

Draft

MEDIOBANCA

*Annual Accounts and Report
as at 30 June 2010*

Annual General Meeting, 28 October 2010

MEDIOBANCA
LIMITED COMPANY

SHARE CAPITAL € 430,551,416

HEAD OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY

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

Annual General Meeting
28 October 2010

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BOARD OF DIRECTORS

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

STATUTORY AUDIT COMMITTEE

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

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

REVIEW OF GROUP OPERATIONS

The Group's results for the twelve months under review show a net profit of €400.8m (30/6/09: €2.4m). This significant improvement on last year reflects a 13.6% increase in total income, from €1.8bn to €2bn, as well as a reduction in writedowns to securities (€150m, compared with €451.4m). The main income items performed as follows:

- net interest income showed an increase of 6.5%, from €861.2m to €917m, involving all business areas, in particular corporate and investment banking (up 13.3%) due to higher gross returns, and the household finance segment, up 9% as a result of reduced funding costs;
- net trading income declined from €421.7m to €353.8m, reflecting a reduction in trading activity (from €229.5m to €138m) which was impacted by the adverse market performance in the fourth quarter (when a €46.3m reduction was recorded); conversely, gains on disposals of AFS securities rose from €192m to €198.9m, as a result of increased gains realized in the debt security segment (up from €32.9m to €101.3m);
- net fee and commission income rose by 4.3%, from €511.5m to €533.5m, due to a good performance by corporate and investment banking, up 10.1% despite the weak reference market. Private banking also posted an improved performance, up from €34m to €37.2m;
- companies accounted for on an equity basis returned to profit, generating income of €213.5m (compared to an €18.8m loss this time last year), driven by the earnings performance of Assicurazioni Generali, whose contribution increased from €8m to €231m.

As for the other profit-and-loss items, costs showed an upward trend, rising by 5.9%, from €729.6m to €772.9m, having slowed from the 14% growth reported last year despite the ongoing development of CheBanca! and Mediobanca's international expansion (with 137 staff added during the period, 37 in wholesale and 100 in retail banking).

The increase in loan loss provisions was limited, at 2.6% (up from €503.8m to €516.8m), and is linked to the continuing weakness in the risk profile of businesses and households. The year did show some partial signs of improvement: in the four quarters, loan losses were down around 30% on the peak recorded during the previous financial year, in the corporate segment especially. Of the total amount for this item, €360.8m involved households (30/6/09: €324.7m), €115.4m (€134.9m) corporate banking, and €40.6m (€44.2m) leasing.

Provisions for financial assets of €150m reflect the fact that the loss of value for AFS equity investments has now exceeded 18 months, thus triggering automatic provisioning, plus additional adjustments to securities already subject to impairment due to the negative stock market performance at end-June. After these adjustments, the net equity valuation reserve as at 30 June 2010 was positive for the equity component (€54.4m) but still negative for the bond and other securities components (€101.5m).

A pre-tax profit of €583.3m was recorded, compared to €90.7m last year. The increase in taxation (up from €88.8m to €181.2m) reflects the fact that loan loss provisions are only tax deductible for IRAP purposes, as well as the benefit of an approx. €46m one-off gain booked last year.

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

- Corporate and investment banking (CIB) reported net interest income up 13.3% (from €378.5m to €428.9m) and net fee and commission income up 10.1% (from €301.8m to €332.4m), against the reduction in net trading income mentioned above (down from €398.2m to €244.4m). Net profit of €243m (€230.2m) was boosted by lower writedowns to securities (€135.8m, compared with €202.8m) and loan loss provisions (€156m, versus €179.1m);
- Principal Investing (PI) returned to profit (€184.5m, compared with a loss of €236.3m twelve months previously), following the recovery in the Generali group's earnings and the substantial absence of provisions for financial assets (€12.2m, as against €241m last year);
- Retail and Private Banking (RPB) showed a loss of €31.6m, compared with an €11m net profit last year which, however, included the one-off €45.9m tax gains referred to earlier. The 10.2% increase in total income, from €766.2m to €844.6m, reflects net trading income

doubling from €31.7m to €79.2m, and a 6.2% rise in net interest income, from €494.9m to €525.7m, which absorbed the growth in costs (up from €457.4m to €504.7m) and higher consumer credit loan loss provisions (up from €297.7m to €336.5m).

On the balance-sheet side, treasury assets increased from €12.8bn to €15bn, as did AFS and held-to-maturity holdings in debt securities (jointly, from €8.2bn to €8.3bn), against virtually stable funding levels (up from €53.4bn to €53.9bn, €9.6bn of which from the CheBanca! retail channel, an increase of 53%) and a reduction in loans and advances to customers, from €35.2bn to €33.7bn, chiefly due to the corporate lending segment as a result of the sharp slowdown in demand. The value of equity investments increased, from €2.6bn to €3.3bn, chiefly due to the contribution deriving from consolidating the investment in Assicurazioni Generali on an equity basis. Assets under management in private banking rose from €10.2bn to €11.7bn. The Group still has no toxic assets such as US subprime Alt-A mortgages, CDOs and CLOs on its balance sheet.

The Group's main capital ratios remain at high levels, with the core Tier1 ratio at 11.12%, and the total capital ratio at 13%.

* * *

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

- approval by the Board of Directors, as authorized pursuant to Article 2443 of the Italian Civil Code, of a resolution to increase the company's share capital by means of a scrip issue to shareholders, effective from 28 September 2009, based on 1 share for every 20 shares owned and 1 warrant for every share held. The warrants entitle their holders to subscribe for newly-issued shares on the basis of 1 new share for every 7 warrants held at a price of €9.0 per share, until 18 March 2011; in the event of full exercise, the rights issue should raise approx. €1bn;
- approval of the ICAAP procedure required by regulations in force, and disclosure of the information required under Pillar 3 of the Basel II

agreements, to provide a more accurate valuation of the Group's capital solidity and exposure to risks;

- the issue of a five-year bond convertible into the Group's entire shareholding in Mediolanum (14.3 million shares, equal to 1.96% of the company's share capital), at a conversion price of €5.28 at maturity;
- the appointment of Renato Pagliaro as chairman of Mediobanca, following the resignation of Cesare Geronzi, and the appointment of Francesco Saverio Vinci as General Manager. The Board has placed on record its thanks to Mr Geronzi, who is now Chairman of Assicurazioni Generali, for his contribution during the nearly twenty years in which he has served as one of the Bank's Directors;
- Standard & Poor's decision, as part of an overall revision of its valuation of Italian banks, to amend Mediobanca's long-term credit rating from AA- to A+ and from A-1+ to A-1 with stable outlook.

DEVELOPMENTS IN CAPITAL MARKETS

In the year ended 30 June 2010, the financial flows generated by the risk capital market in Italy showed a negative balance of €6.2bn, as against approximately €200m the previous year. Issuance and placements of shares and convertible and cum warrant bonds more or less halved, from €17.6bn to €9.3bn, whereas funds returned to investors in the form of dividends declined very slightly, from €15.8bn to €15.2bn. The amounts raised from public tender offers of shares were modest, and have been in decline for five years now:

	12 mths to 30/6/08	12 mths to 30/6/09	12 mths to 30/6/10
	€m	€m	€m
Issues and placements of: °			
convertible ordinary and savings shares	8,554	16,759	6,881
non-convertible preference and savings shares	15	—	121
convertible and cum warrant bonds	50	890	2,339
Total	<u>8,619</u>	<u>17,649</u>	<u>9,341</u>
<i>of which, for rights issues:*</i>			
<i>par value</i>	4,103	6,275	2,674
<i>share premium</i>	3,713	7,418	4,290
	7,816	13,693	6,964
Dividends distributed ^	<u>31,925</u>	<u>15,814</u>	<u>15,169</u>
Public tender offers	<u>3,803</u>	<u>1,179</u>	<u>415</u>
Balance	(27,109)	656	(6,243)

° Excluding placements restricted to professional investors.

* Excluding IPOs and other public offers, which raised €361m in 2007/2008 and €27m in 2009/2010, while there were none at all in 2008/2009), offers restricted to employees, and offers without option rights.

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

Dividends fell to a new low for the last nine years, declining from €15.8bn to €15.2bn, despite the payout ratio being up strongly, from 41% to 54%. The €1.1bn increase in profits distributed by banks, whose share

of the total rose from 8% to 16%, only partly offset the reduction in dividends paid by energy companies and utilities, down €1.8bn, which thus accounted for 58% of the aggregate as opposed to 64% in 2008/2009. Dividends paid by insurances fell as well, by €0.7bn, with their share of the total declining from 10% to 6%, while those paid by the other companies were more or less stable, accounting for 20% of all dividends paid.

As in the previous year, listed companies choosing not to pay dividends were in the majority (140 out of 274), but such companies represented just 9% of the aggregate market capitalization. Public tender offers led to eight companies being delisted (ten during 2008/2009).

Rights issues, three-quarters of which were implemented by banks, again constituted the majority of share issuance and placements (82% in 2008/2009, 99.5% in 2009/2010); the share premium component rose from 54% to 62%. A total of 14 companies made share issues restricted to staff, chiefly through exercise of stock options (as compared with 20 companies during the previous twelve-month period), for very small amounts (€45m in 2009/2010, against €32m in 2008/2009). Convertible bond issuance, virtually all of which was by banks, became more significant, reaching €2.3bn, the highest total recorded in the last eight years. This does not include transactions allowed under Italian Law 2/09, known as “Tremonti bonds”, implemented by three banks for a total of €2.6bn.

The net aggregate results for the 2009 financial year posted by Italian companies listed as at 30 June 2010 again declined appreciably. Net profit fell 37%, from €32.5bn to €20.6bn: the reduction involved mainly industrial companies, whose earnings were down 42%; while the downturn in profits reported by banks (20%) and insurance groups (33%) was less marked but considerable nonetheless.

The banks reported aggregate profits of €6.3bn, compared with €7.9bn in 2008, and a return on equity (ROE) of 5.3% (3.8%). In terms of the main income items, the reductions in net interest income (€3.7bn), net fee and commission income (€0.9bn), dividends received (€1.8bn) and net other income (€1.3bn) were more than offset by an €8.4bn rise in net trading income. As for the other items, the moderate levels of general expenses/depreciation and amortization (€3bn), higher net revaluations

(€3bn) and lower writedowns to goodwill (€2.5bn) together offset the €7.1bn increase in loan loss provisions and the €1.5bn reduction in gains on disposals. The tax burden also increased, by €2.7bn, which helped bring down the net result. In 2009 regulatory capital levels increased by 6%, while risk-weighted assets reduced by 5.7%. As a result the solvency margin improved, from 10.4% to 11.7%.

Insurance companies saw their profits fall from €1bn to €0.7bn, with ROE halving from 6.2% to 3%. The €6.4bn reduction in underwriting profits was mitigated chiefly by lower net claims, which were down €4.6bn; the overall result was boosted by higher other income (€0.8bn) and a lower tax burden (€0.4bn).

