Appetite Framework (RAF) and adaptation of the internal controls system;
– appointment of Stefano Marsaglia as Executive Chairman of Corporate and Investment Banking;
– strengthening of Mediobanca's present in Turkey, with Tayfun Bayazit appointed as Chairman and senior advisor;
– disposal of equity stakes in accordance with the Bank's 2014/16 business plan, involving sales worth €843.2m and yielding gains of €242.5m, plus the request for the demerger of Telco ahead of sale of the Telecom Italia investment (Mediobanca owns a 1.6% stake in Telecom Italia's ordinary share capital on a look-through basis);
– authorization by the Bank of Italy, pursuant to Article 471 of EU regulation 575 issued on 26 June 2013, to weight the Bank's investment in Assicurazioni Generali at 370%;
– completion of a voluntary buyback of senior unsecured bonds falling due between 2014 and 2015, involving a total outlay of €378m, and the cancellation of €1bn in own liabilities backed by guarantees from the republic of Italy;
– signing of a retail loan distribution agreement between Compass and the Montepaschi di Siena group;
– merger between Creditech and Cofactor following the launch of the factoring business;
– Launch of activities intended to strengthen the internal controls system, in accordance with the requirements pf the update to bank of Italy circular No. 263;
– completion of the internal capital adequacy assessment procedure (ICAAP) required by the regulations in force, and disclosure of the information required under Pillar 3 of the Basel II agreements, on the Group's capital solidity and exposure to risks.

Developments in capital markets

In the year ended 30 June 2014, the balance of financial flows on risk capital markets showed a marked recovery, rising by €8.6bn to reach the highest level recorded for the past three years (€11.6bn). Conversely, dividends distributed and public tender offers (which were near to the lowest level seen in the past eighteen years recorded in 2009-10) both fell to reach an aggregate €13.4bn (compared with €15.7bn in 2012-13). The net flow of funds returned to investors therefore reduced to €1.9bn, the second best performance in the last 14 years:

(€m)

		12 mths to 30/6/12		12 mths to 30/6/13		12 mths to 30/6/14
Issues and placements of: °						
convertible ordinary and savings shares		8,887		2,562		11,515
non-convertible preference and savings shares		—		436		19
convertible and cum warrant bonds		—		—		16
Total		8,887		2,998		11,550
*of which, for rights issues: **						
par value	*8,438*		*1,801*		*8,900*	
share premium	*260*	*8,698*	*945*	*2,746*	*1,497*	*10,397*
Dividends distributed		13,809		13,616		12,981
Public tender offers		1,930		2,034		455
Balance		(6,852)		(12,652)		(1,880)

° 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.

During the twelve months under review banks resumed fund-raising on a massive scale, equivalent to the levels seen in 2009-10 and 2011-12, accounting for the vast majority of the rights issues that were implemented (almost nine-tenths), and with some seven-tenths of the funds requested having been raised by end-June 2014. Public offerings also recovered some importance, raising €924m (compared with €52m the previous year), while share premium reserves again fell sharply, from 34% to 14%, a level which was higher than only 2011-12 out of the last 26 years. Issues reserved for staff members, generally as part of stock option schemes, recorded a reduction in value terms, from €151m in 2012-13 to €138m, remaining insignificant and involving 18 companies as opposed to 15 the previous year. The most recent convertibe bond issues took place in 2010-11.

After remaining stable in 2012-13, dividends showed a reduction of approx. 5% (from €13.6bn to €12.9bn), with the payout ratio declining from 51% to 49%. The reduction in dividends paid by industrial companies (down €1.3bn) and banks (down €0.4bn) was largely offset by banks and insurances (up €1bn). By percentage, the insurances saw their share of all dividends distributed increase from 4.5% to 12%, helped by reductions in the shares recorded by the industrial companies (down 5%, from 83% to 78%) and banks (down 2%, from 12% to 10%). More than half the listed companies failed to pay dividends, but they still represent barely 14% of the aggregate market capitalization (compared with 12% the previous year). The public tender offers carried out did not result in any companies being delisted (as opposed to seven delistings in 2012-13).

The net 2013 aggregate results posted by Italian companies listed at end-June 2014 were again negative, as was the case in 2011 (albeit by a more substantial amount), with a combined €4.7bn loss being recorded, as against a €7.7bn profit in 2012. The sharp decline in the results posted by banks (whose losses increased from €1.8bn to €21.4bn) was only mitigated in part by the higher profits earned by the industrial companies, of €14.7bn (€9bn), with the insurance groups' profits growing from €0.5bn to €1.9bn.

The contributing factors in the banks' poor performance included the contraction in net revenues (which were down €2.1bn, chiefly on account of the €3.5bn reduction in net interest income), the €7.7bn rise in loan loss provisions, higher depreciation and amortization charges (which were up €4.2bn), and, in particular, a €12.1bn increase in writedowns to goodwill amortization. The impact of the loss was softened by the €1.2bn reduction in labour costs, higher net gains on disposals and buybacks (up €2.7bn), and more substantial tax credit (which was up €2.8bn). In 2013 regulatory capital fell by 4.7%; while an even more pronounced, 5.6% reduction in risk-weighted assets drove improvement in the solvency ratio (which was up from 13.8% to 14%). Leverage, expressed in terms of the ratio between total assets and tangible net equity (excluding the so-called Tremonti bonds) fell from 20.8x to 19.6x (compared with an average for the leading European banking groups of approx. 23.6x, down from 26.2x in 2012).

The insurance companies improved on their 2012 result, up €1.4bn to €1.9bn (ROE 7.7%, vs 2% last year). The €4bn reduction in net claims, along with the reduced tax burden (€0.3bn), more than offset the reduction in underwriting revenues (down €1bn), the €1.4bn increase in sundry operating costs, and the poorer net performance by other assets under management (€0.4bn).

Industrial groups showed a significant improvement in their operating profit, which increased from €9bn to €14.7bn, with the return on equity up from 4.6% to 7.6%. The reduction in value added (€8.9bn) was offset by a good performance from non-recurring items, the balance of which improved by €9.4bn (net writedowns up €5bn, net gains on disposals up €3.8bn, net extraordinary income up €0.6bn); while income tax remaining low (at €4.8bn) was the principal driver of the €5.6bn increase in net profit. The profits earned by companies listed on the STAR segment were up slightly, from €0.7bn to €0.8bn (with the ROE increasing from 7.5% to 8.5%). The industrial companies' aggregate net equity showed a slight, 2.2% increase; which, along with a minor, 0.7% reduction in debt, led to a lower debt/equity ratio than in 2012, at 121% (125%).

The Mediobanca share price index recovered strongly during the twelve months, gaining 43% (48% in the total return version), driven in particular by banks (which rose 74%), with the industrials (up 36%) and insurances (up 22%) also higher but underperforming the market average.

The average daily value of stocks traded on the MTA in the twelve months ended 30 June 2014 was around 23% higher than the previous year (up from €2bn to €2.5bn per session). The free float also rose, from 58% to 60%, the highest level since 1996, while the turnover ratio fell slightly, edging down from 19% to 18%. Volatility continued its decline, returning to pre-crisis levels (1.8%, compared with 2% the previous year and 2.7% in 2011-12). Since the reporting date share prices have slown slightly, declining by approx. 4% in the months until 1 September 2014, largely due to the falls posted by the banks index (down 5%).

In the twelve months to 2 April 2014, the increase in share prices on western stock markets was reflected in the changes recorded in both the price/earnings ratios and dividend yields. The indexes generally showed reductions, some significant, or at best remained stable:

	Price/dividend (%)		Price/earnings (%)	
	2013	2014	2013	2014
Benelux **	3.4	3.2	6.4	5.2
France *	2.8	2.3	5.4	5.2
Germany *	2.8	2.3	5.8	4.9
Italy *	3.2	3.1	7.7	6.3
United Kingdom *	3.3	2.8	6.2	5.3
United States *	2.4	2.4	5.7	5.3
Switzerland **	3.1	3.0	5.0	5.0

* 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 2 April 2014. The changes in prices on the principal stock markets between 2 April 2013 and 2 April 2014 were as follows (indexes used are in brackets): Italy up 46.2% (Mediobanca MTA), Switzerland up 7.7% (SMI), Netherlands up 15.2% (AEX), Germany up 18.1% (CDAX), United States up 20.4% (S&P 500), Belgium up 21.7% (BAS), France up 18.5% (SBF 250), United Kingdom up 4.9% (FTSE All-Share).

Assets managed by mutual funds incorporated under Italian law (including funds of funds, closed and hedge funds) continued their recovery in terms of AUM, which in March 2014 had risen to €176.3bn, compared with €156.9bn at end-June 2013. The increase is due, in virtually equal measure, to positive net inflows of €10.6bn and operating profit for the nine months of €8.8bn. Roundtrip funds also performed well, and like the Italian UCI, were helped mostly by subscriptions outweighing redemptions (by €18.4bn), as well as the positive operating performance (approx. €10.8bn). At end-March 2014 assets managed by such funds had risen to €249.3bn, from €220.1bn nine months previously.

The aggregate market capitalization of listed companies at 30 June 2014 totalled €496bn, compared with €353bn twelve months earlier, with the free float increasing from €204bn to €300bn; the €136bn 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 shrank by 5.3% in 2013 compared to the previous year, equivalent to a total of €45.5bn in finance.

This trend was reversed during the first six months of 2014, with the sector reporting a small increase in new loans disbursed (up 0.3%).

This improved performance is the result of growth in automotive financing (cars and motorbikes), which were up 4.3% on 1H 2013, and in credit cards (up 4.5%). All the other segments, though, showed reductions, in particular special purpose loans (down 8.6%) and salary-backed finance (down 4.1%), while the fall in personal loans was less marked, at 2.1%.

	2010		2011		2012		2013		1H 2014	
	€m	%	€m	%	€m	%	€m	%	€m	%
Vehicle credit	13,671	26.1	12,217	23.6	9,934	20.7	9,333	20.5	5,228	22.2
Personal loans	19,232	36.7	19,882	38.4	17,131	35.6	15,367	33.9	8,087	34.4
Specific-purpose loans	4,222	8.1	3,980	7.7	3,878	8.1	3,690	8.1	1,698	7.2
Credit cards	10,350	19.7	11,152	21.6	13,064	27.2	12,788	28.1	6,433	27.3
Salary-backed finance	4,920	9.4	4,507	8.7	4,067	8.4	4,254	9.4	2,101	8.9
	52,395	100.0	51,738	100.0	48,074	100.0	45,432	100.0	23,547	100.0

Source: Assofin.

Following a 9.2% reduction in real estate transactions in 2013, the Italian residential property market showed some signs of improvement in 1H 2014, with a 4.1% increase in deals compared to those recorded in the same period in 2013. The mortgage market similarly performed poorly in 2013 (down 14% on 2012) but with some signs of improvement in the first half of 2014.

The Italian leasing market, which has been in decline since 2010, showed signs of recovery in 2013 which then consolidated in the first six months of 2014 (up 6.8% on the same period the previous year), in part as a result of the more favourable regulatory framework.

	2010		2011		2012		2013		1H 2014	
	€m	%	€m	%	€m	%	€m	%	€m	%
Vehicles	5,777	21.1	5,679	23.1	4,855	29.2	4,568	31.7	2,596	33.6
Core goods	11,584	42.4	11,120	45.2	7,829	47.0	6,741	46.7	3,146	40.7
Property	8,898	32.6	7,024	28.5	3,587	21.5	2,939	20.4	1,907	24.7
Yachts	1,077	3.9	783	3.2	385	2.3	179	1.2	80	1.0
	27,336	100.0	24,606	100.0	16,656	100.0	14,427	100.0	7,729	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)

	30/6/13	30/6/14	Chg. (%)
Profit-and-loss data			
Net interest income	1,028.0	1,086.9	5.7
Treasury income	200.2	45.1	-77.5
Net fee and commission income	409.7	423.9	3.5
Equity-accounted companies	(9.5)	263.5	n.m.
Total income	**1,628.4**	**1,819.4**	**11.7**
Labour costs	(379.5)	(379.0)	-0.1
Administrative expenses	(372.9)	(412.4)	10.6
Operating costs	**(752.4)**	**(791.4)**	**5.2**
Gains (losses) on AFS, HTM and L&R	16.7	242.5	n.m.
Loan loss provisions	(506.5)	(736.0)	45.3
Provisions for financial assets	(404.2)	(30.6)	n.m.
Other profits (losses)	(4.8)	(2.9)	-39.6
Profit before tax	**(22.8)**	**501.0**	**n.m.**
Income tax for the period	(157.6)	(39.6)	-74.9
Minority interest	4.2	3.4	-19.0
Net profit	**(176.2)**	**464.8**	**n.m.**

* 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)

	30/6/13	30/6/14
Assets		
Treasury funds	8.199.7	9,323.8
AFS securities	11,489.8	8,418.5
of which: fixed-income	*9,967.1*	*7,152.9*
equities	*1,507.8*	*1,254.6*
Fixed financial assets (HTM & LR)	2,053.5	2,046.3
Loans and advances to customers	33,455.4	30,552.1
Equity investments	2,586.9	2,871.4
Tangible and intangible assets	707.7	715.4
Other assets	1,247.3	1,493.4
of which: tax assets	*896.1*	1,096.9
Total assets	59,740.3	55,420.9
Liabilities and net equity		
Funding	51,287.8	45,834.0
of which: debt securities in issue	*25,856.4*	*22,617.7*
retail deposits	*11,874.2*	*11,481.6*
Other liabilities	1,312.2	1,449.2
of which: tax liabilities	*608.0*	*596.2*
Provisions	192.2	195.0
Net equity	7,124.3	7,477.9
of which: share capital	*430.6*	*430.7*
reserves	*6,586.2*	*6,942.7*
minority interest	*107.5*	*104.5*
Profit for the period	(176.2)	464.8
Total liabilities and net equity	59,740.3	55,420.9
Tier 1 capital	*6,153.2*	*6,506.7*
Regulatory capital	*8,155.4*	*8,082.9*
Tier 1 capital/risk-weighted assets	*11.75%*	*11.08%*
Regulatory capital/risk-weighted assets	*15.57%*	*13.76%*
No. of shares in issue (millions)	*861.1*	*861.4*

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

(€m)

30/6/14	Corporate & Private banking	Principal Investing	Retail & Consumer Banking	Corporate center	Group
Profit-and-loss data					
Net interest income	273.0	—	769.9	46.6	1,086.9
Treasury income	23.2	29.7	0.4	(0.1)	45.1
Net fee and commission income	303.5	—	163.7	6.4	423.9
Equity-accounted companies	—	258.6	—	—	263.5
TOTAL INCOME	**599.7**	**288.3**	**934.0**	**52.9**	**1,819.4**
Labour costs	(195.6)	(8.8)	(150.7)	(33.3)	(379.0)
Administrative expenses	(137.7)	(1.7)	(285.4)	(23.1)	(412.4)
OPERATING COSTS	**(333.3)**	**(10.5)**	**(436.1)**	**(56.4)**	**(791.4)**
Gain (losses) on disposal of AFS shares	2.2	240.2	—	—	242.5
Loan loss provisions	(231.0)	—	(473.2)	(32.8)	(736.0)
Provisions for financial assets	(5.9)	(25.3)	—	—	(30.6)
Other profits (losses)	(3.6)	—	(5.0)	2.1	(2.9)
PROFIT BEFORE TAX	**28.1**	**492.7**	**19.7**	**(34.2)**	**501.0**
Income tax for the period	(10.9)	(43.4)	3.6	9.0	(39.6)
Minority interest	—	—	—	3.4	3.4
NET PROFIT	**17.2**	**449.3**	**23.3**	**(21.8)**	**464.8**
Cost/Income ratio (%)	55.6	3.6	46.7	n.m.	43.5
Balance-sheet figures					
Treasury funds	10,721.6	—	8,753.9	112.4	9,323.8
AFS securities	6,812.7	1,242.6	697.4	—	8,418.5
Fixed financial assets (HTM & LR)	5,013.9	—	1,528.2	—	2,046.3
Equity investments	—	2,775.2	—	—	2,871.4
Loans and advances to customers	22,853.0	—	14,269.5	3,001.7	30,552.1
of which: to Group companies	*9,114.1*	*n.m.*	*n.m.*	*n.m.*	*n.m.*
Funding	(42,968.4)	—	(24,335.2)	(3,000.7)	(45,834.0)
Risk-weighted assets	33,763.7	11,346.8	11,162.6	2,471.0	58,744.1
No. of staff	986 *	—	2,365	348	3,570

* Includes 129 staff employed by Banca Esperia pro-forma, not included in the Group total.

Notes:

1) Divisions comprise:
   – *CIB (Corporate and investment banking):* comprises wholesale banking (WSB)), which includes lending, structured finance and investment banking activity, and private banking (PB), which includes Compagnie Monégasque de Banque, Spafid and Prudentia, 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, Cofactor, 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 (€2.2m as at 30 June 2014 and €1.6m as at 30 June 2013).

(€m)

30/6/13	Corporate & Private banking		Principal Investing	Retail & Consumer Banking	Corporate center	Group
Profit-and-loss data						
Net interest income	287.7		—	696.4	46.3	1,028.0
Treasury income	211.9		17.8	(15.8)	—	200.2
Net fee and commission income	268.8		—	173.4	9.1	409.7
Equity-accounted companies	—		(9.9)	—	—	(9.5)
TOTAL INCOME	**768.4**		**7.9**	**854.0**	**55.4**	**1,628.4**
Labour costs	(207.8)		(9.6)	(146.6)	(33.2)	(379.5)
Administrative expenses	(125.5)		(1.6)	(255.4)	(23.8)	(372.9)
OPERATING COSTS	**(333.3)**		**(11.2)**	**(402.0)**	**(57.0)**	**(752.4)**
Gain (losses) on disposal of AFS shares	3.8		16.7	—	—	16.7
Loan loss provisions	(121.5)		—	(360.1)	(25.3)	(506.5)
Provisions for financial assets	15.1		(422.3)	—	—	(404.2)
Other profits (losses)	(4.8)		—	(0.5)	(4.4)	(4.8)
PROFIT BEFORE TAX	**327.7**		**(408.9)**	**91.4**	**(31.3)**	**(22.8)**
Income tax for the period	(123.0)		1.8	(46.9)	7.5	(157.6)
Minority interest	—		—	—	4.2	4.2
NET PROFIT	**204.7**		**(407.1)**	**44.5**	**(19.6)**	**(176.2)**
Cost/Income ratio (%)	43.4		n.m.	47.1	n.m.	46.2
Balance-sheet figures						
Treasury funds	10,112.3		—	9,028.4	117.4	8,199.7
AFS securities	9,408.5		1,493.8	871.8	—	11,489.8
Fixed financial assets (HTM & LR)	5,017.4		—	1,747.0	—	2,053.5
Equity investments	—		2,500.1	—	—	2,586.9
Loans and advances to customers	25,802.4		—	13,694.2	3,453.0	33,455.4
of which: to Group companies	*9,047.2*		—	—	—	—
Funding	(48,758.7)		—	(24,384.2)	(3,215.3)	(51,287.8)
Risk-weighted assets	34,503.6		4,118.5	10,570.6	3,179.4	52,372.1
No. of staff	980	*	—	2,346	308	3,505

* Includes 129 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 just under 60%, showed the following trends for the twelve months under review (comparative data as at 30 June 2013):

Funding – this item fell from €51.3bn to €45.8bn, as a result of maturities in the debt securities component (€8.9bn), only partly offset by the new issues (€5.5bn). CheBanca! retail funding similarly declined, from €11.9bn to €11.5bn, part of which (€1.5bn) was converted into indirect funding; as did use of the ECB's LTRO (repaid as to €2bn). The other sources of funding remained stable.

	30/6/13		30/6/14		Chg.
	(€m)	%	(€m)	%	
Debt securities	25,856.4	50%	22,617.7	49%	-12.5%
CheBanca! retail funding	11,874.2	23%	11,481.6	25%	-3.3%
Interbank funds	2,718.3	5%	2,865.5	6%	5.4%
LTROs	7,500.0	15%	5,500.0	12%	-26.7%
Other funds	3,338.9	7%	3,369.2	8%	0.9%
Total funding	**51,287.8**	**100%**	**45,834.0**	**100%**	**-10.6%**

Loans and advances to customers – the 8.7% reduction in this item was due to wholesale lending (down 19.5%) and leasing (down 13.1%) reflecting reduced corporate demand and early redemptions totalling approx. €3bn. Mortgage loans increased by 3%, as did consumer finance (up 4.8%), with new loans totalling €467m (€289m) and €5,284.6m (€5,006.6m) respectively. Net non-performing loans rose by 17%, from €989.2m to €1,157.6m, including as a result of the new EBA classifications for the Asset Quality Review. NPLs thus increased from 2.9% to 3.8% of the total loan book, with the coverage ratio rising from 45% to 50%. Non-performing items totalled €271m (€262.7m), and account for 0.89% (0.78%) of the loan book.

	30/6/13		30/6/14		Chg.
	(€m)	%	(€m)	%	
Wholesale banking	15,505.2	46%	12,478.3	41%	-19.5%
Private banking	803.0	2%	802.9	3%	—
Consumer	9,427.7	28%	9,876.9	32%	4.8%
Retail banking	4,266.5	14%	4,392.6	14%	3.0%
Leasing	3,453.0	10%	3,001.4	10%	-13.1%
Total loans and advances to customers	**33,455.4**	**100%**	**30,552.1**	**100%**	**-8.7%**

	30/6/13		30/6/14		Chg.
	(€m)	%	(€m)	%	
Wholesale banking	254.6	26%	403.6	35%	58.5%
Private banking	9.9	1%	7.5	1%	-24.2%
Consumer	368.7	37%	342.1	29%	-7.2%
Retail banking	121.9	12%	145.2	13%	19.1%
Leasing	234.1	24%	259.2	22%	10.7%
Total net non performing loans	**989.2**	**100%**	**1,157.6**	**100%**	**17.0%**
- of which: bad loans	*262.7*		*271.0*		*3.2%*

At the reporting date there were eight significant exposures to groups of customers (including market risk and equity investments), i.e. above 10% of regulatory capital (unchanged versus 30 June 2013), involving a lower nominal amount of €11,500.7m (€12,043.5m) and a weighted amount of €8,911.7m (€10,869.9m).

Equity investments – these increased from €2,586.9m to €2,871.4m, due to an increase in the value of the Assicurazioni Generali investment (from €2,460.7m to €2,767.4m) reflecting the €261m profit for the period, and a €138.4m increase in the valuation reserve after €92.7m in dividends were collected. As for the other investments, the value of the Burgo Group stake (22.13%, carried at a book value of €19m as at 30 June 2013) was reduced to zero, while that of Banca Esperia (50%) was increased from €86.7m to €97.6m following the results for the period. The value of the Athena Private Equity investment (24.27%) fell from €19.8m to €5.7m, due to redemptions of €16m collected following the disposal of virtually all the fund's investments.

	% share capital	30/6/13	30/6/14
Assicurazioni Generali	13.24	2,460.7	2,767.4
Banca Esperia	50.0	86.7	97.6
Athena Private Equity	24.27	19.8	5.7
Fidia	25.0	0.7	0.7
Burgo Group	22.13	19.0	—
Total Investments		**2,586.9**	**2,871.4**

Based on stock market prices as at 30 June 2014, the unrealized gain on the Assicurazioni Generali investment amounted to €532.2m, or approx. €577.5m based on current prices.

Fixed financial assets – the slight reduction in this item, from €2,053.5m to €2,046.3m, represents the balance between redemptions on securities stated at cost (€293m) and acquisitions on the HTM portfolio (€311m, concentrated in corporate bonds). The unrealized gain on such assets at the reporting date totalled €133.9m (€47.8m).

	30/6/13		30/6/14		Chg.
	(€m)	%	(€m)	%	
Financial assets held to maturity	1,447.8	71%	1,659.8	81%	14.6%
Unlisted debt securities (stated at cost)	605.7	29%	386.5	19%	-36.2%
Total fixed financial assets	**2,053.5**	**100%**	**2,046.3**	**100%**	**-0.4%**

	30/6/13		30/6/14		Chg.
	Book value	%	*Book value*	%	
Italian government securities	359.9	18%	361.4	18%	0.4%
Other government securities	1,252.3	61%	1,023.2	50%	-18.3%
- of which: Italian	*414.7*	*20%*	*442.8*	*22%*	*6.8%*
Corporate bonds	441.3	21%	661.7	32%	49.9%
Total debt securities	**2,053.5**	**100%**	**2,046.3**	**100%**	**-0.4%**

AFS securities – the value of the AFS securities portfolio fell from €11,489.8m to €8,418.5m, due to the disposals completed during the year involving a net €3.6bn across all segments.

	30/6/13		30/6/14		Chg.
	(€m)	%	(€m)	%	
Debt securities	9,967.1	87%	7,152.9	85%	-28.2%
Equities	1,507.8	13%	1,254.6	15%	-16.8%
Others	14.9	—	11.0	—	-26.2%
Total AFS securities	**11,489.8**	**100%**	**8,418.5**	**100%**	**-26.7%**

On the fixed-income side, holdings in Italian government securities were cut from €7.2bn to €4.8bn, with roughly half the positions which expired during the twelve months being renewed.

	30/6/13			30/6/14		
	Book Value	%	Total AFS reserve	*Book Value*	%	Total AFS reserve
Italian government securities	7,193.8	72%	41.2	4,796.1	67%	91.2
Other government securities	114.4	1%	2.4	180.4	3%	2.7
Financial bonds	2,111.1	21%	11.1	1,582.3	22%	55.6
- of which: Italian	*1,180.5*	*12%*	*(5.1)*	*880.3*	*12%*	*25.4*
Corporate bonds	547.8	6%	37.1	594.1	8%	40.5
Total debt securities	**9,967.1**	**100%**	**91.8**	**7,152.9**	**100%**	**190.0**

On the equity side the disposals continued, with €664.1m having been sold since the reporting date last year, in particular the entire holdings in Atlantia (formerly Gemina), Saks and the UniCredit CASHES, plus the partial disposal of the Telco shareholders' loan and RCS MediaGroup. Overall these disposals generated gains totalling €242.5m. Other items worthy of note were the €66.9m (€60.8m) increase attributable to the RCS Media Group capital issue carried out in July 2013, the partial writedown of the Edipower investment (by €2.9m) to bring it in line with the net asset value following the impairment charges taken on some assets by the company, plus other adjustments totalling €5.8m, mostly in respect of unlisted equities. The fair value of this portfolio at the reporting date reflected a surplus over book value of €351.5m.

	30/6/13			30/6/14		
	Book value	**% ord.**	**Total AFS reserve**	**Book value**	**% ord.**	**Total AFS reserve**
Pirelli & C.	195.0	4.61	—	256.9	4.61	61.9
Italmobiliare	34.6	9.5	—	59.2	9.5	24.7
RCS MediaGroup	20.3	14.93	—	39.9	6.2	—
Gemina	203.1	10.01	10.0	—		—
Unicredit CASHES	148.2		11.8	—		—
Saks	54.9	3.42	22.2	—		—
Other listed companies	142.8		16.9	43.8		6.9
Sintonia S.p.A.	302.9	5.94	—	449.2	5.94	146.2
Telco shareholders' loan	78.3		—	113.3		69.7
Telco SpA	—	11.62	—	22.0	7.34	22.0
Edipower	60.2	4.1	—	57.3	5.13	—
Santè S.A.	30.0	9.92	—	39.0	9.92	9.0
Other unlisted companies	237.5		17.7	174.0		32.4
Total equities	**1,507.8**		**78.6**	**1,254.6**		**372.8**

The valuation reserve increased from €170.4m to €562.8m, despite the disposals for the period, due to the positive performance by financial markets: €93.5m of the total involves listed shares, €279.3m other unlisted shares, €91.2m Italian government securities, and €98.8m other bonds.

Treasury assets – the increase in this item, from €8,199.7m to €9,323.8m, largely involves money market assets (up €2.2bn), in particular the reinvestment of debt securities. The rise in equities, meanwhile, is due to short-term operaptions hedged by derivatives.

	30/6/13		30/6/14		Chg.
	(€m)	%	(€m)	%	
Debt securities	3,507.6	43%	2,667.6	29%	-23.9%
Equities	1,068.2	13%	1,173.6	13%	9.9%
Derivative contract valuations	(460.3)	-6%	(797.3)	-9%	73.2%
Others (cash, repos, time deposits)	4,084.2	50%	6,279.9	67%	53.8%
Total net treasury assets	**8,199.7**	**100%**	**9,323.8**	**100%**	**13.7%**

	30/6/13		30/6/14	
	Book Value	%	Book Value	%
Italian government securities	166.1	4.7%	443.8	16.6%
German government securities	1,343.5	38.3%	516.9	19.4%
Other government securities	605.3	17.3%	329.2	12.3%
Financial bonds	1,199.2	34.2%	1,097.6	41.1%
- of which: Italian	*749.0*	*21.4%*	*600.8*	*22.5%*
Corporate bonds	193.5	5.5%	280.1	10.5%
Total debt securities	**3,507.6**	**100.0%**	**2,667.6**	**100.0%**

Tangible and intangible assets – the increase in this item, from €707.7m to €715.4m, reflects the collection of a previously leased property (€9.7m) as well as investments in systems and equipment at the new property owned by Group company Mediobanca Innovation Services (formerly Seteci; €8.2m) to which part of the Group's back office and IT activities have been transferred. At the reporting date the value of the former Linea brand Carta Viva was reduced from €2.7m to zero, having ceased to be used. Goodwill and the Linea brand itself, meanwhile, continue to be carried at book values of €365.9m and €3.6m respectively, both having passed the impairment test.

	30/6/13		30/6/14		Chg.
	(€m)	%	(€m)	%	
Land and properties	256.9	36%	263.0	37%	2.4%
- of which: core	*196.5*	*28%*	*195.3*	*27%*	*-0.6%*
Other tangible assets	38.5	5%	43.1	6%	11.9%
Goodwill	365.9	52%	365.9	51%	—
Other intangible assets	46.4	7%	43.4	6%	-6.5%
Total tangible and intangible assets	**707.7**	**100%**	**715.4**	**100%**	**1.1%**

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	17.2	2.5
– Via Filodrammatici 3, 5, 7 - Piazzetta Bossi 1	11,093	60.9	5.5
– Piazza Paolo Ferrari 6	1,967	4.6	2.3
– Foro Buonaparte 10	3,918	7.7	2.0
– Via Siusi 1-7	22,608	27.1	1.2
Rome *	1,790	8.6	4.8
Vicenza	4,239	5.6	1.3
Luxembourg	442	4.3	9.7
Principato di Monaco	4,576	57.5	12.6
Other minor properties	5,608	1.8	0.3
	63,115	195.3	

* The Piazza di Spagna property, carried at a book value of €26.3m, is only part-used by Mediobanca and is therefore not classified as a core asset.

Provisions – these rose from €192.2m to €195m, due to actuarial valuations of the staff severance indemnity provision (which rose from minus €1.1m to €1.1m).

	30/6/13		30/6/14		Chg.
	(€m)	%	(€m)	%	
Provisions for risks and charges	164,5	86%	166,3	85%	1,1%
Staff severance indemnity provision	27,7	14%	28,7	15%	3,6%
of which: staff severance provision discount	*(1,1)*	*-1%*	*1,1*	*1%*	*n.m.*
Total provisions	**192,2**	**100%**	**195,–**	**100%**	**1,5%**

The provision for risks and charges largely serves to cover possible indemnities payable as a result of the litigation pending (cf. p. 53 and 54).

Net equity – the 14.6%, or €997.5m, increase in this item reflects the profit for the period (€464.8m), the higher valuation reserve (up €564.1m), in respect of AFS securities in particular, and the contribution from Assicurazioni Generali. The company's share capital increased from €430.6m to €430.7m, following the exercise of 277,500 stock options involving an amount of €1.8m, including the share premium reserve.

			(€m)
	30/6/13	**30/6/14**	**Chg.**
Share capital	430.6	430.7	—
Other reserves	6,280.5	6,072.6	-3.3%
Valuation reserves	305.7	869.8	n.m.
- of which: AFS securities	*144.6*	*484.8*	*n.m.*
cash flow hedges	*-81.3*	*(49.4)*	*-39.2%*
equity investments	*232.6*	*426.5*	*83.4%*
Profit for the period	(176.2)	464.8	n.m.
Total Group net equity	**6,840.6**	**7,837.9**	**14.6%**

Of the AFS reserve €372.8m involves equities and €199.6m bonds and other debt securities (including €91.2m Italian government securities), net of the €87.6m tax effect.

			(€m)
	30/6/13	**30/6/14**	**Chg.**
Equities	78.6	372.8	n.m.
Bonds and other debt securities	103.1	199.6	n.m.
- of which: Italian	*49.5*	*91.2*	*84.2%*
Tax effect	(37.1)	(87.6)	n.m.
Total AFS reserve	**144.6**	**484.8**	**n.m.**

Profit and loss account

Net interest income – in a scenario where interest rates have fallen further from already low levels, against a cost of funding which remains high for banks, net interest income rose by 5.7%, continuing the trend witnessed in recent quarters: a positive performance in consumer business (up 13.4%), on good average volumes, and a reduction in wholesale business (down 5.8%), due to the decrease in corporate loans as a result of early repayments.

			(€m)
	30/6/13	**30/6/14**	**Chg.**
Wholesale banking	246.9	232.7	-5.8%
Private banking	40.8	40.3	-1.2%
Consumer	554.6	628.8	13.4%
Retail banking	141.8	141.1	-0.5%
Others (including intercompany accounts)	43.9	44.0	0.2%
Net interest income	**1,028.0**	**1,086.9**	**5.7%**

Treasury income – the strong reduction in this item reflects the performance by the fixed-income income segment, which despite the gains realized on disposals from the banking book (AFS and HTM), reflects the low volatility on markets and the price effect on the securities held for trading, with coupons exceeding the market returns, which increases net interest income but reduces market value. The equity component's contribution was stable as a result of the higher dividends collected on AFS shares.

(€m)

	30/6/13	30/6/14	Chg.
Dividends	17.9	29.7	65.9%
Fixed-income trading profit	121.9	(32.9)	n.m.
Equity trading profit	60.4	48.3	-20%
Net trading income	**200.2**	**45.1**	**-77.5%**

Net fee and commission income – net fee and commission income was up 3.5%, due to a good performance in wholesale banking (up 13.6%), capital markets activity in particular (which more than doubled, from €45.7m to €92.1m); consumer finance reported an 11% reduction caused by a change in the composition of the new business, with reduced penetration from insurance business. Growth in fee income generated from private banking continued (up 10.9%), reflecting an increase in volumes and higher returns on assets under management on a discretionary and non-discretionary basis, and higher brokerage fees as well; as did, even more so, the growth in fees earned from retail business (up 53.4%), on the back of an impressive performance in sales of financial products as part of the new asset management initiative.

(€m)

	30/6/13	30/6/14	Chg.
Wholesale banking	198.4	225.4	13.6%
Private banking	70.4	78.1	10.9%
Consumer	158.6	141	-11.1%
Retail banking	14.8	22.7	53.4%
Others (including intercompany accounts)	(32.5)	(43.3)	33.2%
Net fee and commission income	**409.7**	**423.9**	**3.5%**

Equity-accounted companies – these companies contributed a profit of €263.5m, compared with a €9.5m loss last year, representing the balance between positive contributions from Assicurazioni Generali (up from €16.8m to

€261m), Banca Esperia (up from €0.4m to €5m) and Athena (€1.8m, compared with a €4m loss last year), and the share in the loss incurred in the first half by Burgo Group (€4.4m, versus €10.1m last year).

Operating costs – these rose by 5.2%, driven by higher administrative expenses relating to IT projects (up €6.7m) and development costs in new consumer and retail initiatives (marketing and communication costs in particular). Conversely, labour costs remained virtually flat, at €379m (€379.5m), due to a 12% reduction in the variable salary component in wholesale banking and the reduced weight of stock option costs, for which the vesting period closed during the year under review.

(€m)

	30/6/13	30/6/14	Chg.
Labour costs	379.5	379.0	-0.1%
of which: directors	*8.0*	*8.2*	*2.5%*
stock option and performance share schemes	*16.9*	*12.2*	*-27.8%*
Sundry operating costs and expenses	372.9	412.4	10.6%
of which: depreciation and amortization	*41.2*	*41.1*	*-0.2%*
administrative expenses	*328.4*	*366.9*	*11.7%*
Operating costs	**752.4**	**791.4**	**5.2%**

(€m)

	30/6/13	30/6/14	Chg.
Legal, tax and professional services	35.5	38.6	8.7%
Credit recovery activities	33.4	37.7	12.9%
Marketing and communication	47.3	62.5	32.1%
Rent and property maintenance	36.5	36.7	0.5%
EDP	39.1	49.8	27.4%
Financial information subscriptions	27.0	27.8	3.0%
Bank services, collection and payment commissions	20.4	17.0	-16.7%
Operating expenses	49.1	52.2	6.3%
Other labour costs	18.5	18.5	0.0%
Other costs	10.2	11.5	12.7%
Direct and indirect taxes	11.4	14.6	28.1%
Total administrative expenses	**328.4**	**366.9**	**11.7%**

Gains and losses on disposals of AFS securities – this item chiefly reflects the disposals, already mentioned, of the stakes held in Telco (€67.2m, including gains realized on the Telefonica shares), Gemina/Atlantia (€70.9m), Saks (€28.9m) and the UniCredit CASHES (€42.8m).

Loan loss provisions – the 45.3% increase in this item, from €506.5m to €736m, involves all segments and reflects the ongoing difficulties being encountered by both businesses and households in meeting their commitments promptly, as well as the more stringent classification criteria and the increase in the coverage ratios in line with the Asset Quality Review. Provisioning on the wholesale side in particular (which increased from €120.1m to €233.1m) reflects the rise in NPLs, from €254.6m to €403.6m, and an increase in the coverage ratio, from 39% to 49%; and on the consumer side (up from €335m to €445.3m) reflects the higher coverage ratio of 64% (from 56%) despite the reduction in non-performing items (from €368.7m to €342.1m). Mortgages (for which provisions were up from €25.1m to €27.9m) reflect higher NPLs of €145.2m (€121.9m) with the coverage ratio unchanged at 47%. Provisioning for leasing, finally, increased from €25.3m to €32.8m, following an 11.8% rise in non-performing items with the coverage ratio virtually unchanged at 29% (30%). Conversely, the reduction in the number of bad debts in private banking resulted in a €2.1m writeback being credited to the profit and loss account. The cost of risk in the twelve months under review rose from 145 bps to 230 bps, while the coverage ratio increased from 45% to 50%.

(€m)

	30/6/13	30/6/14	Chg.
Wholesale banking	120.1	233.1	n.m.
Private banking	1.0	-3.1	n.m.
Consumer	335.0	445.3	32.9%
Retail banking	25.1	27.9	11.2%
Other	25.3	32.8	29.6%
Loan loss provisions	**506.5**	**736.0**	**45.3%**
Cost of risk (bps)	**145**	**230**	**58.4%**

Provisions for other financial assets – this item includes the €18.6m writedown charged to the Burgo investment, along with the customary adjustments made to reflect the shares' current stock market prices and NAV. Provisions for bonds involve application of the collective model to the fixed asset portfolio (HTM and L&R).

(€m)

	30/6/13	30/6/14
Equity investments	189.4	18.6
Shares	233.0	8.7
Bonds	(19.0)	3.3
Others	0.8	—
Total	**404.2**	**30.6**

Income tax for the period – with pre-tax profit improving strongly compared to last year, the reduction in income tax for the twelve months under review, from €157.6m to €39.6m, reflects the fact that a substantial share of the Group's taxable income consists of gains on investments which are subject to reduced rates of taxation (under the PEX regime), as well as the benefit arising from the possibility of deducting customer loan loss provisions for IRAP purposes as well.

Mediobanca (as consolidating entity) has adopted tax consolidation, which includes Compass, SelmaBipiemme Leasing, Palladio Leasing, CheBanca!, Creditech (formerly Cofactor) and Futuro. Relations between the consolidating and consolidated entities are governed by bilateral agreements regulating cash flows, exchanges of information and the individual companies' responsibilities versus the revenue authorities.

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

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

CORPORATE AND INVESTMENT BANKING (WHOLESALE BANKING AND PRIVATE BANKING)

(€m)

	30/6/13	30/6/14	Y.o.Y. chg.
Profit-and-loss data			
Net interest income	287.7	273.0	-5.1
Treasury income	211.9	23.2	-89.1
Net fee and commission income	268.8	303.5	12.9
Total income	**768.4**	**599.7**	**-22.0**
Labour costs	(207.8)	(195.6)	-5.9
Administrative expenses	(125.5)	(137.7)	9.7
Operating costs	**(333.3)**	**(333.3)**	**0.0**
Gain (losses) on disposal of AFS shares	3.8	2.2	-42.1
Loan loss provisions	(121.5)	(231.0)	n.m.
Provisions for financial assets	15.1	(5.9)	n.m.
Other profits (losses)	(4.8)	(3.6)	(25.0)
Profit before tax	**327.7**	**28.1**	**n.m.**
Income tax for the period	(123.0)	(10.9)	n.m.
Net profit	**204.7**	**17.2**	**n.m.**
Cost/Income ratio (%)	43.4	55.6	

	30/6/13	30/6/14
Balance-sheet data		
Treasury funds	10,112.3	10,721.6
AFS securities	9,408.5	6,812.7
Fixed financial assets (HTM & LR)	5,017.4	5,013.9
Loans and advances to customers	25,802.4	22,853.0
of which: to Group companies	*9,047.2*	*9,114.1*
Funding	(48,758.7)	(42,968.4)

This division delivered a profit of €17.2m for the twelve months, down sharply on the €204.7m posted last year, as a result of the 89.1% reduction in trading income and substantial increase in loan loss provisions (up from €120.1m to €233.1m) affecting the wholesale segment which indeed reported a €33.5m loss (compared with a €163.6m profit last year). Private banking, by contrast, saw an improvement in net profit from €41.1m to €50.7m.

WHOLESALE BANKING

	30/6/13	30/6/14	Chg. (%)
Profit-and-loss data			
Net interest income	246.9	232.7	-5.8
Treasury income	185.1	1.4	n.m.
Net fee and commission income	198.4	225.4	13.6
Total income	**630.4**	**459.5**	**-27.1**
Labour costs	(152.9)	(144.8)	-5.3
Administrative expenses	(93.0)	(104.7)	12.6
Operating costs	**(245.9)**	**(249.5)**	**1.5**
Loan loss provisions	(120.1)	(233.1)	n.m.
Provisions for financial assets	19.0	(3.1)	n.m.
Profit before tax	**283.4**	**(26.2)**	**n.m.**
Income tax for the period	(119.8)	(7.3)	n.m.
Net profit	**163.6**	**(33.5)**	**n.m.**
Cost/Income ratio (%)	39.0	54.3	

	30/6/13	30/6/14
Balance-sheet data		
Treasury funds	9,254.0	9,851,2
AFS securities	8,825,5	6,058,9
Fixed financial assets (HTM & LR)	5,004,3	5,000,8
Loans and advances to customers	24,549,5	21,591,5
of which: to Group companies	*9,047,2*	*9,114,1*
Funding	(46,624,1)	(40,552,2)
No. of staff	636	639

Wholesale banking, which as of this year comprises on the corporate and investment banking division's banking activity, delivered a net loss of €33.5m (compared with a €163.6m profit last year), reflecting the absence of treasury income (down from €185m to €1.4m). The individual profit-and-loss account items performed as follows:

Net interest income – net interest income fell 5.8%, from €246.9m to €232.7m, due to a reduction in volumes traded (from €50.6bn to €47.5bn), and a reduction on margins on lending rates which was far higher than that on funding rates, in the first half of the year particularly.

(€m)

	12 mths ended 30/6/13	12 mths ended 30/6/14	Chg.
Interest receivable	1,927.0	1,532.6	-20.5%
Interest payable	(1,733.4)	(1,379.3)	-20.4%
Other [1]	53.3	79.4	49.0%
Net interest income	**246.9**	**232.7**	**-5.8%**

[1] Includes margins on interest rate derivatives (heading 80) as well as the effect of hedging (heading 90).

Treasury income – including the gains realized on fixed-income securities held as part of the banking book, this item showed a small net profit of €1.4m (compared with €185.1m last year), reflecting the price effect on securities held for trading, with coupons exceeding the market returns, and the short-term profile of the investments; the equity component contributed €48.3m (€60.5m).

(€m)

	12 mths ended 30/6/13	12 mths ended 30/6/14	Chg.
Profit (loss) on fixed-income trading	124.6	(46.9)	n.m.
of which: AFS	*21.6*	*47.3*	*n.m.*
Profit (loss) on equity trading	60.5	48.3	-0.2
Treasury income	**185.1**	**1.4**	**n.m.**

Net fee and commission income – the European investment banking scenario last year saw further contraction in M&A business, which dropped by 32% in the twelve months ended 30 June 2014, offset by a sustained upturn in business in equity capital markets (which grew 98%), debt capital markets (10%) and syndicated finance (up 54%). M&A activity in particular recorded strong reductions in Spain (38%) and the United Kingdom (40%), and lower decreases in Germany (4%) and Italy (2%) against a strong recovery in France (up 129%). Equity capital market activity, meanwhile, saw indicators recovering in all European countries: Italy up 53%, France up 71%, Germany up 19%, with volumes trebling in Spain and the United Kingdom; while debt capital market activity grew in Italy (by 52%), France (28%), the U.K. (8%) and Spain (1%) with the sole exception of Germany (-11%).

In this scenario Mediobanca delivered an impressive performance in capital market activities, closing more than twenty equity underwriting deals worth an aggregate €19bn, generating fees of €66m (28m) without taking on any debt. On the debt capital market side, the Bank participated in around fifty transactions, generating fees of approx. €27m (€18m). By contrast, there was a reduction in M&A fees from €48.9m to €36.6m, despite the Bank having acted as advisor on the leading Italian domestic and international transactions, including most notably the Transport Infrastructures Gaz France deal, the Atlantic 1 real estate fund and Deoleo acquisitions, and assisting the Lagardère and Globus Fzchmaerkte groups; advice on the disposal of non-strategic assets owned by Assicurazioni Generali, Banca Carige, Il Sole24 Ore, the Barbetti group's Turkish subsidiary and Rhiag. Mediobanca also acted as debt advisor to the Itínere group and to the Nerviano research group, and as strategic advisor to Enel (on the reorganization of its South American operations), NCG Banco SA (Spain) and Baumax (Germany).

Overall net fee and commission income was up 13.6%, from €198.4m to €225.4m, and breaks down as follows:

(€m)

	12 mths ended 30/6/13	12 mths ended 30/6/14	Chg.
Lending	80.1	74.2	-7.4%
M&A advisory	48.9	36.6	-25.2%
Capital markets	45.7	92.1	n.m.
Markets, sales and other income	23.7	22.5	-5.1%
Net fee and commission income	**198.4**	**225.4**	**13.6%**

Operating costs – operating costs were virtually stable at €249.5m (€245.9m): the €5m reduction in the variable labour cost component was offset by the increased administrative expenses (up €11.7m) linked to IT costs (EDP and financial information providers) and by fees payable to consultants in connection with the adaptation and enhancement of the internal controls systems.

(€m)

	12 mths ended 30/6/13	12 mths ended 30/6/14	Chg.
Labour costs	152.9	144.8	-5.3%
Operating and sundry other expenses	93.0	104.7	12.6%
of which: EDP	*14.6*	*30.7*	*n.m.*
Financial information providers	*15.9*	*16.6*	*4.4%*
Legal, tax and professional services	*13.9*	*19.5*	*40.3%*
Operating costs	**245.9**	**249.5**	**1.5%**

Loan loss provisions – these more or less doubled, from €120.1m to €233.1m, following the writeoff of individual positions (€37.1m) and three positions being classified among bad loans.

On the balance-sheet side:

Loans and advances to customers – loans to corporates fell from €15.5bn to €12.5bn, due chiefly to early repayments (€2.9bn), with new loans for the period (€3.4bn) covering the contractual repayments. The loan book remains concentrated on the domestic Italian market (56.6%) and the countries where Mediobanca has its own branches (29.9%). Non-performing loans totalled €403.5m (€254.6m), net of provisions totalling €388.9m (€159.9m) which account for 3.23% (1.64%) of the total loan book. The coverage ratio rose from 39% to 49%.

	30/6/13		30/6/14		Chg.
	(€m)	%	(€m)	%	
Italy	9,776.2	63.1%	7,056.2	56.6%	-27.8%
France	1,378.0	8.9%	1,494.5	12.0%	8.5%
Germany	819.9	5.3%	847.1	6.8%	3.3%
U.K.	637.8	4.1%	842.6	6.8%	32.1%
USA	525.4	7.1%	546.6	4.4%	-50.4%
Other non-resident customers	2,365.0	11.5%	1,690.4	13.4%	-5.5%
Total loans and advances to customers	**15,502.3**	**100.0%**	**12,477.4**	**100.0%**	**-19.5%**

Funding – funding declined by 13%, from €46.6bn to €40.6bn, due to the planned reduced renewals of debt securities (€24.1bn, versus €27.6bn) and the CheBanca! retail channel (in which deposits fell from €9.7bn to €8.7bn), plus the early, €2bn repayment of the ECB's LTRO. During the period there was new issuance totalling €5.5bn, against repayments of €8.9bn, €1.1bn of which in buybacks on the market.

	30/6/13		30/6/14		Chg.
	(€m)	%	(€m)	%	
Debt securities	27,554.2	59%	24,082.4	59%	-12.6%
Interbank funding	10,269.6	22%	9,494.5	23%	-7.5%
- of which: intercompany	*9,660.6*	*21%*	*8,692.7*	*21%*	*-10.0%*
LTRO	7,500.0	16%	5,500.0	14%	-26.7%
Securitizations and other funds	1,300.3	3%	1,475.3	4%	13.5%
Total funding	**46,624.1**	**100%**	**40,552.2**	**100%**	**-13.0%**

Banking book debt securities – these decreased from €13.8bn to €11.1bn, as a result of the reduction in holdings of Italian government securities (from €6.6bn to €4.5bn) and in bonds issued by financial entities (from €4.6bn to €4.2bn).

	30/6/13		30/6/14		Chg.
	(€m)	%	(€m)	%	
AFS debt securities	8,825.5	64%	6,058.9	55%	-31.3%
Financial assets held to maturity	1,434.1	10%	1,645.9	15%	14.8%
Unlisted debt securities (stated at cost)	3,570.2	26%	3,354.9	30%	-6.0%
Total fixed and AFS securities	**13,829.8**	**100%**	**11,059.7**	**100%**	**-20.0%**

	30/6/13			30/6/14		
	Book Value	%	Riserva AFS	*Book Value*	%	Riserva AFS
Italian government securities	6,647.6	48%	53.6	4,466.8	40%	79.9
Other government securities	94.7	1%	2.2	121.3	1%	2.1
Financial bonds	5,970.4	43%	5.9	5,244.7	47%	50.6
- of which: Italian	4,591.0	33%	(5.5)	4,249.8	38%	23.5
Corporate bonds	1,117.1	8%	43.6	1,226.9	12%	42.3
Total debt securities	**13,829.8**	**100%**	**105.3**	**11,059.7**	**100%**	**174.9**

Treasury assets – the funds not used in the banking book were transferred, net of funding applications, to treasury assets, which rose accordingly from €9.3bn to €9.9bn, in the money market in particular (up from €5.7bn to €7.3bn).

	30/6/13		30/6/14		Chg.
	(€m)	%	(€m)	%	
Cash	201.0	2%	224.2	2%	11.5%
Debt securities	2,837.4	31%	1,958.2	20%	-31.0%
Equities	1,034.7	11%	1,169.3	12%	13.0%
Derivative contract valuations	(385.3)	-4%	(752.7)	-8%	n.m.
Others (repos, time deposits, derivatives etc.)	5,566.2	60%	7,252.2	74%	30.3%
Total net treasury assets	**9,254.0**	**100%**	**9,851.2**	**100%**	**6.5%**

* * *

PRIVATE BANKING

(€m)

	30/6/13	30/6/14	Chg. (%)
Profit-and-loss data			
Net interest income	40.8	40.3	-1.2
Treasury income	26.8	21.8	-18.7
Equity-accounted companies	70.4	78.1	10.9
Total Income	**138.0**	**140.2**	**1.6**
Labour costs	(54.9)	(50.8)	-7.5
Administrative expenses	(32.5)	(33.0)	1.5
Operating costs	**(87.4)**	**(83.8)**	**-4.1**
Gain (losses) on disposal of AFS shares	3.8	2.2	-42.1
Loan loss provisions	(1.4)	2.1	n.m.
Provisions for financial assets	(3.9)	(2.8)	-28.2
Other profits (losses)	(4.8)	(3.6)	-25.0
Profit before tax	**44.3**	**54.3**	**22.6**
Minority interest	(3.2)	(3.6)	12.5
Net profit	**41.1**	**50.7**	**23.4**
Cost/Income ratio (%)	63.3	59.8	

	30/6/13	30/6/14
Balance-sheet data		
Treasury funds	858.3	870.4
AFS securities	582.9	753.8
Fixed financial assets (HTM & LR)	13.1	13.1
Loans and advances to customers	1,252.9	1,261.5
Funding	(2,134.6)	(2,416.2)
Assets under management	13,771.5	15,035.5
Securities held on a fiduciary basis	1,357.7	1,420.3
No. of staff	344	347

Private banking delivered a net profit of €50.7m (€41.1m), on higher revenues (up from €138m to €140.2m) driven by increased fee income of €78.1m (€70.4m), with net interest income resilient at €40.3m (€40.8m). Operating costs were down 4.1%, from €87.4m to €83.8m, labour costs in particular. There were also net writebacks to loans of €2.1m, following a reduction in non-performing items (from €9.9m to €7.5m). Assets under management on a discretionary and non-discretionary basis at the year-end amounted to €15bn (€13.8bn), €7.3bn (€6.7bn) for CMB and €7.7bn (€7.1bn) for Banca Esperia.

PRINCIPAL INVESTING (EQUITY INVESTMENT PORTFOLIO)

(€m)

	30/6/13	30/6/14	Y.o.Y. chg.
Profit-and-loss data			
Treasury income	17.8	29.7	66.9
Equity-accounted companies	(9.9)	258.6	n.m.
Total Income	**7.9**	**288.3**	**n.m.**
Labour costs	(9.6)	(8.8)	-8.3
Administrative expenses	(1.6)	(1.7)	6.3
Operating Costs	**(11.2)**	**(10.5)**	**-6.2**
Gain (losses) on disposal of AFS shares	16.7	240.2	n.m.
Provisions for financial assets	(422.3)	(25.3)	n.m.
Profit Before Tax	**(408.9)**	**492.7**	**n.m.**
Income tax for the period	1.8	(43.4)	n.m.
Net Profit	**(407.1)**	**449.3**	**n.m.**
Balance-sheet data			
AFS securities	1.493,8	1.242,6	
Equity investments	2.500,1	2.775,2	

Principal investing recorded a profit of €449.3m for the twelve months, compared with a €407.1m loss last year, due to the higher profits earned by the Assicurazioni Generali (up from €16.8m to €261m), gains on disposals (€240.2m, as against €16.7m), and and a reduction in writedowns (from €422.3m to €25.3m). Profits for the period include €67.2m in respect of the Telco shareholders' loan disposal, €70.9m on the Gemina/Atlantia shares, €28.9m on the Saks investment, and €42.8m on the UniCredit CASHES. Of the writedowns, €18.6m involved the Burgo Group investment's value being reduced to zero, and €6.5m AFS shares.

RETAIL AND CONSUMER BANKING (FINANCIAL SERVICES TO HOUSEHOLDS)

(€m)

	30/6/13	30/6/14	(%)
Profit-and-loss data			
Net interest income	696.4	769.9	10.6
Treasury income	(15.8)	0.4	n.m.
Net fee and commission income	173.4	163.7	-5.6
Total Income	**854.0**	**934.0**	**9.4**
Labour costs	(146.6)	(150.7)	2.8
Administrative expenses	(255.4)	(285.4)	11.7
Operating Costs	**(402.0)**	**(436.1)**	**8.5**
Loan loss provisions	(360.1)	(473.2)	31.4
Other profits (losses)	(0.5)	(5.0)	n.m.
Profit Before Tax	**91.4**	**19.7**	**-78.4**
Income tax for the period	(46.9)	3.6	n.m.
Net Profit	**44.5**	**23.3**	**-47.6**
Cost/Income ratio (%)	47.1	46.7	

	30/6/13	30/6/14
Balance-sheet data		
Treasury funds	9,028.4	8,753.9
AFS securities	871.8	697.4
Fixed financial assets (HTM & LR)	1,747.0	1,528.2
Loans and advances to customers	13,694.2	14,269.5
Funding	(24,384.2)	(21,142.3)
Cost of risk (bps)	265	338

This division reported a profit for the twelve months of €23.3m, down on the €44.5m earned last year due to the higher cost of risk (up 31.4%, from €360.1m to €473.2m), in the consumer segment in particular. Revenues increased by 9.4%, offsetting the 8.5% rise in operating costs linked to new commercial initiatives. Also worth noting is the tax benefit deriving from loan loss provisions being tax-deductible for IRAP purposes.

CONSUMER BANKING

(€m)

	30/6/13	30/6/14	Chg. (%)
Profit-and-loss data			
Treasury income	554.6	628.8	13.4
Equity-accounted companies	158.6	141.0	-11.1
Total Income	**713.2**	**769.8**	**7.9**
Labour costs	(86.3)	(90.1)	4.4
Administrative expenses	(171.4)	(187.0)	9.1
Gain (losses) on disposal of AFS shares	**(257.7)**	**(277.1)**	**7.5**
Other profits (losses)	(335.0)	(445.3)	32.9
Profit Before Tax	**120.5**	**47.4**	**-60.7**
Minority interest	(48.2)	1.0	n.m.
Net Profit	**72.3**	**48.4**	**-33.1**
Cost/Income ratio (%)	36.1	36.0	

	30/6/13	30/6/14
Balance-sheet data		
Treasury funds	429.5	270.4
AFS securities	60.2	102.3
Fixed financial assets (HTM & LR)	0.7	0.8
Loans and advances to customers	9,427.7	9,876.9
Funding	(9,301.7)	(9,660.7)
Cost of risk (bps)	360	461
New loans	5,006.5	5,284.6
No. of branches	163	158
No. of staff	1,435	1,479

Consumer banking operations recorded a €48.4m net profit in the twelve months under review, considerably lower than the €72.3m posted last year due to the 32.9% rise in the cost of risk, which was partly offset by the reduced tax burden due to loan loss provisions becoming tax-deductible for IRAP purposes.

The 7.9% increase in revenues, from €713.2m to €769.8m, reflects 13.4% growth in net interest income (from €554.6m to €628.8m) due to the higher volumes and lower cost of funding. Operating costs, up 7.5%, reflect higher credit recovery charges (up from €32.4m to €37.2m) and communications expenses (up from €27.4m to €32.7m). The increase in loan loss provisions, from €335m to €445.3m, took the cost of risk up from 360 bps to 461 bps, and reflects a substantial increase in the coverage ratio, from 56% to 64%, as well as prudential, 0.8% coverage of performing loans. Loans and advances to customers rose from €9.4bn to €9.9bn, with a 5.6% increase in new loans (from €5,006.5m to €5,284.6m), despite the declining market scenario. As a result of the higher provisioning net NPLs fell from €368.7m to €342.1m and now account for 3.3% (3.7%) of the total loan book.

RETAIL BANKING

(€m)

	30/6/13	30/6/14	Chg. (%)
Profit-and-loss data			
Net interest income	141.8	141.1	-0.5
Treasury income	(15.8)	0.4	n.m.
Equity-accounted companies	14.8	22.7	53.4
Total Income	**140.8**	**164.2**	**16.6**
Labour costs	(60.3)	(60.6)	0.5
Administrative expenses	(84.0)	(98.4)	17.1
Gain (losses) on disposal of AFS shares	**(144.3)**	**(159.0)**	**10.2**
Provisions for financial assets	(25.1)	(27.9)	11.2
Other profits (losses)	(0.5)	(5.0)	n.m.
Profit Before Tax	**(29.1)**	**(27.7)**	**-4.8**
Minority interest	1.3	2.6	100.0
Net Profit	**(27.8)**	**(25.1)**	**-9.7**
Cost/Income ratio (%)	102.5	96.8	

	30/6/13	30/6/14
Balance-sheet data		
Treasury funds	8,598.9	8,483.5
AFS securities	811.6	595.1
Fixed financial assets (HTM & LR)	1,746.4	1,527.4
Loans and advances to customers	4,266.5	4,392.6
Retail funding	(11,874.2)	(11,481.6)
New loans	289.0	467.0
No. of branches	45	57
No. of employees	911	886

Retail banking showed a net loss of €25.1m, a slight improvement on the €27.8m loss posted last year, due to 16.6% growth in revenues offset in part by higher operating costs (up 10.2%) and the increased cost of risk (up 11.2%), as well as a one-off, €5m contribution to the Italian interbank deposit protection fund, net of which the result would be some 30% better. In particular, revenues of €164.2m (€140.8m) reflect higher fee income (up from €14.8m to €22.7m) generated from bond placements, in particular those issued by Mediobanca, and asset management products (which generated net fees of €0.4m in the first six months of operations), with net interest income stable at €141.1m (€141.8m) as a result of the majority of the interest-bearing deposits being transferred to centralized treasury operations at parent company level. Operating costs of €159m (€144.3m) were higher as a result of the new commercial initiatives. The higher provisions for mortgage loans (up from €25.1m to €27.9m) reflect the increase in bad debts which entailed higher NPLs (up from €121.9m to €145.2m), the latter accounting for 3.3% (2.9%) of the total loan book, with the coverage ratio unchanged at 47%. Mortgage loans generally were up 3%, from €4,266.5m to €4,392.6m, with new loans virtually doubling (from €289m to €467m). Retail deposits stood at €11,481.6m, lower than at the reporting date when they totalled €11,874.2m. Indirect funding, meanwhile, rose from €657m to €1,465.6m (by market value), €398.7m of which in respect of asset management.

LEASING

(€m)

	30/6/13	30/6/14	Chg. (%)
Profit-and-loss data			
Net interest income	46.5	46.7	0.4
Treasury income	—	(0.1)	n.m.
Equity-accounted companies	5.8	(0.4)	n.m.
Total Income	**52.3**	**46.2**	**-11.7**
Labour costs	(16.5)	(15.6)	-5.5
Administrative expenses	(13.6)	(12.4)	-8.8
Gain (losses) on disposal of AFS shares	**(30.1)**	**(28.0)**	**-7.0**
Provisions for financial assets	(25.3)	(32.8)	29.6
Other profits (losses)	(4.4)	2.1	n.m.
Profit Before Tax	**(7.5)**	**(12.5)**	**66.7**
Income tax for the period	1.2	3.0	n.m.
Minority interest	4.2	3.4	-19.0
Net Profit	**(2.1)**	**(6.1)**	**n.m.**
Cost/Income ratio (%)	57.6	60.6	

	30/6/13	30/6/14
Balance-sheet data		
Treasury funds	117.3	111.8
Loans and advances to customers	3,453.4	3,001.7
Funding	(3,454.3)	(2,994.6)
New loans	250.4	388.0
No. of employees	160	145

This business reported a loss for the year of €6.1m, higher than the €2.1m loss reported last year. A 11.7% reduction in revenues went alongside a 29.6% rise in the cost of risk. The fall in revenues, from €52.3m to €46.2m, was due entirely to the contraction in business levels, which led to lower fees while net interest income remained stable due to a reduction in the cost of funding. Lower operating costs of €28m (€30.1m) and non-recurring recovered items (€2.1m) only partly offset the increase in loan loss provisions, which rose from €25.3m to €32.8m due to 10.7% growth in non-performing loans (from €234.1m to €259.2m), with the coverage ratio virtually unchanged at 30% (29%). Accounts outstanding with customers declined in the twelve months under review, from €3,453.4m to €3,001.7m, with a slight increase in new loans (from €250.4m to €388m).

* * *

The financial highlights for the other Group companies during the twelve months under review are shown below, broken down according to business area:

Company	Percentage shareholding	Business line	Total assets	Loans and advances to customers	Total net equity	No. of employees
Mediobanca International	100%	WSB	3,492.2	2,731.7	245.8	6
Mediobanca International Immobiliere	100%	WSB	2.0	n.m.	1.6	—
Mediobanca Turchia	100%	WSB	8.2	n.m.	4.0	8
MB Securities USA	100%	WSB	5.7	n.m.	1.3	4
Prominvestment (in liquidation)	100%	WSB	5.3	4.5	(2.2)	6
Consortium	100%	WSB	0.2	n.m.	0.2	—
Compagnie Monégasque de Banque	100%	PB	2,417.4	802.9	612.4	195
Banca Esperia	50%	PB	1,612.4	917.6	181.5	129
Spafid	100%	PB	36.8	n.m.	32.8	18
Prudentia	100%	PB	3.9	n.m.	2.3	16
Compass	100%	Consumer	9,860.6	8,525.6	1,154.1	1.255
Futuro	100%	Consumer	1,124.0	1,101.0	38.6	69
Creditech	100%	Consumer	278.3	251.3	63.7	159
Compass RE	100%	Consumer	204.2	n.m.	43.1	—
Quarzo	90%	Consumer	0.2	n.m.	n.m.	—
CheBanca!	100%	Retail	15,211.6	4,392.6	268.0	894
Mediobanca Covered Bond	90%	Retail	0.2	n.m.	0.1	—
Selma Bipiemme Leasing	60%	Leasing	1,826.3	1,503.2	76.3	88
Palladio Leasing	60%	Leasing	1,413.9	1,375.1	107.8	58
Teleleasing (in liquidation)	48%	Leasing	127.8	123.4	104.4	2
Quarzo Lease	90%	Leasing	0.4	0.3	n.m.	—
Mediobanca Innovation Services	100%	other	66.6	n.m.	37.6	115
Ricerche e Studi	100%	other	0.9	n.m.	0.1	14

Company	Percentage shareholding	Business line	Total income	Operating costs	Provisions	Profit for the period
Mediobanca International	100%	WSB	33.1	(5.8)	(3.7)	19.0
Mediobanca International Immobiliere	100%	WSB	0.2	(0.1)	n.m.	n.m.
Mediobanca Turchia	100%	WSB	5.7	(3.5)	n.m.	1.7
MB Securities USA	100%	WSB	4.0	(2.4)	n.m.	1.6
Prominvestment (in liquidation)	100%	WSB	0.2	(1.0)	n.m.	(0.8)
Consortium	100%	WSB	n.m.	n.m.	n.m.	n.m.
Compagnie Monégasque de Banque	100%	PB	90.3	(45.1)	0.9	48.4
Banca Esperia	50%	PB	93.7	(67.1)	(3.2)	10.0
Spafid	100%	PB	4.4	(3.0)	n.m.	0.9
Prudentia	100%	PB	3.1	(2.8)	n.m.	0.2
Compass	100%	Consumer	690.9	(250.0)	(388.9)	18.0
Futuro	100%	Consumer	26.5	(12.4)	(0.6)	7.6
Creditech	100%	Consumer	35.2	(19.4)	(7.8)	7.6
Compass RE	100%	Consumer	23.7	(0.4)	n.m.	16.2
Quarzo	90%	Consumer	0.1	(0.1)	n.m.	n.m.
CheBanca!	100%	Retail	164.0	(158.6)	(27.9)	(25.1)
Mediobanca Covered Bond	90%	Retail	n.m.	n.m.	n.m.	n.m.
Selma Bipiemme Leasing	60%	Leasing	20.0	(18.9)	(21.7)	(12.9)
Palladio Leasing	60%	Leasing	20.6	(7.5)	(11.9)	0.6
Teleleasing (in liquidation)	48%	Leasing	7.5	(3.3)	0.7	2.9
Quarzo Lease	90%	Leasing	0.1	(0.1)	n.m.	n.m.
Mediobanca Innovation Services	100%	other	29.0	(28.6)	n.m.	n.m.
Ricerche e Studi	100%	other	1.8	(1.8)	n.m.	n.m.

With reference to the consolidated accounts for CMB and Banca Esperia as at 31 December 2013:

- *Compagnie Monégasque de Banque:* CMB reported a profit of €44.3m, compared with €44.7m last year (net of €4m in non-recurring items), with fee and net interest income both rising (from €38.1m to €44.8m in the case of the former, and from €21.8m to €26m in the case of the latter), thus making up part of the reduction in treasury income (from €32.3m to €15.9m). Loans and advances to customers for the year decreased from €842.6m to €760.7m, while securities rose to €1,144.5m (€991.5m) on higher deposits of €1,565.8m (€1,339.4m). Assets under management on a discretionary/non-discretionary basis totalled €7bn (€6.6bn).
- *Banca Esperia S.p.A.:* Banca Esperia recorded a net profit of €1.9m, down on the €5.1m posted the previous year. Revenues fell, from €90.8m to €88.5m, on lower fees of €48.2m (€59.5m, with performance fees in particular declining) offset by the performance of the bank's own securities portfolio (€23.6m, compared with €13.6m) and the increase in net interest income (from €14.5m to €16.2m) attributable to higher customer loans (up from €852.4m to €936.7m) and AFS assets of €626.4m (€471.9m). There were loan loss provisions for the twelve months totalling €1.1m, a €4.2m reduction in administrative expenses (chiefly due to the reduction in labour costs), and transfers to the provision for risks and charges totalling €12.5m. Assets under management grew from €13.8bn to €15.3bn.

Other Information

Related party disclosure

Financial accounts outstanding as at 30 June 2014 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 the leading Italian industrial groups, its presence in the retail banking and consumer finance business on the domestic market, and its exposure to market volatility in respect of its securities portfolio in the wholesale banking and principal investing divisions.

Research

R&S has continued its analysis of companies and capital markets as in the past. R&S produced the thirty-eighth edition of its Annual Directory, which includes analysis of leading Italian listed companies, and published the profiles of over a hundred other industrial and financial groups online. A new study of local utilities owned by the leading municipalities and the eighteenth edition of R&S's survey of the world's leading industrial and service multinationals have been published, as were two updates of its survey of European banks based on interim data (the sixth edition) and annual data (the twelfth edition), the third edition of its review of industrial companies in southern Italy on behalf of the Fondazione Ugo La Malfa, and – in conjunction with *Il Sole 24 Ore* – the quarterly analyses of blue chip companies' results.

Credit rating

The rating assigned by Standard & Poor's to Mediobanca has been confirmed as BBB (aligned to the country risk for the republic of Italy), with negative outlook for medium-/long-term debt (A-2 for short-term debt).

Tax litigation

As at 30 June 2014 the Mediobanca Group had a total of 29 cases pending, in respect of higher tax worth a notified amount of €72.6m, plus interest and fines.

All the cases involve disputes with the Italian tax revenue authority and regard:

- sixteen claims in respect of allegedly non-existent leasing transactions, involving higher tax worth a notified amount of €35.7m (€31.8m by way of VAT and €3.8m IRES/IRAP); €24.2m of this amount involves leases on yachts, while the remainder involves real estate and brands;
- one claim regarding the deductibility of the losses arising on the non-recourse disposal of receivables by Compass in the 2007/08 financial year, involving higher tax worth a notified amount of €30.5m. The same claim in respect of the 2006/07 financial year, originally involving a notified amount

of €24.5m, ended with the ruling in Compass's favour which then became definitive;

- four claims in respect of the application of withholding and registration tax upon the disbursement of loans to Italian companies by Mediobanca, involving higher tax worth a notified amount of €4.2m;
- eight claims in respect of other items, involving higher tax worth a notified amount of €2.1m.

The companies concerned have appealed against all the above rulings in the conviction that their actions were correct (cf. the ruling in the Compass dispute going in its favour). For this reason no amounts have been set aside to the provison for risks and charges, including in view of how the legal process is progressing, and the indemnity clauses contained in the agreements with the customers regarding the withholding and registration taxes.

Against all cases of tax litigation outstanding as at 30 June 2014, a provision of €2.5m has been booked to the accounts, as an asset, in respect of SelmaBipiemme, representing the total amount paid by way of provisional collection.

Litigation pending

The most significant case involves the claims against Mediobanca relating to the Bank's alleged failure, jointly with other parties, to launch a full takeover bid for La Fondiaria in 2002. Sixteen claims have so far been made, twelve of which are still pending, with four having been settled during the year under review (three of which out of court, with the fourth having become statute-barred). The aggregate amount involved in the twelve claims still pending against the parties is approx. €108.3m, plus interest and expenses; Mediobanca's share in this would be approx. €37m (plus interest and expenses). The present status of the trials in respect of these claims is as follows:

- the court of cassation has ruled against Mediobanca on three claims, which have now reverted to the Milan court of appeals for the rulings to be prosecuted;
- five claims, in which the court of appeals has ruled in favour of Mediobanca, are pending at the court of cassation;

- one claim, in which the ruling went against Mediobanca, is pending before the court of appeals in Milan; and
- three claims have recently been lodged with the court of Milan.

The other main claims that have been made against Mediobanca are as follows:

- one claim pending with the court of Milan for damages totalling €134.4m in connection with the Burani group bankruptcies for Mediobanca's alleged role as advisor on the takeover bid concerned. Mediobanca has appeared in court and has pleaded not guilty, on the grounds that its activity as advisor consisted exclusively of preparing one analysis (defined as "Discussion material") on behalf of Burani Designer Holding NV, regarding the principal impact of the takeover bid in financial terms;
- one claim filed with the court of Siena for damages in an amount of €286m by the Fondazione Monte dei Paschi di Siena, for an alleged non-contractual liability, jointly with the other lender banks, in connection with the execution of a loan granted in June 2011;
- requests for reimbursement of damages (with no claims actually filed) following the loss of value of shares in Fondiaria-SAI, Milano Assicurazioni, Unipol and Premafin after the rescue operations and reorganizations in which the companies were involved in 2011-12.

No cases of significant litigation are outstanding within the Group.

The provision for risks and charges, which at the reporting date totalled slightly over €150m, amply covers any charges that may be payable as a result of the claims made against Mediobanca and the Group companies.

Outlook

Estimates for the current financial year continue to depend heavily on the macroeconomic framework which remains extremely weak on both the domestic Italian and European markets. In particular, the demand for credit remains modest, and market volatility minimal, with interest rates near their all-time lows. Against this backdrop, the Group confirms its three-year plan targets: further reductions in equity investments; resumption of corporate lending, due among other things to development of the mid-corporate platform for the factoring business; and targeted growth in consumer credit. It is estimated that revenues will recover, based on net interest income remaining stable and healthy fee flows, with treasury activity expected to be weak. The cost/income ratio should be stable, while the cost of risk is expected to come down sharply across all segments.

Reconciliation of shareholders' equity and net profit

(€'000)

	Shareholders' equity	Net profit (loss)
Balance at 30/6 as per Mediobanca S.p.A. accounts	4,827,481	165,913
Net surplus over book value for consolidated companies	14,822	87,764
Differences on exchange rates originating from conversion of accounts made up in currencies other than the Euro	(175)	—
Other adjustments and restatements on consolidation, including the effects of accounting for companies on an equity basis	2,531,240	211,100
Dividends received during the period	—	—
TOTAL	**7,373,368**	**464,777**

Milan, 17 September 2014

THE BOARD OF DIRECTORS

DECLARATION BY HEAD OF COMPANY FINANCIAL REPORTING

DECLARATION IN RESPECT OF CONSOLIDATED FINANCIAL STATEMENTS as required by Article 81-ter of Consob resolution no. 11971 issued on 14 May 1999 as amended

1. The undersigned Alberto Nagel and Massimo Bertolini, in their respective capacities as Chief Executive Officer and Head of Company Financial Reporting of Mediobanca, hereby declare and in view inter alia of the provisions contained in Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 58/98, that the administrative and accounting procedures used in the preparation of the consolidated financial statements:
   – were adequate in view of the company's characteristics are adequate; and
   – were effectively applied during the year ended 30 June 2014.
2. Assessment of the adequacy of said administrative and accounting procedures for the preparation of the consolidated financial statements as at 30 June 2014 was based on a model defined by Mediobanca in accordance with benchmark standards for internal control systems which are widely accepted at an international level (i.e. the CoSO and CobiT frameworks).
3. It is further hereby declared that
   3.1 the consolidated financial statements:
      – have been drawn up in accordance with the International Financial Reporting Standards adopted by the European Union pursuant to CE regulation no. 1606/02 issued by the European Parliament and Council on 19 July 2002;
      – correspond to the data recorded in the company's books and accounts ledgers;
      – are adequate for the purpose of providing a truthful and accurate representation of the capital, earnings and financial situation of the issuer and the group of companies included within its area of consolidation.

   3.2 the review of operations contains reliable analysis of the Group's operating performance and results, and of the situation of Mediobanca S.p.A. and the group of companies comprised within its area of consolidation, along with a description of the main risks and uncertainties to which they are exposed.

Milan, 17 September 2014

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

EXTERNAL AUDITORS' REPORT

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the shareholders of
Mediobanca SpA

1 We have audited the consolidated financial statements of Mediobanca SpA and its subsidiaries ("Mediobanca Group") of Mediobanca SpA as of 30 June 2014 which comprise the balance sheet, the profit and loss account, the comprehensive profit and loss account, the statement of changes to net equity, the cash flows statement and the related notes to the accounts. The directors of Mediobanca SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

The consolidate financial statements present the corresponding prior year annual consolidated financial statements figures for comparative purposes. As disclosed in the notes to the accounts to the consolidated financial statements, the directors of Mediobanca SpA restated some of the corresponding figures included in the prior year annual consolidated financial statements. We audited the consolidated financial statements of the prior period and issued our report on 1 October 2013. We have examined the methods used to restate the prior year corresponding figures and related disclosures set out in the notes to the accounts for the purposes of preparing this report.

3 In our opinion, the consolidated financial statements of the Mediobanca Group as of 30 June 2014 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of the Mediobanca Group for the period then ended.

4 The directors of Mediobanca SpA are responsible for the preparation of a report on operations and a report on corporate governance and ownership structure in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard n° 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of Mediobanca SpA as of 30 June 2014.

Milan, 1st October 2014

PricewaterhouseCoopers SpA

Signed by

Marco Palumbo
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(€'000)

Assets		30/6/14		30/6/13
10. Cash and cash equivalents		33,947		28,842
20. Financial assets held for trading		12,406,967		13,047,073
40. Financial assets available for sale		8,418,488		11,489,762
50. Financial assets held to maturity		1,659,818		1,447,817
60. Due from banks		5,287,754		4,854,958
70. Due from customers		36,623,531		36,413,851
80. Hedging derivatives		1,008,609		1,105,948
100. Equity investments		2,871,375		2,586,899
120. Property, plant and equipment		306,066		295,420
130. Intangible assets		409,375		412,320
of which:				
goodwill	*365,934*		*365,934*	
140. Tax assets:		1,096,924		896,284
a) current	*385,652*		*246,809*	
b) advance	*711,272*		*649,475*	
of which L. 214/2011	*588,140*		*447,576*	
160. Other assets		341,134		262,124
TOTAL ASSETS		**70,463,988**		**72,841,298**

(€'000)

Liabilities and net equity		**30/6/14**		**30/6/13**
10. Due to banks		11,459,800		12,366,182
20. Due to customers		16,475,388		16,175,810
30. Debt securities in issue		23,330,028		26,695,279
40. Trading liabilities		9,277,161		8,850,000
60. Hedging derivatives		353,451		336,419
80. Tax liabilities:		596,232		608,041
a) current	*235,113*		*267,504*	
b) deferred	*361,119*		*340,537*	
100. Other liabilities		710,566		551,546
110. Staff severance indemnity provision		28,737		27,701
120. Provisions:		166,292		164,792
a) post-employment and similar benefits	—		—	
b) other provisions	166,292		164,792	
130. Insurance reserve		123,664		117,405
140. Revaluation reserves		869,704		305,657
170. Reserves		4,150,374		4,374,306
180. Share premium reserve		2,121,819		2,120,143
190. Share capital		430,703		430,565
200. Treasury shares		(199,233)		(213,844)
210. Minority interest		104,525		107,466
220. Profit for the period		464,777		(176,170)
TOTAL LIABILITIES AND NET EQUITY		**70,463,988**		**72,841,298**

* Comparative data as at 30/6/13 have been restated to reflect the introduction of IAS 19 revised, as described in Part A – Accounting poli-cies, A.2 Significant accounting policies. This has led to a difference of €3.7m in the net loss for the twelve months, plus €0.1m in respect of defined benefit schemes being restated from Other reserves to Valuation reserves..

Consolidated profit and loss account *

(€'000)

	Item		12 mths to 30/6/14		12 mths to 30/6/13
10.	Interest and similar income		2,379,983		2,726,732
20.	Interest expense and similar charges		(1,319,051)		(1,660,404)
30.	**Net interest income**		**1,060,932**		**1,066,328**
40.	Fee and commission income		391,873		354,201
50.	Fee and commission expense		(57,072)		(46,152)
60.	**Net fee and commission income**		**334,801**		**308,049**
70.	Dividends and similar income		84,841		46,371
80.	Net trading income		(39,535)		41,892
90.	Net hedging income (expense)		(2,714)		4,074
100.	Gain (loss) on disposal/repurchase of:		224,737		90,979
	a) loans and advances	*(48,057)*		*5,962*	
	b) AFS securities	*291,834*		*40,726*	
	c) financial assets held to maturity	*(1,518)*		*1,311*	
	d) financial liabilities	*(17,522)*		*42,980*	
120.	**Total income**		**1,663,062**		**1,557,693**
130.	Adjustments for impairment to:		(699,853)		(721,416)
	a) loans and advances	*(682,325)*		*(510,040)*	
	b) AFS securities	*(8,724)*		*(214,886)*	
	c) financial assets held to maturity	*(2,771)*		*304*	
	d) financial liabilities	*(6,033)*		*3,206*	
140.	**Net income from financial operations**		**963,209**		**836,277**
150.	Premiums earned (net)		37,974		32,011
160.	Other income (net) from insurance activities		(18,057)		(15,325)
170.	**Net profit from financial and insurance activities**		**983,126**		**852,963**
180.	Administrative expenses:		(811,044)		(770,039)
	a) personnel costs	*(378,965)*		*(383,839)*	
	b) other administrative expenses	*(432,079)*		*(386,200)*	
190.	Net transfers to provisions		(2,630)		(3,239)
200.	Net adjustments to tangible assets		(18,249)		(19,131)
210.	Net adjustments to intangible assets		(22,812)		(22,036)
220.	Other operating income (expense)		127,790		138,057
230.	**Operating costs**		**(726,945)**		**(676,388)**
240.	Gain (loss) on equity investments		244,922		(198,873)
270.	Gain (loss) on disposal of investments in:		(56)		(502)
	a) property	—		*(8)*	
	b) other assets	*(56)*		*(494)*	
280.	**Profit (loss) on ordinary activities before tax**		**501,047**		**(22,800)**
290.	Income tax for the year on ordinary activities		(39,680)		(157,544)
300.	**Profit (loss) on ordinary activities after tax**		**461,367**		**(180,344)**
320.	**Net profit (loss) for the period**		**461,367**		**(180,344)**
330.	Net profit (loss) for the period attributable to minorities		3,410		4,174
340.	**Net profit (loss) for the period attributable to Mediobanca**		**464,777**		**(176,170)**

* Comparative data as at 30/6/13 have been restated to reflect the introduction of IAS 19 revised, as described in Part A – Accounting policies, A.2 Significant accounting policies. This has led to a difference of €3.7m in the net loss for the twelve months.

Consolidated comprehensive profit and loss account *

(€'000)

		12 mths to 30/6/14	12 mths to 30/6/13
10.	Profit (loss) for the period	461,367	(180,344)
	Other income items net of tax without passing through profit and loss	**17,275**	**(128,618)**
20.	Property, plant and equipment	—	—
30.	Intangible assets	—	—
40.	Defined benefit schemes	(1,778)	(2,723)
50.	Non-current assets being sold	—	—
60.	Share of valuation reserves attributable to equity-accounted companies	19,053	(125,895)
	Other income items net of tax passing through profit and loss	**547,241**	**774,552**
70.	Foreign investment hedges	—	—
80.	Exchange rate differences	(110)	(199)
90.	Cash flow hedges	32,350	42,028
100.	AFS financial assets	340,211	380,696
110.	Non-current assets being sold		—
120.	Share of valuation reserves attributable to equity-accounted companies	174,790	352,027
130.	**Total other income items, net of taxes**	**564,516**	**645,934**
140.	Comprehensive income (headings 10+130)	1,025,883	465,590
150.	Minority interest in consolidated comprehensive income	(2,941)	(1,840)
160.	Consolidated comprehensive income attributable to Mediobanca S.p.A.	1,028,824	467,430

* Comparative data as at 30/6/13 have been restated to reflect the introduction of IAS 19 revised, as described in Part A – Accounting poli-cies, A.2 Significant accounting policies. This has led to a difference of €3.7m in the net loss for the twelve months, plus €1m in respect of defined benefit schemes being restated from Other reserves to Valuation reserves.

Statement of changes to consolidated net equity

(€'000)

	Previously reported balance at 30/6/13	Allocation of profit for previous period		Changes during the reference period								Overall consolidated profit 2014	Total net equity at 30/6/14	Net equity attributable to the group at 30/6/14	Net equity attributable to the minorities at 30/6/14
		Reserves	Dividends and other fund applications	Changes to reserves	Transactions involving net equity										
					New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury shares derivates	Stock options [1]	Changes in equity intruments				
Share capital:	455,513	—	—	—	138	—	—	—	—	—	—	—	455,651	430,703	24,948
a) ordinary shares	455,513	—	—	—	138	—	—	—	—	—	—	—	455,651	430,703	24,948
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,127,359	—	—	—	1,676	—	—	—	—	—	—	—	2,129,035	2,121,819	7,216
Reserves:	4,457,571	(180,344)	—	(45,313)	—	(14,611)	—	—	—	12,162	—	—	4,229,465	4,150,374	79,091
a) retained earnings	4,371,793	(180,344)	—	(45,313)	—	—	—	—	—	—	—	—	4,146,136	4,067,045	79,091
b) others	85,778	—	—	—	—	(14,611)	—	—	—	12,162	—	—	83,329	83,329	—
Valuation reserves	301,868	—	—	—	—	—	—	—	—	—	—	564,516	866,384	869,704	(3,320)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(213,844)	—	—	—	—	14,611	—	—	—	—	—	—	(199,233)	(199,233)	—
Profit (loss) for the period	(180,344)	180,344	—	—	—	—	—	—	—	—	—	461,367	461,367	464,777	(3,410)
Total net equity	6,948,123	—	—	(45,313)	1,814	—	—	—	—	12,162	—	1,025,883	7,942,669	X	X
Net equity attributable to the group	6,840,657	—	—	(45,313)	1,814	—	—	—	—	12,162	—	1,028,824	X	7,838,144	X
Net equity attributable to minorities	107,466	—	—	—	—	—	—	—	—	—	—	(2,941)	X	X	104,525

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

Statement of changes to consolidated net equity

(€'000)

	Previously reported balance at 30/6/12	Allocation of profit for previous period		Changes to reserves								Overall consolidated profit 2013	Total net equity at 30/6/13	Net equity attributable to the group at 30/6/13	Net equity attributable to the minorities at 30/6/13
		Reserves	Dividends and other fund applications	Changes to reserves	Transactions involving net equity: New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury shares derivates	Stock options [1]	Changes in equity intruments				
Share capital:	455,513	—	—	—	—	—	—	—	—	—	—	—	455,513	430,565	24,948
a) ordinary shares	455,513	—	—	—	—	—	—	—	—	—	—	—	455,513	430,565	24,948
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,127,359	—	—	—	—	—	—	—	—	—	—	—	2,127,359	2,120,143	7,216
Reserves:	4,502,770	80,359	(42,206)	(101,042)	—	—	—	—	—	16,856	—	—	4,457,571	4,374,306	83,265
a) retained earnings	4,433,848	80,359	(42,206)	(101,042)	—	—	—	—	—	—	—	—	4,371,793	4,288,528	83,265
b) others	68,922	—	—	—	—	—	—	—	—	16,856	—	—	85,778	85,778	—
Valuation reserves	(344,066)	—	—	—	—	—	—	—	—	—	—	645,934	301,868	305,657	(3,789)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(213,844)	—	—	—	—	—	—	—	—	—	—	—	(213,844)	(213,844)	—
Profit (loss) for the period	80,359	(80,359)	—	—	—	—	—	—	—	—	—	(180,344)	(180,344)	(176,170)	(4,174)
Total net equity	6,608,091	—	(42,206)	(101,042)	—	—	—	—	—	16,856	—	465,590	6,948,123	X	X
Net equity attributable to the group	6,498,785	—	(42,206)	(101,042)	—	—	—	—	—	16,856	—	467,430	X	6,840,657	X
Net equity attributable to minorities	109,306	—	—	—	—	—	—	—	—	—	—	(1,840)	X	X	107,466

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

* Comparative data as at 30/6/13 have been restated to reflect the introduction of IAS 19 revised, as described in Part A – Accounting policies, A.2 Significant accounting policies. This has led to a difference of €3.7m in the net loss for the twelve months, plus €0.1m in respect of defined benefit schemes being restated from Other reserves to Valuation reserves.

Consolidated cash flow statement direct method

(€'000)

	Amounts 30/6/14	Amounts 30/6/13
A. Cash flow from operating activities		
1. Operating activities	**450,109**	**131,688**
- interest received	4,371,524	4,460,645
- interest paid	(3,358,794)	(3,459,354)
- dividends and similar income	84,828	100,427
- net fees and commission income	103,909	135,245
- cash payments to employees	(295,120)	(295,953)
- net premium income	55,967	51,210
- other premium from insurance activities	(150,846)	(73,589)
- other expenses paid	(1,016,352)	(1,567,897)
- other income received	913,511	884,025
- income taxes paid	(258,518)	(103,071)
- net expense/income from groups of assets being sold	—	—
2. Cash generated/absorbed by financial assets	**6,680,698**	**7,250,375**
- financial assets held for trading	1,831,864	990,820
- financial assets recognized at fair value	—	—
- AFS securities	3,761,031	(211,722)
- due from customers	(358,331)	5,199,354
- due from banks: on demand	1,602,058	2,220,894
- due from banks: other	(31,255)	(823,464)
- other assets	(124,669)	(125,507)
3. Cash generated/absorbed by financial liabilities	**(6,968,084)**	**(7,327,927)**
- due to banks: on demand	(399,103)	(230,785)
- due to banks: other	(1,033,092)	(236,347)
- due to customers	(314,794)	(659,399)
- debt securities	(4,377,616)	(5,656,698)
- trading liabilities	(804,492)	(563,889)
- financial liabilities assets recognized at fair value	—	—
- other liabilities	(38,987)	19,191
Net cash flow (outflow) from operating activities	**162,723**	**54,136**
B. Investment activities		
1. Cash generated from	**200,526**	**326,878**
- disposals of shareholdings	15,970	—
- dividends received in respect of equity investments	92,890	49,071
- disposals/redemptions of financial assets held to maturity	91,396	277,796
- disposals of tangible assets	92	11
- disposals of intangible assets	178	—
- disposals of subsidiaries or business units	—	—
2. Cash absorbed by	**(359,958)**	**(339,707)**
- acquisitions of shareholdings	—	(31)
- acquisitions of held-to-maturity investments	(310,953)	(314,528)
- acquisitions of tangible assets	(28,961)	(16,727)
- acquisitions of intangible assets	(20,044)	(8,421)
- acquisitions of subsidiaries or business units	—	—
- Net cash flow (outflow) from investment/servicing of finance	**(159,432)**	**(12,829)**
C. Funding activities		
- issuance/acquisition of treasury shares	1,814	—
- issuance/acquisitions of equity instruments	—	—
- dividends payout and other applications of funds	—	(42,206)
Net cash flow (outflow) from funding activities	**1,814**	**(42,206)**
Net cash flow (outflow) during period	**5,105**	**(899)**

Reconciliation of movements in cash flow during the period

(€'000)

	Amounts	
	30/6/14	30/6/13
Cash and cash equivalents: balance at start of period	28,842	29,741
Total cash flow (ouflow) during period	5,105	(899)
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at end of period	33,947	28,842

NOTES TO THE ACCOUNTS

NOTES TO THE ACCOUNTS

Part A - Accounting Policies

A.1 - General

SECTION 1

Statement of conformity with IAS/IFRS

The Mediobanca Group's consolidated financial statements for the period ended 30 June 2014 have, as required by Italian Legislative Decree 38/05, been drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), which were adopted by the European Commission in accordance with the procedure laid down in Article 6 of regulation CE 1606/02 issued by the European Parliament and Council on 19 July 2002. Adoption of the new accounting standards with respect to financial reporting by banks is governed by Bank of Italy circular no. 262 issued on 22 December 2005 (second amendment issued on 21 January 2014).

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.

Since 1 July 2013, the new accounting standard IFRS 13 (Fair Value Measurement) has come into force, along with the revised version of IAS 19 (Employee Benefits). The former incorporates all guidance for measuring fair value previously contained in the various standards, and introduces some specifications for measuring credit (for counterparties) and debt (for Mediobanca) valuation adjustments for derivative contracts (CVAs and DVAs respectively). The latter, meanwhile, stipulates that actuarial gains and/or losses must be recorded in a specific net equity valuation reserve, and are therefore only recorded in the other comprehensive income statement (OCI) and no longer in the profit and loss account.

The update to Bank of Italy circualar no. 262 has also been incorporated, as have the changes to IAS 1 and IFRS 7

As from 1 July 2014, IAS 27 (Consolidated financial statements and accounting for investments in subsidiaries) and IAS 31 (Financial reporting of interests in joint ventures) will be replaced respectively by IFRS 10 and 11, plus IFRS 12 with respect to reporting of investments in other entities. IAS 28 on accounting for investments in associates will also be revised. These changes should not impact significantly on Mediobanca's consolidated reporting.

SECTION 3

Area and methods of consolidation

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

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

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

Creditech S.p.A. was merged into Cofactor S.p.A. during the twelve months under review, the combined entity taking on the name Creditech Sp.A., while Seteci S.c.p.A. changed its name to Mediobanca Innovation Services S.c.p.A.

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

Name of company	Registered office	Type of relationship [1]	Shareholding		% voting rights [2]
			Investor company	% interest	
A. COMPANIES INCLUDED IN AREA OF CONSOLIDATION					
A.1 *Line-by-line*					
1. MEDIOBANCA - Banca di Credito Finanziario S.p.A.	Milan	1	—	—	—
2. PROMINVESTMENT S.p.A. - in liquidation	Milan	1	A.1.1	100.00	100.00
3. PRUDENTIA FIDUCIARIA S.p.A.	Milan	1	A.1.1	100.00	100.00
4. MEDIOBANCA INNOVATION SERVICES - S.c.p.A.	Milan	1	A.1.1	100.00	100.00
5. SPAFID S.p.A.	Milan	1	A.1.1	100.00	100.00
6. COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A.M.	Monte Carlo	1	A.1.1	100.00	100.00
7. C.M.G. COMPAGNIE MONEGASQUE DE GESTION S.A.M.	Monte Carlo	1	A.1.6	99.89	99.89
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	99.30	99.30
10. MEDIOBANCA INTERNATIONAL (Luxembourg) S.A.	Luxembourg	1	A.1.1	99.00	99.00
		1	A.1.11	1.00	1.00
11. COMPASS S.p.A.	Milan	1	A.1.1	100.00	100.00
12. CHEBANCA! S.p.A.	Milan	1	A.1.1	100.00	100.00
13. CREDITECH S.p.A.	Milan	1	A.1.11	100.00	100.00
14. SELMABIPIEMME LEASING S.p.A.	Milan	1	A.1.1	60.00	60.00
15. PALLADIO LEASING S.p.A.	Vicenza	1	A.1.14	95.00	100,—
			A.1.15	5.00	
16. TELELEASING S.p.A. - in liquidation	Milan	1	A.1.14	80.00	80.00
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. CONSORTIUM S.r.l.	Milan	1	A.1.1	100.00	100.00
20. QUARZO S.r.l.	Milan	1	A.1.11	90.00	90.00
21. QUARZO LEASE S.r.l.	Milan	1	A.1.14	90.00	90.00
22. FUTURO S.p.A	Milan	1	A.1.11	100.00	100.00
23. MEDIOBANCA COVERED BOND S.r.l.	Milan	1	A.1.12	90.00	90.00
24. COMPASS RE (Luxembourg) S.A.	Luxembourg	1	A.1.11	100.00	100.00
25. MEDIOBANCA INTERNATIONAL IMMOBILIÉRE S. a r.l.	Luxembourg	1	A.1.10	100.00	100.00
26. MB ADVISORY KURUMSAL DANISMANLIK HIZMETLERI ANONIM SIRKETI	Istanbul	1	A.1.1	100.00	100.00
27. MEDIOBANCA SICAV	Luxembourg	1	A.1.1	100.00	100.00

Legend

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

[2] Effective and potential voting rights in ordinary AGMs.

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 year ended 30 June 2014 to require adjustment.

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

As from 1 July 2014, finally, Prudentia Fiduciaria was merged into Spafid (both companies are 100%-owned by Mediobanca), with the objective of concentrating the Group's fiduciary businesses and services to issuers in the same company.

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 Level 3 assets). If the assets suffer impairment, they are written down to their current value.

[1] See Part A3 – Information on fair value, pp. 94, 95, 96 and 97 for further details.

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

AFS securities

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

AFS assets are initially recognized at fair value, which includes transaction costs and income directly attributable to them. Thereafter they continue to be measured at fair value ([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.

[2] See Part A3 - Information on fair value, pp. 94, 95, 96 and 97 for further details.

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

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[2].

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.

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

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.

The hedging relationship can also be interrupted voluntarily or in the event of the hedged instrument being derecognized or the hedging instrument being repaid 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.

Property, plant and equipment

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

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

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

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

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

Intangible assets

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

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

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

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

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

Derecognition of assets

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

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

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

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

Payables, debt securities in issue and subordinated liabilities

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

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

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

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

The sale of treasury shares over the market following a buyback (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 laow under regulation EE 475/12[3].

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

Provisions for liabilities and charges

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

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

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

Foreign currency transactions

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

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

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

Tax assets and liabilities

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

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

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

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

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

Stock option 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:
   1. are subject to joint control by Mediobanca;
   2. hold an interest in Mediobanca which allows them to exert a significant influence over Mediobanca; the scope of this definition includes parties to the Mediobanca shareholders' agreement with interests of over 5% of the company's share capital, along with the entitlement to appoint at least one member of the Board of Directors, and the entities controlled by them;

b) associate companies, joint ventures and entities controlled by them [4];

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 subject to significant influence by such individuals;

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

[4] Including Telco.

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 30/6/14	Fair value at 30/6/14	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	140,755	146,513	19,504	2,071	—	2,071
Debt securities [1] (ABS)	AFS securities	Due from customers	30,841	30,079	4,146	657	—	657
Debt securities [2]	AFS securities	Financial assets held to maturity	401,766	434,284	10,016	19,145	—	19,145
Total			573,362	610,876	33,666	21,873	—	21,873

[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 91, 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.

As stipulated by Bank of Italy Circular no. 262/05 in respect of "Financial statements by banks: models and rules for compilation" (most recent update 21 January 2014), the Bank must show the fair value of the instruments according to a hierarchy of rankings based on the quality of inputs used in order to calculate it.[5]

In accordance with the provisions of IFRS 13, the fair value hierarchy gives priority to measurements based on different market parameters. The highest priority (level 1) is assigned to measurements based on prices quoted (un-adjusted) on an active market for identical assets or liabilities; while

[5] Cf. IFRS 13, paragraph 73: "the fair value measurement is categorized in its entirety in the level of the lowest level inupt 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 lowest of priority (level 3) is assigned to valuations deriving predominantly from unobservable inputs.

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.

- Level 1: 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.
- Level 3: 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 (level 1) or models based on observable inputs (level 2). In cases where level 3 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 assessments 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 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/debit 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;
- probability of default, derived from historical PD readings or those implied in market prices obtained via credit default swap;
- 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 recurrent basis

This section provides the disclosure stipulated by IFRS 13 with reference to 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 Level 1 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 Level 2 or Level 3 (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 Level 2 and Level 3 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 Level 3, with the exception of those for which the trader is able to provide, on a continuous basis, a breakdown of bid/ask contributions with the respective quantities, in which case they are categorized as Level 1.
- 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 Level 2, whereas those based on non-observable inputs are categorized as Level 3.

– Equities: equities are categorized as Level 1 when quoted prices are available on an active market considered to be liquid, and Level 3 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 Level 1 in cases where quoted prices are available on an active market; otherwise they are categorized as Level 3.

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 treated 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 Level 2, and in all other cases as Level 3. The same applies to retail loans (i.e. mortgage loans and consumer credit).

Bonds issued by Mediobanca are categorized as fair value Level 1 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 Level 2 and is calculated via the expected discounted cash flow using a market interest rate adjusted for the Bank's issuer risk (with a distintion 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 Level 3 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)
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)	0.154
Equity-equity correlation	Equal to 1% between two indexes and 2% between two single stocks	0.152

Measurement techniques used for equity, credit and interest rate products

Product	Measurement technique	Non-observable inputs	Fair value* Assets (€m)	Fair value* Liabilities (€m)
OTC equity plain vanilla options, OTC equity digital options	Black-Scholes method	Implicit volatility [6]	4,73	-54,69
OTC equity basket options, best of/ worst of	Black-Scholes method	Implicit volatility Equity-equity correlation [7]	37,49	-3,21
Synthetic CDOs	Gaussian copula model using factor with base correlation	Base correlation with bootstrap starting from quoted data on liquid index tranches [8]	1,19	-2,00
Structured CCSs	Discounted cash flow	Level 3 categorization attributable to importance of the fair value adjustment versus overall MtM, due mostly to contractual clauses plus the fact that the spread is determined by proxy because the counterparty is unrated	33,77	

* Values are shown net of reserves booked.

[6] 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).

[7] Equity-equity correlation is a measurement of the relationship 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.

[8] 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.

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 Level 1 to Level 2 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 Level 2 to Level 3 (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 recurrent basis by fair value ranking

Financial assets/Liabilities measured at fair value	30-6-14				30-6-13			
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
1. Financial assets held for trading	6,228,349	5,115,989	1,062,629	[1]	6,689,339	5,507,732	850,002	[1]
2. Financial assets recognized at fair value	—	—	—		—	—	—	
3. AFS securities	7,051,823	487,242	879,423	[2]	9,589,715	1,039,783	860,264	[2]
4. Hedge derivatives	—	1,008,609	—		—	1,105,948	—	
5. Tangible assets	—	—	—		—	—	—	
6. Intangible assets	—	—	—		—	—	—	
Total	13,280,172	6,611,840	1,942,052		16,279,054	7,653,463	1,710,266	
1. Financial liabilities held for trading	(3,199,477)	(5,085,414)	(992,270)	[1]	(3,601,877)	(4,202,961)	(1,045,162)	[1]
2. Financial liabilities recognized at fair value	—	—	—		—	—	—	
3. Hedge derivatives	—	(353,451)	—		—	(336,419)	—	
Total	(3,199,477)	(5,438,865)	(992,270)		(3,601,877)	(4,539,380)	(1,045,162)	

[1] Includes market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€268.4m as at 30/6/14 and €234.3m as at 30/6/13) as well as options traded (€666m and €563.4m 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.4.5.2 Annual changes in financial assets recognized at fair value on a recurrent basis (level 3 assets)

(€'000)

	FINANCIAL ASSETS			
	Held for trading [1]	**Recognized at fair value**	**AFS** [2]	**Hedges**
1. Balance at start of period	52,264	—	860,264	—
2. Additions	136,023	—	399,304	—
2.1 Purchases	60,884	—	16,322	—
2.2 Profits recognized in:	14,892	—	360,636	—
2.2.1 profit and loss	14,892	—	97,701	—
- of which, gains	14,165	—	—	—
2.2.2 net equity	X	X	262,935	—
2.3 Transfers from other levels	55,212	—	20,496	—
2.4 Other additions	5,035	—	1,850	—
3. Reductions	60,027	—	380,144	—
3.1 Disposals	23,447	—	364,315	—
3.2 Redemptions	26,277	—	2,337	—
3.3 Losses recognized in:	7,982	—	13,492	—
3.3.1 profit and loss	7,982	—	12,976	—
- of which, losses	7,982	—	8,347	—
3.3.2 net equity	X	X	516	—
3.4 Transfers to other levels	1,928	—	—	—
3.5 Other reductions	393	—	—	—
4. Balance at end of period	128,260	—	879,424	—

[1] Includes market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€268.4m as at 30/6/14 and €234.3m as at 30/6/13) as well as options traded (€666m and €563.4m 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 recurrent basis (level 3 liabilities)

(€'000)

	FINANCIAL LIABILITIES		
	Held for trading [1]	**Recognized at fair value**	**Hedges**
1. Balance at start of period	250,829	—	—
2. Additions	82,660	—	—
2.1 Issues	29,081	—	—
2.2 Losses recognized in:	49,461	—	—
2.2.1 profit and loss	49,461	—	—
- of which, losses	49,461	—	—
2.2.2 net equity	X	X	—
2.3 Transfers from other levels	4,118	—	—
2.4 Other additions	—	—	—
3. Reductions	275,588	—	—
3.1 Redemptions	133,092	—	—
3.2 Buybacks	—	—	—
3.3 Profits recognized in:	55,984	—	—
3.3.1 profit and loss	55,984	—	—
- of which, gains	55,984	—	—
3.3.2 net equity	X	X	—
3.4 Transfers to other levels	86,512	—	—
3.5 Other reductions	—	—	—
4. Balance at end of period	57,901	—	—

[1] Includes market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€268.4m as at 30/6/14 and €234.3m as at 30/6/13) as well as options traded (€666m and €563.4m 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

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	30/6/14				30/6/13			
	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	1,659,818	1,582,399	163,035	38,411	1,447,817	1,495,852	7,396	12,226
2. Due from banks	5,287,754	—	5,029,880	246,127	4,854,958	—	3,979,950	442,347
3. Due from customers	36,623,531	—	12,053,692	25,684,668	36,413,851	—	9,346,343	26,543,900
4. Tangible assets held for investment purposes	67,593	—	—	118,816	60,379	—	—	106,256
5. Non-current assets and groups of assets being sold	—	—	—	—	—	—	—	—
Total	43,638,696	1,582,399	17,246,607	26,088,022	42,777,005	1,495,852	13,333,689	27,104,729
1. Due to banks	11,459,800	—	11,460,317	—	12,366,182	—	10,257,020	—
2. Due to customers	16,475,388	—	16,475,335	—	16,175,810	—	16,175,810	—
3. Debt securities in issue	23,330,028	1,627,628	22,047,816	11,109	26,695,279	1,808,540	25,276,319	14,893
4. Liabilities in respect of non-current assets being sold	—	—	—	—	—	—	—	—
Total	51,265,216	1,627,628	49,983,468	11,109	55,237,271	1,808,540	51,709,149	14,893

A.5 - Information on day one profit/loss

For Level 3 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 gorunds. 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

	30/6/14	30/6/13
a) Cash	28,165	26,707
b) Demand deposits held at central banks	5,782	2,135
Total	33,947	28,842

* Figures in €'000, save in footnotes, where figures are provided in full.

SECTION 2

Heading 20: Financial assets held for trading

2.1 Financial assets held for trading: composition

Derivative products	**30/6/14**			**30/6/13**		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
A. Cash assets						
1. Debt securities	4,424,464	651,077	34,502	4,015,282	1,343,050	1
1.1 Structured	46,609	75,561	—	41,276	106,896	—
1.2 Other debt securities	4,377,855	575,516	34,502	3,974,006	1,236,154	1
2. Equities [1]	1,038,666	27,087	162	1,037,078	—	15,343
3. UCI units	150,746	36,332	16,556	105,187	26,328	6,947
4. Loans and advances	76,145	9,683	—	—	81,512	—
4.1 Repos	—	—	—	—	—	—
4.2 Others	76,145	9,683	—	—	81,512	—
Total A	5,690,021	724,179	51,220	5,157,547	1,450,890	22,291
B. Derivative products						
1. Financial derivatives	538,328	3,859,177	1,010,350	871,461	3,933,290	827,711
1.1 Trading	538,328	3,654,166	741,374 [2]	871,461	3,745,030	578,386 [2]
1.2 Linked to fair value options	—	—	—	—	—	—
1.3 Others	—	205,011	268,976 [3]	—	188,260	249,325 [3]
2. Credit derivatives	—	532,633	1,059	660,331	123,552	—
2.1 Trading	—	532,633	1,059	660,331	123,552	—
2.2 Linked to fair value options	—	—	—	—	—	—
2.3 Others	—	—	—	—	—	—
Total B	538,328	4,391,810	1,011,409	1,531,792	4,056,842	827,711
Total (A+B)	6,228,349	5,115,989	1,062,629	6,689,339	5,507,732	850,002

[1] Equities as at 30/6/14 include shares committed in securities lending transactions totalling €556,639,000 (30/6/13: €139,622,000).

[2] Respectively €665,980,000 and €563,420,000 in respect of options traded, with the equivalent amount being recorded as trading liabilities.

[3] Includes the market value of options (€268.4m) covering those linked with bonds issued by Mediobanca S.p.A. and Mediobanca International, with the equivalent amount being recorded as trading liabilities.

2.2 Financial assets held for trading: by borrower/issuer

Item/value	30/6/14	30/6/13
A. CASH ASSETS		
1. Debt securities	5,110,043	5,358,333
a. Governments and central banks	3,347,653	3,745,027
b. Other public agencies	208,887	78,603
c. Banks	480,937	482,845
d. Other issuers	1,072,566	1,051,858
2. Equities	1,065,915	1,052,421
a. Banks	72,724	114,601
b. Other issuers	993,191	937,820
- insurances	42,115	66,949
- financial companies	52,313	6,948
- non-financial companies	897,024	859,637
- others	1,739	4,286
3. UCI units	203,634	138,462
4. Loans and advances	85,828	81,512
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	7,629
d. Other entities	85,828	73,883
Total A	6,465,420	6,630,728
B. DERIVATIVE PRODUCTS		
a. Banks	3,572,791	3,884,005
- fair value	*3,572,791*	*3,884,005*
b. Customers	2,368,756	2,532,340
- fair value	*2,368,756*	*2,532,340*
Total B	5,941,547	6,416,345
Total A+B	12,406,967	13,047,073

2.3 Financial assets held for trading: movements during the period

	Debt securities	Equities	UCI units	Loans and advances	Total
A. Balance at start of period	5,358,333	1,052,421	138,462	81,512	6,630,728
B. Additions	42,292,520	6,636,790	271,226	164,070	49,364,606
B.1 Acquisitions	41,465,588	6,373,127	262,062	158,189	48,258,966
B.2 Increases in fair value	124,228	110,831	6,627	289	241,975
B.3 Other additions	702,704	152,832	2,537	5,592	863,665
C. Reductions	42,540,810	6,623,296	206,054	159,754	49,529,914
C.1 Disposals	40,790,371	6,513,508	204,818	155,895	47,664,592
C.2 Redemptions	1,613,020	—	—	411	1,613,431
C.3 Reductions in fair value	57,302	18,762	469	55	76,588
C.4 Transfers to other portfolios	—	—	—	—	—
C.5 Other reductions	80,117	91,026	767	3,393	175,303
D. Balance at end of period	5,110,043	1,065,915	203,634	85,828	6,465,420

SECTION 4

Heading 40: Available for sale (AFS) securities

4.1 AFS securities: composition

Item/value	30/6/14			30/6/13		
	Level 1	Level 2	Level 3 *	Level 1	Level 2	Level 3 *
1. Debt securities	6,651,103	486,858	14,917	8,938,677	1,028,470	—
1.1 Structured	—	—	—	—	—	—
1.2 Other debt securities	6,651,103	486,858	14,917	8,938,677	1,028,470	—
2. Equities	400,720	—	740,826	650,672	643	753,553
2.1 Recognized at fair value	400,720	—	740,774	650,672	643	753,501
2.2 Recognized at cost	—	—	52	—	—	52
3. UCI units	—	384	123,680	366	10,670	106,711
4. Loans and advances	—	—	—	—	—	—
Total	7,051,823	487,242	879,423	9,589,715	1,039,783	860,264

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

4.2 AFS securities: by borrower/issuer

Item/value	30/6/14	30/6/13
1. Debt securities	7,152,878	9,967,147
a. Governments and central banks	4,966,047	7,266,991
b. Other public agencies	—	—
c. Banks	1,156,498	1,571,184
d. Other issuers	1,030,333	1,128,972
2. Equities	1,141,546	1,404,868
a. Banks	—	208,409
b. Other issuers	1,141,546	1,196,459
- insurances	—	—
- financial companies	57,931	63,677
- non-financial undertakings	1,071,618	1,118,849
- others	11,997	13,933
3. UCI units	124,064	117,747
4. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other issuers	—	—
Total	8,418,488	11,489,762

4.3 AFS securities: assets subject to specific hedging

Item/value	30/6/14	30/6/13
1. Financial assets subject to specific fair value hedges:	793,555	—
a. interest rate risk	793,555	—
b. price risk	—	—
c. exchange rate risk	—	—
d. credit risk	—	—
e. more than one risk	—	—
2. Financial assets subject to specific cash flow hedges:	—	77,183
a. interest rate risk	—	77,183
b. exchange rate risk	—	—
c. other	—	—
Total	793,555	77,183

4.4 AFS securities: movements during the period

	Debt securities	Equities	UCI units	Loans and advances	Total
A. Balance at start of period	9,967,147	1,404,868	117,747	—	11,489,762
B. Additions	5,662,526	695,846	17,120	—	6,375,492
B.1 Acquisitions	5,458,342	159,596	7,487	—	5,625,425
B.2 Increases in fair value	159,628	345,112	9,400	—	514,140
B.3 Writebacks	—	—	—	—	—
- recognized in profit and loss account	—	X	—	—	—
- recognized in net equity	—	—	—	—	—
B.4 Transfers from other asset classes	—	—	—	—	—
B.5 Other additions	44,556	191,138	233	—	235,927
C. Reductions	8,476,795	959,168	10,803	—	9,446,766
C.1 Disposals	3,061,605	946,488	7,627	—	4,015,720
C.2 Redemptions	5,370,736	—	—	—	5,370,736
C.3 Reductions in fair value	9,101	2,015	427	—	11,543
C.4 Writedowns due to impairment	—	6,186	2,749	—	8,935
- taken to profit and loss account	—	6,186	2,539	—	8,725
- taken to net equity	—	—	210	—	210
C.5 Transfers to other asset classes	—	—	—	—	—
C.6 Other reductions	35,353	4,479	—	—	39,832
D. Balance at end of period	7,152,878	1,141,546	124,064	—	8,418,488

SECTION 5

Heading 50: Financial assets held to maturity

5.1 Financial assets held to maturity: composition

Type of transactions/ group components	30/6/14				30/6/13			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	1,659,818	1,536,622	150,608	38,411	1,447,817	1,495,852	7,396	12,226
1.1 Structured	—	—	—	—	—	—	—	—
1.2 Other debt securities	1,659,818	1,596,622	150,608	38,411	1,447,817	1,495,852	7,396	12,226
2. Loans and advances	—	—	—	—	—	—	—	—
Total	1,659,818	1,596,622	150,608	38,411	1,447,817	1,495,852	7,396	12,226

5.2 Assets held to maturity: by borrower/issuer

Type of transactions/value	30/6/14	30/6/13
1. Debt securities	1,659,818	1,447,817
a. Governments and central banks	362,189	360,597
b. Other public agencies	—	—
c. Banks	502,378	391,559
d. Other entities	795,251	695,661
2. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
Total	1,659,818	1,447,817
Total fair value	1,785,641	1,515,474

5.4 Assets held to maturity: movements during the period

	Debt securities	Loans and advances	Total
A. Balance at start of period	1,447,817	—	1,447,817
B. Additions	311,923	—	311,923
B.1 Acquisitions	310,953	—	310,953
B.2 Writebacks	498	—	498
B.3 Transfers from other asset classes	—	—	—
B.4 Other additions	472	—	472
C. Reductions	99,922	—	99,922
C.1 Disposal	23,313	—	23,313
C.2 Redemptions	68,083	—	68,083
C.3 Value adjustments	3,269	—	3,269
C.4 Transfers to other asset classes	—	—	—
C.5 Other reductions	5,257	—	5,257
D. Balance at end of period	1,659,818	—	1,659,818

SECTION 6

Heading 60 - Due from banks

6.1 Due from banks: composition

Type of transactions/value	30/6/14				30/6/13			
	Book value	*Fair Value*			Book value	*Fair Value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from central banks	136,897	—	136,897	—	77,843	—	62,687	—
1. Term deposits	—	X	X	X	—	X	X	X
2. Compulsory reserves	136,897	X	X	X	77,843	X	X	X
3. Amounts due under repo agreements	—	X	X	X	—	X	X	X
4. Other amounts due	—	X	X	X	—	X	X	X
B. Due from banks	5,150,857	—	4,892,983	246,127	4,777,115	—	3,917,263	442,347
1. Loans and advances	5,150,857	—	4,892,983	246,127	4,777,115	—	3,917,263	442,347
1.1 Current accounts and demand deposits	2,244,332	X	X	X	2,749,533	X	X	X
1.2 Term deposits	177,216	X	X	X	30,097	X	X	X
1.3 Other receivables:	2,729,309	X	X	X	1,997,485	X	X	X
- amounts due under repo agreements	1,983,525	X	X	X	893,024	X	X	X
- amounts due under finance leases	3,789	X	X	X	4,371	X	X	X
- other amounts due	741,995	X	X	X	1,100,090	X	X	X
2. Debt securities	—	—	—	—	—	—	—	—
2.1 structured	—	X	X	X	—	X	X	X
2.2 other debt securities	—	X	X	X	—	X	X	X
Total book value	5,287,754	—	5,029,880	246,127	4,854,958	—	3,979,950	442,347

6.3 Financial leasing

Loan term	Total 30/6/14					
	Impaired exposures	Minimum payments			Gross investment	
		Equity share		Interest share		
			of which outstanding amount guaranteed			of which outstanding amount not guaranteed
Up to 3 months	—	343	—	69	412	1
Between 3 months and 1 year	—	863	—	126	989	9
Between 1 year and 5 years	—	1,578	—	258	1,836	14
Over 5 years	—	1,096	—	240	1,336	18
Unspecified	—	—	—	—	—	—
Total	—	3,880	—	693	4,573	42

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

SECTION 7

Heading 70: Due from customers

7.1 Due from customers: composition

Type of transactions/amounts	30/6/14					30/6/13				
	Book value			*Fair Value* (*)		Book value			*Fair Value* (*)	
	Performing	Impaired		Level 2	Level 3	Performing	Impaired		Level 2	Level 3
		Acquired	Others				Acquired	Others		
1. Current accounts	193,208	—	80	193,208	80	201,648	—	34	201,682	—
2. Repos	4,577,661	—	—	4,577,661	—	2,535,878	—	—	2,535,878	—
3. Mortgages	16,127,426	—	548,709	5,235,653	11,193,549	18,370,309	—	376,462	6,167,683	12,086,299
4. Credit cards, personal loans and salary-backed finance	9,386,575	84,586	255,185	85,009	10,973,305	9,029,571	92,310	275,275	—	9,397,156
5. Finance leases	2,737,657	—	257,179	121,031	2,958,162	3,214,082	—	232,359	—	3,446,441
6. Factoring	165,435	—	1,313	175,520	—	38,792	—	—	—	38,792
7. Other loans	1,891,449	—	10,552	1,577,457	324,396	1,428,689	—	12,747	425,620	1,015,816
8. Debt securities	386,516	—	—	88,153	305,959	605,695	—	—	15,480	559,396
8.1 Structured instruments	—	—	—	—	—	—	—	—	—	—
8.2 Other debt securities	386,516	—	—	88,153	305,959	605,695	—	—	15,480	559,396
Total (book value)	35,465,927	84,586	1,073,018	12,053,692	25,755,451	35,424,664	92,310	896,877	9,346,343	26,543,900

* No amount with fair value Level 1.

7.2 Due from customers: by borrower/issuer

Type of transactions/value	30/6/14			30/6/13		
	Performing	Impaired		Performing	Impaired	
		Acquired	Other		Acquired	Other
1. Debt securities	386,516	—	—	605,696	—	—
a) Governments	—	—	—	—	—	—
b) Other public entities	—	—	—	—	—	—
c) Other issuers:	386,516	—	—	605,696	—	—
non-financial undertakings	14,708	—	—	15,480	—	—
financial companies	371,808	—	—	590,216	—	—
insurances	—	—	—	—	—	—
others	—	—	—	—	—	—
2. Loans to:	35,079,411	84,586	1,073,018	34,818,968	92,310	896,877
a) Governments	—	—	—	3,736	—	—
b) Other public entities	120,995	—	10	73,918	—	337
c) Other parties:	34,958,416	84,586	1,073,008	34,741,314	92,310	896,540
non-financial undertakings	11,546,237	3,192	617,570	13,711,951	2,124	411,721
financial comapanies	8,260,236	12	32,989	5,031,484	—	54,810
insurances	864,356	11	3	1,977,371	—	—
others	14,287,587	81,371	422,446	14,020,508	90,186	430,009
Total	35,465,927	84,586	1,073,018	35,424,664	92,310	896,877

7.3 Due from customers: assets subject to specific hedging

Type of transactions/value	30/6/14	30/6/13
1. Items subject to specific fair value hedges for:	241,187	261,611
a) interest rate risk	241,187	261,611
b) exchange rate risk	—	—
c) credit risk	—	—
d) more than one risk	—	—
2. Items subject to specific cash flow hedges:	—	—
a) interest rate risk	—	—
b) exchange rate risk	—	—
c) other	—	—
Total	241,187	261,611

7.4 Financial leasing

Loan term	Total 30/6/14					
	Impaired Exposures	Minimum payments			Gross investment	
		Equity share		Interest share		
			of which outstanding amount guaranteed			of which outstanding amount not guaranteed
Up to 3 months	8,054	166,572	—	23,152	188,689	4,378
Between 3 months and 1 year	78,972	395,649	15	57,832	530,031	20,931
Between 1 year and 5 years	165,597	1,177,963	289	224,451	1,483,806	102,498
Over 5 years	4,463	1,003,310	—	162,727	1,170,211	263,708
Unspecified	93	—	—	—	93	—
Total	257,179	2,743,495	304	468,161	3,372,830	391,515

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

SECTION 8

Heading 80: Hedging derivatives

8.1 Hedging derivatives: by hedge type and level

	30/6/14			Notional value	30/6/13			Notional value
	Fair value				Fair value			
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivates	—	1,008,609	—	15,514,778	—	1,105,948	—	19,637,292
1) Fair value	—	1,008,609	—	15,514,778	—	1,105,948	—	19,637,292
2) Cash flow	—	—	—	—	—	—	—	—
3) Non-Italian investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	1,008,609	—	15,514,778	—	1,105,948	—	19,637,292

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

Operations/type of hedging	Fair value hedges						Cash flow hedges		Non-Italian investments
	Specific					General	Specific	General	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. AFS securities	—	—	—	—	—	X	—	X	X
2. Loans and advances	—	—	—	X	—	X	—	X	X
3. Financial assets held to maturity	X	—	—	X	—	X	—	X	X
4. Portfolio	X	X	X	X	X	—	X	—	X
5. Non-Italian investments	—	—	—	—	—	X	—	X	—
Total assets	—	—	—	—	—	—	—	—	—
1. Financial liabilities	1,008,609	—	—	X	—	X	—	X	X
2. Portfolio	X	X	X	X	X	—	X	—	X
Total liabilities	1,008,609	—	—	X	—	—	—	—	X
1. Estimated transactions	X	X	X	X	X	X	—	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	—	X	—	—

SECTION 10

Heading 100: Equity investments

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

Name	Registered office	Type of relation ship	Shareholding		% of voting rights
			Investor company	% interest	
COMPANIES					
1. Banca Esperia S.p.A.	Milan	1	Mediobanca	50.0	50.0
2. Assicurazioni Generali S.p.A.	Trieste	2	Mediobanca	13.24	13.24
3. Burgo Group S.p.A.	Altavilla Vicentina (VI)	2	Mediobanca	22.13	22.13
4. Athena Private Equity S.A. (in liquidation)	Luxembourg	2	Mediobanca	24.27	24.27
5. Fidia SGR S.p.A. (in liquidation)	Milan	2	Mediobanca	25.0	25.0

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

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

Name	Key financial data [1]		Data for consolidation [2]			
	Total assets (€m)	Total income (€m)	Net equity	Of which: net profit (loss)	Book value	Fair value
A. EQUITY-ACCOUNTED COMPANIES						
A.1 JOINTLY-CONTROLLED COMPANIES (IAS 31)						
1. Banca Esperia S.p.A.	1,848,512	115,787	191,499	9,986	97,583 [3]	—
A.2 COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE (IAS 28)						
1. Assicurazioni Generali S.p.A.	449,656,000	86,180,000	20,897,534	1,971,425	2,767,420	3,334,619
2. Burgo Group S.p.A.	1,991,768	2,391,538	286,453	(19,913)	—	—
3. Athena Private Equity S.A.	113,548	12,637	23,817	7,608	5,680	—
4. Fidia SGR S.p.A. (in liquidation)	3,402	118	2,438	59	610	—
A.3 OTHER INVESTMENTS						
1. Other minor investments	—	—	—	—	82	—
Total					2,871,375	

[1] Based on most recent approved individual or consolidated financial statements, as the case may be.

[2] Calculated pro-forma based on financial situation as at 31/3/13 or 30/6/13.

[3] Includes goodwill of €1,833,000.

The Burgo Group investment has been written off in full on prudential grounds, with an impact of €18.6m to the profit and loss account, in view of the lost incurred by the company in 2013, due among other things to the ongoing difficulties being encountered by its sector of operation. The has recently approved a new business plan and contacted its stakeholders with a view to re-establishing the group's capital structure.

The other investments (in Assicurazioni Generali, Banca Esperia, Athena and Fidia) continue to be carried at their respective net asset values, with no evidence of impairment emerging.

10.3 Equity investments: movements during the period

Type of transactions/value	**30/6/14**	**30/6/13**
A. Balance at start of period	2,586,899	3,165,512
B. Additions	322,792	278,756
B.1 Acquisitions	—	31
B.2 Value adjustments	—	—
B.3 Revaluations	—	—
B.4 Other adjustments	322,792	278,725
C. Reductions	38,316	857,369
C.1 Disposals	15,959	—
C.2 Value adjustments for impairment	18,612	139,796
C.3 Other reductions	3,745	717,573
D. Balance at end of period	2,871,375	2,586,899
E. Total revaluations	—	—
F. Total adjustments	733,349	714,737

SECTION 12

Heading 120: Property, plant and equipment

12.1 Tangible assets stated at cost

Assets/value	30/6/14	30/6/13
1. Assets owned by the Group	238.456	235.041
a) land	84.883	84.883
b) buildings	110.554	111.658
c) furniture	12.824	14.447
d) electronic equipment	12.634	10.186
e) other assets	17.561	13.867
2. Assets acquired under finance leases:	17	—
a) land	—	—
b) buildings	17	—
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	—	—
Total	238.473	235.041

For a breakdown of the item *Core assets – Buildings*, see the table on p. 31 of the Review of Operations.

12.2 Core tangible assets: movements during the period

Assets/value	30/6/14				30/6/13			
	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	67,593	—	—	118,816	60,379	—	—	106,256
a) land	26,674	—	—	66,411	23,739	—	—	58,799
b) buildings	40,919	—	—	52,405	36,640	—	—	47,457
2. Assets acquired under finance leases:	—	—	—	—	—	—	—	—
a) land	—	—	—	—	—	—	—	—
b) buildings	—	—	—	—	—	—	—	—
Total	67,593	—	—	118,816	60,379	—	—	106,256

12.5 Core properties: movements during the period

	Land	Buildings	Furniture	Electronic equipment	Other assets	Total
A. Gross opening balance	84,883	145,219	45,761	34,449	61,148	371,460
A.1 Total net value reductions	—	(33,561)	(31,314)	(24,263)	(47,281)	(136,419)
A.2 Net opening balance	84,883	111,658	14,447	10,186	13,867	235,041
B. Additions:	—	3,080	2,610	4,961	9,551	20,202
B.1 Purchases	—	2,823	2,610	4,264	9,259	18,956
B.2 Improvement expenses, capitalized	—	257	—	—	—	257
B.3 Writebacks	—	—	—	—	—	—
B.4 Increases in fair value recognized in:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
B.5 Increases arising due to exchange rates	—	—	—	—	—	—
B.6 Transfers from properties held for investment purposes	—	—	—	—	—	—
B.7 Other additions	—	—	—	697	292	989
C. Reductions:	—	4,167	4,233	2,513	5,857	16,770
C.1 Disposals	—	—	3	52	37	92
C.2 Depreciation charges	—	3,674	4,229	2,179	5,610	15,700
C.3 Value adjustments for impairment taken to:	—	—	—	—	—	—
a) net equity						
b) profit and loss account						
C.4 Reductions in fair value charged to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
C.5 Reductions due to exchange rates	—	2	1	1	—	4
C.6 Transfers to:	—	—	—	—	—	—
a) assets held for investment purposes	—	—	—	—	—	—
b) assets being sold	—	—	—	—	—	—
C.7 Other reductions	—	491	—	273	210	974
D. Net closing balance	84,883	110,571	12,824	12,634	17,561	238,473
D.1 Total net value reductions	—	(37,235)	(35,476)	(25,466)	(52,379)	(150,556)
D.2 Gross closing balance	84,883	147,806	48,300	38,100	69,940	389,029
E. Stated at cost	—	—	—	—	—	—

12.6 Properties held for investment purposes: movements during the period

	Total	
	Land	**Buildings**
A. Opening balance	23,739	36,640
B. Additions	2,935	6,829
B.1 Purchases	2,935	6,812
B.2 Improvement expenses, capitalized	—	17
B.3 Net increases in fair value	—	—
B.4 Writebacks	—	—
B.5 Increases arising due to exchange rates	—	—
B.6 Transfers from core assets	—	—
B.7 Other additions	—	—
C. Reductions	—	2,550
C.1 Disposals	—	—
C.2 Depreciation charges	—	2,550
C.3 Reductions in fair value	—	—
C.4 Value adjustments for impairment	—	—
C.5 Reductions arising due to exchange rates	—	—
C.6 Transfers to other asset portfolios	—	—
a) core assets	—	—
b) non-current assets being sold	—	—
C.7 Other reductions	—	—
D. Closing balance	26,674	40,919
E. Stated at fair value	66,411	52,405

These consist of the following properties:

	SQU. m	**Book Value (€ m)**	**Book Value per SQU. m (€' 000)**
Roma: Piazza di Spagna	8,228	26,232	3.2
Lecce: Via Brenta	21,024	24,278	1.2
Bologna: Via Todaro	6,913	7,312	1.1
Verona: Località Bovolone	15,680	9,746	0.6
Other		25	n.m.
Total	51,845	67,593	

SECTION 13

Heading 130: Intangible assets

13.1 Intangible assets

Assets/ amounts	30/6/14		30/6/13	
	Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life
A.1 Goodwill	X	365,934	X	365,934
A.1.1 attributable to the Group	X	365,934	X	365,934
A.1.2 attributable to third parties	X	—	X	—
A.2 Other intangible assets	39,841	3,600	40,086	6,300
A.2.1 Recognized at cost:	39,841	3,600	40,086	6,300
a) intangible assets generated internally	—	—	—	—
b) other assets	39,841	3,600	40,086	6,300
A.2.2 Recognized at fair value:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
Total	39,841	369,534	40,086	372,234

13.2 Intangible assets: movements during the period

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life	
A. Balance at start of period	365,934	—	—	144,535	6,300	516,769
A.1 Total net value reductions	—	—	—	(104,449)	—	(104,449)
A.2 Net opening balance	365,934	—	—	40,086	6,300	412,320
B. Additions	—	—	—	20,045	—	20,045
B.1 Purchases	—	—	—	20,044	—	20,044
B.2 Increases in internally generated assets	X	—	—	—	—	—
B.3 Revaluations	X	—	—	—	—	—
B.4 Increases in fair value taken to:	X	—	—	—	—	—
– net equity	X	—	—	—	—	—
– profit and loss account	X	—	—	—	—	—
B.5 Increases arising on exchange rates	—	—	—	—	—	—
B.6 Other additions	—	—	—	1	—	1
C. Reductions	—	—	—	20,290	2,700	22,990
C.1 Disposals	—	—	—	178	—	178
C.2 Value adjustments	—	—	—	20,112	2,700	22,812
– amortization	X	—	—	20,112	—	20,112
– writedowns	—	—	—	—	2,700	2,700
+ net equity	X	—	—	—	—	—
+ profit and loss account	—	—	—	—	2,700	2,700
C.3 Reductions in fair value charged to:	—	—	—	—	—	—
– net equity	X	—	—	—	—	—
– profit and loss account	X	—	—	—	—	—
C.4 Transfers to non-current assets being sold	—	—	—	—	—	—
C.5 Reductions due to exchange rate differences	—	—	—	—	—	—
C.6 Other reductions	—	—	—	—	—	—
D. Balance at end of period	365,934	—	—	39,841	3,600	409,375
D.1 Total net value adjustments	—	—	—	(124,561)	—	(124,561)
E. Gross closing balance	365,934	—	—	164,402	3,600	533,936
F. Stated at cost	—	—	—	—	—	—

SECTION 14

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

For information on the tax rates, see part C, “Notes to the consolidated profit and loss account”, p. 158.

14.1 Advance tax assets: composition

	30/6/14	30/6/13
Corporate income tax (IRES)	648,566	598,223
Regional production tax (IRAP)	62,706	51,252
Total	711,272	649,475

14.2 Deferred tax liabilities: composition

	30/6/14	30/6/13
Corporate income tax (IRES)	332,299	325,849
Regional production tax (IRAP)	28,820	14,689
Total	361,119	340,538

14.3 Changes in advance tax during the period

	30/6/14	30/6/13
1. Opening balance	586,422	528,382
2. Additions	192,763	112,804
2.1 Advance tax originating during the period	192,742	112,804
a) for previous years	2,146	655
b) due to changes in accounting policies	—	—
c) amounts written back	43	53
d) other additions	190,553	112,096
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	21	—
3. Reductions	96,357	54,764
3.1 Advance tax reversed during the period	89,903	46,635
a) reclassifications	85,914	46,110
b) amounts written off as unrecoverable	—	—
c) due to changes in accounting policies	—	53
d) other	3,989	472
3.2 Reductions in tax rates	1,903	—
3.3 Other reductions	4,551	8,129
a) amounts converted into tax credits pursuant to Italian Law 214/11	4,493	8,082
b) other reductions	58	47
4. Balance at end of period	682,828	586,422

14.3.1 Changes in advance tax during the period (pursuant to Italian Law 214/11)

	30/6/14	**30/6/13**
1. Balance at start of period	447,576	413,266
2. Increases	179,425	74,221
3. Reductions	42,603	39,911
3.1 Transfers	35,970	31,860
3.2 Conversion to tax credit deriving from	4,459	8,034
a) operating loss for the period	—	—
b) tax losses	4,459	8,034
3.3 Other reductions	2,174	17
4. Balance at end of period	584,398	447,576

14.4 Changes in deferred tax during the period

	30/6/14	**30/6/13**
1. Opening balance	284,173	274,814
2. Additions	9,209	10,482
2.1 Deferred tax originating during period	5,307	8,993
a) relating to previous years	—	16
b) due to changes in accounting policies	—	—
c) others	5,307	8,977
2.2 New taxes or increases in tax rates	—	13
2.3 Other additions	3,902	1,476
3. Reductions	20,653	1,123
3.1 Deferred tax reversed during period	20,539	988
a) reclassifications	20,532	530
b) due to changes in accounting policies	—	166
c) others	7	292
3.2 Reductions in tax rates	—	—
3.3 Other reductions	114	135
4. Balance at end of period	272,729	284,173

14.5 Changes in advance tax during the period [1]

	30/6/14	30/6/13
1. Opening balance	63,053	209,106
2. Additions	8,214	31,930
2.1 Advance tax originating during period	8,214	39,930
a) for previous years	—	—
b) due to changes in accounting policies	87	53
c) others	8,127	31,877
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	42,823	177,983
3.1 Advance tax reversed during period	42,546	177,983
a) reclassifications	35,976	140,076
b) writedowns of non-recoverable items	—	—
c) due to changes in accounting policies	—	—
d) others	6,570	37,907
3.2 Reductions in tax rates	277	—
3.3 Other reductions	—	—
4. Balance at end of period	28,444	63,053

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

14.6 Changes in deferred tax during the period [1]

	30/6/14	30/6/13
1. Opening balance	56,363	21,304
2. Additions	87,962	56,225
2.1 Deferred tax originating during period	87,962	56,225
a) for previous years	—	—
b) due to changes in accounting policies	—	166
c) others	87,962	56,059
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	55,936	21,166
3.1 Advance tax reversed during the period	55,931	21,146
a) reclassifications	55,778	21,041
b) due to changes in accounting policies	—	—
c) others	153	105
3.2 Reductions in tax rates	5	—
3.3 Other reductions	—	20
4. Balance at end of period	88,390	56,363

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

SECTION 16

Heading 160: Other assets

16.1 Other assets: composition

	30/6/14	30/6/13
1. Gold, silver and precious metals	695	695
2. Accrued income other than capitalized income from financial assets	9,486	8,234
3. Trade receivables or invoices to be issued	104,349	57,975
4. Amounts due from tax revenue authorities (not recorded under Heading 140)	140,773	103,349
5. Other items	85,830	91,871
- bills for collection	11,252	13,030
- bmounts due in respect of premiums, grants, indemnities and other items in respect of lending transactions	45,839	55,884
- futures and other securities transactions	903	746
- advance payments on deposit commissions	7,923	7,043
- other items in transit	13,019	9,753
- exchange rate adjustments on transactions in foreign currencies	—	—
- amounts due to staff	275	282
- downpayments made on derivative contracts	—	—
- sundry other items	6,619	5,133
6. Adjustment arising on consolidation	1	—
Total	341,134	262,124

Liabilities

SECTION 1

Heading 10: Due to banks

1.1 Due to banks: composition

Type of transaction/amounts	30/6/14	30/6/13
1. Due to central banks	5,581,084	7,586,807
2. Due to banks	5,878,716	4,779,375
2.1 Current accounts and demand deposits	2,184,721	2,425,824
2.2 Term deposits	53,449	—
2.3 Borrowings	3,624,297	2,336,799
2.3.1 Reverse repos	1,101,385	40,359
2.3.2 Others	2,522,912	2,296,440
2.4 Liabilities in respect of assets sold but not derecognized	—	—
2.5 Other amounts due	16,249	16,752
Total	11,459,800	12,366,182
Fair Value 1	—	—
Fair Value 2	11,460,317	10,257,020
Fair Value 3	—	—
Total fair value	11,460,317	10,257,020

1.2 Breakdown of heading 10 "Due to banks": subordinated liabilities

Subordinated liabilities included under the heading Due to banks amount to €43,386,000, and refer to amounts payable by Linea to its former shareholders.

1.4 Due to banks: items subject to specific hedges

	30/6/14	30/6/13
1. Items subject to specific fair value hedges for:	257,599	228,451
a) interest rate risk	257,599	228,451
b) exchange rate risk	—	—
c) more than one risk	—	—
2. Items subject to specific cash flow hedges for:	418,000	535,500
a) interest rate risk	418,000	535,500
b) exchange rate risk	—	—
c) other	—	—
Total	675,599	763,951

SECTION 2

Heading 20: Due to customers

2.1 Due to customers: composition

Type of transaction/amounts	30/6/14	30/6/13
1. Current accounts and demand deposits	4,282,366	3,360,073
2. Term deposits	9,409,622	10,220,714
3. Borrowings	2,783,390	2,594,857
3.1 Reverse repos	1,112,816	874,656
3.2 others	1,670,574	1,720,201
4. Liabilities in respect of assets sold but not derecognized	—	—
5. Other amounts due	10	166
Total	16,475,388	16,175,810
Fair Value 1	—	—
Fair Value 2	16,475,335	16,175,810
Fair Value 3	—	—
Total fair value	16,475,335	16,175,810

2.4 Due to customers: items subject to specific hedges

	30/6/14	30/6/13
1. Items subject to specific fair value hedges for:	105,029	93,497
a) interest rate risk	105,029	93,497
b) exchange rate risk	—	—
c) more than one risk	—	—
2. Items subject to specific cash flow hedges for:	—	—
a) interest rate risk	—	—
b) exchange rate risk	—	—
c) other	—	—
Total	105,029	93,497

SECTION 3

Heading 30: Debt securities in issue

3.1 Debt securities in issue: composition

Type of transaction/ amounts	30/6/14				30/6/13			
	Book value	Fair value *			Book value	Fair value *		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Listed securities								
1. bonds	23,318,919	1,627,628	22,047,816	—	26,680,386	1,808,540	25,276,319	—
1.1 structured	9,464,572	402,555	9,215,157	—	11,348,926	492,551	11,033,346	—
1.2 others	13,854,347	1,225,073	12,832,659	—	15,331,460	1,315,989	14,242,973	—
2. other securities	11,109	—	—	11,109	14,893	—	—	14,893
2.1 structured	—	—	—	—	—	—	—	—
2.2 others	11,109	—	—	11,109	14,893	—	—	14,893
Total	23,330,028	1,627,628	22,047,816	11,109	26,695,279	1,808,540	25,276,319	14,893

* The fair values are shown net of Mediobanca issuer risk; if this item is included, the fair value at 30 June 2014 would show a gain of €149m (€204m).

The book value of bonds fell from €26,680,386,000 to €23,318,919,000, following new issuance totalling €5.4bn, redemptions amounting to €7.9bn, buybacks on the market worth €1.1bn (generating losses totalling €16.9m), and other downward adjustments (to reflect exchange rates, amortized cost and hedging effects) of €226m.

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

Debt securities in issue include the following four subordinated, lower tier 2 issues in an aggregate amount of €1,898,639,000:

Issue	30/6/14		
	ISIN code	Nominal value	Book value
MB GBP Lower Tier II Fixed/Floating Rate Notes 2018 (no longer qualifying as regulatory capital)	XS0270002669	22,684	28,268
MB Secondo Atto 5% 2020 Lower Tier 2	IT0004645542	749,091	863,834
MB Quarto Atto a Tasso Variabile 2021 Lower Tier 2	IT0004720436	490,265	484,697
MB CARATTERE 5.75% 2023 Lower Tier 2	IT0004917842	496,100	521,840
Total subordinated securities		1,758,140	1,898,639

3.3 Breakdown of heading 30 "Debt securities in issue": items subject to specific hedging

	30/6/14	30/6/13
1. Securities subject to specific fair value hedges	16,613,364	19,635,236
a) interest rate risk	16,613,364	19,635,236
b) exchange rate risk	—	—
c) other	—	—
2. Securities subject to specific cash flow hedges	4,468,892	4,587,688
a) interest rate risk	4,468,892	4,587,688
b) exchange rate risk	—	—
c) other	—	—
Total	21,082,256	24,222,924

SECTION 4

Heading 40: Trading liabilities

4.1 Trading liabilities: composition

Type of transaction/ amounts	30/6/14					30/6/13				
	Nominal value	Fair value			Fair Value *	Nominal value	Fair value			Fair Value *
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Cash liabilities										
1. Due to banks	1,593,649	1,645,468	41,121	—	1,686,589	994,209	1,007,172	—	—	1,007,172
2. Due to customers	804,828	830,998	20,767	—	851,765	953,761	966,197	—	—	966,197
3. Debt securities	—	—	—	—	X	—	—	—	—	X
3.1 Bonds	—	—	—	—	X	—	—	—	—	X
3.1.1 Structured	—	—	—	—	X	—	—	—	—	X
3.1.2 Other	—	—	—	—	X	—	—	—	—	X
3.2 Other securities	—	—	—	—	X	—	—	—	—	X
3.2.1 Structured	—	—	—	—	X	—	—	—	—	X
3.2.2 Other	—	—	—	—	X	—	—	—	—	X
Total A	2,398,477	2,476,466	61,888	—	2,538,354	1,947,970	1,973,369	—	—	1,973,369
B. Derivative products										
1. Financial derivatives	X	723,011	4,163,018	992,270	X	X	971,695	3,803,955	1,045,162	X
1.1 Trading	X	723,011	3,957,062	697,495 [1]	X	X	971,695	3,615,742	791,614 [1]	X
1.2 Linked to fair value options	X	—	—	—	X	X	—	—	—	X
1.3 Other	X	—	205,956	294,775 [2]	X	X	—	188,213	253,548 [2]	X
2. Credit derivatives	X	—	860,508	—	X	X	656,813	399,006	—	X
2.1 Trading	X	—	860,508	—	X	X	656,813	399,006	—	X
2.2 Linked to fair value options	X	—	—	—	X	X	—	—	—	X
2.3 Other	X	—	—	—	X	X	—	—	—	X
Total B	X	723,011	5,023,526	992,270	X	X	1,628,508	4,202,961	1,045,162	X
Total (A+B)	X	3,199,477	5,085,414	992,270	X	X	3,601,877	4,202,961	1,045,162	X

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

[1] Respectively €665,980,000 and €563,420,000 in respect of options traded, matching the amount recorded among assets held for trading.

[2] Includes the market value (€268.4m) 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/amounts	30/6/14 Fair value			Nominal value	30/6/13 Fair value			Nominal value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	353,451	—	7,836,764	—	336,419	—	7,632,787
1) Fair value	—	328,386	—	7,531,764	—	303,299	—	7,000,287
2) Cash flow	—	25,065	—	305,000	—	33,120	—	632,500
3) Non-Italian investments	—	—	—	—	—	—	—	—
B. Financial derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	353,451	—	7,836,764	—	336,419	—	7,632,787

6.2 Hedging derivatives: by portfolio hedged/hedge type

Operations/type of hedging	Fair value hedges						Cash flow hedges		Non-Italian investments
	Specific					General	Specific	General	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. AFS securities	23,324	—	—	—	—	X	—	X	X
2. Loans and advances	9,186	—	—	X	—	X	—	X	X
3. Financial assets held to maturity	X	—	—	X	—	X	—	X	X
4. Portfolio	X	X	X	X	X	—	X	—	X
5. Other operations	—	—	—	—	—	X	—	X	—
Total assets	32,510	—	—	—	—	—	—	—	—
1. Financial liabilities	295,876	—	—	X	—	X	25,065	X	X
2. Portfolio	X	X	X	X	X	—	X	—	X
Total liabilities	295,876	—	—	X	—	—	25,065	—	X
1. Expected transactions	X	X	X	X	X	X	—	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	—	X	—	—

SECTION 8

Heading 80 - Deferred liabilities

Please see asset section 14.

SECTION 10

Heading 100: Other liabilities

10.1 Other liabilities: composition

	30/6/14	30/6/13
1. Payment agreements (IFRS 2)	—	9
2. Impaired endorsements	19,130	13,764
3. Working capital payables and invoices pending receipt	243,014	190,640
4. Amounts due to revenue authorities	90,474	113,712
5. Amounts due to staff	129,668	127,796
6. Other items:	228,260	105,620
- bills for collection	25,890	25,563
- coupons and dividends pending collection	2,219	2,217
- available sums payable to third parties	159,611	22,795
- premiums, grants and other items in respect of lending transactions	23,067	32,129
- credit notes to be issued	12,610	16,935
- other	4,863	5,981
7. Adjustments upon consolidation	20	5
Total	710,566	551,546

SECTION 11

Heading 110: Staff severance indemnity provision

11.1 Staff severance indemnity provision: changes during the period

	30/6/14	30/6/13
A. Balance at start of period	27,701	24,652
B. Additions	13,014	14,281
B.1 Transfers during period	10,226	8,824
B.2 Other additions	2,788	5,457
C. Reductions	11,978	11,232
C.1 Indemnities paid out	3,038	2,045
C.2 Other reductions[1]	8,940	9,187
D. Balance at end of period	28,737	27,701

[1] Includes €5,809,000 in transfers to external, defined contribution pension schemes (30/6/13: €7,110,000).

SECTION 12

Heading 120: Provisions

12.1 Provisions: composition

Item/amounts	30/6/14	30/6/13
1. Company post-employment benefit provision	—	—
2. Other provisions	166,292	164,792
2.1 litigation	6,089	3,931
2.2 staff-related	2,912	3,288
2.3 other	157,291	157,573
Total	166,292	164,792

The provision for risks and expenses mor then covers all possible charges relating to the claims made against Mediobanca S.p.A. and the Group companies described on p. 53 and 54 of the review of operations.

12.2 Provision: movements during the period

Item/amounts	Post-employment benefit provision	Litigation	Charges relating to staff [1]	Other provisions	Total
A. Balance at start of period	—	3,931	3,288	157,573	164,792
B. Additions	—	2,744	2,912	2,532	8,188
B.1 Transfers during period	—	2,713	—	2,291	5,004
B.2 Changes due to passing of time	—	12	—	—	12
B.3 Additions due to changes in discount rate	—	—	—	—	—
B.4 Other additions	—	19	2,912	241	3,172
C. Reductions	—	586	3,288	2,814	6,688
C.1 Transfers during period	—	535	1,141	2,725	4,401
C.2 Reductions due to changes in discount rate	—	—	—	—	—
C.3 Other reductions	—	51	2,147	89	2,287
D. Balance at end of period	—	6,089	2,912	157,291	166,292

[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	30/6/14	30/6/13
A. Non-life business				
A1. Reserves for premiums	—	111,444	111,444	107,019
A2. Reserves for claims	—	12,220	12,220	10,386
A3. Other reserves	—	—	—	—
B. Life business				
B.1 Mathematical reserves	—	—	—	—
B.2 Reserves for sums to be paid out	—	—	—	—
B.3 Other reserves	—	—	—	—
C. Technical reserves where risk of investment is borne by insured parties				
C1. Reserves for contracts in which performance is related to investment funds and market indexes	—	—	—	—
C2. Reserves deriving from pension fund management	—	—	—	—
D. Total technical reserves	—	123,664	123,664	117,405

13.2 Technical reserves: movements during the year

	30/6/14	30/6/13
A. Non-life business		
Balance at start of period	117,405	99,282
Combinations involving group companies	—	—
Changes to reserves (+/-)	6,259	18,123
Other additions	—	—
Balance at end of period	123,664	117,405
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	123,664	117,405

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 period

Item/type	Ordinary
A. Shares in issue at start of period	861,129,212
– entirely unrestricted	861,129,212
– with restrictions	—
A.1 Treasury shares (-)	(17,010,000)
A.2 Shares in issue: balance at start of period	844,119,212
B. Additions	1,442,086
B.1 New share issuance as a result of:	—
– rights issues	—
- business combinations	—
- bond conversions	—
- exercise of warrants	—
- others	—
– bonus issues	—
- to staff members	—
- to Board members	—
- others	—
B.2 Treasury share disposals	—
B.3 Other additions	1,442,086
C. Reductions	—
C.1 Cancellations	—
C.2 Treasury share buybacks	—
C.3 Disposals of businesses	—
C.4 Other reductions	—
D. Shares in issue: balance at end of period	845,561,298
D.1 Add: treasury shares	(15,845,414)
D.2 Shares in issue at end of period	861,406,712
– entirely unrestricted	861,406,712
– with restrictions	—

15.4 Profit reserves: other information

Item	30/6/14	30/6/13
1. Legal reserve	86,113	86,113
2. Statutory reserves	1,077,282	1,077,282
3. Treasury shares	199,233	213,844
4. Others	2,787,746	2,997,067
Total	4,150,374	4,374,306

SECTION 16

Heading 210: Net equity attributable to minorities

16.1 Net equity attributable to minorities: composition

Item/amounts	30/6/14	30/6/13
1. Share capital	24,948	24,948
2. Share premium reserve	7,216	7,216
3. Reserves	79,091	83,265
4. Treasury shares	—	—
5. Valuation reserves[1]	(3,320)	(3,789)
6. Equity instruments	—	—
7. Profit (loss) for the period attributable to minorities	(3,410)	(4,174)
Total	104,525	107,466

[1] Cash flow hedge reserve.

Other informations

1. Guarantees and commitments

Transactions	30/6/14	30/6/13
1. Financial guarantees given to:	290,585	216,478
a) Banks	83,109	34,527
b) Customers	207,476	181,951
2. Commercial guarantees given to:	295	286
a) Banks	286	—
b) Customers	9	286
3. Irrevocable commitments to lend funds to:	14,695,731	10,124,430
a) Banks	46,019	167,258
i) specific	41,380	167,258
ii) standby basis	4,639	—
b) Customers	14,649,712	9,957,172
i) specific	13,061,854	8,334,066
ii) standby basis	1,587,858	1,623,106
4. Commitments underlying credit derivatives: hedge sales[1]	35,099,614	44,607,719
5. Assets pledged as collateral for customer obligations	—	—
6. Other commitments	3,274,316	5,713,610
Total	53,360,541	60,662,523

[1] Includes transactions fully matched by hedge buys (€31,890,887,000 and (€41,113,241,000 respectively).

2. Assets pledged as collateral for own liabilities and commitments

Portfolios	30/6/14	30/6/13
1. Financial assets held for trading	1,519,136	697,990
2. Financial assets recognized at fair value	—	—
3. AFS securities	1,443,004	1,336,603
4. Financial assets held to maturity	684,783	809,759
5. Due from banks	455,000	777,925
6. Due from customers	5,100,780	3,784,739
7. Property, plant and equipment	—	—

5. Assets managed and traded on behalf of customers

Type of service	30/6/14	30/6/13
1. Securities traded on behalf of customers	33.758.096	29.831.725
a) Purchases	17.049.571	13.491.101
1. settled	16.991.150	13.393.630
2. pending settlement	58.421	97.471
b) Disposals	16.708.525	16.340.624
1. settled	16.650.104	16.243.153
2. pending settlement	58.421	97.471
2. Asset management	3.196.000	3.245.000
a) individuals	932.000	861.000
b) groups	2.264.000	2.384.000
3. Securities under custody/managed on a non-discretionary basis	40.383.744	54.675.354
a) customers' securities held on deposit: in connection with the Bank's activity as deposit bank (not including asset management)	4.214.700	7.367.483
1. securities issued by bank drawing up financial statements	673.652	2.504.283
2. other securities	3.541.048	4.863.200
b) other customers' securities held on deposit (not including asset management): others	7.531.738	6.751.314
1. securities issued by bank drawing up financial statements	34	34
2. other securities	7.531.704	6.751.280
c) customers' securities held on deposit with customers	6.864.056	10.856.772
d) own securities held on deposit with customers	21.773.250	29.699.785
4. Other transactions	—	—

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

Liabilities/asset portfolio	Gross amount of financial liabilities (a)	Amount of financial assets netted in balance sheet (b)	Net amount of financial liabilities recognized in balance sheet (a-b)	Related amounts not subject to netting		Net amount T (f=c-d-e)	Net amount (T-1) (f=c-d-e)
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	5,725,619	118,091	5,607,528	4,816,980	410,518	380,030	380,030
2. Repos	8,664,183	—	8,664,183	8,563,109	—	101,074	101,074
3. Securities lending	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—
Total (T)	14,389,802	118,091	14,271,711	13,380,089	410,518	481,104	481,104

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

Liabilities/asset portfolio	Gross amount of financial liabilities (a)	Amount of financial assets netted in balance sheet (b)	Net amount of financial liabilities recognized in balance sheet (a-b)	Related amounts not subject to netting		Net amount T (f=c-d-e)	Net amount (T-1) (f=c-d-e)
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	5,063,072	—	5,063,072	4,695,351	184,372	183,349	183,349
2. Repos	3,665,786	—	3,665,786	3,651,468	—	14,318	14,318
3. Securities lending	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—
Total (T)	8,728,858	—	8,728,858	8,346,819	184,372	197,667	197,667

Part C - Notes to consolidated profit and loss account

SECTION 1

Headings 10 and 20: Net interest income

1.1 Interest and similar income: composition

Line items/technical forms	Debt securities	Loans and advances	Other transactions	12 mths ended 30/6/14	12 mths ended 30/6/13
1. Financial assets held for trading	87,101	2,159	—	89,260	103,248
2. Financial assets recognized at fair value	—	—	—	—	—
3. AFS securities	221,075	—	—	221,075	289,363
4. Financial assets held to maturity	70,059	—	—	70,059	76,853
5. Due from banks	—	50,421	—	50,421	50,095
6. Due from customers	14,533	1,525,532	—	1,540,065	1,536,794
7. Hedge derivatives	X	X	406,702	406,702	668,159
8. Other assets	X	X	2,401	2,401	2,220
Total	392,768	1,578,112	409,103	2,379,983	2,726,732

1.2 Interest and similar income: differences arising on hedging transactions

Items/sectors	12 mths ended 30/6/14	12 mths ended 30/6/13
A. Positive differences on transactions	726,666	975,648
B. Negative differences on transactions	(319,964)	(307,489)
C. Balance of differences arising on hedges	406,702	668,159

1.3 Interest and similar income: other information

Items/sectors	12 mths ended 30/6/14	12 mths ended 30/6/13
1.3.1 Interest receivable on financial assets denominated in currencies other than the Euro	188,595	149,272
1.3.2 Interest receivable in respect of finance leasing transactions	101,773	121,229
1.3.3 Interest income on receivables involving customers' funds held on a non-discretionary basis	—	—
Total	290,368	270,501

1.4 Interest expense and similar charges: composition

Line items/technical forms	Accounts payable	Securities	Other liabilities	12 mths ended 30/6/14	12 mths ended 30/6/13
1. Due to central banks	(25,168)	X	—	(25,168)	(55,317)
2. Due to banks	(39,816)	X	—	(39,816)	(45,630)
3. Due to customers	(328,844)	X	—	(328,844)	(409,134)
4. Debt securities in issue	—	(925,138)	—	(925,138)	(1,150,316)
5. Trading liabilities	X	—	—	—	—
6. Financial liabilities recognized at fair value	—	—	—	—	—
7. Other liabilities	X	X	(85)	(85)	(7)
8. Hedging derivatives	X	X	—	—	—
Total	(393,828)	(925,138)	(85)	(1,319,051)	(1,660,404)

1.6 Interest expense and similar charges: other information

Items/sectors	12 mths ended 30/6/14	12 mths ended 30/6/13
1.6.1 Interest payable on liabilities denominated in currencies other than the Euro	(20,372)	(28,695)
1.6.2 Interest payable on liabilities in respect of finance leasing transactions	—	—
1.6.3 Interest payable on customers' funds held on a non-discretionary basis	—	—
Total	(20,372)	(28,695)

SECTION 2

Headings 40 and 50: Net fee and commission income

2.1 Fee and commission income: composition

Type of service/sectors	12 mths ended 30/6/14	12 mths ended 30/6/13
a) guarantees given	1,978	1,507
b) credit derivatives	—	—
c) management, trading and advisory services:	200,028	160,610
1. securities trading	10,052	7,342
2. foreign currency trading	—	—
3. asset management	8,299	5,598
3.1 individuals	8,299	5,598
3.2 groups	—	—
4. securities under custody and non-discretionary management	9,076	7,181
5. deposit bank services	7,458	7,994
6. securities placement	75,568	49,858
7. procurement of orders	9,291	6,252
8. advisory services	—	—
8.1 investment advisory services	—	—
8.2 structured finance advisory services	—	—
9. agency fees	80,284	76,385
9.1 asset management	26,073	22,768
9.1.1 individuals	26,073	22,768
9.1.2 groups	—	—
9.2 insurance products	54,211	53,617
9.3 other products	—	—
d) collection and payment services	15,672	14,720
e) securitization services	—	—
f) factoring services	—	—
g) tax collection and receipt services	—	—
h) multilateral trading systems activity	—	—
i) current account keeping and management	1,119	1,056
j) other services	173,076	176,308
Total	391,873	354,201

2.2 Fee and commission expense: composition

Services/amounts	12 mths ended 30/6/14	12 mths ended 30/6/13
a) guarantees received	—	—
b) credit derivatives	(233)	—
c) management and trading services:	(10,351)	(11,699)
1. securities trading	(5,025)	(4,192)
2. foreign currency trading	—	—
3. asset management:	—	—
3.1 proprietary	—	—
3.2 on behalf of customers	—	—
4. securities under custody/held on a non-discretionary basis	(2,956)	(2,784)
5. securities placement	(2,370)	(4,723)
6. door-to-door sales of securities, products and services	—	—
d) collection and payment services	(7,360)	(5,653)
e) other services	(39,128)	(28,800)
Total	(57,072)	(46,152)

SECTION 3

Heading 70: Dividends and similar income

3.1 Dividends and similar income: composition

Line items/income	12 mths ended 30/6/14		12 mths ended 30/6/13	
	Dividends	Income from UCI units	Dividends	Income from UCI units
A. Financial assets held for trading	55,098	—	28,497	—
B. AFS securities	15,645	14,098	9,698	8,176
C. Financial assets recognized at fair value	—	—	—	—
D. Equity investments	—	X	—	X
Total	70,743	14,098	38,195	8,176

SECTION 4

Heading 80: Net trading income

4.1 Net trading income: composition

Transactions/income elements	Gains (A)	Dealing profits (B)	Value reductions (C)	Dealing losses (D)	Net trading income [(A+B)-(C+D)]
1. Trading assets	238,185	281,865	(74,732)	(150,508)	294,810
1.1 Debt securities	122,108	127,016	(55,978)	(87,376)	105,770
1.2 Equities	109,852	150,486	(18,325)	(62,177)	179,836
1.3 UCI units	5,991	2,782	(429)	(955)	7,389
1.4 Loans and advances	234	1,581	—	—	1,815
1.5 Others	—	—	—	—	—
2. Trading liabities	276	—	—	—	276
2.1 Debt securities	—	—	—	—	—
2.2 Debts	—	—	—	—	—
2.3 Others	276	—	—	—	276
3. Other assets and liabilities: differences arising on exchange rates	X	X	X	X	(2,610)
4. Derivative products	6,074,918	3,043,592	(6,365,936)	(3,097,547)	(332,011)
4.1 Financial derivatives:	5,388,194	2,356,298	(5,624,054)	(2,391,850)	(258,450)
– debt securities and interest rates [1]	2,002,037	469,561	(2,210,070)	(357,708)	(96,180)
– equities and stock market indexes	3,279,951	1,877,153	(3,323,330)	(2,034,142)	(200,368)
– foreign currency and gold	X	X	X	X	12,962
– others	106,206	9,584	(90,654)	—	25,136
4.2 Credit derivatives	686,724	687,294	(741,882)	(705,697)	(73,561)
Total	6,313,379	3,325,457	(6,440,668)	(3,248,055)	(39,535)

[1] Of which €28,816,000 in positive margins on interest rate derivatives (30/6/13: €42,410,000).

SECTION 5

Heading 90: Net hedging income (expense)

5.1 Net hedging income (expense): composition

Income elements/amounts	12 mths ended 30/6/14	12 mths ended 30/6/13
A. Income from:		
A.1 Fair value hedge derivatives	516,584	191,419
A.2 Financial assets hedged (fair value)	25,223	—
A.3 Financial liabilities hedged (fair value)	206,205	366,255
A.4 Cash flow hedge derivatives	—	9,194
A.5 Assets and liabilities in foreign currencies	—	—
Total hedging income (A)	748,012	566,868
B. Expense related to:		
B.1 Fair value hedge derivatives	(383,019)	(419,143)
B.2 Financial assets hedged (fair value)	(54,912)	(17,482)
B.3 Financial liabilities hedged (fair value)	(312,074)	(126,126)
B.4 Cash flow hedge derivatives	(721)	(43)
B.5 Assets and liabilities in foreign currencies	—	—
Total hedging expense (B)	(750,726)	(562,794)
Net hedging income (A–B)	(2,714)	4,074

SECTION 6

Heading 100: Gains (losses) on disposals/repurchases

6.1 Gains (losses) on disposals/repurchases: composition

Line items/income elements	12 mths ended 30/6/14			12 mths ended 30/6/13		
	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
Financial assets						
1. Due from banks	—	—	—	—	—	—
2. Due from customers	892	(48,949)	(48,057)	15,887	(9,925)	5,962
3. AFS securities	307,626	(15,792)	291,834	68,608	(27,882)	40,726
3.1 Debt securities	60,654	(11,313)	49,341	33,459	(12,833)	20,626
3.2 Equities	246,598	(4,479)	242,119	35,012	(14,991)	20,021
3.3 UCI units	374	—	374	137	(58)	79
3.4 Loans and advances	—	—	—	—	—	—
4. Financial assets held to maturity	426	(1,944)	(1,518)	1,311	—	1,311
Total assets	308,944	(66,685)	242,259	85,806	(37,807)	47,999
Financial liabilities						
1. Due to banks	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—
3. Debt securities in issue	10	(17,532)	(17,522)	43,114	(134)	42,980
Total liabilities	10	(17,532)	(17,522)	43,114	(134)	42,980

SECTION 8

Heading 130: Adjustments for impairment

8.1 Adjustments for impairment: composition

Transactions/income elements	Value adjustments			Reversals				FY 2013/14	FY 2012/13
	Specific		Collective	Specific		Collective			
	Writeoffs	Others		A	B	A	B		
A. Amounts due from banks	(37,093)	—	(428)	—	34	—	11	(37,476)	(29,794)
- Loans	(37,093)	—	(428)	—	34	—	11	(37,476)	(29,794)
- Debt securities	—	—	—	—	—	—	—	—	—
B. Amounts due from customers	(44,341)	(769,887)	(94,054)	3,994	126,495	—	132,944	(644,849)	(480,246)
Impaired assets acquired	(2,169)	(4,219)	X	—	1,571	—	X	(4,817)	(4,041)
- Loans	(2,169)	(4,219)	X	—	1,571	—	X	(4,817)	(4,041)
- Debt securities	—	—	X	—	—	—	X	—	—
Other receivables	(42,172)	(765,668)	(94,054)	3,994	124,924	—	132,944	(640,032)	(476,205)
- Loans	(42,172)	(765,668)	(93,368)	3,994	124,924	—	132,944	(639,346)	(476,205)
- Debt securities	—	—	(686)	—	—	—	—	(686)	—
C. Total	(81,434)	(769,887)	(94,482)	3,994	126,529	—	132,955	(682,325)	(510,040)

Legend
A = interest
B = other amounts recovered.

8.2 Net value adjustments for impairment to AFS securities: composition

Transactions/income elements	Value adjustments		Amounts recovered		12 mths ended 30/6/14	12 mths ended 30/6/13
	Specific		Specific			
	Writeoffs	Others	A	B		
A. Debt securities	—	—	—	—	—	18,983
B. Equities	—	(6,186)	X	X	(6,186)	(225,925)
C. UCI units	—	(2,538)	X	—	(2,538)	(7,944)
D. Loans and advances to banks	—	—	—	—	—	—
E. Loans and advances to customers	—	—	—	—	—	—
F. Total	—	(8,724)	—	—	(8,724)	(214,886)

Legend
A = interest
B = other amounts recovered.

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

Transactions/income elements	Value adjustments			Amounts recovered				12 mths ended 30/6/14	12 mths ended 30/6/13
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Debt securities	—	—	(3,269)	—	—	239	259	(2,771)	304
B. Loans and advances to banks	—	—	—	—	—	—	—	—	—
C. Loans and advances to customers	—	—	—	—	—	—	—	—	—
D. Total	—	—	(3,269)	—	—	239	259	(2,771)	304

Legend

A = interest

B = other amounts recovered.

8.4 Adjustments for impairment to other financial transactions: composition

Transactions/income-linked components	Value adjustments			Amounts recovered				12 mths ended 30/6/14	12 mths ended 30/6/13
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Guarantees given	—	—	(114)	—	64	—	—	(50)	(1,404)
B. Credit derivatives	—	—	—	—	—	—	—	—	—
C. Commitments	—	(744)	(5,388)	—	135	—	14	(5,983)	4,610
D. Other transactions	—	—	—	—	—	—	—	—	—
E. Total	—	(744)	(5,502)	—	199	—	14	(6,033)	3,206

Legend

A = interest

B = other amounts recovered.

SECTION 9

Heading 150: Net premium income

9.1 Net premium income: composition

Premium income from insurance operations	Direct business	Indirect business	12 mths ended 30/6/14	12 mths ended 30/6/13
A. Life business				
A.1 Gross premiums written (+)	—	—	—	—
A.2 Premiums ceded to reinsurers (-)	—	X	—	—
A.3 Total	—	—	—	—
B. Non-life business				
B.1 Gross premiums written (+)	—	42,398	42,398	45,989
B.2 Premiums ceded to reinsurers (-)	—	X	—	—
B.3 Changes in gross amount of reserve for premiums (+/-)	—	(4,424)	(4,424)	(13,978)
B.4 Changes in reserve for premiums payable by reinsurers (-/+)	—	—	—	—
B.5 Total	—	37,974	37,974	32,011
D. Total net premium income	—	37,974	37,974	32,011

SECTION 10

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

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

Items	12 mths ended 30/6 /14	12 mths ended 30/6/13
1. Net change in technical reserves	—	—
2. Claims paid out during the year	(11,817)	(9,916)
3. Other income (expenses) from insurance operations	(6,240)	(5,409)
Total	(18,057)	(15,325)

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

Claims expenses	12 mths ended 30/6/14	12 mths ended 30/6/13
Life business: expenses for claims net of amounts ceded to reinsurers		
A. Amounts paid	—	—
A.1 Gross annual amount	—	—
A.2 (-) Share payable by reinsurers	—	—
B. Changes to reserve due to sums to be paid	—	—
B.1 Gross annual amount	—	—
B.2 (-) Share payable by reinsurers	—	—
Total claims life business	—	—
Non-life business: expenses for claims net of amounts recovered and ceded to reinsurers		
C. Amounts paid	(9,983)	(5,770)
C.1 Gross annual amount	(9,983)	(5,770)
C.2 (-) Share payable by reinsurers	—	—
D. Changes to amounts recovered net of shares payable by reinsurers	—	—
E. Changes to reserve for claims	(1,834)	(4,146)
E.1 Gross annual amount	(1,834)	(4,146)
E.2 Share payable by reinsurers	—	—
Total claims non-life business	(11,817)	(9,916)

SECTION 11

Heading 180: Administrative expenses

11.1 Personnel costs: composition

Type of expense/sectors	12 months ended 30/6/14	12 months ended 30/6/13
1. Employees	(364,878)	(366,370)
a) wages and salaries	(251,970)	(249,196)
b) social security contributions	(61,098)	(59,027)
c) severance indemnities	—	—
d) pension contributions	—	—
e) transfers to severance indemnity provisions	(10,298)	(8,557)
f) transfers to post-employment and similar benefits provisions:	—	—
– defined benefit	—	—
– defined contribution	—	—
g) amounts paid to external complementary pension schemes:	(11,359)	(10,819)
– defined benefit	(11,359)	(10,819)
– defined contribution	—	—
h) expenses incurred in connection with share payment schemes	(12,162)	(16,975)
– stock options	(638)	(5,253)
– performance shares	(11,524)	(11,722)
i) other staff benefits	(17,991)	(21,796)
2. Other staff	(4,671)	(8,157)
3. Board members	(8,199)	(7,951)
4. Expenses incurred in connection with staff retiring	(1,217)	(1,361)
Total	(378,965)	(383,839)

11.2 Average number of staff by category

	12 mths ended 30/6/14	12 mths ended 30/6/13
Employees:		
a) Senior executives	204	191
b) Excutives	1,194	1,178
c) Other employees	2,106	2,099
Other staff	184	205
Total	3,688	3,673

11.5 Other administrative expenses: composition

	12 months ended 30/6/14	12 months ended 30/6/13
OTHER ADMINISTRATIVE EXPENSES		
– legal, tax and professional services	(39,232)	(36,911)
– loan recovery activity	(47,997)	(46,487)
– marketing and communications	(62,467)	(47,258)
– property	(36,732)	(36,487)
– EDP	(49,834)	(39,122)
– info-provider	(27,789)	(26,987)
– bank charges, collection and payment fees	(16,961)	(20,363)
– operating expenses	(52,186)	(49,147)
– other staff expenses	(18,539)	(18,455)
– other costs	(15,399)	(9,723)
– indirect and other taxes	(64,943)	(55,260)
Total other administrative expenses	(432,079)	(386,200)

SECTION 12

Heading 190: Net transfers to provisions

12.1 Net transfers to provisions: composition

	12 months ended 30/6/14	12 months ended 30/6/13
TRANSFERS MADE IN ORDER TO COVER:		
– legal expenses	—	—
– promotional costs	—	—
– certain or probable risks and commitments [1]	(2,630)	(3,239)
Total transfers to provisions for risks and expenses	(2,630)	(3,239)

[1] Including the effect of discounting

SECTION 13

Heading 200: Net adjustments to tangible assets

13.1 Net adjustments to tangible assets: composition

Assets/income elements	Depreciation (a)	Value adjustments for impairment (b)	Amounts recovered (c)	Net result (a+b-c)
A. Tangible assets				
A.1 Owned	(18,249)	—	—	(18,249)
– core	(15,700)	—	—	(15,700)
– for investment purposes	(2,549)	—	—	(2,549)
A.2 Acquired under finance leases	—	—	—	—
– core	—	—	—	—
– for investment purposes	—	—	—	—
Total	(18,249)	—	—	(18,249)

SECTION 14

Heading 210: Net adjustments to intangible assets

14.1 Net adjustments to intangible assets: composition

Assets/income elements	Amortization (a)	Value adjustments for impairment (b)	Amounts recovered (c)	Net result (a+b-c)
A. Intangible assets				
A.1 Owned	(20,112)	(2,700)	—	(22,812)
– software	10,466	—	—	(10,466)
– other	9,646	(2,700)	—	(12,346)
A.2 Acquired under finance leases	—	—	—	—
Total	(20,112)	(2,700)	—	(22,812)

SECTION 15

Heading 220: Other operating income (expense)

15.1 Other operating expense: composition

Income-based components/values	12 mths ended 30/6/14	12 mths ended 30/6/13
a) Leasing activity	(18,810)	(21,534)
b) Sundry costs and expenses	(5,220)	(6,374)
Total	(24,030)	(27,908)

15.2 Other operating income: composition

Income-based components/values	12 mths ended 30/6/14	12 mths ended 30/6/13
a) Amounts recovered from customers	64,089	62,389
b) Leasing activity	17,687	21,813
c) Other income	70,044	81,763
Total	151,820	165,965

SECTION 16

Heading 240: Gains (losses) on equity investments

16.1 Gains (losses) on equity investments: composition

Income-based components/values	12 mths ended 30/6/14	12 mths ended 30/6/13
1. Jointly-controlled companies		
A. Income	—	—
1. Revaluations	—	—
2. Gains on disposals	—	—
3. Amounts recovered	—	—
4. Other increases	—	—
B. Expenses	—	—
1. Writedowns	—	—
2. Adjustments for impairment	—	—
3. Losses from disposals	—	—
4. Other reductions	—	—
Net income	—	—
2. Companies subject to significant influence		
A. Income	267,942	146,831
1. Revaluations	267,942	58,192
2. Gains on disposals	—	—
3. Amounts recovered	—	—
4. Other increases	—	88,639
B. Expenses	(23,020)	(345,704)
1. Writedowns	(4,407)	(67,724)
2. Adjustments for impairment	(18,613)	(139,797)
3. Losses from disposals	—	—
4. Other reductions *	—	(138,183)
Net income	244,922	(198,873)
Total	244,922	(198,873)

* Figures as at 30 June 2013 include the effects of certain equity investments being transferred to the AFS securities portfolio and recognized at fair value, namely the investments in: Pirelli (increase of €65.6m), Gemina (increase of €23m), RCS MediaGroup (reduction of €38.5m), and Telco (reduction of €99.7m).

SECTION 19

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

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

Income elements/sectors	12 mths ended 30/6/14	12 mths ended 30/6/13
A. Properties	—	(8)
– gains on disposals	—	—
– losses on disposals	—	(8)
B. Other assets	(56)	(494)
– gains on disposals	3	10
– losses on disposals	(59)	(504)
Net gain (loss)	(56)	(502)

SECTION 20

Heading 290: Income tax on ordinary activities

20.1 Income tax on ordinary activities: composition

Income elements/sectors	12 mths ended 30/6/14	12 mths ended 30/6/13
1. Current taxes	(157,727)	(204,941)
2. Changes in current taxes for previous financial years	686	(1,338)
3. Reductions in current tax for the period	179	353
3bis. Reduction in current tax for the year due to tax credits under Italian Law 214/11	4,459	6,269
4. Changes in advance tax	96,155	49,532
5. Changes in deferred tax	16,568	(7,419)
6. Income tax for the year	(39,680)	(157,544)

20.2 Reconciliation between theoretical and effective tax burden

	12 mths ended 30/6/14	
	Amounts %	**Absolute values**
Total profit or loss before tax from current operations	100%	501,011
Theoretical tax rate	27.50%	27.50%
Theoretical computed taxes on income	27.50%	137,778
Dividends (–)	-5.77%	(28,896)
Gains on disposals of equity investments (PEX) (–)	-9.38%	(46,992)
Gains on equity-accounted investments (–)	-11.31%	(56,661)
Changes in deferred tax for previous years (–)	0.04%	178
Other taxes (non-Italian companies) (–)	-2.76%	(13,810)
Non-taxable income 10 % IRAP (–)	-1.19%	(5,942)
Interest on exempt securities (–)	-0.11%	(529)
Tax losses (–)	0.00%	—
Tax sparing credit	-0.33%	(1,664)
Non-deductible interest expense 3 % (+)	4.54%	22,738
Benefit from tax consolidation (–)	-1.49%	(7,445)
Impairment (+/–)	3.52%	17,652
Extraordinary items (rate adjustments, …)	0.63%	3,175
Other differences	1.22%	6,110
TOTAL IRES	5.13%	25,692
IRAP	2.79%	13,988
TOTAL FOR HEADING [1]	7.92%	39,680

[1] Compared with a tax rate of minus 574% in the previous financial 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"

	12 mths ended 30/6/14	12 mths ended 30/6/13
Palladio Leasing S.p.A.	221	221
SelmaBipiemme Leasing S.p.A.	(5,152)	(5,078)
Teleleasing S.p.A.	1.521	683
Other companies	—	—
Adjustments on consolidation	—	—
Total	(3,410)	(4,174)

SECTION 24

Earnings per share

24.1 Average number of ordinary shares on a diluted basis

	12 mths ended 30/6/14	12 mths ended 30/6/13
Net profit	464,777	(176,170)
Avg. no. of shares in issue	845,404,033	844,119,212
Avg. no. of potencially diluted shares	35,409,287	47,639,477
Avg. no. of diluted shares	880,813,320	891,758,689
Earnings per share	0.55	(0.21)
Earnings per share, diluted	0.53	(0.20)

Part D - Consolidated Comprehensive Profit and loss account breakdown of Consolidated Comprehensive Profit and loss Constituents

Breakdown of comprehensive profit and loss constituents

	Items	Before tax effect	Tax effect	After tax effect
10.	Net profit (loss)	X	X	461.367
	Other income items net of tax without passing through profit and loss			
20.	Property, plant and equipment	—	—	—
30.	Intangible assets	—	—	—
40.	Defined benefits plans	(2,452)	674	(1,778)
50.	Non-current assets classified as held for sale	—	—	—
60.	Valuation reserves from equity-accounted investments:	19,053	—	19,053
	Other income items net of tax passing through profit and loss			
70.	Hedges of non-Italian investments:	—	—	—
	a) changes in fair value:	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
80.	Exchange differences:	(152)	42	(110)
	a) changes in fair value:	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	(152)	42	(110)
90.	Cash flow hedges:	50,091	(17,741)	32,350
	a) changes in fair value:	50,091	(17,741)	32,350
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
100.	AFS securities:	390,795	(50,584)	340,211
	a) changes in fair value:	493,413	(68,462)	424,951
	b) reclassifications through profit or loss account	(102,618)	17,878	(84,740)
	- due to impairment	(210)	10	(200)
	- gain/losses on disposals	(102,408)	17,868	(84,540)
	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:	174,790	—	174,790
130.	Total other comprehensive income	632,125	(67,609)	564,516
140.	Comprehensive income after tax (10 + 130)	X	X	1,025,883
150.	Consolidated comprehensive income attributable to minorities	X	X	(2,941)
160.	Consolidated comprehensive income attributable to parent company	X	X	1,028,824

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, business and financial plans, budgets, and risk 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 Control and 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 and the internal controls system generally, assessing the effectiveness of the structures and units involved in the process and co-ordinating them. The Committee also supervises the ICAAP process.