The decline in profits earned by industrial groups, from €23.5bn to €13.7bn (with ROE falling from 14.8% to 7.4%), is the direct result of the contraction in value added, which was down €9.3bn. Financial activities showed a roughly even balance, as did extraordinary items; the increased cost of asset depreciation (€1.1bn) was to a large extent offset by the €0.8bn reduction in income tax. Profits recorded by companies listed on the STAR segment decreased from €0.7bn to €0.4bn, with ROE falling from 9.8% to 5.4%. The 11% increase in aggregate net equity for industrial companies was higher than the 9% increase in net debt, which led to a reduction in the debt/equity ratio from 116% in 2008 to 114%.

The Mediobanca share price index remained largely stable in the twelve months ended 30 June 2010, shedding just 1%; if reinvested dividends are included, a 3% increase would have been recorded. Share prices for just the industrial companies shown by the index at the period-end were up 1%, while insurance stocks and banking stocks were both down, by 6% and 5% respectively; conversely, shares in companies listed on the STAR segment were up 6%. The average daily value of stocks traded on the MTA for the twelve months ended 30 June 2010 was up 10% on 2008/2009, at €3.1bn per session versus €2.8bn. The free float was largely stable at 59%, as was the turnover ratio at 22%; while volatility returned to the levels seen two years previously, at 2.0% in 2009/2010 (as against 3.4% in 2008/2009).

Taking the start of April as the reference date, the sharp upturn in share prices on all the main Western markets led to significant reductions in the dividend yield and the price/earnings index:

	Price/dividend (%)		Price/earnings (%)	
	2009	2010	2009	2010
Benelux **	4.0	3.0	8.0	6.4
France *	3.8	2.8	9.4	5.2
Germany *	3.2	1.9	8.3	4.9
Italy *	5.4	3.6	9.0	6.9
United Kingdom *	4.4	3.1	7.0	5.9
United States *	3.1	2.2	7.9	5.7
Switzerland **	3.0	2.1	10.0	5.4

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

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

NB: Median indicators based on share prices at 1 April 2010. The changes in prices on the principal stock markets between 1 April 2009 and 1 April 2010 were as follows (indexes used are in brackets): Italy up 39.7% (Mediobanca MTA), Switzerland up 37.4% (SMI), Netherlands up 59.2% (AEX), Germany up 47.7% (CDAX), United States up 45.3% (S&P 500), Belgium up 47.2% (BAS), France up 44.5% (SBF 250), United Kingdom up 47.0% (FTSE All-Share).

Assets managed by mutual funds incorporated under Italian law (including funds of funds, closed and hedge funds) remained at roughly the same levels as last year, declining from €206.3bn at 30 June 2009 to €204.4bn at 30 June 2010. Operating profits, estimated at around €8bn, covered net redemptions totalling €10bn. With regard to portfolio composition, there was an increased preference for Italian government bonds, with the share accounted for by this asset class rising by 3 points, at the expense of non-Italian securities which lost 4 points; while the increase in the share represented by non-Italian equities is significant (up 2 points). Meanwhile, roundtrip funds recovered on the back of net subscriptions (over €16bn) and a healthy operating result (approx. €6bn in profits); assets managed by such funds rose from €143.7bn at end-June 2009 to €165.7bn at end-June 2010.

There was no significant change in the market capitalization of listed companies, which went from €391bn to €389bn, with the free float increasing from €226bn to €231bn. The €4bn reduction which emerges

when rights issues and changes to the stock market composition are factored in is attributable to the reduction in share prices.

* * *

The performance of the Italian consumer credit market was impacted by the weak economic conditions, which caused it to contract sharply by 11.3% in 2009, and which caused the contraction to continue into the first six months of 2010, albeit less strongly (down 5.7%). This performance reflects the reduced demand on the part of Italian households, at times accompanied by more stringent criteria being applied by intermediaries before taking on risks.

In the first half of 2010, specific-purpose finance (vehicle credit and other) shrank by 6.9%, followed by personal loans (down 3.2%) and credit cards (3.8%). The strongest reduction was in salary-backed finance (13.4%), not least because this area was the subject of specific action taken by the Bank of Italy (in regulations issued on 10 November 2009).

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

Source: Assofin

The real estate market in 2009 saw a sharp slowdown in the number of residential properties bought and sold, with a reduction of over 10% in number compared to last year (from 686,000 to 609,000). At the same time, the residential mortgage lending market showed a reduction in volumes from €56bn to €50bn for the period.

In 2009, the Italian leasing industry recorded a sharp reduction for the second year running: having fallen by 20.9% in 2008, it declined by 32.9% in 2009, coinciding with the most acute stages of the economic crisis. The contraction affected all segments of the business indiscriminately. The first six months of 2010 have shown some slight signs of recovery (with volumes up 5%).

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

Source: Assilea

CONSOLIDATED FINANCIAL STATEMENTS*

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	12 mths to 30/6/09	12 mths to 30/6/10	Y.o.Y. chg.
	€m	€m	%
Net interest income	861.2	917.0	+6.5
Net trading income	421.7	353.8	-16.1
Net fee and commission income.....	511.5	533.5	+4.3
Equity-accounted companies	(18.8)	213.5	n.m.
TOTAL INCOME	1,775.6	2,017.8	+13.6
Labour costs.....	(360.1)	(379.6)	+5.4
Administrative expenses	(369.5)	(393.3)	+6.4
OPERATING COSTS	(729.6)	(772.9)	+5.9
Loan loss provisions	(503.8)	(516.8)	+2.6
Provisions for financial assets.....	(451.4)	(150.0)	-66.8
Other profits (losses).....	(0.1)	5.2	n.m.
PROFIT BEFORE TAX	90.7	583.3	n.m.
Income tax for the period.....	(88.8)	(181.2)	n.m.
Minority interest.....	0.5	(1.3)	n.m.
NET PROFIT	2.4	400.8	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

	30/6/09	30/6/10
	€m	€m
Assets		
Treasury funds	12,753.5	14,976.0
AFS securities	6,653.4	6,825.7
<i>of which: fixed-income</i>	4,923.4	5,248.6
<i>equities</i>	1,247.1	1,152.0
Fixed assets (HTM & LR)	1,557.5	1,455.4
Loans and advances to customers	35,233.2	33,701.5
Equity investments	2,638.5	3,348.0
Tangible and intangible assets	764.2	762.6
Other assets	1,101.5	1,188.3
<i>of which: tax assets</i>	830.1	924.5
Total assets	<u>60,701.8</u>	<u>62,257.5</u>
Liabilities		
Funding	53,411.8	53,852.3
<i>of which: debt securities in issue ..</i>	36,867.8	35,193.3
<i>retail deposits</i>	6,212.6	9,561.1
Other liabilities	1,292.4	1,387.2
<i>of which: tax liabilities</i>	653.7	633.1
Provisions	188.3	183.6
Net equity	5,806.9	6,433.6
<i>of which: share capital</i>	410.0	430.5
<i>reserves</i>	5,293.6	5,899.8
<i>minority interest</i>	103.3	103.3
Profit for the period	2.4	400.8
Total liabilities	<u>60,701.8</u>	<u>62,257.5</u>
<i>Tier 1 capital</i>	5,431.4	5,941.1
<i>Regulatory capital</i>	6,231.9	6,944.8
<i>Tier 1 capital/risk-weighted assets</i>	10.30%	11.09%
<i>Regulatory capital/risk-weighted assets</i>	11.82%	12.97%
<i>No. of shares in issue (millions)</i>	820.1	861.1

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

30 June 2010	Corporate & Investment Banking	Principal Investing	Retail & Private Banking	Group
	€m	€m	€m	€m
Profit-and-loss figures				
Net interest income	428.9	(9.6)	525.7	917.0
Net trading income.....	244.4	—	79.2	353.8
Net fee and commission income.....	332.4	—	240.0	533.5
Equity-accounted companies	0.3	213.4	(0.3)	213.5
TOTAL INCOME	1,006.0	203.8	844.6	2,017.8
Labour costs.....	(205.1)	(5.5)	(182.5)	(379.6)
Administrative expenses	(98.0)	(2.6)	(322.2)	(393.3)
OPERATING COSTS	(303.1)	(8.1)	(504.7)	(772.9)
Loan loss provisions.....	(156.0)	—	(360.8)	(516.8)
Provisions for financial assets.....	(135.8)	(12.2)	(1.9)	(150.0)
Other profits (losses)	—	—	5.2	5.2
PROFIT BEFORE TAX	411.1	183.5	(17.6)	583.3
Income tax for the period	(166.7)	1.0	(14.0)	(181.2)
Minority interest	(1.4)	—	—	(1.3)
NET PROFIT.....	243.0	184.5	(31.6)	400.8
Cost/income ratio (%)	30.1	4.0	59.8	38.3
Balance-sheet data				
Treasury funds.....	16,362.2	—	4,086.8	14,976.0
AFS securities	5,122.4	114.8	2,571.8	6,825.7
Fixed assets (HTM & LR)	1,454.5	—	2,507.4	1,455.3
Equity investments	397.8	2,892.2	1.4	3,348.0
Loans and advances to customers	24,629.5	—	12,563.9	33,701.5
<i>of which: to Group companies</i>	<i>3,485.2</i>	<i>—</i>	<i>—</i>	<i>—</i>
Funding.....	(44,921.7)	(259.8)	(20,999.9)	(53,852.3)
Risk-weighted assets.....	39,681.7	2,928.8	10,808.1	53,426.0
No. of staff	882	—	2,478 *	3,242

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

Notes:

- 1) Divisions comprise:
 - *CIB (Corporate and investment banking)*: comprises corporate and investment banking, including leasing, plus the Group's trading investments. The companies which form part of this division are Mediobanca, Mediobanca International, MB Securities USA, Consortium, Prominvest, SelmaBipiemme Leasing, Palladio Leasing and Teleleasing;
 - *Principal investing*: comprises the Group's shareholdings in Assicurazioni Generali, RCS MediaGroup and Telco, plus stakes acquired as part of merchant banking activity and investments in private equity funds;
 - *Retail and private banking*: businesses targeting retail customers via consumer credit products, mortgages, deposit accounts, private banking and fiduciary activities. The companies which make up this division are: Compass, CheBanca!, Cofactor, Futuro, Compass RE and Creditech (consumer credit); and Compagnie Monégasque de Banque, Spafid and Prudentia Fiduciaria, plus 50% of Banca Esperia pro-forma (private banking).
- 2) Sum of divisional data differs from Group total due to:
 - Banca Esperia being consolidated pro-rata (50%) rather than equity-accounted;
 - adjustments/differences arising on consolidation between business areas (€4.3m and €5.2m as at 30 June 2009 and 30 June 2010 respectively).