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 Risks committee and Delegated risks committee for credit, issuer and market risks; the Investments committee for equity investments owned and banking book equities; the New products committee, for prior analysis of new products to be sold to clients developed by the Financial Markets division and the related pricing models; the Operational risks committee, for management of operational risks in terms of monitoring risk profiles and defining mitigation actions; and the ALM committee, for monitoring the Group's ALM risk-taking and management policy (treasury and funding operations) and approving the methodologies for measuring exposure to liquidity and interest rate risk.

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, 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: Enterprise Risk Management, which helps to develop risk management policies and to quantify risk appetite; Credit Risk Management, responsible for credit risk analysis and assigning internal ratings to counterparties; Market Risk Management, which defines the rsisk measurement methodologies and metrics for use by the Financial Markets divisions; and Operational Risk Management, responsible for developing and maintaining the systems for measuring and managing operational risks.

As a result of the new regulations on internal controls systems being introduced (cf. Bank of Italy circular no. 263 issued on 27 December 2006 "New supervisory provisions for banks"– fifteenth update issued on 2 July 2013), Mediobanca is in the process of adapting its internal controls system in line with the new regulatory requirements.

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, ICAAP - Circular 263 - Title III), 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, Large corporates and Holding companies (customers mostly targeted by Mediobanca S.p.A.), Mid-corporate and Small businesses (customers targeted mostly by the leasing companies), and Private individuals (targeted by Compass for consumer credit and CheBanca! for mortgage lending).

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 through the different operating levels. If successful, the applications are submitted for approval to the relevant bodies, i.e. the Board of Directors, Executive Committee, Risks Committee and Delegated Risks Committee, 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 at least the same intervals, in accordance with the limits established by the Executive Committee's resolution in respect of operating powers.

Any deteriorationi n 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.

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 applicant company).

Sub-standard accounts are managed in a variety of ways which prioritize either recovery of the amount owed or the asset under lease, according to the specific risk profile of the account concerned. All non-performing 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.

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 rate past due instalments (or four in particular cases, such as credit cards), accounts are held to be officially in default, and the client is deemed to have lapsed from the time benefit allowed under Article 1186 of the Italian Civil Code. As from the six months after such lapse has been ascertained, these accounts are sold to factoring companies (including Creditech), for a percentage of the value of the principal outstanding, which reflects their estimated realizable value.

Mortgage lending (CheBanca!)

Mortgage applications are processed and approved centrally at head office. Approval depends partly on the outcome of a credit scoring system, implemented on the basis inter alia of an internal rating model *rating* model, which is largely determined through individual appraisal of the applicant's income and maximum borrowing levels, as well as the value of the property itself. Risks are monitored on a monthly basis, ensuring the company's loan book is regularly appraised.

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.

Irregular accounts are managed through monthly reports analysing the characteristics of the the accounts in order to flag up promptly any potential problem areas using advanced early warning systems linked to public and private databases.

Procedurally mortgage loans with four or more unpaid instalments are designated as sub-standard accounts, and generally after the eighth or ninth unpaid instalment become non-performing. Impaired accounts are managed, for out-of-court credit recovery procedures, by a dedicated organizational structure with the help of external collectors (including Creditech). If further signs of deterioration are noted, property enforcement procedures are instigated through external lawyers.

QUANTITATIVE INFORMATION

Credit quality

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

The exposures regard the Banking Group, with Banca Esperia consolidated pro rata and excluding Compass RE (reinsurance), Ricerche e Studi and MB Turkey, all of which are represented in the column headed “Other companies”. The breakdown by type of company is shown in Part F on p. 228.

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

Portfolio/quality	Banking Group						Others		Total
	Non-performing	Potential problem	Restructured	Past due exposures, impaired	Past due exposures, not impaired	Other assets	Past due	Other assets	
1. Financial assets held for trading	—	4,953	—	—	—	11,156,831	—	—	11,161,784
2. AFS securities	—	—	—	—	—	7,351,584	—	93,717	7,445,301
3. Financial assets held to maturity	—	—	—	—	—	1,659,818	—	—	1,659,818
4. Due from banks	—	—	—	—	—	5,267,386	—	43,810	5,311,196
5. Due from customers	270,956	692,211	67,315	128,690	509,773	35,406,446	—	6,774	37,082,165
6. Financial assets recognized at fair value	—	—	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	—	1,008,570	—	—	1,008,570
Total at 30/6/14	270,956	697,164	67,315	128,690	509,773	61,850,635	—	144,301	63,668,834
Total at 30/6/13	262,744	298,838	236,804	191,832	591,155	64,662,841	—	139,463	66,383,677

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

Portfolio/quality	Impaired assets			Performing			Total
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
A. Banking group							
1. Financial assets held for trading	4,953	—	4,953	X	X	11,156,831	11,161,784
2. AFS securities	—	—	—	7,351,584	—	7,351,584	7,351,584
3. Financial assets held to maturity	—	—	—	1,673,475	(13,657)	1,659,818	1,659,818
4. Due from banks	—	—	—	5,268,334	(948)	5,267,386	5,267,386
5. Due from customers [1]	2,252,835	(1,093,663)	1,159,172	36,133,653	(217,434)	35,916,219	37,075,391
6. Financial assets recognized at fair value	—	—	—	X	X	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	X	X	1,008,570	1,008,570
Total A	2,257,788	(1,093,663)	1,164,125	50,427,046	(232,039)	62,360,408	63,524,533
B. Others							
1. Financial assets held for trading	—	—	—	X	X	—	
2. AFS securities	—	—	—	93,717	—	93,717	93,717
3. Financial assets held to maturity	—	—	—	—	—	—	—
4. Due from banks	—	—	—	43,810	—	43,810	43,810
5. Due from customers	—	—	—	6,774	—	6,774	6,774
6. Financial assets recognized at fair value	—	—	—	X	X	—	—
7. Financial assets being sold	—	—	—			—	—
8. Hedging derivatives	—	—	—	X	X	—	—
Total B	—	—	—	144,301	—	144,301	144,301
Total at 30/6/14	2,257,788	(1,093,663)	1,164,125	50,571,347	(232,039)	62,504,709	63,668,834
Total at 30/6/13	1,719,999	(729,781)	990,218	52,679,777	(339,111)	65,393,459	66,383,677

[1] The performing assets include €32.1m in unpaid instalments, corresponding to a gross exposure (i.e. including the share not yet overdue) of €655.3m (equal to 2% of the performing assets), of which €194.9m is attributable to leasing (7% of the performing loans in this segment), €292.9m to consumer credit (3%), and €140.1m to CheBanca! mortgage receivables (3%). Gross exposures being renegotiated under the terms of collective agreements amount to €46.3m, attributable to mortgage loans granted by CheBanca! as to €37m and to consumer credit as to €9.3m.

Information on sovereign debt exposures

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

Portafogli/qualità	Impaired assets				Performing assets			Total net exposure [1]
	Gross exposure	Specific adjustments	Collective adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	—	—	—	—	1,191,298
Italy	—	—	—	—	—	—	—	463,949
Germany	—	—	—	—	—	—	516,897	516,897
Spain	—	—	—	—	—	—	200,679	200,679
Others	—	—	—	—	—	—	9,773	9,773
2. AFS securities	—	—	—	—	5,196,383	—	5,196,383	5,196,383
Italy	—	—	—	—	5,017,751	—	5,017,751	5,017,751
Spain	—	—	—	—	103,144	—	103,144	103,144
Usa	—	—	—	—	43,956	—	43,956	43,956
Germany	—	—	—	—	5,882	—	5,882	5,882
Others	—	—	—	—	25,650	—	25,650	25,650
3. Financial assets held to maturity	—	—	—	—	362,190	—	362,190	362,190
Italy	—	—	—	—	361,398	—	361,398	361,398
Others	—	—	—	—	792	—	792	792
Total at 30/6/14	—	—	—	—	5,558,573	—	6,769,912	6,769,912

* Does not include financial and credit derivatives.

[1] The net exposure includes positions in securities (long and short) recognized at fair value (including the outstanding accrual) except for assets held to maturity which are stated at amortized cost, the implied fair value of which is €45.6m.

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

Asset portfolio/quality	Trading book [1]			Banking book [2]			
	Nominal value	Book value	Duration	Nominal value	Book value	Fair value	Duration
Italy	411,528	463,949	8,87	5,122,799	5,379,149	5,412,293	2.88
Germany	509,240	516,897	1,93	5,500	5,882	5,882	1.52
Spain	200,000	200,679	0,39	100,000	103,144	103,144	0.34
Usa	—	—	—	43,930	43,956	43,956	4.51
Others	31,164	9,773	—	33,418	26,442	38,885	—
Total at 30/6/14	1,151,932	1,191,298	—	5,305,647	5,558,573	5,604,160	—

[1] Does not include buys of €296m on Bund/Bobl/Schatz futures (Germany), with a fair value of €2.2m; or buys of €103m on the BPT future (Italy) with a fair value of €1m. Net hedge buys of €164m (all on Italy 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 €1.8m.

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

Type of exposure/amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing	—	—	X	—
b) Potential problem	—	—	X	—
c) Restructured	—	—	X	—
d) Past due Non-performing	—	—	X	—
e) Other assets	7,396,393	X	(2,146)	7,394,247
Total A	7,396,393	—	(2,146)	7,394,247
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	—	—	X	—
b) Other assets [1]	54,183,968	X	—	54,183,968
Total B	54,183,968	—	—	54,183,968
Total (A + B)	61,580,361	—	(2,146)	61,578,215

[1] The balance as at 30/6/14 includes €31,890,887,000 in deals matched 100% by hedge buys.

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

Type of exposure/amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing [1]	651,735	(380,779)	X	270,956
b) Potential problem	1,276,241	(584,030)	X	692,211
c) Restructured	120,838	(53,523)	X	67,315
d) Past due Non-performing	204,022	(75,332)	X	128,690
e) Other assets	48,246,874	X	(229,900)	48,016,974
Total A	50,499,710	(1,093,664)	(229,900)	49,176,146
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	8,749	(1,080)	X	7,669
b) Other assets	22,838,571	X	(18,049)	22,820,522
Total B	22,847,320	(1,080)	(18,049)	22,828,191
Total (A + B)	73,347,030	(1,094,744)	(247,949)	72,004,337

[1] Includes accounts acquired from third parties as part of Creditech's business.

The non-performing items include €84.6m attributable to Creditech (previously Cofactor), i.e. acquisitions of non-performing loans with a nominal value of €2.6bn. Of these items, €58.5m (with a nominal book value of €1.8bn) 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/ accounts

Description/category	Non-performing	Potential problem	Restructured	Past due
A. Gross exposure at start of period	601,040	532,615	320,626	265,718
of which: accounts sold but not derecognized	*10,750*	*21,337*	*4,959*	*21,941*
B. Additions	399,788	1,383,769	89,415	656,540
B.1 transfers from performing loans	19,071	825,472	26,655	630,701
B.2 transfers from other categories of impaired assets	362,717	539,772	41,597	13,705
B.3 other additions	18,000	18,525	21,163	12,134
C. Reductions	(349,093)	(640,143)	(289,203)	(718,236)
C.1 transfers to performing loans	(7,591)	(39,655)	(203,868)	(112,034)
C.2 amounts written off	(14,880)	(21,615)	(16)	(575)
C.3 amounts collected	(74,423)	(67,224)	(11,191)	(48,275)
C.4 gains realized on disposals	(10,603)	(35,379)	(46,392)	(18,514)
C.4.*bis* losses on disposals	(193,993)	(75,009)	—	(825)
C.5 transfers to other categories of impaired assets	(13,331)	(388,395)	(20,359)	(535,704)
C.6 other reductions	(34,272)	(12,866)	(7,377)	(2,309)
D. Gross exposure at end of period	651,735	1,276,241	120,838	204,022
of which: accounts sold but not derecognized	*21,782*	*31,363*	*3,924*	*14,511*

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

Description/category	Non-performing	Potential problem	Restructured	Past due
A. Aggregate adjustments at start of period	(338,296)	(233,777)	(83,822)	(73,886)
of which: exposures sold but not derecognized	*(4,976)*	*(4,370)*	—	*(185)*
B. Additions	(276,768)	(552,638)	(10,304)	(70,180)
B.1 value adjustments	(145,553)	(511,951)	(2,063)	(68,266)
B.1.bis losses following disposals	(43,335)	(17,507)	—	(184)
B.2 transfers from other categories of impaired exposures	(87,311)	(22,625)	(8,233)	(1,730)
B.3 other increases	(569)	(555)	(8)	—
C. Reductions	234,285	202,385	40,603	68,727
C.1 writebacks to value adjustments	13,493	5,777	40,495	5,055
C.2 writebacks following collection	28,242	7,070	73	4,986
C.2.bis gains on disposals	—	—	—	—
C.3 writeoffs	110,831	90,537	—	23,638
C.4 transfers to other categories of impaired exposures	3,245	81,243	35	34,424
C.5 other reductions	78,474	17,758	—	624
D. Aggregate adjustments at end of period	(380,779)	(584,030)	(53,523)	(75,339)
of which: exposures sold but not derecognized	*(7,161)*	*(7,166)*	—	*(972)*

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 class						Unrated	Total
	AAA / AA-	A+ / A-	BBB+ / BBB-	BB+ / BB-	B+ / B-	Below B-		
A. Cash exposures	1,930,659	3,238,104	13,477,743	1,999,492	1,514,136	—	34,410,259	56,570,393
B. Derivatives	24,666	41,307,864	12,950,679	935,316	1,465,735	303	5,240,114	61,924,677
B.1 Financial derivatives	24,666	8,252,071	12,117,093	935,316	1,465,735	303	4,689,881	27,485,065
B.2 Credit derivatives [1]	—	33,055,793	833,586	—	—	—	550,233	34,439,612
C. Guarantees released	2,727	—	285	10,099	9,310	—	285,934	308,355
D. Commitments to disburse funds	4,077	1,300,542	7,449,650	1,438,402	218,763	306	4,367,389	14,779,129
E. Others	—	—	—	—	—	—	155	155
Total at 30/6/14	1,962,129	45,846,510	33,878,357	4,383,309	3,207,944	609	44,303,851	133,582,709
Total at 30/6/13	2,658,732	50,569,482	33,859,228	2,429,867	870,837	1,170	46,203,545	136,592,861

[1] The balance as at 30/6/14 includes €31,890,887,000 in deals matched 100% by hedge buys.

A.3 Secured exposures by type of security

A.3.1 Banking Group – secured cash exposures to banks

	Amount	Real guarantees (1)				Personal guarantees (2)									Total (1) + (2)
		Properties - mortgages	Properties - Leasing	Securities	Other assets	Credit derivatives					Endorsements				
						CLN	Other credit derivatives				Govern-ments	Other public agencies	Banks	Others	
							Govern-ments	Other public agencies	Banks	Others					
1. Secured balance sheet credit exposures:															
1.1 completely secured	3,641,870	—	1,431	4,275,425	1,013	—	—	—	—	—	9,249	74,839	7,322	142	4,369,421
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1.2 partly secured	351,651	—	—	327,557	—	—	—	—	—	—	13,261	—	—	787	341,605
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Secured off balance sheet credit exposures:															
2.1 completely secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.2 partly secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

A.3.2 Banking Group – secured cash exposures to customers

	Amount	Real guarantees (1)				Personal guarantees (2)									Total (1) + (2)
						Credit derivatives					Endorsements				
		Properties - mortgages	Properties - Leasing	Securities	Other assets	CLN	Other credit derivatives				Governments	Other public agencies	Banks	Others	
							Govern-ments	Other public agencies	Banks	Others					
1. Secured balance sheet credit exposures:															
1.1 completely secured	13,767,207	9,661,950	797,637	7,367,294	783,231	—	—	—	76,145	—	99,353	153,112	344,934	4,257,349	23,541,005
- of which impaired	*550,401*	*414,374*	*57,885*	*11,667*	*11,640*	—	—	—	—	—	—	—	*18,556*	*393,890*	*908,012*
1.2 partly secured	6,321,892	371,406	—	3,332,802	296,658	—	—	—	—	—	1,335	—	1,024,421	82,102	5,108,724
- of which impaired	*10,163*	*12,357*	—	*426*	—	—	—	—	—	—	—	—	—	*65*	*12,848*
2. Secured off balance sheet credit exposures:															
2.1 completely secured	454,523	156,252	—	45,085	4,778	—	—	—	—	—	—	55,257	310,237	11,647	583,256
- of which impaired	*173*	*292*	—	—	—	—	—	—	—	—	—	—	—	*83*	*375*
2.2 partly secured	694,679	15,598	—	285	9,974	—	—	—	—	—	—	—	427,845	—	453,702
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

B. Loan distribution and concentration

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

Exposures/counterparts	Governments	Other public agencies	Financial companies	Insurances	Non-financial undertakings	Other entities
A. Cash exposures						
A.1 Non-performing						
Net exposure	—	—	12	11	67,647	203,286
Value adjustments to gross exposure	—	—	(4,558)	—	(62,138)	(314,083)
Value adjustments to portfolio	X	X	X	X	X	X
A.2 Potential problem						
Net exposure	—	10	23,500	—	478,487	190,214
Value adjustments to gross exposure	—	—	(3,252)	(1)	(370,355)	(210,423)
Value adjustments to portfolio	X	X	X	X	X	X
A.3 Restructured						
Net exposure	—	—	10,118	—	28,901	28,296
Value adjustments to gross exposure	—	—	(3,826)	—	(44,154)	(5,543)
Value adjustments to portfolio	X	X	X	X	X	X
A.4 Past due						
Net exposure	—	—	10	4	46,315	82,361
Value adjustments to gross exposure	—	—	(3)	(5)	(5,118)	(70,206)
Value adjustments to portfolio	X	X	X	X	X	X
A.5 Other exposures						
Net exposure	8,917,931	331,483	9,561,240	1,366,462	12,945,480	14,894,378
Value adjustments to gross exposure	X	X	X	X	X	X
Value adjustments to portfolio	(3,323)	(3,419)	(23,924)	(2,239)	(100,003)	(96,992)
Total A						
Net exposure	8,917,931	331,493	9,594,880	1,366,477	13,566,830	15,398,535
Value adjustments to gross exposure	—	—	(11,639)	(6)	(481,765)	(600,255)
Value adjustments to portfolio	(3,323)	(3,419)	(23,924)	(2,239)	(100,003)	(96,992)
B. Off-balance sheet exposures						
B.1 Non-performing						
Net exposure	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	X	X	X	X	X	X
B.2 Potential problem						
Net exposure	—	—	—	—	5,195	106
Value adjustments to gross exposure	—	—	—	—	(744)	—
Value adjustments to portfolio	X	X	X	X	X	X
B.3 Other impaired assets						
Net exposure	—	—	—	—	2,331	37
Value adjustments to gross exposure	—	—	—	—	(336)	—
Value adjustments to portfolio	X	X	X	X	X	X
B.4 Other exposures						
Net exposure	5,001,521	12,413	6,691,068	80,961	10,870,229	164,330
Value adjustments to gross exposure	X	X	X	X	X	X
Value adjustments to portfolio	—	(1)	(2,441)	(22)	(15,585)	—
Total B						
Net exposure	5,001,521	12,413	6,691,038	80,961	10,877,755	164,473
Value adjustments to gross exposure	—	—	—	—	(1,080)	—
Value adjustments to portfolio	—	(1)	(2,441)	(22)	(15,585)	—
Total at 30/6/14						
Net exposure	13,919,452	343,906	16,285,948	1,447,438	24,444,585	15,563,008
Value adjustments to gross exposure	—	—	(11,639)	(6)	(482,853)	(600,255)
Value adjustments to portfolio	(3,323)	(3,420)	(26,365)	(2,261)	(115,588)	(96,992)
Total at 30/6/13	13,946,241	156,321	14,398,791	2,725,907	22,575,733	16,114,189

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

Exposure/geographical areas	Italy		Other European countries		United States		Asia		Rest of world	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A) Cash exposures										
A.1 Non-performing	262,059	(363,916)	8,722	(14,479)	54	(125)	—	—	121	(2,259)
A.2 Potential problem	687,550	(575,386)	4,638	(7,920)	23	(724)	—	—	—	—
A.3 Restructured	52,269	(17,539)	15,046	(35,984)	—	—	—	—	—	—
A.4 Past due	118,576	(75,124)	1,443	(208)	2,117	—	—	—	6,834	—
A.5 Other exposures	37,247,931	(196,422)	9,476,600	(31,497)	1,144,236	(1,842)	8,484	(9)	139,723	(130)
Total A	38,368,385	(1,228,387)	9,506,169	(90,088)	1,146,430	(2,691)	8,484	(9)	146,678	(2,389)
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	5,301	(744)	—	—	—	—	—	—	—	—
B.3 Other impaired assets	37	—	2,331	(336)	—	—	—	—	—	—
B.4 Other exposures	12,191,731	(8,786)	10,274,831	(8,496)	298,826	(767)	46,208	—	8,926	—
Total B	12,197,069	(9,530)	10,277,162	(8,832)	298,826	(767)	46,208	—	8,926	—
Total at 30/6/14	50,565,454	(1,237,916)	19,783,331	(98,920)	1,445,256	(3,458)	54,692	(9)	155,604	(2,389)
Total at 30/6/13	48,743,070	(879,923)	19,366,262	(158,534)	1,563,842	(4,715)	9,392	(11)	234,616	(2,391)

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

Exposure/geographical areas	Italy		Other European countries		United States		Asia		Rest of world	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A) Cash exposures										
A.1 Non-performing	—	—	—	—	—	—	—	—	—	—
A.2 Potential problem	—	—	—	—	—	—	—	—	—	—
A.3 Restructured	—	—	—	—	—	—	—	—	—	—
A.4 Past due	—	—	—	—	—	—	—	—	—	—
A.5 Other exposures	2,985,462	(1,086)	4,268,592	(573)	92,349	(14)	8,465	(473)	39,379	—
Total A	2,985,462	(1,086)	4,268,592	(573)	92,349	(14)	8,465	(473)	39,379	—
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—	—
B.4 Other exposures [1]	1,906,846	—	51,635,874	—	641,248	—	—	—	—	—
Total B	1,906,846	—	51,635,874	—	641,248	—	—	—	—	—
Total at 30/6/14	4,892,308	(1,086)	55,904,466	(573)	733,597	(14)	8,465	(473)	39,379	—
Total at 30/6/13	5,956,242	(349)	59,994,924	(35,970)	652,632	—	24,522	(763)	47,358	—

[1] The balance as at 30/6/14 includes €31,890,887,000 (30/6/13: €41,113,241,000) in deals matched 100% by hedge buys.

B.4a Credit risk indicators

	30/6/14	30/6/13
a) Gross NPLs/total loans	1.61%	1.30%
b) Irregular items/cash exposures	4.37%	3.22%
c) Net NPLs/regulatory capital	3.35%	3.22%

B.4b Large risks

	30/6/14	30/6/13
a) Book value	11,500,719	12,043,542
b) Weighted value	8,911,672	10,869,923
c) No. of exposures	8	8

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 2014, commitments to deals of this nature amounted to €1,292.4m, slightly higher than the €1,239.7m reported one year previously. Such deals represented slightly less than 10% of the corporate portfolio, around 30% of which in relation to domestic transactions , two deals with US client (for a value of approx. €110m), and the remainder deals within the confines of the European Union.

The leveraged finance market returned to its former dynamism during the year, with repayments of €332m (including eight deals being wound up) against increases totalling €384.7m (with twelve new deals being opened).

C. Securitizations and asset disposals

C.1 Securitizations

Qualitative information

The Group's portfolio of securities deriving from securitizations by other issuers totalled €281.8m (30/6/13: €272.8m), over 80% of which is attributable to the banking book (AFS and HTM). During the period under review, the banking book showed acquisitions of €16m and repayments totalling €32.8m. The trading book increased by €22.6m, following net acquisitions of €39.2m and repayments totalling €19.9m. Trading involving a total of €117.9m was recorded during the period under review.

The portfolio is valued on the basis of prices supplied by financial information providers and also, in the case of some banking book holdings, via internal fair value models. Overall during the year the portfolio's value increased by €2m, along with €4.6m in unrealized gains (as against €27.6m losses last year).

The portfolio as a whole has a rating commensurate with securities of high credit standing issued by at least one of the leading agencies (Standard & Poors, Moody's and Fitch). Some 89% consists of senior-ranking securities, 10% mezzanine (four issues) and 1% junior (two issues). Over half of the portfolio is eligible for refinancing transactions with the European Central Bank.

The ABS market, like those for other credit products, benefited from a widespread increase in prices due in particular to issues by issuers in peripheral EU member states (e.g. Italy) as a result of expectations of less restrictive regulations on capital absorption with the advent of Basel II/Solvency 2, and improved conditions of acceptance as collateral for transactions with the European Central Bank. Primary market securitization activity is gradually recovering, with issuance volumes in the first few months of 2014 equal to those recorded for the full year 2013. The Group's portfolio remains concentrated on senior tranches of domestic stocks, with mortgages and state-owned properties as collatera. The other exposures involve CLOs, synthetic securities (Entasi and ELM) and other European mortgage receivables. The principal mezzanine exposure involved CMBS with Telecom Italia credit risk as the underlying asset(IMSER), and will be redeemed early.

Quantitative information

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

Type of underlying asset/ exposures	Cash exposure [1]					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposures	Gross exposure	Net exposures	Gross exposure	Net exposures
A) Using own undelying assets:	—	—	—	—	—	—
a) Impaired	—	—	—	—	—	—
b) Other	—	—	—	—	—	—
B) Using customers' underlying assets	250,465	250,466	28,665	28,664	2,656	2,656
a) Impaired	54,117	54,117	—	—	—	—
b) Other	196,348	196,349	28,665	28,664	2,656	2,656

[1] No off-balance-sheet exposure.

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

Type of securitized asset/exposure*		Cash exposures [1]					
		Senior		Mezzanine		Junior	
		Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks
A. Mortgage loans on properties							
A.1 Velah 4 A2	IT0004102007	26,887	—	—	—	—	—
A.2 IMSER21(ST18)) 5.830	IT0003382972	—	—	18,227	—	—	—
A.3 RMAC2005-NS4XM2A MTG	XS0235778106	—	—	5,023	1,559	—	—
A.4 BERAB 3 A	IT0005027930	5,016	12	—	—	—	—
A.5 Other		12,069	-152	2,522	104	2,656	405
TOTAL A MORTGAGE LOANS ON PROPERTIES		43,972	164	25,772	1,663	2,656	405
B. Other receivables							
B.1 Fip Fund-23 A2 FRN	IT0003872774	89,285	—	—	—	—	—
B.2 ENTASI 16/08/2016	IT0003142996	54,117	—	—	—	—	—
B.3 ELM BB.V. FL	XS0247902587	22,626	—	—	—	—	—
B.4 SUNRISE09A MTG	IT0004495609	8,090	28	—	—	—	—
B.5 BESME 1 A1X	IT0004941149	8,394	62	—	—	—	—
B.6 QNST 2006-1X A1	XS0278960066	7,679	(74)	—	—	—	—
B.7 Other		16,302	(173)	2,893	-30	—	—
TOTAL B OTHER RECEIVABLES		206,493	(157)	2,893	-30	—	—
Total as at 30/6/14		**250,465**	**7**	**28,665**	**1,633**	**2,656**	**405**
Total as at 30/6/13		**243,668**	**345**	**24,470**	**713**	**4,709**	**317**

* Mediobanca does not have on its books any credit exposures backed by US subprime or Alt-A mortgages.

[1] No off-balance-sheet exposure.

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

Exposure/portfolio	Held for trading	Designed at fair value through profit and loss	Available for sale	Held to maturity	Loans and advances	30/6/14	30/6/13
1. Cash exposures	50,929	—	19,714	40,854	170,289	281,786	272,848
- Senior	37,836	—	19,714	22,626	170,289	250,465	243,669
- Mezzanine	10,437	—	—	18,228	—	28,665	24,470
- Junior	2,656	—	—	—	—	2,656	4,709
2. Off-balance-sheet exposures	—	—	—	—	—	—	—
- Senior	—	—	—	—	—	—	—
- Mezzanine	—	—	—	—	—	—	—
- Junior	—	—	—	—	—	—	—

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

Assets/amounts	Traditional securitizations	Synthetic securitizations
A. Own underlying assets:		
A.1 Fully derecognized	—	—
1. Non-performing	—	X
2. Potential problem	—	X
3. Restructured	—	X
4. Past due	—	X
5. Other assets	—	X
A.2 Partly derecognized	—	X
1. Non-performing	—	X
2. Potential problem	—	X
3. Restructured	—	X
4. Past due	—	X
5. Other assets	—	—
A.3 Not derecognized	—	—
1. Non-performing	—	—
2. Potential problem	—	—
3. Restructured	—	—
4. Past due	—	—
5. Other assets	—	—
B. Customer underlying assets:		
B.1 Non-performing	—	—
B.2 Potential problem	—	—
B.3 Restructured	—	—
B.4 Past due	—	—
B.5 Other assets	2,656	—

C.1.6 Banking Group – Interests in vehicle companies

Name	Head office	% shareholding
Quarzo S.r.l.	Milan	90%
Quarzo Lease S.r.l.	Milan	90%

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

Servicer	Vehicle company	Securitized assets 30/6/14		Receivables collected during the year		Percentage share of securities repaid 30/6/14					
						Senior		Mezzanine		Junior	
		Impaired	Performing	Impaired	Performing	Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
SelmaBPM Leasing	Quarzo Lease	18,331	220,478	2,597	70,456	—	0	—	—	—	—
SelmaBPM Leasing	Quarzo Lease	19,903	174,684	5,359	68,011	—	0	—	—	—	—
SelmaBPM Leasing	Quarzo Lease	18,105	193,437	3,056	93,879	—	0	—	—	—	—
Compass	Quarzo	106,643	3,493,959	623	1,760,352	—	—	—	—	—	—

C.1.8 Banking Group – SPVs owned

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

This special purpose vehicle company currently has three securitizations outstanding, all with SelmaBipiemme receivables as the underlying instruments, with the junior tranches underwritten by SelmaBipiemme itself and the senior tranches by the EIB. The deals are all in the amortization stages and hence this year only the final sales were booked, totalling €6.3m, in respect of the third securitization.

The main features of the deals are as follows:

Tranche	Date	Outstanding amount at issue			Date Amortization	Outstanding amount at 30/6/14	
		Junior	Senior	Receivables		Senior	Receivables
I	Jul-07	36.9	350	386.9	Apr-13	192.7	243.5
II	May-09	100	350	450	Jul-12	89.6	202.1
III	Jul-11	123.1	202	325	Oct-13	98.2	216.8

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

Tranche	Amounts collected	Servicing fee	Interest on junior tranche
I	83.7	0.05	8.21
II	80.9	0.05	4.06
III	109.5	0.07	8.39

Quarzo S.r.l. (Compass)

Quarzo S.r.l. currently has one securitization outstanding subscribed for directly by Group companies, with the purpose of expanding the Group's sources of funding, by taking advantage of the possibility of refinancing senior bonds with the European Central Bank. The transaction consists of a senior issue in an amount of €2,960m plus a junior tranche worth €540m. The monthly revolving periods began in July 2013 and will continue until December 2015. During the twelve months receivables worth €1,459.2m were ceded.

Accounts between Compass and vehicle company Quarzo were as follows:

Collections on behalf of Quarzo:	€ 1,760,9 million
Servicing fees collected:	€ 17.5 million
Interest accrued on junior notes:	€ 16.4 million
Additionaled return accrued:	€ 216.2 million

C.2 Asset disposals

A. Banking Group – Financial assets sold but not derecognized

QUANTITATIVE INFORMATION

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

Type/portfolio	Financial assets held for trading	Financial assets at fair value through profit and loss account	AFS securities	Financial assets held to maturity	Due from banks	Due from customers	Total	
							30/6/14	30/6/13
A. Cash assets								
1. Debt securities								
a) Financial assets sold but recorded in full (book value)	1,020,078	—	1,510,154	158,684	—	—	2,688,916	1,785,467
2. Equities	—	—	—	X	X	X	—	—
3. UCI units	—	—	—	X	X	X	—	—
4. Loans and advances								
a) Financial assets sold but recorded in full (book value)	—	—	—	—	—	647,069	647,069	501,452
B. Derivative products	—	X	X	X	X	X	—	—
Total at 30/6/14	1,020,078	—	1,510,154	158,684	—	647,069	3,335,985	X
a) Financial assets sold but recorded in full (book value)	1,020,078	—	1,510,154	158,684	—	647,069	3,335,985	X
- of which impaired	—	—	—	—	—	—	—	X
Total at 30/6/13	179,752	—	1,460,540	145,175	—	501,452	X	2,286,919
a) Financial assets sold but recorded in full (book value)	179,752	—	1,460,540	145,175	—	501,452	X	2,286,919
- of which impaired	—	—	—	—	—	—	X	—

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

Liabilities/asset portfolios	Financial assets held for trading	Financial assets at fair value through profit and loss account	AFS securities	Financial assets held to maturity	Due from banks	Due from customers	Total
1. Due to customers	477,004	—	727,402	115,549	—	283,910	1,603,865
a) in respect of fully recognized assets	477,004	—	727,402	115,549	—	—	1,319,955
b) in respect of partly recognized assets	—	—	—	—	—	283,910	283,910
2. Due to banks	511,150	—	181,380	3,634	—	366,922	1,063,086
a) in respect of fully recognized assets	511,150	—	181,380	3,634	—	366,922	1,063,086
b) in respect of partly recognized assets	—	—	—	—	—	—	—
3. Debt securities in issue	—	—	—	—	—	—	—
a) in respect of fully recognized assets	—	—	—	—	—	—	—
b) in respect of partly recognized assets	—	—	—	—	—	—	—
Total at 30/6/14	988,154	—	908,782	119,183	—	650,832	2,666,951
Total at 30/6/13	155,326	—	573,420	111,444	971,966	436,740	2,248,896

C.3 Banking Group – covered bond issues

During the twelve months under review the first public issues with “A” ratings reserved to institutional investors were made, as part of a ten-year €5bn programme with residential mortgages granted by CheBanca! as the underlying asset:

– the first tranche was issued in October 2013 with a notional amount of €750m, 10-year duration and fixed-rate coupon of 3.625%, with €1.6bn in receivables as the underlying instrument, replacing the existing €1.5bn, subscribed for in full by Mediobanca and used as collateral for operations with the European Central Bank;

– the second tranche was issued in June 2014 with a notional amount of €750m, 5-year duration and fixed-rate coupon of 1.125%, with €1.2bn in receivables as the underlying instrument.

Overall CheBanca! ceded a total of 29,682 residential mortgages to the SPV during the twelve months under review, worth a total of €2.8bn.

Under the terms of the covered bond programme, Mediobanca acts as issuer and swap counterparty and CheBanca! sells the underlying assets to the SPV (Mediobanca Covered Bond) and as servicer for the issue. The SPV in turn establishes them as security for the bondholders (with first-ranking, unconditional and irrevocable guarantee).

Mediobanca has retained an auditor to act as independent asset monitor, carrying out controls to ensure the deal is regular and to check the integrity of the guarantee issued by the SPV to the bondholders.

To ensure the programme is implemented properly, the objectives of the deal and related risks were identified and assessed beforehand, allowing the appropriate control procedures to be developed.

1.2 BANKING GROUP – MARKET RISK

1.2.1 INTEREST RATE RISK AND PRICE RISK – TRADING BOOK

QUALITATIVE INFORMATION

The market risks facing the Group are concentrated almost entirely at the parent company level. Mediobanca's exposure to price risk on the trading book is measured on a daily basis by calculating two main indicators:

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

– Value-At-Risk,[1] calculated on the basis of expected volatilities and the correlations between the risk factors concerned, updated daily, assuming a disposal period of a single trading day and a confidence level of 99%.

Such analysis regards not just the trading book but the Bank's entire asset structure, including the banking book but net of the equity investments. Analysis of VaR takes into consideration risks deriving from changes in market interest rates and credit spreads for positions in bonds and hedge derivatives.

In addition to these metrics, *ad hoc* indicators are compiled to capture tail risks not measured by VaR, and stress tests carried out on the main risk factors, to show the impact which significant movements in the main market varibales (such as share prices and interest or exchange rates) might have, calibrated on the basis of the most pronounced historical oscillations.

In order to monitor the various business units' operations, limits have been introduced on sensitivities to movements of different factors as well as the value-at-risk. In the latter case, the indicator used to check the limits is calculated by using Monte Carlo simulations, along with historical simulations for indicative purposes[2]. This measurement is also used to calculate the expected shortfall, which measures average loss in 1% of the most unfavourable scenarios.

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

[2] Determines portfolio values based on random and historical variations in risk factors respectively.

The 2013-14 financial year saw one of the best performances witnessed in recent years. At end-June 2014, the FTSE MIB stock market index had gained almost 40% versus end-July 2013, with a high of 45% at the start of June; while the ten-year BTP-*Bund* spread fell from 270 to 160 basis points (and at one point was temporarily below 140 bps), driving a substantial reduction in the aggregate value at risk despite the domestic and international scenario remaining uncertain.

The value at risk in fact declined from a high of €60m (at the start of July 2013) to a low of €15m (mid-May 2014) before rising again to reach €30m at the reporting date as a result of the unexpected contraction in Italian GDP. The average reading for the twelve months was thus €28.6m, just over half the €53.5m reported last year.

The largest reduction was recorded in the interest rate segment, where the average reading fell from €45m to €15m, helped by the declining volatility in market interest rates and the increased staibility in credit spreads (specific risk fell from €16.1m to €6.7m). The equity component bucked this trend, with the average figure rising from €10.4m to €17.5m, as a result of the transfer of shareholdings to the AFS segment ahead of their disposal. However, the individual readings themselves reflect constant reduction from a high of €35m at the start of the period to €10m at the reporting date. The inflation component also rose, due to acquisitions in the AFS index-linked government securities component.

Table 1: Value At Risk and Expected Shortfall of asset structure

Risk factors (€'000)	**12 mths to 30/6/14**				**12 mths to 30/6/13 Avg.**
	30/6	**Min**	**Max**	**Avg.**	
Interest rates	23,033	6,919	43,401	14,967	45,515
- of which: specific risk	*5,642*	*3,284*	*16,934*	*6,684*	*16,125*
Share prices	10,374	10,126	35,650	17,484	10,384
Exchange rates	2,356	772	7,307	2,547	2,393
Inflation	1,534	869	3,258	1,640	1,262
Volatility	1,166	1,126	4,706	2,322	3,113
*Diversification effect **	*(8,736)*	*(6,109)*	*(18,584)*	*(10,398)*	*(9,143)*
TOTAL	29,728	14,542	62,514	28,562	53,524
Expected shortfall	*64,561*	*40,964*	*111,879*	*64,871*	*110,788*

* Due to mismatch between risk factors.

The fact that the most critical days of 2011 no longer fall within the reference period drove a reduction in the expected shortfall, the average reading for which decreased from €100m to €65m.

The trading book, meanwhile, showed a more stable VaR than in previous years, as a result of the reduction in directional positions. The average reading fell from €8.9m to €7.8m, due to the interest rate component's contribution, in particular specific risk on corporate and financial securities (€4.9m, vs €13.2m), and to the reduction in holdings in Italian government securities. The equity component's contribution more than halved, with the average reading falling from €3.9m to €1.6m, and a low of €700,000 being recorded, while the contribution from volatility declined from €3.2m to €2.8m as a result of increased hedging of options.

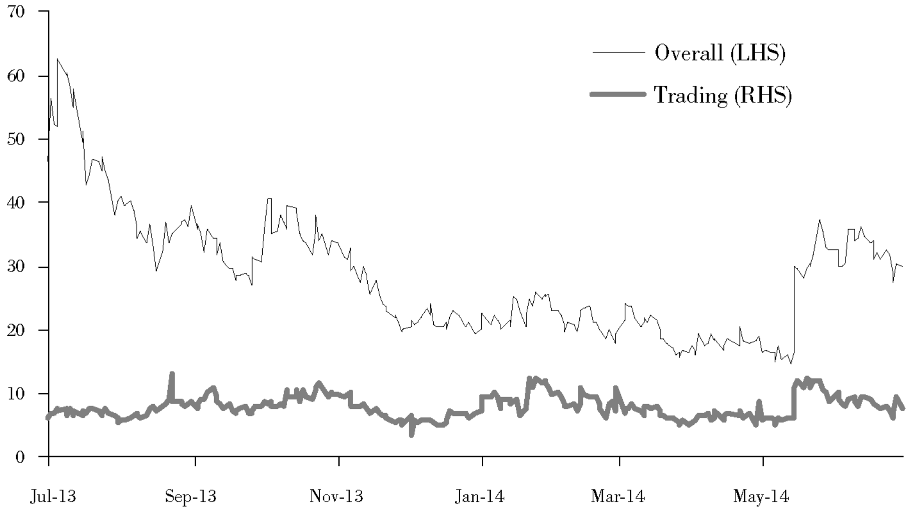
Table 2: Value At Risk and Expected Shortfall: trading book

Risk factors (€'000)	**12 mths to 30/6/14**				**12 mths to 30/6/13**
	30/6	**Min**	**Max**	**Avg.**	**Avg.**
Interest rates	6,095	1,320	9,617	4,158	6,471
- of which: specific risk	*1,574*	*659*	*3,046*	*1,580*	*3,859*
Share prices	873	724	6,372	1,622	3,866
Exchange rates	3,980	176	10,062	4,123	3,724
Inflation	480	193	942	433	1,027
Volatility	1,490	1,490	4,677	2,771	3,258
*Diversification effect **	*(5,509)*	*(2,496)*	*(9,188)*	*(5,316)*	*(9,488)*
TOTAL	7,409	3,294	12,952	7,791	8,869
Expected shortfall	*12,822*	*8,536*	*21,845*	*13,661*	*11,952*

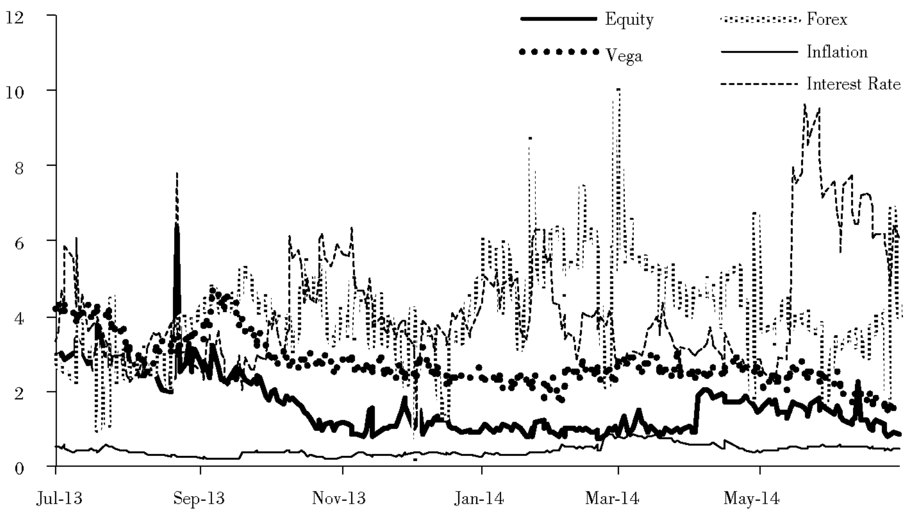
* Due to mismatch between risk factors.

The *Expected Shortfall* on the trading book was basically stable, at €13.6m (€12m).

Trends in VaR



Trends in VaR constituents



The results of the daily back-testing based on calculations of theoretical profits and losses[3] show no signs of VaR being ineffective as a measurement. For the aggregate portfolio including the AFS positions, losses of higher than the VaR readings were recorded on just three days (in line with the theoretical level of 1% of the readings), at end-January and mid-May on negative domestic and international macroeconomic newsflows. The same applies to the trading book, where the same number of breaches was recorded, two of which on the same occasions referred to above.

Leaving aside Mediobanca S.p.A., the exposure to market risks for Group companies affects only Compagnie Monégasque de Banque, which had an average VaR reading of €530,000, up on the €356,000 recorded last year. This change is largely driven by the extended duration of the portfolio of Mediobanca-issued bonds.

With reference to the sensitivity of net interest income, the trading book (Mediobanca only) as at 30 June 2014 showed a gain of €12.8m in the event of a 100 bps rise in interest rates, which reduces to €1.3m in the opposite scenario (100 bps reduction).

Data at 30/6/13 €/m		**Trading Book**
Net interest income sensitivity	+ 100 bps	12.79
	— 100 bps	1.29
Discounted value of cash flows sensitivity	+ 100 bps	(93.52)
	— 100 bps	17.40

[3] Based on reprincing the previour days position using data from the following business day, in order to eliminate intraday trading items.

QUANTITATIVE INFORMATION

1. Regulatory trading book by outstanding maturity (repricing date) of cash assets and liabilities and financial derivative products

Currency of denomination: EURO

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	14	682,239	875,684	529,404	1,438,097	779,800	111,804	—
1.1 Debt securities	14	682,239	875,684	529,404	1,438,097	779,800	111,804	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	14	682,239	875,684	529,404	1,438,097	779,800	111,804	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	130,795	128,884	72,893	428,601	1,092,693	580,694	1,718	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
2.2 Other liabilities	130,795	128,884	72,893	428,601	1,092,693	580,694	1,718	—
3. Financial derivatives	372,000	65,479,956	38,242,964	21,919,303	73,397,936	22,212,723	8,702,750	—
3.1 With underlying securities	—	3,558,264	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	3,558,264	—	—	—	—	—	—
+ long positions	—	1,779,132	—	—	—	—	—	—
+ short positions	—	1,779,132	—	—	—	—	—	—
3.2 Without underlying securities	372,000	61,921,692	38,242,964	21,919,303	73,397,936	22,212,723	8,702,750	—
– Options	—	8,332,512	5,299,750	9,233,438	25,131,438	1,480,000	1,972,000	—
+ long positions	—	4,266,131	2,550,000	4,623,750	12,558,688	740,000	986,000	—
+ short positions	—	4,066,381	2,749,750	4,609,688	12,572,750	740,000	986,000	—
– Others	372,000	53,589,180	32,943,214	12,685,865	48,266,498	20,732,723	6,730,750	—
+ long positions	202,000	28,161,402	15,237,050	6,516,739	23,663,215	10,634,062	3,246,267	—
+ short positions	170,000	25,427,778	17,706,164	6,169,126	24,603,283	10,098,661	3,484,483	—

Currency of denomination: US DOLLARS

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	—	234,667	4,604	42,644	120,750	38,889	154,997	—
1.1 Debt securities	—	234,667	4,604	42,644	120,750	38,889	154,997	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	—	234,667	4,604	42,644	120,750	38,889	154,997	—
1.2 Other assets								
2. Cash liabilities	—	82	—	—	—	6,045	—	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	82	—	—	—	6,045	—	—
3. Financial derivatives	7,596	15,815,392	13,923,781	18,307,570	41,841,181	3,229,085	270,760	—
3.1 With underlying securities	—	126,860	205,862	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	126,860	205,862	—	—	—	—	—
+ long positions	—	63,430	102,931	—	—	—	—	—
+ short positions	—	63,430	102,931	—	—	—	—	—
3.2 Without underlying securities	7,596	15,688,532	13,717,919	18,307,570	41,841,181	3,229,085	270,760	—
– Options	—	9,313,589	12,926,490	18,073,656	40,058,940	—	181,579	—
+ long positions	—	4,927,881	6,462,330	5,802,460	23,084,456	—	—	—
+ short positions	—	4,385,708	6,464,160	12,271,196	16,974,484	—	181,579	—
– Others	7,596	6,374,943	791,429	233,914	1,782,241	3,229,085	89,181	—
+ long positions	3,798	3,207,443	370,028	126,109	860,805	1,648,886	36,535	—
+ short positions	3,798	3,167,500	421,401	107,805	921,436	1,580,199	52,646	—

Currency of denomination: OTHER

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	—	72,976	41,188	—	2,628	—	—	—
1.1 Debt securities	—	72,976	41,188	—	2,628	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	—	72,976	41,188	—	2,628	—	—	—
1.2 Other assets								
2. Cash liabilities	—	—	—	—	—	—	—	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivatives	73,372	4,932,474	7,239,475	13,681,112	2,813,842	608,378	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	73,372	4,932,474	7,239,475	13,681,112	2,813,842	608,378	—	—
– Options	—	111,982	3,397,731	8,319,752	—	—	—	—
+ long positions	—	55,991	1,699,353	4,159,389	—	—	—	—
+ short positions	—	55,991	1,698,378	4,160,363	—	—	—	—
– Others	73,372	4,820,492	3,841,744	5,361,360	2,813,842	608,378	—	—
+ long positions	36,686	2,392,763	1,929,068	2,680,680	1,415,146	305,220	—	—
+ short positions	36,686	2,427,729	1,912,676	2,680,680	1,398,696	303,158	—	—

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

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities [1]			
A.1 Shares	942,717	—	162
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	27,087	—
B. UCI units			
B.1 Italian	—	—	10,000
- harmonized open	—	—	—
- non-harmonized open	—	—	—
- closed	—	—	10,000
- reserved	—	—	—
- speculative	—	—	—
B.2 Other EU states	150,746	36,332	6,555
- harmonized	150,746	—	4,968
- non-harmonized open	—	—	1,587
- non-harmonized closed	—	36,332	—
B.3 Non-EU states	—	—	—
- open	—	—	—
- closed	—	—	—
Total	1,093,463	63,419	16,717

[1] Net mismatch between trading assets and technical shortfalls booked as trading liabilities; over 98% of the next exposure regards other European countries (of which Spain 34%, Italy 11%, Germany 11%, France 11% and Austria 10%) and UK 5%.

1.2.2 INTEREST RATE RISK AND PRICE RISK - BANKING BOOK

QUALITATIVE INFORMATION

The Mediobanca Group monitors and manages interest rate risk by analysing the sensitivity of net interest income, and the sensitivity of the economic value of the banking book. The first type of sensitivity analysis quantifies the impact of a parallel, instantaneous 100 basis point change in the interest rate curve, over a time horizon of twelve months on current profits. The second type of sensitivity is calculated by comparing the discounted value of estimated cash flows obtained with the return curve at the current date and the value obtained using a return curve increased or reduced by 100 basis points ("parallel shock").

With reference to the positions held as part of the banking book as at 30 June 2014, in the event of a 100 bps increase in interest rates, a loss of €1.3m would be recorded, reflecting the balanced nature of the Groups's asset structure representing the balance between Mediobanca S.p.A. on the one hand (which would record a gain of €29.53m) and Compass and CheBanca! [4] on the other (which would record losses of €21.60m and €9.23m respectively), which historically show higher exposure to fixed interest rates. Conversely, a 100 bps reduction in interest rates would generate a slight gain of €1.2m, representing the difference between a €24.11m loss incurred by Mediobanca and gains earned by Compass and CheBanca! (€19.80m and €5.48m respectively).

A positive, 100 basis-point shock on the discounted value of future cash flows from Mediobanca's banking book would generate a €13.84m increase, on account of assets and liabilities being matched more or less exactly at the balance-sheet level due to the longer duration of the bond component. This gain would be more than offset by the effects on the holdings owned by Compass and CheBanca!, which would reduce by €45.7m and €94.8m respectively. Conversely, given the extremely low short-term interest rates, a 100 bps reduction in the curve would generate an increase for all three Group companies: for Mediobanca of €21.5m, for Compass of €37.6m, and for CheBanca! of €45.25m.

[4] For the purpose of this calculation, a model has been used to estimate the stickiness of direct deposits.

The data described above are summarized in numerical form in the table below:

Data at 30/6/14 €/m		Banking Book
Net interest income sensitivity	+ 100 bps	29.53
	— 100 bps	(24.11)
Discounted value of cash flows sensitivity	+ 100 bps	13.84
	— 100 bps	21.54

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[5])/ 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)[6].

A. 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. All fixed-rate, zero coupon and structured bond issues are fair-value hedged. With regard to the structured bonds in particular, if they do not show risks related to the main risk, the interest-rate component (hedged) is stripped out from the other risks represented in the trading book, and usually hedged by trades of the opposite sign.

[5] See p. 191.

[6] 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.

Fair value hedges are also used in corporate finance for certain bilateral, fixed-rate transactions and to mitigate price risk on equity investments held as available for sale.

B. 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

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

QUANTITATIVE INFORMATION

1. Banking book by outstanding maturity (repricing date) of cash assets and liabilities

Currency of denomination: EURO

Type	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	9,274,335	19,869,620	4,252,245	2,672,642	9,937,600	2,781,292	416,273	3,644
1.1 Debt securities	487,837	2,316,980	572,552	877,503	3,096,956	1,635,881	190,765	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	487,837	2,316,980	572,552	877,503	3,096,956	1,635,881	190,765	—
1.2 Loans to banks	1,917,194	2,150,927	420,250	5,090	90,545	—	—	486
1.3 Loans to customers	6,869,304	15,401,713	3,259,443	1,790,049	6,750,099	1,145,411	225,508	3,158
– current accounts	557,062	—	—	—	—	—	—	—
– other loans	6,312,242	15,401,713	3,259,443	1,790,049	6,750,099	1,145,411	225,508	3,158
– with early repayment option	1,319,452	2,703,641	17,783	30,476	113,332	89,325	189,649	—
– others	4,992,790	12,698,072	3,241,660	1,759,573	6,636,767	1,056,086	35,859	3,158
2. Cash liabilities	7,480,827	20,375,916	5,231,440	8,382,365	5,087,178	2,780,041	526,064	6,920
2.1 Due to customers	5,070,932	4,002,241	2,377,756	4,685,612	56,480	2,574	104,578	6,920
– current accounts	2,115,792	248,264	—	—	—	—	—	—
– other amounts due	2,955,140	3,753,977	2,377,756	4,685,612	56,480	2,574	104,578	6,920
– with early repayment option	354	411,872	57,321	66,894	18,677	—	—	—
– others	2,954,786	3,342,105	2,320,435	4,618,718	37,803	2,574	104,578	6,920
2.2 Due to banks	2,115,381	8,143,963	164,175	7,381	243,746	53,312	344,378	—
– current accounts	1,834,306	1	—	—	—	—	—	—
– other amounts due	281,075	8,143,962	164,175	7,381	243,746	53,312	344,378	—
2.3 Debt securities	294,514	8,229,712	2,689,509	3,689,372	4,786,952	2,724,155	77,108	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	294,514	8,229,712	2,689,509	3,689,372	4,786,952	2,724,155	77,108	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products	278,066	24,691,470	5,611,489	4,580,608	7,199,863	3,678,661	823,429	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	278,066	24,691,470	5,611,489	4,580,608	7,199,863	3,678,661	823,429	—
– Options	—	—	—	—	—	—	516,794	—
+ long positions	—	—	—	—	—	—	258,397	—
+ short positions	—	—	—	—	—	—	258,397	—
– Others	278,066	24,691,470	5,611,489	4,580,608	7,199,863	3,678,661	306,635	—
+ long positions	—	7,415,846	3,477,606	3,794,158	5,422,363	2,803,661	259,762	—
+ short positions	278,066	17,275,624	2,133,883	786,450	1,777,500	875,000	46,873	—
4. Other OTC trades	1,890,072	21,865,073	2,651,168	986,441	9,557,359	5,086,719	3,039,790	—
+ long positions	4,217	13,795,099	1,125,293	295,730	3,797,089	2,330,486	1,190,397	—
+ short positions	1,885,855	8,069,974	1,525,875	690,711	5,760,270	2,756,233	1,849,393	—

Currency of denomination: US DOLLARS

Type	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	542,023	727,374	99,963	7,330	251,596	61,113	64	—
1.1 Debt securities	—	1,223	321	25	250,416	61,113	64	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	1,223	321	25	250,416	61,113	64	—
1.2 Loans to banks	500,434	88,609	18,291	249	998	—	—	—
1.3 Loans to customers	41,589	637,542	81,351	7,056	182	—	—	—
– current accounts	2	—	—	—	—	—	—	—
– other loans	41,587	637,542	81,351	7,056	182	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	41,587	637,542	81,351	7,056	182	—	—	—
2. Cash liabilities	690,773	381,208	16,335	804	45,764	—	—	6
2.1 Due to customers	318,158	77,059	7,125	755	—	—	—	6
– current accounts	318,081	32,554	—	—	—	—	—	—
– other amounts due	77	44,505	7,125	755	—	—	—	6
– with early repayment option	—	—	—	—	—	—	—	—
– others	77	44,505	7,125	755	—	—	—	6
2.2 Due to banks	372,611	115,971	—	—	—	—	—	—
– current accounts	319,143	—	—	—	—	—	—	—
– other amounts due	53,468	115,971	—	—	—	—	—	—
2.3 Debt securities	4	188,178	9,210	49	45,764	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	4	188,178	9,210	49	45,764	—	—	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products	—	7,322	—	—	—	—	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	7,322	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	7,322	—	—	—	—	—	—
+ long positions	—	3,661	—	—	—	—	—	—
+ short positions	—	3,661	—	—	—	—	—	—
4. Other OTC trades	225,181	239,983	109,124	—	178,157	15,357	243,858	—
+ long positions	—	124,004	58,207	—	178,157	15,357	130,105	—
+ short positions	225,181	115,979	50,917	—	—	—	113,753	—

Currency of denomination: OTHER

Type	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	94,644	543,082	83,572	—	2,219	—	—	—
1.1 Debt securities	—	—	—	—	—	—	—	—
– with early repayment option								
– others	—	—	—	—	—	—	—	—
1.2 Loans to banks	58,264	58,394	—	—	2,145	—	—	—
1.3 Loans to customers	36,380	484,688	83,572	—	74	—	—	—
– current accounts	32	—	—	—	—	—	—	—
– other loans	36,348	484,688	83,572	—	74	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	36,348	484,688	83,572	—	74	—	—	—
2. Cash liabilities	223,494	57,887	4,616	20,255	198,218	—	—	—
2.1 Due to customers	192,140	29,618	4,210	3,541	—	—	—	—
– current accounts	192,120	4,633	—	—	—	—	—	—
– other amounts due	20	24,985	4,210	3,541	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	20	24,985	4,210	3,541	—	—	—	—
2.2 Due to banks	31,355	1	—	—	—	—	—	—
– current accounts	31,261	1	—	—	—	—	—	—
– other amounts due	94	—	—	—	—	—	—	—
2.3 Debt securities	—	28,268	406	16,714	198,218	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	28,268	406	16,714	198,218	—	—	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products	—	221,636	—	—	221,636	—	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	221,636	—	—	221,636	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	221,636	—	—	221,636	—	—	—
+ long positions	—	—	—	—	221,636	—	—	—
+ short positions	—	221,636	—	—	—	—	—	—
4. Other OTC trades	488,290	131,993	—	50,843	292,979	12,475	—	—
+ long positions	—	131,993	—	50,843	292,979	12,475	—	—
+ short positions	488,290	—	—	—	—	—	—	—

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

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities [1]			
A.1 Shares	400,720	—	627,427
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	—	113,400
B. UCI units			
B.1 Italian	—	—	103,585
- harmonized open	—	—	—
- non-harmonized open	—	—	—
- closed	—	—	96,879
- reserved	—	—	—
- speculative	—	—	6,706
B.2 Other EU states	—	384	10,605
- harmonized	—	—	—
- non-harmonized open	—	384	10,605
- non-harmonized closed	—	—	—
B.3 Non-EU states	—	—	9,490
- open	—	—	—
- closed	—	—	9,490
Total	400,720	384	864,507

[1] Of which 92% Italian and 5% other European countries.

1.2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

A. General aspects, operating processes and measurement techniques

Exchange rate risk within the Group is concentrated at the level of Mediobanca, and involves loans to corporate customers, investments in securities and other financial instruments in foreign currencies, and flows in currencies other than the Euro deriving from the collection and/or payment of interest, commissions and administrative expenses.

This risk managed by treasury and is is monitored on a constant basis.

B. Hedging activity

Risks deriving from movements in exchange rates for all the Bank's positions (trading and banking books), are managed by the Financial Markets division. The degree of risk in this area is thus effectively represented by the respective VaR component as shown on p. 187.

QUANTITATIVE INFORMATION

1. Assets, liabilities and derivatives by currency

Line items	Currency					
	US dollars	Pounds sterling	Japanese yen	Canadian dollars	Swiss francs	Other
A. Financial assets	1,896,702	622,521	26,358	25,719	115,247	111,469
A.1 Debt securities	827,765	26,579	20,528	22,110	49,720	26,326
A.2 Equities	52,145	63,395	—	—	17,991	—
A.3 Loans and advances to banks	244,130	32,023	2,729	3,598	37,605	13,429
A.4 Loans and advances to customers	772,662	500,524	3,101	11	9,931	71,714
A.5 Other financial assets	—	—	—	—	—	—
B. Other assets	—	—	—	—	—	—
C. Financial liabilities	(734,939)	(334,486)	(18,323)	(31,404)	(94,012)	(58,332)
C.1 Due to banks	(5,661)	1	(1)	—	(49)	(5)
C.2 Due to customers	(456,577)	(79,064)	(908)	(31,404)	(78,981)	(29,822)
C.3 Debt securities	(272,701)	(255,423)	(17,414)	—	(14,982)	(28,505)
C.4 Other financial liabiilities	—	—	—	—	—	—
D. Other liabilities	—	—	—	—	—	—
E. Financial derivative products	(777,032)	(369,292)	(54,618)	1,223	(109,786)	(26,259)
- Options	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—
- Other derivatives	(777,032)	(369,292)	(54,618)	1,223	(109,786)	(26,259)
+ Long positions	1,276,515	392,883	(840)	10,981	417,575	893,729
+ Short positions	(2,053,547)	(762,175)	(53,778)	(9,758)	(527,361)	(919,988)
Total assets	3,173,217	1,015,404	25,518	36,700	532,822	1,005,198
Total liabilities	(2,788,486)	(1,096,661)	(72,101)	(41,162)	(621,373)	(978,320)
Difference (+/-)	384,731	(81,257)	(46,583)	(4,462)	(88,551)	26,878

1.2.4 DERIVATIVE FINANCIAL PRODUCTS

A. FINANCIAL DERIVATIVES

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

Type of transaction	30/6/14		30/6/13	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	107,668,064	57,001,046	111,360,707	68,684,370
a) Options	—	54,769,947	5,887	56,849,325
b) Swaps	91,433,064	—	97,089,820	—
c) Forward	—	—	—	—
d) Futures	—	2,231,099	—	11,835,045
e) Others	16,235,000	—	14,265,000	—
2. Equities and share indexes	11,175,472	15,089,394	27,901,604	29,840,092
a) Options	10,468,337	14,792,475	26,525,407	29,694,729
b) Swaps	707,135	—	1,376,197	—
c) Forward	—	—	—	—
d) Futures	—	296,919	—	145,363
e) Others	—	—	—	—
3. Exchange rates and gold	11,866,711	—	8,993,545	—
a) Options	911,480	—	1,271,886	—
b) Swaps	4,299,466	—	1,881,230	—
c) Forward	6,655,765	—	5,840,429	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	130,710,247	72,090,440	148,255,856	98,524,462
Average values	139,848,343	85,307,451	158,568,866	71,921,750

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

A.2.1 Hedge derivatives

Type of transaction	30/6/14		30/6/13	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	23,654,293	—	27,511,264	—
a) Options	—	—	—	—
b) Swaps	23,395,895	—	27,252,867	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	258,398	—	258,397	—
2. Equities and share indexes	27	—	2,436	—
a) Options	27	—	59	—
b) Swaps	—	—	—	—
c) Forwards	—	—	2,377	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and gold	2,798	—	15,289	—
a) Options	—	—	—	—
b) Swaps	2,798	—	15,289	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	23,657,118	—	27,528,989	—
Average values	25,665,506	—	29,702,791	—

A.2.2 Other derivatives

Type of transaction	30/6/14		30/6/13	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	507,251	—	537,251	—
a) Options	—	—	—	—
b) Swaps	507,251	—	537,251	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equities and share indexes	4,650,601	—	6,723,608	—
a) Options	4,650,601	—	6,723,608	—
b) Swaps	—	—	—	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and gold	2,205	—	2,302	—
a) Options	—	—	—	—
b) Swaps	2,205	—	2,302	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	5,160,057	—	7,263,161	—
Average values	6,114,314	—	7,631,974	—

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

Type of transactions	Positive fair value			
	30/6/14		30/6/13	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	4,621,321	537,400	4,320,377	867,425
a) Options	1,422,408	530,800	1,315,270	853,684
b) Interest rate swaps	2,981,272	—	2,778,379	—
c) Cross currency swaps	94,625	—	59,329	—
d) Equity swaps	14,255	—	63,358	—
e) Forwards	108,761	—	104,041	—
f) Futures	—	6,600	—	13,741
g) Others	—	—	—	—
B. Banking book: hedge derivatives	1,232,101	—	1,298,768	—
a) Options	—	—	—	—
b) Interest rate swaps	1,031,455	—	1,129,576	—
c) Cross currency swaps	41	—	1,373	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	200,605	—	167,819	—
C. Banking book: other derivatives	105,522	—	144,996	—
a) Options	93,037	—	130,763	—
b) Interest rate swaps	12,485	—	14,233	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	5,958,944	537,400	5,764,141	867,425

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

Type of transaction	Negative fair value			
	30/6/14		30/6/13	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	(4,738,803)	(722,356)	(4,414,620)	(968,447)
a) Options	(1,187,818)	(718,230)	(1,150,278)	(958,955)
b) Interest rate swaps	(3,252,296)	—	(2,955,097)	—
c) Cross currency swaps	(103,754)	—	(57,235)	—
d) Equity swaps	(82,142)	—	(147,017)	—
e) Forwards	(112,793)	—	(104,993)	—
f) Futures	—	(4,126)	—	(9,492)
g) Others	—	—	—	—
B. Banking book: hedge derivatives	(554,938)	—	(503,207)	(1)
a) Options	(200,610)	—	(167,843)	—
b) Interest rate swaps	(354,196)	—	(335,211)	—
c) Cross currency swaps	(132)	—	(150)	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	(3)	(1)
f) Futures	—	—	—	—
g) Others	—	—	—	—
C. Banking book: other derivatives	(267,753)	—	(177,176)	—
a) Options	(265,747)	—	(171,230)	—
b) Interest rate swaps	(1,981)	—	(5,946)	—
c) Cross currency swaps	(25)	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	(5,561,494)	(722,356)	(5,095,003)	(968,448)

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

Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	644,084	1,618,383	6,000	6,054,663	—
- positive fair value	—	—	17,059	80,264	88	213,490	—
- negative fair value	—	—	(7,428)	(21,422)	—	(432,200)	—
- future exposure	—	—	3,317	5,542	—	56,408	—
2. Equities and share indexes							
- notional value	—	—	10,300	601,211	59,277	522,220	—
- positive fair value	—	—	186	21,454	—	—	—
- negative fair value	—	—	—	(328)	(50)	(96,577)	—
- future exposure	—	—	618	36,111	5,928	34,834	—
3. Exchange rates and gold							
- notional value	—	—	2,277	181,016	—	938,247	—
- positive fair value	—	—	8	110	—	33,617	—
- negative fair value	—	—	(22)	(2,330)	—	(10,372)	—
- future exposure	—	—	23	7,212	—	50,601	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

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

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	73,948,757	24,283,983	592,194	520,000	—
- positive fair value	—	—	1,990,474	760,124	68,917	84,536	—
- negative fair value	—	—	(2,220,464)	(689,083)	—	—	—
2. Equities and share indexes							
- notional value	—	—	8,055,375	1,868,655	58,309	125	—
- positive fair value	—	—	481,605	698,614	—	—	—
- negative fair value	—	—	(329,981)	(719,328)	(535)	(3,583)	—
3. Exchange rates and gold							
- notional value	—	—	9,324,515	1,274,222	—	146,434	—
- positive fair value	—	—	133,667	37,112	—	—	—
- negative fair value	—	—	(181,174)	(9,141)	—	(14,786)	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

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

Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	240,048	—	—	—	—
- positive fair value	—	—	202,258	—	—	—	—
- negative fair value	—	—	(10,580)	—	—	—	—
- future exposure	—	—	709	—	—	—	—
2. Equities and share indexes							
- notional value	—	—	—	—	—	—	27
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	(5)
- future exposure	—	—	—	—	—	—	2
3. Exchange rates and gold							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

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

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	20,366,797	3,047,447	—	—	—
- positive fair value	—	—	880,538	149,264	—	—	—
- negative fair value	—	—	(479,522)	(64,699)	—	—	—
2. Equities and share indexes							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
3. Exchange rates and gold							
- notional value	—	—	2,798	—	—	—	—
- positive fair value	—	—	41	—	—	—	—
- negative fair value	—	—	(132)	—	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

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

Underlying/residual maturity	Up to 1 year	From 1 to 5 years	Over 5 years	Total
A. Regulatory trading book				
A.1 Financial derivatives on debt securities and interest rates	23,900,313	52,764,172	31,003,580	107,668,065
A.2 Financial derivatives on equities and share indexes	5,643,300	4,253,691	1,278,482	11,175,473
A.3 Financial derivatives on foreign currency and gold	7,787,437	3,094,953	984,321	11,866,711
A.4 Financial derivatives on other assets	—	—	—	—
B. Banking book:				
B.1 Financial derivatives on debt securities and interest rates	7,402,006	11,399,665	5,359,871	24,161,542
B.2 Financial derivatives on equities and share indexes	2,352,350	1,128,428	1,169,850	4,650,628
B.3 Financial derivatives on foreign currency and gold	—	5,003	—	5,003
B.4 Financial derivatives on other assets	—	—	—	—
Total at 30/6/14	47,085,406	72,645,912	39,796,104	159,527,422
Total at 30/6/13	45,013,193	102,069,272	35,965,543	183,048,008

B. CREDIT DERIVATIVES

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

Transaction categories	Regulatory trading book		Other transactions	
	Individual assets	Baskets	Individual assets	Baskets
1. Hedge buys				
a) Credit default products	1,758,973	32,870,769	413,264	18,000
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total A at 30/6/14	1,758,973	32,870,769	413,264	18,000
Average values	1,870,358	37,669,893	364,330	22,450
Total A at 30/ 6/ 13	1,901,362	42,469,017	346,386	74,735
2. Hedge sales				
a) Credit default products	1,041,435	32,613,322	114,627	1,382,786
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total B at 30/6/14	1,041,435	32,613,322	114,627	1,382,786
Average values	1,164,775	36,490,319	105,697	1,393,375
Total B at 30/6/13	1,325,915	41,767,315	124,987	1,403,963

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

Portfolio/derivative instrument type	Positive fair value	
	30/6/14	30/6/13
A. Regulatory trading book	515,962	754,633
a) Credit default products	515,962	754,633
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
B. Banking book	21,181	28,349
a) Credit default products	21,181	28,349
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
Total	537,143	782,982

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

Portfolios/derivative instruments type	Negative fair value	
	30/6/14	30/6/13
A. Regulatory trading book	(480,281)	(699,513)
a) Credit default products	(480,281)	(699,513)
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
B. Banking book	(19,183)	(18,354)
a) Credit default products	(19,183)	(18,354)
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
Total	(499,464)	(717,867)

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

Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
Regulatory trading book							
1. Hedge buys							
- notional value	—	—	—	50,000	—	50,000	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	(5,388)	—	(3,194)	—
- future exposure	—	—	—	2,500	—	2,500	—
2. Hedge sales							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
Banking book *							
1. Hedge buys							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
2. Hedge sales							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

* Derivatives embedded in bonds issued not included.

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

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
Regulatory trading book							
1. Hedge buys							
- notional value	—	—	33,800,751	728,991	—	—	—
- positive fair value	—	—	50,016	1,262	—	—	—
- negative fair value	—	—	(438,209)	(10,210)	—	—	—
2. Hedge sales							
- notional value	—	—	33,163,859	490,898	—	—	—
- positive fair value	—	—	443,475	21,209	—	—	—
- negative fair value	—	—	(22,561)	(721)	—	—	—
Banking book *							
1. Hedge buys							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
2. Hedge sales							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

* Derivatives embedded in bonds issued not included.

B.6 Credit derivatives by outstanding duration: notional values

Underlying/residual maturity	Up to 1 year	From 1 year to 5 years	Over 5 years	Total
A. Regulatory trading book	29,142,883	36,261,572	2,880,044	68,284,499
A.1 Credit derivatives with "qualified" reference obligation	586,137	805,019	1,027,650	2,418,806
A.2 Credit derivatives with "unqualified" reference obligation	28,556,746	35,456,553	1,852,394	65,865,693
B. Banking book	392,840	1,012,851	522,986	1,928,677
B.1 Credit derivatives with "qualified" reference obligation	63,125	161,405	31,700	256,230
B.2 Credit derivatives with "unqualified" reference obligation	329,715	851,446	491,286	1,672,447
Total at 30/6/14	29,535,723	37,274,423	3,403,030	70,213,176
Total at 30/6/13	11,940,885	75,144,732	2,328,063	89,413,680

C. CREDIT AND FINANCIAL DERIVATIVES

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

	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1) Financial derivatives bilateral agreements							
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
- net counterparty risk	—	—	—	—	—	—	—
2) Credit derivatives bilateral agreeements							
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
- net counterparty risk	—	—	—	—	—	—	—
3) "Cross product" agreements *							
- positive fair value	—	—	542,558	267,461	68,917	69,749	—
- negative fair value	—	—	(234,502)	(132,835)	(535)	(3,583)	—
- future exposure	—	—	619,954	158,421	8,433	12,413	—
- net counterparty risk	—	—	751,089	341,722	60,980	78,602	—

* Representing the sum of the positive fair value and future exposure, net of cash collateral received amounting to €482,415,000, €440,485,000 of which in respect of banks and €41,930,000 of financial companies. Conversely, to cover negative fair value readings, cash collateral of €366,010,000 was paid in, €265,640,000 in respect of banks, €95,080,000 of financial companies, €1,880,000 of insurances, and €3,410,000 of non-financial companies.

1.3 BANKING GROUP: LIQUIDITY RISK

QUALITATIVE INFORMATION

The Mediobanca Group monitors and manages liquidty risk in accordance with the provisions of Bank of Italy circular no. 263/06 ("New supervisory regulations for banks") as amended, via the following documents: the Liquidity risk management policy (the "Policy") and Contingency funding plan ("CFP"). The basic principles on which the Policy is based are as follows:

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

The Group's objective is to maintain a liquidity level which allows it to meet the payment obligations it has taken on, both ordinary and extraordinary, while at the same time keeping costs to a minimum.

Specifically, monitoring operating liquidity is intended to ensure that the mismatch between cash inflows and outflows remains sustainable at all times. 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 as calculated in both normal operating and stressed scenarios.

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. 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.

In addition to the above, the Liquidity and ALM and Risk Management unit teams also carry out weekly stress tests assuming 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 need to meet the objectives and indicators described above is addressed by the Group's Funding Plan and Risk Appetite Framework.

The Funding Plan, developed in accordance with sustainable analysis of uses and sources of funding for operating and structural positions, plays a key role in the general liquidity and liquidity risk management process.

The RAF monitors the regulatory indicators (LCR and NSFR) and also the funding mix via the retail funding ratio.

In addition to the previous indicators, a Contingency Liquidity Policy has also been adopted for implementation in the event of a crisis occurring, by following a defined procedure which identifies parties, responsibilities, communications processes and criteria for reporting, in an attempt to ensure that the state of emergency is dealt with successfully.

The Group's Contingency Funding Plan has the objective of ensuring that effective action is taken promptly right from the outset of a liquidity crisis, through precise identification of parties, powers, responsibilities, communications procedures and related reporting criteria intended to ensure that the state of emergency is dealt with successfully. This aim is met largely through the activation of an extraordinary liquidity governance operating model, supported by consistent internal and external communications and a series of early warning indicators.

To this end a dashboard has been designed for reporting which, together with the stress test analyses, produces a system of early warning indicators (EWIs). The dashboard is a useful instrument for assisting the management in monitoring situations that could lead to a deterioration in the Group's liquidity position deriving from external factors (market or sectore) or from situations which are peculiar to the Banking Group itself.

The ALM steering committee is responsible for monitoring the overall liquidity situation and sustainability of the business areas' development in view of the Bank's and the Group's asset structure.

The year under review saw a redefinition of the Group's funding sources, taking into account the debt securities falling due (approx. €7.4bn), the start of repayment of the ECB LTRO (the balance outstanding on which reduced accordingly, from €7.5bn to €5.5bn), and the competition facing the CheBanca! retail channel where deposits were virtually flat (downn from €12bn to €11.6bn). This redefinition process has been assisted by the disposal schemes operated on the equity side and by repayments of wholesale loans, often in advance, which allowed the Group's cash and liquid assets to remain above €20bn.

The large debt security porfolio ensured that the balance of expected net outflows was below the counterbalancing capacity in both the normal business and stressed scenarios, and that the supervisory limits/thresholds provided for in the Contingency Funding Plan were complied with throughout the twelve months.

At 30 June 2014 the Stock of bonds deliverable in exchange for cash to the ECB (net of haircuts) totalled approx. €12bn (30/6/13: €13bn), while the balance of liquidity reserves established at the European Central bank amounted to approx. €7.4bn (€8.3bn), €1.8bn (€0.7bn) of which in the form of cash not used.

The Basel III regulatory indicators were at all times above the stipulated limits for all ratios (LCR and NSFR >100%).

Since the balance-sheet date, the new supervisory reporting system has been operative with respect to both short-term liquidity (Liquidity Coverage Ratio - LCR) and medium-/long-term liquidity (Stable Funding - SF). In both cases no criticalities were detected.

QUANTITATIVE INFORMATION

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

Items/maturities	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	7,669,580	566,870	652,030	3,172,019	4,002,986	3,301,173	5,600,233	19,509,937	10,462,389	41,023
A.1 Government securities	155,479	207,251	31,095	406,118	728,829	350,791	902,519	4,051,645	1,822,914	—
A.3 Other debt securities	1	32,447	177,058	86,650	127,196	366,991	566,878	1,711,687	1,725,129	—
A.4 UCI units	—	—	—	—	—	—	—	—	—	32,622
A.5 Loans and advances	7,514,100	327,172	443,877	2,679,251	3,146,961	2,583,391	4,130,836	13,746,605	6,914,346	8,401
– to banks	1,917,159	67,784	3,985	264,810	1,386,390	347,521	59,990	419,611	126,096	5,300
– to customers	5,596,941	259,388	439,892	2,414,441	1,760,571	2,235,870	4,070,846	13,326,994	6,788,250	3,101
Cash liabilities	7,014,931	2,465,650	687,392	2,000,290	4,045,570	5,028,128	13,058,168	12,249,533	5,537,919	6,920
B.1 Deposits and current accounts	6,991,379	827,121	612,562	1,472,583	2,364,106	2,466,940	10,597,286	1,591,769	367,181	6,920
– to banks	1,987,742	378,387	209,499	963,250	840,957	13,728	5,761,208	484,820	317,102	—
– to customers	5,003,637	448,734	403,063	509,333	1,523,149	2,453,212	4,836,078	1,106,949	50,079	6,920
B.2 Debt securities	23,552	83,820	38,737	291,847	1,185,783	2,450,423	2,460,882	10,657,764	5,170,738	—
B.3 Other liabilities	—	1,554,709	36,093	235,860	495,681	110,765	—	—	—	—
Off-balance-sheet transactions	17,513,250	7,492,250	221,136	2,190,045	5,457,172	3,788,815	1,898,942	11,713,235	10,511,408	47,731
C.1 Financial derivatives with exchange of principal	57,738	16,053	1,674	45,489	2,064,128	767,597	72,153	174,770	219,198	—
– long positions	57,722	16,011	837	20,023	1,271,501	350,502	10,263	53,811	129,198	—
– short positions	16	42	837	25,466	792,627	417,095	61,890	120,959	90,000	—
C.2 Financial derivatives without principal exchange of	7,940,751	11,486	3,276	54,369	150,179	181,516	363,274	—	—	—
– long positions	3,973,103	9,913	686	38,434	104,092	100,303	221,868	—	—	—
– short positions	3,967,648	1,573	2,590	15,935	46,087	81,213	141,406	—	—	—
C.3 Deposits and loans for collection	4,107,636	4,933,248	84,957	1,430,629	1,908,191	1,668,053	690,711	5,652,984	4,605,625	—
– long positions	4,107,636	4,933,248	84,957	1,259,639	1,674,047	481,491	—	—	—	—
– short positions	—	—	—	170,990	234,144	1,186,562	690,711	5,652,984	4,605,625	—
C.4 Irrevocable commitments to disburse funds *	4,879,595	2,531,240	131,229	619,658	929,412	829,782	291,259	3,701,805	3,473,915	7,731
– long positions	85,610	—	8,720	524,459	113,845	490,469	291,259	3,701,805	3,473,915	7,731
– short positions	4,793,985	2,531,240	122,509	95,199	815,567	339,313	—	—	—	—
C.5 Financed guarantees issued	40,382	—	—	—	—	850	582	8,398	1,848	40,000
C.6 Financial guarantees received	—	—	—	—	—	—	—	—	—	—
C.7 Credit derivatives with exchange of principal	700	—	—	39,900	405,262	341,017	480,963	2,174,981	2,210,550	—
- long positions	700	—	—	—	164,781	168,403	242,413	1,039,489	1,210,900	—
- short positions	—	—	—	39,900	240,481	172,614	238,550	1,135,492	999,650	—
C.8 Credit derivatives without exchange of principal	486,448	223	—	—	—	—	—	297	272	—
- long positions	238,692	223	—	—	—	—	—	297	272	—
- short positions	247,756	—	—	—	—	—	—	—	—	—

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

Currency of denomination: US DOLLARS

Items/maturities	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	501,952	54,342	176,727	25,081	26,176	148,895	225,366	755,530	426,962	1,309
A.1 Government securities	—	3,075	174,045	—	3,208	—	28,923	69,309	26,650	—
A.3 Other debt securities	—	—	1,336	1,603	5,656	11,439	37,423	308,697	275,039	—
A.4 UCI units	—	—	—	—	—	—	—	—	—	1,309
A.5 Loans and advances	501,952	51,267	1,346	23,478	17,312	137,456	159,020	377,524	125,273	—
– to banks	500,434	51,258	422	296	7,580	47,896	290	1,057	—	—
– to customers	1,518	9	924	23,182	9,732	89,560	158,730	376,467	125,273	—
Cash liabilities	690,772	38,868	13,971	7,399	141,694	16,397	9,165	224,664	7,847	6
B.1 Deposits and current accounts	690,768	32,617	13,971	7,138	140,547	8,363	2,658	—	—	6
– to banks	372,610	64	37	—	117,112	1,237	1,903	—	—	—
– to customers	318,158	32,553	13,934	7,138	23,435	7,126	755	—	—	6
B.2 Debt securities	4	—	—	261	1,147	8,034	6,507	224,664	7,847	—
B.3 Other liabilities	—	6,251	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	1,086,980	66,080	97,134	494,834	376,974	624,273	708,131	1,366,219	1,124,910	—
C.1 Financial derivatives with exchange of principal	3,798	66,080	96,986	494,744	137,941	346,304	483,782	917,338	711,406	—
– long positions	3,798	66,080	96,986	109,826	42,705	166,248	—	9,152	—	—
– short positions	—	—	—	384,918	95,236	180,056	483,782	908,186	711,406	—
C.2 Financial derivatives without principal exchange of	446,168	—	148	90	149	1,397	1,149	—	—	—
– long positions	239,397	—	148	45	65	235	466	—	—	—
– short positions	206,771	—	—	45	84	1,162	683	—	—	—
C.3 Deposits and loans for collection	—	—	—	—	113,753	—	—	—	113,753	—
– long positions	—	—	—	—	113,753	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	113,753	—
C.4 Irrevocable commitments to disburse funds *	202,910	—	—	—	115,979	50,917	—	166,263	203,544	—
– long positions	—	—	—	—	—	—	—	166,263	203,544	—
– short positions	202,910	—	—	—	115,979	50,917	—	—	—	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—
C.6 Financial guarantees received	—	—	—	—	—	—	—	—	—	—
C.7 Credit derivatives with exchange of principal	—	—	—	—	9,152	225,655	223,200	282,618	96,207	—
- long positions	—	—	—	—	9,152	70,032	92,161	172,829	74,242	—
- short positions	—	—	—	—	—	155,623	131,039	109,789	21,965	—
C.8 Credit derivatives without exchange of principal	434,104	—	—	—	—	—	—	—	—	—
- long positions	223,663	—	—	—	—	—	—	—	—	—
- short positions	210,441	—	—	—	—	—	—	—	—	—

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

Currency of denomination: OTHER

Items/maturities	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	94,776	69,269	22,112	174,249	76,036	47,732	11,539	301,766	57,201	—
A.1 Government securities	—	—	—	—	17,213	—	—	—	—	—
A.3 Other debt securities	—	8,583	13,214	10,199	18,768	41,292	48	2,580	3,459	—
A.4 UCI units	—	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	94,776	60,686	8,898	164,050	40,055	6,440	11,491	299,186	53,742	—
– to banks	58,264	58,055	—	9	329	—	—	2,145	—	—
– to customers	36,512	2,631	8,898	164,041	39,726	6,440	11,491	297,041	53,742	—
Cash liabilities	223,470	5,342	3,800	14,685	7,289	6,403	13,498	242,535	—	—
B.1 Deposits and current accounts	223,470	5,342	3,690	14,685	7,289	5,591	5,851	—	—	—
– to banks	31,350	114	—	215	1,060	1,381	2,311	—	—	—
– to customers	192,120	5,228	3,690	14,470	6,229	4,210	3,540	—	—	—
B.2 Debt securities	—	—	110	—	—	812	7,647	242,535	—	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	1,160,025	555,833	155,273	131,288	222,324	1,795,227	2,639,704	2,614,045	223,719	—
C.1 Financial derivatives with exchange of principal	36,686	555,833	155,273	131,288	221,402	1,790,298	2,595,948	2,187,195	192,713	—
– long positions	36,340	317,512	96,309	40,724	110,671	895,146	1,297,974	645,950	—	—
– short positions	346	238,321	58,964	90,564	110,731	895,152	1,297,974	1,541,245	192,713	—
C.2 Financial derivatives without principal exchange of	713,268	—	—	—	922	4,929	2,171	—	—	—
– long positions	353,511	—	—	—	344	2,907	1,412	—	—	—
– short positions	359,757	—	—	—	578	2,022	759	—	—	—
C.3 Deposits and loans for collection	—	—	—	—	—	—	—	—	—	—
– long positions	—	—	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds *	389,023	—	—	—	—	—	41,585	316,432	31,006	—
– long positions	—	—	—	—	—	—	41,585	316,432	31,006	—
– short positions	389,023	—	—	—	—	—	—	—	—	—
C.5 Financed guarantees issued										
C.6 Financial guarantees received	—	—	—	—	—	—	—	—	—	—
C.7 Credit derivatives with exchange of principal	—	—	—	—	—	—	—	110,418	—	—
- long positions	—	—	—	—	—	—	—	55,209	—	—
- short positions	—	—	—	—	—	—	—	55,209	—	—
C.8 Credit derivatives without exchange of principal	21,048	—	—	—	—	—	—	—	—	—
- long positions	10,721	—	—	—	—	—	—	—	—	—
- short positions	10,327	—	—	—	—	—	—	—	—	—

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

2. Information on committed assets recognized in the balance sheet

	Committed		Uncommitted		Total as at 30/6/14
	Book value	Fair value	Book value	Fair value	
1. Cash and cash equivalents	—	X	33,947	X	33,947
2. Debt securities *	3,580,860	6,491,478	10,728,395	7,949,400	14,309,255
3. Equities	556,639	556,639	1,978,520	1,978,520	2,535,159
4. Loans and advances	2,653,522	X	38,957,075	X	41,610,597
5. Other financial assets	—	X	9,821,531	X	9,821,531
6. Non-financial assets	—	X	2,153,499	X	2,153,499
Total as at 30/6/14	6,791,021	7,048,117	63,672,967	9,927,920	70,463,988

* Of which 2,703m given to guarantee the ECB.

3. Information on proprietary committed assets derecognized from the balance sheet

	Committed	Uncommitted	Total as at 30/6/14
1. Financial assets	—	9,123,184	18,850,030
- Securities *	—	9,123,184	18,850,030
- Others	—	—	—
2. Non-financial assets	—	—	—
Total as at 30/6/14	—	9,123,184	18,850,030

* Of which 5,705m given to guarantee the ECB.

1.4 BANKING GROUP - OPERATIONAL RISK

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 decided to adopt the Basic Indicator Approach (BIA) in order to calculate the capital requirement for covering operating risk, applying a margin of 15% to the average of the last three years' readings of total income. Based on this method of calculation, the capital requirement as at the reporting date was equal to €254,9m (30/6/13: €257,1m).

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 (including through self-risk assessment technqiques), 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, the Group, *inter alia* following the establishment of a centralized IT governance unit, is in the process of a centralized IT governance unit, is in the process of developing operating 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 pp. 53-54.

SECTION 5

Other risks

QUALITATIVE INFORMATION

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 operating 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);

– strategic risk, both in the sense of risk deriving from current and future changes in profits/margins compared to estimated data, due to volatility in volumes or changes in customer behaviour (business risk), and of current and future risk of reductions in profits or capital deriving from disruption to business as a result of adopting new strategic choices, wrong management decisions or inadequate execution of decisions taken (pure strategic risk);

- compliance risk, i.e. the risk of incurring legal or administrative penalties, significant financial losses or damages to the Bank's reputation as a result of breaches of external laws and regulations or self-imposed regulations;
- reputational risk, i.e. the current and future risk of reductions in profits or capital deriving from a negative perception of the Bank's image by customers, counterparties, shareholders, investors or regulatory authorities;
- residual risk, i.e. the risk that the recognized techniques used by the Bank to mitigate credit risk should prove to be less effective than anticipated.

Risks are monitored and managed via the respective internal units (Risk Management, Planning and Control, Compliance and 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	Elisions/ adjustments upon-consolidation	Total	Of which: minorities
Share capital	455,651	—	—	—	455,651	24,948
Share premium	2,129,035	—	—	—	2,129,035	7,216
Reserves	4,202,608	24,928	155	1,774	4,229,465	79,091
Equity instruments	—	—	—	—	—	—
Treasury shares	(199,233)	—	—	—	(199,233)	—
Valaution reserves:	863,442	2,923	19	—	866,384	(3,320)
- AFS securities	487,472	2,923	—	(5,606)	484,789	—
- Property, plant and equipment	—	—	—	—	—	—
- Intangible assets	—	—	—	—	—	—
- Foreign investment hedges	—	—	—	—	—	—
- Cash flow hedges	(54,293)	—	—	—	(54,293)	(4,876)
- Exchange rate differences	(110)	—	—	—	(110)	—
- Non-current assets being sold	—	—	—	—	—	—
- Actuarial gains (losses) on defined-benefit pension schemes	(5,737)	—	19	193	(5,525)	(36)
- Share of valuation reserves represented by equity-accounted companies	421,048	—	—	5,413	426,461	—
- Special valuation laws	15,062	—	—	—	15,062	1,592
Gain (loss) for the period attributable to the Group/minorities	444,531	16,228	608	—	461,367	(3,410)
Total	7,896,034	44,079	782	1,774	7,942,669	104,525

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

B.2 AFS valuation reserves: composition

Assets/amounts	Banking group		Insurance companies		Other companies		Elisions/adjustments upon consolidation		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	192,856	(57,072)	2,923	—	—	—	(10,298)	6,324	185,481	(50,748)
2. Equities	390,814	(61,163)	—	—	—	—	—	—	390,814	(61,163)
3. OICR units	24,807	(2,770)	—	—	—	—	(2,977)	1,345	21,830	(1,425)
4. Loans and advances	—	—	—	—	—	—	—	—	—	—
Total at 30/6/14	608,477	(121,005)	2,923	—	—	—	(13,275)	7,669	598,125	(113,336)
Total at 30/6/13	176,843	(34,096)	1,385	(33)	—	—	(930)	1,409	177,298	(32,720)

B.3 AFS valuation reserves: movements during the period

	Debt securities	Equities	OICR units	Loans	Total
1. Opening balance	68,260	59,455	16,863	—	144,578
2. Additions	120,183	331,362	5,156	—	456,701
2.1 Increases in fair value	105,471	331,362	5,156	—	441,989
2.2 Negative reserves charged back to profit and loss as a result of	14,712	—	—	—	14,712
– impairment	—	—	—	—	—
– disposals	14,712	—	—	—	14,712
2.3 Other additions	—	—	—	—	—
3. Reductions	53,710	61,166	1,614	—	116,490
3.1 Reductions in fair value	8,130	8,128	1,273	—	17,531
3.2 Adjustments for impairment	—	—	200	—	200
3.3 Positive reserves credited back to profit and loss as a result of: disposals	45,533	53,038	141	—	98,712
3.4 Other reductions	47	—	—	—	47
4. Balance at end of period	134,733	329,651	20,405	—	484,789

SECTION 2

Regulatory and supervisory capital requirements for banks

Capital is the first and most important safeguard of a bank's stability. For this reason, the international and domestic supervisory bodies have established rigorous rules for calculating regulatory capital and the minimum capital requirements with which banks are bound to comply. Once a year the supervisory authorities carry out a supervisory review and evaluation process (SREP) which includes risk profiles and the systems and controls for governing them, setting the target capitalization for the Group and its international banking subsidiaries.

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

2.1 Scope of application of regulations

Regulatory capital has been calculated for the first time on the basis of 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 issued in December 2013. The new regulations provide for a phase-in application period, whereby until 31 December 2022 certain investments in associated insurance companies may be weighted rather than deducted from capital, subject to authorization by the regulators.

The Mediobanca Group has received authorization from the Bank of Italy to weight its investment Assicurazioni Generali at 370%. The Group has also opted for the "full neutralization" permitted by the Bank of Italy, whereby the valuation reserves for sovereign debt issued by EU member states and held as AFS financial assets can be neutralized for the purpose of calculating regulatory capital.

2.2 Bank equity

A. 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 and the profit for the period net of treasury shares (€199.2m), intangible assets (€52.2m), goodwill (€370.6m) and other prudential adjustments (€25.8m) in connection with the values of financial instruments (AVAs and DVAs). Deductions of €30.6m involve the investments in banking, financial and insurance companies, and have been calculated based on the phase-in and excess regimes.

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

Tier 2 capital includes the liabilities issued (€1,694.4m) plus 50% of the positive reserves for AFS securities (€376.4m) which does not include the net gain of EU member states' government securities (€61.2m) which were subject to neutralization. Deductions of €494.6m regard the investments in Tier 2 instruments, in particular subordinated loans to Italian insurance companies.

There are also three Tier 2 subordinated loans, all of which fall completely within the new regulatory definitions, hence there was no need for recourse to grand-fathering.

Issue	**30/6/14**		
	ISIN code	**Nominal value**	**Book value ***
MB Secondo Atto 5% 2020 Lower Tier 2	IT0004645542	749,091	863,834
MB Quarto Atto a Tasso Variabile 2021 Lower Tier 2	IT0004720436	490,265	484,697
MB CARATTERE 5,75% 2023 Lower Tier 2	IT0004917842	496,100	521,840
Total subordinated debt securities		**1,735,456**	**1,870,371**

* Book value differs from share of equity calculated because of fair value and amortized cost components and also commitments to buy back securities.

B. Quantitative information

	30/614	30/6/13*
A. Common Equity Tier 1 (CET1) prior to application of prudential filters	7,770,303	6,820,841
of which CET1 instruments subject to phase-in provisions	—	—
B. CET1 prudential filters (+/-)	58,331	—
C. Gross CET1 including items to be deducted and effects of phase-in regime (A +/- B)	7,828,634	6,820,841
D. Items to be deducted from CET1	(492,092)	(60,230)
E. Phase-in regime – impact on CET1 (+/-), including minority interests subject to phase-in provisions	(829,810)	(607,426)
F. Total Common Equity Tier 1 (CET1) (C – D +/-E)	6,506,732	6,153,185
G. Gross additional Tier 1 equity (AT1), including items to be deducted and effects of phase-in regime	—	—
of which AT1 instruments subject to phase-in 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 equity (AT1) (G - H +/- I)	—	—
M. Gross Tier 2 equity (T2), including items to be deducted and effects of phase-in regime	1,694,423	1,854,073
of which T2 instruments subject to phase-in provisions	—	—
N. Items to be deducted from T2	(404,026)	(60,230)
O. Phase-in regime – impact on T2 (+/-), including instruments issued by branches and included in T2 as a result of phase-in provisions	285,795	208,354
P. Total Tier 2 equity (T2) (M - N +/- O)	1,576,192	2,002,197
Q. Total capital (F + L + P)	8,082,924	8,155,382

* Basel 2.5-compliant data restated in line with new classification (all adjustments have been included in sub-heading E).

2.3 Capital adequacy

A. Qualitative information

As at 30 June 2014, the Group's Common Equity Ratio, calculated as Tier 1 capital as a percentage of total risk-weighted assets, amounted to 11.08%, in line with the figure posted at 30 June 2013 (11.75%), despite the increase in risk-weighted assets from €52.4bn to €58.7bn, due to the increased weighting of the Assicurazioni Generali investment (from €2.5bn to €10bn). The total capital ratio, by contrast, fell from 15.57% to 13.76%, reflecting the increased deductions relating to the treatment of certain subordinated loans to insurance companies.

B. Quantitative information

Categories/value items	Unweighted amounts		Weighted amounts/requirements	
	30/6/14	30/6/13	30/6/14	30/6/13
A. RISK-WEIGHTED ASSETS				
A.1 Credit and counterparty risk	63,699,928	65,930,757	47,952,135	42,594,197
1. Standardized methodology	63,472,342	65,685,260	47,632,553	42,222,627
2. Methodology based on internal ratings	—	—		—
2.1 Basic	—	—		—
2.2 Advanced	—	—		—
3. Securitizations	227,586	245,497	319,582	371,570
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			3,836,171	3,407,536
B.2 Credit value adjustment risk			65,255	—
B.3 Settlement risk			—	—
B.4 Market risks			543,239	525,166
1. Standard methodology			524,445	503,482
2. Internal models			—	—
3. Concentration risk			18,794	21,684
B.5 Operational risks			254,866	257,064
1. Basic method			254,866	257,064
2. Standardized method			—	—
3. Advanced method			—	—
B.6 Other prudential requirements			—	—
B.7 Other items			—	—
B.8 Total prudential requirements			4,699,531	4,189,766
C. RISK-WEIGHTED ASSETS AND REGULATORY RATIOS			—	
C.1 Risk-weighted assets			58,744,138	52,372,075
C.2 CET1/RWAs (CET1 capital ratio)			11.08%	11.75%
C.3 Total capital/RWAs (total capital ratio)			13.76%	15.57%

Part G - Combinations involving Group companies or business units

At the end of the 2008 financial year, Compass acquired 100% of Linea for a consideration of €405m. Linea, a leading operator in consumer credit, had a fully-owned subsidiary Futuro, which operates in salary-backed finance business.

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

		(€m)
Intangible assets with defined life		44.2
of which: – commercial agreements	*19.3*	
– customer relationships	*24.9*	
Brands		6.3
Difference between other assets/liabilities		2.7
Tax effects		(12.2)
Goodwill		365.9
Consideration paid		406.9
of which: ancillary charges	*2,0*	

The intangible assets with defined lives have an average duration of 7.8 years, and have been amortized over six years as to €35m; at 30 June 2014 they were valued at €9.2m. All brands have been considered as having indefinite lives, and involve consumer credit as to €3.6m and credit cards (Carta Viva) as to €2.7m; at the year-end the value of the latter was reduced to zero, the brand having ceased to be used. The goodwill has been allocated to the cash-generating units as follows:

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

The impairment test was passed successfully for all three segments, as the net present value (calculated using a dividend discount model) was higher than the carrying value, including goodwill and the share of associated brands. The calculation was based on the most up-to-date financial flows projected over a time horizon of five years, while reflecting both the basic assumptions of the Group's strategic plan and those underlying the most recent market scenarios:

	CAGR			
		Total loans		
Cash-generating units	**New loans**	**30/6/14**	**Avg.**	**Cost of borrowing**
Consumer credit	2.3%	1.9%	2.2%	2.3%
Credit cards	5.0%	1.2%	1.4%	1.2%
Salary-backed finance	2.7%	10.4%	11.3%	3.6%

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

– the cost of capital (Ke) is equal to 8.6%, much lower than the 10.8% used last year, due to the lower risk-free rate (which was down from 4.55% to 2.85%) and levered beta (down from 1.12 to 1.01), with the risk premium stable at 5.6%;

– growth rate (g): 1.3% (2%).

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

Part H - Related party disclosure

1. 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 full document is published on the Bank's website at www.mediobanca.it.

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.

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 defined as "most significant" were executed during the period under review.

1.2 Quantitative information

The exposure (representing the sum of assets plus guarantees and commitments) declined significantly, from €3.9bn to €2.3bn, and now represents less than 4% of the total asset aggregates. The reduction reflects loan repayments totallilng €0.9bn, plus two groups exiting the scope of application for related parties (-€0.6bn). The percentage of net interest income reported in the profit and loss account represented by related parties also reduced, from 4% to 3%. The increase in revenues refers to market transactions with banking counterparties within the UniCredit group.

Situation at 30 June 2014

(€m)

	Directors, statutory auditors and strategic management	Associates *	Other related parties	Total
Assets	0.9	1,168.9	736.6	1,906.4
of which: other activities	—	*635.2*	*390.3*	*1,025.5*
loans and advances	*0.9*	*533.7*	*346.3*	*880.9*
Liabilities	36.5	3.8	902.4	942.7
Guarantees and commitments	—	23.1	351.7	374.8
Interest income	—	56.3	18.9	75.2
Interest expense	(0.8)	—	(7.2)	(8.0)
Net fee income	—	11.8	14.5	26.3
Other income (costs)	(31.2) [1]	39.6	207.8	216.2

[1] Of which: short-term benefits amounting to €29m, stock options worth €0.1m and performance shares worth €1.8m. The figure includes a total of 21 managerial staff with strategic responsibilities.

* Includes accounts with Telco.

Situation at 30 June 2013

(€m)

	Directors, statutory auditors and strategic management	Associates *	Other related parties	Total
Assets	1.0	2,152.5	1,416.9	3,570.4
of which: other activities	—	*891.1*	*413.6*	*1,304.7*
loans and advances	*1.0*	*1,261.4*	*1,003.3*	*2,265.7*
Liabilities	28.1	3.6	474.0	505.7
Guarantees and commitments	—	5.8	308.9	314.7
Interest income	—	73.4	34.3	107.7
Interest expense	(1.0)	—	(4.2)	(5.2)
Net fee income	—	10.8	17.1	27.9
Other income (costs)	(30.4) [1]	39.8	97.2	106.6

[1] Of which: short-term benefits amounting to €28.5m, stock options worth €0.9m and performance shares worth €0.7m. The figure includes a total of 20 managerial staff with strategic responsibilities.

* Includes accounts with Telco, RCS MediaGroup, Pirelli and Gemina.

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 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
29 March 1999	3,130,000	30 July 2006	31 December 2011	3,130,000
30 July 2001	50,000,000	30 July 2006	1 July 2015	48,401,500
28 October 2004	15,000,000	28 October 2009	1 July 2020	12,915,000
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	15,576,000
TOTAL STOCK OPTIONS	**108,130,000**	**X**	**X**	**80,022,500**
28 October 2010	20,000,000	X	X	8,833,822
TOTAL PERFORMANCE SHARES	**20,000,000**	**X**	**X**	**8,833,822**

[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.

2. *Description of stock option schemes*

The stock option schemes approved pursuant to Article 2441, paragraphs 8 and 5, of the Italian Civil Code, provide for a maximum duration of ten years and a vesting period of thirty-six months.

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

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

No options awards were made in the twelve months ended 30 June 2014.

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

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 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 guidance issued by regulatory authorities requiring that significant percentages of the variable remuneration component annually assigned be paid in the form of equity instruments, making it consistent with results sustainable over time;
– encourage the involvement of key staff in a mechanism for co-investing in the share capital of Mediobanca;
– introduce a new instrument alongside the stock options, with a limited number of newly-issued shares and by using the treasury shares owned by the Bank, in order to limit the dilutive impact on the ownership structure.

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

On 27 September 2013, as part of staff variable remuneration for the 2013 financial year, a total of 1,050,801 performance shares were awarded; the shares, which are conditional upon certain performance targets being met over a three-year time horizon, will be made available in tranches in November 2015 (up to 420,322), November 2016 (up to 420,322) and November 2017 (up to 210,157) taking into account the additional holding period of one year.

In November 2013 a total of 1,164,586 performance shares were exercised from the scheme approved in September 2012, through delivery of an equivalent number of treasury shares owned by the Bank.

On 3 February 2014 a total of 634,113 performance shares were awarded.

Since the reporting date, as part of staff variable remuneration for the 2014 financial year, in September 2014 a total of 1,082,789 performance shares were awarded; the shares, which are conditional upon certain performance targets being met over a three-year time horizon, will be made available in tranches in November 2016 (up to 476,839), November 2017 (up to 402,507) and November 2018 (up to 203,443), taking into account the additional holding period of one year. The overall notional cost of the shares is €6.7m.

B. QUANTITATIVE INFORMATION

1. Changes to stock option scheme during the period

	30/6/14			30/6/13		
	No. of options	Avg. price	Avg. expiry	No. of options	Avg. price	Avg. expiry
A. Balance at start of period	38,282,000	9.85	October 2016	40,642,000	9.86	October 2016
B. Additions						
B.1 New issues	—	—	X	—	—	X
B.2 Other additions	—	—	X	—	—	X
C. Reductions						
C.1 Options cancelled	10,896,000	13.80	X	1,705,000	11.31	X
C.2 Options exercised	277,500	6.54	X	—	—	X
C.3 Options expired	—	—	X	—	—	X
C.4 Other reductions	690,000	6.51	X	655,000	6.54	X
D. Balance at end of period	26,418,500	8.35	September 2017	38,282,000	9.85	October 2016
E. Options exercisable as at reporting date	25,968,500	8.38	X	22,117,000	12.28	X

2. Changes to performance share scheme during the period

	30/6/14		30/6/13	
	No. of performance shares	Avg. price	No. of performance shares	Avg. price
A. Balance at start of period	8,313,494	4.18	2,494,424	6.23
B. Additions				
B.1 New issues	1,684,914	5.28	5,861,494	3.32
B.2 Other additions	—	—	—	—
C. Reductions				
C.1 Options cancelled	—	—	—	—
C.2 Options exercised	1,164,586	6.31	—	—
C.3 Options expired	—	—	—	—
C.4 Other reductions	—	—	42,424	6.23
D. Balance at end of period	8,833,822	4.11	8,313,494	4.18
E. Options exercisable as at reporting date	—	—	—	—

Part L - Segmental reporting

A. PRIMARY SEGMENTAL REPORTING

A.1 Profit-and-loss figures by business segment

(€m)

Balance-sheet data	Corporate & Investment Banking	Principal Investing	Retail & Private banking	Others	Writeoffs [1]	Group
Net interest income	273.0	—	769.9	46.6	(2.6)	1.086.9
Net trading income	23.2	29.7	0.4	(0.1)	(8.1)	45.1
Net fee and commission income	303.5	—	163.7	6.4	(49.7)	423.9
Share in profits earned by equity-accounted companies	—	258.6	—	—	4.9	263.5
Total income	**599.7**	**288.3**	**934.0**	**52.9**	**(55.5)**	**1.819.4**
Personnel costs	(195.6)	(8.8)	(150.7)	(33.3)	9.4	(379.0)
Administrative expenses	(137.7)	(1.7)	(285.4)	(23.1)	35.5	(412.4)
Operating costs	**(333.3)**	**(10.5)**	**(436.1)**	**(56.4)**	**44.9**	**(791.4)**
Gain (losses) on AFS, HTM and L&R securities	2.2	240.2	—	—	0.1	242.5
Gain (loss) on disposal of AFS securities	(231.0)	—	(473.2)	(32.8)	1.0	(736.0)
Gain (loss) on disposal of other securities	(5.9)	(25.3)	—	—	0.6	(30.6)
Others	(3.6)	—	(5.0)	2.1	3.6	(2.9)
Profit before tax	**28.1**	**492.7**	**19.7**	**(34.2)**	**(5.3)**	**501.0**
Income tax for the period	(10.9)	(43.4)	3.6	9.0	2.1	(39.6)
Minority interest	—	—	—	3.4	—	3.4
Net profit	**17.2**	**449.3**	**23.3**	**(21.8)**	**(3.2)**	**464.8**
Cost/income ratio (%)	*55.6%*	*n.s.*	*46.7%*	*n.s.*	*n.s.*	*43.5%*

Business divisions comprise:

- *CIB (Corporate and Investment Banking):* comprises Wholesale Banking (WSB) which includes lending, structured finance and investment banking activity, and Private Banking (PB) which includes Compagnie Monegasque de Banque, Spafid and Prudentia, plus 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 & Private banking	Others	Writeoffs [1]	Group
Net treasury funds	10,721.6	—	8,753.9	112.4	(10,264.1)	9,323.8
AFS securities	6,812.7	1,242.6	697.4	—	(334.2)	8,418.5
Financial assets held to maturity (HTM & LR)	5,013.9	—	1,528.2	—	(4,495.8)	2,046.3
Equity investments	—	2,775.2	—	—	96,2	2,871.4
Loans and advances to customers	22,853.0	—	14.269.5	3,001.7	(9,572.1)	30,552.1
Funding	(42,968.4)	—	(21,142.3)	(3,000.7)	21,277.4	(45,834.0)

[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	Europe [1]	Group
Net interest income	1,028.6	58.3	1,086.9
Net trading income	31.6	13.5	45.1
Net fee and commission income	335.4	88.5	423.9
Share in profits earned by equity-accounted companies	263.5	—	263.5
Total income	**1,659.1**	**160.3**	**1,819.4**
Personnel costs	(304.6)	(74.4)	(379.0)
Administrative expensives	(361.0)	(51.4)	(412.4)
Operating costs	**(665.6)**	**(125.8)**	**(791.4)**
Gain (losses) on AFS, HTM and L&R securities	240.3	2.2	242.5
Gain (loss) on disposal of AFS securities	(735.4)	(0.6)	(736.0)
Gain (loss) on disposal of other securities	(28.4)	(2.2)	(30.6)
Others	(2.9)	—	(2.9)
Profit before tax	**467.1**	**33.9**	**501.0**
Income tax for the period	(27.7)	(11.9)	(39.6)
Minority interest	3.4	—	3.4
Net profit	**442.8**	**22.0**	**464.8**
Cost/income ratio (%)	*40.1%*	*78.5%*	*43.5%*

[1] This heading includes Mediobanca International, Compagnie Monégasque de Banque, Compass RE, MB Turkey, and the various Mediobanca international branches (Paris, Frankfurt, Madrid and London).

B.2 Balance-sheet data by business segment

(€m)

Balance-sheet data	Italy	Europe [1]	Group
Net treasury funds	8,287.8	1,036.0	9,323.8
AFS securities	7,896.7	521.8	8,418.5
Financial assets held to maturity (HTM & LR)	2,046.3	—	2,046.3
Equity investments	2,871.4	—	2,871.4
Loans and advances to customers	27.393,6	3,158.5	30,552.1
Funding	(41,849.0)	(3,985.0)	(45,834.0)

[1] This heading includes Mediobanca International, Compagnie Monégasque de Banque, Compass RE, MB Turkey, and the various Mediobanca international branches (Paris, Frankfurt, Madrid and London).

ANNUAL GENERAL MEETING,
28 OCTOBER 2014

AGENDA

1) Financial statements for the year ended 30 June 2014, the Board of Directors' Review of Operations, the external auditors' report and the Statutory Audit Committee's report; associated resolutions
2) Appointments to the Board of Directors, having established their number and determined the amount of their remuneration
3) Appointments to the Statutory Audit Committee; determining the amount of their remuneration
4) Remuneration policies

ACCOUNTS OF THE BANK

REVIEW OF OPERATIONS

REVIEW OF OPERATIONS

Overview

In the twelve months under review, Mediobanca earned a net profit of €165.9m, compared with a €233.8m loss last year, following lower writedowns to investments and AFS shares totalling €78.8m (30/6/13: €458.9m), and higher gains on disposals and dividends of €269.9m (€34.6m). However, a weak performance in banking activity drove a 17.9% decrease in revenues, with the main income items performing as follows:

– net interest income fell by 8.3%, from €227.3m to €208.4m, due to a decline in corporate loans (from €13.2bn to €10.1bn) and the reduced profitability of other interest-paying assets, given a cost of funding which continues to remain high for the so-called "peripheral" EU states;

– net fee and commission income rose by 12%, from €197.1m to €220.8m, due to a positive contribution from capital market activity, in the fourth quarter in particular;

– a sharp reduction in treasury income, down from €199.8m last year to €30.8m, on account of the low interest rate levels and market volatility;

– dividends on investments increased from €49.1m to €92.9m following the higher payout this year by Assicurazioni Generali.

Operating costs showed a slight increase of 2.7%, from €276m to €283.5m, solely as a result of the work done to improve premises and enhance internal control systems; labour costs were down 4.4%.

Loan loss provisions rose from €119.1m to €229.4m, an increase of 92.6%, due to the growth in non-performing assets (in part the result of the new classifications instituted as part of the Asset Quality Review process); the coverage ratio was increased on prudential grounds from 38.3% to 48.7%; and the heading includes includes writeoffs and disposals totalling €52.3m.

Disposals of equity investments totalling €664.1m generated gains of €240.2m (€16.7m).

Provisions for other financial assets and investments totalled €78.8m (€458.9m), and chiefly involve the writedown to the CheBanca! investment (€50m), the writeoff of the Burgo Group investment to its full amount (€19m), and impairment charges taken in respect of other AFS equities (€6.5m) and fixed financial assets (€3.3m).

Total assets fell from €50.7bn to €45.5bn, due to lower loans and advances to customers of €20.2bn (€23bn) and the reduction in AFS securities, from €10.3bn to €7.3bn, against a slight increase in treasury assets (from €9.1bn to €9.6bn). Conversely, funding was down, from €45.4bn to €39.4bn, in particular debt securities (from €26.9bn to €23.6bn) and use of ECB loans (down from €7.5bn to €5.5bn).

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)

	30/6/13	30/6/14	Chg. (%) 06/13 - 06/14
Net interest income	227.3	208.4	-8.3
Treasury income	199.8	30.8	-84.6
Net fee and commission income	197.1	220.8	12.0
Equity-accounted companies	49.1	92.9	89.2
Total Income	**673.3**	**552.9**	**-17.9**
Labour costs	(175.7)	(168.0)	-4.4
Administrative expenses	(100.3)	(115.5)	15.2
Operating Costs	**(276.0)**	**(283.5)**	**2.7**
Gain (losses) on disposal of AFS shares	16.7	240.2	n.m.
Loan loss provisions	(119.1)	(229.4)	92.6
Provisions for financial assets	(214.0)	(9.8)	n.m.
Impairment charges to equity investments	(244.9)	(69.0)	-71.8
Other profits (losses)	35.7	—	n.m.
Profit Before Tax	**(128.3)**	**201.4**	**n.m.**
Income tax for the period	(105.5)	(35.5)	-66.4
Net Profit	**(233.8)**	**165.9**	**n.m.**

RESTATED BALANCE SHEET

(€m)

	30/6/13	30/6/14
Assets		
Treasury funds	9,138.6	9,599.5
AFS securities	10,319.3	7,301.5
Fixed financial assets (HTM & LR)	5,004.3	5,000.8
Loans and advances to customers	23,003.6	20,181.6
Equity investments	2,717.6	2,667.9
Tangible and intangible assets	131.9	133.4
Other assets	419.3	567.2
Total assets	50,734.6	45,451.9
Liabilities and net equity		
Funding	45,369.3	39,432.2
Other liabilities	712.6	864.6
Provisions	160.5	161.7
Net equity	4,726.0	4,827.5
Profit for the period	(233.8)	165.9
Total liabilities and net equity	50,734.6	45,451.9
Key indices and ratios for the period are as follows:		
Tier 1 (€m)	4,269.4	4,342.8
Regulatory capital (€m)	6,022.0	5,511.6
Risk - weighted assets (€m)	35,200.4	38,577.1
Tier 1 capital/risk-weighted assets	12.13%	11.26%
Regulatory capital/risk-weighted assets	17.11%	14.29%
No. of shares in issue (€m)	861.1	861.4
Capitalization (€mln)	3,513.5	6,271.0

Review of key items

Funding – this item fell 13.1%, from €45.4bn to €39.4bn, due to debt securities falling due (€9bn), partly offset by new issues worth €5.4bn. The share deriving from the CheBanca! retail channel also fell, from €9.7bn to €8.7bn, as did the ECB LTRO, which was repaid as to €2bn. The other forms of funding were stable.

	30/6/13		30/6/14		Chg.
	(€m)	%	(€m)	%	
Debt securities	26,905.6	59%	23,606.1	60%	-12.3%
Interbank funding	10,560.0	23%	9,817.8	25%	-7.0%
- of which: CheBanca!, intercompany	*9,660.6*	*21%*	*8,692.7*	*22%*	*-10.0%*
LTROs	7,500.0	17%	5,500.0	14%	-26.7%
Other funding	403.7	1%	508.3	1%	25.9%
Total funding	45,369.3	100%	39,432.2	100%	-13.1%

Loans and advances to customers – this item fell 12.3%, from €23bn to €20.2bn, due to reduced corporate demand and approx. €3bn worth of early repayments, with new loans for the period (€2.7bn) covering the contractual repayments. The loan book continues to be concentrated on the Italian domestic market (67%) and other countries where Mediobanca has its own branch offices (27%).

	30/6/13		30/6/14		Chg.
	(€m)	%	(€m)	%	
Corporate customers	13,182.4	57.3%	10,118.2	50.1%	-23.2%
Group companies	9,821.2	42.7%	10,063.4	49.9%	2.5%
Total loans and advances to customers	23,003.6	100%	20,181.6	100%	-12.3%
– of which: impaired assets	*181.2*	*0.8%*	*385.9*	*1.9%*	*113.0%*

	30/6/13		30/6/14		Chg.
	(€m)	%	(€m)	%	
Italy	9,462.7	72%	6,826.6	68%	-27.9%
Germany	954.0	7%	1,185.8	12%	24.3%
France	1,101.1	8%	518.4	5%	-52.9%
Spain	261.7	2%	518.3	5%	98.1%
U.K.	330.0	3%	347.8	3%	5.4%
Other non-resident	1,072.9	8%	721.3	7%	-32.8%
Total loans and advances to customers	13,182.4	100%	10,118.2	100%	-23.2%

	30/6/13		30/6/14		Chg.
	(€m)	%	(€m)	%	
Compass	3,348.5	35%	3,463.5	35%	3.4%
CheBanca!	3,058.1	31%	3,067.8	30%	n.m.
Leasing	1,805.5	18%	1,589.8	16%	-11.9%
Mediobanca International	775.2	8%	947.9	9%	22.3%
Consumer	796.1	8%	985.8	10%	23.8%
Others	37.8	—	8.6	—	-77.2%
Total intercompany accounts	9,821.2	100%	10,063.4	100%	2.5%

Non-performing loans totalled €385.9m (€181.2m), and represent 3.9% (1.4%) of the corporate loan book, plus exposures in the form of endorsements totalling €25m (€77.4m); in all there were seven such positions. The increase reflects inter alia the new EBA classifications for the Asset Quality Review.

As at 30 June 2014 there were sixteen significant exposures, i.e. above 10% of the Bank's regulatory capital (including market risks and equity investments), one fewer than at the reporting date last year, worth a nominal amount of €15,056.2m (€16,818.4m) and a weighted amount of €10,690.2m (€15,220.9m).

Equity investments – these fell from €2,717.6m to €2,667.9m, following reductions in both segments: with investments in associates falling from €1,208.3m to €1,173.3m and controlling interests from €1,509.3m to €1,494.6m. The principal movements for the twelve months under review included the €50m impairment charge taken in respect of CheBanca! (already mentioned), the value of the Burgo Group stake being written off to its full amount (€19m), the Athena Private Equity repayments (€15.9m) following the almost total divestment of all the investments held by this company, and, as far as regards the subsidiaries, subscription to a capital increase in an amount of €34.5m implemented by Mediobanca Innovation Services (MIS; formerly Seteci) to repay the loan used to expand the property which will house the Group's back office and IT activities.

	% of share capital	30/6/13	30/6/14
Associates			
Assicurazioni Generali	13.24	1,114.6	1,114.6
Banca Esperia	50.0	54.3	54.3
Burgo Group	22.13	19.0	—
Athena Private Equity	24.27	19.8	3.8
Fidia	25.0	0.6	0.6
Total associates		**1,208.3**	**1,173.3**
Total subsidiaries		1,509.3	1,494.6
Total equity investments		**2,717.6**	**2,667.9**

The Assicurazioni Generali investment, equal to 13.24% of this company's ordinary share capital, reflected a surplus of market over book value at the reporting date totalling €2,185m (€2,230.4m based on current prices).

The criteria adopted for the valuations and impairment tests (passed by all the investments at the reporting date) are explained in section 10, part B of the notes to the accounts.

Fixed financial assets – the slight decrease in this item, from €5,004.3m to €5,000.8m, reflects the net balance of redemptions totalling €360.8m and acquisitions of €384.1m. As at the reporting date, this portfolio showed an unrealized gain of €134.1m (€22.4m).

	30/6/13		30/6/14		Chg.
	(€m)	%	(€m)	%	
Securities held to maturity	1,434.1	29%	1,645.9	33%	14.8%
Unlisted debt securities (stated at cost)	3,570.2	71%	3,354.9	67%	-6.0%
Total fixed financial assets	5,004.3	100%	5,000.8	100%	-0.1%

	30/6/13		30/6/14		Chg.
	Book Value	%	*Book Value*	%	
Italian government securities	346.9	7%	348.3	7%	0.4%
Bonds issued by financial institutions	4,080.8	81%	3,990.7	80%	-2.2%
- of which: Italian	*3,268.7*	*65%*	*3,411.1*	*68%*	*4.4%*
Corporate bonds	576.6	12%	661.8	13%	14.8%
Total debt securities	5,004.3	100%	5,000.8	100%	-0.1%

AFS securities – this item declined from €10,319.3m to €7,301.5m, due to disposals for the period amounting to a net total of €3.5bn, which involved all segments.

	30/6/13		30/6/14		Chg.
	(€m)	%	(€m)	%	
Debt securities	8,825.5	86%	6,058.9	83%	-31.3%
Equities	1,493.8	14%	1,242.6	17%	-16.8%
Total AFS securities	10,319.3	100%	7,301.5	100%	-29.2%

On the fixed-income side, the holdings in Italian government securities fell from €6.3bn to €4.1bn, with approx. half the positions expiring during the year being renewed.

	30/6/13			30/6/14			Chg.
	Book Value	%	AFS reserve	*Book Value*	%	AFS reserve	*Book Value*
Italian government securities	6,300.7	71%	62.0	4,118.5	68%	79.9	-34.6%
Other overnment securities	94.7	1%	2.2	121.3	2%	2.1	28.1%
Financial bonds	1,860.3	21%	7.8	1,254.0	21%	47.1	-32.6%
- of which: Italian	*1,278.8*	*14%*	*(6.5)*	*838.8*	*14%*	*23.3*	*-34.4%*
Corporate bonds	569.8	7%	24.9	565.1	9%	39.5	-0.8%
Total debt securities	8,825.5	100%	96.9	6,058.9	100%	168.6	-31.3%

On the equity side, meanwhile, the disposals continued, reflecting a €664.1m reduction compared to the reporting date last year. These chiefly involved the sale of the entire holdings in Atlantia, Gemina, Saks and the UniCredit CASHES, as well as part of the Telco shareholders' loan. Overall, the disposals generated gains of €240.2m. Also worth noting were the €66.9m increases, largely attributable to the RCS MediaGroup capital increase in July 2013 (€60.8m), the partial writedown to the Edipower stake (€2.9m) to bring its value in line pro rata with the company's net asset value following the impairment charges taken by it in respect of certain assets, plus adjustments totalling €3.6m, chiefly in respect of unlisted equities.

	30/6/13			30/6/14		
	Book value	**% ord.**	**Total AFS Reserve**	**Book value**	**% ord.**	**Total AFS Reserve**
Pirelli & C.	195.0	4.61	—	256.9	4.61	61.9
Italmobiliare	34.6	9.50	—	59.2	9.5	24.7
RCS MediaGroup	20.3	14.93	—	39.9	6.2	—
Gemina	203.1	10.01	10.0	—	—	—
Cashes unicredit	148.2	—	11.8	—	—	—
Saks	54.9	3.42	22.2	—	—	—
Other listed equities	142.8	—	16.9	43.8	—	6.9
Sintonia S.p.A.	302.9	5.94	—	449.2	5.94	146.2
Telco - shareholders' loan	78.3	—	—	113.3	—	69.7
Telco SpA	—	11.62	—	22.0	7.34	22.0
Edipower	60.2	4.1	—	57.3	5.13	—
Santè S.A.	30.0	9.92	—	39.0	9.92	9.0
Other unlisted equities	223.5	—	11.0	162.0	—	25.2
Total equities	1,493.8		71.9	1,242.6		365.6

The valuation reserve rose from €168.8m to €534.2m, despite the disposals for the period, due to the positive market trend. The increase involved listed equities as to €93.5m, unlisted equities as to €272.1m, and Italian government securities as to €79.9m, plus €88.7m in respect of other bonds.

Treasury assets – the increase in this item, from €9,138.6m to €9,599.5m, is chiefly due to money market assets, which were up €1.6bn, in particular the reuse of debt securities. Growth in equities reflects short-term transactions hedged by derivatives. The compulsory reserve as at end-June 2014 amounted to €110.2m (€62m).

	30/6/13		30/6/14		Chg.
	(€m)	%	(€m)	%	
Debt securities	2,898.4	32%	1,973.7	21%	-31.9%
Equities	1,034.7	11%	1,133.0	12%	9.5%
Derivative contract valuations	(387.9)	-4%	(727.7)	-8%	87.6%
Others (cash, repos, time deposits)	5,593.4	61%	7,220.5	75%	29.1%
Total net treasury assets	9,138.6	100%	9,599.5	100%	5.0%

	30/6/13		30/6/14	
	Book Value	%	**Book Value**	%
Italian government securities	165.8	5.7%	443.8	22.5%
Other government securities	1,436.0	49.5%	457.5	23.2%
Financial bonds	1,108.5	38.2%	900.7	45.6%
- of which: Italian	*697.1*	*24.1%*	*600.8*	*30.4%*
Corporate bonds	188.1	6.6%	171.7	8.7%
Total debt securities	2,898.4	100%	1,973.7	100%

Tangible and intangible assets – the slight increase in this item, from €131.9m to €133.4m, reflects the depreciation and amortization charges for the period (€9.8m) as well as investments (€11.3m), in particular in respect of the new IT applications.

	30/6/13		30/6/14		Chg.
	(€m)	%	(€m)	%	
Land and properties	118.1	90%	116.7	88%	-1.2%
- of which: core	*91.4*	*69%*	*90.5*	*68%*	*-1.0%*
Other tangible assets	6.7	5%	7.2	5%	7.5%
Other intangible assets	7.1	5%	9.5	7%	33.8%
Total tangible and intangible assets	131.9	100%	133.4	100%	1.1%

Provisions – the increase in this item, from €160.5m to €161.7m, was shared equally between higher provisions for risks and charges (€0.7m) and the change in the actuarial valuations of the staff severance indemnity provision (from minus €0.5m to €0.2m).

	30/6/13		30/6/14		Chg.
	(€m)	%	(€m)	%	
Provisions for risks and charges	151.0	94%	151.7	94%	0.5%
Staff severance provsion	9.5	6%	10.0	6%	5.3%
of which: staff severance provision discount	*-0.5*	*0%*	*0.2*	*0%*	*n.m.*
Total provisions	160.5	100%	161.7	100%	0.7%

Net equity – the 11.2%, or €501.2m, increase in net equity reflects the profit for the period (€165.9m) as well as growth of €322m in the valuation reserves, in particular those for AFS securities. The company's share capital rose increased from €430.6m to €430.7m, following exercise of 227,500 stock options worth some €1.8m, including the share premium reserve. The Bank holds a total of 15.8 million treasury shares (equal to 1.84% of its share capital), carried at a book value of €198.8m. During the twelve months under review, some 1.2 million treasury shares were awarded to staff under the terms of the performance share scheme approved by shareholders in general meeting. There was also a €12.2m increase in net equity due to notional stock option and performance share costs (including the share reserved for Group company staff members), down from the €16.9m at the reporting date last year, due to the vesting period having ended for a majority of the stock options outstanding.

(€m)

	30/6/13	30/6/14	Chg.
Share capital	430.6	430.7	n.m.
Other reserves	4,161.2	3,940.6	-5.3%
Valuation reserves	134.2	456.2	n.m.
- of which: AFS securities	*137.3*	*457.5*	*n.m.*
cash flow hedges	*(12.7)*	*(10.9)*	*n.m.*
Profit (loss) for the period	(233.8)	165.9	n.m.
Total net equity	4,492.2	4,993.4	11.2%

The AFS reserve is made up of €93.5m for listed equities, €272.1m for unlisted equities, €79.9m for Italian government securities, and €95m for other bonds, net of the €83m tax effect.

(€m)

	30/6/13	30/6/14	Chg.
Equties	71.9	365.6	n.m.
Bonds	105.3	174.9	66.1%
of which: Italian	*62.0*	*79.9*	28.3
Tax effect	(39.9)	(83.0)	n.m.
Total AFS reserve	137.3	457.5	n.m.

Regulatory capital and solvency margin – The Bank's capital ratios as at 30 June 2014, calculated in accordance with the new supervisory provisions in this area (CRR/CRDIV), stood at 11.26% for the common equity ratio (CET1 ratio) and 14.29% for the total capital ratio. These ratios reflect the phase-in period for application of the new regulations, and also the 370% weighting (as opposed to deduction) of the Assicurazioni Generali investment. Regulatory capital stood at €5,511.7m (€6,022m), lower than last year due to the higher deductions granted to subordinated insurance loans.

Net interest income – net interest income declined by 8.3%, from €227.3m to €208.4m, due to the reduction in lending rates, which was far higher than that for funding rates, in the first half-year particularly, and also the reduction in the corporate loan stock as a result of substantial early repayments.

(€m)

	30/6/13	30/6/14	Chg.
Interest income	1,879.0	1,511.7	-19.5%
Interest payable	(1,701.3)	(1,381.3)	-18.8%
Other [1]	49.6	78.0	57.3%
Net interest income	227.3	208.4	-8.3%

[1] Includes margins on interest rate derivatives (heading 80) as well as the effect of hedging (heading 90).

Net trading income – net trading income totalled €30.8m (30/6/13: €199.8m), representing the balance between: a negative contribution from fixed-income trading (where a €92.8m loss was incurred, compared with a €92.5m gain last year) reflecting the price effect on securities held for trading, with coupons exceeding the market returns, and higher gains on the banking book (which were up from €28.9m to €45.6m). The equity component was stable, at €78m (€78.4m), due to the higher dividends collected on AFS shares.

(€m)

	30/6/13	30/6/14	Chg.
Dividends	17.9	29.7	65.9%
Fixed-income trading profit	121.4	(47.2)	n.m.
Equity trading profit	60.5	48.3	n.m.
Net trading income	199.8	30.8	-84.6%

Net fee and commission income – this item rose by 12% (from €197.1m to €220.8m), due to the contribution from capital market activities, which doubled from last year's €45.7m to reach €92.1m, offsetting the reduction in fees earned from advisory services (down 27.9%) and lending (down 0.8%). The heading "Other income" includes renting fees of €4.2m (€4.1m).

(€m)

	30/6/13	30/6/14	Chg.
Lending	74.5	73.9	-0.8%
Advisory M&A	48.1	34.7	-27.9%
Capital Market	45.7	92.1	n.m.
Market & Sales	10.6	6.1	-42.5%
Other income	18.2	14.0	-23.1%
Net fee and other income	197.1	220.8	12.0%

Operating costs – the slight, 2.7% increase in this item involves overheads (which were up 15.2%), while the reduction in the variable remuneration component drove a 4.4% fall in labour costs.

(€m)

	30/6/13	30/6/14	Chg.
Labour costs	175.7	168.0	-4.4%
of which: directors	*3.6*	*3.5*	*-2.8%*
stock option and performance share schemes	*16.9*	*12.2*	*-27.8%*
Sundry operating costs and expenses	100.3	115.5	15.2%
of which: depreciation and amortization	*12.4*	*9.9*	*-20.2%*
administrative expenses	*87.9*	*105.6*	*20.1%*
Operating costs	276.0	283.5	2.7%

(€m)

	30/6/13	30/6/14	Chg.
Legal, tax and professional services	13.2	18.7	41.7%
Marketing and communication	1.3	1.9	46.2%
Rent and property maintenance	8.4	8.1	-3.6%
EDP	19.8	30.2	52.5%
Financial information subscriptions	15.9	16.6	4.4%
Bank services, collection and payment commissions	1.6	1.0	-37.5%
Operating expenses	4.4	4.3	-2.3%
Other labour costs	8.0	8.0	—
Other costs	11.7	11.7	—
Direct and indirect taxes	3.6	5.1	41.7%
Total administrative expenses	87.9	105.6	20.1%

The 20.1% increase in administrative expenses is attributable chiefly to higher IT costs (EDP and financial information providers) and fees payable to consultants in connection with enhancement of the internal controls systems.

Gains and losses on disposals of AFS equities – this item mainly consists of the disposals already referred to of the holdings in Telco (€67.2m, including gains realized on the Telefonica shares), Gemina/Atlantia (€70.9m), Saks (€28.9m) and the UniCredit CASHES (€42.8m).

Loan loss provisions – these virtually doubled, from €119.1m to €229.4m, following the writeoff of individual positions (€37.1m), and three positions being classified as bad debts. The cost of risk rose from 47 bps to 106 bps.

Provisions for other financial assets and impairment charges to investments – this heading comprises the writedowns to the investments in Group company CheBanca! (€50m) and investee company Burgo (€19m), as well as the customary adjustments to reflect stock market prices and current NAV for AFS shares. Provisions for bonds involve application of the collective model to the fixed asset portfolio (L&R and HTM).

(€m)

	30/6/13	30/6/14	Chg.
Equity investments	244.9	69.0	-71.8%
Shares	233.0	6.5	-97.2%
Bonds	(19.0)	3.3	n.m.
Total	-458.9	78.8	-82.8%

Income tax for the year – with pre-tax profit improving strongly compared to last year, the reduction in income tax for the twelve months under review, from €105.5m to €35.5m, reflects the fact that a substantial share of the Group's taxable income consists of gains on investments which are subject to reduced rates of taxation (under the PEX regime), as well as the benefit arising from the possibility of deducting customer loan loss provisions for IRAP purposes as well.

Mediobanca (as consolidating entity) has adopted tax consolidation, which includes Compass, SelmaBipiemme Leasing, Palladio Leasing, CheBanca!, Creditech (formerlly Cofactor) and Futuro.

* * *

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

– as part of the process of defining the Risk Appetite Framework ("RAF"), approval by the Board of Directors of the overall level and type of risk which the Group intends to take on in pursuit of its strategic objectives;

– appointment of Stefano Marsaglia as Executive Chairman of Corporate & Investment Banking, to work alongside the CEO as Co-Head of the CIB area;

– strengthening of Mediobanca's present in Turkey in advisory and M&A, with Tayfun Bayazit appointed as Chairman and senior advisor;

- disposal of equity stakes in accordance with the Bank's 2014/16 business plan, involving sales worth €838.9m and yielding gains of €240.2m, plus the request for the demerger of Telco ahead of sale of the entire Telecom Italia investment (Mediobanca owns a 1.6% stake in Telecom Italia's ordinary share capital on a look-through basis);
- authorization, pursuant to Article 471 of EU regulation 575 issued on 26 June 2013, to weight the Bank's investment in Assicurazioni Generali at 370%;
- completion of a voluntary buyback of senior unsecured bonds falling due between 2014 and 2015, involving a total outlay of €378m, and the cancellation of €1bn in own liabilities backed by guarantees from the republic of Italy;
- the launch of activities to strengthen the internal controls system, in accordance with the provisions of the revised version of Bank of Italy circular no. 263;
- the launch of activities to bring the internal control system in line with the new regulatory provisions (Bank of Italy circular no. 263), including approval of the "Group credit risk governance policy" and the "Group policy on developing and validating risk measurement models".

Related party disclosure

Financial accounts outstanding as at 30 June 2014 between companies forming part of the Mediobanca Group and related parties, and transactions undertaken between such parties during the financial year, are illustrated in Part H of the notes to the accounts, along with all the information required in respect of transparency pursuant to Consob resolution 17221 issued on 12 March 2010.

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

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

Other information

With regard to securities trading, a total of 29.6 million Mediobanca shares were traded on behalf of customers, worth a total of €192.5m;

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

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

Assets which have been revalued and recorded in the balance sheet are listed in table A.

The other information (litigation pending, tax litigation and reseach) is shown on p. 52, 53 e 54 of the Consolidated Review of Operations.

Outlook

Estimates for the current financial year continue to depend heavily on the macroeconomic framework (credit demand and quality) which remains extremely weak on the domestic market. Against this backdrop, the objective of reducing equity investments and increasing customer loans are confirmed. Revenues should benefit from the resumption in client activity, the fee component in particular, while treasury activity is expected to remain weak. Overheads are likely to rise to support international expansion; while the cost of risk should reduce significantly.

Proposal to approve financial statements and profit allocation for the twelve months ended 30 June 2014

Dear Shareholders,
The twelve months under review showed a net profit of €165,913,069.98, to be allocated as follows:

€ 37,500.00	to the *Legal reserve*, which accordingly would amount to €86.1m, or 20% of the Bank's share capital;
€ 39,026,750.28	to the *Statutory reserve*, which accordingly would amount to €1,116.3m;
€ 126,848,819.70	outstanding profit

We therefore propose to distribute a dividend of €0.15 per share on each of the 845,658,798 shares entitled to receive dividends (in view of redistribution due to the treasury shares outstanding) for a total amount of €126,848,819.70.

Accordingly, you are invited to approve the financial statements for the twelve months ended 30 June 2014, including the balance sheet, profit and loss account and accompanying schedules, as well as the following proposed profit allocation:

Net profit for the period	€ 165,913,069.98
To the *Legal reserve*	€ 37,500.00
To the *Statutory reserve*	€ 39,026,750.28
Outstanding profit	€ 126,848,819.70
Dividend of €0.15 per share on 845,658,798 shares	€ 126,848,819.70

The €0.15 per share dividend will become payable as from 26 November 2014, the shares having gone ex-rights on 24 November 2014.

Milan, 17 September 2014

THE BOARD OF DIRECTORS

DECLARATION BY HEAD OF COMPANY FINANCIAL REPORTING

DECLARATION IN RESPECT OF INDIVIDUAL FINANCIAL STATEMENTS as required by Article 81-ter of Consob resolution no. 11971 issued on 14 May 1999 as amended

1. The undersigned Alberto Nagel and Massimo Bertolini, in their respective capacities as Chief Executive Officer and Head of Company Financial Reporting of Mediobanca, hereby declare and in view inter alia of the provisions contained in Article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree 58/98, that the administrative and accounting procedures used in the preparation of the individual financial statements:
   - were adequate in view of the company's characteristics; and
   - were effectively applied during the year ended 30 June 2014.
2. Assessment of the adequacy of said administrative and accounting procedures for the preparation of the individual financial statements as at 30 June 2014 was based on a model defined by Mediobanca in accordance with benchmark standards for internal control systems which are widely accepted at an international level (i.e. the CoSO and CobiT frameworks).
3. It is further hereby declared that

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

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

Milan, 17 September 2014

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

STATUTORY AUDIT COMMITTEE'S REPORT

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

Dear Shareholders,

This report, which has been prepared as required under Article 153 of Italian Legislative Decree 58/98 (the "Italian Consolidated Finance Act"), refers to the activities carried out by the Statutory Audit Committee of Mediobanca S.p.A. ("Mediobanca", the "Bank" or the "Company") during the financial year ended 30 June 2014. During the course of the year, the Statutory Audit Committee met on a total of 35 occasions, 10 of which with the Control and Risks Committee; it also took part in 11 Board meetings and 12 Executive Committee meetings. As part of its own meetings it also met with the statutory auditors of the other Group companies and the supervisory body instituted pursuant to Italian legislative decree 231/01. The Statutory Audit Committee also participated in Remunerations Committee meetings.

1. In performing its duties of supervision and control, the Statutory Audit Committee has:
   a) monitored compliance with the provisions of the law, the company's Articles of Association and deed of incorporation;
   b) 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 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 include:

- in connection with finalization of the Risk Appetite Framework ("RAF"), approval by the Board of Directors of the risk level, global and by type, which the Group is prepared to take on in the pursuit of its own strategic objectives;
- disposal of equity stakes in accordance with the guidelines of the Bank's 2014/16 business plan, involving sales worth €843.2m and yielding gains of €242.5m, plus the request for the demerger of Telco ahead of sale of the whole Telecom Italia investment (equal to 1.6% of the company's ordinary share capital on a look-through basis);
- authorization by the Bank of Italy, pursuant to Article 471 of EU regulation 575 issued on 26 June 2013, to weight the Bank's investment in Assicurazioni Generali at 370%. Authorization was formally issued by the Bank of Italy in the 2014 calendar year, once the provisions contained in the above regulation had come into force;
- appointment of Stefano Marsaglia as Executive Chairman and Co-Head of Corporate and Investment Banking;
- strengthening of Mediobanca's presence in Turkey;
- signing of a retail loan distribution agreement between Compass and the Montepaschi Siena group;
- merger between Creditech and Cofactor and launch of a factoring business.

c) noted that no atypical or unusual transactions with Group companies, third parties or related parties have taken place;

d) monitored compliance with the Procedure in respect of transactions with related parties as required by the regulations in force and the correct application of said Procedure. The Statutory Audit Committee has taken part the meetings of the Related Parties Committee, instituted in accordance with the related procedure, and has received regular information on the transactions carried out. As far as the Statutory Audit Committee is aware, no intra-group transactions or transactions with related parties have been executed that would be in conflict with the company's interests. No transactions defined as "most significant" under the terms of the said Procedure have been carried out during the course of the financial year.

The Statutory Audit Committee, taking account also the results of the activities performed by the various units affected by the Procedure in respect of related parties, believes that transactions with related parties are adequately covered;

e) considered that the Board of Directors, in its review of operations and notes to the accounts, has provided adequate information on transactions involving related parties, including in view of the requirements stipulated in the regulations presently in force;

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

g) monitored the adequacy of the risk management and control system and the internal control system, by:

    i) holding meetings with the Bank's senior management to examine the internal control system;

    ii) 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;

    iii) review of the Control Units' reports and regular information on the outcome of monitoring activity and the status of corrective action highlighted;

    iv) receiving information from the heads of the various divisions of the company;

    v) meetings with the heads of the supervisory bodies of the Group companies, in accordance with the provisions of Article 151, paragraphs 1 and 2 of the Italian Consolidated Finance Act, in the course of which the Statutory Audit Committee received information on developments involving the Group companies considered to be significant;

vi) discussion of the results of the work performed by the External Auditors;

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

From a review of the reports by the Control Units and other checks and balances carried out, the Group's risk containment activity showed a high degree of continuity, despite the difficult economic backdrop, with risk coverage being continuously strengthened.

h) monitored, with reference to anti-money-laundering and terrorist financing regulations, the process by the unit responsible of developing electronic and control instruments to strengthen measures in this area. During the year the AML unit completed its revision of the internal regulations, to incorporate the new regulatory requirements in the areas of customer due diligence and the single electronic archive, which came into force on 1 January 2014;

i) met regularly with the Head of Company Financial Reporting (the "Head of Company Financial Reporting") for exchanges of information, and reviewed the "Report by the Head of Company Financial Reporting", which contains the results of the tests of controls carried out and the main problems detected in the course of applying Italian law 262/05. The Statutory Audit Committee also examined the declarations made by the Chief Executive Officer and Head of Company Financial Reporting as required by the regulations contained in Article 154-bis of the Italian Consolidated Finance Act. The Statutory Audit Committee has found no evidence of shortcomings that might affect its judgement that the Bank's administrative/accounting procedures are adequate.

The heads of the External Auditors too, in their regular meetings with the Statutory Audit Committee, reported no critical issues that might jeopardize the internal control system regarding the administrative and accounting procedures.

The Statutory Audit Committee ascertained that the flows provided by the Group's non-EU companies of significant size are sufficient to carry out supervision of the annual and interim accounting situations, as required by Article 36 of the Regulations for Markets;

The Statutory Audit Committee, in the light of the information obtained and the meetings it has held, considers the Bank's administrative and accounting system and financial reporting process to be adequate;

j) monitored the methods utilized in complying with the Code of Conduct issued by Borsa Italiana and adopted by Mediobanca as illustrated in the Annual Report on Corporate Governance and Ownership Structure.

The Statutory Audit Committee also checked that the criteria and procedures adopted by the Board of Directors to ascertain the independence of its members had been applied correctly;

k) viewed and obtained information regarding the organizational and procedural activity implemented in compliance with Italian Legislative Decree 231/01 regarding corporate administrative liability. The supervisory body reported on the activities performed by it during the year ended 30 June 2014, 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;

l) reviewed the results of the inspections carried out by the Bank of Italy from 20 April 2013 to 11 October 2013 to assess the company's governance structures and financial risks, and which concluded with a series of recommendations for measures to improve the governance structures and certain risk management procedures. In February 2014, the Board of Directors approved certain corrective measures to be implemented according to a schedule notified to the Bank of Italy. The Statutory Audit Committee, working closely with Risk Management unit, has been monitoring the initiatives being implemented by the company in this area on a constant basis;

m) reviewed the corporate processes which led to the finalization of the company's remuneration policies, with reference in particular to the remuneration and incentivization criteria for the heads of the Control Units and the Head of Company Financial Reporting.

No irregularities emerged from the above activities which could be considered as indicators of significant inadequacies in the risk management and control systems and/or the internal controls systems. In conclusion, with regard to the information it has received, the Statutory Audit Committee considers that the Group's activities have been conducted in compliance with the principles of proper management, and that its organizational structure, its internal control system and accounting/administrative procedures as a whole are adequate for the company's requirements.

2. The twelve months ended 30 June 2014 saw significant developments in the regulatory framework outlining the conditions in which banks operate. Accordingly, the Statutory Audit Committee intends to report as follows to shareholders in general meeting.

   a) The fifteenth update of the prudential supervisory instructions contained in Bank of Italy Circular 263 has required the organization of the Bank's internal controls system to be revised. As stipulated in the Circular, the relevant Bank units have completed a self-assessment process regarding the company's situation vis-à-vis the new regulations. In February 2014, the Board of Directors approved the results of the self-assessment process and the operating measures it was felt necessary or even only advisable to implement, with the respective timeframe for implementation. Certain measures already approved by the Board of Directors are of considerable importance, and involve the finalization of the RAF (Risk Appetite Framework), the Business continuity plan and the IT security plan.

   b) The European Central Bank (ECB), ahead of the introduction of the Single Supervisory Mechanism (SSM), in November 2013 embarked on a "Comprehensive Assessment" exercise, working in close conjunction with the relevant national authorities. The Comprehensive Assessment consists of two main pillars:

      - the Asset Quality Review (AQR), to provide increased transparency over banks' exposures; this process ended on 31 August 2014;

      - a stress test, carried out in close co-operation with the European Banking Authority (EBA), to examine banks' resilience in a variety of stress scenarios; the test was carried out in three phases:

        - calculation by banks of the impact of the stress scenarios;

        - quality control by the ECB and Bank of Italy;

        - join-up of results of the stress tests and AQR.

The results of the exercise are to be disclosed to the public by the end of this month.

c) As a result of the redefinition of the supervisory systems for European banking institutions, as from 4 November 2014, Mediobanca will be subject to the European Central Bank's supervision.

3. 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, comma 2 of the Italian Consolidated Finance Act.

   On 1 October 2014 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 2014 have been drawn up transparently and constitute a truthful and proper reflection of the company's and Group's capital and financial situation, their earnings results, changes to their net equity and cash flows during the year under review. 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 2014 and the information required under para. 1, letters c), d), f), l), m) and para. 2, letter b) of Article 123-bis of the Italian consolidated finance act presented in the "Report on Corporate Governance and Ownership Structure" is consistent with the individual and consolidated financial statements as at 30 June 2014.

   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 19 June 2014, the Directors of Mediobanca approved the impairment procedure required 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 Review of Operations regarding the litigation pending involving Mediobanca and the tax disputes still outstanding regarding Group companies Compass and SelmaBipiemme.

On 1 October 2014, 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	161	4
Other services	—	27
Total	161	31

Given the mandates conferred on PricewaterhouseCoopers S.p.A. and its network by Mediobanca S.p.A. and the other Group companies, the Statutory Audit Committee does not consider that there are any critical issues arising with respect to the external auditor's independence.

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 2013. On this occasion, the External Auditor submitted a document summarizing its activities, with reference in particular to the most significant valuation items. On 21 February 2014 the External Auditor issued a report on the auditing of the accounts limited to only the consolidated interim financial statements, without noting any exceptions.

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.

4. 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. The Statutory Audit Committee has not received any complaints from shareholders during the year pursuant to Article 2408 of the Italian Civil Code. No omissions, censurable facts, irregularities or other significant circumstances such as would require the supervisory authorities to be notified or as would warrant inclusion in this report have come to the Statutory Audit Committee's attention in the course of its activities or on the basis of the information it has received.

5. The agenda for the Annual General Meeting of Mediobanca shareholders to take place on 28 October 2014 includes the following items in addition to approval of the financial statements for the year ended 30 June 2014:

   – approval of the Staff remunerations policies;

   – appointment of the Board of Directors, having established their number and determined the amount of their remuneration;

   – appointment of the members and Chairman of the Statutory Audit Committee, determining the amount of their remuneration.

6. Lastly, in view of the specific duties assigned to the External Auditors in terms of auditing the Group's accounts and appraising the reliability of its financial statements, the Statutory Audit Committee has no observations to make to shareholders in general meeting, pursuant to Article 153 of the Italian Consolidated Finance Act, regarding approval of the financial statements for the year ended 30 June 2014 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, 1 October 2014

THE STATUTORY AUDIT COMMITTEE

AUDITORS' REPORT

pwc

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the shareholders of
Mediobanca SpA

1 We have audited the separate financial statements of Mediobanca SpA as of 30 June 2014, which comprise the balance sheet, the profit and loss account, the comprehensive profit and loss account, the statement of changes to net equity, the cash flow statement and the related notes to the accounts. The directors of Mediobanca SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005. Our responsibility is to express an opinion on these separate financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the separate financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

The separate financial statements present the corresponding prior year annual separate financial statements figures for comparative purposes. As disclosed in the notes to the accounts to the separate financial statements, the directors of Mediobanca SpA restated some of the corresponding figures included in the prior year annual separate financial statements. We audited the separate financial statements of the prior period and issued our report on 1 October 2013. We have examined the methods used to restate the prior year corresponding figures and related disclosures set out in the notes to the accounts for the purposes of preparing this report.

3 In our opinion, the separate financial statements of Mediobanca SpA as of 30 June 2014 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Mediobanca SpA for the period then ended.

PricewaterhouseCoopers SpA

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4 The directors of Mediobanca SpA are responsible for the preparation of a report on operations and a report on corporate governance and ownership structure in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard n° 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure are consistent with the separate financial statements of Mediobanca SpA as of 30 June 2014.

Milan, 1st October 2014

PricewaterhouseCoopers SpA

Signed by

Marco Palumbo
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

INDIVIDUAL FINANCIAL STATEMENTS *

* Figures in Euros.

Mediobanca S.p.A. Balance Sheet *

Assets			30/6/14		30/6/13
10.	Cash and cash equivalents		508,271		102,854
20.	Financial assets held for trading		11,639,869,066		12,419,130,455
30.	Financial assets at fair value through profit or loss		—		—
40.	Financial assets available for sale		7,301,515,165		10,319,344,175
50.	Financial assets held to maturity		1,645,928,476		1,434,100,538
60.	Due from banks		9,541,356,391		9,751,996,789
70.	Due from customers		26,300,688,496		26,017,624,502
80.	Hedging derivatives		1,065,100,659		1,152,218,012
90.	Adjustment of hedging financial assets (+/-)		—		—
100.	Equity investments		2,667,949,522		2,717,613,422
	Reinsured portion of technical reserves		—		—
110.	*Property, plant and equipment*		*123,866,280*		*124,864,718*
120.	*Intangible assets*		*9,507,223*		*7,073,908*
	goodwill	—		—	
130.	Tax assets:		390,729,971		268,860,279
	a) current	*248,639,687*		*123,680,984*	
	b) advance	*142,090,284*		*145,179,295*	
	on which pursuant to Italian Law 214/11	*51,888,282*			
140.	Loans classified as held for sale		—		—
150.	Other assets		73,472,840		33,342,401
	TOTAL ASSETS		**60,760,492,360**		**64,246,272,053**

* Comparative data as at 30/6/13 have been restated to reflect the introduction of IAS 19 revised, as described in Part A – Accounting policies, A.2 Significant accounting policies. This has led to a difference of €1.2m in the net loss for the twelve months, plus €13.3m in respect of defined benefit schemes being restated from Other reserves to Valuation reserves.

Liabilities and net equity		30/6/14		30/6/13
10. Due to banks		18,845,545,064		20,620,464,570
20. Due to customers		1,970,706,135		1,262,095,148
30. Debt securities in issue		24,148,442,721		27,582,302,167
40. Trading liabilities		9,251,145,047		8,856,757,180
50. Financial liabilities designed at Fair Value FV		—		—
60. Hedging derivatives		570,732,294		533,092,077
70. Adjustment of hedging financial assets		—		—
80. Tax liabilities:		484,911,751		503,616,693
a) current	*185,947,408*		*213,690,391*	
b) deferred	*298,964,343*		*289,926,302*	
100. Other liabilities		333,939,329		235,239,166
110. Staff severance indemnity provision		9,967,593		9,454,829
120. Provisions:		151,708,260		151,002,555
a) post-employment and similar benefits	—		—	
b) other provisions	—		*151,002,555*	
Insurance reserve		—		—
130. Revaluation reserves		452,154,478		130,897,127
140. Share capital repayable on demand		—		—
150. Share capital repayable on demand		—		—
160. Reserves		2,021,603,868		2,257,836,978
170. Share premium reserve		2,121,818,661		2,120,143,393
180. Share capital		430,703,356		430,564,606
190. Treasury shares		(198,799,267)		(213,410,361)
200. Profit for the period		165,913,070		(233,784,075)
TOTAL LIABILITIES AND NET EQUITY		**60,760,492,360**		**64,246,272,053**

Mediobanca S.p.A. Profit and Loss Account *

	Item		12 mths to 30/6/14		12 mths to 30/6/13
10.	Interest and similar income		1,511,712,920		1,878,977,754
20.	Interest expense and similar charges		(1,381,360,469)		(1,701,299,034)
30.	**Net interest income**		**130,352,451**		**177,678,720**
40.	Fee and commission income		221,743,483		194,845,684
50.	Fee and commission expense		(16,156,651)		(19,733,796)
60.	**Net fee and commission income**		**205,586,832**		**175,111,888**
70.	Dividends and similar income		177,718,732		95,434,976
80.	Net trading income		(1,115,310)		120,368,550
90.	Net hedging income (expense)		(1,827,182)		2,009,600
100.	Gain (loss) on disposal/repurchase of:		268,984,967		101,984,718
	a) loans and advances	*(163,026)*		*5,955,809*	
	b) AFS securities	*287,522,171*		*38,273,699*	
	c) financial assets held to maturity	*(1,517,952)*		*1,311,345*	
	d) financial liabilities	*(16,856,226)*		*56,443,865*	
110.	Net result from assets/liabilities recognized at fair value		—		—
120.	**Total income**		**779,700,490**		**672,588,452**
130.	*Adjustments for impairment to:*		*(239,155,105)*		*(333,104,578)*
	a) loans and advances	*(233,047,708)*		*(86,895,156)*	
	b) AFS securities	*(6,528,473)*		*(214,010,189)*	
	c) financial assets held to maturity	*(3,268,725)*		—	
	d) financial liabilities	*3,689,801*		*(32,199,233)*	
140.	**Net income from financial operations**		**540,545,385**		**339,483,874**
150.	*Premiums earned (net)*		—		—
160.	*Other income (net) from insurance activities*		—		—
150.	Administrative expenses:		(274,912,630)		(266,466,379)
	a) personnel costs	*(167,981,143)*		*(175,665,163)*	
	b) other administrative expenses	*(106,931,487)*		*(90,801,216)*	
160.	Net transfers to provisions		(400,000)		—
170.	Net adjustments to tangible assets		(3,676,430)		(3,672,573)
180.	Net adjustments to intangible assets		(6,217,043)		(8,695,334)
	of which: godwill	—		—	
190.	Other operating income (expense)		15,111,297		20,206,101
200.	**Operating costs**		**(270,094,806)**		**(258,628,185)**
210.	Gain (loss) on equity investments		(69,013,546)		(209,180,715)
220.	Gains and losses on tangible/intangible assets measured at fair value		—		—
230.	Writedowns on intangible assets - godwill		—		—
240.	Gain (loss) on disposal of investments in:		(23,963)		1,276
	a) property	—		—	
	b) other assets	—		—	
250.	**Profit (loss) on ordinary activities before tax**		**201,413,070**		**(128,323,750)**
260.	Income tax for the year on ordinary activities		(35,500,000)		(105,460,325)
270.	**Profit (loss) on ordinary activities after tax**		**165,913,070**		**(233,784,075)**
280.	Gain (losses) on disposal of investments after taxes		—		—
290.	**Net profit (loss) for the period**		**165,913,070**		**(233,784,075)**

* Comparative data as at 30/6/13 have been restated to reflect the introduction of IAS 19 revised, as described in Part A – Accounting policies, A.2 Significant accounting policies. This has led to a difference of €1.2 m in the net loss for the twelve months.

Mediobanca Comprehensive Profit and Loss Account *

	Item	12 mths to 30/6/14	12 mths to 30/6/13
10.	Profit (loss) for the period	165,913,070	(233,784,075)
	Other income items net of tax without passing through profit and loss	**(670,244)**	**(1,213,586)**
20.	Property, plant and equipment	—	—
30.	Intangible assets	—	—
40.	Defined benefit schemes	(670,244)	(1,213,586)
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	**321,927,595**	**331,006,647**
70.	Foreign investment hedges	—	—
80.	Exchange rate differences	—	—
90.	Cash flow hedges	1,728,477	5,058,719
100.	AFS financial assets	320,199,118	325,947,928
110.	Non-current assets being sold	—	—
120.	Share of valuation reserves attributable to equity-accounted companies	—	—
130.	**Total other income items, net of taxes**	**321,257,351**	**329,793,061**
140.	**Comprehensive income (headings 10+130)**	**487,170,421**	**96,008,986**

* Comparative data as at 30/6/13 have been restated to reflect the introduction of IAS 19 revised, as described in Part A – Accounting policies, A.2 Significant accounting policies. This has led to a difference of €1.2m in the net loss for the twelve months, plus €2,129m in respect of defined benefit schemes being restated from Other reserves to Valuation reserves.

Statement of Changes to Mediobanca Net Equity

	Previously reported balance at 30/6/13	Allocation of profit for previous period		Changes during the reference period							Overall consolidated profit 2014	Total net equity at 30/6/14
		Reserves	Dividends and other fund applications	Changes to reserves	Transactions involving net equity							
					New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury shares derivates	Stock options [1]		
Share capital:	430,564,606	—	—	—	138,750	—	—	—	—	—	—	430,703,356
a) ordinary shares	430,564,606	—	—	—	138,750	—	—	—	—	—	—	430,703,356
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,120,143,393	—	—	—	1,675,268	—	—	—	—	—	—	2,121,818,661
Reserves:	2,257,836,978	(233,784,075)	—	—	—	(14,611,094)	—	—	—	12,162,059	—	2,021,603,868
a) retained earnings	2,169,930,189	(233,784,075)	—	—	—	—	—	—	—	—	—	1,936,146,114
b) others	87,906,789	—	—	—	—	(14,611,094)	—	—	—	12,162,059	—	85,457,754
Valuation reserves	130,897,127	—	—	—	—	—	—	—	—	—	321,257,351	452,154,478
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(213,410,361)	—	—	—	—	14,611,094	—	—	—	—	—	(198,799,267)
Profit (loss) for the period	(233,784,075)	233,784,075	—	—	—	—	—	—	—	—	165,913,070	165,913,070
Total net equity	4,492,247,668	—	—	—	1,814,018	—	—	—	—	12,162,059	487,170,421	4,993,394,166

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

Statement of Changes to Mediobanca Net Equity *

	Previously reported balance at 30/6/12	Allocation of profit for previous period		Changes during the reference period							Overall consolidated profit 2013	Total net equity at 30/6/13
					Transactions involving net equity							
		Reserves	Dividends and other fund applications	Changes to reserves	New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury shares derivates	Stock options [1]		
Share capital:	430,564,606	—	—	—	—	—	—	—	—	—	—	430,564,606
a) ordinary shares	430,564,606	—	—	—	—	—	—	—	—	—	—	430,564,606
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,120,143,393	—	—	—	—	—	—	—	—	—	—	2,120,143,393
Reserves:	2,483,337,205	(200,150,834)	—	—	—	—	(42,205,961)	—	—	16,856,568	—	2,257,836,978
a) retained earnings	2,412,286,984	(200,150,834)	—	—	—	—	(42,205,961)	—	—	—	—	2,169,930,189
b) others	71,050,221	—	—	—	—	—	—	—	—	16,856,568	—	87,906,789
Valuation reserves	(198,895,934)	—	—	—	—	—	—	—	—	—	329,793,061	130,897,127
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(213,410,361)	—	—	—	—	—	—	—	—	—	—	(213,410,361)
Profit (loss) for the period	(200,150,834)	200,150,834	—	—	—	—	—	—	—	—	(233,784,075)	(233,784,075)
Total net equity	4,421,588,075	—	—	—	—	—	(42,205,961)	—	—	16,856,568	96,008,986	4,492,247,668

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

* I Comparative data as at 30/6/13 have been restated to reflect the introduction of IAS 19 revised, as described in Part A – Accounting policies, A.2 Significant accounting policies. This has led to a difference of €1,214m in the net loss for the twelve months, plus €2,129m in respect of defined benefit schemes being restated from Other reserves to Valuation reserves.

Mediobanca Cash Flow Statement Direct method

	Amounts	
	30/6/14	30/6/13
A. CASH FLOW FROM OPERATING ACTIVITIES		
1. Operating activities	**586,416,085**	**475,229,262**
- interest received	3,684,464,906	4,106,080,279
- interest paid	(3,072,913,378)	(3,333,576,331)
- dividends and similar income	84,828,285	100,427,380
- net fees and commission income	101,055,009	89,825,966
- cash payments to employees	(93,030,305)	(99,960,859)
- net premium income	—	—
- other premium from insurance activities	—	—
- other expenses paid	(743,166,153)	(1,236,978,113)
- other income received	745,426,237	816,790,191
- income taxes paid	(120,248,516)	32,620,749
- net expense/income from groups of assets being sold	—	—
2. Cash generated/absorbed by financial assets	**6,063,251,647**	**4,268,732,198**
- financial assets held for trading	2,117,469,683	378,398,244
- financial assets recognized at fair value	—	—
- AFS securities	3,679,183,000	(189,410,000)
- due from customers	(253,223,068)	4,025,748,497
- due from banks: on demand	(56,672,454)	36,118,840
- due from banks: other	689,754,859	108,459,196
- other assets	(113,260,373)	(90,582,579)
3. Cash generated/absorbed by financial liabilities	**(6,493,423,234)**	**(4,854,178,868)**
- due to banks: on demand	(1,387,272,874)	501,599,535
- due to banks: other	(1,113,186,822)	(102,645,757)
- due to customers	330,991,574	(453,819,001)
- debt securities	(3,375,944,544)	(4,800,481,680)
- trading liabilities	(961,114,975)	(39,563,617)
- financial liabilities assets recognized at fair value	—	—
- other liabilities	13,104,407	40,731,652
Net cash flow (outflow) from operating activities	**156,244,498**	**(110,217,408)**
B. INVESTMENT ACTIVITIES		
1. Cash generated from	**199,998,642**	**326,019,807**
- disposals of shareholdings	15,970,195	—
- dividends received in respect of equity investments	92,890,447	49,070,807
- disposals/redemptions of financial assets held to maturity	91,086,000	276,948,000
- disposals of tangible assets	52,000	1,000
- disposals of intangible assets	—	—
- disposals of subsidiaries or business units	—	—
2. Cash absorbed by	**(357,651,741)**	**(175,611,000)**
- acquisitions of shareholdings	(35,319,741)	(169,362,000)
- acquisitions of held-to-maturity investments	(310,953,000)	—
- acquisitions of tangible assets	(2,729,000)	(1,678,000)
- acquisitions of intangible assets	(8,650,000)	(4,571,000)
- acquisitions of subsidiaries or business units	—	—
- Net cash flow (outflow) from investment/servicing of finance	**(157,653,099)**	**150,408,807**
C. Funding activities		
- issuance/acquisition of treasury shares	1,814,018	—
- issuance/acquisitions of equity instruments	—	—
- dividends payout and other applications of funds	—	(42,205,961)
Net cash flow (outflow) from funding activities	**1,814,018**	**(42,205,961)**
NET CASH FLOW (OUTFLOW) DURING PERIOD	**405,417**	**(2,014,562)**

Reconciliation of Movements in Cash Flow During the Period

	Amounts	
	30/6/14	30/6/13
Cash and cash equivalents: balance at start of period	102,854	2,117,416
Total cash flow (ouflow) during period	405,417	(2,014,562)
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at end of period	508,271	102,854

NOTES TO THE ACCOUNTS

NOTES TO INDIVIDUAL ACCOUNTS

Part A - Accounting policies

A.1 - General

SECTION 1

Statement of conformity with IAS/IFRS

Mediobanca's individual financial statements for the period ended 30 June 2014 have, as required by Italian Legislative Decree 38/05, been drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), which were adopted by the European Commission in accordance with the procedure laid down in Article 6 of regulation CE 1606/02 issued by the European Parliament and Council on 19 July 2002. Adoption of the new accounting standards with respect to financial reporting by banks is governed by Bank of Italy circular no. 262 issued on 22 December 2005 (second update 21 January 2014).

SECTION 2

General principles

These financial statements comprise:

– balance sheet;
– profit and loss account;
– comprehensive profit and loss account;
– statement of changes in net equity;
– cash flow statement (direct method);
– notes to the accounts.

All the statements have been drawn up in conformity with the general principles provided for under IAS and the accounting policies illustrated in Section A.2, and show data for the period under review compared with that for the previous financial year.

Since 1 July 2013, the new accounting standard IFRS 13 (Fair Value Measurement) has come into force, along with the revised version of IAS 19 (Employee Benefits). The former incorporates all guidance for measuring fair value previously contained in the various standards, and introduces some specifications for measuring credit (for counterparties) and debt (for Mediobanca) valuation adjustments for derivative contracts (CVAs and DVAs respectively). The latter, meanwhile, stipulates that actuarial gains and/or losses must be recorded in a specific net equity valuation reserve, and are therefore only recorded in the other comprehensive income statement (OCI) and no longer in the profit and loss account.

The update to bank of Italy circular No. 262 has also been incorporated, as have the changes to IAS 1 and IFRS 7.

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 individual report for the year ended 30 June 2014 to require adjustment.

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

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

After initial recognition they continue to be measured at fair value[1]. Equities and linked derivatives for which it is not possible to reliably determine fair value using the methods described above are stated at cost (these too qualify as Level 3 assets). If the assets suffer impairment, they are written down to their current value.

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

AFS securities

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

AFS assets are initially recognized at fair value, which includes transaction costs and income directly attributable to them. Thereafter they continue to be measured at fair value. Changes 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

[1] See Part A3 – Information on fair value, pp. 318, 319, 320 and 321 for further details.

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 Bank's management has the positive intention and ability to hold to maturity.

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

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 [2].

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.

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

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;
- changes in fair value of derivatives that are designated and qualify as cash flow hedges are recognized in net equity, while the gain or loss deriving from the ineffective portion is recognized through the profit and loss account only as and when, with reference to the hedged item, the change in cash flow to be offset crystallizes.

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

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

The hedging relationship can also be interrupted voluntarily or in the event of the hedged instrument being derecognized or the hedging instrument being repaid 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 and long-term computer software applications.

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

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

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

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

Derecognition of assets

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

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

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

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

Payables, debt securities in issue and subordinated liabilities

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

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

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

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

The sale of treasury shares over the market following a buyback (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 laow under regulation EE 475/12 [3].

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

Provisions for liabilities and charges

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

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

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

Foreign currency transactions

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

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

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

Tax assets and liabilities

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

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

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

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

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

Stock options and performance shares

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

Treasury shares

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

Dividends and commissions

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

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

Related parties

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

a) individuals or entities which directly or indirectly:
   1. are subject to joint control by Mediobanca;
   2. hold an interest in Mediobanca which allows them to exert a significant influence over Mediobanca; the scope of this definition includes parties to the Mediobanca shareholders' agreement with interests of over 5% of the company's share capital, along with the entitlement to appoint at least one member of the Board of Directors, and the entities controlled by them;

b) associate companies, joint ventures and entities controlled by them [4];

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,

[4] Includes Telco.

children, partners' children, dependents and partners' dependents) as well as any entities controlled, jointly controlled or subject to significant influence by such individuals;

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

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 30/6/14	Fair value at 30/6/14	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	140,755	146,513	19,504	2,071	—	2,071
Debt securities [1] (ABS)	AFS securities	Due from customers	30,841	30,079	4,146	657	—	657
Debt securities [2]	AFS securities	Financial assets held to maturity	401,766	434,284	10,016	19,145	—	19,145
Total			573,362	610,876	33,666	21,873	—	21,873

[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 91, 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.

As stipulated by Bank of Italy Circular no. 262/05 in respect of "Financial statements by banks: models and rules for compilation" (most recent update 21 January 2014), the Bank must show the fair value of the instruments according to a hierarchy of rankings based on the quality of inputs used in order to calculate it[5].

[5] Cf. IFRS 13, paragraph 73: "the fair value measurement is categorized in its entirety in the level of the lowest level inupt 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.

In accordance with the provisions of IFRS 13, the fair value hierarchy gives priority to measurements based on different market parameters. The highest priority (level 1) is assigned to measurements based on prices quoted (un-adjusted) on an active market for identical assets or liabilities; while the lowest of priority (level 3) is assigned to valuations deriving predominantly from unobservable inputs.

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.

- Level 1: 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.
- Level 3: 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 (Level 1) or models based on observable inputs (Level 2). In cases where Level 3 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 assessments 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 adjustments

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 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/debit 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;

– probability of default, derived from historical PD readings or those implied in market prices obtained via credit default swap;

– 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 recurrent basis

This section provides the disclosure stipulated by IFRS 13 with reference to 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 Level 1 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 Level 2 or Level 3 (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 Level 2 and Level 3 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 Level 3, with the exception of those for which the trader is able to provide, on a continuous basis, a breakdown of bid/ask contributions with the respective quantities, in which case they are categorized as Level 1.

– 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 Level 2, whereas those based on non-observable inputs are categorized as Level 3.

- Equities: equities are categorized as Level 1 when quoted prices are available on an active market considered to be liquid, and Level 3 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 Level 1 in cases where quoted prices are available on an active market; otherwise they are categorized as Level 3.

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 treated 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 Level 2, and in all other cases as Level 3. The same applies to retail loans (i.e. mortgage loans and consumer credit).

Bonds issued by Mediobanca are categorized as fair value Level 1 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 Level 2 and is calculated via the expected discounted cash flow using a market interest rate adjusted for the Bank's issuer risk (with a distintion 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 Level 3 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)**
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).	0.154
Equity-equity correlation	Equal to 1% between two indexes and 2% between two single stocks.	0.152

Measurement techniques used for equity, credit and interest rate products

Product	**Measurement technique**	**Non-observable inputs**	**Fair value* Assets (€m)**	**Fair value* Liabilities (€m)**
OTC equity plain vanilla options, OTC equity digital options	OTC equity basket options, best of/ worst of	Implicit volatility [6]	4,73	-54,69
OTC equity basket options, best of/ worst of	Synthetic CDOs	Implicit volatility Equity-equity correlation [7]	37,49	-3,21
Synthetic CDOs	Structured CCSs	Base correlation with bootstrap starting from quoted data on liquid index tranches [8]	1,19	-2,00
Structured CCSs	Discount cash flow	Level 3 categorization attributable to importance of the fair value adjustment versus overall MtM, due mostly to contractual clauses plus the fact that the spread is determined by proxy because the counterparty is unrated	33,77	

* Values are shown net of reserves booked.

[6] 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).

[7] Equity-equity correlation is a measurement of the relationship 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.

[8] 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.

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 Level 1 to Level 2 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 Level 2 to Level 3 (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 recurrent basis by fair value ranking

Financial assets/Liabilities measured at fair value	30 june 2014			30 june 2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	5,481,200	5,097,497	1,061,172 [1]	6,714,649	4,856,457	848,024 [1]
2. Financial assets recognized at fair value	—	—	—	—	—	—
3. AFS	5,974,561	470,185	856,769	8,726,006	750,206	843,132
4. Hedge derivatives	—	1,065,101	— [2]	—	1,152,218	— [2]
5. Tangible assets	—	—	—	—	—	—
6. Intangible assets	—	—	—	—	—	—
Total	11,455,761	6,632,783	1,917,941	15,440,655	6,758,881	1,691,156
1. Financial liabilities held for trading	(3,199,477)	(5,057,397)	(994,271) [1]	(3,601,877)	(4,206,315)	(1,048,565) [1]
2. Financial liabilities recognized at fair value	—	—	—	—	—	—
3. Hedge derivatives	—	(570,732)	—	—	(533,092)	—
Total	(3,199,477)	(5,628,129)	(994,271)	(3,601,877)	(4,739,407)	(1,048,565)

[1] Includes market value of options covering those attached to bond issues by Mediobanca (€268.4m as at 30/6/14 and €234.3m as at 30/6/13) as well as options traded (€666m and €563.4m 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.4.5.2 Annual changes in financial assets recognized at fair value on a recurrent basis (level 3 assets)

(€'000)

	FINANCIAL ASSETS			
	Held for trading [1]	**Recognized at fair value**	**AFS [2]**	**Hedges**
1. Balance at start of period	50,285	—	843,131	—
2. Additions	136,153	—	379,593	—
2.1 Purchases	60,884	—	11,085	—
2.2 Profits recognized in:	14,892	—	357,475	—
2.2.1 profit and loss account	14,892	—	95,597	—
- of which, gains	14,165	—	—	—
2.2.2 net equity	X	X	261,878	—
2.3 Transfers from other levels	55,212	—	9,183	—
2.4 Other additions	5,165	—	1,850	—
3. Reductions	59,634	—	365,954	—
3.1 Disposals	23,447	—	352,379	—
3.2 Redemptions	26,277	—	2,337	—
3.3 Losses recognized in:	7,982	—	11,238	—
3.3.1 profit and loss account	7,982	—	10,722	—
- of which, losses	7,982	—	6,093	—
3.3.2 net equity	X	X	516	—
3.4 Transfers to other levels	1,928	—	—	—
3.5 Other reductions	—	—	—	—
4. Balance at end of period	126,804	—	856,770	—

[1] Includes market value of options covering those attached to bond issues by Mediobanca (€268.4m as at 30/6/14 and €234.3m as at 30/6/13) as well as options traded (€666m and €563.4m 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 recurrent basis (level 3 liabilities)

(€'000)

	FINANCIAL LIABILITIES		
	Held for trading [1]	**Recognized at fair value**	**Hedges**
1. Balance at start of period	250,829	—	—
2. Additions	82,660	—	—
2.1 Issues	29,081	—	—
2.2 Losses recognized in:	49,461	—	—
2.2.1 profit and loss account	49,461	—	—
- of which, losses	49,461	—	—
2.2.2 net equity	X	X	—
2.3 Transfers from other levels	4,118	—	—
2.4 Other additions	—	—	—
3. Reductions [2]	273,587	—	—
3.1 Redemptions	131,091	—	—
3.2 Buybacks	—	—	—
3.3 Profits recignized in:	55,984	—	—
3.3.1 profit and loss account	55,984	—	—
- of which, gains	55,984	—	—
3.3.2 net equity	X	X	—
3.4 Transfers to other levels	86,512	—	—
3.5 Other reductions	—	—	—
4. Balance at end of period	59,902	—	—

[1] Includes market value of options covering those attached to bond issues by Mediobanca (€268.4m as at 30/6/14 and €234.3m as at 30/6/13) as well as options traded (€666m and €563.4m 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.

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	30/6/14				30/6/13			
	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	1,645,928	1,570,500	150,608	38,411	1,434,101	1,467,723	7,396	12,226
2. Due from banks	9,541,356	—	9,322,377	207,288	9,751,997	—	9,109,390	556,247
3. Due from customers	26,300,688	—	14,636,351	11,505,098	26,017,625	—	13,089,613	12,431,575
4. Tangible assets held for investment purposes	26,232	—	—	77,455	—	26,629	—	72,507
5. Non-current assets and groups of assets being sold	—	—	—	—	—	—	—	—
Total	37,514,204	1,570,500	24,109,336	11,828,252	37,203,723	1,494,352	22,206,399	13,072,555
1. Due to banks	18,845,545	—	—	18,845,545	20,620,465	—	—	20,620,465
2. Due to customers	1,970,706	—	—	1,970,706	1,262,095	—	—	1,262,095
3. Debt securities in issue	24,148,443	817,927	23,760,263	11,109	27,582,302	851,444	27,209,473	14,893
4. Liabilities in respect of non-current assets being sold	—	—	—	—	—	—	—	—
Total	44,964,694	817,927	23,760,263	20,827,360	49,464,862	851,444	27,209,473	21,897,453

A.5 - Information on day one profit/loss

For Level 3 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 gorunds. 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 Bank'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

	30/6/14	30/6/13
a) Cash	486	76
b) Demand deposits held at central banks	22	27
Total	508	103

* Figures in €'000, save in footnotes, where figures are provided in full.

SECTION 2

Heading 20: Financial assets held for trading

2.1 Financial assets held for trading: composition

Derivative products	30/6/14			30/6/13		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	3,756,173	625,476	34,502	4,049,514	699,567	1
1.1 Structured	46,609	77,862	—	75,810	117,252	—
1.2 Other debt securities	3,709,564	547,614	34,502	3,973,704	582,315	1
2. Equities [1]	1,035,953	27,087	162	1,031,827	—	15,343
3. UCI units	150,746	—	14,969	105,187	—	4,969
4. Loans and advances	—	9,683	—	—	17,229	—
4.1 Repos	—	—	—	—	—	—
4.2 Others	—	9,683	—	—	17,229	—
Total A	4,942,872	662,246	49,633	5,186,528	716,796	20,313
B. Derivative products						
1. Financial derivatives	538,328	3,904,376	1,011,539	871,461	4,020,964	827,711
1.1 Trading	538,328	3,699,060	742,564 (2)	871,461	3,832,705	586,085 (2)
1.2 Linked to fair value options	—	—	—	—	—	—
1.3 Others	—	205,316	268,975 (3)	—	188,259	241,626 (3)
2. Credit derivatives	—	530,875	—	656,660	118,697	—
2.1 Trading	—	530,875	—	656,660	118,697	—
2.2 Linked to fair value options	—	—	—	—	—	—
2.3 Others	—	—	—	—	—	—
Total B	538,328	4,435,251	1,011,539	1,528,121	4,139,661	827,711
Total (A+B)	5,481,200	5,097,497	1,061,172	6,714,649	4,856,457	848,024

[1] Equities as at 30/6/14 include shares committed in securities lending transactions totalling €556,639,000 (30/6/13: €139,622,000).

[2] Respectively €665,980,000 and €563,420,000 in respect of options traded, with the equivalent amount being recorded as trading liabilities.