30 June 2009

	Corporate & Investment Banking	Principal Investing	Retail & Private Banking	Group
	€m	€m	€m	€m
Profit-and-loss figures				
Net interest income	378.5	(11.1)	494.9	861.2
Net trading income	398.2	0.2	31.7	421.7
Net fee and commission income	301.8	—	239.8	511.5
Equity-accounted companies	(17.1)	(0.9)	(0.2)	(18.8)
TOTAL INCOME	1,061.4	(11.8)	766.2	1,775.6
Labour costs	(201.1)	(4.6)	(163.0)	(360.1)
Administrative expenses	(100.5)	(2.2)	(294.4)	(369.5)
OPERATING COSTS	(301.6)	(6.8)	(457.4)	(729.6)
Loan loss provisions	(179.1)	—	(324.7)	(503.8)
Provisions for financial assets	(202.8)	(241.0)	(7.5)	(451.4)
Other profits (losses)	—	—	(0.1)	(0.1)
PROFIT BEFORE TAX	377.9	(259.6)	(23.5)	90.7
Income tax for the period	(148.1)	23.3	34.5	(88.8)
Minority interest	0.4	—	—	0.5
NET PROFIT	230.2	(236.3)	11.0	2.4
Cost/income ratio (%)	28.4	n.m.	59.7	41.1
Balance-sheet data				
Treasury funds	13,418.3	—	3,226.7	12,753.5
AFS securities	4,208.7	122.2	2,732.5	6,653.4
Fixed assets (HTM & LR)	1,556.7	—	1,021.7	1,557.5
Equity investments	405.1	2,175.5	0.6	2,638.5
Loans and advances to customers	26,315.0	—	12,140.0	35,233.2
<i>of which: to Group companies</i>	<i>3,207.2</i>	—	—	—
Funding	(43,250.2)	(259.8)	(18,334.4)	(53,411.8)
Risk-weighted assets	40,227.3	2,220.2	10,285.2	52,737.5
No. of staff	850	—	2,359 *	3,105

* Includes 104 staff employed by the Esperia group pro-forma not included in the Group total.

BALANCE SHEET

The main balance-sheet items, to which Mediobanca contributes just over half, showed the following trends for the twelve months under review (comparative data as at 30 June 2009):

Funding — this item rose from €53,411.8m to €53,852.3m, an increase of 0.8%, boosted by an over 50% net increase in retail deposits raised by CheBanca! (up from €6,212.6m to €9,561.1m), which offset the reductions in short-term funding (from €1,355.4m to €798.4m), funding from banks (from €10,331.5m to €9,097.9m) and debt securities in issue (from €35,512.4m to €34,394.9m). Movements in the latter component consisted of new issues worth €4,053.7m, market repurchases totalling €5,212.3m, and other upward adjustments (exchange rates, amortized cost and hedges) amounting to €41.1m.

Loans and advances to customers — these fell by €1.5bn, from €35,233.2m to €33,701.5m, chiefly due to the 8.5% reduction in corporate demand, which was down from €23,107.8m to €21,144.2m; conversely, retail lending returned to growth, up 3.6%, from €12,125.4m to €12,557.3m, with positive contributions from consumer credit (up 2%, from €8,108.4m to €8,271m) and mortgage lending to households (up 9.8%, from €3,227.9m to €3,545.8m).

	12 mths to 30/6/09	12 mths to 30/6/10	Change
	€m	€m	%
Corporate and investment banking	23,107.8	21,144.2	-8.5
<i>– of which: leasing</i>	4,833.9	4,544.7	-6.0
Retail and private banking	12,125.4	12,557.3	+3.6
<i>– of which:</i>	8,108.4	8,271.0	+2.0
<i>mortgage lending</i>	3,227.9	3,545.8	+9.8
<i>private banking</i>	789.1	740.5	-6.2
TOTAL LOANS AND ADVANCES TO			
 CUSTOMERS	35,233.2	33,701.5	-4.3

The composition of the loan book remains well balanced in view of the downturn: corporate and structured finance activity declined from 52% of the total to 49%, and leasing fell from 14% to 13%, while consumer finance increased from 34% to 37% (25% of which in the shape of consumer finance, 10% mortgages, and the other 2% private banking).

In a scenario that remains challenging, impaired assets (i.e. non-performing, sub-standard, restructured and overdue items) increased by 16.7%, from €688.2m to €803.2m. The coverage ratio is still around 50%, and asset quality remains satisfactory: impaired assets account for just 1.47% (30/6/09: 1.55%) of total loans in the large corporate segment, 4.1% (2.3%) in leasing, 2.9% (2.3%) in consumer credit, and 2.5% (1.7%) in mortgage lending. Non-performing accounts represent 0.56% (0.40%) of total loans. Since the balance-sheet date, one sub-standard large corporate loan has been repaid in full, at the nominal amount of €110m.

At the reporting date there were a total of eleven significant exposures to groups of customers (including market risk and equity investments), i.e. above 10% of regulatory capital (two fewer than at 30 June 2009 and one fewer than at 31 December 2009), corresponding to a total at weighted values of €11,306.3m (compared with €12,032.2m at 30 June 2009 and €11,435.2m at 31 December 2009).

Equity investments — these rose from €2,638.5m to €3,348m, due to pro-rata profits for the period (€213.5m) and increases in net equity from the valuation reserves (€570.9m), net of the dividends collected on the Assicurazioni Generali and Pirelli & C. investments (€72.1m and €3.5m respectively). Obviously the highest contribution was from Assicurazioni Generali, with the value of this investment increasing from €1,576.2m to €2,317.5m; as did those of Pirelli & C. (from €115.7m to €117.4m) and Burgo (from €78.1m to €80.7m). Conversely, the value of the following investments reduced as a result of poor results: RCS MediaGroup (from €208.5m to €189.3m), Gemina (from €211.3m to €199.8m), and Telco (from €364.2m to €358.1m).

Based on share prices as at 30 June 2010, the portfolio showed a surplus of €455.3m (€641m based on current prices), compared with €1,076.9m twelve months previously. No impairment charges were taken during the period under review; the valuations made in the course of the impairment tests are shown in part B of the notes to the accounts (see page 104).

	Percentage shareholding*	Book value	Market value at 30/6/10	Gain (loss)
	€m	€m	€m	€m
LISTED EQUITY INVESTMENTS				
Assicurazioni Generali	13.24	2,317.5	2,974.0	656.5
RCS MediaGroup, ordinary	14.36	189.3	103.2	(86.1)
Pirelli & C. S.p.A.	4.49	117.4	109.8	(7.6)
Gemina	12.53	199.8	92.3	(107.5)
		<u>2,824.0</u>	<u>3,279.3</u>	<u>455.3</u>
OTHER INVESTMENTS				
Telco	11.62	358.1		
Banca Esperia	50.00	56.6		
Burgo Group	22.13	80.7		
Athena Private Equity class A	24.27	26.1		
Fidia	25.00	1.1		
Other minor investments		1.4		
		<u>524.0</u>		
		<u>3,348.0</u>		

* Percentage of entire share capital.

Fixed financial assets — this portfolio consists of financial assets held to maturity totalling €720.7m (€574.4m) and unlisted debt securities (recognized at cost) worth €734.7m (€983.1m), including €296.7m (€548.1m) in illiquid securities transferred as from 30 September 2008. Movements for the year involved purchases of €151.1m, redemptions totalling €253m (chiefly in respect of the securities transferred), and upward adjustments to reflect amortized cost amounting to €1.2m. Based on prices and holdings at the reporting date, the portfolio showed an implicit loss of €27m (€105.2m). ABS securities in this item fell from €379.6m to €326.3m, following redemptions worth €52m.

AFS securities — this portfolio is made up of debt securities totalling €5,248.6m (€4,923.4m), equities worth €1,152m (€1,247.1m), and other securities amounting to €425.2m (€482.9m), €381m of which are bonds convertible into shares and €44.2m stock units in funds held by Compagnie Monégasque de Banque (which virtually halved owing to market disposals). On the debt securities side, assets worth €4bn were traded, generating gains of more than €100m. At the reporting date the

portfolio showed holdings in bonds issued by the Greek state worth a nominal €200m, carried at €176.1m as a result of downward adjustments to reflect current market prices (€37.1m) to the net equity reserves. Movements on the equity side include investments worth €156.1m, €129.6m of which in listed companies and €26.5m in unlisted companies (chiefly relating to the 19.2% interest in Ferretti Holding and equity instruments deriving from the partial debt/equity swap). The reduction involved disposals worth €225.3m (yielding gains of €99.7m) and €62m in securities transferred to treasury. Writedowns of €148.1m were charged for the period, of which €117.1m in respect of equities that at the reporting date had shown a fair value consistently below the original recognition value for a period of over 18 months, €9.5m in adjustments to equities subject to impairment charges last year to reflect further reductions in their market value, and €21.5m in unlisted shares.

	Percentage shareholding*	Book value as at 30/6/10	Adjustments to fair value	Impairment to P&L	Total AFS reserve
Italmobiliare	9.5 – 5.47	47.0	(3.5)	—	12.4
Other listed securities ..		349.4	9.2	(126.6)	3.2
Sintonia S.A.	6.50	311.8	—	—	—
Delmi S.p.A., ordinary ..	6.00	97.3	(12.8)	—	(12.8)
Santé S.A.	9.99	82.2	—	(1.8)	—
Other unlisted securities		264.3	(0.3)	(19.7)	51.6
TOTAL SHARES		1,152.0	(7.4)	(148.1)	54.4

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

The equity component valuation reserve remained in negative territory at minus €47.1m (minus €125.9m at the same stage last year), representing the balance between the positive equity reserve of €54.4m (minus €28m last year) and the negative reserves for debt securities (minus €32.6m, versus €37.1m) and for other securities (€68.9m, versus €60.8m).

Hedges to the equities portfolio in the form of forward contracts were all wound up during the twelve months under review.

Treasury funds — these rose from €12,753.5m to €14,976.0m, thus bolstering the Group's liquidity position. This heading comprises €722.3m (€696.2m) in cash and cash equivalents, €9,185.4m (€8,576.5m) in fixed-income securities, €1,512.4m in equities (up sharply on the €896.5m last year, due to higher customer trading), €430.8m in negative value adjustments to derivatives contracts (compared with €237.2m in positive adjustments last year), and €3,986.8m (€2,347m) in net applications of treasury funds, such as repos, interbank deposits, etc. Movements during the twelve months under review and marking the portfolio, including derivatives, to market as at 30 June 2010, generated gains of €138m (€229.5m). Holdings in ABS continue to be linked to Italian domestic assets, and reduced from €130.7m to €75.6m as a result of market disposals and redemptions during the period; see part E, section C of the notes to the accounts.

Tangible and intangible assets — these declined from €764.2m to €762.6m, after depreciation and amortization charges for the period totalling €40.1m (€5.8m of which in respect of assets deriving from the purchase price allocation for Linea) to cover investments made mostly by Mediobanca (which increased by €17.2m, and involved work to upgrade the Bank's IT systems), CheBanca! (€8.7m), and Seteci (€4.5m, in connection with plans to refurbish and extend the property). Goodwill and brands continue to be carried at €365.9m and €6.3m respectively, and have both passed the impairment test.