[3] Includes the market value of options 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

Item/value	30/6/14	30/6/13
A. CASH ASSETS		
1. Debt securities	4,416,151	4,749,082
a. Governments and central banks	2,955,978	3,228,109
b. Other public agencies	208,887	78,603
c. Banks	251,503	392,179
d. Other issuers	999,783	1,050,191
2. Equities	1,063,202	1,047,170
a. Banks	71,750	113,636
b. Other issuers	991,452	933,534
- insurances	42,115	66,949
- financial companies	52,313	6,948
- non-financial companies	897,024	859,637
- others	—	—
3. UCI units	165,715	110,156
4. Loans and advances	9,683	17,229
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	9,683	17,229
Total A	5,654,751	5,923,637
B. DERIVATIVE PRODUCTS		
a. Banks	3,571,702	3,879,522
- fair value	3,571,702	3,879,522
b. Customers	2,413,416	2,615,971
- fair value	2,413,416	2,615,971
Total B	5,985,118	6,495,493
Total A+B	11,639,869	12,419,130

2.3 Financial assets held for trading: movements during the period

	Debt securities	Equities	UCI units	Loans and advances	Total
A. Balance at start of period	4,749,082	1,047,170	110,156	17,229	5,923,637
B. Additions	28,124,179	6,626,258	196,882	13,854	34,961,173
B.1 Acquisitions	27,303,199	6,363,595	188,458	13,094	33,868,346
B.2 Increases in fair value	122,334	109,852	5,991	30	238,207
B.3 Other additions	698,646	152,811	2,433	730	854,620
C. Reductions	28,457,110	6,610,226	141,323	21,400	35,230,059
C.1 Disposals	26,701,357	6,500,877	140,563	21,400	33,364,197
C.2 Redemptions	1,624,747	—	—	—	1,624,747
C.3 Reductions in fair value	55,977	18,325	153	—	74,455
C.4 Transfers to other portfolios	—	—	—	—	—
C.5 Other reductions	75,029	91,024	607	—	166,660
D. Balance at end of period	4,416,151	1,063,202	165,715	9,683	5,654,751

SECTION 4

Heading 40: Available for sale (AFS) securities

4.1 AFS securities: composition

Item/value	30/6/14			30/6/13		
	Level 1	Level 2	Level 3 *	Level 1	Level 2	Level 3 *
1. Debt securities	5,573,841	470,185	14,917	8,075,334	750,206	—
1.1 Structured	—	—	—	—	—	—
1.2 Other debt securities	5,573,841	470,185	14,917	8,075,334	750,206	—
2. Equities	400,720	—	728,777	650,672	—	740,211
2.1 Recognized at fair value	400,720	—	728,777	650,672	—	740,211
2.2 Recognized at cost	—	—	—	—	—	—
3. UCI units	—	—	113,075	—	—	102,921
4. Loans and advances	—	—	—	—	—	—
Total	5,974,561	470,185	856,769	8,726,006	750,206	843,132

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

4.2 AFS securities: by borrower/issuer

Item/value	30/6/14	30/6/13
1. Debt securities	6,058,943	8,825,540
a. Governments and central banks	4,229,325	6,354,087
b. Other public agencies	—	—
c. Banks	837,897	1,359,631
d. Other issuers	991,721	1,111,822
2. Equities	1,129,497	1,390,883
a. Banks	—	208,409
b. Other issuers	1,129,497	1,182,474
- insurances	—	—
- financial companies	57,931	63,677
- non-financial undertakings	1,071,566	1,118,797
- others	—	—
3. UCI units	113,075	102,921
4. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other issuers	—	—
Total	7,301,515	10,319,344

4.3 AFS securities: assets subject to specific hedging

Item/value	30/6/14	30/6/13
1. Financial assets subject to specific fair value hedges:	793,555	—
a. interest rate risk	793,555	—
b. price risk	—	—
c. exchange rate risk	—	—
d. credit risk	—	—
e. more than one risk	—	—
2. Financial assets subject to specific cash flow hedges:	—	77,183
a. interest rate risk	—	77,183
b. exchange rate risk	—	—
c. other	—	—
Total	793,555	77,183

4.4 AFS securities: movements during the period

	Debt securities	Equities	UCI units	Loans and advances	Total
A. Balance at start of period	8,825,540	1,390,883	102,921	—	10,319,344
B. Additions	5,351,257	693,457	11,094	—	6,055,808
B.1 Acquisitions	5,178,144	159,596	2,250	—	5,339,990
B.2 Increases in fair value	131,451	344,595	8,844	—	484,890
B.3 Writebacks	—	—	—	—	—
- recognized in profit and loss account	—	X	—	—	—
- recognized in net equity	—	—	—	—	—
B.4 Transfers from other asset classes	—	—	—	—	—
B.5 Other additions	41,662	189,266	—	—	230,928
C. Reductions	8,117,854	954,843	940	—	9,073,637
C.1 Disposals	2,746,256	942,163	18	—	3,688,437
C.2 Redemptions	5,330,736	—	—	—	5,330,736
C.3 Reductions in fair value	7,853	2,015	427	—	10,295
C.4 Writedowns due to impairment	—	6,186	495	—	6,681
- taken to profit and loss account	—	6,186	343	—	6,529
- taken to net equity	—	—	152	—	152
C.5 Transfers to other asset classes	—	—	—	—	—
C.6 Other reductions	33,009	4,479	—	—	37,488
D. Balance at end of period	6,058,943	1,129,497	113,075	—	7,301,515

SECTION 5

Heading 50: Financial assets held to maturity

5.1 Financial assets held to maturity: composition

Type of transactions/ group components	30/6/14				30/6/13			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	1,645,928	1,570,500	150,608	38,411	1,434,101	1,467,723	7,396	12,226
1.1 Structured	—	—	—	—	—	—	—	—
1.2 Other debt securities	1,645,928	1,570,500	150,608	38,411	1,434,101	1,467,723	7,396	12,226
2. Loans and advances	—	—	—	—	—	—	—	—
Total	1,645,928	1,570,500	150,608	38,411	1,434,101	1,467,723	7,396	12,226

5.2 Assets held to maturity: by borrower/issuer

Type of transactions/value	30/6/14	30/6/13
1. Debt securities	1,645,928	1,434,101
a. Governments and central banks	348,299	346,881
b. Other public agencies	—	—
c. Banks	502,378	391,559
d. Other entities	795,251	695,661
2. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
Total	1,645,928	1,434,101
Total Fair Value	1,759,519	1,487,345

5.4 Assets held to maturity: movements during the period

	Debt securities	Loans and advances	Total
A. Balance at start of period	1,434,101	—	1,434,101
B. Additions	310,953	—	310,953
B.1 Acquisitions	310,953	—	310,953
B.2 Writebacks	—	—	—
B.3 Transfers from other asset classes	—	—	—
B.4 Other additions	—	—	—
C. Reductions	99,126	—	99,126
C.1 Disposal	23,313	—	23,313
C.2 Redemptions	67,773	—	67,773
C.3 Value adjustments	3,269	—	3,269
C.4 Transfers to other asset classes	—	—	—
C.5 Other reductions	4,771	—	4,771
D. Balance at end of period	1,645,928	—	1,645,928

SECTION 6

Heading 60 - Due from banks

6.1 Due from banks: composition

Type of transactions/value	30/6/14				30/6/13			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from central banks	110,150	—	110,150	—	61,163	—	61,163	—
1. Term deposits	—	X	X	X	—	X	X	X
2. Compulsory reserves	110,150	X	X	X	61,163	X	X	X
3. Amounts due under repo agreements	—	X	X	X	—	X	X	X
4. Other amounts due	—	X	X	X	—	X	X	X
B. Due from banks	9,431,206	—	9,212,227	207,288	9,690,834	—	9,048,227	556,247
1. Loans	9,431,206	—	9,212,227	207,288	9,690,834	—	9,048,227	556,247
1.1 Current accounts and demand deposits	2,023,435	X	X	X	2,423,370	X	X	X
1.2 Term deposits	130,327	X	X	X	112,513	X	X	X
1.3 Other receivables:	7,277,444	X	X	X	7,154,951	X	X	X
- amounts due under repo agreements	2,498,699	X	X	X	2,143,148	X	X	X
- amounts due under finance leases	—	X	X	X	—	X	X	X
- other amounts due	4,778,745	X	X	X	5,011,803	X	X	X
2. Debt securities	—	—	—	—	—	—	—	—
2.1 structured	—	X	X	X	—	X	X	X
2.2 other debt securities	—	X	X	X	—	X	X	X
Total book value	9,541,356	—	9,322,377	207,288	9,751,997	—	9,109,390	556,247

Heading 70: Due from customers

7.1 Due from customers: composition

Type of transactions/amounts	30/6/14						30/6/13					
	Book value			Fair Value			Book value			Fair Value		
	Performing	Impaired		Level 1	Level 2	Level 3	Performing	Impaired		Level 1	Level 2	Level 3
		Acquired	Others					Acquired	Others			
1. Current accounts	95,577	—	—	—	95,577	—	181,906	—	—	—	181,906	—
2. Repos	5,142,415	—	—	—	5,142,415	—	2,535,878	—	—	—	2,535,878	—
3. Mortgages	15,042,821	—	385,948	—	8,587,588	6,661,429	17,833,040	—	181,152	—	9,910,149	7,638,425
4. Credit cards, personal loans and salary-backed finance	—	—	—	—	—	—	—	—	—	—	—	—
5. Finance leases	—	—	—	—	—	—	—	—	—	—	—	—
6. Factoring	—	—	—	—	—	—	—	—	—	—	—	—
7. Other loans	2,279,090	—	—	—	722,618	1,556,474	1,715,432	—	—	—	446,200	1,269,232
8. Debt securities	3,354,837	—	—	—	88,512	3,287,521	3,570,217	—	—	—	15,480	3,523,918
8.1 Structured instruments	—	—	—	—	—	—	—	—	—	—	—	—
8.2 Other debt securities	3,354,837	—	—	—	88,512	3,287,521	3,570,217	—	—	—	15,480	3,523,918
Total (book value)	25,914,740	—	385,948	—	14,636,710	11,505,424	25,836,473	—	181,152	—	13,089,613	12,431,575

7.2 Due from customers: by borrower/issuer

Type of transactions/value	30/6/14			30/6/13		
	Performing	Impaired		Performing	Impaired	
		Acquired	Other		Acquired	Other
1. Debt securities	3,354,837	—	—	3,570,218	—	—
a) Governments	—	—	—	—	—	—
b) Other public entities	—	—	—	—	—	—
c) Other issuers:	3,354,837	—	—	3,570,218	—	—
non-financial undertakings	14,708	—	—	15,480	—	—
financial companies	3,340,129	—	—	3,554,738	—	—
insurances	—	—	—	—	—	—
others	—	—	—	—	—	—
2. Loans to:	22,559,903	—	385,948	22,266,255	—	181,152
a) Governments	—	—	—	3,736	—	—
b) Other public entities	67,963	—	—	—	—	—
c) Other parties:	22,491,940	—	385,948	22,262,519	—	181,152
non-financial undertakings	6,712,706	—	368,464	8,535,766	—	175,692
financial comapanies	14,920,737	—	17,484	11,761,507	—	5,460
insurances	857,001	—	—	1,964,820	—	—
others	1,496	—	—	426	—	—
Total	25,914,740	—	385,948	25,836,473	—	181,152

7.3 Due from customers: assets subject to specific hedging

Type of transactions/value	30/6/14	30/6/13
1. Items subject to specific fair value hedges for:	239,587	261,611
a) interest rate risk	239,587	261,611
b) exchange rate risk	—	—
c) credit risk	—	—
d) more than one risk	—	—
2. Items subject to specific cash flow hedges:	—	—
a) interest rate risk	—	—
b) exchange rate risk	—	—
c) other	—	—
Total	239,587	261,611

SECTION 8

Heading 80: Hedging derivatives

8.1 Hedging derivatives: by hedge type and level

	30/6/14				30/6/13			
	Fair value			Notional value	Fair value			Notional value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivates	—	1,065,101	—	15,825,659	—	1,152,218	—	19,988,892
1) Fair value	—	1,065,101	—	15,825,659	—	1,152,218	—	19,988,892
2) Cash flow	—	—	—	—	—	—	—	—
3) Non-Italian investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	1,065,101	—	15,825,659	—	1,152,218	—	19,988,892

8.2 Hedging derivatives: by portfolio hedged and hedge type

Operations/type of hedging	Fair value hedges						Cash flow hedges		Non-Italian investments
	Specific					General	Specific	General	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. AFS securities	—	—	—	—	—	X	—	X	X
2. Loans and advances	—	—	—	X	—	X	—	X	X
3. Financial assets held to maturity	X	—	—	X	—	X	—	X	X
4. Portfolio	X	X	X	X	X	—	X	—	X
5. Non-Italian investments	—	—	—	—	—	X	—	X	—
Total assets	—	—	—	—	—	—	—	—	—
1. Financial liabilities	1,065,101	—	—	X	—	X	—	X	X
2. Portfolio	X	X	X	X	X	—	X	—	X
Total liabilities	1,065,101	—	—	X	—	—	—	—	X
1. Estimated transactions	X	X	X	X	X	X	—	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	—	X	—	—

SECTION 10

Heading 100: Equity investments

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

Name	Registered office	Shareholding %	% of voting rights
A. SUBSIDIARIES			
Directly-held investments			
1. CheBanca! S.p.A.	Milan	100.0	100.0
Share capital €220m, in par value €0.50 shares			
2. Compass S.p.A.	Milan	100.0	100.0
Share capital €587.5m, in par value €5 shares			
3. Prominvestment S.p.A. (in liquidation)	Milan	100.0	100.0
Share capital €743,000, in par value €0.52 shares			
4. Prudentia Fiduciaria S.p.A.	Milan	100.0	100.0
Share capital €100,000, in par value €5 shares			
5. Ricerche e Studi S.p.A.	Milan	100.0	100.0
Share capital €100,000, in par value €5 shares			
6. SelmaBipiemme Leasing S.p.A.	Milan	60.0	60.0
Share capital €41.3m, in par value €0.50 shares			
7. Mediobanca Innovation Service – M.I.S. S.c.p.A.	Milan	99.99	99.99
Share capital €35,000,000, in par value €5 shares			
8. Spafid S.p.A.	Milan	100.0	100.0
Share capital €100,000, in par value €10 shares			
9. Compagnie Monégasque de Banque - CMB S.A.M.	Monte Carlo	100.0	100.0
Share capital €111.1m, in par value €200 shares			
10. Mediobanca International (Luxembourg) S.A.	Luxembourg	99.0	99.0
Share capital €10m, in par value €10 shares			
11. MB Securities USA LLC	New York	100.0	100.0
Share capital $2.25m			
12. Consortium S.r.l.	Milan	100.0	100.0
Share capital €100,000			
13. MB ADVISORY KURUMSAL DANISMANLIK HIZMETLERI ANONIM SIRKETI	Istanbul	100.0	100.0
Share capital Turkish lire 4.5m			
14. MB Sicav	Luxembourg	100.0	100.0
Share capital €31,000			
B. JOINTLY-CONTROLLED COMPANIES			
1. Banca Esperia S.p.A.	Milan	50.0	50.0
Share capital €63m, in par value €0.52			
C. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE			
1. Assicurazioni Generali S.p.A.	Trieste	13.24	13.24
Share capital €1,556.9 m, in par value €1 shares			
2. Burgo Group S.p.A.	Altavilla Vicentina (VI)	22.13	22.13
Share capital €205.4m, in par value €0.52 shares			
3. Athena Private Equity S.A.	Luxembourg	24.27	24.27
Capital €19.6m, in par value €0.2 stock units			
4. Fidia - Fondo Interbancario d'Investimento Azionario SGR S.p.A. (in liquidation)	Milan	25.0	25.0
Capital €4.9m, in par value €520 stock units			

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

Name	Total assets (€/000)	Total income (€/000)	Net equity (€/000) (For. Curr. €/000)	Net profit (loss) (€/000) (For. Curr. €/000)	Book value (€/000)
A. Subsidiaries (IAS 27)					
Directly owned					
1. CheBanca! S.p.A.	15,211,601	555,726	267,989	(25,138)	283,141
Share capital €220m, in par value € 0,50 shares					
2. Compass S.p.A.	9,882,744	964,586	1,154,086	38,327	764,036
Share capital €587.5m, in par value €5 shares					
3. Prominvestment S.p.A. (in liquidation)	5,258	294	(2,152)	(799)	—
Share capital €743,000, in par value €0.52 shares					
4. Prudentia Fiduciaria S.p.A.	3,932	3,125	2,305	209	103
Share capital €100,000, in par value €5 shares					
5. Ricerche e Studi S.p.A.	935	1,842	65	(7)	103
Share capital €100,000, in par value €5 shares					
6. SelmaBipiemme Leasing S.p.A.	(1,826,281)	57,174	76,335	(12,881)	32,909
Share capital €41,3m, in par value €0,50 shares					
7. MIS - Mediobanca Innovation Services S.C.p.A.	66,559	29,108	37,620	2	35,021
Share capital €35m, in par value €5 shares					
8. Spafid S.p.A.	36,812	7,301	32,789	863	205
Share capital €100,000, in par value €10 shares					
9. Compagnie Monegasque de Banque - CMB S.A.M.	2,417,400	104,627	612,374	48,409	371,512
Share capital €111.1m, in par value €200 shares					
10. Mediobanca International (Luxembourg) S.A.	3,492,153	103,996	245,800	19,012	5,942
Share capital €10m, in par value €10 shares					
11. MB Securities USA L.L.C. *	5,719	4,057	1,314	1,595	211
Share capital $2.25m					
12. Consortium S.r.l.	187	—	216	(35)	123
Share capital €100,000					
13. MB Advisory Kurumsal Danismanlik Hizmetleri Anonim Sirketi Share capital Turkish Lira 4.5m in par value 45.000 Turkish Lira	8,244	5,717	3,988	1,743	1,266
14. MB SICAV (non operating) [1]	—	—	—	—	31
Share capital € 31,000					
Total subsidiaries					1,494,603

* Amounts stated in foreiagn currencies.

[1] Company not in operation.

Name	Significant data [1]				Book value	Fair value
	Total assets	Total	Net profit	Net		
B. Companies subject to joint control (IAS 31)						
1. Banca Esperia S.p.A.	1,848,512	115,787	1,857	175,482	54,290	
C. Companies subject to significant influence (IAS 28)						
1. Assicurazioni Generali S.p.A.	449,656,000	86,180,000	2,142,000	19,263,000	1,114,559	3,299,583
2. Burgo Group S.p.A.	1,991,768	2,391,538	(148,111)	331,236	—	—
3. Athena Private Equity S.A.	113,548	12,637	8,264	24,390	3,862	—
4. Fidia SGR S.p.A. (in liquidation)	3,402	118	(314)	2,775	636	—
Total					1,173,347	

[1] Based on most recent approved consolidated financial statements.

The Burgo Group investment has been written off in full on prudential grounds, with an impact of €19m to the profit and loss account, in view of the lost incurred by the company in 2013, due among other things to the ongoing difficulties being encountered by its sector of operation. The company has recently approved a new business plan and contacted its stakeholders with a view to re-establishing the group's capital structure.

The other investments (in Assicurazioni Generali, Banca Esperia, Athena and Fidia) continue to be stated at cost.

The book value of the CheBanca! investment has been tested for impairment and adjusted to a value of use of €283.1m (down from €333.1m). This value was reached via a dividend discount model (DDM) prepared on the basis of updated cashflows projected over a long-term time horizon, reflecting the basic assumptions of the Group's strategic plan and the most recent market scenarios. The €50m adjustment reflects a revenue flow which is still insufficient, weak interest rates and stable costs for investments in asset management.

10.3 Equity investments: movements during the period

Type of transactions/value	30/6/14	30/6/13
A. Balance at start of period	2,717,613	3,214,440
B. Additions	35,320	294,240
B.1 Acquisitions	35,320	169,362
B.2 Value adjustments	—	—
B.3 Revaluations	—	—
B.4 Other adjustments	—	124,878
C. Reductions	84,983	791,067
C.1 Disposals	15,970	—
C.2 Value adjustments for impairment	68,999	137,838
C.3 Other reductions	14	653,229
D. Balance at end of period	2,667,950	2,717,613
E. Total revaluations	—	—
F. Total adjustments	817,418	748,419

SECTION 11

Heading 110: Property, plant and equipment

11.1 Tangible assets stated at cost

Assets/value	30/6/14	30/6/13
1. Assets owned by the Group	97,634	98,236
a) land	67,897	67,897
b) buildings	22,595	23,535
c) furniture	1,210	1,376
d) electronic equipment	1,741	1,492
e) other assets	4,191	3,936
2. Assets acquired under finance leases:	—	—
a) land	—	—
b) buildings	—	—
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	—	—
Total	97,634	98,236

11.2 Assets held for investment purposes stated at cost: composition

Assets/value	30/6/14				30/6/13			
	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	26,232	—	—	77,455	26,629	—	—	72,507
a) land	20,350	—	—	60,087	20,350	—	—	55,410
b) buildings	5,882	—	—	17,368	6,279	—	—	17,097
2. Assets acquired under finance leases:	—	—	—	—	—	—	—	—
a) land	—	—	—	—	—	—	—	—
b) buildings	—	—	—	—	—	—	—	—
Total	26,232	—	—	77,455	26,629	—	—	72,507

11.5 Core properties: movements during the period

	Land	Buildings	Furniture	Electronic equipment	Other assets	Total
A. Gross opening balance	67,897	39,756	4,584	6,148	17,934	136,319
A.1 Total net value reductions	—	(16,221)	(3,208)	(4,656)	(13,998)	(38,083)
A.2 Net opening balance	67,897	23,535	1,376	1,492	3,936	98,236
B. Additions:	—	257	119	763	1,590	2,729
B.1 Purchases	—	—	119	763	1,590	2,472
B.2 Improvement expenses, capitalized	—	257	—	—	—	257
B.3 Writebacks	—	—	—	—	—	—
B.4 Increases in fair value recognized in:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
B.5 Increases arising due to exchange rates	—	—	—	—	—	—
B.6 Transfers from properties held for investment purposes	—	—	—	—	—	—
B.7 Other additions	—	—	—	—	—	—
C. Reductions:	—	1,197	285	514	1,335	3,331
C.1 Disposals	—	—	3	20	29	52
C.2 Depreciation charges	—	1,197	282	494	1,306	3,279
C.3 Value adjustments for impairment taken to:	—	—	—	—	—	—
a) net equity						
b) profit and loss account						
C.4 Reductions in fair value charged to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
C.5 Reductions due to exchange rates	—	—	—	—	—	—
C.6 Transfers to:	—	—	—	—	—	—
a) assets held for investment purposes	—	—	—	—	—	—
b) assets being sold	—	—	—	—	—	—
C.7 Other reductions	—	—	—	—	—	—
D. Net closing balance	67,897	22,595	1,210	1,741	4,191	97,634
D.1 Total net value reductions	—	(17,418)	(3,471)	(5,136)	(15,249)	(41,274)
D.2 Gross closing balance	67,897	40,013	4,681	6,877	19,440	138,908
E. Stated at cost	—	—	—	—	—	—

11.6 Properties held for investment purposes: movements during the period

	Total	
	Land	**Buildings**
A. Opening balance	20,350	6,279
B. Additions	—	—
B.1 Purchases	—	—
B.2 Improvement expenses, capitalized	—	—
B.3 Net increases in fair value	—	—
B.4 Writebacks	—	—
B.5 Increases arising due to exchange rates	—	—
B.6 Transfers from core assets	—	—
B.7 Other additions	—	—
C. Reductions	—	397
C.1 Disposals	—	—
C.2 Depreciation charges	—	397
C.3 Reductions in fair value	—	—
C.4 Value adjustments for impairment	—	—
C.5 Reductions arising due to exchange rates	—	—
C.6 Transfers to other asset portfolios	—	—
a) core assets	—	—
b) non-current assets being sold	—	—
C.7 Other reductions	—	—
D. Closing balance	20,350	5,882
E. Stated at fair value	60,087	17,368

SECTION 12

Heading 120: Intangible assets

12.1 Intangible assets

Assets/ amounts	**30/6/14**		**30/6/13**	
	Limited useful life	**Unlimited useful life**	**Limited useful life**	**Unlimited useful life**
A.1 Goodwill	X	—	X	—
A.2 Other intangible assets	9,507	—	7,074	—
A.2.1 Recognized at cost:	9,507	—	7,074	—
a) intangible assets generated internally	—	—	—	—
b) other assets	9,507	—	7,074	—
A.2.2 Recognized at fair value:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
Total	9,507	—	7,074	—

12.2 Intangible assets: movements during the period

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life	
A. Balance at start of period	—	—	—	49,729	—	49,729
A.1 Total net value reductions	—	—	—	(42,655)	—	(42,655)
A.2 Net opening balance	—	—	—	7,074	—	7,074
B. Additions	—	—	—	8,650	—	8,650
B.1 Purchases	—	—	—	8,650	—	8,650
B.2 Increases in internally generated assets	X	—	—	—	—	—
B.3 Revaluations	X	—	—	—	—	—
B.4 Increases in fair value taken to:	X	—	—	—	—	—
– net equity	X	—	—	—	—	—
– profit and loss account	X	—	—	—	—	—
B.5 Increases arising on exchange rates	—	—	—	—	—	—
B.6 Other additions	—	—	—	—	—	—
C. Reductions	—	—	—	6,217	—	6,217
C.1 Disposals	—	—	—	—	—	—
C.2 Value adjustments	—	—	—	6,217	—	6,217
– amortization	X	—	—	6,217	—	6,217
– writedowns	—	—	—	—	—	—
+ net equity	X	—	—	—	—	—
+ profit and loss account	—	—	—	—	—	—
C.3 Reductions in fair value charged to:	—	—	—	—	—	—
– net equity	X	—	—	—	—	—
– profit and loss account	X	—	—	—	—	—
C.4 Transfers to non-current assets being sold	—	—	—	—	—	—
C.5 Reductions due to exchange rate differences	—	—	—	—	—	—
C.6 Other reductions	—	—	—	—	—	—
D. Balance at end of period	—	—	—	9,507	—	9,507
D.1 Total net value adjustments	—	—	—	(48,872)	—	(48,872)
E. Gross closing balance	—	—	—	58,379	—	58,379
F. Stated at cost	—	—	—	—	—	—

SECTION 13

Asset heading 130 and Liability heading 80: Tax assets and liabilities

For information on the tax rates, see the table in part C, "Notes to the individual profit and loss account", p. 359.

13.1 Advance tax assets: composition

	30/6/14	30/6/13
Corporate income tax (IRES)	112,365	105,145
Regional production tax (IRAP)	29,725	40,034
Total	142,090	145,179

13.2 Deferred tax liabilities: composition

	30/6/14	30/6/13
Corporate income tax (IRES)	270,903	277,316
Regional production tax (IRAP)	28,061	12,611
Total	298,964	289,927

13.3 Changes in advance tax during the period

	30/6/14	30/6/13
1. Opening balance	123,169	106,941
2. Additions	55,575	21,625
2.1 Advance tax originating during the period	55,575	21,625
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) amounts written back	—	—
d) other additions	55,575	21,625
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	44,011	5,397
3.1 Advance tax reversed during the period	42,273	5,397
a) reclassifications	42,273	5,397
b) amounts written off as unrecoverable	—	—
c) due to changes in accounting policies	—	—
d) other	—	—
3.2 Reductions in tax rates	1,738	—
3.3 Other reductions	—	—
a) amounts converted into tax credits pursuant to Italian Law 214/11	—	—
b) other reductions	—	—
4. Balance at end of period	134,733	123,169

13.3.1 Changes in advance tax during the period (pursuant to Italian Law 214/11)

	30/6/14	30/6/13
1. Balance at start of period	—	—
2. Increases	51,888	—
3. Reductions	—	—
3.1 Transfers	—	—
3.2 Conversion to tax credit deriving from	—	—
a) operating loss for the period	—	—
b) tax losses	—	—
3.3 Other reductions	—	—
4. Balance at end of period	51,888	—

13.4 Changes in advance tax during the period

	30/6/14	30/6/13
1. Opening balance	234,158	232,019
2. Additions	—	2,317
2.1 Deferred tax originating during period	—	2,317
a) relating to previous years	—	—
b) due to changes in accounting policies	—	—
c) others	—	2,317
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	20,360	178
3.1 Deferred tax reversed during period	20,360	178
a) reclassifications	20,360	100
b) due to changes in accounting policies	—	78
c) others	—	—
3.2 Reductions in tax rates	—	—
3.3 Other reductions	—	—
4. Balance at end of period	213,798	234,158

13.5 Changes in advance tax during the period[1]

	30/6/14	30/6/13
1. Opening balance	22,010	115,934
2. Additions	7,357	22,010
2.1 Advance tax originating during period	7,357	22,010
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	7,357	22,010
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	22,010	115,934
3.1 Advance tax reversed during period	22,010	115,934
a) reclassifications	22,010	115,934
b) writedowns of non-recoverable items	—	—
c) due to changes in accounting policies	—	—
d) others	—	—
3.2 Reductions in tax rates	—	—
3.3 Other reductions	—	—
4. Balance at end of period	7,357	22,010

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

13.6 Changes in deferred tax during the period[1]

	30/6/14	30/6/13
1. Opening balance	55,769	21,041
2. Additions	85,087	55,769
2.1 Deferred tax originating during period	85,087	55,769
a) for previous years	—	—
b) due to changes in accounting policies	—	78
c) others	85,087	55,691
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	55,690	21,041
3.1 Advance tax reversed during the period	55,690	21,041
a) reclassifications	55,690	21,041
b) due to changes in accounting policies	—	—
c) others	—	—
3.2 Reductions in tax rates	—	—
3.3 Other reductions	—	—
4. Balance at end of period	85,166	55,769

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

SECTION 15

Heading 150: Other assets

15.1 Other assets: composition

	30/6/14	30/6/13
1. Gold, silver and precious metals	—	—
2. Accrued income other than capitalized income from financial assets	3,838	4,979
3. Trade receivables or invoices to be issued	60,456	19,168
4. Amounts due from tax revenue authorities (not recorded under Heading 130)	8,228	8,536
5. Other items	951	659
- futures and other securities transactions	899	584
- advance payments on deposit commissions	7	12
- other items in transit	—	—
- amounts due to staff	45	63
- sundry other items	—	—
Total	73,473	33,342

Liabilities

SECTION 1

Heading 10: Due to banks

1.1 Due to banks: composition

Type of transaction/amounts	30/6/14	30/6/13
1. Due to central banks	5,581,084	7,586,807
2. Due to banks	13,264,461	13,033,658
2.1 Current accounts and demand deposits	10,826,084	11,892,936
2.2 Term deposits	53,449	—
2.3 Borrowings	2,361,585	1,118,414
2.3.1 Leasing	1,497,524	443,852
2.3.2 Others	864,061	674,562
2.4 Liabilities in respect of assets sold but not derecognized	—	—
2.5 Other amounts due	23,343	22,308
Total	18,845,545	20,620,465
Fair Value - level 1	—	—
Fair Value - level 2	18,845,545	20,620,465
Fair Value - level 3	—	—
Total fair value	18,845,545	20,620,465

SECTION 2

Heading 20: Due to customers

2.1 Due to customers: composition

Type of transaction/amounts	30/6/14	30/6/13
1. Current accounts and demand deposits	540,884	380,227
2. Term deposits	—	174
3. Borrowings	1,429,812	881,528
3.1 Reverse repos	1,112,816	752,285
3.2 Others	316,996	129,243
4. Liabilities in respect of assets sold but not derecognized	—	—
5. Other amounts due	10	166
Total	1,970,706	1,262,095
Fair Value - level 1	—	—
Fair Value - level 2	1,970,706	1,262,095
Fair Value - level 3	—	—
Total fair value	1,970,706	1,262,095

SECTION 3

Heading 30: Debt securities in issue

3.1 Debt securities in issue: composition

Type of transaction/ amounts	30/6/14				30/6/13			
	Book value	*Fair value* *			Book value	*Fair value* *		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Listed securities								
1. bonds	24,137,334	817,927	23,730,263	—	27,567,409	851,444	27,209,473	—
1.1 structured	9,011,816	27,011	9,138,501	—	10,779,218	32,770	10,924,604	—
1.2 others	15,125,518	790,916	14,591,762	—	16,788,191	818,674	16,284,869	—
2. other securities	11,109	—	—	11,109	14,893	—	—	14,893
2.1 structured	—	—	—	—	—	—	—	—
2.2 others	11,109	—	—	11,109	14,893	—	—	14,893
Total	24,148,443	817,927	23,730,263	11,109	27,582,302	851,444	27,209,473	14,893

* The fair values are shown net of Mediobanca issuer risk; if this item is included, the fair value at 30 June 2014 would show a gain of €149m (€204m).

Bonds fell from €27,567,409,000 to €24,137,334,000, following new issuance totalling €5.4bn, redemptions amounting to €7.9bn, buybacks on the market worth €1.1bn (generating losses totalling €16.9m), and other downward adjustments (to reflect exchange rates, amortized cost and hedging effects) of €226m.

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

Debt securities in issue include the following four subordinated, Lower Tier 2 issues in an aggregate amount of €1,898,639,000:

Issue	30/6/14		
	ISIN	Nominal Value	Book Value
MB GBP *Lower Tier II Fixed/Floating Rate Notes 2018 (no longer counted in regulatory capital)*	XS0270002669	22,684	28,268
MB Secondo Atto 5% 2020 *Lower Tier 2*	IT0004645542	749,091	863,834
MB Quarto Atto a Tasso Variabile 2021 *Lower Tier 2*	IT0004720436	490,265	484,697
MB CARATTERE 5,75% 2023 *Lower Tier 2*	IT0004917842	496,100	521,840
Total subordinated debt securities		**1,758,140**	**1,898,639**

3.3 Breakdown of heading 30 "Debt securities in issue": items subject to specific hedging

	30/6/14	30/6/13
1. Securities subject to specific fair value hedges	16,793,365	19,248,308
a) interest rate risk	16,793,365	19,248,308
b) exchange rate risk	—	—
c) other	—	—
2. Securities subject to specific cash flow hedges	108,892	227,688
a) interest rate risk	108,892	227,688
b) exchange rate risk	—	—
c) other	—	—
Total	16,902,257	19,475,996

SECTION 4

Heading 40: Trading liabilities

4.1 Trading liabilities: composition

Type of transaction/ amounts	30/6/14					30/6/13				
	Nominal value	Fair value			Fair Value *	Nominal value	Fair value			Fair Value *
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Cash liabilities										
1. Due to banks	1,593,649	1,645,468	41,121	—	1,686,589	994,209	1,007,172	—	—	1,007,172
2. Due to customers	804,828	830,998	20,767	—	851,765	953,761	966,197	—	—	966,197
3. Debt securities	—	—	—	—	X	—	—	—	—	X
3.1 Bonds	—	—	—	—	X	—	—	—	—	X
3.1.1 Structured	—	—	—	—	X	—	—	—	—	X
3.1.2 Other	—	—	—	—	X	—	—	—	—	X
3.2 Other securities	—	—	—	—	X	—	—	—	—	X
3.2.1 Structured	—	—	—	—	X	—	—	—	—	X
3.2.2 Other	—	—	—	—	X	—	—	—	—	X
Total A	2,398,477	2,476,466	61,888	—	2,538,354	1,947,970	1,973,369	—	—	1,973,369
B. Derivative products										
1. Financial derivatives	X	723,011	4,130,931	992,270	X	X	971,695	3,807,634	1,048,565	X
1.1 Trading	X	723,011	3,925,274	697,684 [1]	X	X	971,695	3,619,424	806,084 [1]	X
1.2 Linked to fair value options	X	—	—	—	X	X	—	—	—	X
1.3 Other	X	—	205,657	294,586 [2]	X	X	—	188,210	242,481 [2]	X
2. Credit derivatives	X	—	864,578	2,001	X	X	656,813	398,681	—	X
2.1 Trading	X	—	864,578	2,001	X	X	656,813	398,681	—	X
2.2 Linked to fair value options	X	—	—	—	X	X	—	—	—	X
2.3 Other	X	—	—	—	X	X	—	—	—	X
Total B	X	723,011	4,995,509	994,271	X	X	1,628,508	4,206,315	1,048,565	X
Total (A+B)	X	3,199,477	5,057,397	994,271	X	X	3,601,877	4,206,315	1,048,565	X

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

[1] Respectively €665,980,000 and €563,420,000 in respect of options traded, matching the amount recorded among assets held for trading.

[2] Includes the market value of options covering options matched with bonds issued by Mediobanca, 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

Item/amounts	30/6/2014 *Fair value*			Nominal value	30/6/2013 *Fair value*			Nominal value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	570,732	—	8,147,365	—	533,092	—	7,836,413
1) Fair value	—	555,348	—	7,947,365	—	512,766	—	7,611,413
2) Cash flow	—	15,384	—	200,000	—	20,326	—	225,000
3) Non-Italian investments	—	—	—	—	—	—	—	—
B. Financial derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	570,732	—	8,147,365	—	533,092	—	7,836,413

6.2 Hedging derivatives: by portfolio hedged/hedge type

Operations/type of hedging	Fair value hedges						Cash flow hedges		Non-Italian investments
	Specific					General	Specific	General	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. AFS securities	23,324	—	—	—	—	X	—	X	X
2. Loans and advances	9,186	—	—	X	—	X	—	X	X
3. Financial assets held to maturity	X	—	—	X	—	X	—	X	X
4. Portfolio	X	X	X	X	X	—	X	—	X
5. Other operations	—	—	—	—	—	X	—	X	—
Total assets	32,510	—	—	—	—	—	—	—	—
1. Financial liabilities	522,838	—	—	X	—	X	15,384	X	X
2. Portfolio	X	X	X	X	X	—	X	—	X
Total liabilities	522,838	—	—	X	—	—	15,384	—	X
1. Expected transactions	X	X	X	X	X	X	—	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	—	X	—	—

SECTION 8

Heading 80 - Deferred liabilities

Please see asset section 13.

SECTION 10

Heading 100: Other liabilities

10.1 Other liabilities: composition

	30/6/14	30/6/13
1. Payments agreements (IFRS 2)	—	9
2. Impaired endorsements	64,504	112,057
3. Working capital payables and invoices pending receipts	28,510	19,435
4. Prepaid expenses other than capitalized expenses on related financial assets	625	513
5. Amounts due to revenue authorities	6,874	6,822
6. Amounts due to staff	84,924	85,789
7. Other items:	148,501	10,614
- coupons and dividends pending collection	2,217	2,217
- available sums payable to third parties	146,284	8,397
Total	333,938	235,239

SECTION 11

Heading 110: Staff severance indemnity provision

11.1 Staff severance indemnity provision: changes during the period

	30/6/14	30/6/13
A. Balance at start of period	9,455	8,111
B. Additions	4,382	5,725
B.1 Transfers during period	3,452	3,810
B.2 Other additions	930	1,915
C. Reductions	3,869	4,381
C.1 Indemnities paid out	399	547
C.2 Other reductions[1]	3,470	3,834
D. Balance at end of period	9,968	9,455

[1] Includes €3,432,000 in transfers to external, defined contribution pension schemes (30/6/13: €3,788,000).

11.2 Other information

The staff severance indemnity provision, calculated in accordance with the provisions of the Italian Civil Code, amounts to €9,731,000 (30/6/13: €9,973,000), 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 2% for the current year, and discounted using the IBOXX Eurozone Corporate AA index (for a panel of comparable companies) as at 30 June 2014, with an effect (interest cost) of 298.

SECTION 12

Heading 120: Provisions

12.1 Heading 120: Provisions

Item/amounts	30/6/14	30/6/13
1. Company post-employment benefit provision	—	—
2. Other provisions	151,708	151,003
2.1 litigation	—	—
2.2 staff-related	2,332	—
2.3 other	149,376	151,003
Total	151,708	151,003

The provision for risks and expenses more than covers all possible charges relating to the claims made against Mediobanca S.p.A. and the Group companies described on p. 53 and 54 of the Review of Operations.

12.2 Provisions: movements during the period

Item/amounts	Post-employment benefit provision	Litigation	Charges relating to staff	Other provisions	Total
A. Balance at start of period	—	—	—	151,003	151,003
B. Additions	—	—	2,332	400	2,732
B.1 Transfers during period	—	—	—	400	400
B.2 Changes due to passing of time	—	—	—	—	—
B.3 Additions due to changes in discount rate	—	—	—	—	—
B.4 Other additions	—	—	2,332	—	2,332
C. Reductions	—	—	—	2,027	2,027
C.1 Transfers during period	—	—	—	2,027	2,027
C.2 Reductions due to changes in discount rate	—	—	—	—	—
C.3 Other reductions	—	—	—	—	—
D. Balance at end of period	—	—	2,332	149,376	151,708

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 period

Item/type	Ordinary
A. Shares in issue at start of period	861,129,212
– entirely unrestricted	861,129,212
– with restrictions	—
A.1 Treasury shares (-)	(17,010,000)
A.2 Shares in issue: balance at start of period	844,119,212
B. Additions	1,442,086
B.1 New share issuance as a result of:	—
– rights issues	—
- business combinations	—
- bond conversions	—
- exercise of warrants	—
- others	—
– bonus issues	—
- to staff members	—
- to Board members	—
- others	—
B.2 Treasury share disposals	—
B.3 Other additions	1,442,086
C. Reductions	—
C.1 Cancellations	—
C.2 Treasury share buybacks	—
C.3 Disposals of businesses	—
C.4 Other reductions	—
D. Shares in issue: balance at end of period	845,561,298
D.1 Add: treasury shares	(15,845,414)
D.2 Shares in issue at end of period	861,406,712
– entirely unrestricted	861,406,712
– with restrictions	—

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	430,703	—	—	—	—
Share premium reserve	2,121,819	A – B – C	2,121,819	—	—
Reserves:					
- Legal reserve	86,113	B	86,113	—	—
- Statutory reserve	1,077,282	A – B – C	1,077,282	—	16,127
- Treasury share reserve	198,799	A – B – C	198,799	—	—
- Other reserves	659,410	A – B – C	659,410	433,935	42,206
Valuation reserves:					
- AFS securities	457,466	—	—	—	—
- Cash flow hedges	(10,932)	—	—	—	—
- Special laws	9,632	A – B – C	9,632	—	—
- Treasury shares	(4,012)	—	—	—	—
- Own shares	(198,799)	—	—	—	—
Total	4,827,481	—	4,153,055	433,935	58,333
Portion unavailable	—	—	284,912	—	—
Remainder distributable	—	—	3,868,143	—	—

Legend:
A: due to rights issues
B: to cover losses
C: distribution to shareholders.

Other information

1. Guarantees and commitments

Transactions	**30/6/14**	**30/6/13**
1. Financial guarantees given to:	3,447,590	3,762,747
a) Banks	1,418,268	1,491,750
b) Customers	2,029,322	2,270,997
2. Commercial guarantees given to:	15,177	20,681
a) Banks	7,542	7,865
b) Customers	7,635	12,816
3. Irrevocable commitments to lend funds to:	25,388,954	20,306,889
a) Banks	10,748,557	11,524,568
i) specific	2,743,918	3,524,568
ii) standby basis	8,004,639	8,000,000
b) Customers	14,640,397	8,782,321
i) specific	13,135,783	8,258,638
ii) standby basis	1,504,614	523,683
4. Commitments underlying credit derivatives: hedge sales [1]	35,160,777	44,607,720
5. Assets pledged as collateral for customer obligations	—	—
6. Other commitments	3,274,316	5,713,610
Total	67,286,814	74,411,647

[1] Includes transactions fully matched by hedge buys (€31,890,887,000 and €41,113,241,000 respectively).

2. Assets pledged as collateral for own liabilities and commitments

Portfolios	**30/6/14**	**30/6/13**
1. Financial assets held for trading	1,481,001	647,976
2. Financial assets recognized at fair value	—	—
3. AFS securities	1,308,763	1,292,921
4. Financial assets held to maturity	684,783	809,759
5. Due from banks	455,000	755,000
6. Due from customers	4,742,614	3,394,226
7. Property, plant and equipment	—	—

4. Assets managed and traded on behalf of customers

Type of service	30/6/14	30/6/13
1. Securities traded on behalf of customers	33,758,096	29,831,725
a) Purchases	17,049,571	13,491,101
1. settled	16,991,150	13,393,630
2. pending settlement	58,421	97,471
b) Disposals	16,708,525	16,340,624
1. settled	16,650,104	16,243,153
2. pending settlement	58,421	97,471
2. Asset management	—	—
a) individuals	—	—
b) groups	—	—
3. Securities under custody/managed on a non-discretionary basis	33,370,546	47,274,797
a) customers' securities held on deposit: in connection with the Bank's activity as deposit bank (not including asset management)	4,214,700	7,367,483
1. securities issued by bank drawing up financial statements	673,652	2,504,283
2. other securities	3,541,048	4,863,200
b) other customers' securities held on deposit (not including asset management): others	—	—
1. securities issued by bank drawing up financial statements	—	—
2. other securities	—	—
c) customers' securities held on deposit with customers	4,402,922	8,732,435
d) own securities held on deposit with customers	24,752,924	31,174,879
4. Other transactions	—	—

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

Liabilities/asset portfolio	Gross amount of financial liabilities (a)	Amount of financial assets netted in balance sheet (b)	Net amount of financial liabilities recognized in balance sheet (a-b)	Related amounts not subject to netting		Net amount T (f=c-d-e)	Net amount (T-1) (f=c-d-e)
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	6,010,041	118,091	5,891,950	5,066,689	440,338	384,923	384,923
2. Repos	9,180,639	—	9,180,639	9,075,839	—	104,800	104,800
3. Securities lending	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—
Total (T)	15,190,680	118,091	15,072,589	14,142,528	440,338	489,723	489,723

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

Liabilities/asset portfolio	Gross amount of financial liabilities (a)	Amount of financial assets netted in balance sheet (b)	Net amount of financial liabilities recognized in balance sheet (a-b)	Related amounts not subject to netting		Net amount T (f=c-d-e)	Net amount (T-1) (f=c-d-e)
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	5,360,656	—	5,360,656	4,945,060	199,822	215,774	215,774
2. Repos	4,061,924	—	4,061,924	4,047,606	—	14,318	14,318
3. Securities lending	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—
Total (T)	9,422,580	—	9,422,580	8,992,666	199,822	230,092	230,092

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

Line items/technical forms	Debt securities	Loans and advances	Other transactions	12 mths ended 30/6/14	12 mths ended 30/6/13
1. Financial assets held fo trading	81,839	241	—	82,080	95,402
2. AFS securities	198,406	—	—	198,406	258,848
3. Financial assets held to maturity	62,735	—	—	62,735	72,000
4. Due from banks	—	139,646	—	139,646	157,563
5. Due from customers	80,557	505,669	—	586,226	610,471
6. Financial assets recognized at fair value	—	—	—	—	—
7. Hedge derivatives	X	X	442,620	442,620	684,694
8. Other assets	X	X	—	—	—
Total	423,537	645,556	442,620	1,511,713	1,878,978

1.2 Interest and similar income: differences arising on hedging transactions

Items/sectors	12 mths ended 30/6/14	12 mths ended 30/6/13
A. Positive differences on transactions	790,521	1,032,363
B. Negative differences on transactions	(347,901)	(347,669)
C. Balance of differences arising on hedges	442,620	684,694

1.3 Interest and similar income: other information

Items/sectors	12 mths ended 30/6/14	12 mths ended 30/6/13
1.3.1 Interest receivable on financial assets denominated in currencies other than the Euro	51,037	50,912
1.3.2 Interest receivable in respect of finance leasing transactions	—	—
1.3.3 Interest income on receivables involving customers' funds held on a non-discretionary basis	—	—
Total	51,037	50,912

1.4 Interest expense and similar charges: composition

Line items/technical forms	Accounts payable	Securities	Other liabilities	12 mths ended 30/6/14	12 mths ended 30/6/13
1. Due to central banks	(25,168)	X	—	(25,168)	(55,317)
2. Due to banks	(351,598)	X	—	(351,598)	(431,015)
3. Due to customers	(3,138)	X	—	(3,138)	(3,635)
4. Debt securities in issue	—	(1,001,456)	—	(1,001,456)	(1,211,332)
5. Trading liabilities	X	—	—	—	—
6. Financial liabilities recognized at fair value	—	—	—	—	—
7. Other liabilities	X	X	—	—	—
8. Hedging derivatives	X	X	—	—	—
Total	(379,904)	(1,001,456)	—	(1,381,360)	(1,701,299)

1.6 Interest expense and similar charges: other information

Items/sectors	12 mths ended 30/6/14	12 mths ended 30/6/13
1.6.1 Interest payable on liabilities denominated in currencies other than the Euro	(13,890)	(22,632)
1.6.2 Interest payable on liabilities in respect of finance leasing transactions	—	—
1.6.3 Interest payable on customers' funds held on a non-discretionary basis	—	—
Total	(13,890)	(22,632)

SECTION 2

Headings 40 and 50: Net fee and commission income

2.1 Fee and commission income: composition

Type of service/sectors	12 mths ended 30/6/14	12 mths ended 30/6/13
a) guarantees given	5,660	4,543
b) credit derivatives	—	—
c) management, trading and advisory services:	92,250	57,984
1. securities trading	10,053	6,924
2. foreign currency trading	—	—
3. asset management	—	—
3.1 individuals	—	—
3.2 groups	—	—
4. securities under custody and non-discretionary management	—	—
5. deposit bank services	7,458	7,458
6. securities placement	74,462	43,458
7. procurement of orders	277	144
8. advisory services	—	—
8.1 investment advisory services	—	—
8.2 structured finance advisory services	—	—
9. agency fees	—	—
9.1 asset management	—	—
9.1.1 individuals	—	—
9.1.2 groups	—	—
9.2 insurance products	—	—
9.3 other products	—	—
d) collection and payment services	—	—
e) securitization services	—	—
f) factoring services	—	—
g) tax collection and receipt services	—	—
h) multilateral trading systems activity	—	—
i) current account keeping and management	—	—
j) other services	123,833	132,319
Total	221,743	194,846

2.2 Fee and commission income: by product/service distribution channel

Channels/Sectors	12 mths ended 30/6/14	12 mths ended 30/6/13
a) on the Bank's own premises:	74,462	43,458
1. asset management	—	—
2. securities placement	74,462	43,458
3. agency fees	—	—
b) elsewhere:	—	—
1. asset management	—	—
2. securities placement	—	—
3. agency fees	—	—
c) other distribution channels:	—	—
1. asset management	—	—
2. securities placement	—	—
3. agency fees	—	—
Total	74,462	43,458

2.3 Fee and commission expense: composition

Services/amounts	12 mths ended 30/6/14	12 mths ended 30/6/13
a) guarantees received	—	—
b) credit derivatives	(233)	—
c) management and trading services:	(6,025)	(7,439)
1. securities trading	(2,570)	(1,522)
2. foreign currency trading	—	—
3. asset management:	—	—
3.1 proprietary	—	—
3.2 on behalf of customers	—	—
4. securities under custody/held on a non-discretionary basis	(1,397)	(1,227)
5. securities placement	(2,058)	(4,690)
6. door-to-door sales of securities, products and services	—	—
d) collection and payment services	(2,776)	(2,477)
e) other services	(7,123)	(9,818)
Total	(16,157)	(19,734)

SECTION 3

Heading 70: Dividends and similar income

3.1 Dividends and similar income: composition

Line items/income	12 mths ended 30/6/14		12 mths ended 30/6/13	
	Dividends	Income from UCI units	Dividends	Income from UCI units
A. Financial assets held for trading	55,098	—	28,497	—
B. AFS securities	15,632	14,098	9,692	8,176
C. Financial assets recognized at fair value	—	—	—	—
D. Equity investments	92,891	X	49,070	X
Total	163,621	14,098	87,259	8,176

SECTION 4

Heading 80: Net trading income

4.1 Net trading income: composition

Transactions/income elements	Gains (A)	Dealing profits (B)	Value reductions (C)	Dealing losses (D)	Net trading income [(A+B)-(C+D)]
1. Trading assets	238,208	273,645	(74,456)	(150,508)	286,889
1.1 Debt securities	122,335	119,685	(55,978)	(87,376)	98,666
1.2 Equities	109,852	150,486	(18,325)	(62,177)	179,836
1.3 UCI units	5,991	2,782	(153)	(955)	7,665
1.4 Loans and advances	30	692	—	—	722
1.5 Others	—	—	—	—	—
2. Trading liabities	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—
2.2 Debts	—	—	—	—	—
2.3 Others	—	—	—	—	—
3. Other assets and liabilities: differences arising on exchange rates	X	X	X	X	(3,737)
4. Derivative products	6,092,357	3,100,818	(6,376,552)	(3,112,224)	(284,267)
4.1 Financial derivatives:	5,403,650	2,412,173	(5,636,607)	(2,400,515)	(209,965)
– debt securities and interest rates [1]	2,005,714	521,664	(2,215,558)	(357,529)	(45,709)
– equities and stock market indexes	3,291,650	1,880,925	(3,330,210)	(2,042,986)	(200,621)
– foreign currency and gold	X	X	X	X	11,334
– others	106,286	9,584	(90,839)	—	25,031
4.2 Credit derivatives	688,707	688,645	(739,945)	(711,709)	(74,302)
Total	6,330,565	3,374,463	(6,451,008)	(3,262,732)	(1,115)

[1] Of which €79,989,000 in negative margins on interest rate derivatives (30/6/13: €47,588,000).

SECTION 5

Heading 90: Net hedging income (expense)

5.1 Net hedging income (expense): composition

Income elements/amounts	12 mths ended 30/6/14	12 mths ended 30/6/13
A. Income from:		
A.1 Fair value hedge derivatives	517,731	221,134
A.2 Financial assets hedged (fair value)	25,223	—
A.3 Financial liabilities hedged (fair value)	187,862	282,760
A.4 Cash flow hedge derivatives	—	9,194
A.5 Assets and liabilities in foreign currencies	—	—
Total hedging income (A)	730,816	513,088
B. Expense related to:		
B.1 Fair value hedge derivatives	(419,590)	(421,229)
B.2 Financial assets hedged (fair value)	(51,361)	(15,723)
B.3 Financial liabilities hedged (fair value)	(261,692)	(74,126)
B.4 Cash flow hedge derivatives	—	—
B.5 Assets and liabilities in foreign currencies	—	—
Total hedging expense (B)	(732,643)	(511,078)
Net hedging income (A–B)	(1,827)	2,010

SECTION 6

Heading 100: Gains (losses) on disposals/repurchases

6.1 Gains (losses) on disposals/repurchases: composition

Line items/income elements	12 mths ended 30/6/14			12 mths ended 30/6/13		
	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
Financial assets						
1. Due from banks	—	—	—	—	—	—
2. Due from customers	674	(837)	(163)	15,881	(9,925)	5,956
3. AFS securities	303,314	(15,792)	287,522	63,234	(24,960)	38,274
3.1 Debt securities	58,587	(11,313)	47,274	31,579	(9,969)	21,610
3.2 Equities	244,726	(4,479)	240,247	31,566	(14,991)	16,575
3.3 UCI units	1	—	1	89	—	89
3.4 Loans and advances	—	—	—	—	—	—
4. Financial assets held to maturity	426	(1,944)	(1,518)	1,311	—	1,311
Total assets	304,414	(18,573)	285,841	80,426	(34,885)	45,541
Financial liabilities						
1. Due to banks	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—
3. Debt securities in issue	—	(16,856)	(16,856)	56,444	—	56,444
Total liabilities	—	(16,856)	(16,856)	56,444	—	56,444

SECTION 8

Heading 130: Adjustments for impairment

8.1 Adjustments for impairment: composition

Transactions/income elements	Value adjustments			Amounts recovered				FY 2012/14	FY 2011/13
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Amounts due from banks	(37,093)	—	(421)	—	34	—	—	(37,480)	(29,740)
- Loans	(37,093)	—	(421)	—	34	—	—	(37,480)	(29,740)
- Debt securities	—	—	—	—	—	—	—	—	—
B. Amounts due from customers	—	(346,254)	(8,496)	—	45,111	—	114,071	(195,568)	(57,155)
Impaired assets acquired	—	—	X	—	—	—	X	—	—
- Loans	—	—	X	—	—	—	X	—	—
- Debt securities	—	—	X	—	—	—	X	—	—
Other receivables	—	(346,254)	(8,496)	—	45,111	—	114,071	(195,568)	(57,155)
- Loans	—	(346,254)	(7,810)	—	45,111	—	114,071	(194,882)	(57,155)
- Debt securities	—	—	(686)	—	—	—	—	(686)	—
C. Total	(37,093)	(346,254)	(8,917)	—	45,145	—	114,071	(233,048)	(86,895)

Legend

A = interest

B = other amounts recovered.

8.2 Net value adjustments for impairment to AFS securities: composition

Transactions/income elements	Value adjustments		Amounts recovered		12 mths ended 30/6/14	12 mths ended 30/6/113
	Specific		Specific			
	Writeoffs	Others	A	B		
A. Debt securities	—	—	—	—	—	18,983
B. Equities	—	(6,186)	X	X	(6,186)	(225,925)
C. UCI units	—	(342)	X	—	(342)	(7,068)
D. Loans and advances to banks	—	—	—	—	—	—
E. Loans and advances to customers	—	—	—	—	—	—
F. Total	—	(6,528)	—	—	(6,528)	(214,010)

Legend

A = interest

B = other amounts recovered.

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

Transactions/income elements	Value adjustments			Amounts recovered				12 mths ended 30/6/14	12 mths ended 30/6/13
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Debt securities	—	—	(3,269)	—	—	—	—	(3,269)	—
B. Loans and advances to banks	—	—	—	—	—	—	—	—	—
C. Loans and advances to customers	—	—	—	—	—	—	—	—	—
D. Total	—	—	(3,269)	—	—	—	—	(3,269)	—

Legend

A = interest

B = other amounts recovered.

8.4 Adjustments for impairment to other financial transactions: composition

Transactions/income-linked components	Value adjustments			Amounts recovered				12 mths ended 30/6/14	12 mths ended 30/6/13
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Guarantees given	—	(5.671)	—	—	1.960	—	12.763	9.052	(37.132)
B. Credit derivatives	—	—	—	—	—	—	—	—	—
C. Commitments	—	(744)	(4.767)	—	135	—	14	(5.362)	4.932
D. Other transactions	—	—	—	—	—	—	—	—	—
E. Total	—	(6.415)	(4.767)	—	2.095	—	12.777	3.690	(32.200)

Legend

A = interest

B = other amounts recovered.

SECTION 9

Heading 150: Administrative expenses

9.1 Personnel costs: composition

Type of expense/sectors	12 months ended 30/6/14	12 months ended 30/6/13
1. Employees	(160,024)	(165,603)
a) wages and salaries	(107,693)	(110,134)
b) social security contributions	(23,141)	(22,210)
c) severance indemnities	—	—
d) pension contributions	—	—
e) transfers to severance indemnity provisions	(3,598)	(3,669)
f) transfers to post-employment and similar benefits provisions:	—	—
– defined benefit	—	—
– defined contribution	—	—
g) amounts paid to external complementary pension schemes:	(5,252)	(5,048)
– defined benefit	(5,252)	(5,048)
– defined contribution	—	—
h) expenses incurred in connection with share payment schemes	(12,156)	(16,891)
– *stock options*	(632)	(5,169)
– *performance shares*	(11,524)	(11,722)
i) other staff benefits	(8,184)	(7,651)
2. Other staff	(5,193)	(6,841)
3. Board members	(3,549)	(3,626)
4. Expenses incurred in connection with staff retiring	—	—
5. Expenses recovered in respect of staff seconded to other companies	785	405
6. Refunds of expenses for other companies' staff seconded to Mediobanca	—	—
Total	(167,981)	(175,665)

9.2 Average number of staff by category

	12 mths ended 30/6/14	12 mths ended 30/6/13
Employees:		
a) Senior executives	146	136
b) Excutives	422	436
c) Other employees	124	129
Other staff	77	77
Total	769	778

9.5 Other administrative expenses: composition

	12 months ended 30/6/14	12 months ended 30/6/13
OTHER ADMINISTRATIVE EXPENSES		
– legal, tax and professional services	(19,386)	(14,623)
– loan recovery activity	—	—
– marketing and communications	(1,930)	(1,270)
– property	(8,084)	(8,371)
– EDP	(30,151)	(19,850)
– info-provider	(16,572)	(15,864)
– bank charges, collection and payment fees	(952)	(1,656)
– operating expenses	(4,348)	(4,362)
– other staff expenses	(7,964)	(8,027)
– other costs	(10,934)	(10,154)
– indirect and other taxes	(6,611)	(6,624)
Total other administrative expenses	(106,932)	(90,801)

SECTION 10

Heading 160: Net transfers to provisions

10.1 Heading 160: Net transfers to provisions

	12 mths ended 30/6/14	12 mths ended 30/6/13
TRANSFERS MADE IN ORDER TO COVER:		
– legal expenses	—	—
– promotional costs	—	—
– certain or probable risks and commitments	400	—
Total transfers to provisions for risks and expenses	400	—

SECTION 11

Heading 170: Net adjustments to tangible assets

11.1 Net adjustments to tangible assets: composition

Assets/income elements	Depreciation (a)	Value adjustments for impairment (b)	Amounts recovered (c)	Net result (a+b-c)
A. Tangible assets				
A.1 Owned	(3,676)	—	—	(3,676)
– core	(3,279)	—	—	(3,279)
– for investment purposes	(397)	—	—	(397)
A.2 Acquired under finance leases	—	—	—	—
– core	—	—	—	—
– for investment purposes	—	—	—	—
Total	(3,676)	—	—	(3,676)

SECTION 12

Heading 180: Net adjustments to intangible assets

12.1 Net adjustments to intangible assets: composition

Assets/income elements	Amortization (a)	Value adjustments for impairment (b)	Amounts recovered (c)	Net result (a+b-c)
A. Intangible assets				
A.1 Owned	(6,217)	—	—	(6,217)
– software	—	—	—	—
– other	(6,217)	—	—	(6,217)
A.2 Acquired under finance leases	—	—	—	—
Total	(6,217)	—	—	(6,217)

SECTION 13

Heading 190: Other operating income (expense)

13.1 Other operating expense: composition

Income-based components/values	12 mths ended 30/6/14	12 mths ended 30/6/13
a) Leasing activity	—	—
b) Sundry costs and expenses	(832)	(1,574)
Total	(832)	(1,574)

13.2 Other operating income: composition

Income-based components/values	12 mths ended 30/6/14	12 mths ended 30/6/13
a) Amounts recovered from customers	1,550	3,556
b) Other income	14,393	18,223
Total	15,943	21,779

SECTION 14

Heading 210: Gains (losses) on equity investments

14.1 Gains (losses) on equity investments: composition

Income-based components/values	12 mths ended 30/6/14	12 mths ended 30/6/13
A. Income	—	124,878
1. Revaluations	—	—
2. Gains on disposals	—	—
3. Amounts recovered	—	—
4. Other increases	—	124,878
B. Expenses	(69,014)	(334,059)
1. Writedowns	—	—
2. Adjustments for impairment	(69,000)	(137,838)
3. Losses from disposals	(14)	—
4. Other reductions *	—	(196,221)
Net income	(69,014)	(209,181)

* Figures as at 30 June 2013 include the effects of certain equity investments being transferred to the AFS securities portfolio and recognized at fair value, namely the investments in: Pirelli (increase of €65.6m), Gemina (increase of €23m), RCS MediaGroup (reduction of €38.5m), and Telco (reduction of €99.7m).

SECTION 17

Heading 240: Net gain (loss) upon disposal of investments

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

Income elements/sectors	12 mths ended 30/6/14	12 mths ended 30/6/13
A. Properties	—	—
– gains on disposals	—	—
– losses on disposals	—	—
B. Other assets	(24)	1
– gains on disposals	3	1
– losses on disposals	(27)	—
Net gain (loss)	(24)	1

SECTION 18

Heading 260: Income tax on ordinary activities

18.1 Income tax on ordinary activities: composition

Income elements/sectors	12 mths ended 30/6/14	12 mths ended 30/6/13
1. Current taxes	(67,423)	(119,447)
2. Changes in current taxes for previous financial years	—	—
3. Reductions in current tax for the period	—	—
3bis. Reduction in current tax for the year due to tax credits under Italian Law 214/	—	—
4. Changes in advance tax	11,564	16,204
5. Changes in deferred tax	20,359	(2,217)
6. Income tax for the year	35,500	(105,460)

18.2 Reconciliation between theoretical and effective tax burden

	12 mths ended 30/6/14	
	Amounts %	Absolute values
Total profit or loss before tax from current operations	100.0%	201,413
Theoretical tax rate	27.50%	X
Theoretical computed taxes on income	27.50%	55,389
Dividends (–)	-14.35%	(28,896)
Gains on disposals of equity investments (PEX) (–)	-23.33%	(46,992)
Gains on equity-accounted investments (–)		—
Changes in deferred tax for previous years (–)		—
Other taxes (non-Italian companies) (–)		—
Non-taxable income 10 % IRAP (–)	-1.23%	(2,477)
Interest on exempt securities (–)	-0.26%	(529)
Tax losses (–)		—
Tax sparing credit	-0.83%	(1,664)
Non-deductible interest expense 3 % (+)	7.54%	15,195
Benefit from tax consolidation (–)	-1.80%	(3,626)
Impairment (+/–)	10.27%	20,676
Extraordinary items (rate adjustments, …)	1.39%	2,791
Other differences	1.56%	3,132
TOTAL IRES	6.45%	13,000
IRAP	11.17%	22,500
TOTAL FOR HEADING [1]	17.63%	35,500

[1] Compared with a tax rate of 80.77% in the previous financial year.

SECTION 21

Earnings per share

21.1 Average number of ordinary shares on a diluted basis

	12 mths ended 30/6/14	12 mths ended 30/6/13
Net profit	165,913	(233,784)
Avg. no. of shares in issue	845,404,033	844,119,212
Avg. no. of potentially diluted shares	35,409,287	47,639,477
Avg. no. of diluted shares	880,813,320	891,758,689
Earnings per share	0.20	(0.28)
Earnings per share, diluted	0.19	(0.26)

Part D - Individual comprehensive profit and loss account

Breakdown of comprehensive profit and loss constituents

	Items	Before tax effect	Tax effect	After tax effect
10.	Net profit (loss)	X	X	165,913
	Other income items not passing through P&L			
20.	Property, plant and equipment	—	—	—
30.	Intangible assets	—	—	—
40.	Defined benefits plans	(924)	254	(670)
50.	Non-current assets classified as held for sale	—	—	—
60.	Valuation reserves from equity-accounted investments:	—	—	—
	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:	—	—	—
	a) changes in fair value:	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
90.	Cash flow hedges:	2,691	(963)	1,728
	a) changes in fair value:	2,691	(963)	1,728
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
100.	AFS securities:	363,285	(43,086)	320,199
	a) changes in fair value:	465,415	(61,982)	403,433
	b) reclassifications through profit or loss account	(102,130)	18,896	(83,234)
	- due to impairment	(152)	11	(141)
	- gain/losses on disposals	(101,978)	18,885	(83,093)
	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:	—	—	—
	a) changes in fair value:	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	- due to impairment	—	—	—
	- gain/losses on disposals	—	—	—
	c) other variations	—	—	—
130.	Total other comprehensive income	365,052	(43,795)	321,257
140.	Comprehensive income after tax (10 + 130)	X	X	487,170

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, as defined in the Internal Capital Adequacy Assessment Process (ICAAP, Circular no. 263, Title III).

The governing bodies (Board of Directors and Executive Committee) supervisory bodies (Control and Risks Committee and Statutory Audit Committee), plus the various operating units of Mediobanca S.p.A. and its subsidiaries, are all involved in risk management, with different roles and responsibilities.

The main units involved in the risk control process are:

– Risk Management;
– Head of Company Financial Reporting;
– Compliance;
– Group Audit.

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, 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: Enterprise Risk

Management, which helps to develop risk management policies and to quantify risk appetite; Credit Risk Management, responsible for credit risk analysis and assigning internal ratings to counterparties; Market Risk Management, which defines the risk measurement methodologies and metrics for use by the Financial Markets divisions; and Operational Risk Management, responsible for developing and maintaining the systems for measuring and managing operational risks.

The Head of Company Financial Reporting is responsible for putting in place the appropriate administrative and accounting procedures to enable the company's draft and consolidated financial statements to be drawn up and for all other forms of financial communication. He is also head of the ALM and Liquidity unit, which monitors estimated trends in the Group's net interest income and liquidity situation through reporting for the ALM Committee.

The Compliance unit, within the scope of regulations defined by the Internal Compliance Document, is responsible for checking and managing compliance and reputational risk; within the Compliance unit an AML unit has also been instituted with responsibility for continuous monitoring of corporate procedures for preventing and tackling breaches of the regulations in respect of money-laundering and terrorist financing.

The Group Audit Unit performs internal auditing activities for the entire Group, in accordance with the regulations on internal controls systems laid down by the "Supervisory instructions for banks", the "Supervisory instructions for registered financial intermediaries", and the "Consob – Bank of Italy combined regulations".

As a result of the new regulations on internal controls systems being introduced (cf. Bank of Italy circular no. 263 issued on 27 December 2006 "New supervisory provisions for banks"– fifteenth update issued on 2 July 2013), Mediobanca is in the process of adapting its internal controls system in line with the new regulatory requirements, and has defined its own Risk Appetite Framework ("RAF").

Strategies and processes for managing relevant risks

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 and RAF monitoring.

1.1 Credit risk

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

The internal rating models – which at present are used only for operating purposes - regard the following .customer segments: Banks, Insurances, Large corporates and Holding companies ((customers mostly targeted by Mediobanca S.p.A.), Mid-corporate and Small businesses (customers targeted mostly by the leasing companies), and Private individuals (targeted by Compass for consumer credit and CheBanca! for mortgage lending).

For the purpose of calculating its regulatory capital, Mediobanca continues to use the standardized methodology it has adopted since 1 January 2008.

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, and where possible assigned an internal rating, which takes into account the specific quantitative and qualitative characteristics of the counterparty to which it applies, and allows the rating to be calculated as a synthetic credit standing indicator.

Loans originated by the business divisions are assessed by the Risk Management unit and regulated in accordance with the powers deliberated through the different operating levels. If successful, the applications are submitted for approval to the relevant bodies, i.e. the Board of Directors, Executive Committee, Risks Committee and Delegated Risks Committee, 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 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.

QUANTITATIVE INFORMATION

A. Credit quality

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

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

Portfolio/quality	Non-performing	Potential problem	Restructured	Past due	Exposures past due not impaired	Other assets	Total
1. Financial assets held for trading	—	4,953	—	—	—	10,405,999	10,410,952
2. AFS securities	—	—	—	—	—	6,058,943	6,058,943
3. Financial assets held to maturity	—	—	—	—	—	1,645,928	1,645,928
4. Due from banks	—	—	—	—	—	9,541,356	9,541,356
5. Due from customers	—	384,351	1,597	—	—	25,914,740	26,300,688
6. Financial assets recognized at fair value	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	—	1,065,101	1,065,101
Total at 30/6/14	—	389,304	1,597	—	—	54,632,067	55,022,968
Total at 30/6/13	—	16,522	163,014	1,616	—	58,262,133	58,443,285

A.1.2 Financial assets by portfolio/credit quality (gross/net values)[*]

Portfolio/quality	Impaired assets			Performing			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Specific adjustments	Net exposure	
1. Financial assets held for trading	4,953	—	4,953	X	X	10,405,999	10,410,952
2. AFS securities	—	—	—	6,058,943	—	6,058,943	6,058,943
3. Financial assets held to maturity	—	—	—	1,656,635	(10,707)	1,645,928	1,645,928
4. Due from banks	—	—	—	9,542,163	(807)	9,541,356	9,541,356
5. Due from customers	734,718	(348,770)	385,948	26,000,533	(85,793)	25,914,740	26,300,688
6. Financial assets recognized at fair value	—	—	—	X	X	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	X	X	1,065,101	1,065,101
Total at 30/6/14	739,671	(348,770)	390,901	43,258,274	(97,307)	54,632,067	55,022,968
Total at 30/6/13	271,311	(90,159)	181,152	46,086,517	(238,406)	58,262,133	58,443,285

* Does not include any exposures being renegotiated under the terms of collective agreements.

Information on sovereign debt exposures

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

Asset portfolio/quality	Impaired assets				Performing assets			Total (net exposure) [1]
	Gross exposure	Specific adjustments	Collective adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	—	—	—	782.526	782.526
Italy	—	—	—	—	—	—	443.777	443.777
Germany	—	—	—	—	—	—	323.238	323.238
Spain	—	—	—	—	—	—	200.679	200.679
Others	—	—	—	—	—	—	(185.168)	(185.168)
2. AFS securities	—	—	—	—	4.238.013	—	4.238.013	4.238.013
Italy	—	—	—	—	4.118.501	—	4.118.501	4.118.501
Spain	—	—	—	—	103.144	—	103.144	103.144
Germany	—	—	—	—	5.882	—	5.882	5.882
EU	—	—	—	—	10.486	—	10.486	10.486
Others	—	—	—	—	—	—	—	—
3. Financial assets held to maturity	—	—	—	—	348.299	—	348.299	348.299
Italy	—	—	—	—	348.299	—	348.299	348.299
Total at 30/6/14	—	—	—	—	4.586.312	—	5.368.838	5.368.838

* Does not include financial and credit derivatives.

[1] The net exposure includes positions in securities (long and short) recognized at fair value (including the outstanding accrual) except for assets held to maturity which are stated at amortized cost, the implied fair value of which is €45.6m.

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

Asset portfolio/quality	Trading book [1]			Banking book [2]			
	Nominal value	Book value	Duration	Nominal value	Book value	Fair value	Duration
Italy	391,528	443,777	9,25	4,234,634	4,466,800	4,499,630	2,97
Germany	323,390	323,238	3,03	5,500	5,882	5,882	1,52
Spain	200,000	200,679	0,39	100,000	103,144	103,144	0,34
Turkey	15,376	16,312	0,71	—	—	—	
Others	(177,025)	(201,480)		10,000	10,486	10,486	
Total at 30/6/14	753,269	782,526	—	4,350,134	4,586,312	4,619,142	—

[1] Does not include buys of €296m on *Bund/Bobl/Schatz* futures (Germany), with a fair value of €2.2m; or buys of €103m on the *BPT* future (Italy) with a fair value of €1m. Net hedge buys of €164m (all on Italy 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 €1.8m.

A.1.3 Cash and off-balance-sheet exposures: gross/net values

Type of exposure/amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing	—	—	X	—
b) Potential problem	—	—	X	—
c) Restructured	—	—	X	—
d) Past due	—	—	X	—
e) Other assets	11,135,140	X	(2,005)	11,133,135
Total A	11,135,140	—	(2,005)	11,133,135
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	—	—	X	—
b) Other assets [1]	68,825,207	X	(14)	68,825,193
Total B	68,825,207	—	(14)	68,825,193
Total (A+B)	79,960,347	—	(2,019)	79,958,328

1 The balance as at 30/6/14 includes €31,890,887,000 in deals matched 100% by hedge buys.

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

Type of exposure/amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing	4,558	(4,558)	X	—
b) Potential problem	721,837	(337,486)	X	384,351
c) Restructured	8,323	(6,726)	X	1,597
d) Past due	—	—	X	—
e) Other assets	36,548,968	X	(95,302)	36,453,666
Total A	37,283,686	(348,770)	(95,302)	36,839,614
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	66,241	(41,196)	X	25,045
b) Other assets	24,555,580	X	(23,294)	24,532,286
Total B	24,621,821	(41,196)	(23,294)	24,557,331
Total (A+B)	61,905,507	(389,966)	(118,596)	61,396,945

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

Description/category	Non-performing	Potential problem	Restructured	Past due
A. Gross exposure at start of period	11,472	53,528	203,092	3,219
of which: accounts sold but not derecognized	—	—	—	—
B. Additions	33,322	719,639	8,440	13
B.1 transfers from performing loans	—	715,715	—	—
B.2 transfers from other categories of impaired assets	32,788	—	8,340	—
B.3 other additions	534	3,924	100	13
C. Reductions	(40,236)	(51,330)	(203,209)	(3,232)
C.1 transfers to performing loans	—	—	(200,739)	—
C.2 amounts written off	—	(9,687)	—	—
C.3 amounts collected	(6,914)	(3,404)	(2,440)	(19)
C.4 gains realized on disposals	(4,090)	—	—	—
C.4.*bis* losses on disposals	—	—	—	—
C.5 transfers to other categories of impaired assets	—	(37,915)	—	(3,213)
C.6 other reductions	(29,232)	(324)	(30)	—
D. Gross exposure at end of period	4,558	721,837	8,323	—
of which: accounts sold but not derecognized	—	—	—	—

A.1.8 Cash exposures to customers: trends in collective value adjustments

Description/category	Non-performing	Potential problem	Restructured	Past due
A. Adjustments at start of period	(11,472)	(37,006)	(40,078)	(1,603)
of which: accounts sold but not derecognized	—	—	—	—
B. Additions	(29,232)	(340,135)	(6,726)	—
B.1 value adjustments	(6,407)	(339,772)	—	—
B.1.bis losses on disposals	—	—	—	—
B.2 transfers from other categories of impaired assets	(22,291)	—	(6,722)	—
B.3 other additions	(534)	(363)	(4)	—
C. Reductions	36,146	39,655	40,078	1,603
C.1 writebacks based on valuations	—	—	40,078	—
C.2 writebacks due to amounts collected	6,914	2,556	—	—
C.2.bis gains realized on disposals	—	—	—	—
C.3 amounts written off	—	9,687	—	—
C.4 transfers to other categories of impaired assets	—	27,410	—	1,603
C.5 other reductions	29,232	2	—	—
D. Adjustments at end of period	(4,558)	(337,486)	(6,726)	—
of which: accounts sold but not derecognized	—	—	—	—

A.2 Exposures by internal and external ratings

A.2.1 Cash and off-balance-sheet exposures by external rating category

Exposures	External rating class						Unrated	Total
	AAA / AA-	A+ / A-	BBB+ / BBB-	BB+ / BB-	B+ / B-	Below B-		
A. Cash exposures	1,220,859	2,756,937	27,573,196	1,686,702	1,432,218	—	13,302,837	47,972,749
B. Derivatives	24,666	41,307,864	15,560,501	935,316	1,465,735	303	5,236,599	64,530,984
B.1 Financial derivatives	24,666	8,252,071	14,001,926	935,316	1,465,735	303	4,690,190	29,370,207
B.2 Credit derivatives [1]	—	33,055,793	1,558,575	—	—	—	546,409	35,160,777
C. Guarantees released	—	—	2,129,914	185,077	40,099	—	1,107,678	3,462,768
D. Commitments to disburse funds	4,077	1,111,840	19,052,449	1,250,045	163,812	306	3,806,243	25,388,772
E. Others	—	—	—	—	—	—	—	—
Total at 30/6/14	1,249,602	45,176,641	64,316,060	4,057,140	3,101,864	609	23,453,357	141,355,273
Total at 30/6/13	1,950,253	50,195,374	65,381,566	2,281,912	849,444	8,532	24,758,595	145,425,676

[1] The balance as at 30/6/14 includes €31,890,887,000 in deals matched 100% by hedge buys.

A.3 Secured exposures by type of security

A.3.1 Secured cash exposures to banks and customers

	Amount	Real guarantees (1)				Personal guarantees (2)									Total (1) + (2)
		Properties - mortgages	Properties -Leasing	Securities	Other assets	Credit derivatives					Endorsements				
						CLN	Other credit derivatives				Govern-ments	Other public agencies	Banks	Others	
							Govern-ments	Other public agencies	Banks	Others					
1. Secured balance sheet credit exposures:															
1.1 completely secured	3,842,555	—	—	4,486,269	—	—	—	—	—	—	9,249	74,839	—	142	4,570,499
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1.2 partly secured	653,259	—	—	629,442	—	—	—	—	—	—	13,261	—	—	—	642,703
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Secured off balance sheet credit exposures:															
2.1 completely secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.2 partly secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

A.3.2 Secured cash exposures to customers

	Amount	Real guarantees (1)				Personal guarantees (2)									Total (1+2)
						Credit derivatives					Endorsements				
		Properties - mortgages	Properties -Leasing	Securities	Other assets	CLN	Other credit derivatives				Governments	Other public agencies	Banks	Others	
							Govern-ments	Other public agencies	Banks	Others					
1. Secured balance sheet credit exposures:															
1.1 completely secured	5,580,567	1,906,864	—	6,664,228	45,730	—	—	—	—	—	99,353	—	1,749	1,864,708	10,582,632
- of which impaired	131,817	1,620	—	3,879	1	—	—	—	—	—	—	—	—	201,739	207,239
1.2 partly secured	3,701,483	—	—	3,083,512	15,956	—	—	—	—	—	—	—	15,424	10,531	3,125,423
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Secured off balance sheet credit exposures:															
2.1 completely secured	68,247	145,169	—	—	—	—	—	—	—	—	—	—	—	10,000	155,169
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.2 partly secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

B. Loan distribution and concentration

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

Exposures/counterparts	Governments	Other public agencies	Financial companies	Insurances	Non-financial undertakings	Other entities
A. Cash exposures						
A.1 Non-performing						
Net exposure	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	(4,558)	—	—	—
Value adjustments to portfolio	X	X	X	X	X	X
A.2 Potential problem						
Net exposure	—	—	17,484	—	366,867	—
Value adjustments to gross exposure	—	—	(2,518)	—	(334,968)	—
Value adjustments to portfolio	X	X	X	X	X	X
A.3 Restructured						
Net exposure	—	—	—	—	1,597	—
Value adjustments to gross exposure	—	—	—	—	(6,726)	—
Value adjustments to portfolio	X	X	X	X	X	X
A.4 Past due						
Net exposure	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	X	X	X	X	X	X
A.5 Other exposures						
Net exposure	7,533,601	276,850	19,384,256	1,365,577	7,779,611	113,771
Value adjustments to gross exposure	X	X	X	X	X	X
Value adjustments to portfolio	(373)	(6)	(16,981)	(2,230)	(75,712)	—
Total A						
Net exposure	7,533,601	276,850	19,401,740	1,365,577	8,148,075	113,771
Value adjustments to gross exposure	—	—	(7,076)	—	(341,694)	—
Value adjustments to portfolio	(373)	(6)	(16,981)	(2,230)	(75,712)	—
B. Off-balance sheet exposures						
B.1 Non-performing						
Net exposure	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	X	X	X	X	X	X
B.2 Potential problem						
Net exposure	—	—	2,427	—	5,165	—
Value adjustments to gross exposure	—	—	(4,132)	—	(744)	—
Value adjustments to portfolio	X	X	X	X	X	X
B.3 Other impaired assets						
Net exposure	—	—	—	—	17,453	—
Value adjustments to gross exposure	—	—	—	—	(36,320)	—
Value adjustments to portfolio	X	X	X	X	X	X
B.4 Other exposures						
Net exposure	5,001,521	12,413	8,291,294	80,961	11,146,070	27
Value adjustments to gross exposure	X	X	X	X	X	X
Value adjustments to portfolio	—	(1)	(5,773)	(22)	(17,498)	—
Total B						
Net exposure	5,001,521	12,413	8,293,721	80,961	11,168,688	27
Value adjustments to gross exposure	—	—	(4,132)	—	(37,064)	—
Value adjustments to portfolio	—	(1)	(5,773)	(22)	(17,498)	—
Total at 30/6/14						
Net exposure	12,535,122	289,263	27,695,461	1,446,538	19,316,763	113,798
Value adjustments to gross exposure	—	—	(11,208)	—	(378,758)	—
Value adjustments to portfolio	(373)	(7)	(22,754)	(2,252)	(93,210)	—
Total at 30/6/13	12,205,851	81,055	25,987,780	2,701,650	17,713,224	181,317

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

Exposure/geographical areas	Italy		Other European countries		United States		Asia		Rest of world	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A) Cash exposures										
A.1 Non-performing	—	—	—	(4,558)	—	—	—	—	—	—
A.2 Potential problem	384,297	(333,964)	44	(2,799)	10	(723)	—	—	—	—
A.3 Restructured	1,597	(6,726)	—	—	—	—	—	—	—	—
A.4 Past due	—	—	—	—	—	—	—	—	—	—
A.5 Other exposures	29,589,438	(78,972)	6,255,348	(15,884)	591,876	(446)	7,439	—	9,565	—
Total A	29,975,332	(419,662)	6,255,392	(23,241)	591,886	(1,169)	7,439	—	9,565	—
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	5,165	(744)	2,427	(4,133)	—	—	—	—	—	—
B.3 Other impaired assets	—	—	17,453	(36,319)	—	—	—	—	—	—
B.4 Other exposures	13,579,791	(8,854)	10,573,250	(13,249)	333,734	(1,191)	45,511	—	—	—
Total B	13,584,956	(9,598)	10,593,130	(53,701)	333,734	(1,191)	45,511	—	—	—
Total at 30/6/14	43,560,288	(429,260)	16,848,522	(76,942)	925,620	(2,360)	52,950	—	9,565	—
Total at 30/6/13	40,661,415	(264,682)	17,059,812	(136,598)	1,054,445	(2,426)	7,896	—	87,309	(83)

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

Exposure/geographical areas	Italy		Other European countries		United States		Asia		Rest of world	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A) Cash exposures										
A.1 Non-performing	—	—	—	—	—	—	—	—	—	—
A.2 Potential problem	—	—	—	—	—	—	—	—	—	—
A.3 Restructured	—	—	—	—	—	—	—	—	—	—
A.4 Past due	—	—	—	—	—	—	—	—	—	—
A.5 Other exposures	6,424,965	(991)	4,683,105	(527)	16,834	(14)	8,230	(473)	1	—
Total A	6,424,965	(991)	4,683,105	(527)	16,834	(14)	8,230	(473)	1	—
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—	—
B.4 Other exposures [1]	2,544,020	—	65,639,925	(14)	641,248	—	—	—	—	—
Total B	2,544,020	—	65,639,925	(14)	641,248	—	—	—	—	—
Total at 30/6/14	8,968,985	(991)	70,323,030	(541)	658,082	(14)	8,230	(473)	1	—
Total at 30/6/13	11,565,248	(129)	74,379,666	(35,941)	586,426	—	23,458	(763)	1	—

[1] The balance as at 30/6/14 includes €31,890,887,000 (30/6/13: €41,113,241,000) in deals matched 100% by hedge buys.

B.4 Large risks

	30/6/14	30/6/13
a) Book value	15,056,236	16,818,393
b) Weighted value	10,690,247	15,220,851
c) No. of exposures	16	17

Leveraged finance transactions

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

As at 30 June 2014, the Bank's exposure to this type of operation amounted to €943.4m, slightly lower than the €1,032.2m reported one year previously. Such deals represented slightly less than 8% of the corporate portfolio, around 39% of which in relation to domestic transactions, two deals with US client (for a value of approx. €37.7m), and the remainder deals within the confines of the European Union. The leveraged finance market returned to its former dynamism during the year, with repayments of €313m (including seven deals being wound up) against increases totalling €225m (with nine new deals being opened).

C. Securitizations and asset disposals

C.1 Securitizations

Qualitative information

The Group's portfolio of securities deriving from securitizations by other issuers totalled €281.8m (30/6/13: €272.8m), over 80% of which is attributable to the banking book (AFS and HTM). During the period under review, the banking book showed acquisitions of €16m and repayments totalling €32.8m. The trading book increased by €22.6m, following net acquisitions of €39.2m and repayments totalling €19.9m. Trading involving a total of €117.9m was recorded during the period under review.

The portfolio is valued on the basis of prices supplied by financial information providers and also, in the case of some banking book holdings, via internal fair value models. Overall during the year the portfolio's value increased by €2m, along with €4.6m in unrealized gains (as against €27.6m losses last year).

The portfolio as a whole has a rating commensurate with securities of high credit standing issued by at least one of the leading agencies (Standard & Poors, Moody's and Fitch). Some 89% consists of senior-ranking securities, 10% mezzanine (four issues) and 1% junior (two issues). Over half of the portfolio is eligible for refinancing transactions with the European Central Bank.

The ABS market, like those for other credit products, benefited from a widespread increase in prices due in particular to issues by issuers in peripheral EU member states (e.g. Italy) as a result of expectations of less restrictive regulations on capital absorption with the advent of Basel II/Solvency 2, and improved conditions of acceptance as collateral for transactions with the European Central Bank. Primary market securitization activity is gradually recovering, with issuance volumes in the first few months of 2014 equal to those recorded for the full year 2013. The Group's portfolio remains concentrated on senior tranches of domestic stocks, with mortgages and state-owned properties as collatera. The other exposures involve CLOs, synthetic securities (Entasi and ELM) and other European mortgage receivables. The principal mezzanine exposure involved CMBS with Telecom Italia credit risk as the underlying asset (IMSER), and will be redeemed early.

Quantitative information

C.1.1 Exposures deriving from securitizations by underlying asset

Type of underlying asset/exposures	Cash exposure[1]					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Using own underlying assets	—	—	—	—	—	—
a) Impaired	—	—	—	—	—	—
b) Other	—	—	—	—	—	—
B) Using customers' underlying assets	3,218,786	3,218,787	28,665	28,664	2,656	2,656
a) Impaired	54,117	54,117	—	—	—	—
b) Other	3,164,669	3,164,670	28,665	28,664	2,656	2,656

[1] No off-balance-sheet exposure.