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

	Squ.m	Book value	Book value per squ.m
		€'000	€'000
Milan:			
– Piazzetta Enrico Cuccia, 1	6,874	17,756.6	2.6
– Via Filodrammatici, 3, 5, 7 - Piazzetta Bossi, 1	11,093	63,501.0	5.7
– Piazza Paolo Ferrari, 6	1,967	4,169.1	2.1
– Foro Buonaparte, 10	3,918	7,885.4	2.0
– Via Siusi, 1-7	5,300	8,819.0	1.7
Rome:			
– Piazza di Spagna, 15	8,228	27,818.5	3.4
– Via Nomentana, 146	1,790	9,013.2	5.0
Vicenza:			
– Via Btg. Framarin, 4, 14	4,239	5,812.9	1.4
Principality of Monaco	8,166	129,256.6	15.8
Other, minor properties	5,757	2,552.3	0.4
	<u>57,332</u>	<u>276,584.6</u>	

Provisions — this comprises the provision for liabilities and charges, which stood at €156.3m (€159.4m) and the staff severance indemnity provision, amounting to €27.3m (€28.9m), both having fallen as a result of withdrawals made during the period.

Net equity — net equity rose by over €600m, from €5,703.6m to €6,330.3m, boosted by the increase in the Group's valuation reserves (€55.9m) and the contribution from the equity-consolidating investee companies (€570.6m). The AFS securities valuation reserve remains in negative territory, at minus €22.6m (minus €94.7m), representing the balance between minus €101.5m for debt securities, €54.4m for equities and €24.5m for deferred tax assets. Movements during the period involved withdrawals worth €75.8m (chiefly linked to impairment charges on equities), and €3.6m in downward adjustments to reflect fair value at the reporting date. The cash flow hedge was in negative territory at minus €99.5m (compared with €82m), while the share of the valuation reserves attributable to the equity-accounted investments was positive at €162.1m (compared with minus €235m last year).

PROFIT AND LOSS ACCOUNT

Net interest income — this item rose by 6.5%, from €861.2m to €917m, reflecting 13.3% growth in the corporate segment, from €378.5m to €428.9m, due to higher business volumes in treasury operations in particular (up 27%), but also increasing spreads. The retail segment also grew (accounting for 56% of total net interest income, and reflecting 6.2% growth for the twelve months, from €494.9m to €525.7m), boosted by the lower cost of funding, for both Compass (up 7.5%, from €436.6m to €469.5m) and CheBanca! (up 38%).

Net trading income — this heading is made up of €138m (€229.5m) in trading income, €199m (€175m) in gains on disposals of AFS securities, and dividends worth a total of €17m (unchanged). The trading result reflects the turmoil on financial markets seen in the fourth quarter of the Bank's financial year, in fixed-income trading in particular (which delivered profits of €76.6m, compared with €171.8m); while equities trading improved from €22.4m to €51.3m.

	12 mths to 30/6/09	12 mths to 30/6/10
	€m	€m
Dealing profits	245.5	331.1
Mark-to-market as at reporting date	(40.0)	(244.6)
Dividends	24.0	51.5
NET TRADING INCOME	229.5	138.0
	<hr/>	<hr/>
	30/6/09	30/6/10
	€m	€m
Fixed income	171.8	76.6
Equities	22.4	51.3
Foreign exchange trading	35.3	10.1
TOTAL	229.5	138.0

Net fee and commission income — this item rose by 4.3%, from €511.5m to €533.5m, driven by corporate business (up 10.1%); the contributions from capital market activities (up 13.4%, from €106.5m to €121.2m) and lending (up 31%, from €100.6m to €132m) more than offset the contraction in M&A revenues, down from €78.2m to €65.8m in a market showing drastically reduced deal volumes. The contribution from

retail operations was in line with last year, at €240m, while the first signs of recovery in private banking were visible, with fee income up from €34m to €37m.

Operating costs— this item rose by 5.9%, from €729.6m to €772.9m, chiefly due to the Group's operating and geographical expansion, with the headcount increasing from 3,076 to 3,174. The various components performed as follows:

- labour costs totalled €379.6m (€360.1m), €10.5m (€11.8m) of which in emoluments paid to directors and €5.2m (€13.2m) in implicit expenses linked to stock option schemes;
- other costs amounting to €393.3m (€369.5m), including €40.1m (€34.8m) in ordinary depreciation charges, transfers to provisions for risks and charges of €1.4m (€0.7m), plus administrative expenses totalling €351.8m (€334m), made up as follows:

	12 mths to 30/6/09	12 mths to 30/6/10
	€m	€m
Legal, tax and other professional services.....	40.1	38.2
Bad debt recovery	11.0	26.0
Marketing and communications.....	80.0	69.0
Rent and property maintenance charges	40.1	45.2
EDP	26.6	31.4
Financial information subscriptions	19.2	21.2
Banking services, collection and payment charges	21.0	20.6
Operating expenses	50.9	53.5
Other labour costs	25.1	27.4
Others	8.6	10.0
Direct and indirect taxes (net of amounts withheld) ...	11.4	9.3
TOTAL	<u>334.0</u>	<u>351.8</u>

The trends in the main expense items reflect debt recovery costs in the retail segment, due to the higher number of sub-standard accounts, and growth in costs at CheBanca! as geographical coverage increases.

Loan loss provisions — the increase in this item, from €503.8m to €516.8m, reflects the general deterioration in the risk profile of households, with provisions in this area rising from €324.7m to €360.8m; provisions to the corporate loan book fell from €179.1m to €156m,

including €22.5m in adjustments to specific wholesale sub-standard or restructured exposures.

Provisions for financial assets — this item only regards equity investments held as part of the AFS portfolio (€150m), and covers shares with a fair value below the original recognition value for more than 18 months (€117m), shares written down during the financial year (€9.5m) and unlisted shares and other securities (€23.5m).

Income tax for the period — this item totalled €181.2m, as against €88.8m last year, the latter boosted by a one-off item of €45.9m due to goodwill arising on the merger of Linea and Equilon into Compass being released from taxation. Mediobanca (as consolidating entity) has adopted tax consolidation, which includes Compass, SelmaBipiemme Leasing, Palladio Leasing, CheBanca!, Cofactor and Futuro. Relations between the consolidating and consolidated entities are governed by bilateral agreements regulating cash flows, exchanges of information and the responsibilities of the individual companies to the revenue authorities.

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

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

Corporate and Investment Banking (wholesale banking and leasing)

	12 mths to 30/6/09	12 mths to 30/6/10	Y.o.Y. change
	€m	€m	%
Profit-and-loss figures			
Net interest income	378.5	428.9	+13.3
Net trading income	398.2	244.4	-38.6
Net fee and commission income.....	301.8	332.4	+10.1
Equity-accounted companies	(17.1)	0.3	n.m.
TOTAL INCOME	1,061.4	1,006.0	-5.2
Labour costs.....	(201.1)	(205.1)	+2.0
Administrative expenses	(100.5)	(98.0)	-2.5
OPERATING COSTS	(301.6)	(303.1)	+0.5
Loan loss provisions	(179.1)	(156.0)	-12.9
Provisions for financial assets	(202.8)	(135.8)	-33.0
PROFIT BEFORE TAX	377.9	411.1	+8.8
Income tax for the period.....	(148.1)	(166.7)	+12.6
Minority interest.....	0.4	(1.4)	n.m.
NET PROFIT	230.2	243.0	+5.6
Cost/income ratio (%)	28.4	30.1	
	30/6/09	30/6/10	Change
	€m	€m	%
Treasury funds	13,418.3	16,362.2	+21.9
AFS securities.....	4,208.7	5,122.4	+21.7
Fixed assets (HTM & LR)	1,556.7	1,454.5	-6.6
Equity investments	405.1	397.8	+1.8
Loans and advances to customers	26,315.0	24,629.5	-6.4
<i>of which to Group companies</i>	3,207.2	3,485.2	+8.7
Funding.....	(43,250.2)	(44,921.7)	+3.9

Corporate and Investment Banking
30 June 2010

	Wholesale	Leasing	Total
	€m	€m	€m
Net interest income	353.5	75.4	428.9
Net trading income	244.7	(0.3)	244.4
Net fee and commission income.....	328.1	4.3	332.4
Equity-accounted companies	0.3	—	0.3
TOTAL INCOME	926.6	79.4	1,006.0
Labour costs.....	(186.5)	(18.6)	(205.1)
Administrative expenses	(84.8)	(13.2)	(98.0)
OPERATING COSTS	(271.3)	(31.8)	(303.1)
Loan loss provisions	(115.4)	(40.6)	(156.0)
Provisions for financial assets.....	(135.8)	—	(135.8)
PROFIT BEFORE TAX	404.1	7.0	411.1
Income tax for the period	(160.7)	(6.0)	(166.7)
Minority interest.....	—	(1.4)	(1.4)
NET PROFIT	243.4	(0.4)	243.0
Cost/income ratio (%)	29.3	40.1	30.1
Other financial assets	23,280.0	56.9	23,336.9
Loans and advances to customers	20,084.8	4,544.7	24,629.5
<i>of which to Group companies</i>	3,485.2	—	3,485.2
New loans	—	1,146.0	—
No. of staff	673	209	882

Corporate and Investment Banking 30 June 2009	Wholesale	Leasing	Total
	€m	€m	€m
Net interest income	299.0	79.5	378.5
Net trading income	398.3	(0.1)	398.2
Net fee and commission income.....	296.1	5.7	301.8
Equity-accounted companies	(17.1)	—	(17.1)
TOTAL INCOME	976.3	85.1	1,061.4
Labour costs.....	(179.3)	(21.8)	(201.1)
Administrative expenses	(85.9)	(14.6)	(100.5)
OPERATING COSTS	(265.2)	(36.4)	(301.6)
Loan loss provisions	(134.9)	(44.2)	(179.1)
Provisions for financial assets.....	(202.8)	—	(202.8)
PROFIT BEFORE TAX	373.4	4.5	377.9
Income tax for the period.....	(143.8)	(4.3)	(148.1)
Minority interest.....	—	0.4	0.4
NET PROFIT	229.6	0.6	230.2
Cost/income ratio (%)	27.2	42.8	28.4
Other financial assets	19,526.4	62.4	19,588.8
Loans and advances to customers	21,481.2	4,833.8	26,315.0
<i>of which to Group companies</i>	<i>3,207.2</i>	—	<i>3,207.2</i>
New loans	—	1,413.7	—
No. of staff	636	214	850

This division reported a net profit of €243m for the twelve months, up 5.6% on the €230.2m recorded last year, with the main items performing as follows:

- net interest income rose 13.3%, from €378.5m to €428.9m, with a healthy contribution from the wholesale segment (up 18.2%, from €299m to €353.5m); net interest income earned from leasing operations was down slightly, from €79.5m to €75.4m;
- net trading income declined from €398.2m to €244.4m, with dealing profits down from €224.2m to €119.1m as a result of financial market turbulence during the fourth quarter. Gains on disposals of AFS securities also reduced, from €174m to €125.3m;
- net fee and commission income climbed 10.1%, from €301.8m to €332.4m, driven by healthy performances from all business areas, capital markets and lending in particular, despite the weak market conditions.

Costs were largely unchanged, rising just 0.5%, from €301.6m to €303.1m. This was helped by cost-cutting action taken in leasing business, which reported costs of €31.8m as compared with €36.4m last year. This performance offset the higher costs in wholesale banking, attributable to the labour component (up from €179.3m to €186.5m), as there were 37 more staff on the books than last year, employed in the Bank's international branches.

The upturn in market conditions drove a reduction in provisions for financial assets, which totalled €135.8m (€202.8m), and loans (down from €179.1m to €156m). In particular the twelve months under review show a reduction in loan loss provisioning for the Bank's wholesale operations, down 14.5%, from €134.9m to €115.4m. This in turn reflects the gradual reduction in risk, with €40.5m set aside for the first quarter (ended 30 September 2009), €30m for the second quarter, €25.7m for the third quarter and €19.2m for the fourth quarter (ended 30 June 2010). Provisioning for financial assets was largely connected with holdings in listed equities, due to the automatic accounting mechanisms in respect of fair value, for which writedowns are compulsory if the value of the securities has been below their original acquisition value for more than 18 months (€117m); further writedowns were also charged to equities already subject to impairment charges last year, in an amount of €9.5m; and the remainder of this item consisted of adjustments to unlisted shares (€9.2m).

Lending and structured finance — lending to corporates, excluding Group companies, fell by 9.2%, from €18,274m to €16,599.6m, due to a widespread reduction in demand that continued throughout the financial year. Nearly one-third of the Group's total exposure is to non-Italian companies, in particular those based in Spain (8.2%), France (7.8%) and Germany (5.5%). At the reporting date impaired loans (non-performing, sub-standard, restructured and overdue items) amounted to €243.6m (€283.8m), after adjustments totalling €44.1m (€42.5m); impaired assets represent just 1.47% of the total loan book, while non-performing loans were virtually nil. In August 2010 one sub-standard loan was repaid in full at the nominal amount (€110m), thus reducing the total of non-performing items to €149.4m, or 0.91% of total loans and advances to customers. In loan syndication, where Mediobanca acts as bookrunner and arranges club deals, transactions worth a total of €34bn (€15.4bn) were arranged during the period, in a reference market largely characterized by refinancing deals. The area generated approximately 40% of the wholesale banking division's revenues.

Funding and treasury accounts — funding rose from €43,250.2m to €44,921.7m, and comprises: €38,625.1m (€38,243.9m) in debt securities in issue, €798.4m of which in short-term funding (CDs and commercial paper); €3,099.9m (€1,954.6m) in deposits and current accounts, and €3,182.7m (€3,051.7m), in other forms of funding, chiefly bank debt used in the leasing business. Treasury accounts consist of €264.2m (€224.8m) in cash and cash equivalents, €9,002.1m (€7,785.8m) in debt securities, €1,214.2m (€422.6m) in equities, €367.5m in downward adjustments to derivative contracts (as against upward adjustments of €280.1m last year), and €6,249.3m (€4,705m) in net short-term applications of funds, €1,961.1m of which to Group companies. This area generated 30% of the wholesale banking division's revenues.

Fixed assets and AFS bonds — these include €720m (€573.6m) in financial assets held to maturity, €734.6m (€983.1m) in unlisted debt securities recognized at cost, and €3,727.3m (€2,700.4m) in AFS bonds. During the period under review, there were purchases worth €3,717.3m (mostly in the AFS segment), sales and redemptions totalling €2,892.2m, adjustments to reflect amortized cost in an amount of €20.3m, and upward adjustments to reflect fair value totalling €38.3m. Overall, writedowns of €72.8m were charged to this portfolio at the reporting date, €32.3m of which were taken through the net equity valuation reserves.

Equity investments and AFS shares — this portfolio brings together the Group's holdings in equities held as available for sale, plus its equity-accounted investments in Gemina, Pirelli & C. and Burgo. As at 30 June 2010 the portfolio was worth €1,411.9m (€1,507.9m), after impairment charges on AFS equities totalling €135.8m, downward adjustments to reflect fair value at the reporting date of €6.6m, and pro-rata downward adjustments to net equity amounting to €7.4m (€0.4m of which in profits recorded through the profit and loss account). Purchases worth €152.6m were made during the period, and disposals worth €225.3m yielding gains of €98.8m.

As for the equity-accounted companies:

Gemina: the 12.53% stake owned in this company is recognized in consolidated net equity at €199.8m; the twelve months under review reflect a loss of €2.2m plus asset adjustments totalling €9.4m, chiefly connected with the first time adoption of the new IFRIC 12 accounting standard on service concession agreements.

Pirelli & C.: the 4.49% stake owned in this company is recognized at €117.4m, after profit for the period totalling €2.4m, €3.5m in dividends reversed, and writebacks to assets totalling €2.7m.

Burgo Group: in addition to a basically even balance of €0.2m at the net profit level, the investment also showed €2.4m in asset adjustments, linked to the positive performance of the valuation reserves. As at 30 June 2010, this stake, equal to 22.13% of Burgo's share capital, was carried in consolidated net equity at €80.7m.

Investment banking — despite the M&A market contracting significantly for the second year running, Mediobanca retained its position of leadership in the domestic Italian market with a major contribution from cross-border deals and non-Italian business. The reduction in investment banking revenues was kept to 16%, with a healthy contribution from placement activity (with revenues up 14%). This area generated some 20% of the wholesale banking division's total income.

Leasing — this activity showed a small loss for the year, of €0.4m, compared to an equally slender profit of €0.6m last year. The reduction in total income, from €85.1m to €79.4m, was offset by lower operating costs

of €31.8m (compared with €36.4m), the absence of one-off items (as against €3.3m during the twelve months ended 30 June 2009), and lower loan loss provisions (€40.6m, versus €44.2m). Amounts leased to customers fell from €4,833.8m to €4,544.7m, as a result of the reduction in new leases granted during the period (€1,146m, compared with €1,413.7m) attributable to the general market downturn (which fell approx. 33% in the twelve months of 2009). Net impaired assets (non-performing, sub-standard, restructured and overdue items) rose from €111m to €187.9m, or 4.1% (2.3%) of total lendings.

Turning now to the results of the individual Group companies:

- *SelmaBipiemme Leasing S.p.A.*, Milan (60%-owned): this company made a loss of €7.5m in the twelve months ended 30 June 2010, largely in line with the performance recorded this time last year (€7.7m). The sharp reduction in total income during the period, from €52m to €43.1m, was recovered by savings on costs which decreased from €23.2m to €19m, and by lower adjustments to receivables totalling €32.6m (€37.9m).

During the period under review, the company executed 6,687 leases for goods worth a total of €559.1m, compared with 7,804 leases worth €744.7m last year. At the reporting date, amounts leased to customers totalled €2,487m, down 8.4% on the figure recorded last year (€2,715.3m).

The company employs a total of 117 staff.

- *Palladio Leasing S.p.A.*, Vicenza (95%-owned via *SelmaBipiemme Leasing*, the other shares being held by *Palladio itself*): *Palladio Leasing*'s accounts for the twelve months ended 30 June 2010 show a net profit of €5m, up on the €2.5m recorded last year, after adjustments to receivables of €5.9m (€4.9m) and tax of €3.3m (€2m). This improved result is entirely attributable to the increase in net interest income, which rose from €15.9m to €19.8m. The €1m rise in adjustments to receivables was offset by an equivalent gain realized on disposal of part of a property owned by the company.

Palladio executed 1,954 leases during the period worth a total of €306.8m, compared with 1,968 leases worth €400.8m the previous year. At the reporting date, amounts leased to customers were up

1.1% on the figure recorded one year previously, at €1,609.1m (€1,592.2m).

The company employs a total of 59 staff.

- *Teleleasing S.p.A., Milan (80%-owned via SelmaBipiemme Leasing):* this company earned a net profit for the twelve months of €6.6m (€6.8m), after adjustments to receivables totalling €2.1m and tax of €3.8m (€1.4m and €3.8m respectively).

Teleleasing executed 6,714 leases during the period, worth a total of €240.1m, compared with 6,416 leases worth €268.3m the previous year. At the reporting date, amounts leased to customers were down 8% on the figure recorded the previous year, at €529.9m (€574.7m).

The company employs a total of 33 staff.

Principal Investing

	12 mths to 30/6/09	12 mths to 30/6/10	Y.o.Y. change
	€m	€m	%
Profit-and-loss figures			
Net interest income	(11.1)	(9.6)	-13.5
Net trading income	0.2	—	n.m.
Equity-accounted companies	(0.9)	213.4	n.m.
TOTAL INCOME	(11.8)	203.8	n.m.
Labour costs	(4.6)	(5.5)	+19.6
Administrative expenses	(2.2)	(2.6)	+18.2
OPERATING COSTS	(6.8)	(8.1)	+19.1
Provisions for financial assets	(241.0)	(12.2)	n.m.
PROFIT BEFORE TAX	(259.6)	183.5	n.m.
Income tax for the period	23.3	1.0	n.m.
NET PROFIT	(236.3)	184.5	n.m.
	30/6/09	30/6/10	Change
	€m	€m	%
AFS securities	122.2	114.8	-6.1
Equity investments	2,175.5	2,892.2	+32.9

This division's results for the twelve months show a return to profit with a bottom line of €184.5m, compared with a €236.3m loss last year, due to the positive contribution of Assicurazioni Generali (€231.7m, as against €8m twelve months previously), and a sharp reduction in writedowns (from €241m – chiefly in respect of RCS MediaGroup and Telco – to €12.2m).

The value of the equity investments was up sharply on this time last year, at €2,892.2m (€2,175.5m), due largely to the €575.5m writeback in respect of Assicurazioni Generali. The remainder of the portfolio, which consists of investments made as part of merchant banking activity and in private equity funds recognized in the AFS segment, was worth €114.8m (€122.2m) at the reporting date, after purchases totalling €3.5m, adjustments of €12.2m taken through the profit and loss account, and downward adjustments to reflect fair value totalling €0.9m.

With respect to the individual shareholdings:

- *Assicurazioni Generali*: at 30 June 2010, this investment, which represents 13.24% of the company's share capital (reduced from 14.61% at the same time last year as a result of the Alleanza merger) is carried at €2,317.5m (€1,576.2m), reflecting both the Group's pro-rata share in the profits earned by Generali for the period (€231.7m) and asset adjustments of €581.7m made in connection with the change to the valuation reserve, net of dividends collected (€72.1m).
- *Telco*: this investment, which represents 11.62% of Telco's share capital (up from 10.64% at the same time last year, after Sintonia SA exited the company's ownership by means of a demerger), is carried at €358.1m, following losses on equity consolidation of €1.6m and downward adjustments totalling €4.5m, €9m of which as a result of Telecom Italia asset adjustments. This value corresponds to the Group's pro-rata share in the company's net equity, as Telco has made no further writedowns to its shareholding in Telecom Italia (22.4% of the ordinary share capital), according to a valuation based on publicly available information and the most recent market data.
- *RCS MediaGroup*: the Group holds an interest of 14.94% in the ordinary share capital of this company, and 14.36% of its total share capital, which is carried at €189.3m following the €17.3m loss for the period and downward asset adjustments amounting to €1.8m.
- *Athena Private Equity*: the Group holds an interest of 24.27% in the fund, which is carried at €26.1m after a slight improvement of €0.9m was recorded, compared to the €12.5m writedowns last year.