C.1.3 Exposures deriving from main customer securitizations by asset type/exposure

Type of securitized asset/exposure*		Cash exposures[1]					
		Senior		Mezzanine		Junior	
		Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks
A. Mortgage loans on properties							
A.1 Velah 4 A2 IT0004102007		26,887	—	—	—	—	—
A.2 IMSER21(ST18)) 5.830	IT0003382972	—	—	18,227	—	—	—
A.3 RMAC2005-NS4XM2A MTG	XS0235778106	—	—	5,023	1,559	—	—
A.4 BERAB 3 A	IT0005027930	5,016	12	—	—	—	—
A.5 Other		12,069	152	2,522	104	2,656	405
TOTAL A TOTAL MORTGAGE LOANS ON PROPERTIES		43,972	164	25,772	1,663	2,656	405
B. Other receivables							
B.1 Fip Fund-23 A2 FRN	IT0003872774	89,285	—	—	—	—	—
B.2 ENTASI 16/08/2016	IT0003142996	54,117	—	—	—	—	—
B.3 ELM BB.V. FL	XS0247902587	22,626	—	—	—	—	—
B.4 SUNRISE09A MTG	IT0004495609	8,090	28	—	—	—	—
B.5 BESME 1 A1X	IT0004941149	8,394	62	—	—	—	—
B.6 QNST 2006-1X A1	XS0278960066	7,679	-74	—	—	—	—
B.7 Other		16,302	-173	2,893	-30	—	—
TOTAL B TOTAL OTHER RECEIVABLES		206,493	-157	2,893	-30	—	—
C. Consumer credit							
C.1 QUARZO A 15/02/2028 MTG	IT0004932056	2,968,321	—	—	—	—	—
TOTAL C TOTAL CONSUMER CREDIT		2,968,321	—				
Total as at 30/6/14		**3,218,786**	**7**	**28,665**	**1,633**	**2,656**	**405**
Total as at 30/6/13		**3,208,190**	**345**	**24,470**	**713**	**4,709**	**317**

[1] No off-balance-sheet exposure

* Mediobanca does not have on its books any credit exposures backed by US subprime or Alt-A mortgages.

C.1.4 Exposures to securitizations by asset/portfolio type

Exposure/portfolio	Held for trading	Recognized at fair value	Available for sale	Held to maturity	Loans and advances	30/6/14	30/6/13
1. Cash exposures	50,929	—	19,714	40,854	3,138,610	3,250,107	3,237,370
- Senior	37,836	—	19,714	22,626	3,138,610	3,218,786	3,208,191
- Mezzanine	10,437	—	—	18,228	—	28,665	24,470
- Junior	2,656	—	—	—	—	2,656	4,709
2. Off-balance-sheet exposures	—	—	—	—	—	—	—
- Senior	—	—	—	—	—	—	—
- Mezzanine	—	—	—	—	—	—	—
- Junior	—	—	—	—	—	—	—

C.1.5 Total amount of securitized assets underlying junior securities or other forms of financing

Assets/amounts	Traditional securitizations	Synthetic securitizations
A. Own underlying assets:		
A.1 Fully derecognized	—	—
1. Non-performing	—	X
2. Potential problem	—	X
3. Restructured	—	X
4. Past due	—	X
5. Other assets	—	X
A.2 Partly derecognized	—	X
1. Non-performing	—	X
2. Potential problem	—	X
3. Restructured	—	X
4. Past due	—	X
5. Other assets	—	—
A.3 Not derecognized	—	—
1. Non-performing	—	—
2. Potential problem	—	—
3. Restructured	—	—
4. Past due	—	—
5. Other assets	—	—
B. Customer underlying assets:		
B.1 Non-performing	—	—
B.2 Potential problem	—	—
B.3 Restructured	—	—
B.4 Past due	—	—
B.5 Other assets	2,656	—

C.2 Asset disposals

A. Financial assets sold but not derecognized

QUANTITATIVE INFORMATION

C.2.1 Financial assets sold but not derecognized: book value and full value

Type/portfolio	Financial assets held for trading	Financia assets at fair value through profit and loss account	AFS securities	Financial assets held to maturity	Due from banks	Due from customers	Total	
							30/6/14	30/6/13
A. Cash assets								
1. Debt securities								
a) Financial assets sold but recorded in full (book value)	1,020,078	—	995,361	158,684	—	—	2,174,123	973,964
2. Equities	—	—	—	X	X	X	—	—
3. UCI units	—	—	—	X	X	X	—	—
4. Loans and advances								
a) Financial assets sold but recorded in full (book value)	—	—	—	—	—	250,768	250,768	38,000
B. Derivative products	—	X	X	X	X	X	—	—
Total at 30/6/14	1,020,078	—	995,361	158,684	—	250,768	2,424,891	X
a) Financial assets sold but recorded in full (book value)	1,020,078	—	995,361	158,684	—	250,768	2,424,891	X
- of which impaired	—	—	—	—	—	—	—	*X*
Total at 30/6/13	179,752	—	649,037	145,175	—	38,000	X	1,011,964
a) Financial assets sold but recorded in full (book value)	179,752	—	649,037	145,175	—	38,000	X	1,011,964
- of which impaired	—	—	—	—	—	—	*X*	—

C.2.2 Financial liabilities in respect of financial assets sold but not derecognized: book value

Liabilities/ asset portfolios	Financial assets held for trading	Financial assets at fair value through profit and loss account	AFS securities	Financial assets held to maturity	Due from banks	Due from customers	Total
1. Due to customers	417,709	—	497,651	—	—	—	915,360
a) in respect of fully recognized assets	417,709	—	497,651	—	—	—	915,360
b) in respect of partly recognized assets	—	—	—	—	—	—	—
2. Due to banks	566,032	—	398,658	119,650	—	250,768	1,335,108
a) in respect of fully recognized assets	566,032	—	398,658	119,650	—	250,768	1,335,108
b) in respect of partly recognized assets	—	—	—	—	—	—	—
Total at 30/6/14	983,741	—	896,309	119,650	—	250,768	2,250,468
Total at 30/6/13	153,512	—	553,324	104,262	—	38,000	849,098

SECTION 2

Market risks

2.1 INTEREST RATE RISK AND PRICE RISK – TRADING BOOK

QUALITATIVE INFORMATION

Mediobanca's exposure to price risk on the trading book is measured on a daily basis by calculating two main indicators:

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

– value-at-risk,[1] calculated on the basis of expected volatilities and the correlations between the risk factors concerned, updated daily, assuming a disposal period of a single trading day and a confidence level of 99%.

Such analysis regards not just the trading book but the Bank's entire asset structure, including the banking book but net of the equity investments. Analysis of VaR takes into consideration risks deriving from changes in market interest rates and credit spreads for positions in bonds and hedge derivatives.

In addition to these metrics, ad hoc indicators are compiled to capture tail risks not measured by VaR, and stress tests carried out on the main risk factors, to show the impact which significant movements in the main market varibales (such as share prices and interest or exchange rates) might have, calibrated on the basis of the most pronounced historical oscillations.

In order to monitor the various business units' operations, limits have been introduced on sensitivities to movements of different factors as well as the value-at-risk. In the latter case, the indicator used to check the limits is calculated by using Monte Carlo simulations, along with historical simulations for indicative purposes.[2] This measurement is also used to calculate the expected shortfall, which measures average loss in 1% of the most unfavourable scenarios.

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

[2] Determines portfolio values based on random and historical variations in risk factors respectively.

The 2013-14 financial year saw one of the best performances witnessed in recent years. At end-June 2014, the FTSE MIB stock market index had gained almost 40% versus end-July 2013, with a high of 45% at the start of June; while the ten-year BTP-Bund spread fell from 270 to 160 basis points (and at one point was temporarily below 140 bps), driving a substantial reduction in the aggregate value at risk despite the domestic and international scenario remaining uncertain.

The value at risk in fact declined from a high of €60m (at the start of July 2013) to a low of €15m (mid-May 2014) before rising again to reach €30m at the reporting date as a result of the unexpected contraction in Italian GDP. The average reading for the twelve months was thus €28.6m, just over half the €53.5m reported last year.

The largest reduction was recorded in the interest rate segment, where the average reading fell from €45m to €15m, helped by the declining volatility in market interest rates and the increased staibility in credit spreads (specific risk fell from €16.1m to €6.7m). The equity component bucked this trend, with the average figure rising from €10.4m to €17.5m, as a result of the transfer of shareholdings to the AFS segment ahead of their disposal. However, the individual readings themselves reflect constant reduction from a high of €35m at the start of the period to €10m at the reporting date. The inflation component also rose, due to acquisitions in the AFS index-linked government securities component.

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

Risk factors (€'000)	**12 mths to 30/6/14**				**12 mths to 30/6/13**
	30/6	**Min**	**Max**	**Avg.**	**Avg.**
Interest rates	23,033	6,919	43,401	14,967	45,515
- of which: specific risk	*5,642*	*3,284*	*16,934*	*6,684*	*16,125*
Share prices	10,374	10,126	35,650	17,484	10,384
Exchange rates	2,356	772	7,307	2,547	2,393
Inflation	1,534	869	3,258	1,640	1,262
Volatility	1,166	1,126	4,706	2,322	3,113
*Diversification effect**	*(8,736)*	*(6,109)*	*(18,584)*	*(10,398)*	*(9,143)*
TOTAL	29,728	14,542	62,514	28,562	53,524
Expected shortfall	*64,561*	*40,964*	*111,879*	*64,871*	*110,788*

* Due to mismatch between risk factors.

The fact that the most critical days of 2011 no longer fall within the reference period drove a reduction in the expected shortfall, the average reading for which decreased from €100m to €65m.

The trading book, meanwhile, showed a more stable VaR than in previous years, as a result of the reduction in directional positions. The average reading fell from €8.9m to €7.8m, due to the interest rate component's contribution, in particular specific risk on corporate and financial securities (€4.9m, vs €13.2m), and to the reduction in holdings in Italian government securities. The equity component's contribution more than halved, with the average reading falling from €3.9m to €1.6m, and a low of €700,000 being recorded, while the contribution from volatility declined from €3.2m to €2.8m as a result of increased hedging of options.

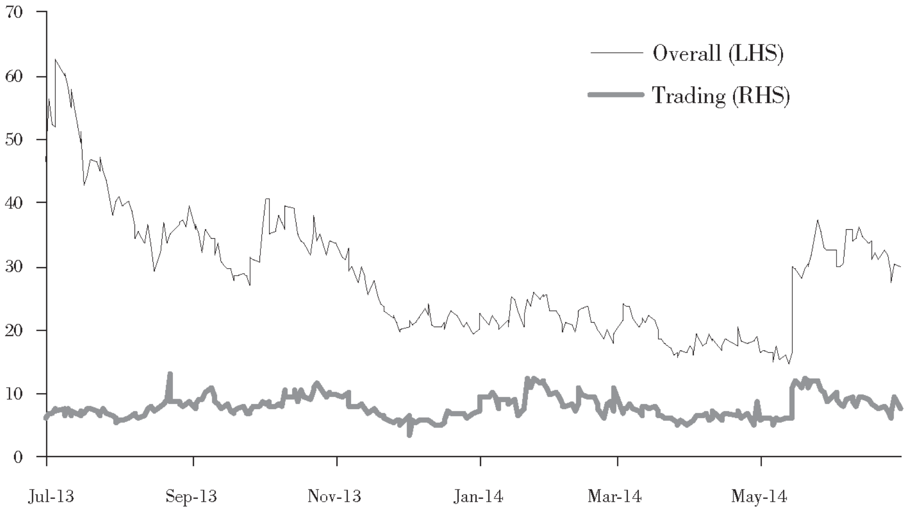
Table 2: Value at risk and expected shortfall: trading book

Risk factors (€'000)	12 mths to 30/6/14				12 mths to 30/6/13
	30/6	**Min**	**Max**	**Avg.**	**Avg.**
Interest rates	6,095	1,320	9,617	4,158	6,471
- of which: specific risk	*1,574*	*659*	*3,046*	*1,580*	*3,859*
Share prices	873	724	6,372	1,622	3,866
Exchange rates	3,980	176	10,062	4,123	3,724
Inflation	480	193	942	433	1,027
Volatility	1,490	1,490	4,677	2,771	3,258
*Diversification effect**	*(5,509)*	*(2,496)*	*(9,188)*	*(5,316)*	*(9,488)*
TOTAL	7,409	3,294	12,952	7,791	8,869
Expected shortfall	*12,822*	8,536	*21,845*	*13,661*	*11,952*

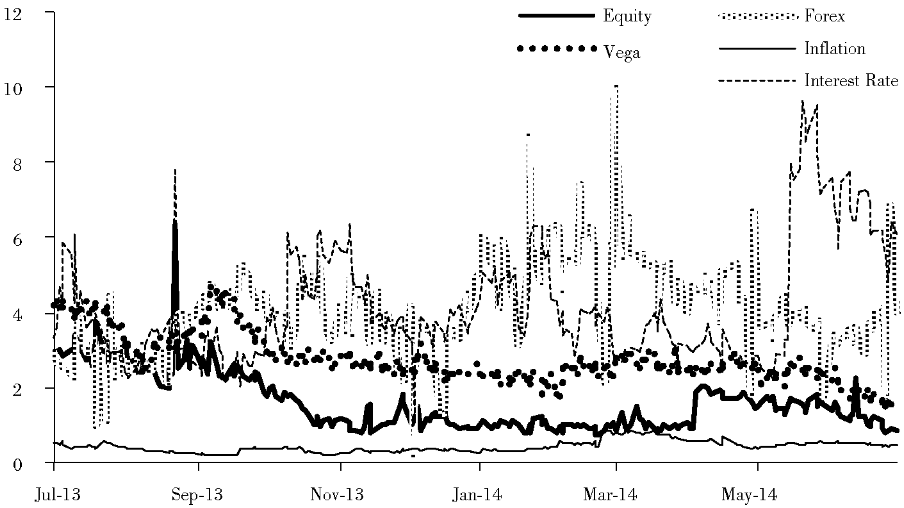
* Due to mismatch between risk factors.

The expected shortfall on the trading book was basically stable, at €13.6m (€12m).

Trends in VaR



Trends in VaR constituents



The results of the daily back-testing based on calculations of theoretical profits and losses [3] show no signs of VaR being ineffective as a measurement. For the aggregate portfolio including the AFS positions, losses of higher than the VaR readings were recorded on just three days (in line with the theoretical level of 1% of the readings), at end-January and mid-May on negative domestic and international macroeconomic newsflows. The same applies to the trading book, where the same number of breaches was recorded, two of which on the same occasions referred to above.

With reference to the sensitivity of net interest income, the trading book (Mediobanca only) as at 30 June 2014 showed a gain of €12.8m in the event of a 100 bps rise in interest rates, which reduces to €1.3m in the opposite scenario (100 bps reduction).

(€m)

Data at 30/6/14		**Trading Book**
Net interest income sensitivity	+ 100 bps	12.79
	— 100 bps	1.29
Discounted value of cash flows sensitivity	+ 100 bps	(93.52)
	— 100 bps	17.40

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

QUANTITATIVE INFORMATION

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

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	14	243,826	860,653	529,404	1,437,148	779,800	111,804	—
1.1 Debt securities	14	243,826	860,653	529,404	1,437,148	779,800	111,804	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	14	243,826	860,653	529,404	1,437,148	779,800	111,804	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	130,795	128,884	72,893	428,601	1,092,693	580,694	1,718	—
2.1 Repos	—	—	—	—	—	—	—	—
2.2 Other liabilities	130,795	128,884	72,893	428,601	1,092,693	580,694	1,718	—
3. Financial derivatives	372,000	68,859,273	38,700,864	23,479,303	75,054,736	22,230,623	8,742,250	—
3.1 With underlying securities	—	3,558,264	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	3,558,264	—	—	—	—	—	—
+ long positions	—	1,779,132	—	—	—	—	—	—
+ short positions	—	1,779,132	—	—	—	—	—	—
3.2 Without underlying securities	372,000	65,301,009	38,700,864	23,479,303	75,054,736	22,230,623	8,742,250	—
– Options	—	8,332,512	5,299,750	9,233,438	25,131,438	1,480,000	1,972,000	—
+ long positions	—	4,266,131	2,550,000	4,623,750	12,558,688	740,000	986,000	—
+ short positions	—	4,066,381	2,749,750	4,609,688	12,572,750	740,000	986,000	—
– Others	372,000	56,968,497	33,401,114	14,245,865	49,923,298	20,750,623	6,770,250	—
+ long positions	202,000	28,472,190	15,674,850	8,076,739	24,868,515	10,645,762	3,275,767	—
+ short positions	170,000	28,496,307	17,726,264	6,169,126	25,054,783	10,104,861	3,494,483	—

Currency of denomination: US DOLLARS

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	—	84,766	4,609	42,644	117,340	38,889	154,997	—
1.1 Debt securities	—	84,766	4,609	42,644	117,340	38,889	154,997	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	—	84,766	4,609	42,644	117,340	38,889	154,997	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	82	—	—	—	6,045	—	—
2.1 Repos	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	82	—	—	—	6,045	—	—
3. Financial derivatives	7,596	16,283,419	13,924,769	18,307,570	41,868,426	3,229,085	270,759	—
3.1 With underlying securities	—	126,860	205,862	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	126,860	205,862	—	—	—	—	—
+ long positions	—	63,430	102,931	—	—	—	—	—
+ short positions	—	63,430	102,931	—	—	—	—	—
3.2 Without underlying securities	7,596	16,156,559	13,718,907	18,307,570	41,868,426	3,229,085	270,759	—
– Options	—	9,313,589	12,926,490	18,073,656	40,058,940	—	181,579	—
+ long positions	—	4,927,881	6,462,330	5,802,460	23,084,456	—	—	—
+ short positions	—	4,385,708	6,464,160	12,271,196	16,974,484	—	181,579	—
– Others	7,596	6,842,970	792,417	233,914	1,809,486	3,229,085	89,180	—
+ long positions	3,798	3,456,163	370,028	126,109	860,805	1,648,886	36,535	—
+ short positions	3,798	3,386,807	422,389	107,805	948,681	1,580,199	52,645	—

Currency of denomination: OTHER

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	—	5,023	145	—	5,088	—	—	—
1.1 Debt securities	—	5,023	145	—	5,088	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	—	5,023	145	—	5,088	—	—	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	—	—	—	—	—	—	—
2.1 Repos	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivatives	73,372	5,448,874	7,239,475	13,681,112	2,818,226	608,378	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	73,372	5,448,874	7,239,475	13,681,112	2,818,226	608,378	—	—
– Options	—	111,982	3,397,731	8,319,752	—	—	—	—
+ long positions	—	55,991	1,699,353	4,159,389	—	—	—	—
+ short positions	—	55,991	1,698,378	4,160,363	—	—	—	—
– Others	73,372	5,336,892	3,841,744	5,361,360	2,818,226	608,378	—	—
+ long positions	36,686	2,653,186	1,929,068	2,680,680	1,415,146	305,220	—	—
+ short positions	36,686	2,683,706	1,912,676	2,680,680	1,403,080	303,158	—	—

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

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities [1]			
A.1 Shares	940,004	—	162
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	27,087	—
B. UCI units			
B.1 Italian	—	—	10,000
- harmonized open	—	—	—
- non-harmonized open	—	—	—
- closed	—	—	10,000
- reserved	—	—	—
- speculative	—	—	—
B.2 Other EU states	150,746	—	4,968
- harmonized	150,746	—	4,968
- non-harmonized open	—	—	—
- non-harmonized closed	—	—	—
B.3 Non-EU states	—	—	—
- open	—	—	—
- closed	—	—	—
Total	1,090,750	27,087	15,130

[1] Net mismatch between trading assets and technical shortfalls booked as trading liabilities; over 90% of the next exposure regards other European countries (of which Spain 35%, Italy 31%, Germany 12%, France 11%, Austria 11%) and 5% UK.

2.2 INTEREST RATE RISK AND PRICE RISK – BANKING BOOK

QUALITATIVE INFORMATION

The Mediobanca Group monitors and manages interest rate risk by analysing the sensitivity of net interest income, and the sensitivity of the economic value of the banking book. The first type of sensitivity analysis quantifies the impact of a parallel, instantaneous 100 basis point change in the interest rate curve, over a time horizon of twelve months on current profits. The second type of sensitivity is calculated by comparing the discounted value of estimated cash flows obtained with the return curve at the current date and the value obtained using a return curve increased or reduced by 100 basis points ("parallel shock").

With reference to the positions held as part of the banking book as at 30 June 2014, in the event of a 100 bps increase in interest rates, a loss of €1.3m would be recorded, reflecting the balanced nature of the Groups's asset structure representing the balance between Mediobanca S.p.A. on the one hand (which would record a gain of €29.53m) and Compass and CheBanca! [1] on the other (which would record losses of €21.60m and €9.23m respectively), which historically show higher exposure to fixed interest rates. Conversely, a 100 bps reduction in interest rates would generate a slight gain of €1.2m, representing the difference between a €24.11m loss incurred by Mediobanca and gains earned by Compass and CheBanca! (€19.80m and €5.48m respectively).

A positive, 100 basis-point shock on the discounted value of future cash flows from Mediobanca's banking book would generate a €13.84m increase, on account of assets and liabilities being matched more or less exactly at the balance-sheet level due to the longer duration of the bond component. This gain would be more than offset by the effects on the holdings owned by Compass and CheBanca!, which would reduce by €45.7m and €94.8m respectively. Conversely, given the extremely low short-term interest rates, a 100 bps reduction in the curve would generate an increase for all three Group companies: for Mediobanca of €21.5m, for Compass of €37.6m, and for CheBanca! of €45.25m.

The data descrive above are summarized in numerical form in the table shown below:

(€m)

Data at 30/6/14		**Banking Book**
Net interest income sensitivity	+ 100 bps	29.53
	— 100 bps	(24.11)
Discounted value of cash flows sensitivity	+ 100 bps	13.84
	— 100 bps	21.54

[1] For the purpose of this calculation, a model has been used to estimate the stickiness of direct deposits.

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 [2])/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).[3]

A. 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. All fixed-rate, zero coupon and structured bond issues are fair-value hedged. With regard to the structured bonds in particular, if they 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 also used in corporate finance for certain bilateral, fixed-rate transactions and to mitigate price risk on equity investments held as available for sale.

[2] See p. 403.

[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.

B. 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.

Cash flow hedges are also implemented in order to cover the equity risk linked to shares held as available for sale by executing forward contracts.

Counterparty risk

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

QUANTITATIVE INFORMATION

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

Type	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	6,831,107	21,006,250	3,285,378	1,267,469	7,848,899	1,755,314	190,763	3,563
1.1 Debt securities	236,219	2,084,762	351,505	851,522	5,660,996	1,602,817	190,763	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	236,219	2,084,762	351,505	851,522	5,660,996	1,602,817	190,763	—
1.2 Loans to banks	1,799,028	5,935,864	431,518	51,264	89,850	—	—	17
1.3 Loans to customers	4,795,860	12,985,624	2,502,355	364,683	2,098,053	152,497	—	3,546
– current accounts	2	—	—	—	95,575	—	—	—
– other loans	4,795,858	12,985,624	2,502,355	364,683	2,002,478	152,497	—	3,546
– with early repayment option	—	—	—	—	—	—	—	—
– others	4,795,858	12,985,624	2,502,355	364,683	2,002,478	152,497	—	3,546
2. Cash liabilities	12,471,579	15,034,511	3,288,020	3,741,595	6,150,482	2,722,654	146,008	6,920
2.1 Due to customers	1,550,890	320,848	—	82,457	—	—	—	6,920
– current accounts	531,465	—	—	—	—	—	—	—
– other amounts due	1,019,425	320,848	—	82,457	—	—	—	6,920
– with early repayment option	—	—	—	—	—	—	—	—
– others	1,019,425	320,848	—	82,457	—	—	—	6,920
2.2 Due to banks	10,626,175	6,888,407	539,855	1,660	200,146	—	68,900	—
– current accounts	10,474,910	—	—	—	—	—	—	—
– other amounts due	151,265	6,888,407	539,855	1,660	200,146	—	68,900	—
2.3 Debt securities	294,514	7,825,256	2,748,165	3,657,478	5,950,336	2,722,654	77,108	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	294,514	7,825,256	2,748,165	3,657,478	5,950,336	2,722,654	77,108	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products	278,066	25,159,026	5,704,994	4,653,058	7,632,562	3,672,811	963,191	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	278,066	25,159,026	5,704,994	4,653,058	7,632,562	3,672,811	963,191	—
– Options	—	—	—	—	—	—	516,794	—
+ long positions	—	—	—	—	—	—	258,397	—
+ short positions	—	—	—	—	—	—	258,397	—
– Others	278,066	25,159,026	5,704,994	4,653,058	7,632,562	3,672,811	446,397	—
+ long positions	—	7,688,553	3,510,111	3,794,158	5,723,062	2,797,811	259,762	—
+ short positions	278,066	17,470,473	2,194,883	858,900	1,909,500	875,000	186,635	—
4. Other OTC trades	1,356,633	21,782,763	2,641,663	975,467	9,179,242	5,042,620	3,039,790	—
+ long positions	—	13,712,789	1,115,788	284,756	3,418,972	2,286,387	1,190,397	—
+ short positions	1,356,633	8,069,974	1,525,875	690,711	5,760,270	2,756,233	1,849,393	—

Currency of denomination: US DOLLARS

Type	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	495,259	420,573	18,613	1,725	20,139	60,858	—	—
1.1 Debt securities	—	987	321	—	18,959	60,858	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	987	321	—	18,959	60,858	—	—
1.2 Loans to banks	495,013	366,947	18,291	249	998	—	—	—
1.3 Loans to customers	246	52,639	1	1,476	182	—	—	—
– current accounts	—	—	—	—	—	—	—	—
– other loans	246	52,639	1	1,476	182	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	246	52,639	1	1,476	182	—	—	—
2. Cash liabilities	372,604	256,707	7,847	—	—	—	—	6
2.1 Due to customers	179	—	—	—	—	—	—	6
– current accounts	22	—	—	—	—	—	—	—
– other amounts due	157	—	—	—	—	—	—	6
– with early repayment option	—	—	—	—	—	—	—	—
– others	157	—	—	—	—	—	—	6
2.2 Due to banks	372,421	115,971	—	—	—	—	—	—
– current accounts	318,957	—	—	—	—	—	—	—
– other amounts due	53,464	115,971	—	—	—	—	—	—
2.3 Debt securities	4	140,736	7,847	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	4	140,736	7,847	—	—	—	—	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products	—	30,752	—	—	16,108	—	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	30,752	—	—	16,108	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	30,752	—	—	16,108	—	—	—
+ long positions	—	23,430	—	—	—	—	—	—
+ short positions	—	7,322	—	—	16,108	—	—	—
4. Other OTC trades	22,271	239,982	50,917	—	33,454	15,357	243,859	—
+ long positions	—	124,003	—	—	33,454	15,357	130,106	—
+ short positions	22,271	115,979	50,917	—	—	—	113,753	—

Currency of denomination: OTHER

Type	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	62,459	303,044	—	—	11,756	—	—	—
1.1 Debt securities	—	—	—	—	—	—	—	—
– with early repayment option								
– others	—	—	—	—	—	—	—	—
1.2 Loans to banks	53,742	287,412	—	—	11,750	—	—	—
1.3 Loans to customers	8,717	15,632	—	—	6	—	—	—
– current accounts								
– other loans	8,717	15,632	—	—	6	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	8,717	15,632	—	—	6	—	—	—
2. Cash liabilities	41,718	28,268	—	16,714	186,618	—	—	—
2.1 Due to customers	9,406	—	—	—	—	—	—	—
– current accounts	9,406	—	—	—	—	—	—	—
– other amounts due	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
2.2 Due to banks	32,313	—	—	—	—	—	—	—
– current accounts	32,219	—	—	—	—	—	—	—
– other amounts due	94	—	—	—	—	—	—	—
2.3 Debt securities	—	28,268	—	16,714	186,618	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	28,268	—	16,714	186,618	—	—	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products	—	231,138	—	—	231,138	—	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	231,138	—	—	231,138	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	231,138	—	—	231,138	—	—	—
+ long positions	—	9,502	—	—	221,636	—	—	—
+ short positions	—	221,636	—	—	9,502	—	—	—
4. Other OTC trades	99,267	1,371	—	41,585	43,836	12,475	—	—
+ long positions	—	1,371	—	41,585	43,836	12,475	—	—
+ short positions	99,267	—	—	—	—	—	—	—

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

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities [1]			
A.1 Shares	400,720	—	615,430
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	—	113,348
B. UCI units			
B.1 Italian	—	—	103,585
- harmonized open	—	—	—
- non-harmonized open	—	—	—
- closed	—	—	96,879
- reserved	—	—	—
- speculative	—	—	6,706
B.2 Other EU states	—	—	—
- harmonized	—	—	—
- non-harmonized open	—	—	—
- non-harmonized closed	—	—	—
B.3 Non-EU states	—	—	9,490
- open	—	—	—
- closed	—	—	9,490
Total	400,720	—	841,853

[1] Of which 94% Italian and 5% other UE states.

2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

A. General aspects, operating processes and measurement techniques

Exchange rate risk within the Group is concentrated at the level of Mediobanca, and involves loans to corporate customers, investments in securities and other financial instruments in foreign currencies, and flows in currencies other than the Euro deriving from the collection and/or payment of interest, commissions and administrative expenses.

This risk is monitored on a constant basis.

B. Hedging activity

Risks deriving from movements in exchange rates for all the Bank's positions (trading and banking books), are managed by the Financial Markets division. The degree of risk in this area is thus effectively represented by the respective VaR component as shown on p. 399.

QUANTITATIVE INFORMATION

1. Assets, liabilities and derivatives by currency

Line items	Currency					
	US dollars	Pounds sterling	Japanese yen	Canadian dollars	Swiss francs	Other
A. Financial assets	1,069,717	381,479	22,735	1,655	32,709	11,144
A.1 Debt securities	446,226	5,270	20,528	—	8,610	4,259
A.2 Equities	48,070	63,004	—	—	17,822	—
A.3 Loans and advances to banks	516,089	310,192	2,207	1,655	1,633	6,876
A.4 Loans and advances to customers	59,332	3,013	—	—	4,644	9
A.5 Other financial assets	—	—	—	—	—	—
B. Other assets	—	—	—	—	—	—
C. Financial liabilities	(240,899)	(255,423)	(17,414)	(73)	(14,986)	(17,513)
C.1 Due to banks	(9,337)	—	—	—	—	(1,011)
C.2 Due to customers	(53,479)	—	—	(73)	(4)	—
C.3 Debt securities	(178,083)	(255,423)	(17,414)	—	(14,982)	(16,502)
C.4 Other financial liabiilities	—	—	—	—	—	—
D. Other liabilities	—	—	—	—	—	—
E. Financial derivative products	(450,792)	(210,640)	(52,008)	(6,306)	(106,532)	31,068
- Options	—	—	—	—	—	—
+ Long positions	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—
- Other derivatives	(450,792)	(210,640)	(52,008)	(6,306)	(106,532)	31,068
+ Long positions	1,597,272	590,735	—	10,282	419,348	952,602
+ Short positions	(2,048,064)	(801,375)	(52,008)	(16,588)	(525,880)	(921,534)
Total assets	2,666,989	972,214	22,735	11,937	452,057	963,746
Total liabilities	(2,288,963)	(1,056,798)	(69,422)	(16,661)	(540,866)	(939,047)
Difference (+/-)	378,026	(84,584)	(46,687)	(4,724)	(88,809)	24,699

2. Internal models and other methodologies used for sensitivity analysis

During the year under review, the directional positions taken on exchange rates were very limited. If intraday spikes are excluded, the VaR was always within a range of between €1m and €4m, with a reading as at 30 June 2014 of €2.35m and an average reading of €2.5m, largely in line with the €2.4m recorded last year.

2.4 DERIVATIVE FINANCIAL PRODUCTS

A. FINANCIAL DERIVATIVES

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

Type of transaction	**30/6/14**		**30/6/13**	
	Over the counter	**Central counterparties**	**Over the counter**	**Central counterparties**
1. Debt securities and interest rates	111,267,106	57,001,046	115,784,349	68,684,370
a) Options	—	54,769,947	5,887	56,849,325
b) Swaps	95,032,106	—	101,513,462	—
c) Forward	—	—	—	—
d) Futures	—	2,231,099	—	11,835,045
e) Others	16,235,000	—	14,265,000	—
2. Equities and share indexes	11,759,672	15,089,394	28,510,401	29,840,092
a) Options	11,045,693	14,792,475	27,134,204	29,694,729
b) Swaps	713,979	—	1,376,197	—
c) Forward	—	—	—	—
d) Futures	—	296,919	—	145,363
e) Others	—	—	—	—
3. Exchange rates and gold	12,331,900	—	9,348,431	—
a) Options	911,480	—	1,271,886	—
b) Swaps	4,311,194	—	1,894,413	—
c) Forward	7,109,226	—	6,182,132	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	135,358,678	72,090,440	153,643,181	98,524,462
Average values	144,500,930	85,307,451	163,943,209	71,921,750

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

A.2.1 Hedge derivatives

Type of transaction	30/6/14		30/6/13	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	24,280,857	—	28,068,588	—
a) Options	—	—	—	—
b) Swaps	24,022,460	—	27,810,192	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	258,397	—	258,396	—
2. Equities and share indexes	27	—	2,436	—
a) Options	27	—	59	—
b) Swaps	—	—	—	—
c) Forwards	—	—	2,377	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and gold	5,564	—	18,040	—
a) Options	—	—	—	—
b) Swaps	5,564	—	18,040	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	24,286,448	—	28,089,064	—
Average values	26,187,756	—	30,169,451	—

A.2.2 Other derivatives

Type of transaction	30/6/14		30/6/13	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	77,251	—	142,251	—
a) Options	—	—	—	—
b) Swaps	77,251	—	142,251	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equities and share indexes	4,171,780	—	6,116,056	—
a) Options	4,171,780	—	6,116,056	—
b) Swaps	—	—	—	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and gold	—	—	—	—
a) Options	—	—	—	—
b) Swaps	—	—	—	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	4,249,031	—	6,258,307	—
Average values	5,253,669	—	7,085,037	—

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

Type of transactions	Positive fair value			
	30/6/14		30/6/13	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	4,793,974	537,400	4,599,208	867,425
a) Options	1,509,864	530,800	1,428,977	853,684
b) Interest rate swaps	3,064,589	—	2,938,677	—
c) Cross currency swaps	96,424	—	60,898	—
d) Equity swaps	14,390	—	63,358	—
e) Forwards	108,707	—	107,298	—
f) Futures	—	6,600	—	13,741
g) Others	—	—	—	—
B. Banking book: hedge derivatives	1,288,898	—	1,345,706	—
a) Options	200,605	—	167,819	—
b) Interest rate swaps	1,088,120	—	1,176,364	—
c) Cross currency swaps	173	—	1,523	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
C. Banking book: other derivatives	11,873	—	31,289	—
a) Options	5,885	—	17,056	—
b) Interest rate swaps	5,988	—	14,233	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	6,094,745	537,400	5,976,203	867,425

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

Type of transaction	Negative fair value			
	30/6/14		30/6/13	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	(4,804,234)	(722,356)	(4,498,504)	(968,447)
a) Options	(1,214,850)	(718,230)	(1,165,902)	(958,955)
b) Interest rate swaps	(3,289,545)	—	(3,022,616)	—
c) Cross currency swaps	(103,844)	—	(57,235)	—
d) Equity swaps	(82,142)	—	(147,017)	—
e) Forwards	(113,853)	—	(105,734)	—
f) Futures	—	(4,126)	—	(9,492)
g) Others	—	—	—	—
B. Banking book: hedge derivatives	(771,536)	—	(700,796)	(1)
a) Options	(200,610)	—	(167,843)	—
b) Interest rate swaps	(570,754)	—	(532,800)	—
c) Cross currency swaps	(172)	—	(150)	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	(3)	(1)
f) Futures	—	—	—	—
g) Others	—	—	—	—
C. Banking book: other derivatives	(240,041)	—	(158,398)	—
a) Options	(239,021)	—	(156,727)	—
b) Interest rate swaps	(1,020)	—	(1,671)	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	(5,815,811)	(722,356)	(5,357,698)	(968,448)

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

Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	245,922	5,016,883	6,000	6,054,663	—
- positive fair value	—	—	17,491	157,219	88	213,490	—
- negative fair value	—	—	(7,428)	(21,881)	—	(432,200)	—
- future exposure	—	—	37,748	17,689	—	56,408	—
2. Equities and share indexes							
- notional value	—	—	10,300	601,211	59,277	522,220	—
- positive fair value	—	—	186	21,454	—	—	—
- negative fair value	—	—	—	(328)	(50)	(96,577)	—
- future exposure	—	—	618	36,111	5,928	34,834	—
3. Exchange rates and gold							
- notional value	—	—	—	169,442	—	938,247	—
- positive fair value	—	—	—	4	—	33,617	—
- negative fair value	—	—	—	(2,334)	—	(10,372)	—
- future exposure	—	—	—	7,429	—	50,601	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

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

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	74,547,461	24,283,983	592,194	520,000	—
- positive fair value	—	—	1,995,876	760,651	68,917	84,536	—
- negative fair value	—	—	(2,225,270)	(721,067)	—	—	—
2. Equities and share indexes							
- notional value	—	—	8,639,575	1,868,655	58,309	125	—
- positive fair value	—	—	569,196	698,614	—	—	—
- negative fair value	—	—	(357,013)	(719,328)	(535)	(3,583)	—
3. Exchange rates and gold							
- notional value	—	—	9,803,555	1,274,222	—	146,434	—
- positive fair value	—	—	135,525	37,112	—	—	—
- negative fair value	—	—	(182,341)	(9,141)	—	(14,786)	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

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

Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	300,699	—	—	—	—
- positive fair value	—	—	58,262	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	1,503	—	—	—	—
2. Equities and share indexes							
- notional value	—	—	—	—	—	—	27
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	(5)
- future exposure	—	—	—	—	—	—	2
3. Exchange rates and gold							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

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

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	20,932,711	3,047,447	—	—	—
- positive fair value	—	—	1,081,198	149,264	—	—	—
- negative fair value	—	—	(706,660)	(64,699)	—	—	—
2. Equities and share indexes							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
3. Exchange rates and gold							
- notional value	—	—	5,564	—	—	—	—
- positive fair value	—	—	173	—	—	—	—
- negative fair value	—	—	(172)	—	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

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

Underlying/residual maturity	Up to 1 year	From 1 to 5 years	Over 5 years	Total
A. Regulatory trading book				
A.1 Financial derivatives on debt securities and interest rates	26,501,776	53,707,350	31,057,980	111,267,106
A.2 Financial derivatives on equities and share indexes	5,743,900	4,737,290	1,278,482	11,759,672
A.3 Financial derivatives on foreign currency and gold	8,240,898	3,101,542	989,460	12,331,900
A.4 Financial derivatives on other assets	—	—	—	—
B. Banking book:				
B.1 Financial derivatives on debt securities and interest rates	7,401,267	11,468,058	5,488,782	24,358,108
B.2 Financial derivatives on equities and share indexes	2,251,750	750,207	1,169,850	4,171,807
B.3 Financial derivatives on foreign currency and gold	—	5,564	—	5,564
B.4 Financial derivatives on other assets	—	—	—	—
Total at 30/6/14	50,139,591	73,770,011	39,984,554	163,894,157
Total at 30/6/13	46,062,053	106,307,990	35,620,510	187,990,553

B. CREDIT DERIVATIVES

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

Transaction categories	Regulatory trading book		Other transactions	
	Individual assets	Baskets	Individual assets	Baskets
1. Hedge buys				
a) Credit default products	1,939,803	32,888,769	225,800	—
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total A at 30/6/14	1,939,803	32,888,769	225,800	—
Average values	2,033,313	37,687,893	190,050	4,450
Total A at 30/ 6/13	2,126,823	42,487,017	154,300	8,900
2. Hedge sales				
a) Credit default products	1,127,169	33,200,022	37,500	796,086
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total B at 30/6/14	1,127,169	33,200,022	37,500	796,086
Average values	1,261,806	37,077,019	38,750	806,675
Total B at 30/6/13	1,396,442	42,354,015	40,000	817,263

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

Portfolio/derivative instrument type	Positive fair value	
	30/6/14	30/6/13
A. Regulatory trading book	517,497	759,938
a) Credit default products	517,497	759,938
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
B. Banking book	13,370	13,885
a) Credit default products	13,370	13,885
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
Total	530,867	773,823

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

Portfolios/derivative instruments type	*Negative fair value*	
	30/6/14	30/6/13
A. Regulatory trading book	(486,752)	(710,019)
a) Credit default products	(486,752)	(710,019)
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
B. Banking book	(12,045)	(7,415)
a) Credit default products	*(12,045)*	*(7,415)*
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
Total	(498,797)	(717,434)

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

Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
Regulatory trading book							
1. Hedge buys							
- notional value	—	—	—	50.000	—	50.000	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	(5.388)	—	(3.194)	—
- future exposure	—	—	—	2.500	—	2.500	—
2. Hedge sales							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
Banking book *							
1. Hedge buys							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
2. Hedge sales							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

* Derivatives embedded in bonds issued not included.

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

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
Regulatory trading book							
1. Hedge buys							
- notional value	—	—	33,999,581	728,991	—	—	—
- positive fair value	—	—	50,371	1,262	—	—	—
- negative fair value	—	—	(444,623)	(10,210)	—	—	—
2. Hedge sales							
- notional value	—	—	33,836,293	490,898	—	—	—
- positive fair value	—	—	444,655	21,209	—	—	—
- negative fair value	—	—	(22,617)	(721)	—	—	—
Banking book *							
1. Hedge buys							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
2. Hedge sales							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

* Derivatives embedded in bonds issued not included.

B.6 Credit derivatives by outstanding duration: notional values

Underlying/residual maturity	Up to 1 year	From 1 year to 5 years	Over 5 years	Total
A. Regulatory trading book	29,539,045	36,715,474	2,901,244	69,155,763
A.1 Credit derivatives with "qualified" reference obligation	667,538	885,852	1,043,850	2,597,240
A.2 Credit derivatives with "unqualified" reference obligation	28,871,507	35,829,622	1,857,394	66,558,523
B. Banking book	46,500	511,100	501,786	1,059,386
B.1 Credit derivatives with "qualified" reference obligation	45,500	108,600	31,700	185,800
B.2 Credit derivatives with "unqualified" reference obligation	1,000	402,500	470,086	873,586
Total at 30/6/14	29,585,545	37,226,574	3,403,030	70,215,149
Total at 30/6/13	11,927,385	75,129,312	2,328,063	89,384,760

C. CREDIT AND FINANCIAL DERIVATIVES

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

	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1) Financial derivatives bilateral agreements							
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
- net counterparty risk	—	—	—	—	—	—	—
2) Credit derivatives bilateral agreeements							
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
- net counterparty risk	—	—	—	—	—	—	—
3) "Cross product" agreements							
- positive fair value	—	—	573,588	267,461	68,917	69,749	—
- fair value negativo	—	—	(235,046)	(164,292)	(535)	(3,583)	—
- future exposure	—	—	644,555	179,470	8,433	12,413	—
- net counterparty risk	—	—	779,880	347,321	60,980	78,602	—

* Representing the sum of the positive fair value and future exposure, net of cash collateral received amounting to €512,235,000, €470,305,000 of which in respect of banks and €41,930,000 of financial companies. Conversely, to cover negative fair value readings, cash collateral of €366,010,000 was paid in, €265,640,000 in respect of banks, €95,080,000 of financial companies, €1,880,000 of insurances, and €3,410,000 of non-financial companies.

SECTION 3

Liquidity risk

The Mediobanca Group monitors and manages liquidty risk in accordance with the provisions of Bank of Italy circular no. 263/06 ("New supervisory regulations for banks") as amended, via the following documents: the Liquidity risk management policy (the "Policy") and Contingency funding plan ("CFP"). The basic principles on which the Policy is based are as follows:

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

The Group's objective is to maintain a liquidity level which allows it to meet the payment obligations it has taken on, both ordinary and extraordinary, while at the same time keeping costs to a minimum.

Specifically, monitoring operating liquidity is intended to ensure that the mismatch between cash inflows and outflows remains sustainable at all times. 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 as calculated in both normal operating and stressed scenarios.

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. 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.

In addition to the above, the Liquidity and ALM and Risk Management unit teams also carry out weekly stress tests assuming 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 need to meet the objectives and indicators described above is addressed by the Group's Funding Plan and Risk Appetite Framework.

The Funding Plan, developed in accordance with sustainable analysis of uses and sources of funding for operating and structural positions, plays a key role in the general liquidity and liquidity risk management process.

The RAF monitors the regulatory indicators (LCR and NSFR) and also the funding mix via the retail funding ratio.

In addition to the previous indicators, a Contingency Liquidity Policy has also been adopted for implementation in the event of a crisis occurring, by following a defined procedure which identifies parties, responsibilities, communications processes and criteria for reporting, in an attempt to ensure that the state of emergency is dealt with successfully.

The Group's Contingency Funding Plan has the objective of ensuring that effective action is taken promptly right from the outset of a liquidity crisis, through precise identification of parties, powers, responsibilities, communications procedures and related reporting criteria intended to ensure that the state of emergency is dealt with successfully. This aim is met largely through the activation of an extraordinary liquidity governance operating model, supported by consistent internal and external communications and a series of early warning indicators.

To this end a dashboard has been designed for reporting which, together with the stress test analyses, produces a system of early warning indicators (EWIs). The dashboard is a useful instrument for assisting the management in monitoring 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 peculiar to the Banking Group itself.

The ALM steering committee is responsible for monitoring the overall liquidity situation and sustainability of the business areas' development in view of the Bank's and the Group's asset structure.

The year under review saw a redefinition of the Group's funding sources, taking into account the debt securities falling due (approx. €7.4bn), the start of repayment of the ECB LTRO (the balance outstanding on which reduced accordingly, from €7.5bn to €5.5bn), and the competition facing the CheBanca! retail channel where deposits were virtually flat (down from €12bn to €11.6bn). This redefinition process has been assisted by the disposal schemes operated on the equity side and by repayments of wholesale loans, often in advance, which allowed the Group's cash and liquid assets to remain above €20bn.

The large debt security portfolio ensured that the balance of expected net outflows was below the counterbalancing capacity in both the normal business and stressed scenarios, and that the supervisory limits/thresholds provided for in the Contingency Funding Plan were complied with throughout the twelve months.

At 30 June 2014 the Stock of bonds deliverable in exchange for cash to the ECB (net of haircuts) totalled approx. €12bn (30/6/13: €13bn), while the balance of liquidity reserves established at the European Central bank amounted to approx. €7.4bn (€8.3bn), €1.8bn (€0.7bn) of which in the form of cash not used.

The Basel III regulatory indicators were at all times above the stipulated limits for all ratios (LCR and NSFR >100%).

Since the balance-sheet date, the new supervisory reporting system has been operative with respect to both short-term liquidity (Liquidity Coverage Ratio - LCR) and medium-/long-term liquidity (Stable Funding - SF). In both cases no criticalities were detected.

QUANTITATIVE INFORMATION

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

Items/maturities	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	6,680,659	272,525	1,051,591	3,389,769	4,085,979	2,518,012	6,774,072	15,279,206	6,867,099	3,563
A.1 Government securities	154,075	20,654	193	404,318	720,981	346,009	897,568	3,159,167	1,807,633	—
A.2 Other debt securities	—	613	53,058	43,840	124,736	379,177	579,494	4,530,451	1,723,483	—
A.3 UCI units	—	—	—	—	—	—	—	—	—	—
A.4 Loans and advances	6,526,584	251,258	998,340	2,941,611	3,240,262	1,792,826	5,297,010	7,589,588	3,335,983	3,563
- to banks	1,799,028	33,994	45,451	290,913	1,811,631	367,142	1,786,658	746,462	1,489,108	17
- to customers	4,727,556	217,264	952,889	2,650,698	1,428,631	1,425,684	3,510,352	6,843,126	1,846,875	3,546
Cash liabilities	12,200,617	1,638,529	298,535	639,808	2,655,696	2,708,896	8,118,112	12,382,417	5,300,371	6,920
B.1 Deposits and currentaccounts	12,177,065	—	224,021	117,415	768,806	388,992	5,737,632	761,895	149,894	6,920
- to banks	10,626,175	—	23,098	32,490	768,806	388,992	5,655,175	726,895	149,894	—
- to customers	1,550,890	—	200,923	84,925	—	—	82,457	35,000	—	6,920
B.2 Debt securities	23,552	83,820	38,421	286,533	1,391,209	2,209,139	2,380,480	11,620,522	5,150,477	—
B.3 Other liabilities	—	1,554,709	36,093	235,860	495,681	110,765	—	—	—	—
Off-balance-sheet transactions	16,671,499	7,492,027	221,071	2,240,226	5,166,441	3,596,076	1,914,617	10,866,611	10,411,385	—
C.1 Financial derivatives with exchange of principal	57,738	16,053	1,609	44,317	2,030,754	767,597	76,753	174,770	180,000	—
- long positions	57,722	16,011	804	18,851	1,254,780	350,502	10,263	53,811	90,000	—
- short positions	16	42	805	25,466	775,974	417,095	66,490	120,959	90,000	—
C.2 Financial derivatives without principal exchange of	7,940,751	11,486	3,276	54,248	149,439	180,824	362,147	—	—	—
- long positions	3,973,103	9,913	686	38,422	104,032	100,246	221,783	—	—	—
- short positions	3,967,648	1,573	2,590	15,826	45,407	80,578	140,364	—	—	—
C.3 Deposits and loans for collection	4,107,636	4,933,248	84,957	1,438,259	1,908,191	1,668,053	690,711	5,660,614	4,605,625	—
- long positions	4,107,636	4,933,248	84,957	1,267,269	1,674,047	481,491	—	—	—	—
- short positions	—	—	—	170,990	234,144	1,186,562	690,711	5,660,614	4,605,625	—
C.4 Irrevocable commitments to disburse funds *	4,088,817	2,531,240	131,229	619,658	922,795	807,602	264,756	3,224,083	3,395,110	—
- long positions	—	—	8,720	524,459	107,228	468,289	264,756	3,224,083	3,395,110	—
- short positions	4,088,817	2,531,240	122,509	95,199	815,567	339,313	—	—	—	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—
C.6 Financial guarantees received	—	—	—	—	—	—	—	—	—	—
C.7 Credit derivatives with exchange of principal	700	—	—	83,744	155,262	172,000	520,250	1,807,144	2,230,650	—
- long positions	700	—	—	—	39,781	57,650	281,700	876,044	1,229,000	—
- short positions	—	—	—	83,744	115,481	114,350	238,550	931,100	1,001,650	—
C.8 Credit derivatives without exchange of principal	475,857	—	—	—	—	—	—	—	—	—
- long positions	235,239	—	—	—	—	—	—	—	—	—
- short positions	240,618	—	—	—	—	—	—	—	—	—

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

Currency of denomination: US DOLLARS

Items/maturities	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	495,259	73	45,301	23,635	9,454	141,824	69,198	412,949	293,903	—
A.1 Government securities	—	—	27,219	—	2,506	—	27,837	—	18,864	—
A.2 Other debt securities	—	—	1,336	1,603	5,658	11,451	37,426	140,889	275,039	—
A.3 UCI units	—	—	—	—	—	—	—	—	—	—
A.4 Loans and advances	495,259	73	16,746	22,032	1,290	130,373	3,935	272,060	—	—
- to banks	495,013	64	422	296	1,181	129,493	2,193	257,317	—	—
- to customers	246	9	16,324	21,736	109	880	1,742	14,743	—	—
Cash liabilities	372,604	6,251	37	—	116,942	1,007	2,013	140,553	7,847	6
B.1 Deposits and currentaccounts	372,600	—	37	—	115,935	—	—	—	—	6
- to banks	372,421	—	37	—	115,935	—	—	—	—	—
- to customers	179	—	—	—	—	—	—	—	—	6
B.2 Debt securities	4	—	—	—	1,007	1,007	2,013	140,553	7,847	—
B.3 Other liabilities	—	6,251	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	884,070	66,080	97,134	713,313	368,358	624,273	708,131	1,226,506	1,069,057	—
C.1 Financial derivatives with exchange of principal	3,798	66,080	96,986	713,223	129,325	346,304	483,782	919,543	716,545	—
- long positions	3,798	66,080	96,986	329,477	38,401	166,248	–	11,357	–	—
- short positions	—	—	—	383,746	90,924	180,056	483,782	908,186	716,545	—
C.2 Financial derivatives without principal exchange of	446,168	—	148	90	149	1,397	1,149	—	—	—
- long positions	239,397	—	148	45	65	235	466	—	—	—
- short positions	206,771	—	—	45	84	1,162	683	—	—	—
C.3 Deposits and loans for collection	—	—	—	—	113,753	—	—	—	113,753	—
- long positions	—	—	—	—	113,753	—	—	—	—	—
- short positions	—	—	—	—	—	—	—	—	113,753	—
C.4 Irrevocable commitments to disburse funds *	—	—	—	—	115,979	50,917	—	24,345	142,552	—
- long positions	—	—	—	—	—	—	—	*24,345*	*142,552*	—
- short positions	—	—	—	—	115,979	50,917	—	—	—	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—
C.6 Financial guarantees received	—	—	—	—	—	—	—	—	—	—
C.7 Credit derivatives with exchange of principal	—	—	—	—	9,152	225,655	223,200	282,618	96,207	—
- long positions	—	—	—	—	9,152	70,032	92,161	172,829	74,242	—
- short positions	—	—	—	—	—	155,623	131,039	109,789	21,965	—
C.8 Credit derivatives without exchange of principal	434,104	—	—	—	—	—	—	—	—	—
- long positions	223,663	—	—	—	—	—	—	—	—	—
- short positions	210,441	—	—	—	—	—	—	—	—	—

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

Currency of denomination: OTHER

Items/maturities	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	62,459	124	—	11,424	5,903	64,420	2,359	241,305	3,459	—
A.1 Government securities	—	—	—	—	—	—	—	—	—	—
A.2 Other debt securities	—	—	—	—	24	656	48	4,970	3,459	—
A.3 UCI units	—	—	—	—	—	—	—	—	—	—
A.4 Loans and advances	62,459	124	—	11,424	5,879	63,764	2,311	236,335	—	—
- to banks	53,742	114	—	211	1,396	63,764	2,311	236,329	—	—
- to customers	8,717	10	—	11,213	4,483	—	—	6	—	—
Cash liabilities	41,718	—	110	—	—	111	7,647	231,121	—	—
B.1 Deposits and currentaccounts	41,718	—	—	—	—	—	—	—	—	—
- to banks	32,312	—	—	—	—	—	—	—	—	—
- to customers	9,406	—	—	—	—	—	—	—	—	—
B.2 Debt securities	—	—	110	—	—	111	7,647	231,121	—	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	771,002	555,833	155,208	399,713	197,556	1,795,227	2,598,119	2,304,764	192,713	—
C.1 Financial derivatives with exchange of principal	36,686	555,833	155,208	399,713	196,634	1,790,298	2,595,948	2,194,346	192,713	—
- long positions	36,340	317,512	96,277	309,149	98,317	895,146	1,297,974	645,950	—	—
- short positions	346	238,321	58,931	90,564	98,317	895,152	1,297,974	1,548,396	192,713	—
C.2 Financial derivatives without principal exchange of	713,268	—	—	—	922	4,929	2,171	—	—	—
- long positions	353,511	—	—	—	344	2,907	1,412	—	—	—
- short positions	359,757	—	—	—	578	2,022	759	—	—	—
C.3 Deposits and loans for collection	—	—	—	—	—	—	—	—	—	—
- long positions	—	—	—	—	—	—	—	—	—	—
- short positions	—	—	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds	—	—	—	—	—	—	—	—	—	—
- long positions	—	—	—	—	—	—	—	—	—	—
- short positions	—	—	—	—	—	—	—	—	—	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—
C.6 Financial guarantees received	—	—	—	—	—	—	—	—	—	—
C.7 Credit derivatives with exchange of principal	—	—	—	—	—	—	—	110,418	—	—
- long positions	—	—	—	—	—	—	—	55,209	—	—
- short positions	—	—	—	—	—	—	—	55,209	—	—
C.8 Credit derivatives without exchange of principal	21,048	—	—	—	—	—	—	—	—	—
- long positions	10,721	—	—	—	—	—	—	—	—	—
- short positions	10,327	—	—	—	—	—	—	—	—	—

2. Information on committed assets recognized in the balance sheet

Form	Committed		Uncommitted		Total as at 30/6/14
	Book value	Fair value	Book value	*Fair value*	
1. Cash and cash equivalents	—	X	508	X	508
2. Debt securities *	6,414,940	6,491,478	9,060,919	9,118,483	15,475,859
3. Equities	556,639	556,639	1,914,850	1,914,850	2,471,489
4. Loans and advances	2,257,221	X	30,239,669	X	32,496,890
5. Other financial assets	—	X	9,718,169	X	9,718,169
6. Non-financial assets	—	X	597,576	X	597,576
Total as at 30/6/14	9,228,800	7,048,117	51,531,691	11,033,333	60,760,491

* Of which 5,684m given to guarantee the ECB.

3. Information on proprietary committed assets derecognized from the balance sheet

Form	Committed	Uncommitted	Total as at 30/6/14
1. Financial assets	6,953,181	9,432,274	16,385,455
- Securities *	6,953,181	9,432,274	16,385,455
- Others	—	—	—
2. Non-financial assets	—	—	—
Total as at 30/6/14	6,953,181	9,432,274	16,385,455

* Of which 2,724 m given to guarantee the ECB.

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 decided to adopt the Basic Indicator Approach (BIA) in order to calculate the capital requirement for covering operating risk, applying a margin of 15% to the average of the last three years' readings of total income. Based on this method of calculation, the capital requirement as at the reporting date was equal to €115,5m (30/6/13: €90,1m).

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 (including through self-risk assessment techniques), 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, including following the establishment of a centralized IT governance unit, is in the process of developing operating 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

Apart from the claims currently pending against Mediobanca S.p.A. (for which please see pp. 53-54), the Group faces no legal risk worthy of note.

SECTION 5

Other risks

QUALITATIVE INFORMATION

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

Risks are monitored and managed via the respective internal units (Risk Management, Planning and Control, Compliance and Group Audit units) and by specific steering committees.

Part F - Information on capital

SECTION 1

Capital of the company

B. Quantitative information

B.1 Net equity: composition

Net equity constituents	30/6/14	30/6/13
1. Share capital	430,703	430,565
2. Share premium	2,121,819	2,120,143
3. Reserves	2,021,604	2,257,836
- of gains	1,936,148	2,172,058
a) legal	86,113	86,113
b) statutory	1,077,282	1,077,282
c) treasury shares	198,799	213,410
d) others	573,954	795,253
- others	85,456	85,778
4. Equity instruments	—	—
5. (Treasury shares)	(198,799)	(213,410)
6. Valuation reserves:	452,154	130,897
- AFS securities	457,466	137,267
- Property, plant and equipment	—	—
- Intangible assets	—	—
- Foreign investment hedges	—	
- Cash flow hedges	(10,932)	(12,660)
- Exchange rate difference	—	—
- Non-current assets being sold	—	—
- Actuarial gains (losses) on defined-benefit pension schemes	(4,012)	(3,342)
- Share of valuation reserves represented by equity-accounted companies	—	—
- Special valuation laws	9,632	9,632
7. Gain (loss) for the period	165,913	(233,784)
Total	4,993,394	4,492,247

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	Total at 30/6/14		Total at 30/6/13	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	168,338	(50,497)	91,578	(21,074)
2. Equities	389,058	(61,163)	59,795	(1,578)
3. OICR units	13,155	(1,425)	8,549	(3)
4. Loans and advances	—	—	—	—
Total	570,551	(113,085)	159,922	(22,655)

B.3 AFS valuation reserves: movements during the period

	Debt securities	Equities	OICR units	Loans	Total
1. Opening balance	70,504	58,217	8,546	—	137,267
2. Additions	97,834	330,844	4,600	—	433,278
2.1 Increases in fair value	84,393	330,844	4,600	—	419,837
2.2 Negative reserves charged back to profit and loss as a result of	13,441	—	—	—	13,441
- impairment	—	—	—	—	—
- disposals	13,441	—	—	—	13,441
2.3 Other additions	—	—	—	—	—
3. Reductions	50,497	61,166	1,416	—	113,079
3.1 Reductions in fair value	7,008	8,128	1,273	—	16,409
3.2 Adjustments for impairment	—	—	142	—	142
3.3 Positive reserves credited back to profit and loss as a result of: disposals	43,489	53,038	1	—	96,528
3.4 Other reductions	—	—	—	—	—
4. Balance at end of period	117,841	327,895	11,730	—	457,466

SECTION 2

Regulatory and supervisory capital requirements for banks

Capital is the first and most important safeguard of a bank's stability. For this reason, the international and domestic supervisory bodies have established rigorous rules for calculating regulatory capital and the minimum capital requirements with which banks are bound to comply.

Since its inception a distinguishing feature of Mediobanca has been the solidity of its financial structure, with capital ratios that have been consistently and significantly higher than those required by the regulatory guidelines. Such surplus capital is justified by the nature of the Bank's operations on corporate markets.

2.1 Scope of application of regulations

Regulatory capital has been calculated for the first time on the basis of 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 issued in December 2013. The new regulations provide for a phase-in application period, whereby until 31 December 2022 certain investments in associated insurance companies may be weighted rather than deducted from capital, subject to authorization by the regulators.

Mediobanca has received authorization from the Bank of Italy to weight its investment Assicurazioni Generali at 370%. The Group has also opted for the "full neutralization" permitted by the Bank of Italy, whereby the valuation reserves for sovereign debt issued by EU member states and held as AFS financial assets can be neutralized for the purpose of calculating regulatory capital.

2.2 Bank equity

A. 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 and the profit for the period net of treasury shares (€198.8m), intangible assets (€9.5m), and other prudential adjustments (€25.2m) in connection with the values of financial instruments (AVAs and DVAs). Deductions of €42.5m involve the investments in banking, financial and insurance companies, and have been calculated based on the phase-in and excess regimes.

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

Tier 2 capital includes the liabilities issued (€1,694.4m) plus 50% of the positive reserves for AFS securities (€161m) which does not include the net gain of EU member states' government securities (€54.9m) which were subject to neutralization. Deductions of €686.6m regard the investments in Tier 2 instruments, in particular subordinated loans to Italian insurance companies.

There are also three Tier 2 subordinated loans, all of which fall completely within the new regulatory definitions, hence there was no need for recourse to grand-fathering.

	30/6/14		
Issue	**ISIN**	**Nominal value**	**Book value ***
MB Secondo Atto 5% 2020 Lower Tier 2	IT0004645542	749,091	863,834
MB Quarto Atto a Tasso Variabile 2021 Lower Tier 2	IT0004720436	490,265	484,697
MB CARATTERE 5,75% 2023 Lower Tier 2	IT0004917842	496,100	521,840
Total subordinated debt securities		**1,735,456**	**1,870,371**

* Book value differs from share of equity calculated because of fair value and amortized cost components and also commitments to buy back securities.

Quantitative information

	30/614	30/6/13*
A. Common Equity Tier 1 (CET1) prior to application of prudential filters	4,866,560	4,430,563
of which CET1 instruments subject to phase-in provisions	—	—
B. CET1 prudential filters (+/-)	(14,236)	—
C. Gross CET1 including items to be deducted and effects of phase-in regime (A +/- B)	4,852,324	4,430,563
D. Items to be deducted from CET1	(113,419)	(81,517)
E. Phase-in regime – impact on CET1 (+/-), including minority interests subject to phase-in provisions	(396,101)	(79,629)
F. Total Common Equity Tier 1 (CET1) (C – D +/-E)	4,342,804	4,269,417
G. Gross additional Tier 1 equity (AT1), including items to be deducted and effects of phase-in regime	—	—
of which AT1 instruments subject to phase-in 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 equity (AT1) (G - H +/- I)	—	—
M. Gross Tier 2 equity (T2), including items to be deducted and effects of phase-in regime	1,694,423	1,791,452
of which T2 instruments subject to phase-in provisions	—	—
N. Items to be deducted from T2	(625,477)	(81,517)
O. Phase-in regime – impact on T2 (+/-), including instruments issued by branches and included in T2 as a result of phase-in provisions	99,872	42,608
P. Total Tier 2 equity (T2) (M - N +/- O)	1,168,818	1,752,543
Q. Total capital (F + L + P)	5,511,622	6,021,960

2.3 Capital adequacy

A. Qualitative information

As at 30 June 2014, the Bank's Common Equity Ratio, calculated as Tier 1 capital as a percentage of total risk-weighted assets, amounted to 11.26%, lower than the figure posted at 30 June 2013 (12.13%), due to the increase in risk-weighted assets, from €35.2bn to €386bn, on account of the increased weighting of the Assicurazioni Generali investment (up from €1.1bn to €4.1bn). The total capital ratio showed a more pronounced reduction, from 17.11% to 14.29%, reflecting the increased deductions relating to the treatment of certain subordinated loans to insurance companies.

B. Quantitative information

Categories/value items	Unweighted amounts		Weighted amounts/requirements	
	30/6/14	30/6/13	30/6/14	30/6/13
A. RISK-WEIGHTED ASSETS				
A.1 Credit and counterparty risk	50,658,419	54,692,945	29,878,699	27,692,405
1. Standardized methodology	50,430,833	54,447,449	29,559,117	27,320,839
2. Methodology based on internal ratings		—		—
2.1 Basic		—		—
2.2 Advanced		—		—
3. Securitizations	227,586	245,496	319,582	371,566
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			2,390,296	1,661,544
B.2 Credit value adjustment risk			65,253	—
B.3 Settlement risk			—	—
B.4 Market risks			515,135	360,396
1. Standard methodology			515,135	360,396
2. Internal models			—	—
3. Concentration risk			—	—
B.5 Operational risks			115,485	90,086
1. Basic method			115,485	90,086
2. Standardized method			—	—
3. Advanced method			—	—
B.6 Other prudential requirements			—	—
B.7 Other items			—	—
B.8 Total prudential requirements			3,086,169	2,112,026
C. RISK-WEIGHTED ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			38,577,115	35,200,433
C.2 CET1/RWAs (CET1 capital ratio)			11.26%	12.13%
C.3 Total capital/RWAs (total capital ratio)			14.29%	17.11%

Part H - Related party disclosure

1. Board member and senior management remuneration

Remuneration paid to directors, statutory auditors and management with strategic responsibilities

	Remuneration			
	Emoluments for position held	Non-cash benefits*	Bonuses and other incentives	Other compensation
BOARD OF DIRECTORS [1]	2,854	1,401.2	—	7,530.0
of which: management	*510*	*1,401.2*	—	*7,530.0*
MANAGEMENT with strategic responsibilities [2]	—	566.9	1,260.0	3,954.3
STATUTORY AUDIT COMMITTEE [3]	300	—	—	—

[1] Includes 22 directors who held office during the twelve months ended 30 June 2013.
[2] Includes eleven strategic managers (one more than last year).
[3] Includes three statutory auditors during the period.
* 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 €1.3m.

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. Its related parties procedure came into force on 31 December 2012, and the full document is available on the company's website at www.mediobanca.it.

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 defined as "most significant" were executed during the period under review.

1.2 Quantitative information

The exposure (representing the sum of assets plus guarantees and commitments) declined significantly, from €3.7bn to €2.3bn, and now represents approx. 4% of the total asset aggregates. The reduction reflects loan repayments totalling €0.9bn, plus two groups editing the scope of application for related parties (€0.6bn). The percentage of net interest income reported in the profit and loss account represented by related parties also reduced, from 7% to 5%. The increase in revenues refers to market transactions with banking counterparties within the UniCredit group.

Situation at 30 June 2014

(€m)

	Group companies	**Directors and strategic management**	**Associates ***	**Other related parties**	**Total**
Assets	14,998.6	—	1,168.9	708.3	16,875.8
of which: other assets	*4,886.1*	—	*635.2*	*370.4*	*5,891.7*
loans and advances	*10,112.5*	—	*533.7*	*337.9*	*10,984.1*
Liabilities	10,193.8	—	3.8	476.8	10,674.4
Guarantees and commitments	16,104.6	—	23.1	351.7	16,479.4
Interest income	395.3	—	56.3	18.3	469.9
Interest expense	(380.3)	—	—	(0.3)	(380.6)
Net fee income	11.3	—	11.8	11.9	35.0
Other income (costs)	(46.7)	(19.7) [1]	39.6	232.6	205.8

[1] Of which: short-term benefits amounting to €17.9m, stock options worth €0.1m and performance shares worth €1.8m. The figure includes a total of 11 managerial staff with strategic responsibilities.
* Includes accounts with Telco.

Situation at 30 June 2013

(€m)

	Group companies	Directors and strategic management	Associates *	Other related parties	Total
Assets	15,587.1	—	2,142.6	1,298.3	19,028.0
of which: other assets	*5,664.1*	—	*882.2*	*404.8*	*6,951.1*
loans and advances	*9,923.–*	—	*1,260.4*	*893.5*	*12,076.9*
Liabilities	10,965.6	—	3.4	148.1	11,117.1
Guarantees and commitments	16,897.9	—	—	281.4	17,179.3
Interest income	425.8	—	72.3	32.5	530.6
Interest expense	(393.9)	—	—	(0.3)	(394.2)
Net fee income	14.7	—	9.2	16.3	40.2
Other income (costs)	(85.6)	(20.0) [1]	33.2	98.1	25.7

[1] Of which: short-term benefits amounting to €18.2m, stock options worth €0.9m and performance shares worth €0.9m. The figure includes a total of ten managerial staff with strategic responsibilities..

* Includes accounts with Telco, RCS MediaGroup, Pirelli and Gemina.

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 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
29 March 1999	3,130,000	30 July 2006	31 December 2011	3,130,000
30 July 2001	50,000,000	30 July 2006	1 July 2015	48,401,500
28 October 2004	15,000,000	28 October 2009	1 July 2020	12,915,000
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	15,576,000
TOTAL STOCK OPTIONS	**108,130,000**	**X**	**X**	**80,022,500**
28 October 2010	20,000,000	X	X	8,833,822
TOTAL PERFORMANCE SHARES	**20,000,000**	**X**	**X**	**8,833,822**

[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.

2. *Description of stock option schemes*

The stock option schemes approved pursuant to Article 2441, paragraphs 8 and 5, of the Italian Civil Code, provide for a maximum duration of ten years and a vesting period of thirty-six months.

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

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

No options awards were made in the twelve months ended 30 June 2014.

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

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 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 guidance issued by regulatory authorities requiring that significant percentages of the variable remuneration component annually assigned be paid in the form of equity instruments, making it consistent with results sustainable over time;
– encourage the involvement of key staff in a mechanism for co-investing in the share capital of Mediobanca;
– introduce a new instrument alongside the stock options, with a limited number of newly-issued shares and by using the treasury shares owned by the Bank, in order to limit the dilutive impact on the ownership structure.

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

On 27 September 2013, as part of staff variable remuneration for the 2013 financial year, a total of 1,050,801 performance shares were awarded; the shares, which are conditional upon certain performance targets being met over a three-year time horizon, will be made available in tranches in November 2015 (up to 420,322), November 2016 (up to 420,322) and November 2017 (up to 210,157) taking into account the additional holding period of one year.

In November 2013 a total of 1,164,586 performance shares were exercised from the scheme approved in September 2012, through delivery of an equivalent number of treasury shares owned by the Bank.

On 3 February 2014 a total of 634,113 performance shares were awarded.

Since the reporting date, as part of staff variable remuneration for the 2014 financial year, in September 2014 a total of 1,053,295 performance shares were awarded; the shares, which are conditional upon certain performance targets being met over a three-year time horizon, will be made available in tranches in November 2016 (up to 465,042), November 2017 (up to 390,710) and November 2018 (up to 197,543), taking into account the additional holding period of one year. The overall notional cost of the shares is €6.5m.

B. QUANTITATIVE INFORMATION

1. Changes to stock option scheme during the period

Headings / No. of options and strike prices	30/6/14			30/6/13		
	No. of options	Avg. price	Avg. expiry	No. of options	Avg. price	Avg. expiry
A. Balance at start of period	36,178,250	9.75	November 2016	38,538,250	9.76	October 2016
B. Additions						
B.1 New issues	—	—	X	—	—	X
B.2 Other additions	—	—	X	—	—	X
C. Reductions						
C.1 Options cancelled	9,992,250	13.80	X	1,705,000	11.31	X
C.2 Options exercised	277,500	6.54	X	—	—	X
C.3 Options expired	—	—	X	—	—	X
C.4 Other reductions	690,000	6.51	X	655,000	6.54	X
D. Balance at end of period	25,218,500	8.27	September 2017	36,178,250	9.75	November 2016
E. Options exercisable as at reporting date	24,953,500	8.28	X	21,748,250	12.18	X

2. Changes to performance share scheme during the period

Headings / No. of perfomance shares	30/6/14		30/6/13	
	No. of performance shares	Avg. price	No. of performance shares	Avg. price
A. Balance at start of period	8,313,494	4.18	2,494,424	6.23
B. Additions				
B.1 New issues	1,684,914	5.28	5,861,494	3.32
B.2 Other additions	—	—	—	—
C. Reductions				
C.1 Options cancelled	—	—	—	—
C.2 Options exercised	1,164,586	6.31	—	—
C.3 Options expired	—	—	—	—
C.4 Other reductions	—	—	42,424	6.23
D. Balance at end of period	8,833,822	4.11	8,313,494	4.18
E. Options exercisable as at reporting date	—	—	—	—

ANNEXES

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET (IAS/IFRS-compliant)

(€m)

	Assets	IAS-compliant 30/6/14	IAS-compliant 30/6/13
10.	Cash and cash equivalents	33.9	28.8
20.	Financial assets held for trading	12,407.0	13,047.1
30.	Financial assets recognized at fair value	—	—
40.	AFS securities	8,418.5	11,489.8
50.	Financial assets held to maturity	1,659.8	1,447.8
60.	Due from banks	5,287.8	4,855.0
	of which:		
	other trading items	*4,546.6*	*3,783.3*
	securities	—	—
	other items	*11.1*	*5.4*
70.	Due from customers	36,623.5	36,413.9
	of which:		
	other trading items	*6,314.0*	*3,278.9*
	securities	*386.5*	*605.7*
	other items	*49.4*	*89.2*
80.	Hedging derivatives	1,008.6	1,105.9
	of which:		
	funding hedge derivatives	*1,008.6*	*1,105.9*
	lending hedge derivatives	—	—
90.	Value adjustments to financial assets subject to general hedging	—	—
100.	Equity investments	2,871.4	2,586.9
110.	Total reinsurers' share of technical reserves	—	—
120.	Property, plant and equipment	306.1	295.4
130.	Intangible assets	409.4	412.3
	of which:		
	goodwill	*365.9*	*365.9*
140.	Tax assets	1,097.0	896.3
	a) current	*385.7*	*246.8*
	b) advance	*711.3*	*649.5*
150.	Other non-current and Group assets being sold	—	—
160.	Other assets	341.0	262.1
	of which:		
	other trading items	*5.1*	*5.7*
	TOTAL ASSETS	**70,464.0**	**72,841.3**

The balance sheet provided on p. 23 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 30/6/14	IAS-compliant 30/6/13
10.	Due to banks	11,459.8	12,366.1
	of which:		
	other trading items	*3,007.1*	*2,056.7*
	other liabilities	*6.0*	*4.4*
20.	Due to customers	16,475.4	16,175.8
	of which:		
	other trading items	*1,698.5*	*1,037.4*
	other liabilities	*7.3*	*12.1*
30.	Debt securities	23,330.0	26,695.3
40.	Trading liabilities	9,277.2	8,850.0
50.	Liabilities recognized at fair value	—	—
60.	Hedging derivatives	353.5	336.4
	of which:		
	funding hedge derivatives	*296.4*	*267.1*
	lending hedge derivatives	*32.5*	*37.2*
70.	Value adjustments to financial liabilities subject to general hedging	—	—
80.	Tax liabilities	596.2	608.0
	a) current	*235.1*	*267.5*
	b) deferred	*361.1*	*340.5*
90.	Liabilities in respect of Group assets being sold	—	—
100.	Other liabilities	710.5	551.6
	of which:		
	other trading items	—	—
	loan loss provisions	*19.1*	*13.8*
110.	Staff severance indemnity provision	28.7	27.7
120.	Provisions	166.3	164.8
	a) post-employment and similar benefits	—	—
	b) other provisions	*166.3*	*164.8*
130.	Technical reserves	123.7	117.4
140.	Valuation reserves	869.7	305.7
150.	Shares with right of withdrawal	—	—
160.	Equity instruments	—	—
170.	Reserves	4,150.4	4,374.3
180.	Share premium reserve	2,121.8	2,120.1
190.	Share capital	430.7	430.6
200.	Treasury shares	(199.2)	(213.8)
210.	Net equity attributable to minorities	104.5	107.5
220.	Profit (loss) for the year	464.8	(176.2)
	TOTAL LIABILITIES AND NET EQUITY	**70,464.0**	**72,841.3**

Consolidated profit and loss account (IAS/IFRS-compliant)

(€m)

	Profit and loss account	30/6/14	30/6/13
10.	Interest and similar income	2,380.0	2,726.7
20.	Interest expense and similar charges	(1,319.1)	(1,660.4)
30.	**Net interest income**	**1,060.9**	**1,066.3**
40.	Fee and commission income	391.9	354.2
50.	Fee and commission expense	(57.1)	(46.2)
60.	**Net fee and commission income**	**334.8**	**308.0**
70.	Dividends and similar income	84.8	46.4
80.	Net trading income	(39.5)	41.9
90.	Net hedging income (expense)	(2.7)	4.1
100.	Gain (loss) on disposal of:	224.7	91.0
	a) loans and receivables	*(48.1)*	*6.0*
	b) AFS securities	*291.8*	*40.7*
	c) financial assets held to maturity	*(1.5)*	*1.3*
	d) other financial liabilities	*(17.5)*	*43.0*
120.	**Total income**	**1,663.0**	**1,557.7**
130.	Adjustments for impairment to:	(699.8)	(721.4)
	a) loans and receivables	*(682.3)*	*(510.0)*
	b) AFS securities	*(8.7)*	*(214.9)*
	c) financial assets held to maturity	*(2.8)*	*0.3*
	d) other financial liabilities	(6.0)	3.2
140.	**Net income from financial operations**	**963.2**	**836.3**
150.	Net premium income	38.0	32.0
160.	Income less expense from insurance operations	(18.1)	(15.3)
170.	**Net income from financial and insurance operations**	**983.1**	**853.0**
180.	Administrative expenses:	(811.1)	(770.0)
	a) personnel costs	*(379.0)*	*(383.8)*
	b) other administrative expenses	*(432.1)*	*(386.2)*
190.	Net transfers to provisions for liabilities and charges	(2.6)	(3.2)
200.	Net adjustments to property, plant and equipment	(18.2)	(19.1)
210.	Net adjustments to intangible assets	(22.8)	(22.0)
	of which: goodwill	—	—
220.	Other operating income (expenses)	127.8	138.0
230.	**Operating costs**	**(726.9)**	**(676.3)**
240.	Profit (loss) from equity-accounted companies	244.9	(198.9)
270.	Gain (loss) on disposal of investments	(0.1)	(0.6)
280.	**Profit (loss) before tax on ordinary activities**	**501.0**	**(22.8)**
290.	Income tax on ordinary activities for the year	(39.6)	(157.6)
300.	**Profit (loss) after tax on ordinary activities**	**461.4**	**(180.4)**
310.	Net gain (loss) on non-current assets being sold	—	—
320.	**Profit (loss) for the year**	**461.4**	**(180.4)**
330.	Profit (loss) for the year attributable to minorities	3.4	4.2
340.	**Net profit (loss) for the year attributable to Mediobanca**	**464.8**	**(176.2)**

The profit and loss account shown on p. 22 reflects the following restatements:
- Net interest income includes the result of funding and lending hedging activity (minus €2.8m and €4.1m respectively), plus the margins on swaps reported under heading 80 (€28.8m and minus €42.4m respectively);
- amounts under Heading 220 have been restated as Net fee and commission income, save for amounts refunded/recovered totalling €59.5m and €56.9m 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 payable in respect of securities lending (minus €1.8m and minus €4.7m respectively), shown here as Net treasury income;
- Net treasury income also includes the amounts shown under headings 70 and 80, the gains (losses) on disposal of bonds (respectively €47.9m and €31.3m), as well as financial liabilities reported under heading 100 net of or in addition to the items already stated and the value of losses arising on disposal of third-party receivables, which are treated as Loan loss provisions in an amount totalling €48.1m;
- 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 (respectively minus €18.6m and minus €189.4m).

Mediobanca S.p.A. Financial Statements

Mediobanca S.p.A. balance sheet (IAS/IFRS-compliant)

(€m)

	Assets	IAS-compliant 30/6/14	IAS-compliant 30/6/13
10.	Cash and cash equivalents	0.5	0.1
20.	Financial assets held for trading	11,639.9	12,419.1
40.	AFS securities	7,301.5	10,319.3
50.	Financial assets held to maturity	1,645.9	1,434.1
60.	Due from banks	9,541.4	9,752.0
	of which:		
	other trading items	*4,767.4*	*4,773.1*
	securities	–	–
	other items	*19.7*	*22.0*
70.	Due from customers	26,300.7	26,017.6
	of which:		
	other trading items	*7,338.2*	*4,156.4*
	securities	*3,354.9*	*3,570.2*
	other items	*83.3*	*94.9*
80.	Hedging derivatives	1,065.1	1,152.2
	of which:		
	funding hedge derivatives	*1,065.1*	*1,152.2*
	lending hedge derivatives	–	–
100.	Equity investments	2,667.9	2,717.6
120.	Property, plant and equipment	123.9	124.9
130.	Intangible assets	9.5	7.0
140.	Tax assets	390.7	268.9
	a) current	*248.6*	*123.7*
	b) advance	*142.1*	*145.2*
150.	Other assets	73.5	33.5
	Total assets	**60,760.5**	**64,246.3**

The balance sheet provided on p. 255 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 30/6/14	IAS-compliant 30/6/13
10.	Due to banks	18,845.5	20,620.5
	of which:		
	other trading items	*3,439.0*	*2,464.6*
	other liabilities	*7.7*	*9.1*
20.	Due to customers	1,970.7	1,262.1
	of which:		
	other trading items	*1,454.0*	*887.9*
	other liabilities	*89.4*	*57.3*
30.	Debt securities	24,148.4	27,582.3
40.	Trading liabilities	9,251.1	8,856.8
60.	Hedging derivatives	570.7	533.1
	of which:		
	funding hedge derivatives	*522.8*	*475.5*
	lending hedge derivatives	*32.5*	*37.2*
80.	Tax liabilities	484.9	503.6
	a) current	*185.9*	*213.7*
	b) deferred	*299.0*	*289.9*
100.	Other liabilities	334.1	235.2
	of which:		
	adjustments to L & R	*2.4*	*0.8*
	other trading items	*64.5*	*112.2*
110.	Staff severance indemnity provision	10.0	9.5
120.	Provisions	151.7	151.0
	a) post-employment and similar benefits	–	–
	b) other provisions	*151.7*	*151.0*
130.	Valuation reserves	452.2	130.9
160.	Reserves	2.021.6	2.257.8
170.	Share premium reserve	2.121.8	2.120.1
180.	Share capital	430.7	430.6
190.	Treasury shares (–)	(198.8)	(213.4)
200.	Profit (loss) for the period	165.9	(233.8)
	Total liabilities and net equity	**60,760.5**	**64,246.3**

Mediobanca S.p.A. profit and loss account (IAS/IFRS-compliant)

(€m)

	Profit and loss account	30/6/14	30/6/13
10.	Interest and similar income	1,511.7	1,879.0
20.	Interest expense and similar charges	(1,381.4)	(1,701.3)
30.	**Net interest income**	**130.3**	**177.7**
40.	Fee and commission income	221.7	194.8
50.	Fee and commission expense	(16.2)	(19.7)
60.	**Net fee and commission income**	**205.5**	**175.1**
70.	Dividends and similar income	177.7	95.4
80.	Net trading income	(1.1)	120.4
90.	Net hedging income (expense)	(1.8)	2.0
100.	Gain (loss) on disposal of:	268.9	102.0
	a) loans and receivables	*(0.2)*	*6.0*
	b) AFS securities	*287.5*	*38.3*
	c) financial assets held to maturity	*(1.5)*	*1.3*
	d) other financial liabilities	*(16,9)*	*56.4*
120.	**Total income**	**779.5**	**672.6**
130.	Adjustments for impairment to:	(239.1)	(333.1)
	a) loans and receivables	*(233.0)*	*(86.9)*
	b) AFS securities	*(6.5)*	*(214.0)*
	c) financial assets held to maturity	*(3.3)*	–
	d) other financial liabilities	*3.7*	*(32.2)*
140.	**Net income from financial operations**	**540.4**	**339.5**
150.	Administrative expenses:	(274.9)	(266.5)
	a) personnel costs	*(168.0)*	*(175.7)*
	b) other administrative expenses	*(106.9)*	*(90.8)*
160.	Net transfers to provisions for liabilities and charges	(0.4)	–
170.	Net adjustments to property, plant and equipment	(3.7)	(3.7)
180.	Net adjustments to intangible assets	(6.2)	(8.7)
	of which: goodwill	–	–
190.	Other operating income (expenses)	15.2	20.3
200.	**Operating costs**	**(270.0)**	**(258.6**
210.	Profit (loss) from equity investments	(69.0)	(209.2)
240.	Gain (loss) on disposal of investments	–	–
250.	**Profit (loss) before tax on ordinary activities**	**201.4**	**(128.3)**
260.	Income tax on ordinary activities for the year	(35.5)	(105.5)
270.	**Profit (loss) after tax on ordinary activities**	**165.9**	**(233.8)**
290.	**Net profit (loss) for the period**	**165.9**	**(233.8)**

The profit-and-loss account provided on p. 255 reflects the following restatements:
- Net interest income includes the result of funding and lending hedging activity (minus €2m and €2m respectively), plus the margins on swaps reported under heading 80 (€80mm and €47.6m respectively).
- amounts under Heading 190 have been restated as Net fee and commission income, save for amounts refunded/recovered totalling €0.7m and €2m respectively which net operating costs; fees payable in respect of securities lending (minus €1.8m and minus €4.6m) have been restated under Heading 80;
- Net treasury income also includes the amounts shown under heading 80, the gains (losses) on disposal of financial liabilities reported under heading 100 (respectively minus €16.9m and €56.4m), as well as net of or in addition to the items already stated and the share of dividends (Heading 70) not attributable to equity investments (€92.9m and €49.1m respectively);
- Gain (loss) on AFS, HTM and L&R includes the amounts stated under Heading 100, net of gains (losses) on financial liabilities which are accounted for as Net treasury income;
- Provisions for other financial assets include both the AFS securities and HTM financial assets accounted for here under heading 130.

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 and Financial Companies (Ias/Ifrs)

Table B

BALANCE SHEETS

	COMPASS (€/000)	CREDITECH (€/000)
ASSETS		
10. **Cash and cash equivalents**	1,354	5
20. Financial assets held for trading	—	—
40. AFS securities	—	—
50. Financial assets held to maturity	—	792
60. Amounts receivable	8,816,083	259,169
- Due from banks	*27,381*	*7,686*
- Due from financial institutions	*70,974*	—
- Due from customers	*8,817,727*	*251,483*
70. Hedging derivatives	—	—
90. Equity investments	93,681	—
100. Property, plant and equipment	15,039	183
110. Intangible assets	366,632	11
120. Tax assets	542,224	7,847
- Current	50,233	3,955
- Advance	*491,991*	*3,892*
on which pursuant to Italian Law 214/11	*478,968*	*3,742*
140. Other assets	25,561	10,306
TOTAL ASSETS	**9,860,574**	**278,313**
LIABILITIES		
10. **Accounts payable**	8,516,112	192,620
- Due to banks	—	*191,676*
- Due to finacial institutions	—	*944*
- Due to customers	—	—
30. Debt securities in issue	—	—
40. Financial liabilities	—	—
50. Hedging derivatives	26,129	—
70. Tax liabilities	24,696	4,659
- Current	*22,145*	*4,659*
- Deferred	*2,551*	—
90. Other liabilities	111,800	5,999
100. Staff severance indemnity provision	8,870	3,186
110. Provisions	840	584
- other funds	*840*	*584*
120. Share capital	587,500	32,500
160. Reserves	591,008	31,508
170. Valuation reserves	(24,387)	(347)
180. Profit (loss) for the period	18,006	7,604
TOTAL LIABILITIES	**9,860,574**	**278,313**

Banks and Financial Companies (Ias/Ifrs)

PROFIT AND LOSS ACCOUNTS

		COMPASS (€/000)	CREDITECH (€/000)
10.	Interest and similar income	802,687	21,999
20.	Interest and similar expense	(225,884)	(2,067)
	Net interest income	**576,803**	**19,932**
30.	Fee and commission income	71,503	27,402
40.	Fee and commission expense	(13,738)	(12,262)
	Net fee and commission income	**57,765**	**15,140**
50.	Dividends and similar income	—	—
60.	Net trading income (expense)	—	(35)
90.	Gain (loss) on disposal/repurchase of:	(60,060)	—
	a. financial assets	*(60,060)*	—
	b. financial liabilities	—	—
	Total income	**574,508**	**35,037**
100.	Adjustments for impairments to financial assets	(376,919)	(5,621)
110.	Administrative expenses	(272,933)	(19,288)
	a. labour costs	*(76,652)*	*(11,055)*
	b. other administrative expenses	*(196,281)*	*(8,233)*
120.	Net adjustments to tangible assets	(2,390)	(101)
130.	Net adjustments to intangible assets	(8,388)	(64)
150.	Net transfers to provisions	(184)	(5)
160.	Other operating income (expense)	90,286	(1,940)
	Operating profit (loss)	**3,980**	**8,018**
170.	Profit (loss) on investments	—	—
	Profit (loss) on ordinary activities before tax	**3,980**	**8,018**
190.	Income tax on ordinary activities for the year	14,026	(414)
	Net profit (loss) on ordinary activities	**18,006**	**7,604**
	Net profit (loss) for the period	**18,006**	**7,604**

Banks and Financial Companies (IAS/IFRS)

continued **Table B**

BALANCE SHEETS

	COMPAGNIE MONEGASQUE DE BANQUE * (€/000)	CHEBANCA! (€/000)	MEDIOBANCA INTERNATIONAL (LUXEMBOURG) (€/000)
ASSETS			
10. Cash and cash equivalents	1,059	31,003	444
20. Financial assets held for trading	735,383	—	453,684
40. AFS securities	428,110	595,146	—
50. Financial assets held to maturity	172,278	—	285,057
60. Due from banks	237,682	10,250,749	1,008,060
70. Due from customers	802,869	4,634,725	2,366,132
80. Hedging derivatives	1,652	—	226,961
100. Equity investments	48	68	4,150
110. Property, plant and equipment	17,288	6,618	12
120. Intangible assets	10,884	1,292	—
130. Tax assets	—	32,699	—
- Current	—	*4,693*	—
- Advance	—	*28,006*	—
on which pursuant to Italian Law 214/11	—	*20,245*	—
140. Other assets	12,242	174,474	2,266
TOTAL ASSETS	**2,419,495**	**15,726,774**	**4,346,766**
LIABILITIES			
10. Due to banks	19,048	3,716,706	1,261,590
20. Due to customers	1,718,560	11,481,592	1,231,191
30. Debt securities in issue	—	—	1,218,569
40. Financial liabilities	443	—	365,779
60. Hedging derivatives	—	58,263	148
80. Tax liabilities	—	11,288	2,307
- Current	—	*3,877*	*1,430*
- Deferred	—	*7,411*	*877*
100. Other liabilities	16,724	209,674	2,370
110. Staff severance indemnity provision	—	1,194	—
120. Provisions	3,937	5,206	—
- other provisions	*3,937*	*5,206*	—
130. Valuation reserves	17,743	6,376	—
160. Reserves	478,948	(98,387)	235,800
170. Share premium reserve	4,573	140,000	—
180. Share capital	111,110	220,000	10,000
200. Profit (loss) for the period	48,409	(25,138)	19,012
TOTAL LIABILITIES	**2,419,495**	**15,726,774**	**4,346,766**

* Table required under Article 36 of Consob's Market Regulations and Article 2.6.2, C. 12 of Borsa Italiana's regulations.