Retail and Private Banking

	12 mths to 30/6/09	12 mths to 30/6/10	Y.o.Y. change
	€m	€m	%
Profit-and-loss figures			
Net interest income	494.9	525.7	+6.2
Net trading income	31.7	79.2	n.m.
Net fee and commission income.....	239.8	240.0	+0.1
Equity-accounted companies	(0.2)	(0.3)	n.m.
TOTAL INCOME	766.2	844.6	+10.2
Labour costs.....	(163.0)	(182.5)	+12.0
Administrative expenses	(294.4)	(322.2)	+9.4
OPERATING COSTS	(457.4)	(504.7)	+10.3
Loan loss provisions	(324.7)	(360.8)	+11.1
Provisions for financial assets.....	(7.5)	(1.9)	n.m.
Other profits (losses).....	(0.1)	5.2	n.m.
PROFIT BEFORE TAX	(23.5)	(17.6)	-25.1
Income tax for the period.....	34.5	(14.0)	n.m.
NET PROFIT	11.0	(31.6)	n.m.
Cost/income ratio (%)	59.7	59.8	
	30/6/09	30/6/10	Change
	€m	€m	%
Treasury funds	3,226.7	4,086.8	+26.7
AFS securities.....	2,732.5	2,571.8	-5.9
Fixed assets (HTM & LR)	1,021.7	2,507.4	n.m.
Equity investments	0.6	1.4	n.m.
Loans and advances to customers	12,140.0	12,563.9	+3.5
Funding	(18,334.4)	(20,999.9)	+14.5

The year ended 30 June 2010 shows a net loss of €31.6m, compared with an €11m profit the previous year, which, however, was boosted by the one-off €45.9m tax effect mentioned earlier. The pre-tax result thus improved by around €6m, on the back of a strong performance by the retail area.

Total income was up 10.2%, from €766.2m to €844.6m, driven by higher net trading income (up from €31.7m to €79.2m), largely due to trading involving the CheBanca! securities portfolio which hedges part of the deposits, and higher net interest income (up 6.2%, from €494.9m to €525.7m) linked to higher volumes and a lower cost of funding; net fee and commission income remained at around €240m.

Operating costs increased by 10.3%, from €457.4m to €504.7m, chiefly as a result of higher administrative and commercial expenses incurred by CheBanca! (up from €155.5m to €179.7m) due to its operations and geographical expansion, and higher costs in consumer credit (up from €143.4m to €162.7m), largely due to credit recovery expenses.

Loan loss provisions were up 11.1% for the twelve months, from €324.7m to €360.8m, but despite the ongoing weakness in financial conditions for households, showed a stable trend for the fourth consecutive quarter.

Loans and advances to customers, which are almost entirely attributable to consumer finance and residential mortgage lending activities, increased from €12.1m to €12.6bn.

Funding, which grew from €18.3bn to €21bn, consists of over €9.5bn (€6.2bn) in customer deposits collected by CheBanca!, €7,161.3m (€6,185.6m) of which in the form of deposit accounts locked for twelve months, €2,308.6m of which in repos and €91.2m in current accounts and prepaid credit cards.

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

Retail and Private Banking 30 June 2010	Consumer credit	Retail banking	Private banking	Total
	€m	€m	€m	€m
Net interest income	469.5	32.6	23.6	525.7
Net trading income.....	6.4	60.1	12.7	79.2
Net fee and commission income.....	162.9	5.6	71.5	240.0
Equity-accounted companies	(0.5)	—	0.2	(0.3)
TOTAL INCOME	638.3	98.3	108.0	844.6
Labour costs	(77.6)	(52.7)	(52.2)	(182.5)
Administrative expenses	(162.7)	(127.0)	(32.5)	(322.2)
OPERATING COSTS	(240.3)	(179.7)	(84.7)	(504.7)
Loan loss provisions	(336.5)	(23.0)	(1.3)	(360.8)
Provisions for financial assets.....	—	—	(1.9)	(1.9)
Other profits (losses)	—	—	5.2	5.2
PROFIT BEFORE TAX	61.5	(104.4)	25.3	(17.6)
Income tax for the period	(39.6)	25.8	(0.2)	(14.0)
NET PROFIT	21.9	(78.6)	25.1	(31.6)
Cost/income ratio (%)	37.6	n.m.	78.4	59.8
Equity investments	1.4	—	—	1.4
Other financial assets	425.8	7,272.5	1,467.7	9,166.0
Loans and advances to customers	8,271.0	3,545.8	747.1	12,563.9
New loans	4,053.9	805.2	—	4,859.1
No. of branches	146	42	—	188
No. of staff	1,295	845	338	2,478

Retail and Private Banking 30 June 2009	Consumer credit	Retail banking	Private banking	Total
	€m	€m	€m	€m
Net interest income	436.6	23.6	34.7	494.9
Net trading income	0.1	17.1	14.5	31.7
Net fee and commission income	168.8	5.9	65.1	239.8
Equity-accounted companies	(0.2)	—	—	(0.2)
TOTAL INCOME	605.3	46.6	114.3	766.2
Labour costs	(78.4)	(38.2)	(46.4)	(163.0)
Administrative expenses	(143.4)	(117.3)	(33.7)	(294.4)
OPERATING COSTS	(221.8)	(155.5)	(80.1)	(457.4)
Loan loss provisions	(297.7)	(27.0)	—	(324.7)
Provisions for financial assets	—	—	(7.5)	(7.5)
Other profits (losses)	—	—	(0.1)	(0.1)
PROFIT BEFORE TAX	85.8	(135.9)	26.6	(23.5)
Income tax for the period	(1.1)	36.0	(0.4)	34.5
NET PROFIT	84.7	(99.9)	26.2	11.0
Cost/income ratio (%)	36.6	n.m.	70.0	59.7
Equity investments	0.5	—	0.1	0.6
Other financial assets	515.0	4,229.4	2,236.5	6,980.9
Loans and advances to customers	8,108.4	3,227.9	803.7	12,140.0
New loans	3,794.1	840.3	—	4,634.4
No. of branches	146	55	—	201
No. of staff	1,284	730	345	2,359

Turning to the individual business segments, consumer credit showed total income up 5.5%, from €605.3m to €638.3m, on the back of higher net interest income (up from €436.6m to €469.5m), with fee flows stable at €162.9m (€168.8m). The increase in costs, from €221.8m to €240.3m, is due to the higher credit recovery costs (up from €11.4m to €25.4m), against an increase in loan loss provisions (up from €297.7m to €336.5m) which in spite of this have shown a stable trend for the last four consecutive quarters. Net profit thus declined from €84.7m (€38.8m net of the one-off tax benefit already mentioned) to €21.9m. New loans for the twelve months totalled €4,053.9m, up 6.8% on the previous year (€3,794.1m), outperforming the

market which reported a 7% decline; while loans and advances to customers outstanding at 30 June 2010 were up 2%, from €8,108.4m to €8,271m. Net impaired assets (i.e. non-performing, sub-standard, restructured and overdue items) increased from €183.5m to €238.2m, and account for 2.9% (2.3%) of the total loan book.

Retail banking showed a net loss of €78.6m, less than the €99.9m loss last year, due to higher total income (up from €46.6m to €98.3m) driven by an increase in net trading income, which climbed from €17.1m to €60.1m. Around half the increase in revenues was wiped out by growth in operating costs and commercial expenses, which were up from €155.5m to €179.7m, in connection with the growth in size and expansion of the network (with 15 new branches added). The cost of risk improved slightly, with loan loss provisions at €23m (compared with €27m). Mortgage lending saw 9.8% growth in loans and advances to customers, from €3,227.9m to €3,545.8m, despite a 4.2% reduction in new loans (from €840.3m to €805.2m); net impaired assets (i.e. non-performing, sub-standard, restructured and overdue items) increased from €56.4m to €90.2m, and now account for 2.5% (1.7%) of the total loan book. Retail deposits exceeded €9.5bn, with the portion in excess of the division's day-to-day requirements being transferred to Mediobanca.

Private banking recorded a profit of €25.1m, down slightly on the €26.2m recorded last year. Total income declined, from €114.3m to €108m, as the positive contribution from Banca Esperia (which increased from €25.9 to €31.2m) driven by higher net fee and commission income (up from €25m to €27.6m) was more than offset by the reduction in fees earned by Compagnie Monégasque de Banque (down from €82.1 to €69.9m), hit by the reductions in net interest income (from €31.5m to €21.6m) and net trading income (from €16.6m to €10.9m). Operating costs rose from €80.1m to €84.7m, while extraordinary income of €5.2m was recorded following the favourable resolution of a dispute with suppliers. Loan loss provisions amounted to €3.2m, €1.3m of which in respect of the loan book and €1.9m of AFS equities. Assets under management at the year-end amounted to €11.7bn (€10.2bn), €5.7bn (€5.9bn) of which for CMB and €6bn (€4.3bn) for Banca Esperia (AUM up 40%), reflecting the benefits of the tax "amnesty" under Italian Decree Law 194/09.

Private Banking 30 June 2010	CMB	Banca Esperia 50%	Others	Total PB
	€m	€m	€m	€m
Net interest income	21.6	1.8	0.2	23.6
Net trading income.....	10.9	1.8	—	12.7
Net fee and commission income.....	37.2	27.6	6.7	71.5
Equity-accounted companies	0.2	—	—	0.2
TOTAL INCOME	69.9	31.2	6.9	108.0
Labour costs.....	(27.4)	(20.8)	(4.0)	(52.2)
Administrative expenses	(20.6)	(10.6)	(1.3)	(32.5)
OPERATING COSTS	(48.0)	(31.4)	(5.3)	(84.7)
Loan loss provisions	(1.2)	—	(0.1)	(1.3)
Provisions for financial assets.....	(1.7)	(0.2)	—	(1.9)
Other profits (losses)	5.2	—	—	5.2
PROFIT BEFORE TAX	24.2	(0.4)	1.5	25.3
Income tax for the period	(0.1)	0.5	(0.6)	(0.2)
NET PROFIT.....	24.1	0.1	0.9	25.1
Assets under management	5,672.0	6,016.0	—	11,688.0
Securities held on a fiduciary basis.....	N/A	N/A	1,548.6	1,548.6

Private Banking 30 June 2009	CMB	Banca Esperia 50%	Others	Total PB
	€m	€m	€m	€m
Net interest income	31.5	2.9	0.3	34.7
Net trading income.....	16.6	(2.0)	(0.1)	14.5
Net fee and commission income.....	34.0	25.0	6.1	65.1
TOTAL INCOME	82.1	25.9	6.3	114.3
Labour costs.....	(28.3)	(14.7)	(3.4)	(46.4)
Administrative expenses	(20.2)	(12.0)	(1.5)	(33.7)
OPERATING COSTS	(48.5)	(26.7)	(4.9)	(80.1)
Provisions for financial assets.....	(7.5)	—	—	(7.5)
Other profits (losses)	—	—	(0.1)	(0.1)
PROFIT BEFORE TAX	26.1	(0.8)	1.3	26.6
Income tax for the period	—	0.2	(0.6)	(0.4)
NET PROFIT	26.1	(0.6)	0.7	26.2
Assets under management	5,952.0	4,289.5	—	10,241.5
Securities held on a fiduciary basis.....	N/A	N/A	1,139.0	1,139.0

Turning now to the results of the individual Compass group companies:

- *Compass S.p.A., Milan (consumer credit)*: this company's accounts for the period ended 30 June 2010 show a net profit of €16.9m, compared with €79.2m the previous year, which, however, included a €45.9m, one-off tax benefit linked to goodwill arising on the merger with Linea. Pre-tax profit thus fell 30%, from €74m to €51m; higher loan loss provisions (€328m, compared with €296m) and operating costs (€219m, versus €204m) – almost all of which involved credit recovery expenses – were partly offset by an increase in total income, from €573m to €599m, which was boosted by the reduced funding charges.

In October 2009, Compass set up a reinsurance company, Compass RE, with the objective of participating in the risk protections sold to its customers. The new venture forms part of Compass's growing involvement in the insurance brokerage business.

In June 2010, Compass and Ducati Motor Holding agreed to discontinue their 50:50 joint venture Ducati Financial Services; the companies will continue to work together under an *ad hoc* commercial agreement.

Work also began during the twelve months on refurbishing and expanding Seteci's offices and EDP centre, which in due course will also house Compass's offices.

During the period under review, Compass disbursed 838,439 new loans worth a total of €3,818m, up 7.6% on the values recorded the previous year (848,817 new loans worth €3,549m). Loans and advances to customers outstanding at the reporting date totalled €7,858.2m, virtually unchanged from the figure recorded twelve months previously (€7,837.2m).

The company employs a total of 1,122 staff at its head office and 146 branches.

- *CheBanca! S.p.A.*, Milan (*retail banking*): the company's accounts for the twelve months ended 30 June 2010 show a net loss of €79.2m, 20% lower than the €99.9m loss recorded a year ago, after advance tax of €25.8m (€35.8m). The improved performance at the operating level, with the loss reducing from €135.7m to €105m, was driven by higher total income (up from €46.5m to €98m), and, to a lesser extent, by lower loan loss provisions (down from €27m to €23m), only partly offset by the rise in operating costs, from €155.2m to €198.8m.

A €100m capital increase was implemented on 31 March 2010, aimed ensuring the company is adequately capitalized.

During the year, in view of the increasing success of the CheBanca! project, the company's business in the area of mortgage lending in France was discontinued.

With reference to mortgage activity, during the period under review a total of 5,488 loans were executed for a total of €805.1m, the former figure down 21.5% and the latter down 4.2% on the totals posted respectively at the same time last year (6,994 loans worth €840.3m). The reduced levels of activity in mortgage lending reflect the sticky property market conditions, and to a lesser extent, the activities in France being discontinued (which delivered €81.2m, as opposed to €152.6m).

Retail deposits totalled €9,561.1m at the reporting date, up over 50% on the €6,115.3m recorded twelve months previously, and consist almost entirely of deposit accounts and repos (the latter activity having been launched in December 2009). The number of customers rose to 300,000, more than doubling during the twelve months.

At 30 June 2010 the company's headcount numbered 845 staff (728 at 30 June 2009), distributed almost equally between the headquarters and branch offices (428 and 417 staff respectively).

- *Cofactor S.p.A., Milan (non-recourse factoring)*: this company recorded a net profit for the twelve months ended 30 June 2010 of €699,000 (€480,000), after adjustments to receivables totalling €39,000 and income tax for the period amounting to €264,000 (€992,000 and €235,000 respectively).

At the reporting date Cofactor's loan book was carried at €93.5m (compared with €84.2m at 30 June 2009).

The company employs a total of 54 staff.

- *Creditech S.p.A., Milan (credit management)*: Creditech delivered a net profit of €4m, slightly below the €4.9m reported last year, after tax of €2m (€2.4m).

The company employs a total of 51 staff.

- *Futuro S.p.A., Milan (salary-backed finance)*: this company posted a net profit for the twelve months of €2.6m (€2.1m), after one-off adjustments and charges of €4.8m and tax totalling €1.9m (€1.5m).

During the period under review, the company granted 11,350 loans worth a total of €211m (versus 12,181 worth €204m during the previous year). Loans and advances to customers outstanding at the reporting date were up 19% on the total recorded one year previously, at €609.8m (€514.1m).

The company employs a total of 65 staff.

- *Ducati Financial Services S.r.l., Milan (50:50 joint venture with Ducati Motor Holding; equity-accounted)*: this company's results show a loss of €982,000 (€486,000), after adjustments to receivables totalling €2m (€1.2m).

The company granted 4,082 new loans worth €24.6m, compared with 6,340 loans worth €42.5m in the twelve months ended 30 June 2009.

The company employs a total of 3 staff.

- *Compagnie Monégasque de Banque, Monaco*: CMB's consolidated accounts for the year ended 31 December 2009 show a net profit of €32.6m (€33.2m), on net interest income of €34.1m (€28.4m) and net fee and commission income of €39.1m (€38.8m). Lendings totalled €632m (€772.8m) and funding €1,504.3m (€2,491.2m). Assets under management on a discretionary/non-discretionary basis fell by 10% to €7.2bn (€8bn), chiefly due to the Italian tax "amnesty".

In the six months ended 30 June 2010, CMB posted a net profit of €12m (€12.7m), on management and brokerage fees of €17.1m (€16.1m); assets under management/administration totalled €7.6bn (up 5.6%).

At 30 June 2010, the employee headcount comprised 187 staff.

- *Banca Esperia S.p.A., Milan (50%-owned)*: in the year ended 31 December 2009, the Esperia group recorded a profit of €0.4m (€4.1m), reflecting a reduction in total income from €62.1m to €57.6m, driven by lower net fees (down from €58.9m to €51.7m) deriving from changes to the asset mix of customer portfolios.

In the six months ended 30 June 2010, the Esperia group posted a pre-tax profit of €0.8m (€2m), boosted by total income recovering from €27.2m to €31.8m, on higher net fee and commission income of €26.8m (€23.2m) which was offset by reorganization expenses totalling €2.3m. During the six months there was an increase in assets under management, which climbed to €12,032m (€8,580m) on the back of the tax "amnesty" introduced in the second half of 2009.

The employee headcount comprises 236 staff.

- *Spafid - Società per Amministrazioni Fiduciarie S.p.A., Milan*: in the twelve months ended 30 June 2010, Spafid earned a net profit of €1.1m (€975,000), on net fee and commission income of €3.6m (€4.1m). Securities and value items held on a fiduciary basis were worth €2,121m (€1,325m).

The company employs a total of 17 staff.

— *Prudentia Fiduciaria S.p.A.*, Milan: in the twelve months ended 30 June 2010, this company earned a profit of €209,000 (€64,000), after tax of €154,000 (€84,000). Securities held on a fiduciary basis were worth €66.6m (€64.9m).

The company employs 16 staff.

OTHER INFORMATION

Related party disclosure

Financial accounts outstanding as at 30 June 2010 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.

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

* * *

Article 36 of Consob's market regulations

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

* * *

Principal risks facing the Group

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

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

* * *

Outlook

Prospects for the coming financial year continue to depend on developments in the economic scenario, which remains weak in terms of industrial production and household consumer spending in particular. Against this backdrop, the Group expects to see an improvement in net interest income and a rise in the contribution from investee companies consolidated on an equity-basis. Costs are expected to grow in line with last year, while loan loss provisions should fall not just in the corporate segment. The performance of trading activity and the equity investment portfolio will as always depend closely on stock market developments. Save in the event of unforeseeable circumstances, net profit may show an improvement.

Reconciliation of shareholders' equity and net profit

	Shareholders' equity €'000	Profit for the year €'000
Balance as at 30/6/10 as per Mediobanca IAS/IFRS-compliant statements	4,627,282	244,139
Net surplus over book value for consolidated companies	16,657	3,152
Exchange rate differences arising from translation of accounts denominated in currencies other than the Euro	1,794	—
Other adjustments and restatements on consolidation, including effects of accounting for companies on an equity basis	1,684,639	155,206
Dividends received during the year	—	(1,642)
TOTAL	6,330,372	400,855

Milan, 21 September 2010

THE BOARD OF DIRECTORS

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

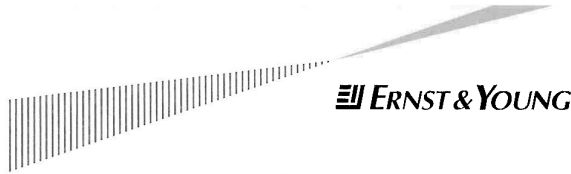
1. The undersigned Alberto Nagel and Massimo Bertolini, in their respective capacities as Chief Executive Officer and Head of Company Financial Reporting of Mediobanca, hereby declare and in view *inter alia* of the provisions contained in Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 58/98, that 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 2010.
2. Assessment of the adequacy of said administrative and accounting procedures for the preparation of the consolidated financial statements as at 30 June 2010 was based on a model defined by Mediobanca in accordance with benchmark standards for internal control systems which are widely accepted at an international level (i.e. the CoSO and CobiT frameworks).
3. It is further hereby declared that
 - 3.1 the consolidated financial statements:
 - have been drawn up in accordance with the International Financial Reporting Standards adopted by the European Union pursuant to CE regulation no. 1606/02 issued by the European Parliament and Council on 19 July 2002;
 - correspond to the data recorded in the company’s books and accounts ledgers;
 - are adequate for the purpose of providing a truthful and accurate representation of the capital, earnings and financial situation of the issuer and the group of companies included within its area of consolidation.
 - 3.2 the review of operations contains reliable analysis of the Group’s operating performance and results, and of the situation of Mediobanca S.p.A. and the group of companies comprised within its area of consolidation, along with a description of the main risks and uncertainties to which they are exposed.

Milan, 21 September 2010

Chief Executive Officer
Alberto Nagel

Head of Financial Reporting
Massimo Bertolini

AUDITORS' REPORT



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

To the Shareholders of
Mediobanca S.p.A.

1. We have audited the consolidated financial statements of Mediobanca S.p.A. and subsidiaries ("Mediobanca Group") as of and for the year ended 30 June 2010, comprising the balance sheet, the profit and loss account, the comprehensive profit and loss account, the statement of changes to net equity, the cash flow statement and the related notes to the accounts. These financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the standards issued in accordance with article 9 of Legislative Decree n. 38 of 28 February 2005, are the responsibility of Mediobanca S.p.A.'s directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards and procedures recommended by Consob (the Italian Companies and Stock Exchange Commission). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

With respect to the consolidated financial statements of the prior year, presented for comparative purposes, which have been restated to apply IAS 1, reference should be made to our report dated 29 September 2009.

3. In our opinion, the consolidated financial statements of Mediobanca S.p.A. as of and for the year ended 30 June 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the standards issued in accordance with article 9 of Legislative Decree n. 38 of 28 February 2005; accordingly, they present clearly and give a true and fair view of the consolidated financial position, results of operations, changes in net equity and cash flows of Mediobanca Group as of 30 June 2010 and for the year then ended.
4. Mediobanca S.p.A.'s directors are responsible for the preparation of the Review of Group Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Review of Group Operations and of the specific section on the Report on Corporate Governance and on the company's ownership structure restricted to the information reported therein in compliance with article 123-bis of Legislative Decree n. 58 of 24 February 1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion, the Review of Group Operations and the information reported therein in compliance with article 123-bis of Legislative Decree n. 58 of 24 February 1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the specific section, are consistent with the consolidated financial statements of Mediobanca Group as of 30 June 2010.