Banks and Financial Companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS ACCOUNTS

	COMPAGNIE MONEGASQUE DE BANQUE *	CHEBANCA!	MEDIOBANCA INTERNATIONAL (LUXEMBOURG)
	(€/000)	(€/000)	(€/000)
10. Interest and similar income	34,072	499,002	105,045
20. Interest and similar expense	(2,917)	(358,132)	(82,002)
30. Net interest income	**31,155**	**140,870**	**23,043**
40. Fee and commission income	50,681	29,140	12,798
50. Fee and commission expense	(5,945)	(6,794)	(5,497)
60. Net fee and commission income	**44,736**	**22,346**	**7,301**
70. Dividends and similar income	12	—	—
80. Net trading income (expense)	10,400	—	2,723
90. Net hedging income (expense)	—	(21)	(146)
100. Gain (loss) on disposal/repurchase on financial assets	3,877	435	218
a) loans and advances	—	*435*	*218*
b) AFS securities	*3,877*	—	—
c) financial liabilities	—	—	—
110. Net income from financial assets and liabilities	—	—	—
120. Total income	**90,180**	**163,630**	**33,139**
130. Adjustments for impairment	938	(27,858)	(3,699)
a) loans and advances	*3,134*	*(27,858)*	*(3,078)*
b) AFS securities	*(2,196)*	—	—
c) HTM securities	—	—	—
d) financial liabilities	—	—	*(621)*
140. Net income from financial operations	**91,118**	**135,772**	**29,440**
150. Administrative expenses	(38,706)	(176,239)	(5,820)
- labour costs	*(27,064)*	*(60,068)*	*(728)*
- ohter administrative expenses	*(11,642)*	*(116,171)*	*(5,092)*
160. Net transfers to provisions	(285)	(3,383)	—
170. Net adjustments to tangible assets	(2,288)	(2,839)	(17)
180. Net adjustments to intangible assets	(3,814)	(1,280)	(2)
190. Other operating income (expense)	2,388	20,402	60
200. Operating costs	**(42,705)**	**(163,339)**	**(5,779)**
210. Gain (loss) on equity investments	—	—	—
240. Gain (loss) on disposal of investments	—	—	—
250. Profit (loss) on ordinary activities before tax	**48,413**	**(27,567)**	**23,661**
260. Income tax on ordinary activities for the year	(4)	2,429	(4,649)
270. Profit (loss) on ordinary activities after tax	**48,409**	**(25,138)**	**19,012**
280. Gain (loss) on groups of assets being sold	—	—	—
290. Net profit (loss) for the period	**48,409**	**(25,138)**	**19,012**

* Table required under Article 36 of Consob's Market Regulations and Article 2.6.2, C. 12 of Borsa Italiana's regulations.

Banks and Financial Companies (IAS/IFRS)

continued **Table B**

BALANCE SHEETS

		SELMABIPIEMME LEASING	PALLADIO LEASING	TELELEASING (Liquidation accounts)
		(€/000)	(€/000)	(€/000)
	ASSETS			
10.	Cash and cash equivalents	5	5	—
20.	Financial assets held for trading	90	—	—
40.	AFS securities	—	—	—
50.	Financial assets held to maturity	—	—	—
60.	Due from customers	1,634,568	1,378,411	125,511
70.	Hedging derivatives	266	—	—
90.	Equity investments	51,049	—	—
100.	Property, plant and equipment	32,860	16,113	—
110.	Intangible assets	1,126	—	—
120.	Tax assets	102,165	9,676	1,668
	- Current	*69,373*	*1,940*	*1,018*
	- Advance	*32,793*	*7,736*	*650*
	of which pursuant to Italian Law 214/11	*25,069*	*7,670*	*234*
140.	Other assets	4,417	9,660	2,465
	TOTAL ASSETS	**1,826,546**	**1,413,865**	**129,644**
	LIABILITIES			
10.	Due to banks	1,717,759	1,271,592	9,798
30.	Trading liabilities	—	—	—
50.	Hedging derivatives	18,900	—	—
70.	Tax liabilities	7,450	8,044	6,957
	- Current	*7,388*	*3,385*	*3,330*
	- Deferred	*62*	*4,659*	*3,628*
90.	Other liabilities	15,722	24,484	3,672
100.	Staff severance indemnity provision	1,583	1,250	34
110.	Provisions	1,679	121	—
	- Other provisions	*1,679*	*121*	—
120.	Share capital	41,305	8,675	9,500
130.	Treasury shares	—	(434)	—
150.	Share premium reserve	18,040	—	—
160.	Reserves	29,125	98,911	94,445
170.	Valuation reserves	(12,136)	670	2,435
180.	Profit (loss) for the period	(12,881)	552	2,803
	TOTAL LIABILITIES	**1,826,546**	**1,413,865**	**129,644**

Banks and Financial Companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS ACCOUNTS

		SELMABIPIEMME LEASING	PALLADIO LEASING	TELELEASING (Liquidation accounts)
		(€/000)	(€/000)	(€/000)
10.	Interest and similar income	52,133	38,784	12,596
20.	Interest and similar expense	(33,075)	(18,324)	(3,907)
	Net interest income	**19,058**	**20,460**	**8,689**
30.	Fee and commission income	296	—	—
40.	Fee and commission expense	(970)	(362)	—
	Net fee and commission income	**(674)**	**(362)**	**—**
50.	Dividends and similar income	—	—	—
60.	Net trading income (expense)	(74)	(115)	61
70.	Net hedging income (expense)	(90)	—	(1,395)
	Total income	**18,220**	**19,983**	**7,355**
100.	Adjustments for impairment	(21,656)	(11,890)	744
	- Financial assets	*(21,656)*	*(11,890)*	*744*
110.	Administrative expenses	(16,392)	(7,054)	(3,341)
	a) labour costs	*(9,422)*	*(5,511)*	*(606)*
	b) other administrative expenses	*(6,970)*	*(1,543)*	*(2,735)*
120.	Net adjustments to tangible assets	(2,189)	(432)	—
130.	Net adjustments to intangible assets	(213)	—	—
150.	Net transfers to provisions	2,030	—	—
160.	Other operating income (expense)	1,776	587	177
	Profit (loss) on ordinary operations	**(18,424)**	**1,194**	**4,935**
	Amounts drawn from surplus on liquidation	—	—	(121)
	Profit (loss) on ordinary activities before tax	**(18,424)**	**1,194**	**4,814**
190.	Income tax on ordinary activities for the year	5,543	(642)	(2,011)
	Profit (loss) on ordinary activities after tax	**(12,881)**	**552**	**2,803**
	Net profit (loss) for the period	**(12,881)**	**552**	**2,803**

Banks and Financial Companies (IAS/IFRS)

continued **Table B**

BALANCE SHEETS

		PROMINVESTMENT (in Liquidation) (€/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.	Due from banks	4,648
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	310
	a) Current	*310*
	b) Advance	—
130.	Non-current assets and groups of assets being sold	—
140.	Other assets	300
	TOTAL ASSETS	**5,258**
	LIABILITIES	
10.	Due to banks	861
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	305
	a) Current	*305*
	b) Deferred	—
90.	Other liabilities	6,412
100.	Staff severance indemnity provision	111
110.	Provisions	520
	b) Other provisions	*520*
120.	Share capital	743
130.	Treasury shares	—
140.	Equity instruments	—
150.	Share premium reserve	—
160.	Reserves	(2,895)
170.	Valuation reserve	—
180.	Profit (loss) for the period	(799)
	TOTAL LIABILITIES	**5,258**

Banks and Financial Companies (IAS/IFRS)

PROFIT AND LOSS ACCOUNTS

		PROMINVESTMENT (in Liquidation) (€/000)
10.	Interest and similar income	—
20.	Interest and similar expense	(6)
	Net interest income	(6)
30.	Fee and commission income	244
40.	Fee and commission expense	(94)
	Net fee and commission income	**150**
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	**144**
100.	Value adjustments for impairment to	(27)
	a) financial assets	*(27)*
	b) other financial transactions	—
110.	Administrative expenses	(966)
	a) labour costs	*(570)*
	b) other administrative expenses	*(396)*
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 transfer to provisions for risks and charges	—
160.	Other operating income (expense)	50
	Profit (loss) on ordinary activities	**(799)**
170.	Gain (loss) on equity investments	—
180.	Gain (loss) on disposal of equity investments	—
	Profit (loss) on ordinary activities before tax	**(799)**
190.	Income tax on ordinary activities for the year	—
	Profit (loss) on ordinary activities after tax	**(799)**
200.	Gain (loss) on groups of assets being sold	—
	Net profit (loss) for the period	**(799)**

BALANCE SHEETS

	MEDIOBANCA INTERNATIONAL IMMOBILIERE (€/000)	MB ADVISORY TURKEY 31/12/2013 (Turkish Lira/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	36	1,379
70. Hedging derivatives	—	—
80. Value adjustments to financial assets subjects to general hedging (+/-)	—	—
90. Equity investments	—	—
100. Property, plant and equipment	2,033	171
110. Intangible assets	—	38
120. Tax assets	3	384
a) Current	*3*	*220*
b) Advance	—	*164*
130. Non-current assets and groups of assets being sold	—	—
140. Other assets	—	66
TOTAL ASSETS	**2,072**	**2,038**
LIABILITIES		
10. Due to banks	436	12
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	10	186
a) Current	*10*	—
b) Deferred	—	*186*
90. Other liabilities	10	13
100. Staff severance indemnity provision	—	—
110. Provisions	—	—
a) other provisions	—	—
120. Share capital	40	2,250
- share capital	*40*	*4,500*
- units to be paid	—	*(2,250)*
130. Treasury shares	—	—
140. Equity instruments	—	—
150. Share premium reserve	—	—
160. Reserves	1,560	—
170. Valuation reserve	—	—
180. Profit (loss) for the period	16	(423)
TOTAL LIABILITIES	**2,072**	**2,038**

Banks and Financial Companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS ACCOUNTS

		MEDIOBANCA INTERNATIONAL IMMOBILIERE	MB ADVISORY TURKEY 31/12/2013
		(€/000)	(Lire turche/000)
10.	Interest and similar income	—	73
20.	Interest and similar expense	(35)	(25)
	Net interest income	**(35)**	**48**
30.	Fee and commission income	—	2.252
40.	Fee and commission expense	—	(2.541)
	Net fee and commission income	**—**	**(289)**
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	—	—
	Other financial trasactions	—	—
	Total income	**(35)**	**(241)**
100.	Value adjustments for impairment to	—	—
	a) financial assets	—	—
	b) other financial trasactions	—	—
110.	Administrative expenses	(13)	(179)
	a) labour costs	—	—
	b) other administrative expenses	*(13)*	*(179)*
120.	Net adjustments to tangible assets	(86)	—
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)	160	(3)
	Profit (loss) on ordinary activities	**26**	**(423)**
170.	Gain (loss) on equity investments	—	—
180.	Gain (loss) on disposal of equity investments	—	—
	Profit (loss) on ordinary activities before tax	**26**	**(423)**
190.	Income tax on ordinary activities for the year	(10)	—
	Profit (loss) on ordinary activities after tax	**16**	**(423)**
200.	Gain (loss) on groups of assets being sold	—	—
	Net profit (loss) for the period	**16**	**(423)**

Other Group Companies

BALANCE SHEETS

	Société Monégasque d'Etudes Financières 31.12.2013	**CMB Asset Management S.A.M. 31.12.2013**
	(€/000)	**(€/000)**
ASSETS		
B) Fixed assets:		
I) Intangible assets	—	—
II) Tangible assets	1	—
III) Financial fixed assets	—	—
Total B	1	—
C) Current assets:		
I) Inventories	—	—
II) Accounts receivable	409	422
III) Financial assets other than fixed assets	—	—
IV) Cash	1	3,051
Total C	410	3,473
D) Accrued income and prepaid expenses	—	3
TOTAL ASSETS	**411**	**3,476**
LIABILITIES		
A) Shareholders' equity:		
I) Share capital	775	150
III) Revaluation reserves	—	—
IV) Legal reserve	—	—
VI) Statutory reserve	26	2
VII) Other reserves	—	—
VIII) Retained earnings (accumulated loss)	379	34
IX) Profit (loss) for the year	(788)	8
Advance payments on dividends	—	—
Total A	392	194
B) Provisions for liabilities and charges	—	—
C) Provision for staff termination indemnities	—	—
D) Accounts payable:		
3) Amounts due to banks	11	—
4) Amounts due to other lenders	—	—
5) Advances	—	160
6) Trade accounts payable	—	204
7) Amounts due to subsidiaries	—	—
9) Amounts due to associated companies	—	—
10) Amounts due to parent companies	—	—
11) Taxable payable	—	44
12) Amounts due to pension and social security institutions	—	—
14) Other accounts payable	8	2,874
Total D	19	3,282
E) Accrued expenses and deferred income	—	—
TOTAL LIABILITIES	**411**	**3,476**

Other Group Companies

PROFIT AND LOSS ACCOUNTS

	Société Monégasque d'Etudes Financières 31.12.2013 (€/000)	CMB Asset Management S.A.M. 31.12.2013 (€/000)
A) Value of production	466	1,562
B) Costs of production:		
6) Raw materials, secondary materials consumables, semi-finished and finished goods	—	—
7) Services	(1,509)	(403)
8) Use of third parties' assets	—	—
9) Personnel	—	(1,146)
10) Depreciation, amortization and writedowns	—	(1)
12) Provision for liabilities	—	—
13) Other provisions	—	—
14) Sundry operating expenses	—	—
Total B	(1,509)	(1,550)
A - B	(1,043)	12
C) Interest income (charges)	—	—
D) Value adjustments to financial fixed assets	—	—
E) Extraordinary income (expenses)	256	—
Profit (loss) before tax	(787)	12
Income taxes for the year	(1)	(4)
Profit (loss) for the year	(788)	8

Other Financial Companies (IAS/IFRS)

continued **Table B**

BALANCE SHEETS

		CONSORTIUM	SPAFID	PRUDENTIA FIDUCIARIA	MEDIOBANCA SECURITIES LLC
		(€/000)	(€/000)	(€/000)	(€/000)
	ASSETS				
10.	Cash and cash equivalents	—	3	1	—
20.	Financial assets held for trading	—	10,750	—	—
40.	AFS securities	—	—	—	—
50.	Financial assets held to maturity	—	19,847	1,452	—
60.	Due from banks	33	2,979	2,250	5,671
70.	Due from customers	—	2,302	59	—
100.	Equity investments	—	—	—	—
120.	Tangible assets	—	1	—	4
130.	Intangible assets	—	—	—	—
140.	Tax assets	154	177	170	—
	- current	*154*	*90*	*128*	—
	- advance	—	*87*	*42*	—
160.	Other assets	—	753	—	44
	TOTAL ASSETS	**187**	**36,812**	**3,932**	**5,719**
	LIABILITIES				
10.	Due to banks	—	4	—	2,016
20.	Due to customers	—	—	—	—
30.	Debt securities in issue	—	—	—	—
40.	Financial liabilities	—	—	—	—
70.	Tax liabilities	—	1,253	197	—
	- current	—	*1,253*	*197*	—
	- deferred	—	—	—	—
90.	Other liabilities	6	1,139	618	51
100.	Staff severance indemnity provision	—	704	593	743
110.	Provisions	—	65	10	—
120.	Share capital	100	100	100	2,250
170.	Reserves	116	32,689	2,205	(936)
180.	Profit (loss) for the period	(35)	858	209	1,595
	Total liabilities	**187**	**36,812**	**3,932**	**5,719**

Other Financial Companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS ACCOUNTS

	CONSORTIUM	SPAFID	PRUDENTIA FIDUCIARIA	MEDIOBANCA SECURITIES LLC
	(€/000)	(€/000)	(€/000)	(€/000)
10. Interest and similar income	—	926	59	—
20. Interest and similar expense	—	—	—	(24)
Net interest income	**—**	**926**	**59**	**(24)**
30. Fee and commission income	—	6,038	3,050	4,057
40. Fee and commission expense	—	(2,739)	—	—
Net fee and commission income	**—**	**3,299**	**3,050**	**4,057**
50. Dividends and similar income	—	—	—	—
60. Net trading income (expense)	—	10	—	—
70. Net hedging income (expense)	—	—	—	—
80. Net income from financial assets and liabilities	—	—	—	—
90. Gain (loss) on disposal/repurchase of financial assets	—	—	—	—
Total income	**—**	**4,235**	**3,109**	**4,033**
100. Adjustments for impairment	—	(17)	—	—
Net income from financial operations	**—**	**4,218**	**3,109**	**4,033**
110. Administrative expenses	(35)	(3,234)	(2,764)	(2,438)
a) labour costs	*(6)*	*(1,598)*	*(1,489)*	*(1,302)*
b) other administrative expenses	*(29)*	*(1,636)*	*(1,275)*	*(1,136)*
120. Net adjustments to tangible assets	—	—	—	—
130. Net adjustments to intangible assets	—	(1)	—	—
160. Other operating income (expense)	—	327	16	—
Operating costs	**(35)**	**1,310**	**361**	**1,595**
170. Gain (loss) on equity investments	—	—	—	—
Profit (loss) on ordinary activities before tax	**(35)**	**1,310**	**361**	**1,595**
190. Income tax on ordinary activities for the year	—	(452)	(152)	—
200. Profit (loss) on ordinary activities after tax	(35)	858	209	1,595
Net profit (loss) for the period	**(35)**	**858**	**209**	**1,595**

Other Financial Companies (IAS/IFRS)

BALANCE SHEETS

		FUTURO	MEDIOBANCA COVERED BOND	QUARZO LEASE	QUARZO
		(€/000)	(€/000)	(€/000)	(€/000)
	ASSETS				
10.	Cash and cash equivalents	—	—	—	—
20.	Financial assets held for trading	—	—	—	—
40.	AFS securities	—	—	—	—
50.	Financial assets held to maturity	—	—	—	—
60.	Due from banks	3,943	100	26	12
70.	Due from customers	1,101,006	—	—	—
80.	Hedging derivatives	—	—	—	—
100.	Equity investments	—	—	—	—
120.	Property, plant and equipment	77	—	—	—
130.	Intangible assets	35	—	—	—
140.	Tax assets	5,135	—	1	1
	- Current	*1,531*	—	*1*	*1*
	- Advance	*3,604*	—	—	—
	on which pursuant to Italian Law 214/11	*324*	—	—	—
160.	Other assets	13,853	116	347	190
	TOTAL ASSETS	**1,124,049**	**216**	**374**	**203**
	LIABILITIES				
10.	Due to banks	1,042,536	—	—	—
20.	Due to customers	—	—	—	—
30.	Debt securities in issue	—	—	—	—
40.	Financial liabilities	—	—	—	—
50.	Hedging derivatives	9,314	—	—	—
70.	Tax liabilities	2,625	—	—	1
	- Current	*2,625*	—	—	*1*
	- Deferred	—	—	—	—
90.	Other liabilities	21,607	140	364	189
100.	Staff severance indemnity provision	141	—	—	—
110.	Provisions	1,623	—	—	—
120.	Share capital	4,800	100	10	10
160.	Reserves	39,520	(24)	—	3
170.	Valuation reserves	(5,741)	—	—	—
180.	Profit (loss) for the period	7,624	—	—	—
	TOTAL LIABILITIES	**1,124,049**	**216**	**374**	**203**

Other Financial Companies (IAS/IFRS)

PROFIT AND LOSS ACCOUNTS

		FUTURO	MEDIOBANCA COVERED BOND	QUARZO LEASE	QUARZO
		(€/000)	(€/000)	(€/000)	(€/000)
10.	Interest and similar income	65,364	—	—	—
20.	Interest and similar expense	(36,874)	—	—	—
	Net interest income	**28,490**	**—**	**—**	**—**
30.	Fee and commission income	987	—	—	—
40.	Fee and commission expense	(3,451)	—	—	—
	Net fee and commission income	**(2,464)**	**—**	**—**	**—**
50.	Dividends and similar income	—	—	—	—
60.	Net trading income (expense)	—	—	—	—
70.	Net hedging income (expense)	—	—	—	—
80.	Gain (loss) on disposal/repurchase of financial assets	—	—	—	—
90.	Net income from financial assets and liabilities	—	—	—	—
	Total income	**26,026**	**—**	**—**	**—**
100.	Net value adjustment for impairments to financial assets	(575)	—	—	—
110.	Administrative expenses	(11,394)	(46)	(91)	(132)
120.	Net transfers to provisions	(43)	—	—	—
130.	Net profit (loss) from financial operations	(51)	—	—	—
150.	Net adjustments to intangible assets	(403)	—	—	—
160.	Other operating income (expense)	(34)	46	91	132
	Operating costs	**14,101**	**—**	**—**	**—**
	Profit (loss) on ordinary activities before tax	**13,526**	—	**—**	**1**
190.	Income tax on ordinary activities for the year	(5,902)	—	—	(1)
200.	Profit (loss) on ordinary activities after tax	7,624	—	—	—
	Net profit (loss) for the period	**7,624**	**—**	**—**	**—**

Other non-Financial Companies (IAS/IFRS)

continued **Table B**

BALANCE SHEETS

	RICERCHE E STUDI S.p.A.	MEDIOBANCA INNOVATIONS SERVICES S.C.p.A.
	(€/000)	**(€/000)**
ASSETS		
Non-current assets		
Intangible assets	1	7,287
Tangible assets	1	—
Property, plant and equipment	—	45,930
Other non-current assets	—	19
Advance tax assets	—	175
Total non-current assets	**2**	**53,411**
Current assets		
Accounts receivable	—	2,723
Other receivables	—	—
Sundry receivables and other current assets	410	—
Current tax assets	—	320
Other current financial assets	—	10,069
Cash and liquid assets	522	36
Total current assets	**932**	**13,148**
TOTAL ASSETS	**934**	**66,559**

Other non-Financial Companies (IAS/IFRS)

PROFIT AND LOSS ACCOUNTS

	RICERCHE E STUDI S.p.A.	MEDIOBANCA INNOVATIONS SERVICES S.C.p.A.
	(€/000)	(€/000)
LIABILITIES		
A) Net equity:		
Share capital	100	35,000
Reserves	3	2,620
Profit (loss) for previous years	—	—
Profit (loss) for period	—	2
Total net equity	**103**	**37,622**
Non-current liabilities		
Provisions for liabilities and charges	—	—
Staff-related provisions	346	1,019
Deferred tax liabilities	—	637
Other non-current liabilities	—	—
Total non-current liabilities	**346**	**1,656**
Current liabilities		
Due to banks	—	—
Accounts payable	—	8,375
Current tax liabilities	—	326
Current financial liabilities	—	6,164
Other current liabilities	485	12,416
Total current liabilities	**485**	**28,937**
TOTAL LIABILITIES	**934**	**66,559**

Other non-Financial Companies (IAS/IFRS)

PROFIT AND LOSS ACCOUNTS

	RICERCHE E STUDI S.p.A.	MEDIOBANCA INNOVATIONS SERVICES S.C.p.A.
	(€/000)	(€/000)
Value of production	1,776	29,009
Pruduction costs	(555)	(11,687)
Personnel costs	(1,253)	(8,299)
Other operating income	—	(3,701)
Sundry operating expenses	(16)	—
Provisions for various risks	—	—
Amortization, other intangible assets	(1)	(2,030)
Depreciation on property, plant and equipment	(1)	(2,877)
Amortization of real estate investments	—	—
Operating profit (loss)	**(50)**	**415**
Financial income (expense)		
Financial income	1	—
Financial expenses	—	(141)
Other income	—	98
Other expenses	—	(30)
Extraordinary income	65	—
Extraordinary expenses	—	—
Net profit before tax	**16**	**342**
Tax charges and income	—	(340)
Income tax	(16)	(317)
Advance and deferred tax	—	(23)
Net profit for the period	**—**	**2**

Other Financial Companies (IAS/IFRS)

BALANCE SHEETS

	COMPASS RE S.A.
	(€/000)
ASSETS	
1) Intangible assets	—
2) Tangible assets	—
3) Deposits with ceding companies	—
4) Investments	163,661
5) Sundry receivables	7,681
Receivables deriving from reinsurance operations	*7,681*
6) Other assets	19,587
Deferred acquisition costs	*17,874*
Other assets	*1,713*
7) Cash and cash equivalents	9,093
Amounts due from bank	*9,093*
TOTAL ASSET	**200,022**

	COMPASS RE S.A.
	(€/000)
LIABILITIES	
1) Net equity	15,000
Share capital	*15,000*
2) Provisions	7
3) Technical reserves	174,926
Premium reserves	*111,443*
Claim reserves	*12,220*
Compensation reserves	*51,262*
5) Account payable	3,164
Payables deriving from reinsurance operations	*222*
Other amounts payable	*2,942*
6) Other liability items	109
Other liabilities	*109*
Profit (loss) for the period	6,816
TOTAL LIABILITIES	**200,022**

Other Financial Companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS ACCOUNT

	COMPASS RE S.A. (€/000)
I) TECHNICAL ACCOUNT	
Gross premium written	42,398
Transfers to premium reserves	(4,424)
Reinsured premiums	—
Total net premiums written	**37,974**
Income from non-underwriting investments	—
1) TOTAL INCOME AND REVENUES	**37,974**
Net expense in respect of claims	(9,983)
Amounts paid and charges to claims reserve	(1,834)
Acquisition costs	(6,528)
Future acquisitions costs	288
Operating expenses	(377)
2) TOTAL COST AND EXPENSES	**(18,434)**
Transfers to compensation reserves	(13,757)
Underwriting profit	5,783
II) TECHNICAL ACCOUNT	
Interest income	4,218
Investment expenses	(164)
Adjustments to investments	7
Investments income/expenses transferred to technical account	—
Non-underwrting profit	**4,061**
PROFIT (LOSS) FOR THE PERIOD BEFORE TAX	**9,844**
Taxation for the period	(3,028)
NET PROFIT (LOSS) FOR THE PERIOD	**6,816**

Associated undertakings: balance sheets and profit and loss accounts (as required under Article 2359 of the Italian Civil Code)

Associate Companies

Table C

BALANCE SHEETS

	ASSICURAZIONI GENERALI 31.12.2013
	(€/000)
ASSETS	
B) Total intangible assets	21,628
C) Investments	
I) Land and buildings (total)	300,219
II) Investments in Group and other undertakings (total)	27,425,959
III) Other financial investments	
1) Shares and stock units	85,239
2) Mutual fund units	114,721
3) Bonds and other fixed-income securities	1,359,655
4) Loans	2,379
6) Deposits with banks	53,063
7) Other financial investments	—
Total other financial investments	1,615,057
IV) Deposits with reinsurers	8,281,711
Total investments (C)	37,622,946
D) Investments for the benefit of life policyholders who carry the risk and deriving from pension fund management (total)	79,754
Dbis) Reinsurers' share of technical reserves	
I) General business (total)	570,193
II) Life business (total)	214,021
Total reinsurers' share of technical reserves (Dbis)	784,214
E) Accounts receivable	
I) Amounts due in respect of primary insurances (total)	128,063
II) Amount due in respect of reinsurances (total)	397,819
III) Other accounts receivable	857,335
Total accounts receivable (E)	1,383,217
F) Other assets	
I) Tangible assets and inventories (total)	2,458
II) Cash (total)	651,525
III) Own shares or stock units	2,996
IV) Other assets (total)	53,760
Total other assets (F)	710,739
G) Accruals and prepayments (total)	239,539
TOTAL ASSETS (B+C+D+Dbis+E+F+G)	**40,842,037**

Associate Companies

continued **Table C**

BALANCE SHEETS

	ASSICURAZIONI GENERALI 31.12.2013 (€/000)
LIABILITIES AND SHAREHOLDERS' EQUITY	
A) Shareholders' equity	
I) Share capital or equivalent fund	1,556,873
II-VII) Reserves (total)	12,538,109
IX) Profit (loss) for year	569,364
Total shareholders' equity (A)	14,664,346
B) Subordinated liabilities	4,930,288
C) Technical reserves	
I) General business (total)	2,121,927
II) Life business (total)	9,385,654
Total technical reserves (C)	11,507,581
D) Technical reserves where investment risk is carried by policyholders and reserves arising from pension fund management (total)	76,066
E) Provisions for risks and charges (total)	145,986
F) Deposits received from reinsurers	207,867
G) Accounts payable and other liabilities	
I) Amounts payable in respect of primary insurances	17,896
II) Amounts payable in respect of reinsurance	193,506
III) Bond issues	2,947,194
IV) Amounts payable to banks and financial institutions	50,628
V) Secured debt	—
VI) Loans and other debt	4,737,738
VII) Staff termination indemnity provision	5,131
VIII) Other accounts payable	434,843
IX) Other liabilities	538,008
Total accounts payable and other liabilities (G)	8,924,944
H) Accruals and deferrals (total)	384,959
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (A+B+C+D+E+F+G+H)	**40,842,037**
GUARANTEES, COMMITMENTS AND OTHER CONTRA ACCOUNTS (TOTAL)	14,443,027

Associate Companies

continued **Table C**

PROFIT AND LOSS ACCOUNTS (non-technical accounts)

	ASSICURAZIONI GENERALI 31.12.2013
	(€/000)
1) Underwriting profit (loss) from general business	312,146
2) Underwriting profit (loss) from life business	179,436
3) Investment income in general business	
a) Dividends	617,492
b) Other investment income (total)	111,042
c) Writebacks in book value of investments	3,071
d) Gain on disposal of investments	64,386
Total investment income in general business	795,991
4) (+) Portion of investment income transferred from technical accounts of life business	357,265
5) Operating and financial expenses in general business (3)	
a) Investment management expenses and interest paid	76,141
b) Writedowns to investments	146,118
c) Loss on disposal of investments	3,540
Total operating and financial expenses in general business (5)	225,799
6) Portion of investment income transferred from technical accounts of general business	160,629
7) Other income	147,428
8) Other expenditure	1,455,205
9) Profit (loss) on ordinary operations	(49,367)
10) Extraordinary income	572,975
11) Extraordinary expenditure	76,107
12) Net extraordinary income (expenditure) (10-11)	496,863
13) Earnings before tax	447,501
14) Taxation for the year	(121,863)
15) Profit (loss) for the year (13-14)	**569,364**

Associate Companies

BALANCE SHEETS

	Burgo Group 31.12.2013 (€/000)
ASSETS	
Non-current assets	**1,161,165**
Tangible assets	**744,391**
Property, plant and equipment	743,363
Real estate investments	1,028
Intangible assets	**31,261**
Goodwill and other long-term intangible assets	26,501
Intangible assets with deferred life	4,760
Other non-current assets	**323,030**
Investments in subsidiaries	320,985
Inestment in other companies	63
Securities not qualifying as equity investments	1,105
Financial receivables and other non-current financial assets	564
Sundry receivables and other non-current assets	313
Advance tax assets	**62,483**
Tax assets for advance taxation	62,483
Current assets	**705,667**
Inventory stocks	169,599
Trade receivables	359,102
Sundry receivable and other non-current assets	15,474
Equity investments	47,669
Securities not qualifying as equity investments	1
Financial receivables and other non-current financial assets	80,722
Cash and cash equivalents	33,100
TOTAL ASSETS	**1,866,832**
LIABILITIES	
Net equity	289,619
Share capital	205,443
Reserves	88,572
Retained earnings (losses) including profit (loss) for the period	(4,396)
Non-current liabilities	**799,475**
Non-current financial liabilities	717,018
Staff-related provisions	57,581
Deferred tax provision	24,876
Current liabilities	**777,738**
Current financial liabilities	281,663
Trade payables	451,273
Amounts due in respect of current taxes	6,352
Sundry payables and other current liabilities	38,450
TOTAL LIABILITIES	**1,866,832**

Associate Companies

continued **Table C**

PROFIT AND LOSS ACCOUNTS

	Burgo Group 31.12.2013
	(€/000)
Revenues	1,710,030
Other revenues and income	67,146
Total revenues and income from operations	**1,777,176**
Cost of materials and external services	(1,519,695)
Labour costs	(159,091)
Other operating costs	(23,780)
Changes to stocks	(17,017)
Capitalized cost of work carried out internally	2,602
Total operating costs	**(1,716,981)**
Profit before depreciation, amortization and non-recurring expenses	**60,195**
Depreciation and amortization	(70,814)
Gain (loss) on disposal of non-current assets	2,502
Writebacks (writedowns) to non-recurring assets	(82,442)
Non-recurring expenses, net	(5,697)
Restructuring charges, net	(12,635)
Operating profit (loss)	**(108,891)**
Interest income	(60,393)
Interest expense	21,133
Profit before tax	**(148,151)**
Taxation for the period	6,781
Profit for the period	**(141,370)**

Associate Companies

continued **Table C**

BALANCE SHEETS

	Telco 30.04.2014 (€/000)	GB Holding 31.12.2013 (€/000)
ASSETS		
B) Fixed assets:		
I) Intangible assets	—	—
II) Tangible assets	—	—
III) Financial fixed assets	2,773,813	13,621
Total (B)	2,773,813	13,621
C) Current assets:		
I) Inventories	—	—
II) Accounts receivable:		
1) from customers	—	—
2) from group companies	—	—
3) from associate companies	—	—
4) from parent companies	—	—
4 bis) from tax authorities	19	2
4 ter) advance tax	—	—
5) from others	—	—
Total accounts receivable	19	2
III) Financial assets other than fixed assets	—	—
IV) Cash and cash equivalents	3,143	15
Total C	3,162	17
D) Accrued income and prepaid expenses	—	—
TOTAL ASSETS (B+C+D)	**2,776,975**	**13,638**

Associate Companies

continued **Table C**

BALANCE SHEETS

	Telco 30.04.2014 (€/000)	GB Holding 31.12.2013 (€/000)
LIABILITIES		
A) Shareholders' equity:		
I) Share capital	879,206	97
II) Share premium reserve	—	13,526
III) Revaluation reserve	—	—
IV) Legal reserve	—	19
VII) Other reserve	—	—
VIII) Retained earnings (accumulated loss)	—	—
IX) Profit (loss) for the period	(952,473)	(11)
Allocation of loss as at 31/8/13	369,125	—
Total A	295,858	13,631
B) Provisions for liabilities and charges		
For tax (including deferred tax)	—	—
Other provisions	—	—
Total B	—	—
C) Provision for staff termination indemnities	—	—
D) Accounts payable:		
3) Amounts due to shareholders by way of loans	1,750,000	—
4) Amounts due to banks	660,000	—
5) Amounts due to other lenders	—	—
7) Amounts due to suppliers	644	7
9) Amounts due to group companies	—	—
12) Amounts due to tax authorities	—	—
13) Amounts due to pension and social security institutions	—	—
14) Other amounts due	221	—
Total D	2,410,865	7
E) Accrued expenses and deferred income	70,252	—
TOTAL LIABILITIES (A+B+C+D+E)	**2,776,975**	**13,638**

Associate Companies

continued **Table C**

PROFIT AND LOSS ACCOUNTS

	Telco 30.04.2014 (€/000)	GB Holding 31.12.2013 (€/000)
A) Value of production:		
1) Income from sales and services rendered	—	—
2) Changes in stocks of products being completed, semi-finished an finished products	—	—
3) Increase in fixed assets due to internal work	—	—
4) Other revenue and income	—	—
Total value of production (A)	—	—
B) Costs of production:		
6) Raw materials, secondary materials, consumables and merchandise	—	—
7) Services	(1,701)	(10)
8) Use of third parties' assets	—	—
9) Personnel		
a) Salaries and wages	—	—
b) Social security expenses	—	—
c) Staff severance indemnity provision	—	—
d) Other costs	—	—
Total personnel costs	—	—
10) Depreciation, amortization and writedowns		
a) Amortization	—	—
b) Depreciation	—	—
c) Other writedowns to fixed assets	—	—
d) Value adjustments to receivables included in calculation of working capital and cash	—	—
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	(7)	(1)
Total costs of production (B)	(1,708)	(11)
Difference between value and cost of production (A–B)	(1,708)	(11)
C) Financial income (expense)		
15) Income from investments	-	—
16) Other financial income	1	—
17) Interest and other financial expenses	(120,273)	—
17bis) Gains (losses) on exchange rates	—	—
Total C	(120,272)	—
D) Value adjustments to financial assets:		
18) Writebacks	—	—
19) Writedowns	(830,492)	—
Total D	(830,492)	—
E) Extraordinary income (expenses):		
20) Income	—	—
21) Expenses	(1)	—
Total E	(1)	—
Profit (loss) before tax (A-B+C+D+E)	(952,473)	(11)
22) Income tax for the period		
- current tax	—	—
- deferred tax	—	—
Total income tax for the period	—	—
26) Profit (loss) for the period	**(952,473)**	**(11)**

Associate Companies

BALANCE SHEETS

	FIDIA (in liquidation) 31.12.2013 (€/000)
ASSETS	
10. Cash and cash equivalents	—
40. AFS securities	—
60. Due from banks	3,079
a) in respect of asset management	—
b) other amounts receivable	*3,079*
100. Tangible assets	—
120. Tax assets	13
a) Current	*13*
b) Advance	—
140. Other assets	1
TOTAL ASSETS	**3,093**
LIABILITIES	
10. Due to banks	1
70. Tax liabilities	—
a) Current	—
b) Deferred	—
90. Other liabilities	594
100. Staff severance indemnity provision	—
110. Provision for liabilities and charges	—
a) post-retirement and similar obligations	—
b) other provisions	—
120. Share capital	4,861
160. Reserves	(2,086)
170. Valuation reserves	—
180. Profit (loss) for the period	(277)
TOTAL LIABILITIES	**3,093**

Associate Companies

continued **Table C**

PROFIT AND LOSS ACCOUNTS

		FIDIA (in liquidation) 31.12.2013
		(€/000)
10.	Fee and commission income	—
20.	Fee and commission expense	—
	Net fee and commission income	**—**
40.	Interest and similar income	27
50.	Interest and similar expense	—
60.	Net fee and commission income	—
90.	Gain (loss) on disposal or buyback of financial assets	—
	Total Income	**27**
110.	Administrative expenses	(401)
	a) labour costs	*(25)*
	b) other administrative expenses	*(376)*
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)	97
	Operating profit (loss)	(277)
	Profit (loss) on ordinary activities before tax	(277)
190.	Income tax on ordinary activities for the period	—
	Profit (loss) on ordinary activities after tax	**(277)**
	Net profit (loss) for the period	**(277)**

Associate Companies

continued **Table C**

BALANCE SHEETS

	BANCA ESPERIA 31.12.2013 (€/000)
ASSETS	
10. Cash and cash equivalents	116
20. Financial assets held for trading	129,083
40. AFS securities	626,242
60. Due from banks	28,629
70. Due from customers	936,712
80. Hedging derivatives	607
100. Equity investments	23,862
110. Tangible assets	1,166
120. Intangible assets	3,390
130. Tax assets	9,737
a) Current	*3,890*
b) Advance	*5,847*
150. Other assets	74,835
TOTAL ASSETS	**1,834,379**

	BANCA ESPERIA 31.12.2013 (€/000)
LIABILITIES	
10. Due to banks	399,980
20. Due to customers	899,711
30. Debt securities in issue	296,582
40. Trading financial liabilities	15,555
80. Tax liabilities	3,563
a) Current	—
b) Deferred	*3,563*
100. Other liabilities	45,506
110. Staff severance indemnity provision	975
120. Provisions for risks and charges	16,505
- post-retirement benefits and similar obligations	—
- other provisions	*16,505*
130. Valuation reserves	4,554
160. Reserves	45,236
170. Share premium reserve	38,646
180. Share capital	63,000
200. Profit (loss) for the period	4,566
TOTAL LIABILITIES	**1,834,379**

Associate Companies

PROFIT AND LOSS ACCOUNTS

	BANCA ESPERIA 31.12.2013
	(€/000)
10. Interest and similar income	32,285
20. Interest and similar expense	(16,065)
30. Net interest income	**16,220**
40. Fee and commission income	27,585
50. Fee and commission expense	(3,522)
60. Net fee and commission income	**24,063**
70. Dividends and similar income	8,135
80. Net trading income (expense)	317
90. Net hedging income	1
100. Gain (loss) on disposal/repurchase of:	23,604
a) loans and advances	—
b) AFS securities	*23,592*
c) financial assets held to maturity	—
d) financial liabilities	*12*
120. Total income	**72,340**
130. Adjustments for impairment to:	(1,252)
a) loans and advances	*(666)*
b) AFS securities	*(586)*
c) financial assets held to maturity	—
d) other financial transactions	—
140. Net income from financial operations	**71,088**
150. Administrative expenses	(54,449)
a) labour costs	(33,399)
b) other administrative expenses	(21,050)
160. Net transfers to provisions	(12,505)
170. Net adjustments to tangible assets	(343)
180. Net adjustments to intangible assets	(996)
190. Other operating income (expense)	6,308
200. Operating costs	**(61,985)**
250. Profit (loss) on ordinary activities before tax	**9,104**
260. Income tax on ordinary activities for the period	(4,538)
270. Profit (loss) on ordinary activities after tax	**4,566**
290. Net profit (loss) for the period	**4,566**

Associate Companies

continued **Table C**

BALANCE SHEETS

	ATHENA PRIVATE EQUITY 31.12.2013 (€/000)
ASSETS	
10. Cash in hand	25,917
20. Amounts due from banks	—
30. Amounts due from financial companies	—
40. Trade accounts receivable	—
50. Bonds and other fixed-income securities	—
60. Equities, participating interests and other floating rate securities	—
70. Equity investments	6,700
80. Investments in Group undertakings	—
90. Intangible fixed assets	—
100. Tangible fixed assets	—
110. Unpaid call on capital	—
130. Other assets	80,931
140. Accrued income and prepaid expenses	—
TOTAL ASSETS	**113,548**
LIABILITIES	
10. Amounts due to banks	—
20. Amounts due to financial companies	—
30. Trade accounts payable	—
50. Other liabilities	77,720
60. Accrued expenses and deferred income	—
70. Provision for staff termination indemnities	—
80. Provisions for liabilities and charges	5,174
90. Loan loss provisions	—
120. Share capital	19,648
130. Share premium reserve	—
140. Reserves	5,034
160. Retained earnings (accumulated loss)	(292)
170. Loss for the year	6,264
TOTAL LIABILITIES	**113,548**

Associate Companies

PROFIT AND LOSS ACCOUNTS

	ATHENA PRIVATE EQUITY 31.12.2013 (€/000)
EXPENSES	
10. Interest payable and similar expenses	39
20. Commissions payable	—
30. Loss on dealing transactions	238
40. Administrative expenses	1,077
50. Adjustments to intangible and tangible fixed assets	—
60. Other operating expenses	—
70. Provisions for liabilities and charges	—
80. Transfer to loan loss provisions commitments	—
90. Value adjustments to receivables and provisions for guarantees	—
100. Adjustments to financial fixed assets	—
110. Extraordinary expenses	5,019
130. Net transfers to provisions for liabilities and charges	—
140. Profit for the year	6,264
TOTAL EXPENSES	**12,637**
INCOME	
10. Interest receivable and similar income	400
20. Dividends and other income	2,500
30. Commissions receivable	—
40. Gain on dealing transactions	8,196
70. Other operating income	—
80. Extraordinary income	1,541
100. Loss for the year	—
TOTAL INCOME	**12,637**

Table D

FEES PAID FOR AUDITING AND SUNDRY OTHER SERVICES
(pursuant to Article 149-duodecies of Consob resolution 11971/99)

Type of service	Mediobanca		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	386	—	1,296	17
Statements	105	—	56	4
Other services:	—	27	—	—
– Observation/analysis of administrative/accounting internal control system	—	—	—	—
– other	—	*27*		—
TOTAL	**491**	**27**	**1,352**	**21**

* Group companies and other companies consolidated line-by-line.

APPOINTMENT OF MEMBERS OF BOARD OF DIRECTORS HAVING PREVIOUSLY ESTABLISHED THEIR NUMBER; AND DETERMINING THE AMOUNT OF THEIR REMUNERATION

The term of the Board of Directors currently in office expires with this annual general meeting: you are therefore required to appoint the new Board of Directors in accordance with the terms and provisions of Art. 15 of the By-laws.

The Assembly is called upon to:

– determine the number of board members, establishing the term of office;
– determine their remuneration;
– proceed to the election of Directors by means of a list vote pursuant to the law and the by-laws.

The appointment of the Board of Directors shall take place by means of a list vote.

For the purposes of presenting the lists, Shareholders are invited to consider the "Report on the qualitative and quantitative composition of the Board of Directors: recommendations to shareholders and the new Board of Directors," approved by the Board of Directors on July 4, 2014 and available on the Company's website (www.mediobanca.com, Corporate Governance section/ General Meetings 2014).

At this renewal of the Board, the principle of gender balance shall apply, as established in Art. 147-ter, par. 1-ter of the Consolidated Finance Law (TUF). For the present renewal, in accordance with the transitional provisions, the amount of the lesser represented gender is equal to one-fifth (rounded up) of elected members. Therefore, lists that contain a number of candidates equal to or greater than three must include at least one-fifth (rounded up) of candidates belonging to the lesser represented gender.

The election of directors shall take place as follows: from the list that obtained the highest number of votes, all members except one shall be elected, based on the sequential order in which they were listed; one member shall be elected from the list that obtained the second highest number of votes and that is not submitted by the Board of Directors, or rather, submitted and voted on by connected shareholders in accordance with current regulations, with shareholders who submitted or voted for the list that obtained the highest number of votes cast, again according to the order shown on the list.

In the case of a tie between several lists, a second vote shall take place.

If, on the basis of the aforesaid proceedings, a sufficient number of Board members having independence requirements in line with the third paragraph of Art. 15 of the By-laws, or of Directors employed by the company who have for at least three years been executives of companies belonging to Gruppo Bancario Mediobanca, according to Art. 15, fourth paragraph of the By-laws, the exclusion of as many elected candidates as necessary shall take place amongst those who are last in the order listed, replacing them with candidates from the same list that have the necessary requirements, on the basis of sequential numbering. If on the basis of this criterion it is not possible to fill the number of Directors to be elected, the remaining Directors (in compliance with the requirements of the By-laws) shall be elected by the Assembly at that time, by means of a resolution passed by a simple majority based on a proposal of the members present.

In the event that one list is submitted, the Board of Directors shall be elected entirely from said list, if it obtains the majority required by law for the ordinary shareholders' meeting.

For the appointment of those Directors who, for whatever reason, could not be elected with the procedure provided for in the preceding paragraphs, or in the event that no lists are submitted, the Assembly shall deliberate in its relative majority, subject to compliance with the requirements of the By-laws.

The Assembly is also called to deliberate on the remuneration of the Board of Directors. It should be noted that, in relation to the Board of Directors currently in office, the meeting of October 28, 2011 set a total annual compensation of €4 million, authorising the Board of Directors to provide for its allotment.

The procedures for submitting the lists for the appointment of Directors are detailed in the notice convening the meeting.

The Board of Directors therefore invites you to make appropriate decisions for the appointment of the Board of Directors.

Milan, 17 July 2014

THE BOARD OF DIRECTORS

APPOINTMENT OF MEMBERS AND CHAIRMAN OF THE STATUTORY AUDIT COMMITTEE; AND DETERMINING THE AMOUNT OF THEIR REMUNERATION

The term of the current Board of Statutory Auditors expires with this Assembly meeting: therefore, you are asked to appoint the new Board of Statutory Auditors at the terms and conditions set out in Article 29 of the Company's By-laws and in the applicable statutory and regulatory provisions.

According to the Company's By-laws, the Board of Statutory Auditors consists of three Standing Auditors and three Alternate Auditors, who are required to meet the conditions that are expressly laid down in the provisions in force, including regulatory provisions, and in the Company's By-laws, including the conditions on the limit on the number of other appointments that may be held; or else, they cannot be appointed. Reference is especially made to the condition of professionalism, integrity and independence.

As regards professionalism, the activities that are deemed strictly related to those of the Company are listed in Article 1 of Legislative Decree n. 385/1993 (Consolidated Banking Law), as well as the supply of investment or asset management services, both of which are defined in Legislative Decree n. 58/1998 (Consolidated Finance Law or TUF).

The appointment of the new Board of Statutory Auditors is subject to the gender balance principle set out in Article 148, paragraph 1-bis, TUF. In accordance with the provisional rules, the quota reserved to the least represented gender for the appointment of the new Board is one fifth (rounded up) of the standing members elected and thus at least one Standing Auditor. Therefore, the slates with a number of candidates that is equal to or higher than three, must include at least one fifth (rounded up) of candidates belonging to the least represented gender; in addition, the slates must ensure the election of at least one Alternate Auditor belonging to the least represented gender, so as to ensure that the gender quota is preserved also in case of auditor substitution.

The term of office is three years, thus until the date of the Assembly meeting called to approve the Financial Statements at 30 June 2017.

The Board of Statutory Auditors will be appointed according to the slate voting system.

More specifically, the Statutory Auditors are elected as follows: two Standing Auditors and two Alternate Auditors are elected from the slate with the highest number of votes, based on the progressive order with which they are listed in the sections of the slate; a Standing Auditor and an Alternate Auditor are elected, based on the progressive order with which they are listed in the sections of the slate, from the second slate with the highest number of Assembly votes and which, according to the rules in force, including regulatory ones, is not related, not even indirectly, to the members who have filed or voted for the slate with the highest number of votes. In the case of parity between slates, ballot voting is used; the candidates of the slate with the simple majority of votes are elected.
The candidate who comes in first place in the section of candidates running for the post of Standing Auditor on the slate with the second highest votes, is elected as Chairman of the Board of Statutory Auditors.

If a single slate is filed, the Assembly votes thereon; if the slate obtains the majority required by law for the ordinary assembly, the Standing Auditors elected are the three candidates indicated in the progressive order in the corresponding section, while the Alternate Auditors elected are the three candidates indicated in the progressive order in the corresponding section; the Chairman of the Board of Statutory Auditors is the candidate who comes in first place in the section of candidates running for the post of Standing Auditor on the slate.

If there are no slates and if, with the slate voting system, the number of elected candidates is smaller than that required by these By-laws, the Board of Statutory Auditors is appointed or supplemented by the Assembly, respectively, with the majorities required by law.

The Assembly is also asked to set the remuneration of the Board of Statutory Auditors. It is recalled that, as for the Board of Statutory Auditors currently in office, the Assembly meeting of 28 October 2011 set the annual gross remuneration of €120,000 for the Chairman and €90,000 for each Standing Auditor.

As for the remuneration of Auditors, the Board of Directors has entrusted the Board of Statutory Auditors with the functions of the Surveillance Authority as under Article 6 Legislative Decree 231/ 2001 (pursuant to paragraph 4-bis of the same Article, as amended by Law 12 November 2011 n. 183) and in accordance with the Bank of Italy Provisions on internal auditing.

The process and deadlines for the filing of slates for the appointment of the Board of Statutory Auditors are illustrated in detail in the Assembly meeting notice.

Therefore, you are hereby asked by the Board of Directors to take the relevant resolutions for the appointment of the Board of Statutory Auditors.

Milan, 17 July 2014

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 2014; and

B) to submit Mediobanca's new remuneration policies, approved by the Board of Directors on 17 September 2014, to your approval.

During the year under review, the governing bodies of Mediobanca have continued to devote particular attention to the issue of staff and remuneration policies, including in the light of the new documents published by the supervisory authorities on this subject. In particular:

- the European Capital Requirements Directive (CRD IV), which came into force on 1 January 2014, and is currently being phased into the regulatory frameworks of the individual European nations;
- Commission Delegated Regulation (EU) 481/2014, issued on 4 March 2014 (and published in the *Official Journal of the European Union* on 6 June 2014), which establishes the methods by which staff with a significant impact on an institution's risk profile are to be identified ("Identified Staff"), based on a combination of qualitative and quantitative criteria;
- the consultation document on remuneration circulated by the Bank of Italy in December 2013 but not yet issued, which will incorporate the provisions of CRD IV and replace the document currently in force which was issued on 30 March 2011.

As required by the regulations, this report incorporates the disclosure requirements established by both the Bank of Italy and Consob.

SECTION 1

A) Staff remuneration polities for FY 2013/14

Introduction

The financial year ended 30 June 2014 is the first of the three years covered by the new strategic plan approved by the Mediobanca Group in June 2013, centred on growth, profitability and disciplined allocation of capital, via:

- gradual reduction of the Bank's exposure to equity, optimizing its capital allocation;
- well-balanced business model between cyclical/stable high/low-capital absorption, domestic/international, and proprietary/client-based activities;
- development of high fee-generating and low capital absorption activities;
- retaining close control of risks and asset quality.

Reaching these objectives is focused on expanding the client base to include segments not fully covered (mid-corporate and institutional investors), enhancing the Group's international dimension, and extending the product range to include more "customized" products for clients. In organizational terms these changes require investments in human resources and technology, and more efficient definition of Mediobanca's organizational structure.

From a governance perspective, during the twelve months under review, among other things the Risk Appetite Framework has been finalized, the measures required by the Bank of Italy's circular no. 263 in respect of prudential supervision implemented, and a new Business conduct and related risks policy adopted.

The decisions regarding staff remuneration have been taken in view of the above business and organizational scenario, which increasingly is requiring 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 five occasions in the course of the year. 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 on invitation.

The main items on the agenda in Committee meetings are: analysis of developments in the regulatory framework; formulation of proposals to the Board of Directors regarding the variable remuneration of those directors who are members of the Group's management (which includes deciding and assessing their scorecards), and that of other staff at the proposal of the Chief Executive Officer; monitoring the solutions adopted by competitors and analysing market compensation benchmarks; and reviewing the new Remunerations policies to be submitted to the approval of both the Board of Directors and shareholders gathered in general meeting.

The Group Human Resources department has supported the above governance activities, and co-ordinated the process of formulating the proposals and resolutions. The services of leading external consultants have also been used in the course of various activities, in particular market benchmark analysis and structuring new policies.

The Group Audit and Compliance units have issued reports stating that the Remunerations policies conform to the Bank of Italy regulations. The Risk Management, too, has been involved in the activities which have led to the determination of the variable remuneration awarded. The Accounting and Financial Reporting and Planning and Control units, finally, have provided the data for ascertaining that the gateways have been met and for determining the business areas' performances.

"Identified staff" and application of new scope of reference

The new criteria for identifying staff whose activities have a significant impact on banks' risk profiles ("Identified Staff") were published the *Official Journal of the European Union* on 6 June 2014 with the proviso that they were to be applied immediately. This development in the regulatory framework thus meant that for the financial year ending 30 June 2014, using the powers delegated by the shareholders in general meeting, the scope of the Mediobanca staff to whom the more stringent remuneration criteria were to be applied had to be amended versus those contained in the Policies approved by the shareholders on 28 October 2013.

Based on the new criteria, the Group's identified staff consist of 62 employees (if non-executive directors are included in this definition, the number rises to 77) as at 30 June 2014, 58 of whom working for Mediobanca S.p.A. and therefore recipients of the Mediobanca bonus pool. The number includes the directors who are members of the Group's management (5 staff), the parent company's senior management and heads of relevant business units (10 staff), other staff with managerial responsibilities in relevant business units or with total remuneration in excess of €500,000 (25 staff). Alongside these 40 staff members employed in business activities, other identified staff include those employed in the control units and staff and support areas (18 staff). The Group had a total of 51 identified staff as at 30 June 2013. [1]

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" referred to above constitutes the so-called "bonus pool". Payment is conditional upon a series a conditions, or "gateways", which consist of the following indicators approved by shareholders at the last general meeting:

- positive economic profit earned by the WB division; [2]
- consolidated financial statements reflecting a profit;
- core tier 1 ratio above regulatory threshold;
- compliance with adequate liquidity coverage ratio level.

[1] The most relevant staff previously identified comprised 51 employees (cf. annual general meeting held on 28 October 2013), identified in accordance with the criteria set in the Bank of Italy regulations on 30 March 2011 and excluding other staff identified by Mediobanca on a discretionary bases under the "criterion of proporzionality". As at 30 June 2014 the Identified Staff represent 1.75% of the Group's total headcount and 9% of the headcount of Mediobanca S.p.A., compared with 1.4% and 7.7% one year earlier.

[2] Economic profit (EP) is a risk-adjusted indicator which measures the higher profit produced once the cost of the capital (regulatory) required to carry out the activity has been rewarded. The EP metric was chosen in order to take into account current and potential risks and sustainability of results over time.

The variable component assigned to each staff member is decided on the basis also of other quantitative and qualitative aspects.

The Chief Executive Officer allocates the aggregate bonus pool to the individual business areas based on a model which uses Economic Profit as its metric, while individual awards are made on the basis of personal quantitative and qualitative performances, with particular attention to reputational and compliance issues.

The Group's performance in the twelve months ended 30 June 2014 reflects:

- a return to profit at Group level, despite some € 730m in loan loss adjustments, due to good results posted by the Principal Investing division;
- weak banking operations, in WB in particular even though the 4H results showed an upturn in fee income and client activity;
- cost/income compensation/income ratios at 2012 levels.

The performance of the Wholesale Banking division in the twelve months ended 30 June 2014 reflects:

- a pre-tax loss, due chiefly to the reduction in net interest and treasury income (proprietary trading) as well as the higher loan loss provisions;
- 14% growth in net fee and commission income, due to a good performance in capital markets activity.

Investment banking, lending and proprietary trading activities reflected differing contributions to WB profitability:

– investment banking was up 25%, driven by fees generated from equity capital market/sales activities doubling and by increases of 40% in debt capital markets and 20% in capital market solutions;

– revenues generated by lending slowed marginally, by 3%, but the result as a whole was impacted by loan loss provisions doubling (from € 120m to € 245m);

– proprietary trading, having benefited from € 150m gains last year, this year showed the impact of the negative market conditions.

For the financial year ended 30 June 2014, the following conditions were thus met:

– Group net profit;

– core tier 1 ratio 11.08% (calculated in accordance with the CRR/CRD IV prudential regulations);

– liquidity ratio 229%.[3]

Conversely, the condition of the WB division delivering an Economic Profit has not been met, despite the very strong contribution from the Investment Banking area.

Accordingly, no variable remuneration has therefore been paid to the directors who are members of the Group's management[4] or to the other ten staff who are members of the relevant business units' senior management.

The Board of Directors, subject to a positive opinion being expressed by the Remunerations committee, at the Chief Executive Officer's proposal, has nonetheless decided that a bonus should be paid to 22 bankers in the Investment Banking division qualifying as Identified Staff (equal to approx. 50% of the Identified Staff employed in business activities) for retention purposes, electing to exercise the right provided for under the Remunerations policies in force in the event of the conditions or gates not being met. This decision reflects the advisability of safeguarding some of the Bank's professional resources, the sustainability of future results, and rewarding outstanding individual performances.

The same assessment was made for some staff employed in the control units and staff and support areas, considering the centrality of the role performed by them during the year under review, with reference in particular to the European Central Bank's Comprehensive Assessment process. Account has also been taken of the principle of keeping assessment of such staff's performance separate from business results delivered.

The Board of Directors has therefore established an overall bonus pool for retention purposes equal to € 14m, compared to € 17.6m in 2013 and € 25.2m in 2012, a reduction of approx. 20% and 44% respectively.[5]

[3] Including the LTRO.

[4] The performance objectives assigned for the financial year ended on 30 June 2014 chiefly referred: for the Chief Executive Officer, to risk-adjusted Group profitability indicators, Group revenues, reduction of the equity exposure in line with the three-year strategic plan approved, and improvement in the capital solidity ratios; for the General Manager, to risk-adjusted Group profitability indicators, profitability in the retail and consumer finance businesses, Economic Profit earned by the Financial Markets division, retail cost of funding, and monitoring of projects to improve Group processes. Final asssessment showed that these objectives had been met partially and to different degrees, although the final result was affected by the failure to meet all the gateways.

[5] The comparison has been made by comparing the retention bonus awarded to the scope of staff qualifying as "identified staff" as at 30 June 2014 under the new European regulations (58 staff employed by Mediobanca S.p.A.) with the scope of staff identified as "most relevant" in the employment of Mediobanca S.p.A. as at 30 June 2012 (38) and 2013 (51) under the provisions contained in the Bank of Italy instructions issued on 30 March 2011, and not including those identified by Mediobanca at its own discretion based on the "criterion of proportionality".

In addition to the retention bonus pool, i.e. not included in the above amount, three staff have also been paid a variable component on the basis of contractual agreements entered into upon recruitment, in connection with their first year of employment with Mediobanca.

The methods by which the variable remuneration will be distributed are as stated in the Remunerations policies. The overall amounts include the share paid in equity form (i.e. performance shares) equal to approx. € 7m (some 50% of the bonus), which will be booked in part over the next three financial years based on the accounting standards currently in force. Accordingly, the Board of Directors has approved a resolution to award Group staff members 1,082,789 performance shares (with the value based on the average Mediobanca shares' stock market price in the month prior to the award being made, namely € 6.78 per share).[6] Of the cash component, a total of € 4.5m has been paid, with the remainder to be distributed over the coming years.

At the Chief Executive Officer's proposal, the Board of Directors, subject to a positive opinion being expressed by the Remunerations committee, as established by the policies in force, has also approved payment of the deferred bonus components from previous financial years despite the presence of a negative "gateway", to staff employed in business units which delivered positive results, as the events which impacted on the Bank's ordinary banking operations were not attributable to them. For identified staff employed in areas which delivered negative results, the deferred component from previous years, payment of which is subject to malus conditions in respect of the financial year ended 30 June 2013, will not be paid, whereas it will be paid, selectively in part to identified staff employed in business units which delivered negative results due to extraordinary items which were the result of strategic decisions.

Management with strategic responsibilities other than the executive directors and referred to in the Consob resolution issued in 2011, consisted of eleven persons as at 30 June 2014: the heads of the control units plus the principal staff and support areas, the head of financial reporting, and other staff in charge of important business areas considered strategic for the Bank's functioning. Their remuneration package reflects the provisions of the Remuneration policies, based on the individual category of identified staff to which they belong.

[6] A further 634,113 performance shares were awarded in February 2014, under agreements entered into when staff were recruited, in accordance with the provisions of the strategic plan.

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 and internal allocation 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 changes compared to the previous versions involve:

i. with reference to performance assessment:
   - new definition of the gateways required for the bonus pool to be disbursed;
   - revised criteria for measuring and quantifying the bonus pool earmarked for the Mediobanca Wholesale Banking area, the individual divisions and business units, and the other units providing service and support activities;
   - fine-tuning of structure of area scorecards and of business unit performance measurement system;

ii. with reference to definition of identified staff and methods of remuneration:
   - new scope of "identified staff" (already adopted last year);
   - institution of cap on variable remuneration set at two times the fixed remuneration allowed by the European regulations.

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 determine the fixed annual remuneration payable to members of the Board of Directors, upon their appointment for the entire duration of their term of office, to be divided among the individual Board members according to the decisions of the Board of Directors itself (Article 13).
- shareholders in general meeting also approve remunerations policies and share-based compensation schemes for directors and Group staff (Article 13).
- under Article 18, the Board of Directors determines the Chairman's, the Chief Executive Officer's and General Manager's remuneration.
- the Remunerations Committee (Article 19) is made up of between five and seven non-executive members, at least a majority of whom must qualify as independent under the definition provided in the Code of Conduct. The Remunerations Committee has powers of consultation and enquiry to determine the remuneration of directors vested with particular duties and the General Manager, and gives its opinion on the proposals made by the Chief Executive Officer regarding the guidelines for the remuneration system to be adopted for senior management and the Group's staff remuneration, retention and incentivization policies. The Committee also reviews, at regular intervals, the adequacy, overall coherence and application in practice of the remunerations policy for directors and management with strategic responsibilities, formulates proposals and/or opinions regarding the compensation of directors who are members of the Group's management, and checks whether the performance objectives have been reached. It proposes how to allocate the fixed compensation payable to the Board of Directors as a whole set by shareholders in general meeting, and expresses its opinion on the Remunerations policies to be submitted to the approval of the Board of Directors and of shareholders in general meeting. A quorum is established with a majority of Committee members in office in attendance, and resolutions are adopted with a majority of those in attendance voting in favour. The Committee Chairman reports to the Board of Directors on the Committee's activity and the proposals to be submitted to the Board's approval. Minutes of Committee meetings are kept in specific registers.
- the Chief Executive Officer presents the proposed Group staff remuneration and retention policies to the governing bodies (Article 19), is responsible for staff management (Article 25), and having sought the opinions of 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 guides the entire 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' 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 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 reference regulatory framework with a view to containing any legal or reputational risks. Along with the other control units, it is also responsible 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.
- 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.

Identified staff

The criteria adopted to identify staff with a substantial impact on the Mediobanca Group's risk profile are those published in the 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 its own organizational structure via a documented process. At 30 June 2014 the Groups "identified staff" (including non-executive directors) broke down as follows:

Cluster		Definition	EBA regulations	#
1)	**Non-executive directors** (non-executive members of BoD, including Chairman)		Article 3.1	1 (+15)
2)	**Directors with executive duties** (management who are members of Executive Committee)		Article 3.2	4
3)	**Senior management and heads of relevant BUs** (principle business lines, geographical areas and other senior business figures)		Article 3.3 Article 3.6	13
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	10
5)	Heads and senior staff of Internal control units **(Compliance, Risk Management, Group Audit)**	• Heads of trading desks, liquidity, trading origination and other senior staff employed in the Financial Markets division • Staff with significant responsibility in the Lending and Structured Finance and Corporate Finance areas	Article 3.8 Article 3.15	18
6)	Heads and senior staff in Staff and support units **(Head of company finacial reporting, HR, Operations and IT, Legal)**		Article 3.9 Article 3.15	8
7)	**Quantitative criteria**	Role with total compensation ≥ €500,000 in previous financial year not included in categories listed above	Article 4	8
		TOTAL		**62 (77)**
		% of total Mediobanca S.p.A. staff as at 30 June 2014		9.34%
		% of total Mediobanca Group staff as at 30 June 2014		1.75%

Management with strategic responsibilities as defined in the Consob resolution issued in 2011 other than directors (i.e. heads of control and the main staff and support units, Head of company financial reporting, and heads of the relevant business areas) are all included in the scope of identified staff.

Pay mix

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

Each year the staff compensation package's positioning is assessed compared to its reference market, including with the assistance of outside advisors.

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. An insurance policy is also available to cover such directors against civil liability.

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 agreements approved by the Board of Directors. Their remuneration structure comprises:

1) a fixed salary;

2) a variable annual component which only accrues if the gateways stipulated in the Remunerations policy are complied with (see below the section entitled "Determination of bonus pool 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 contain 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 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 between 50% or less of the gross annual salary on certain minimum objectives being reached (usually related to the budget objectives) up to a maximum of 200% in the event of outstanding performances (tendentially between 115% and 150% of the minimum value).

Of the variable component, 50% is paid in cash and 50% in equity, and 60% is deferred over a four-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 the three-year Group plan, the Board of Directors may choose to award an extraordinary bonus, or long-term incentive, conditional upon the objectives set forth in the plan itself being reached. Actual payment will take place in accordance with the terms, conditions and methods provided for the variable remuneration component referred to above.

The Chairman receives only a fixed salary. However, the Board of Directors may, having consulted with the Remunerations Committee, and at its own discretion, 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 against civil liability, and they also benefit from participation in the complementary pension scheme operated for Mediobanca Group staff.

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

The remuneration package for the heads of the control units (Group Audit, Compliance, Risk Management), the Head of company financial reporting, the head of Human Resources and the most senior staff employed in such areas is based on a majority fixed component and a smaller variable component paid annually on the basis of qualitative and efficiency criteria. The remuneration of the above managerial staff, with the fixed component representing at least 75% of the total remuneration, is approved annually by the Board of Directors, subject to a favourable opinion being expressed by the Remunerations committee.

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 modest, 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 annual bonuses but at the same time being careful not to make the overall package unduly inflexible.
- variable remuneration (annual bonus): 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 may form the majority of their annual pay, in line with market practice (Corporate and Investment Banking), without prejudice to the upper limit 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.

  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.
- 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

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

Staff are not allowed to use personal hedging or insurance strategies involving 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.

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

Cap on variable remuneration

In accordance with the national and supranational regulations, the upper limit on the variable remuneration component for all staff belonging to the Mediobanca Group [7] has been set at twice the amount of their fixed remuneration (without prejudice to the provsions in place for staff employed in the control units).

The reasons behind this decision are primarily:

- a desire to maintain adequate operating flexibility, minimizing the economic and organizational risks linked to the possibility of undue rigidity at high levels of labour cost;
- adoption of a remuneration policy which incentivizes virtuous behaviour in achieving the business objectives and creating value;
- the presence of competitors in different sectors (non-banking financial institutions, asset managers, hedge funds etc.) or geographies (Far East, the Americas) with a less stringent regulatory framework which could jeopardize the retention of the Bank's most talented staff;

[7] With the exception of staff not included in the definition of Identified Staff belonging to business areas governed by sector regulations which do not make provision for caps on variable remuneration in the absence of specific indications from the supervisory authorities.

- a desire to reward merit, in following an approach which recognizes and distinguishes between individuals' and business units' contributions to the Bank's overall results.

The sustainability of this policy is guaranteed by the institution of a cap on the aggregate variable comonent that may be assigned to the various business areas (the "area bonus pool") even in the event of exceptional results, as well as the individual cap on variable remuneration.

Determination of 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, with the restriction of maintaining adequate capital stability, liquidity profile and the Group's future risks. The Group's target risk profile in fact involves maintaining a solid capital base and strong liquidity position, preserving profitability over the long term in line with its own business profile, and safeguarding its reputational capital, with a view to business continuity and sustainable results over the long term. In particular:

- Distribution of the bonus pool (which constitutes the variable component earmarked for the remuneration of "identified staff") only takes place if the following indicators or "gateways" are complied with:
  - capital and liquidity adequacy ratios [8] indicated by the risk metrics adopted in the Risk Appetite Framework[9] approved by the Board of Directors, namely the main indicators considered in the ICAAP;
  - an operating profit recorded at Group level [10].
- The Board of Directors, having received a favourable opinion from the Remunerations Committee, at the Chief Executive Officer's proposal, may in any case authorize payment of a variable component for retention purposes, even in the event of the gateways failing to be met. In particular, payment of the retention bonus pool is conditional upon the reasons why the individual

[8] CET 1 ratio, leverage ratio, AFR/ECAP, Liquidity Coverage Ratio, Net Stable Funding Ratio, Retail funding ratio.

[9] The Risk Appetite Framework was approved by the Board of Directors on 4 July 2014. It identifies the risks which the Bank is willing to assume, and for each risk defines the objectives and limits in both normal and stressed conditions, identifying the measures required in operational terms to bring the risk back within the target objective. The framework is based on assessment of the individual risk drivers to which the Bank is exposed, both macro-economic and specific. The RAF is subject to continuous fine-tuning and revision, as the metrics, analysis methodologies, regulatory developments and corporate processes with which it is integrated are refined.

[10] Total income less operating costs and net loan loss provisions as per the restated accounts.

gateways were not met and the relevance of the single indicator to the Group's capital solidity, liquidity and long-term results. Extension of the population involved and its amount are based on the following criteria: each individual beneficiary's contribution to the overall results of the division and Group, importance of the profile for the sustainability of future results, analysis of market benchmark and competitive scenario, need to guarantee continuity of operations, and consistency with succession planning.

- Under the process for determining the bonus pool, in preparing the budget the Board of Directors approves the cost of labour for the financial year to come, including the amount of variable remuneration and the bonus pool payable to identified staff, in view of Mediobanca's and the individual business units' estimated performance targets, the market scenario and historical pay trends. Once the final results have been closed, the bonus pool payable to Mediobanca's identified staff is calculated on the basis of the results actually delivered. The CEO establishes the bonus pool to be assigned on the basis of the Economic Profit earned by the individual business activities belonging to the Wholesale banking division ([11]). (the area to which most staff who have a substantial impact on Mediobanca's risk profile belong) based on quantitative parameters (satisfactory Group results in terms of risk/return, consistency with Risk Appetite Framework profiles 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, proper conduct and reliability of staff members with reference in particular to reputational and compliance issues, retention of key staff, need for new professional talent). The bonus pool proposal formulated by the CEO is then shared with the governing bodies (see section above entitled "Governance").
- The bonus pool for the individual business activities is calculated on the basis of scorecards which generally use Economic Profit as the primary metric and other secondary quantitative and qualitative metrics with the institution of a cap. The scorecards are structured in such a way as to incentivize internal co-operation, in particular between heads of business unit. The bonus pool to be earmarked for identified staff in the control units and staff and support areas is determined on the basis of qualitative considerations, in order to limit the degree of correlation with the Bank's results, thus safeguarding the

[11] Economic Profit (EP) is a risk-adjusted metric which measures the higher profit produced once the (regulatory) capital required to perform the activity concerned has been rewarded. EP has been chosen in order to take account of both current and potential risks and the sustainability of results over time.

independence of their role (see section above entitled "Compensation structure for staff employed in control units and staff and support areas").

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

Annual bonuses are awarded to the individual beneficiaries by the Chief Executive Officer and senior management, from the bonus pool determined as described above in the section entitled "Determination of bonus pool and correlation between risks and performance", through a shared annual performance assessment process which emphasizes professional merit and quality, with particular attention paid to reputational issues (the bonus either cannot be paid or is reduced for any staff guilty of committing a compliance breach of either the internal or external regulations in the course of the year).

Mediobanca valorizes its staff on a meritocratic basis, developing their professional capabilities in accordance with the principle of equal opportunities and in line with its own strategic choices and organizational and productive requirements. Career development is facilitated through the provision of adequate training, practical work experience under the leadership of line managers, in some cases 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 clearly weighted and established, and both achievable and challenging, and if possible with a definite timescale. 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 regulations, operational procedures and processes, 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 the objectives set. Ongoing feedback throughout the year also allows the line manager and staff to agree on the expected performance, ensuring that each team member has the right characteristics to ensure the objectives are met, with objective discussion of individual performances. In this way the organization is able to reach its objectives while respecting its corporate values, and transparency is ensured with reference to training opportunities, professional development and assessment criteria.

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

- qualitative criteria: development of product offering, professional conduct and reliability, quality in terms of customer relationships, technical and analytical skills in the field of finance, ability to control costs, importance placed on achieving operating efficiency, and co-operation with other areas of the Bank, valuation criteria linked to reputational and compliance issues, and adherence to the Bank's values;
- earnings results achieved, e.g. reaching or not reaching budget targets and objectives in terms of improvement from the previous year, with reference to the risk/return and cost/income ratios, and to value generation in accordance with the risk-adjusted principles referred to above.

For all the other units, the main aspects of assessment are based on qualitative objectives and a broader appraisal regarding compliance with regulations, control of costs and efficient management of areas. 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 and related electronic procedures being managed efficiently and accurately, and compliance with tax requirements. 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 is picked up swiftly; continuous assessment of compliance with the regulations in the form of appropriate audit plans, updates to internal guidance, training of internal units, business and non-business; correct development of models, methodologies and metrics with which to measure market, credit and operational risks, producing adequate reporting for monitoring processes and accurate analysis of new products and their risk profiles.

In close correlation with the valuation process, staff may also be involved in a career advancement process involving 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, experiences 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, taking into account that under Mediobanca's current Articles of Association five directors must be chosen from among staff with at least three years' experience as senior management at companies forming part of the Mediobanca Banking Group), and identifying a pool of possible replacements with high potential (the "senior talent pool" for key positions, including the business areas, control units, and staff and support roles) in view also of likely future requirements in terms of strategic leadership and/or professional and managerial capabilities through a global organizational approach.

The Remunerations policies are therefore co-ordinated in close conjunction 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 ascertain the continuity of the company's results.

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

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 final tranche of the equity component is thus received in the fourth year following the award, with the economic benefit for the recipient spread across five financial years.

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 the beneficiary is still a Group employee, if the performance conditions, which are the same as the "gateways" described in the section entitled "Determination of bonus pool and correlation between risks and performance", have been met in each year. In this way staff are required, in accordance with their role and business activity, to work at all times to ensure that Mediobanca retains a solid capital base, a strong liquidity position and close control of all risks as well as profitable results, thus guaranteeing that the remuneration systems remain sustainable over the long term.

A further prerequisite to payment of the deferred component is that the beneficiary must not have committed any compliance breaches (i.e. must not have 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 [12] and no losses must have been incurred which were attributable to their actions.

[12] 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 may also identify further performance indicators upon the occasion of each individual award cycle. For staff employed at other Group companies who may be included in the scheme, the Chief Executive Officer may choose to identify one or more specific economic indicators to replace those referred to above.

The Board of Directors, if the Remunerations committee is in favour, at the Chief Executive Officer's proposal may authorize payment of the deferred component, including in part, even if the gateways are not achieved, either to business divisions or single 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 whether or not fraud and/or wilful misconduct are established.

Performance share scheme

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

The scheme involves the award of shares to employees at the end of a three-year vesting period provided that the beneficiary is still employed by the Group and that the performance conditions stipulated in the section entitled "Performance conditions, malus condition and clawback" with respect to the sustainability of the results achieved while preserving the company's capital solidity and liquidity and proper individual conduct are met at the time of the award.

The performance shares allocated are subject to a further holding period (the beneficiary continuing to be an employee of Mediobanca) of at least one year prior to their actual assignation. The performance shares allocated as upfront equity are subject to a two-year holding period prior to their actual award. Shares available for performance share awards are taken from the number approved by shareholders in general meeting on 28 October 2010 (a maximum of 20 million), or from the Bank's holdings of treasury shares (up to 17,010,000, provided that the use of these remains uncertain because the resolution adopted by shareholders in the general meeting held on 27 October 2007 in respect of them specified other possible uses as well (consideration to acquire investments, possible assignment to shareholders). To date a total of 1,164,586 shares have been awarded from the holdings of treasury shares (hence 15,845,414 remaining outstanding), and 9,916,611 from the limit approved by shareholders in general meeting.

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

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.[13] 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

[13] As at 17 September 2014, a total of 26,131,000 stock options and/or performance stock options, as yet unexercised, had been assigned to Mediobanca Group staff, at an average price of €8.383 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 9,916,611performance 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 3.86%. 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.

defined in the section entitled “Performance conditions, malus condition and clawback”; an exercise period of up to the end of year 8 (three years’ vesting plus five years’ exercise); a holding period of at least 18 months for Mediobanca shares corresponding to at least half of the capital gain achieved, irrespective of tax issues, for certain participants in the scheme who perform significant roles. In each year the performance conditions must be met for one-third of the stock options awarded. Failure to meet the performance conditions in any one year will result in the relevant share being cancelled.

Remuneration policies for staff employed at Group companies

Mediobanca is constantly aligned 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 co-ordinates 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 sets the basic principles for the guidelines of the incentives mechanism of management at the various Group companies, leaving the specific decisions up to their respective Boards of Directors with the objective of attracting and motivating key staff. The incentivization system is reserved to staff who, on account of their professional specialization, organizational role and importance to the business, have an impact on their companies’ performance and value creation. The beneficiaries are therefore senior and key management staff.

Beneficiaries are identified by the Chief Executive Officer of Mediobanca, having sought the opinion of the General Manager, based on the proposal of the CEO of the company concerned, are included in the incentive scheme subject to approval from the head of the Retail and Consumer Banking and Private Banking division and the head of Human Resources of Mediobanca. Each beneficiary is notified of their inclusion in the incentives scheme, with a defined individual annual bonus target and calculation method. The bonus is determined annually on an individual basis in view of the risk-adjusted earnings performance delivered by the company (the indicator used for the Group companies is the economic profit earned by the business area in which they operate) and other secondary, quantative 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.

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

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 ended

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

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

Dear Shareholders,

We invite you to adopt the following resolution:

"At an ordinary general meeting,

- in view of the Staff remunerations policies for FY 2013/14 as illustrated in the Board of Directors, report, the shareholders of Mediobanca

Hereby resolve

– to approve the new staff remuneration policies as illustrated in the Board of Directors' report, including the provision instituted in the section entitled "Cap 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;
– to confer on the Board of Directors and the Chief Executive Officer on its behalf, the broadest powers to execute all deeds and perform all measures and formalities necessary in order to implement this resolution, 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, including with reference to the upper limit of the ratio between variable and fixed remuneration determined above".

Milan, 17 September 2014

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 compen-sation	Total	Fair value of equity compen-sation	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	01/07/13	30/06/14	30/06/14	100,000	1,800,000	1,900,000				351,797		2,251,797	10,250	
											of which complementary pension scheme				
											346,449				
	(I) Compensation in company preparing the accounts				**100,000**	**1,800,000**	**1,900,000**				**351,797**		**2,251,797**	**10,250**	
	(II) Compensation from subsidiaries/ associates at 30/06/2014						**0**						**0**		
	(III) Total				**100,000**	**1,800,000**	**1,900,000**	**0**	**0**	**0**	**351,797**	**0**	**2,251,797**	**10,250**	**0**
Dieter Rampl	Deputy Chairman of Board of Directors	01/07/13	30/06/14	30/06/14	135,000		135,000						135,000		
	(I) Compensation in company preparing the accounts				135,000	0	135,000	0					135,000	0	0
	(II) Compensation from subsidiaries/ associates at 30/06/2014														
	(III) Total				135,000	0	135,000	0	0	0	0	0	135,000	0	0

(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 compen-sation	Total	Fair value of equity compen-sation	Indemnity payable on leaving office/ severance (i)
					Emoluments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Marco Tronchetti Provera	Deputy Chairman of Board of Directors	01/07/13	30/06/14	30/06/14	135,000		135,000						135,000		
	(I) Compensation in company preparing the accounts ([1])				**135,000**	**0**	**135,000**						**135,000**	**0**	**0**
	(II) Compensation from subsidiaries/ associates at 30/06/2014						**0**						**0**		
	(III) Total				**135,000**		**135,000**	**0**	**0**	**0**	**0**	**0**	**135,000**	**0**	**0**
Alberto Nagel	CEO	01/07/13	30/06/14	30/06/14	100,000	1,800,000	1,900,000				352,430		2,252,430	10,250	
											of which complementary pension scheme				
											346,552				
	(I) Compensation in company preparing the accounts				**100,000**	**1,800,000**	**1,900,000**	**0**	**0**	**0**	**352,430**	**0**	**2,252,430**	**10,250**	**0**
	(II) Compensation from subsidiaries/ associates at 30/06/2014						**0**						**0**		
	(III) Total				**100,000**	**1,800,000**	**1,900,000**	**0**	**0**	**0**	**352,430**	**0**	**2,252,430**	**10,250**	**0**

(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 compen-sation	Total	Fair value of equity compen-sation	Indemnity payable on leaving office/ severance (i)
					Emoluments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Francesco Saverio Vinci	General Manager	01/07/13	30/06/14	30/06/14	100,000	1,500,000	1,600,000				294,232		1,894,232	7,321	
											of which complementary pension scheme				
											288,102				
	(I) Compensation in company preparing the accounts				**100,000**	**1,500,000**	**1,600,000**	**0**	**0**		**294,232**		**1,894,232**	**7,321**	**0**
	(II) Compensation from subsidiaries/ associates at 30/06/2014 (1) (2)				**10,000**		**10,000**	**10,000**					**20,000**		
	(III) Total				**110,000**	**1,500,000**	**1,610,000**	**10,000**	**0**	**0**	**294,232**	**0**	**1,914,232**	**7,321**	**0**
Tarak Ben Ammar	Director	01/07/13	30/06/14	30/06/14	100,000		100,000						100,000		
	(I) Compensation in company preparing the accounts				**100,000**	**0**	**100,000**						**100,000**	**0**	**0**
	(II) Compensation from subsidiaries/ associates at 30/06/2014														
	(III) Total				**100,000**	**0**	**100,000**	**0**	**0**	**0**	**0**	**0**	**100,000**	**0**	**0**
Gilberto Benetton	Director	01/07/13	30/06/14	30/06/14	100,000		100,000						100,000		
	(I) Compensation in company preparing the accounts				**100,000**	**0**	**100,000**	**0**			**0**		**100,000**		
	(II) Compensation from subsidiaries/ associates at 30/06/2014						**0**						**0**		
	(III) Total				**100,000**	**0**	**100,000**	**0**	**0**	**0**	**0**	**0**	**100,000**	**0**	**0**

(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 compen-sation**	**Total**	**Fair value of equity compen-sation**	**Indemnity payable on leaving office/ severance (i)**
					Emoluments	**Fixed salary**	**Total**		**Bonus and other incentives**	**Interest in earnings**					
Pier Silvio Berlusconi	Director	01/07/13	26/06/14	--	98,904		98,904						98,904		
	(I) Compensation in company preparing the accounts				**98,904**	**0**	**98,904**	**0**			**0**		**98,904**		
	(II) Compensation from subsidiaries/ associates at 30/06/2014 (1) (2)														
	(III) Total				**98,904**	**0**	**98,904**	**0**	**0**	**0**	**0**	**0**	**98,904**	**0**	**0**
Roberto Bertazzoni	Director	01/07/13	30/06/14	30/06/14	100,000		100,000						100,000		
	Member of Control and risks committee and Related parties committee	01/07/13	20/11/13	--	29,384		29,384						29,384		
	Member of Remunerations committee	01/07/13	30/06/14	30/06/14	20,000		20,000						20,000		
	Member of Appointments committee (3)	01/07/13	30/06/14	30/06/14	20,000		20,000						20,000		
	(I) Compensation in company preparing the accounts				**169,384**	**0**	**169,384**						**169,384**	**0**	**0**
	(II) Compensation from subsidiaries/ associates at 30/06/2014						**0**						**0**		
	(III) Total				**169,384**	**0**	**169,384**	**0**	**0**	**0**	**0**	**0**	**169,384**	**0**	**0**

(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 compen-sation	Total	Fair value of equity compen-sation	Indemnity payable on leaving office/ severance (i)
					Emoluments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Angelo Casò	Director	01/07/13	30/06/14	30/06/14	100,000		100,000						100,000		
	Chairman of Control and risks committee and Related parties committee	01/07/13	30/06/14	30/06/14	75,000		75,000						75,000		
	Member of Executive committee	01/07/13	30/06/14	30/06/14	60,000		60,000						60,000		
	Chairman of Remunerations committee	01/07/13	30/06/14	30/06/14	20,000		20,000						20,000		
	Member of Appointments committee	01/07/13	30/06/14	30/06/14	20,000		20,000						20,000		
	(I) Compensation in company preparing the accounts				**275,000**	**0**	**275,000**						**275,000**	**0**	**0**
	(II) Compensation from subsidiaries/ associates at 30/06/2014														
	(III) Total				**275,000**	**0**	**275,000**	**0**	**0**	**0**	**0**	**0**	**275,000**	**0**	**0**
Maurizio Cereda	Director	01/07/13	30/06/14	30/06/14	100,000	1,170,000	1,270,000				194,188		1,464,188		
											of which complementary pension scheme				
											188,466				
	(I) Compensation in company preparing the accounts				**100,000**	**1,170,000**	**1,270,000**	**0**			**194,188**		**1,464,188**		
	(II) Compensation from subsidiaries/ associates at 30/06/2014														
	(III) Total				**100,000**	**1,170,000**	**1,270,000**	**0**	**0**	**0**	**194,188**	**0**	**1,464,188**	**0**	**0**

(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 compen-sation	Total	Fair value of equity compen-sation	Indemnity payable on leaving office/ severance (i)
					Emoluments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Christian Collin	Director	01/07/13	17/04/14	--	79,726		79,726						79,726		
	(I) Compensation in company preparing the accounts (1)				**79,726**	**0**	**79,726**	**0**			**0**		**79,726**		
	(II) Compensi da controllate e collegate al 17/04/2014														
	(III) Total				**79,726**	**0**	**79,726**	**0**	**0**	**0**	**0**	**0**	**79,726**	**0**	**0**
Alessandro Decio	Director	01/07/13	30/06/14	30/06/14	100,000		100,000						100,000		
	(I) Compensation in company preparing the accounts (1)				**100,000**	**0**	**100,000**	**0**			**0**		**100,000**		
	(II) Compensation from subsidiaries/ associates at 30/06/2014														
	(III) Total				**100,000**	**0**	**100,000**	**0**	**0**	**0**	**0**	**0**	**100,000**	**0**	**0**
Massimo Di Carlo	Director	01/07/13	30/06/14	30/06/14	100,000	1,260,000	1,360,000				208,561		1,568,561		
											of which complementary pension scheme				
											203,249				
	(I) Compensation in company preparing the accounts				**100,000**	**1,260,000**	**1,360,000**				**208,561**		**1,568,561**		
	(II) Compensation from subsidiaries/ associates at 30/06/2014														
	(III) Total				**100,000**	**1,260,000**	**1,360,000**	**0**	**0**	**0**	**208,561**	**0**	**1,568,561**	**0**	**0**

(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 compen-sation**	**Total**	**Fair value of equity compen-sation**	**Indemnity payable on leaving office/ severance (i)**
					Emoluments	**Fixed salary**	**Total**		**Bonus and other incentives**	**Interest in earnings**					
Bruno Ermolli	Director	01/07/13	30/06/14	30/06/14	100,000		100,000						100,000		
	Member of Remunerations committee	21/11/13	30/06/14	30/06/14	12,164		12,164						12,164		
	(I) Compensation in company preparing the accounts				**112,164**	**0**	**112,164**	**0**			**0**		**112,164**		
	(II) Compensation from subsidiaries/ associates at 30/06/2014														
	(III) Total				**112,164**	**0**	**112,164**	**0**	**0**	**0**	**0**	**0**	**112,164**	**0**	**0**
Giorgio Guazzaloca	Director	17/09/13	30/06/14	30/06/14	78,630		78,630						78,630		
	(I) Compensation in company preparing the accounts				**78,630**		**78,630**	**0**			**0**		**78,630**		
	(II) Compensation from subsidiaries/ associates at 30/06/2014														
	(III) Total				**78,630**	**0**	**78,630**	**0**	**0**	**0**	**0**	**0**	**78,630**	**0**	
Anne Marie Idrac	Director	01/07/13	30/06/14	30/06/14	100,000		100,000						100,000		
	Member of Remunerations committee	01/07/13	30/06/14	30/06/14	20,000		20,000						20,000		
	Member of Appointments committee (3)	01/07/13	30/06/14	30/06/14	20,000		20,000						20,000		
	(I) Compensation in company preparing the accounts				**140,000**	**0**	**140,000**						**140,000**	**0**	**0**
	(II) Compensation from subsidiaries/ associates at 30/06/2014														
	(III) Total				**140,000**	**0**	**140,000**	**0**	**0**	**0**	**0**	**0**	**140,000**	**0**	**0**

(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 compen-sation**	**Total**	**Fair value of equity compen-sation**	**Indemnity payable on leaving office/ severance (i)**
					Emoluments	**Fixed salary**	**Total**		**Bonus and other incentives**	**Interest in earnings**					
Vanessa Labérenne	Director	01/07/13	30/06/14	30/06/14	100,000		100,000						100,000		
	Member of Executive committee	01/07/13	30/06/14	30/06/14	60,000		60,000						60,000		
	Member of Remunerations committee	01/07/13	30/06/14	30/06/14	20,000		20,000						20,000		
	Member of Control and risks committee and Related parties committee	01/07/13	30/06/14	30/06/14	75,000		75,000						75,000		
	(I) Compensation in company preparing the accounts				**255,000**	**0**	**255,000**						**255,000**	**0**	**0**
	(II) Compensation from subsidiaries/ associates at 30/06/2014														
	(III) Total				**255,000**	**0**	**255,000**	**0**	**0**	**0**	**0**	**0**	**255,000**	**0**	**0**
Elisabetta Magistretti	Director	01/07/13	30/06/14	30/06/14	100,000		100,000						100,000		
	Member of Control and risks committee and Related parties committee	01/07/13	30/06/14	30/06/14	75,000		75,000						75,000		
	Member of Appointments committee	01/07/13	30/06/14	30/06/14	20,000		20,000						20,000		
	(I) Compensation in company preparing the accounts				**195,000**	**0**	**195,000**						**195,000**	**0**	**0**
	(II) Compensation from subsidiaries/ associates at 30/06/2014						**0**						**0**		
	(III) Total				**195,000**	**0**	**195,000**	**0**	**0**	**0**	**0**	**0**	**195,000**	**0**	**0**

(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 compen-sation	Total	Fair value of equity compen-sation	Indemnity payable on leaving office/ severance (i)
					Emoluments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Alberto Pecci	Director	01/07/13	30/06/14	30/06/14	100,000		100,000						100,000		
	(I) Compensation in company preparing the accounts				**100,000**	**0**	**100,000**	**0**			**0**		**100,000**		
	(II) Compensi da controllate e collegate al 30/06/2014						**0**						**0**		
	(III) Total				**100,000**	**0**	**100,000**	**0**	**0**	**0**	**0**	**0**	**100,000**	**0**	**0**
Carlo Pesenti	Director	01/07/13	30/06/14	30/06/14	100,000		100,000						100,000		
	Member of Remunerations committee	01/07/13	30/06/14	30/06/14	20,000		20,000						20,000		
	(I) Compensation in company preparing the accounts ([1])				**120,000**	**0**	**120,000**						**120,000**	**0**	**0**
	(II) Compensation from subsidiaries/ associates at 30/06/2014						**0**						**0**		
	(III) Total				**120,000**	**0**	**120,000**	**0**	**0**	**0**	**0**	**0**	**120,000**	**0**	**0**
Eric Strutz	Director	01/07/13	30/06/14	30/06/14	100,000		100,000						100,000		
	Member of Executive Committee	01/07/13	30/06/14	30/06/14	60,000		60,000						60,000		
	(I) Compensation in company preparing the accounts				**160,000**	**0**	**160,000**						**160,000**	**0**	**0**
	(II) Compensation from subsidiaries/ associates at 30/06/2014														
	(III) Total				**160,000**	**0**	**160,000**	**0**	**0**	**0**	**0**	**0**	**160,000**	**0**	**0**

(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 compen-sation	Total	Fair value of equity compen-sation	Indemnity payable on leaving office/ severance (i)
					Emoluments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Management with strategic responsibilities (10 staff)						3,445,998	3,445,998		1,260,000		526,268	40,000	5,272,266	646,674	
											of which complementary pension scheme				
											482,134				
	(I) Compensation in company preparing the accounts					**3,445,998**	**3,445,998**		**1,260,000**		**526,268**	**40,000**	**5,272,266**	**646,674**	
	(II) Compensation from subsidiaries/ associates at 30/06/2014 [1] [4]				**144,000**		**144,000**	**104,000**		**7,948**			**255,948**		
	(III) Total				**144,000**	**3,445,998**	**3,589,998**	**104,000**	**1,260,000**	**7,948**	**526,268**	**40,000**	**5,528,214**	**646,674**	**0**
Stefano Marsaglia						508,333	508,333				40,667	1,499,043	2,048,043	658,428	
											of which complementary pension scheme				
											40,667				
	(I) Compensation in company preparing the accounts				**0**	**508,333**	**508,333**		**0**		**40,667**	**1,499,043**	**2,048,043**	**658,428**	
	(II) Compensation from subsidiaries/ associates at 30/06/2014						**0**						**0**		
	(III) Total				**0**	**508,333**	**508,333**	**0**	**0**	**0**	**40,667**	**1,499,043**	**2,048,043**	**658,428**	**0**
Natale Freddi	Chairman of Statutory Audit Committee	01/07/13	30/06/14	30/06/14	120,000		120,000						120,000		
	(I) Compensation in company preparing the accounts				**120,000**	**0**	**120,000**		**0**		**0**		**120,000**	**0**	
	(II) Compensation from subsidiaries/ associates at 30/06/2014						**0**						**0**		
	(III) Total				**120,000**	**0**	**120,000**	**0**	**0**	**0**	**0**	**0**	**120,000**	**0**	**0**

(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 compen-sation**	**Total**	**Fair value of equity compen-sation**	**Indemnity payable on leaving office/ severance (i)**
					Emoluments	**Fixed salary**	**Total**		**Bonus and other incentives**	**Interest in earnings**					
Maurizia Angelo Comneno	Member of Statutory Audit Committee	01/07/13	30/06/14	30/06/14	90,000		90,000						90,000		
	(I) Compensation in company preparing the accounts				**90,000**	**0**	**90,000**		**0**		**0**		**90,000**	**0**	
	(II) Compensation from subsidiaries/ associates at 30/06/2014						**0**						**0**		
	(III) Total				**90,000**	**0**	**90,000**	**0**	**0**	**0**	**0**	**0**	**90,000**	**0**	**0**
Gabriele Villa	Member of Statutory Audit Committee	01/07/13	30/06/14	30/06/14	90,000		90,000						90,000		
	(I) Compensation in company preparing the accounts				**90,000**	**0**	**90,000**		**0**		**0**		**90,000**	**0**	
	(II) Compensation from subsidiaries/ associates at 30/06/2014						**0**						**0**		
	(III) Total				**90,000**	**0**	**90,000**	**0**	**0**	**0**	**0**	**0**	**90,000**	**0**	**0**

[1] Fees are paid directly to the company of origin.

[2] Fees due in respect of position held in Banca Esperia.

[3] Independent director added to the Appointments Committee as required by Articles of Association for certain resolutions only.

[4] Fees due in respect of position held in Assicurazioni Generali.

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

			Options held at start of 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
R. Pagliaro	Chairman																
Compensation in company preparing the accounts		30/7/01	300,000	€ 14.25	From 29 June 2009 to 28 June 2014										300,000		-
		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	10,250
A. Nagel	CEO																
Compensation in company preparing the accounts		30/7/01	300,000	€ 14.25	From 29 June 2009 to 28 June 2014										300,000		
		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	10,250
F. S. Vinci	CEO																
Compensation in company preparing the accounts		30/7/01	300,000	€ 14.25	From 29 June 2009 to 28 June 2014										300,000		-
		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	7,321
M. Cereda	Director																

(Continued) Table 2: Stock options granted to members of the governing bodies, general managers and 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
(I) Compensation in company preparing the accounts		30/7/01	300,000	€ 14.25	From 29 June 2009 to 28 June 2014										300,000		-
		28/10/04	275,000	€ 10.31	From 1 July 2011 to 30 June 2016											275,000	-
M. Di Carlo	Director																
Compensation in company preparing the accounts		30/7/01	300,000	€ 14.25	From 29 June 2009 to 28 June 2014										300,000		-
		28/10/04	275,000	€ 10.31	From 1 July 2011 to 30 June 2016											275,000	-
Managerial staff with strategic responsibilities																	
Compensation in company preparing the accounts [1]		30/7/01	1,150,000	€ 14.25	From 29 June 2009 to 28 June 2014										1,150,000		-
		28/10/04	895,000	€ 10.31	From 1 July 2011 to 30 June 2016											895,000	-
		27/10/07	1,575,000	€ 6.54	From 2 August 2013 to 1 August 2018											1,575,000	46,123
(III) Total			**7,445,000**												**2,650,000**	**4,795,000**	**73,944**

[1] No. of options held at start of year restated as per definition of strategic management identified as at 30 June 2014.

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

			Financial instruments awarded in previous years which have not vested during the course of the year		Financial instruments awarded during the year					Financial instruments vested during the 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
Stefano Marsaglia													
Compensation paid in company preparing the accounts		28-oct-10			634,113 Performance Shares	4,050,462	Nov, 2015 – Nov, 2018	3/2/14	6,692				658,428
Managerial staff with strategic responsibilities													
Compensation paid in company preparing the accounts		28-oct-10	120,152 Performance Shares	Nov, 2014 – Nov, 2015							120,152	760,586	166,427
		28-oct-10	335,075 Performance Shares	Nov, 2014 – Nov, 2016									305,566
		28-oct-10			101,724 Performance Shares	468,637	Nov, 2015 – Nov, 2017	27/9/13	5,287				128,558
Total			**455,227**		**735,837**	**4,519,099**					**120,152**	**760,586**	**1,258,979**

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

A	B	(1)	(2)			(3)			(4)
			Bonus for the year			Previous year's bonuses			
			(A)	(B)	(C)	(A)	(B)	(C)	
Name and surname	**Post**	**Scheme**	**Payable/paid**	**Deferred**	**Deferral period**	**No longer payable**	**Payable/paid**	**Still deferred**	**Other bonuses**
Marsaglia Stefano		FY 2013/2014							1,499,043
Management with strategic responsibilities		FY 2013/2014	661,000	495,000	Nov,2015-Nov,2017				40,000
		FY 2012/2013						375,000	
		FY 2011/2012					534,000	318,000	
		FY 2010/2011					65,000	65,000	
Total compensation in company preparing the accounts			**661,000**	**495,000**			**599,000**	**758,000**	**1,539,043**

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	==	==	2,730,000
NAGEL ALBERTO	CEO	MEDIOBANCA	2,626,050	==	==	2,626,050
VINCI FRANCESCO SAVERIO	General Manager	MEDIOBANCA	945,000	==	==	945,000
BENETTON GILBERTO*	Director	MEDIOBANCA	562,800	==	==	562,800
BERTAZZONI ROBERTO*	Director	MEDIOBANCA	1,050,000	==	==	1,050,000
CEREDA MAURIZIO	Director	MEDIOBANCA	619,500	==	==	619,500
DI CARLO MASSIMO	Director	MEDIOBANCA	556,500	==	==	556,500
PECCI ALBERTO*	Director	MEDIOBANCA	4,757,500	==	==	4,757,500

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.

* 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
11	MEDIOBANCA	263,132	120,152 (*)	20,000	363,284

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

* 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 on fixed salary	Cash Upfront	Equity Upfront	Deferred Cash	Deferred e quity
1) Financial markets	20,746	22,242	107%	11,300	2,223	5,667	3,052
2) Advisory	14,933	9,239	62%	5,842	841	1,680	877
3) Lending and Structured Finance	5,031	2,253	45%	1,824	90	279	60
4) Staff, support and control functions	21,973	5,144	23%	5,021		123	
	62,683	38,878	62%	23,987	3,154	7,749	3,989

Gross amounts in € '000.

Does not include directors with executive responsibilities as members of the Group's senior management.

Includes guaranteed compensation for 1st year in Mediobanca.

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

Mediobanca Group	#	Fixed Salary	Variable	% 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) Directors with executive duties (management who are members of Executive Committee)	4	5,730		-				
3) Senior management and heads of relevant BUs (principle business lines, geographical areas and other senior business figures)	12	8,377	6,050	72%	1,210	1,210	1,815	1,815
4) Heads and senior staff of Internal control units (Compliance, Risk Management, Group Audit)	10	1,430	430	30%	430			
5) Staff with managerial responsibilities in relevant business units	18	4,922	6,420	130%	1,397	1,397	1,813	1,813
6) Heads and senior staff in Staff and support units (Head of company finacial reporting, HR, Operations and IT, Legal)	8	1,918	558	29%	558			
7) Quantitative criteria	7	1,956	2,215	113%	626,5	626,5	481	481
	60	**26,133**	**15,673**	**60%**	**4,222**	**3,234**	**4,109**	**4,109**

Gross amounts in € '000.

For 2014, Group 3 includes the remuneration paid to the CEOs of Compass and CheBanca! and to the MB Turkey Head, non-Mediobanca staff, not included in the mediobanca bonus pool for teh variable component the "most relevant staff" employed by Group companies with year-ending june 30 are excluded.

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]
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)	6	2,735	5	406,102	-	-
4) Heads and senior staff of Internal control units (Compliance, Risk Management, Group Audit)	-	-	-	-	-	-
5) Staff with managerial responsibilities in relevant business units	15	2,579	10	416,666	2	224
6) Heads and senior staff in Staff and support units (Head of company finacial reporting, HR, Operations and IT, Legal)	-	-	-	-	-	-
7) Quantitative criteria	5	331	4	75,758	1	63
	26	**5,645**	**19**	**898,526**	**3**	**287**

[1] Gross amounts in €' 000.

[2] Number of Mediobanca stores.

Group	#	Treatment at start of relationship inizio rapporto	#	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)	2	2,500	-	-
4) Heads and senior staff of Internal control units (Compliance, Risk Management, Group Audit)	-	-	-	-
5) Staff with managerial responsibilities in relevant business units	-	-	-	-
6) Heads and senior staff in Staff and support units (Head of company finacial reporting, HR, Operations and IT, Legal)	-	-	-	-
7) Quantitative criteria	-	-	-	-
	2	**2,500**	**-**	**-**

[1] With reference to the most relevant personnel identified as of June 30 2013.

STATEMENT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

Statement on Corporate Governance and Ownership Structure

Mediobanca adheres to the code of conduct for listed companies, issued in December 2011 and available at www.borsaitaliana.it, on the following terms.

Mediobanca adopts a traditional model of corporate governance based on the presence of Board of Directors and a Statutory Audit Committee, both of which are appointed by shareholders in general meeting, considering this model to be better suited to combining maximum efficiency in terms of operations with effective control, at the same time satisfying shareholders' interests and leveraging fully on the Bank's management. In particular, the Articles of Association now in force provide for a significant number of executives (five) to be represented on the Banking Group's Board of Directors, in a system of corporate governance based on wide-ranging powers being granted to the Executive Committee (made up by a majority of executive members) and the CEO for the day-to-day running of the company. This allows the management's professional capabilities to be leveraged, and ensures their independence with respect to situations of potential conflicts of interest with shareholders. At the same time, under the provisions of the Articles, the Board of Directors is vested with the role of strategic supervision via the traditional, non-delegable powers, based on 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.

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 services in addition to traditional medium-term bank credit. In the meantime a footprint has developed on non-Italian markets, with branch offices opening in Paris, Frankfurt, Madrid, and London and subsidiaries in New York, Luxembourg and Istanbul.

Under the new supervisory instructions for banks on the issue of corporate governance released by the Bank of Italy with circular 285/13, Mediobanca, as a listed company, qualifies as a larger bank with increased operational complexity. Accordingly, it will bring its governance structure and Articles of Association into line with the new regulations by the term set for the approval of the company's accounts for the financial year ending 30 June 2015.

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), and private banking (through Compagnie Monégasque de Banque and Banca Esperia).

The Board of Directors of Mediobanca has approved a set of Group Regulations covering 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, and the areas of competence and responsibility of the parent company's central functions.

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 the achievement of the Group's objectives. The governance rules contained in the Regulations are intended to guarantee the unity of the Group as a whole.

The Regulations have also been approved by the Boards of Directors of the respective Group companies.

Share capital and ownership

The Bank's share capital at 30 June 2014 totalled € 430,703,356 made up of 861,406,712 par value € 0.50 shares. The shares are registered shares, and entitle shareholders to one vote per share in general meeting.

Pursuant to Article 2443 of the Italian Civil Code, the Board of Directors was authorized by shareholders in a general meeting held on 28 October 2008 to increase the Bank's share capital by means of rights or bonus issues, on or prior to the fifth anniversary of the date of the relevant resolution, in an amount of up to € 100m via the issuance of 200m new ordinary shares, to be offered in option or otherwise allotted to shareholders, and to establish the issue price and ranking of such new shares from time to time; and to issue bonds convertible into ordinary shares in a nominal amount of up to € 2bn also to be offered to shareholders; provided that exercise of such resolution should not lead to the issue of a total number of ordinary shares in excess of 200m.

At an annual general meeting held on 27 October 2012, the shareholders of Mediobanca adopted a resolution empowering the Board of Directors, under Article 2443 of the Italian Civil Code, to increase the company's share capital, in one or more tranches, on or prior to the fifth anniversary of the date of said resolution in a nominal amount of up to € 40m, including via warrants, through the issue of up to 80m par value € 0.50 ordinary shares, 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.

Following resolution adopted in a general meeting held on 27 October 2007, Mediobanca bought back a total of 16,200,000 shares which were booked at an average price of € 13.17 per share, for a total outlay of € 213.4m. In September 2009, following a bonus issue, the number of treasury shares increased to 17,010,000. Subsequently, on 29 November 2013 some 1,164,586 treasury shares were allocated to implement the performance share scheme, account of which will be given in the report on Remuneration; a total of 15,845,414 treasury shares remained outstanding.

Since 1998 shareholders in general meeting have adopted resolutions to increase the company's share capital under the terms of the stock option schemes restricted to company chief executives and to Mediobanca Group management (cf. Article 4, paras 5 and 6 of the company's Articles of Association). As at 1 July 2014 the number of stock options still available for allocation totalled 24,424,000 stock options in respect of a like number of shares (press releases regarding schemes in force and awards made are available at www.mediobanca.com). The stock option scheme approved by shareholders in general meeting and subsequently amended as a result of the Bank of Italy's instructions issued in March 2011 and renamed performance stock option scheme has been published on the Bank's website at www.mediobanca.com.

At a general meeting held on 28 October 2010, the shareholders of Mediobanca authorized the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, to increase the company's share capital free of charge in a nominal amount of up to € 10m, via the award, as permitted under Article 2349 of the Italian Civil Code, through the issue of no more than 20m ordinary par value € 0.50 shares, ranking for dividends pari passu, to be reserved to Mediobanca Group employees through the award of performance shares, as well as up to 15,845,414 treasury shares owned by the Bank. As at 1 July 2014, a total of 11,166,178 performance shares were available for award to Group staff. The performance share scheme approved by shareholders in general meeting, as subsequently amended in line with the Bank of Italy's instructions issued in March 2011, and the various press releases regarding the existing schemes and awards made, are published on the Bank's website at www.mediobanca.com.

According to the company's register of shareholders, as amended in the light of statements received pursuant to Article 120 of the Italian Consolidated Finance Act, as at 30 June 2014 the following shareholders own more than 2% of the subscribed and paid share capital of Mediobanca, either in their own right or through subsidiaries:

Shareholder	No. of shares	% of share capital
UniCredit group	75,442,078	8.76
Bolloré group	55,679,075	6.46
Groupama group	42,430,160	4.93
Mediolanum group	30,195,110	3.50
Fondazione Cassa di Risparmio in Bologna	25,368,135	2.95
Benetton group	18,625,029	2.16
Fininvest group	17,713,785	2.06

Mediobanca has approximately 60,000 shareholders. At 30 June 2014 shareholders representing approximately 30.05% of the Bank's share capital have entered into a Mediobanca shareholders' agreement expiring on 31 December 2015. 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 bodies

– Shareholders in general meeting

– Board of Directors

– Chairman of Board of Directors

– Executive Committee

- CEO
- General Manager
- Head of Company Financial Reporting
- Statutory Audit Committee

General meetings

The general meeting gives expression to the wishes of the body of the company's shareholders, and decisions taken in such meetings, which are adopted in conformity with the provisions of both the law and the company's Articles of Association, are binding on all shareholders. Issues which fall within the jurisdiction of shareholders in general meeting include the following:

- approval of financial statements and allocation of profits;
- appointment and/or dismissal of the Board of Directors and Statutory Audit Committee;
- responsibilities of members of the Board of Directors and Statutory Audit Committee;
- engagement of, and termination of agreements with, external legal auditors;
- transactions required by law to be approved by shareholders in extraordinary general meeting;
- remuneration policies and compensation schemes based on financial instruments adopted for Directors, Group employees and collaborators.

The right to attend and vote at General Meetings is governed by the Articles of Association (Section III, Articles 5ff), which stipulate that shareholders for which the issuer has received notification by the end of the third business day prior to the date set for the meeting from an authorized intermediary based on the evidence at the end of the accounting day of the seventh business day prior to the date set for the annual general meeting in the first or only instance; Authorization to take part and vote in cases where the notice is received by the issuer after the deadline may still be granted provided such notice is received before proceedings at the specific session of the meeting commence.

Persons authorized to take part and vote may choose to be represented in the general meeting under a proxy issued in writing or electronically where this is permitted by the regulations in force and in accordance with them, without prejudice to grounds of incompatibility and within the limits provided by law.

The Bank has not adopted a specific set of regulations for holding general meetings, as its Articles of Association ensure that proceedings are conducted in an orderly manner, providing for the Chairman of the meeting, who under the Articles is the Chairman of the Board of Directors, has the duty of establishing that a quorum has been reached, ascertaining the identity of those in attendance, and assessing their entitlement to be so present, chairing and conducting the proceedings, and checking and announcing the results of any votes taken.

The Board of Directors reports to shareholders in general meetings on the activity performed in its 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. The new criteria become effective from the first occasion when the governing bodies are reappointed subsequent to 12 August 2012, which for Mediobanca will be when the governing bodies' term of office expires with approval of the financial statements for the year ending 30 June 2014.

The Board of Directors of Mediobanca was appointed by shareholders in a general meeting held 28 October 2011 for the 2012-14 three-year period.

In accordance with the Articles of Association, Directors are appointed on the basis of lists of candidates who are in possession of the requisite professional credentials, qualify as fit and proper persons to hold such office and as independent in accordance with the law and the company's Articles of Association. Such lists are submitted by shareholders representing in the aggregate at least the percentage of the company's share capital established under regulations in force at the time (currently 1%). Please see Article 14 of the Articles of Association for the procedures relating to the appointment and dismissal of Directors, which may be found on the Bank's website at www.mediobanca.com/Corporate Governance.

The Board of Directors appointed on 28 October 2011 for the 2012, 2013 and 2014 financial years, as amended on 27 October 2012 and 28 October 2013, as at 30 June 2014 consists of 20 members, 13 of whom qualify as independent pursuant to Article 148, para. 3 of Italian Legislative Decree 58/98, and 10 of whom also qualify as independent pursuant to the Code of Conduct:

Member	Post held	Date of birth	Indep.*	Indep.**	Management	In office since°
Renato Pagliaro ◊	Chairman	20/2/1957			X	2/7/2007
Dieter Rampl ◊	Deputy Chairman	5/9/1947	X	X		14/9/2006
Marco Tronchetti Provera ◊	Deputy Chairman	18/1/1948		X		23/5/2007
Alberto Nagel ◊	CEO	7/6/1965			X	2/7/2007
Francesco Saverio Vinci ◊	General Manager	10/11/1962			X	2/7/2007
Tarak Ben Ammar ◊	Director	12/6/1949	X	X		15/9/2003
Gilberto Benetton ◊	Director	19/6/1941				28/10/2002
Roberto Bertazzoni ◊	Director	10/12/1942	X	X		27/6/2007
Angelo Casò ◊	Director	11/8/1940	X	X		27/6/2007
Maurizio Cereda ◊	Director	7/1/1964			X	2/7/2007
Alessandro Decio •	Director	10/1/1966		X		27/6/2012
Massimo Di Carlo ◊	Director	25/6/1963			X	2/7/2007
Bruno Ermolli •	Director	6/3/1939	X	X		27/6/2012
Giorgio Guazzaloca #	Director	6/2/1944	X	X		17/9/2013
Anne-Marie Idrac ◊	Director	27/7/1951	X	X		28/10/2011
Vanessa Labérenne •	Director	8/1/1978	X	X		9/5/2012
Elisabetta Magistretti ◊	Director	21/7/1947	X	X		28/10/2011
Alberto Pecci •	Director	18/9/1943				27/10/2012
Carlo Pesenti ◊	Director	30/3/1963		X		29/3/1999
Eric Strutz ◊	Director	13/12/1964	X	X		28/10/2004

* Independent as required in Code of conduct for listed companies.

** Independent as required by Article 148, para. 3 of Italian Legislative Decree 58/98.

° The term includes the office held from 27/6/07 to 28/10/08, period in which Mediobanca has adopted the two-tier corporate governance system.

• Appointed by shareholders at the annual general meeting held on 27 October 2012.

◊ Taken from the list submitted by shareholder Unicredit S.p.A., owner of 8.655% of the company's share capital.

Appointed by shareholders at the annual general meeting held on 28 October 2013 at the indication of Fondazione Cassa di Risparmio in Bologna.

The shareholders who submitted the minority list have issued a statement to the effect that no links exist, as defined in Article 144-quinquies of Consob regulation 11971/99, with shareholders owning, including jointly between themselves, a controlling or majority shareholding in Mediobanca.

The Board includes prominent figures from the banking, insurance and industrial sectors, which ensures an appropriate degree of professionalism as required by the complexity of the Bank's operations, and given the Board's role in strategic supervision.

It is comprised of 17 men (85%) and 3 women (15%); 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	70/75
1	0	4	3	2	2	3	5

All the Directors have made statements to the effect that no cause exists for them to be disqualified from office under legislation currently in force on the grounds of their being incompatible, ineligible or otherwise having lapsed from office, and further statements to the effect that they are fit and proper persons in possession of the requisite qualifications to hold such office and that they qualify as independent where this is required by legislation currently in force and in particular Article 148, paragraph three of the Italian Consolidated Finance Act, which the Board has duly noted. The Articles of Association do not provide for any further requirements in terms of professional qualifications than those stipulated by Article 26 of the Italian Consolidated Banking Act.

The independence of each Director is assessed annually on the basis of information provided by him/her, and any relations which might compromise, or appear to compromise, the Director's independence of judgement are assessed accordingly.

At a meeting held on 18 December 2013, the Board of Mediobanca ascertained that the following directors qualify as independent under the terms of the Code of conduct in respect of listed companies: Tarak Ben Ammar, Roberto Bertazzoni, Angelo Casò, Bruno Ermolli, Anne Marie Idrac, Vanessa Labérenne, Elisabetta Magistretti, Dieter Rampl, Giorgio Guazzaloca and Eric Strutz.

With reference to the fact that certain 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 the simple fact of their belonging to this body, as a result in particular of its composition, given that the Executive Committee includes the Chairman plus four members of the Bank's senior management, including the Chief Executive Officer and General Manager, who are responsible for the day-to-day running of the Bank. The Chairman and the other non-managerial members of the Committee do not have individual powers of management, and the governance model also features managerial committees with broad powers in respect of the Bank's ordinary operations.

The new Bank of Italy instructions issued on 6 May 2014, which – by contrast – define all members of the Executive Committee as executive, do not affect the Directors' independence, which is currently assessed with respect to the guidelines and definitions contained in the Code of conduct. The Bank will take the new arrangements into account in its formulation of a single definition of "independence", to be adopted, along with the other amendments to the Articles of Association, by end-2015, again as required by the same instructions.

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 at least twice a year 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 are available on the Bank's website at www.mediobanca.com/Corporate Governance.

As approved by shareholders in a general meeting held on 28 October 2011, Directors holding posts in other banking companies are allowed to serve as Directors pursuant to Article 2390 of the Italian Civil Code. Article 36 of Italian decree law 201/11 has instituted a ban on representatives of banks, insurance companies and financial institutions from holding equivalent positions in companies which operate in the same sectors. The Board assesses the position of individual directors annually, as these may change on the basis of changes in the activities or size of the other companies in which they hold posts. To this end, each director is bound to inform the Board of any changes in the positions which he/she might have taken on in the course of his/her term of office.

The Board of Directors delegates management of the Bank's current operations to the Executive Committee and the Chief Executive Officer who exercise such powers in accordance with the strategic guidelines and direction formulated by the Board itself. The following matters, however, are the sole jurisdiction of the Board of Directors:

1) approval of strategic guidelines and directions, business and financial plans, budgets, and risk management and internal control policies;
2) approval of quarterly and interim accounts and of draft individual and consolidated financial statements;
3) decisions concerning the acquisition or disposal of equity investments which alter the composition of the Banking Group for amounts of over € 500m or otherwise of investments worth in excess of € 750m;
4) trading involving equity investments in excess of 15% of the holdings owned at the start of each financial year in Assicurazioni Generali S.p.A., RCS MediaGroup S.p.A. and Telco S.p.A.;
5) appointment and dismissal of the Executive Committee with the powers provided for in the Articles of Association, under Article 22, and establishment of any additional powers to be vested in it;
6) appointment and dismissal of the CEO with the powers described in the Articles of Association, and establishment of any additional powers to be vested in him as well as his remuneration;
7) appointment and dismissal of the General Manager and establishment of any additional powers to be vested in him as well as his remuneration;
8) appointment of the Head of Company Financial Reporting and of persons responsible for internal audit and compliance duties;
9) proposals to be submitted to shareholders in ordinary and extraordinary general meetings;
10) approval of or amendment to an internal regulations;
11) ascertaining that Directors and members of the Statutory Audit Committee upon their appointment, or without prejudice to the foregoing on at least an annual basis, are in possession of the requisite professional credentials and qualify as fit and proper persons and as independent as required by regulations in force and the Articles of Association.

The delegated bodies report once a quarter 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 normally adopts resolutions on proposals from the Executive Committee or CEO, with a majority of those in attendance voting in favour, while a majority of all Directors in office is required for resolutions on appointments to the Executive Committee or to the posts of CEO or General Manager. The same majority is required where the Board is to take resolutions in respect of transactions which fall within the jurisdiction of the appointed governing bodies.

Meetings of the Board of Directors are called by the Chairman or Acting Chairman, on his own initiative or when requisitioned by at least three Directors. As a rule, the Board of Directors meets at least five times a year, and a quorum is established when a majority of the Directors in office is in attendance. Board meetings may also be called by the Statutory Audit Committee or one of its members, provided the Chairman 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. 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 training sessions or further analysis for the individual directors.

Non-Board members who are responsible for individual company units also take part in Board meetings on occasion, to provide the appropriate depth of information on the various items included on the agenda.

A total of eleven meetings took place in the period from 1 July 2013 to 30 June 2014.

The average duration of Board meetings was roughly two hours and forty minutes.

Twice a year the Board of Directors also assesses the adequacy of the Bank's administrative and accounting structure, with particular attention being 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 Board of Directors continuously appraises the adequacy of the company's organizational structure on the basis of the information it receives from the management.

Self assessment of Board of Directors

The process of self assessment of the size, composition and functioning of the governing bodies required inter alia by the Bank of Italy's new instructions issued in 2014 had duly been completed by the date on which this statement was approved.

The self assessment was conducted in the months of May and June 2014, 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;

– analysis of the main observations and comments to emerge and suggestions by the non-executive directors, including the Chairman of the Board of Directors;

– approval of the report to shareholders on the qualitative/quantitative composition of the Board of Directors to reflect the new regulations (the document is available on the company's website at www.mediobanca.com) by the Board itself at a meeting held on 4 July 2014, subject to a favourable opinion being expressed by the Appointments Committee.

The self assessment process, in which nineteen of the directors participated and also, in line with the new Bank of Italy instructions, 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.

In particular it emerged that the strategic direction of the Group remains clear, and that the climate within the Board itself is satisfactory, as are the flow of information, the way in which the proceedings are chaired and the items discussed on the agendas that are set. It was felt that the relationship between the independent and non-independent directors is appropriate, and it was felt that there was no need to appoint a Lead Independent Director. The Board also proved to be satisfied with the mix of experience represented, with the improvements to its functioning that have been adopted with reference to the inclusion of more strategy-related items on the agenda and to the level of internal debate.

The Executive, Control and risks, Appointments and Remunerations committees were felt to be excellent in terms of role, functioning, composition and size, while it is hoped that the Controls and risks committee will be expanded.

Succession planning

In the course of the 2013/14 financial year, Mediobanca has formalized its "Succession planning policy" for the positions of the executive directors and key managers (business areas, control units, and staff and support roles).

It also reflects the regulatory authority's specific instructions on the heads of the control units.

At Group level 20 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 of 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 21 staff, to ensure key positions can be replaced in the short and medium term. Career development paths will be 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 coverage of the role of Chief Executive Officer, particular attention will obviously be 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.

Directors' and strategic management's remuneration

The executive Directors' and Chairman's remuneration is structured in such a way as to ensure their interests are aligned with the main objective of value creation for shareholders over the medium and long term. The compensation package is structured into three components so that the economic benefits accruing to executive Directors are diversified over time:

– fixed salary;

– a variable annual component which accrues only if the annual company bonus pool itself accrues, as established in the Remuneration policies approved by shareholders in general meeting. 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. When the individually assigned quantitative and qualitative objectives are met, the amount of the bonus may still only reach a maximum of twice the fixed gross annual salary of the person concerned. Payment of the bonus will be made in accordance with the terms, conditions and methods stipulated in the Remuneration policies;

– when the Group's three-year plans are approved, the Board of Directors may choose to pay a further extraordinary bonus by way of a long-term incentive, as recognition for achievement of the targets set in the plan. Payment of the bonus will be made in accordance with the terms, conditions and methods stipulated in the Remuneration policies.

The Chairman is entitled to fixed remuneration only.

Directors who are also members of the Group's senior management also 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 general policy in respect of the remuneration of directors and management with strategic responsibilities is illustrated in the "Remuneration policy" which at the Remuneration Committee's proposal is approved by the Board of Directors and submitted to shareholders in general meeting. The policy for the 2012/2013 financial year, which was approved by shareholders in general meeting, is available on the Bank's website at www.mediobanca.com/Corporate Governance.

Chairman of Board of Directors

The Chairman of the Board of Directors calls, chairs and directs proceedings at general meetings, Board and Executive Committee meetings, and ensures that all the other Directors are provided with adequate information regarding the items on the agenda. No person aged seventy or over may be elected as Chairman.

The Chairman of the Board of Directors, Renato Pagliaro, also chairs the Executive and Appointments committees.

The Chairman is responsible for ensuring that the corporate governance system runs smoothly in practice, guaranteeing due balance between the powers of the CEO and the other executive Directors; he is the counterparty for dialogue with the internal control bodies and internal committees; he supervises the Group Audit Unit, and co-ordinates with the CEO in supervising relations with externals and institutions.

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, as a member of its senior management as well, also retains – without decision-making powers in respect of the taking of possible risks – certain links and relations with customers, and monitors the performance of certain investments. He participates in internal committee meetings without having voting rights.

Committees

The Board of Directors has established three committees:

Control and risks committee

Control and risks committee	Auditor ◊	Independent (Code)*	Independent (Finance Act)**
Angelo Casò (Chairman)	X	X	X
Vanessa Labérenne		X	X
Elisabetta Magistretti	X	X	X

◊ Registered auditor.

* Independent as defined in Code of conduct for listed companies.

** Independent as defined in Article 148, para. 3 of Italian Legislative Decree 58/98.

The Committee is currently made up of three Directors who qualify as independent as defined by the Code of Conduct for Listed Companies, which has duties of consultation and enquiry in particular with respect to the Bank's system of internal control and risk management, and the structure of its IT and financial reporting organization.

In particular, the committee:

– performs duties of monitoring, instruction and support to the Board of Directors in respect of:
  - defining the guidelines for the internal control and risk management system, in such a way as 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;

– expressing non-binding opinions 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;

– examining the regular reports and work plans of the Group Audit, Compliance and Risk Management units;

– reporting to the Board, at least once every six months, on the activities performed and the adequacy of the internal control and risk management system;

– reviews plans for calculating the adequacy of the Bank's aggregate capital, current and estimated, at the consolidated level in view of the large risks to which the Bank and Group are exposed (ICAAP) reporting back to the Board on this issue.

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

The Statutory Audit Committee takes part in Committee meetings.

In addition, under the procedure for transactions with related parties approved by the Board of Directors on 20 June 2012 (www.mediobanca.com/Corporate Governance), the Control and risks committee was assigned also the duties of the Related party committee which are as follows:

– expressing opinions in advance on the adoption and possible amendments to the procedure;
– participating in negotiating and processing the most significant transactions with related parties;
– expressing reasoned opinions in advance (binding only in respect of the largest transactions) on the Bank's interest in executing the transaction with related parties and the convenience and substantial correctness of their terms, including with the help of independent experts.

The Committee met on a total of ten occasions in the period from 1 July 2013 to 30 June 2014 and on thirteen occasions as the Related parties committee.

The average duration of Committee meetings was roughly two hours and fifty minutes.

Remunerations committee

Remunerations committee	Independent (Code)*	Independent (Finance Act)**
Angelo Casò (Chairman)	X	X
Roberto Bertazzoni	X	X
Anne Marie Idrac	X	X
Vanessa Labérenne	X	X
Bruno Ermolli	X	X
Carlo Pesenti		X

* Independent as defined in Code of conduct for listed companies.

** Independent as defined in Article 148, para. 3 of Italian Legislative Decree 58/98.

The Committee is made up six non-executive members, the majority of whom qualify as independent under the terms of the Code of conduct for listed companies. 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.

In particular the Committee:

– regularly asses the adequacy, overall consistency and practical application of the remuneration policy for directors and managerial staff with strategic responsibilities;

– formulates proposals and/or opinions regarding the remuneration of directors who are members of the Group's senior management, and verifies the achievement of their performance.

– proposes the allocation of the fixed emolument approved by the shareholders in general meeting among the various directors and expresses opinions on "Remuneration policies" approved by Board of Directors and shareholders in general meeting.

The Chairman, the Statutory Audit Committee, the Chief Risk Officer, the Head of Human Resources, the CEO and the General Manager take part in meetings of the Remunerations Committee (the last two in an advisory capacity).

The Committee met five times in the period from 1 July 2013 to 30 June 2014, to review changes in the regulatory framework and, where appropriate, to 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.com/Corporate Governance.

The average duration of Committee meetings was roughly one hour and ten minutes.

Appointments committee

Appointments committee	Independent (Code) *	Independent (Finance Act) **
Renato Pagliaro (Chairman)		
Alberto Nagel (CEO)		
Francesco Saverio Vinci (GM)		
Angelo Casò	X	X
Elisabetta Magistretti	X	X
Roberto Bertazzoni ◊	X	X
Anne Marie Idrac ◊	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.

◊ Independent as defined in the Articles of Association, who takes part in committee meetings for certain resolutions.

The Appointments committee is made up of five members and includes de jure the Chairman, who chairs the committee, the CEO and General Manager, and at least two other members appointed by the Board of Directors from among its own number who qualify as independent under the Code of conduct.

The Appointments committee adopts resolutions based on proposals made by the Chief Executive Officer, having first sought the Chairman's opinion, regarding appointments to be made to positions in the governing bodies of the Bank's investee companies Assicurazioni Generali, RCS MediaGroup and Telco.

The Committee – with the addition in this case of two directors qualifying as independent under the Code of conduct – also:

– 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 advisory duties in respect of identifying the optimal qualitative/quantitative composition of the Board of Directors;

– has duties of enquiry with reference to the plans of succession for the directors who are members of the Bank's management.

The Committee met ten times in the period from 1 July 2013 to 30 June 2014 to adopt resolutions on appointments to positions in investee companies, the Board of Directors' self-assessment process and on the plans of succession.

The average duration of committee meetings was roughly 55 minutes.

Minutes are taken of committee meetings which are kept in specific registers.

Executive committee: role and composition

The Board of Directors appoints an Executive Committee to comprise up to nine members, establishing their powers in accordance with the provisions of the Articles of Association.

The Executive Committee presently has eight members.

The Chairman of the Board of Directors and the other Directors who are members of the management of Mediobanca Group companies are members of the Executive Committee de jure. Members of the Executive Committee who are part of the Mediobanca Group's management are bound to devote themselves exclusively to the performance of activities relating to their post, and 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.

Members of the Executive Committee shall also be disqualified from the office of Director upon the occasion of any breach on their part of the restriction on not accepting positions of administration, management, control or of any other kinds for banking groups or insurance companies. Disqualification is pronounced by the Board of Directors.

The Committee remains in office for the entire duration of the office of the Board of Directors which appointed it.

The Statutory Audit Committee takes part in Executive Committee meetings.

The Executive Committee is currently made up as follows:

Members	Post held	Executive
Renato Pagliaro	Chairman	X
Alberto Nagel	CEO	X
Francesco Saverio Vinci	General Manager	X
Maurizio Cereda	Director	X
Massimo Di Carlo	Director	X
Angelo Casò*	Director	
Vanessa Labérenne *	Director	
Eric Strutz *	Director	

* Independent as defined in Code of conduct for listed companies.

Pursuant to the Bank's Articles of Association, the Executive Committee is responsible for managing the ordinary activities of the bank and for co-ordinating and directing the Group companies without prejudice to those issues for which the Board of Directors has sole jurisdiction. In particular the Executive Committee is responsible, usually via the Chief Executive Officer's proposals and in conjunction with him, for the Bank's operating performance, approving resolutions, in accordance with the guidelines and general directives adopted by the Board of Directors, to grant loans and trading involving the Group's interests in Assicurazioni Generali, RCS MediaGroup and Telco as well as other shareholdings for amounts and percentage values not to exceed those for which the Board of Directors itself has jurisdiction. It also draws up internal regulations, to be submitted to the approval of the Board of Directors, and establishes the principles for co-ordination and management of the Group companies in execution of the strategic guidelines approved by the Board of Directors.

The Committee regularly assesses the general operating performance, including on the basis of information received from the Chief Executive Officer.

Resolutions are approved by the Executive Committee with the majority of its members in attendance and voting in favour.

Executive Committee meetings are called on the initiative of the Chairman based on the requirements of the business, as a rule meeting once a month.

A total of twelve meetings were held in the period from 1 July 2013 to 30 June 2014.

The average duration of committee meetings was roughly one hour and 25 minutes.

CEO

The Board of Directors appoints a CEO 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 establishes the powers of the CEO. The CEO in particular:

1) has executive powers, and is responsible for implementing resolutions adopted by the Board of Directors and the Executive Committee and – in accordance with the powers attributed to him – the plans and strategic directions established by the Board of Directors and Executive Committee;
2) is empowered to make proposals to the Board of Directors and Executive Committee, with reference in particular to management direction, proposed strategic plans and budgets, draft financial statements and interim accounts;
3) is responsible for staff management, and having sought the opinions of the General Manager, if appointed, appoints managerial staff;
4) ensures that the organizational, administrative and accounting systems of the bank are adequate for its operations and the size of the Company;
5) reports, with the General Manager, if appointed, to the Board of Directors and Executive Committee each quarter on the Bank's operating performance and prospects, and on the most significant transactions carried out by the Company and its subsidiaries.

The CEOs is Mr Alberto Nagel.

General manager

The Board of Directors may, at the CEO's proposal, 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 shall authorize the General Manager to sign jointly or severally on behalf of the Company as laid down in the Articles of Association in respect of powers to sign on behalf of the company, and thereby vest him with powers to carry out the day-to-day business of the company and to implement resolutions passed by the Board of Directors and Executive Committee in accordance with the directions issued by, and based on the individual remit of, the Board of Directors, Executive Committee and CEO.

The General Manager is Mr Francesco Saverio Vinci, who heads up the Operations division and the Banking Group's principal investments; he is also responsible for the Financial Markets area which is part of the Corporate and Investment Banking division.

Head of company financial reporting

On the proposal of the Executive Committee and having sought the opinion of the Statutory Audit Committee, the Board of Directors appoints one person to act as head of financial reporting, who shall be chosen from among the Bank's management and who has held management positions for a period of at least three years in the field of accounting administration at the Bank itself or at other leading banks. Currently the post is held by Massimo Bertolini who was appointed Head of Company Financial Reporting on 4 July 2007.

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

The Board of Directors has assigned a budget to this office in terms of funding and staff, and exerts supervision to ensure that the Head of Company Financial Reporting is vested with suitable powers and means to carry out the duties entrusted to him, and to ensure that the administrative and accounting procedures are complied with in practice.

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 Italian Legislative Decree 39/10 for the 2013/2021 period.

Statutory audit committee

The Statutory Audit Committee consists of three standing auditors and two alternate auditors. Appointment to the Statutory Audit Committee is made on the basis of lists deposited at least twenty-five calendar days prior to the date scheduled for the general meeting to be held in the first or only instance along with professional CVs for the individual candidates and statements by them agreeing to stand as candidates and confirming that they are in possession of the qualifications required under law and the Articles of Association. The Articles in particular provide that, 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 CEO, 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.

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, with reference to the Statutory Audit Committee, 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 standing auditors. The new criteria become effective from the next occasion when the governing bodies are reappointed, when the governing bodies' term of office expires with approval of the financial statements for the year ending 30 June 2014.

The Statutory Audit Committee, appointed on 28 October 2011 for the 2012, 2013 and 2014 financial years, is currently made up as follows:

Members	**Position**
Natale Freddi *	Chairman
Maurizia Angelo Comneno ◊	Standing auditor
Gabriele Villa ◊	Standing auditor
Guido Croci ◊	Alternate auditor
Mario Busso *	Alternate auditor

◊ Appointed from the list submitted by shareholder UniCredit S.p.A., which holds 8.655% of the company's share capital.

* Appointed from the minority list submitted by a group of investors owning 1.066% of the share capital.

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.com/Corporate Governance.

In particular, the Statutory Audit Committee:

– 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 adequacy of the financial reporting process;

– monitors the effectiveness and adequacy of the risk management and control and internal audit system and also the functionality of the general system of internal controls.

– checks at least twice a year that the plan of activity established by the head of the internal audit unit has been implemented;

– monitors the process of calculating the adequacy of the Bank's aggregate capital, current and estimated, at the consolidated level in view of the large risks to which the Bank and Group are exposed (ICAAP);

– assesses the proposals submitted by audit companies for the assignment;

- assesses the proposal submitted by audit companies to act as the Bank's legal external auditors and reviews the results shown in the auditors' report and their letter containing suggestions;
- monitors the effectiveness of the external auditing process of the annual and consolidated accounts;
- monitors the independence of the external legal auditors, in particular with respect to the provision of non-auditing services;
- gives its opinion on the appointment and dismissal of the heads of internal audit and compliance;
- gives its opinion on appointments to the role of Head of Company Financial Reporting;
- reports any operating irregularities or breaches of regulations noted to the supervisory authorities.

The statutory auditors are vested with the broadest powers provided for by legal and regulatory provisions in force.

The Statutory Audit Committee is kept informed of the activities carried out and the most significant transactions in earnings, financial and capital terms, executed by the Company or its subsidiaries, and in particular transactions in which the Directors have an interest either in their own right or by means of third parties, through participating in the meetings of the Board of Directors and Executive Committee.

Information is also provided to the Statutory Audit Committee outside of meetings of the Board of Directors and Executive Committee in writing, addressed to the Chairman of the Statutory Audit Committee.

The Statutory Audit Committee receives information flows organized and channelled via the internal control units, i.e. Group audit, Risk management and Compliance, takes part in all Control and risks committee meetings, and maintains regular relations, with a view to reciprocal exchanges of information, with the external legal auditors, the supervisory unit established pursuant to Italian Legislative Decree 231/01, and with other Group companies' Statutory Audit Committees.

The Statutory Audit Committee checks that the provisions regarding the external legal auditors' independence are complied with, in particular regarding the services other auditing provided to Mediobanca and the Mediobanca Group companies by it and other entities forming part of the same network.

As part of their duties, the Statutory Auditors may ask the Group audit unit to perform specific checks on areas of activity or the company's operations.

The Statutory Audit Committee checks that the criteria and procedures adopted by the Board of Directors for assessing the independence of its members are applied correctly.

Any Statutory Auditor who has an interest, either in his/her own right or via third parties, in a particular transaction in which Mediobanca is involved informs the other Statutory Auditors and the Chairman of the Board of Directors promptly and exhaustively regarding the nature, terms, origin and scope of such interest.

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.

A total of thirty-five meetings of the Statutory Audit Committee were held in the last financial year, ten of which jointly with the Control and risks committee, and met on several occasions with representatives of the external auditors engaged to audit the company's financial statements pursuant to Italian Legislative Decree 39/10.

The average duration of committee meetings was roughly three hours.

Related party transactions

At a Board meeting held on 27 June 2012, following the unanimous favourable opinion of the Control and risks committee and the Statutory Audit Committee, the Directors of Mediobanca approved 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 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, 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.

Internal dealing

The Directors of Mediobanca have approved a code of conduct for reporting requirements in respect of internal dealing, i.e. dealing transactions involving equity instruments issued by Mediobanca (shares, convertible bonds, warrants, equity derivatives, etc.) carried out by persons defined as “relevant”. Such relevant persons (chiefly Directors, statutory auditors and key management) have all subscribed to the code, and notify Mediobanca of each such transaction involving said equity instruments within three days of their completion. Transactions involving sums of less than € 5,000 in the course of the year are not considered (the underlying amount is used in the case of linked derivative products). Mediobanca then discloses all such information to the market and Consob by the next successive day, according to the methods laid down under regulations in force. Relevant persons may not effect such transactions in the thirty days prior to the date on which the Management Board’s approval of the Bank’s annual and interim accounts is made public, or in the fifteen days prior to approval of the quarterly results. Disclosure is not required for exercise of stock options, provided that the disposal of shares arising from such exercise is disclosed. The code is published on the Bank's website at www.mediobanca.com/Corporate Governance.

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 for identifying personal transactions made by relevant persons (or transactions recommended, solicited or divulged to third parties) which may give rise to conflicts of interest or otherwise be in breach of the regulations on insider or confidential information.

Under the procedure, relevant persons must be made aware of and comply with the restrictions and reporting requirements on personal transactions.

Organization model instituted pursuant to Italian Legislative Decree 231/01

At a Board meeting held on 20 June 2013, the Directors of Mediobanca approved the revised version of the new organizational model instituted pursuant to Italian Legislative Decree 231/01.

The organizational model consists of:

– a **general part**, comprising:
  - map of the activities at risk, with the addition or rationalization of existing measures;
  - indication of the requirements for the supervisory body and its members;
  - revised references to organizational procedures, ordini di servizio and/or internal regulations;
  - new staff remuneration and incentivization system;
  - indication of information flows and reports addressed to the supervisory body.

– **special parts**:
  - **mapping of activities at risk:** these involve money-laundering, white-collar crimes and instances of market abuse, 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.
  - **information 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 via the Control and risks committee, and the Statutory Audit 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.com/Corporate Governance.

Pursuant to Italian Legislative Decree 231/01, the supervisory body 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 and the Chairman of the Statutory Audit Committee without delay.

The body also maintains relations with the external auditors and with the Statutory Audit Committee with a view to appraising all data and information regarding the decree and the model.

As well as the heads of the Group Audit, Legal and Compliance units, the Supervisory body includes two external professionals (a chartered accounted and a criminal lawyer who is its chairman).

Internal audit unit

As required by Bank of Italy regulations, Mediobanca maintains a Group audit unit which is organized so as to monitor and ensure on an ongoing basis that the company's internal control system functions effectively and efficiently. Control is extended to the other companies in the Banking Group both by the unit itself and via its co-ordination of the corresponding subsidiaries' units. The unit has direct access to all useful information, and has adequate means to perform all its duties. The head of Group audit is also part of the supervisory committee set up as part of the internal control system established pursuant to Italian Legislative Decree 231/01, and takes part in meetings of the Control and risks committee to report on the activities carried out and 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 Control and risks committee and the Board of Directors, and presents an update on the critical issues encountered to the Control and 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:

– centralizing co-ordination responsibilities at, and providing for direct coverage, by the Group audit unit for all subsidiaries;

– defining a Banking Group audit plan, which includes the Group companies, to be submitted to the approval of Mediobanca's Board of Directors and thereafter of the individual companies' Boards for what concerns them;
– sharing specialist skills (e.g. IT auditing, Basel II, regulations) and audit methodologies, technical skills and reporting standards vis-à-vis the governing bodies and senior management.

The head of the Group Audit Unit is Piero Pezzati, who reports to the Chairman of 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

Mediobanca has had a compliance unit in operation since 2001. On 27 October 2007 this unit took up the responsibilities required of it by Bank of Italy provisions issued on 10 July 2007: to manage the regulatory and reputational risks of the Bank, and to monitor in particular that the internal procedures set in place are consistent with the objective of preventing breaches of regulations applicable to the Bank. As required by the joint Consob-Bank of Italy resolution issued on 29 October 2007, the Compliance unit also manages risks of non-compliance linked to the provision of investment services and activities and ancillary services governed by the MiFID directive.

The compliance unit reports to the 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, 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.

Risk management unit

The Risk Management unit reports to the Chief Executive Officer under the leadership of the Chief Risk Officer, Mr Pierpaolo Montana.

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.

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.

Shareholders and investor relations

Mediobanca seeks to maintain good relations with its shareholders, encouraging them to attend general meetings, and sending shareholders with a record of recent attendance copies of annual reports and other relevant information. Material of this kind is also available on the company's website at www.mediobanca.com, in English and Italian. Relations with institutional investors, financial analysts and journalists are handled by the relevant units (Paola Schneider – Corporate Affairs, Jessica Spina - Investor Relations and Lorenza Pigozzi – Media Relations).

Other information required under article 123-bis of the italian consolidated finance act on severance pay agreements

In the event of the directors in the employ of Mediobanca ceasing to work for the company for any reason, the provisions of the law and the national collective labour contract alone.

Save in the case of dismissal for just cause, such directors will be allowed to retain any stock options and/or other financial instruments that have been awarded to them up to the date on which their employment by Mediobanca ceases.

Change of control clauses

Mediobanca is a party to shareholder agreements in respect of unlisted companies. Such agreements may make provision, in the event of substantial changes to the controlling structure of party, for the other parties to exclude it from the agreement and oblige it to sell its shareholding.

Risk management and internal control system for financial reporting process

Mediobanca has equipped itself with an internal control system for accounting and financial reporting requirements based on benchmark standards which are widely accepted at international levels (COSO and COBIT framework) [1]. The system provides for:

– company level controls: controls to ensure that general and supervisory regulations are complied with in the running of the business, which are the norms, regulations and control mechanisms in force at Group level. Company level controls regard the organization of the company and impact on the methods by which the financial reporting and disclosure objectives are reached.

– administrative/accounting model: organizational processes (operators, activities, risks and controls) which generate the most significant earnings and asset figures included in the financial statements and information disclosed to the market.

– general IT controls: general rules governing technologies and applications developments which are common to the architectures and IT applications used to generate financial reporting.

The system has been constructed and is applied according to the relevance of the company, accounts or processes.

[1] The COSO Framework has been drawn up by the Committee of Sponsoring Organizations of the Treadway Commission, a US organization whose objective is to improve corporate reporting, via the definition of ethical standards and a system of corporate governance and effective organization; the COBIT Framework-Control Objectives for IT and related technology is a set of rules prepared by the IT Governance Institute, another US organization whose objective is to set and improve corporate standards in the IT sector.

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;
- 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.

Milan, 4 July 2014

THE BOARD OF DIRECTORS

Table 1: Board of Directors/Committees as at 30 June 2014

Board of Directors							Board of Directors		Control and Risks Committee		Remunerations Committee		Appointments Committee	
Member****	Executive	Non-executive	Indep. Code	Indep. TUF	*** §	No. of other posts*	**	*** §	**	*** §	**	*** §	**	*** §
Renato Pagliaro ◊		x	NO	NO	100%	=	x	100%			x	100% (1)	x	100%
Dieter Rampl ◊		x	YES	YES	90.91%	3								
Marco Tronchetti Provera ◊		x	NO	YES	55.55%	3								
Alberto Nagel ◊	x		NO	NO	100%	=	x	100%					x	100%
Francesco Saverio Vinci ◊	x		NO	NO	100%	2	x	100%					x	100%
Tarak Ben Ammar ◊		x	YES	YES	90.91%	6								
Gilberto Benetton ◊		x	NO	NO	63.64%	4								
Pier Silvio Berlusconi (&)		x	NO	YES	27.27%									
Roberto Bertazzoni ◊		x	YES	YES	72.73%	3			x	50% ç	x	60%	x	75% Ø
Angelo Casò ◊		x	YES	YES	100%	12	x	100%	x	100%	x	100%	x	100%
Maurizio Cereda ◊	x		NO	NO	100%	1	x	100%						
Christian Collin •		x	NO	YES	33.33%									
Alessandro Decio		x	NO	YES	90.91%	4								
Massimo Di Carlo ◊	x		NO	NO	100%	=	x	100%						
Bruno Ermolli		x	YES	YES	90.91%	6					x	100% (2)		
Giorgio Guazzaloca δ		x	YES	YES	55.55%	=								
Anne Marie Idrac ◊		x	YES	YES	90.91%	4					x	60%	x	100%Ø
Vanessa Labérenne		x	YES	YES	100%	=	x	100%	x	100%	x	100%		
Elisabetta Magistretti ◊		x	YES	YES	100%	2			x	100%			x	100%
Alberto Pecci		x	NO	NO	100%	5								
Carlo Pesenti ♦		x	NO	YES	63.64%	4					x	20%		
Eric Strutz ◊		x	YES	YES	90.91%	1	x	91.67%						

* Indicates number of positions held in other companies listed on regulated markets in Italy and elsewhere, in financial services companies, banks and insurances, or large corporates.

** "X" indicates that the director belongs to the relevant committee.

*** Percentage indicates the director's attendance record at Board and committee meetings.

**** The curricula vitae of the directors are available on the Bank's website at www.mediobanca.it/corporate governance.

◊ Taken from list submitted by shareholder Unicredit S.p.A., which owns 8.655% of the Bank's share capital.

Ø Only for fees payable pursuant to point i) of Article 19 of the Bank's Articles of Association.

§ Reference period is from 1/7/13 to 30/6/14.

δ In office since 17 September 2013.

• In office until 17 April 2014.

Ç Member of Control and risks committee until 18 November 2013.

(&) In office until 26 June 2014.

1 Member of Remunerations committee until 20 November 2013.

2 Member of Remunerations committee since 20 November 2013.

Number of meetings held during the year

Board of Directors:		Executive Committee:		Control and Risks Committee:		Remunerations Committee:		Appointments Committee:	
	11•		12		10		5		10

• During the period under review, the Board of Directors also held one meeting of non-executive directors (18 July 2013), 2 induction sessions (4 December 2013 – 4 February 2014), and two meetings of independent directors (20 November 2013 – 19 June 2014).

Table 2: Statutory Audit Committee

Position held	**Member**	**Percentage attendance record at Statutory Audit Committee meetings**	**No. of other posts held ***
Chairman	Natale FREDDI	100%	-
Standing Auditor	Maurizia ANGELO COMNENO	100%	-
Standing Auditor	Gabriele VILLA	94.29%	1
Alternate Auditor	Guido CROCI		
Alternate Auditor	Mario BUSSO		

No. of meetings held during the reference period §:	35**
Quorum for submission of lists by minority shareholders to appoint one or more standing auditors:	at least 1% of the share capital

* Indicates number of positions as director or statutory auditor held by the person concerned in companies listed on regulated markets in Italy and elsewhere.

§ Reference period is from 1/7/13 to 30/6/14.

** Ten of which held in conjunction with the Control and Risks Committee.

Table 3: Other requirements under code of conduct for listed companies

	YES	NO	Reasons for any departures from recommendations made in the code
Has the Board of Directors authorized parties to represent the Bank and established:			
a) limits			
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 control			
Has the company designated staff to take charge of internal control?			
If so, are such staff independent in operational terms from the various heads of the individual operating units?	x		
Organizational unit responsible for internal control pursuant to Article 9.3 of the code)	x		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. no.: (0039) 02-8829.860 - Fax no.: (0039) 02-8829.819 e-mail investor.relations@mediobanca.it		

Annex - Posts held in other financial companies, banks, insurances or other companies of significant size by members of the Board of Directors of Mediobanca [1]

Name	Position held in Mediobanca	Post held in other companies
PAGLIARO Renato	Chairman of Board of Directors and Executive Committee	=
RAMPL Dieter	Deputy Chairman	Director, KKR Management LLC Member of Supervisory Board, FC Bayern München Chairman of Management Board, Hypo-Kulturstiftung
TRONCHETTI PROVERA Marco	Deputy Chairman	Chairman and CEO, Pirelli & C. Director, Pirelli Tyre Director, Eurostazioni
NAGEL Alberto	CEO and member of Executive Committee	=
VINCI Francesco Saverio	General Manager and member of Executive Committee	Director, Banca Esperia Director, Perseo
BEN AMMAR Tarak	Director	Chairman, Eagle Pictures S.p.A. Chairman, Prima TV S.p.A. Chairman and CEO, Quinta Communications SA CEO, Carthago Film Chief Executive Officer (CEO), Andromeda Tunisie S.A. Director, Telecom Italia
BENETTON Gilberto	Director	Chairman Edizione Chairman Autogrill Director, Sintonia Director, Atlantia
BERTAZZONI Roberto	Director	Chairman and CEO, Smeg Chairman and CEO, Erfin - Eridano Finanziaria S.p.A. Chairman and CEO, Cofiber S.p.A.
CASO' Angelo	Director and member of Executive Committee	Chairman of Statutory Audit Committee, Benetton Group S.p.A. Chairman, Fineldo S.p.A. Director, Tre Laghi S.p.A. Chairman of Statutory Audit Committee, Bracco S.p.A. Chairman of Statutory Audit Committee, Falck S.p.A. Chairman of Statutory Audit Committee, Bic Italia Standing Auditor Italmobiliare S.p.A. Standing Auditor Padis Investimenti S.p.A. Standing Auditor Pasidis Investimenti S.p.A. Standing Auditor Sidis Investimenti S.p.A. Chairman of Statutory Audit Committee, Edizione S.r.l. Chairman of Statutory Audit Committee, Bracco Imaging S.p.A.
CEREDA Maurizio	Director and member of Executive Committee	Director, Enervit
DECIO Alessandro	Director	Member of Supervisory Board, Bank Pekao Member of Supervisory Board, Unicredit Bank Austria Member of Supervisory Board, Zao Unicredit Bank Director, Borsa Italiana S.p.A.
DI CARLO Massimo	Director and member of Executive Committee	=

Name	Position held in Mediobanca	Post held in other companies
ERMOLLI Bruno	Director	Director, Arnoldo Mondadori Editore Director, Mediaset Director, Pasticceria Bindi Director, S.I.P.A. Chairman, Promos Chairman, Sinergetica S.r.l.
IDRAC Anne Marie	Director	Director, Total Director, Bouygues Director, Compagnie de Saint Gobain Member of Supervisory Board, Vallourec
LABERENNE Vanessa	Director and member of Executive Committee	=
MAGISTRETTI Elisabetta	Director	Director, Luxottica Group S.p.A. Director, Pirelli & C.
GUAZZALOCA Giorgio	Director	=
PECCI Alberto	Director	Chairman, E. Pecci & C. S.p.A. Chairman, Pecci Filati S.p.A. Chairman and CEO, Pontoglio S.p.A. Director, El.EN. S.p.A. Chairman Tosco-Fin S.r.l.
PESENTI Carlo	Director	CEO and General Manager, Italmobiliare Director and General Manager, Italcementi Deputy Chairman, Ciments Français S.A. Director, Finter Bank Zurich
STRUTZ Eric	Director and member of Executive Committee	Member of Board of Partners, Group Holding

[1] A full list is available on the Bank's website at www.mediobanca.com.

RESOLUTIONS ADOPTED BY SHAREHOLDERS IN ANNUAL GENERAL MEETING HELD ON 28 OCTOBER 2014

Resolutions adopted by Shareholders at the Annual General Meeting held on 28 October 2014

At an Annual General Meeting held on 28 October 2014, the shareholders of Mediobanca:

– approved the financial statements for the year ended 30 June 2014;

– approved the distribution of a gross dividend of €0.15 per share in respect of the 845,658,798 shares granting such entitlement, payable as from 26 November 2014, with record date 25 November 2014 and the coupon detached on 24 November 2014;

– set the number of members of the Board of Directors at 18 and determined the amount of the annual gross emolument at €2,750,000 by way of remuneration for all Directors, authorizing and mandating the Board of Directors to split the above aggregate emolument among its own members as it sees appropriate;

– appointed the following persons as Directors of Mediobanca until 30 June 2017: Maurizia Angelo Comneno, Tarak Ben Ammar, Gilberto Benetton, Mauro Bini, Marie Bolloré, Maurizio Carfagna, Angelo Casò, Maurizio Costa, Alessandro Decio, Vanessa Labérenne, Elisabetta Magistretti, Alberto Nagel, Renato Pagliaro, Alberto Pecci, Gian Luca Sichel, Marco Tronchetti Provera, Francesco Saverio Vinci and Alexandra Young;

– appointed the following persons as Statutory Auditors of Mediobanca until 30 June 2017: Natale Freddi (Chairman), Laura Gualtieri and Gabriele Villa, and Alessandro Trotter, Barbara Negri and Silvia Olivotto as alternate auditors, setting the annual aggregate amount of their emolument at €350,000, €140,000 payable to the Chairman and €105,000 to each standing auditor;

– approved the "Staff remuneration policies".

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
1947	1,536	398	—	—	—	—	6	33	1,973	387	2,360
1948	1,344	1,900	—	—	—	—	6	33	3,283	465	3,748
1949	2,830	3,569	—	1	—	24	—	32	6,456	264	6,720
1950	3,532	5,315	889	3	—	—	—	35	9,774	853	10,627
1951	3,751	6,760	546	25	—	—	—	31	11,113	315	11,428
1952	3,706	9,779	464	38	—	—	—	31	14,018	176	14,194
1953	5,395	12,654	263	—	—	—	—	35	18,347	8,841	27,188
1954	7,804	15,909	763	1	—	—	—	137	24,614	553	25,167
1955	10,294	18,690	971	58	—	—	—	85	30,098	1,644	31,742
1956	14,713	23,573	1,283	5	—	—	—	484	40,058	12,272	52,330
1957	17,670	28,648	1,540	—	—	—	—	245	48,103	10,394	58,497
1958	18,727	31,577	1,798	—	—	—	—	439	52,541	4,799	57,340
1959	31,724	40,713	4,131	—	—	—	—	1,391	77,959	16,828	94,787
1960	45,099	49,813	4,286	—	—	—	—	227	99,425	7,622	107,047
1961	48,464	66,669	6,412	110	—	—	—	244	121,899	7,974	129,873
1962	29,895	100,913	9,027	39	—	—	—	435	140,309	32,419	172,728
1963	39,529	124,090	9,282	142	—	—	—	626	173,669	28,175	201,844
1964	49,714	153,282	9,337	90	—	—	—	1,332	213,755	23,277	237,032
1965	67,815	157,552	13,417	5	—	—	—	1,273	240,062	37,932	277,994
1966	100,651	191,935	15,115	—	—	—	—	2,385	310,086	100,762	410,848
1967	107,097	245,565	17,396	5	—	—	—	3,342	373,405	112,502	485,907
1968	121,745	305,666	17,317	—	—	—	—	4,569	449,297	122,695	571,992
1969	104,636	374,711	19,877	—	—	—	—	6,028	505,252	179,385	684,637
1970	108,075	513,117	19,759	5	—	—	—	5,512	646,468	148,926	795,394
1971	296,325	533,281	19,833	21	—	—	—	4,804	854,264	220,019	1,074,283
1972	211,681	644,004	22,501	541	—	26	—	6,373	885,126	248,839	1,133,965
1973	219,061	768,777	23,083	671	—	26	79	7,999	1,019,696	317,492	1,337,188
1974	725,455	1,091,712	29,243	755	—	190	102	16,095	1,863,552	283,551	2,147,103
1975	898,375	1,243,559	32,603	755	—	190	108	24,963	2,200,553	270,792	2,471,345
1976	842,638	1,394,824	27,159	1,573	—	190	133	27,826	2,294,343	260,533	2,554,876
1977	930,863	1,526,989	32,255	4,042	—	3,615	190	31,666	2,529,620	266,527	2,796,147
1978	931,722	1,719,338	34,759	4,137	—	3,615	198	72,125	2,765,894	414,045	3,179,939
1979	506,795	1,703,992	78,140	4,173	—	3,615	228	74,652	2,371,595	312,152	2,683,747
1980	520,954	1,834,527	55,983	4,174	7,230	3,615	251	75,576	2,502,310	385,483	2,887,793
1981	446,588	2,215,915	73,762	4,008	14,977	3,615	423	174,332	2,933,620	618,841	3,552,461
1982	638,435	2,540,960	165,104	4,008	14,993	3,615	438	174,142	3,541,695	714,778	4,256,473
1983	839,289	2,773,956	170,991	4,008	16,217	3,615	481	231,585	4,040,142	575,962	4,616,104
1984	859,764	3,002,978	225,314	8,088	16,217	19,625	511	224,145	4,356,642	650,010	5,006,652
1985	1,257,350	3,138,244	284,891	8,088	8,986	19,625	700	292,367	5,010,251	685,879	5,696,130
1986	1,697,370	3,388,523	379,210	8,088	1,239	19,625	666	227,820	5,722,541	1,575,268	7,297,809
1987	1,578,922	4,271,623	416,752	8,088	—	19,625	1,153	242,919	6,539,082	1,031,762	7,570,844
1988	1,569,877	4,540,865	565,933	4,213	—	19,625	1,803	208,692	6,911,008	1,827,254	8,738,262
1989	1,403,579	5,465,846	640,118	12,606	—	19,625	2,050	244,208	7,788,032	1,532,042	9,320,074
1990	1,860,248	6,841,257	709,335	9,495	—	19,625	2,353	348,524	9,790,837	2,458,501	12,249,338
1991	2,471,961	6,772,063	926,197	15,652	—	19,625	2,815	407,693	10,616,006	1,914,503	12,530,509
1992	2,245,473	7,356,291	1,149,728	17,897	—	23,800	3,539	516,359	11,313,087	4,974,896	16,287,983
1993	3,104,631	7,933,550	1,187,565	51,589	—	23,800	4,410	532,248	12,837,793	5,464,451	18,302,244
1994	3,347,387	8,961,303	1,389,176	49,085	—	23,800	4,690	522,005	14,297,446	3,851,623	18,149,069
1995	3,150,896	9,609,949	1,618,928	47,725	—	23,800	4,571	478,176	14,934,045	3,103,192	18,037,237
1996	2,571,335	10,717,159	1,793,785	46,491	—	23,800	4,739	484,943	15,642,252	4,114,659	19,756,911
1997	4,337,359	12,058,402	1,820,638	51,422	—	23,800	5,046	582,619	18,879,286	9,531,224	28,410,510
1998	4,789,102	14,115,689	2,106,078	58,298	—	23,800	6,013	856,681	21,955,661	24,883,375	46,839,036
1999	5,201,164	13,175,891	2,602,245	129,792	—	23,800	7,477	1,120,409	22,260,778	33,863,092	56,123,870
2000	4,578,652	14,764,593	2,740,839	60,875	—	23,800	9,286	1,344,067	23,522,112	43,236,774	66,758,886
2001	5,645,521	14,229,607	2,923,030	102,505	—	23,800	10,515	1,491,431	24,426,409	46,827,877	71,254,286
2002	7,377,119	14,861,758	2,912,572	118,779	—	23,800	11,961	1,881,176	27,187,165	50,916,657	78,103,822
2003	8,796,562	12,521,995	2,647,557	118,731	—	23,800	13,810	1,964,690	26,087,145	79,162,015	105,249,160
2004	8,427,864	13,324,382	2,591,198	396,476	—	25,479	14,171	2,188,463	26,968,033	84,319,470	111,287,503
2005	6,538,471	13,995,593	2,719,006	490,219	—	26,255	14,730	2,032,674	25,816,948	81,192,618	107,009,566
2006	8,790,079	15,823,797	2,845,923	457,429	—	27,214	17,252	1,835,453	29,797,147	157,987,333	187,784,480

Balance sheet analysis § ASSETS

(€'000)

At year-end	Net treasury fund applications	AFS securities	Financial assets held to maturity	Loans and advances to customers	Investments in Group companies	Other investments	Properties	Tangible and intangible assets	Other assets	Total assets
2005/2006	5,580,560	4,042,970	625,544	15,870,533	457,429	1,219,525	116,656	6,256	267,649	28,187,122
2006/2007	6,379,384	4,788,039	621,634	20,306,484	468,270	1,212,507	115,237	6,059	251,591	34,149,205
2007/2008	8,845,365	2,846,738	619,214	24,235,221	969,612	1,752,778	113,818	7,756	420,591	39,811,093
2008/2009	13,059,370	4,330,945	1,556,744	23,282,523	971,536	1,873,697	112,783	9,666	555,412	45,752,676
2009/2010	16,241,356	5,237,181	1,454,466	20,194,698	969,510	1,858,777	113,244	17,336	519,658	46,606,226
2010/2011	10,660,781	6,684,674	4,001,102	22,891,839	969,841	1,701,144	112,137	20,684	660,920	47,703,122
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

§ IAS/IFRS-compliant.

Balance sheet analysis LIABILITIES (€'000)

As at 30 June	Shareholders' equity			Specific credit risks provision	Provision for discounts and expenses on bonds issued	Securities fluctuation allowance	Provision for writedowns in investments	Time deposits and current accounts	Debt securities	Due to banks and EIB funds	Accumulated depreciation on furniture and equipment	Accumulated depreciation on property	Other liabilities and provisions	Profit for the year	Total liabilities	Contra accounts	Grand Total
	Share capital	Reserves, provisions qualifying as reserves * and retained earnings	Total														
1947	516	—	516	—	—	—	—	1,448	—	—	—	—	24	(15)	1,973	387	2,360
1948	516	—	516	—	—	—	—	2,729	—	—	—	—	30	8	3,283	465	3,748
1949	516	2	518	—	—	—	—	5,746	—	—	—	—	143	49	6,456	264	6,720
1950	1,033	26	1,059	—	—	—	—	8,325	—	—	—	—	303	87	9,774	853	10,627
1951	1,549	54	1,603	—	—	—	—	8,985	—	—	—	—	335	190	11,113	315	11,428
1952	1,549	109	1,658	—	—	—	—	11,745	—	—	—	—	405	210	14,018	176	14,194
1953	1,549	169	1,718	—	—	—	—	15,623	—	—	—	—	791	215	18,347	8,841	27,188
1954	1,549	273	1,822	—	—	—	—	21,681	—	—	—	—	898	213	24,614	553	25,167
1955	1,549	322	1,871	—	—	—	—	26,945	—	—	—	—	1,045	237	30,098	1,644	31,742
1956	2,066	365	2,431	—	—	—	—	35,586	—	—	—	—	1,764	277	40,058	12,272	52,330
1957	3,099	446	3,545	—	—	—	—	41,798	—	—	—	—	2,437	323	48,103	10,394	58,497
1958	3,099	522	3,621	—	—	—	—	45,287	—	—	—	—	3,245	388	52,541	4,799	57,340
1959	3,099	607	3,706	—	—	—	—	68,934	—	—	—	—	4,923	396	77,959	16,828	94,787
1960	5,165	747	5,912	—	—	—	—	87,472	—	—	—	—	5,323	718	99,425	7,622	107,047
1961	5,165	1,127	6,292	—	—	—	—	107,712	—	—	—	—	6,929	966	121,899	7,974	129,873
1962	5,165	1,562	6,727	—	—	—	—	125,489	—	—	—	—	7,089	1,004	140,309	32,419	172,728
1963	6,197	2,285	8,482	—	—	—	—	155,196	—	—	—	—	9,276	715	173,669	28,175	201,844
1964	6,197	2,901	9,098	—	—	—	—	189,266	—	—	—	—	14,618	773	213,755	23,277	237,032
1965	7,230	3,607	10,837	—	—	—	—	211,506	—	—	—	—	16,943	776	240,062	37,932	277,994
1966	7,230	4,484	11,714	—	—	—	—	274,589	—	—	—	—	22,862	921	310,086	100,762	410,848
1967	7,230	5,933	13,163	—	—	—	—	336,544	—	—	—	—	22,742	956	373,405	112,502	485,907
1968	8,263	7,307	15,570	—	—	—	—	402,293	—	—	—	—	30,377	1,057	449,297	122,695	571,992
1969	8,263	8,994	17,257	—	—	—	—	449,103	—	—	—	—	37,439	1,453	505,252	179,385	684,637
1970	8,263	11,326	19,589	—	—	—	—	534,360	41,317	—	—	—	50,034	1,168	646,468	148,926	795,394
1971	8,263	13,500	21,763	—	—	—	—	726,356	41,317	—	—	—	63,113	1,715	854,264	220,019	1,074,283
1972	8,263	16,462	24,725	—	—	—	541	745,717	41,317	—	—	26	71,605	1,195	885,126	248,839	1,133,965
1973	11,569	19,698	31,267	—	—	—	516	839,113	40,284	—	79	26	106,559	1,852	1,019,696	317,492	1,337,188
1974	11,569	24,879	36,448	—	—	—	669	832,133	240,371	597,632	102	26	153,960	2,211	1,863,552	283,551	2,147,103
1975	16,527	33,840	50,367	—	—	—	755	1,171,053	215,581	580,034	108	26	179,651	2,978	2,200,553	270,792	2,471,345
1976	16,527	41,766	58,293	—	—	—	755	1,073,975	213,284	771,016	133	26	166,756	10,105	2,294,343	260,533	2,554,876
1977	20,658	58,793	79,451	—	—	—	1,572	1,254,227	268,556	748,283	190	26	162,642	14,673	2,529,620	266,527	2,796,147
1978	26,856	67,217	94,073	—	—	—	4,039	1,449,198	396,572	601,809	198	3,615	200,652	15,738	2,765,894	414,045	3,179,939
1979	43,382	83,667	127,049	2,622	—	—	4,137	1,531,093	423,029	62,443	228	3,615	200,944	16,435	2,371,595	312,152	2,683,747
1980	43,382	107,496	150,878	3,300	3,873	—	4,173	1,622,873	445,639	41,851	251	3,615	207,623	18,234	2,502,310	385,483	2,887,793
1981	52,679	139,245	191,924	1,265	5,087	—	4,174	1,842,966	589,210	28,807	423	3,615	221,450	44,699	2,933,620	618,841	3,552,461
1982	70,238	167,753	237,991	650	7,308	—	4,008	2,390,742	662,617	27,385	438	3,615	187,644	19,297	3,541,695	714,778	4,256,473
1983	70,238	186,693	256,931	2,755	8,806	—	4,008	2,753,902	738,830	23,558	481	3,615	208,464	38,792	4,040,142	575,962	4,616,104
1984	87,798	269,265	357,063	3,267	9,684	—	4,008	2,987,681	698,842	5,404	511	4,204 [2]	241,537	44,441	4,356,642	650,010	5,006,652
1985	87,798	321,361	409,159	2,556	10,823	—	4,008	3,445,663	756,640	27,346	700	1,178	285,170	67,008	5,010,251	685,879	5,696,130
1986	87,798	416,625	504,423	1,275	8,163	—	4,008	3,559,090	1,170,955	98,190	666	1,766	284,740	89,265	5,722,541	1,575,268	7,297,809
1987	87,798	533,608	621,406	620	6,219	—	8,088	3,456,058	1,928,005	191,501	1,153	2,355	265,317	58,360	6,539,082	1,031,762	7,570,844
1988	105,357	609,693	715,050	440	1,727	—	4,213	3,799,239	1,872,357	229,658	1,803	2,944	221,321	62,256	6,911,008	1,827,254	8,738,262
1989	105,357	684,026	789,383	416	735	—	2,253	4,160,423	2,195,808	285,071	2,050	3,533	264,500	83,860	7,788,032	1,532,042	9,320,074
1990	175,595	1,037,632	1,213,227	192	7,031	—	12,606	4,679,784	3,160,657	247,347	2,353	4,121	343,651	119,868	9,790,837	2,458,501	12,249,338
1991	175,595	1,142,463	1,318,058	15,900	7,370	75,806	9,495	5,029,104	3,108,092	474,942	2,815	4,710	455,885	113,829	10,616,006	1,914,503	12,530,509
1992	175,595	1,252,575	1,428,170	5,872 [1]	6,137 [3]	131,073 [1]	15,652	5,489,100	2,803,155	752,917	3,539	5,299	536,812	135,361	11,313,087	4,974,896	16,287,983
1993	175,595	1,418,593	1,594,188	13,039	—	—	—	6,393,007	3,063,153	1,096,146	4,410	6,013	564,478	103,359	12,837,793	5,464,451	18,302,244
1994	245,833	1,983,409	2,229,242	13,763	—	—	—	5,366,489	4,461,893	1,601,089	4,690	6,727	502,025	111,528	14,297,446	3,851,623	18,149,069
1995	245,833	2,070,559	2,316,392	36,735	—	—	—	6,097,985	4,625,946	1,283,946	4,571	7,441	480,929	80,100	14,934,045	3,103,192	18,037,237
1996	245,833	2,152,495	2,398,328	35,201	—	—	—	6,432,396	4,783,236	1,441,434	4,739	8,155	476,621	62,142	15,642,252	4,114,659	19,756,911
1997	245,833	2,252,872	2,498,705	—	—	—	—	5,773,044	7,787,176	2,047,681	5,046	8,869	686,944	71,821	18,879,286	9,531,224	28,410,510
1998	295,059	2,972,222	3,267,281	—	—	—	—	4,082,396	10,297,074	2,707,852	6,013	9,583	1,455,901	129,561	21,955,661	24,883,375	46,839,036
1999	295,366	3,100,762	3,396,128	—	—	—	—	3,452,177	10,286,779	3,283,081	7,477	10,297	1,711,361	113,478	22,260,778	33,863,092	56,123,870
2000	307,780	3,317,037	3,624,817	—	—	—	—	2,918,920	11,072,736	3,072,363	9,286	11,011	2,686,566	126,413	23,522,112	43,236,774	66,758,886
2001	331,650	3,743,506	4,075,156	—	—	—	—	3,385,422	10,890,941	3,417,142	10,515	11,725	2,484,247	151,261	24,426,409	46,827,877	71,254,286
2002	389,265	4,069,354	4,458,619	—	—	—	—	4,508,208	11,202,082	4,430,055	11,961	12,439	2,446,155	117,646	27,187,165	50,916,657	78,103,822
2003	389,275	4,114,735	4,504,010	—	—	—	—	1,721,391	14,653,555	3,667,461	13,810	13,153	1,527,612	(14,027)	26,086,965	79,162,015	105,248,980
2004	389,291	3,993,794	4,383,085	—	—	—	—	3,069,781	14,663,091	2,828,314	14,171	13,917	1,568,111	427,563	26,968,033	84,319,470	111,287,503
2005	397,478	4,130,486	4,527,964	—	—	—	—	2,133,993	14,491,296	2,749,348	14,730	14,705	1,444,858	440,054	25,816,948	81,192,618	107,009,566
2006	405,999	4,346,447	4,752,446	—	—	—	—	729,603	20,892,213	1,394,510	17,252	15,521	1,501,268	494,334	29,797,147	157,987,333	187,784,480

* Provision for general banking risks, general credit risks provision and securities fluctuation allowance (between 1967 and 1984, when this allowance was taken to Reserve).

[1] Taken to Reserve.

[2] Of which €3.6m taken to Reserve.

[3] Of which €12.5m taken to Reserve and the balance to write down the book value of securities.

Balance sheet analysis § LIABILITIES

(€'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

§ IAS/IFRS-compliant.

* Provision for general banking risks, risk provisions (share not committed), Provision for writedowns to securities (years from 1966/67 to 1983/84, when the provision was transferred to reserves).

(€'000)

Fund allocation analysis

For years ended 30 June	Gross profit for year	Allocation to credit risks provision	Net profit	Appropriation of net profit: 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]	Increase (decrease) in retained earnings
1947	(15)	—	(15)	—	—	—	—	—	—	—
1948	23	—	23	2	—	21 [3]	—	—	—	—
1949	49	—	49	24	—	24	—	—	1	—
1950	87	—	87	26	—	3	54	7	2	2
1951	190	—	190	52	—	25	108	7	2	3
1952	210	—	210	52	—	38	108	7	3	9
1953	215	—	215	103	—	—	108	7	3	1
1954	213	—	213	52	—	52	108	7	3	(2)
1955	237	—	237	52	—	84	108	7	3	(10)
1956	277	—	277	77	—	57	135	7,50	3	5
1957	323	—	323	77	—	52	194	7,50	3	(3)
1958	388	—	388	77	—	52	248	8	3	8
1959	396	—	396	129	—	—	248	8	8	11
1960	718	—	718	387	—	—	331	8	8	(8)
1961	966	—	966	439	—	109	413	8	8	(3)
1962	1,004	—	1,004	413	—	116	465	9	9	1
1963	1,025	310	715	103	—	142	465	9	9	(4)
1964	1,289	516	773	103	—	90	558	9	12	10
1965	1,370	594	776	155	—	5	604	9	12	—
1966	1,644	723	921	181	—	—	723	10	14	3
1967	1,911	955	956	207	—	5	723	10	15	6
1968	2,219	1,162	1,057	258	—	—	775	10	16	8
1969	2,873	1,420	1,453	516	—	—	909	11	19	9
1970	2,976	1,808	1,168	258	—	5	909	11	18	(22)
1971	3,652	1,937	1,715	258	—	537	909	11	19	(8)
1972	3,390	2,195	1,195	258	—	—	909	11	19	9
1973	4,822	2,970	1,852	387	—	155	1,273	11	26	11
1974	6,988	4,777	2,211	511	—	395	1,273	11	26	6
1975	11,112	8,134	2,978	775	—	155	1,983	12	41	24
1976	17,077	6,972	10,105	1,808	4,132	2,109	1,983	12	41	32
1977	22,549	7,876	14,673	5,165	178	6,059	3,223	12	66	(18)
1978	25,034	9,296	15,738	6,197	6,197	98	3,223	12	65	(42)
1979	29,346	12,911	16,435	7,747	—	2,489	6,074	14	124	1
1980	33,728	15,494	18,234	7,747	3,099	1,214	6,074	14	123	(23)
1981	67,940	23,241	44,699	17,043	17,560	2,571	7,375	14	150	—
1982	29,720	10,423	19,297	7,747	—	1,498	9,833	14	201	18
1983	52,450	13,658	38,792	10,329	17,560	878	9,833	14	200	(8)
1984	60,560	16,119	44,441	27,372	—	3,476	13,170	15	272	151
1985	87,848	20,840	67,008	51,646	—	—	14,926	17	307	129
1986	124,380	35,115	89,265	67,139	—	4,080	17,560	20	361	125
1987	89,906	31,546	58,360	40,800	—	—	17,560	20	351	(351)
1988	84,324	22,068	62,256	40,800	—	—	21,071	20	429	(44)
1989	110,642	26,782	83,860	38,734	—	16,649	28,095	20	311	71
1990	153,577	33,709	119,868	83,912	—	339	35,119	20	454	44
1991	147,192	33,363	113,829	59,450	—	18,666	35,119	20	456	138
1992	171,152	35,791	135,361	99,852	—	—	35,119	20	452	(62)
1993	141,654	38,295	103,359	64,041	—	—	38,631	20	528	159
1994	154,910	43,382	111,528	61,975	—	—	49,167	20	733	(347)
1995	126,220	46,120	80,100	30,213	—	—	49,167	20	740	(20)
1996	110,692	48,550	62,142	12,137	—	—	49,167	20	742	97
1997	128,026	56,205	71,821	21,949	—	—	49,167	20	739	(34)
1998	191,858	62,297	129,561	62,090	—	—	66,401	22,50	1,091	(20)
1999	175,711	62,233	113,478	45,914	—	—	66,460	22,50	1,093	11
2000	198,407	71,994	126,413	47,898	—	—	77,230	25	1,312	(27)
2001	233,894	82,633	151,261	49,913	—	—	99,522	30	1,769	57
2002	204,646	87,000	117,646	265	—	—	116,782	30	618	(19)
2003	30,973	45,000	(14,027)	(154,166) [4]	—	—	140,139	36	—	(81)
2004	460,563	33,000	427,563	111,201	—	—	311,535	80	4,827	—
2005	440,054	—	440,054	51,416	—	—	382,365	96	6,273	—
2006	494,334	—	494,334	15,058	—	—	473,003	116	6,273	—

1 Allocations to Special Reserve were used to fund bonus issues of €4.1m in October 1976, €6.2m (together with €6,019,000 from the Revaluation Reserve) in October 1977, €6.2m in October 1978, €3.1m in October 1980, €17.6m in October 1981 and €17.6m in October 1983.

2 Plus fixed fee of €258,000 as from 30/6/89 and €1.5m as of 30/6/02.

3 Of which €15,000 to absorb prior year loss.

4 Of which €14,027,000 to cover loss for the year, and €140,139,000 for payment of dividend.

Fund allocation analysis §

(€'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	—	—

§ IAS/IFRS-compliant.

[1] Plus fixed fee of €258,000 as from 30/6/89 and €1.5m as of 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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