Milan, 29 September 2010

Reconta Ernst & Young S.p.A.
signed by: Riccardo Schioppa, partner

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

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

	Assets	30/6/10	30/6/09
		€'000	€'000
10.	Cash and cash equivalents	26,802	20,653
20.	Financial assets held for trading	16,332,195	13,137,610
40.	Financial assets available for sale	6,825,763	6,653,386
50.	Financial assets held to maturity	720,683	574,427
60.	Due from banks	5,380,473	5,001,711
70.	Due from customers	39,924,695	42,389,995
80.	Hedging derivatives	2,046,619	1,744,646
100.	Equity investments	3,347,983	2,638,502
120.	Property, plant and equipment	319,986	317,500
130.	Intangible assets	442,636	446,714
	<i>of which:</i>		
	<i>goodwill</i>	365,934	365,934
140.	Tax assets:	914,345	830,124
	<i>a) current</i>	290,975	291,410
	<i>b) advance</i>	623,370	538,714
160.	Other assets	218,998	135,212
	TOTAL ASSETS	76,501,178	73,890,480

	Liabilities and net equity	30/6/10	30/6/09
		€'000	€'000
10.	Due to banks	9,730,654	11,410,191
20.	Due to customers	14,889,121	13,148,204
30.	Debt securities in issue	36,665,547	37,416,198
40.	Trading liabilities	6,065,212	3,427,372
60.	Hedging derivatives	758,753	1,332,162
80.	Tax liabilities:	633,289	653,662
	<i>a) current</i>	<i>318,529</i>	<i>306,367</i>
	<i>b) deferred</i>	<i>314,760</i>	<i>347,295</i>
100.	Other liabilities	726,590	505,107
110.	Staff severance indemnity provision	27,282	28,898
120.	Provisions:	156,318	159,383
	<i>b) other provisions</i>	<i>156,318</i>	<i>159,383</i>
130.	Insurance reserve	13,913	—
140.	Revaluation reserves	55,311	(163,300)
170.	Reserves	3,938,440	3,530,707
180.	Share premium reserve	2,119,913	2,140,043
190.	Share capital	430,551	410,028
200.	Treasury shares	(213,844)	(213,844)
210.	Minority interest	103,273	103,260
220.	Profit for the period	400,855	2,409
	TOTAL LIABILITIES AND NET EQUITY	76,501,178	73,890,480

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Item	12 mths to 30/6/10	12 mths to 30/6/09
		€'000	€'000
10.	Interest and similar income	2,820,156	3,051,138
20.	Interest expense and similar charges	(1,764,939)	(2,194,096)
30.	Net interest income	1,055,217	857,042
40.	Fee and commission income	499,140	483,631
50.	Fee and commission expense	(37,757)	(50,538)
60.	Net fee and commission income	461,383	433,093
70.	Dividends and similar income	68,424	40,978
80.	Net trading income	(59,732)	196,749
90.	Net hedging income (expense)	(15,679)	2,022
100.	Gain (loss) on disposal/repurchase of:	222,607	186,129
	<i>a) loans and advances</i>	—	—
	<i>b) AFS securities</i>	198,924	175,009
	<i>c) financial assets held to maturity</i>	26	112
	<i>d) financial liabilities</i>	23,657	11,008
120.	Total income	1,732,220	1,716,013
130.	Adjustments for impairment to:	(666,855)	(690,425)
	<i>a) loans and advances</i>	(461,321)	(476,322)
	<i>b) AFS securities</i>	(150,019)	(186,646)
	<i>c) financial assets held to maturity</i>	(934)	420
	<i>d) financial liabilities</i>	(54,581)	(27,877)
140.	Net income from financial operations	1,065,365	1,025,588
150.	Premiums earned (net)	959	—
160.	Other income (net) from insurance activities	(353)	—
170.	Net profit from financial and insurance activities	1,065,971	1,025,588
180.	Administrative expenses:	(779,307)	(748,459)
	<i>a) personnel costs</i>	(379,586)	(360,075)
	<i>b) other administrative expenses</i>	(399,721)	(388,384)
190.	Net transfers to provisions	(1,448)	(736)
200.	Net adjustments to tangible assets	(17,665)	(15,416)
210.	Net adjustments to intangible assets	(22,390)	(19,357)
220.	Other operating income (expense)	124,655	132,697
230.	Operating costs	(696,155)	(651,271)
240.	Gain (loss) on equity investments	213,468	(283,516)
270.	Gain (loss) on disposal of investments in:	5	(83)
	<i>a) property</i>	—	—
	<i>b) other assets</i>	5	(83)
280.	Profit (loss) on ordinary activities before tax	583,289	90,718
290.	Income tax for the year on ordinary activities	(181,168)	(88,766)
300.	Profit (loss) on ordinary activities after tax	402,121	1,952
320.	Net profit (loss) for the period	402,121	1,952
330.	Net profit (loss) for the period attributable to minorities	(1,266)	457
340.	Net profit (loss) for the period attributable to Mediobanca	400,855	2,409

CONSOLIDATED COMPREHENSIVE PROFIT AND LOSS ACCOUNT

	Headings	30/6/10	30/6/09
10.	Gain (loss) for the period	402,121	1,952
	Other income items net of tax		
20.	AFS securities	72,162	(36,088)
30.	Property, plant and equipment	—	—
40.	Intangible assets	—	—
50.	Foreign investment hedges	—	—
60.	Cash flow hedges	(18,641)	(252,636)
70.	Exchange rate differences	1,845	(8)
80.	Non-current assets being sold	—	—
90.	Actuarial gains (losses) on defined-benefit pension schemes	—	—
100.	Share of valuation reserves for equity-accounted companies	397,629	(250,299)
110.	Total other income items net of tax	452,995	(539,031)
120.	Aggregate profit (Heading 10 + Heading 110)	855,116	(537,079)
130.	Overall consolidated profit attributable to minorities	653	(13,535)
140.	Overall consolidated profit attributable to Mediobanca	854,463	(523,544)

STATEMENT OF CHANGES TO NET EQUITY

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

* Transfer of stock option schemes.

¹ Reclassification of share of valuation reserves for equity-accounted companies as at 30 June 2010.

STATEMENT OF CHANGES TO NET EQUITY FROM 1/7/08 TO 30/6/09

	Previously reported balance at 30/6/08	Allocation of profit for previous period		Changes during the reference period							Profit (loss) for the period	Balance at 30/6/09	Net profit attributable to minorities at 30/6/09
		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 share derivatives	Stock options			
Share capital:	410,028	—	—	—	—	—	—	—	—	—	—	410,028	25,125
a) ordinary shares	410,028	—	—	—	—	—	—	—	—	—	—	410,028	25,125
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,140,043	—	—	—	—	—	—	—	—	—	—	2,140,043	7,216
Reserves:	3,280,171	492,330	—	(255,156)	—	—	—	—	—	13,362	—	3,530,707	79,235
a) retained earnings	3,280,171	492,330	—	(255,156)	—	—	—	—	—	13,362	—	3,530,707	79,235
b) others	—	—	—	—	—	—	—	—	—	—	—	—	—
Valuation reserves:	112,795	—	—	(276,095)	—	—	—	—	—	—	—	(163,300)	(7,859)
a) AFS securities	(58,661)	—	—	(36,088)	—	—	—	—	—	—	—	(94,749)	—
b) cash flow hedges	157,537	—	—	(239,558)	—	—	—	—	—	—	—	(82,021)	(9,451)
c) special laws	13,919	—	—	(449)	—	—	—	—	—	—	—	13,470	1,592
d) others	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(213,844)	—	—	—	—	—	—	—	—	—	—	(213,844)	—
Profit (loss) for the period	1,014,832	(492,330)	(522,502)	—	—	—	—	—	—	—	2,409	2,409	(457)
Net equity	6,744,025	—	(522,502)	(531,251)	—	—	—	—	—	13,362	2,409	5,706,043	—
Net profit attributable to minorities	119,845	—	—	(16,128)	—	—	—	—	—	—	(457)	103,260	103,260

CONSOLIDATED CASH FLOW STATEMENT
Direct method

	Amounts	
	30/6/10	30/6/09
A. Cash flow from operating activities		
1. Operating activities	1,148,509	1,593,123
- interest received	4,412,149	6,740,282
-interest paid	(2,993,322)	(5,022,986)
-dividends and similar income	68,424	48,089
-net fees and commission income	(57,039)	117,021
-cash payments to employees	(259,741)	(308,601)
-net premium income	—	—
-other premium from insurance activities	(100,980)	(126,231)
-other expenses paid	(321,289)	(1,006,996)
-other income received	607,966	1,289,701
-income taxes paid	(207,659)	(137,156)
-net expense/income from groups of assets being sold	—	—
2. Cash generated/absorbed by financial assets	3,187,760	8,005,627
- financial assets held for trading	(1,492,358)	(1,568,942)
-financial assets recognized at fair value	—	—
-AFS securities	17,119	(5,738,540)
-due from customers	968,275	(8,216,350)
-due from banks: on demand	4,803,490	13,443,588
-due from banks: other	(1,125,500)	11,143,504
-other assets	16,734	(1,057,633)
3. Cash generated/absorbed by financial liabilities	(4,216,267)	(9,066,316)
-due to banks: on demand	(2,263,221)	(1,211,675)
-due to banks: other	(2,743,668)	(5,211,451)
-due to customers	(561,911)	6,520,592
-debt securities	1,021,290	(8,376,701)
-trading liabilities	753,380	158,298
-financial liabilities assets recognized at fair value	—	—
-other liabilities	(422,137)	(945,379)
Net cash flow (outflow) from operating activities	120,002	532,434
B. Investment activities		
1. Cash generated from	77,993	30,392
-disposals of shareholdings	55	1
-dividends received in respect of equity investments	75,629	29,725
-disposals/redemptions of financial assets held to maturity	993	637
-disposals of tangible assets	1,316	29
-disposals of intangible assets	—	—
-disposals of subsidiaries or business units	—	—
2. Cash absorbed by	(191,571)	(21,498)
-acquisitions of shareholdings	(1,004)	(3,241)
-acquisitions of held-to-maturity investments	(151,050)	(920)
-acquisitions of tangible assets	(21,660)	(7,978)
-acquisitions of intangible assets	(17,857)	(9,359)
-acquisitions of subsidiaries or business units	—	—
- Net cash flow (outflow) from investment/servicing of finance	(113,578)	8,894
C. Funding activities		
-issuance/acquisition of treasury shares	393	—
-issuance/acquisitions of equity instruments	—	—
-dividends payout and other applications of funds	(684)	(542,658)
Net cash flow (outflow) from funding activities	(291)	(542,658)
Net cash flow (outflow) during period	6,133	(1,330)

**RECONCILIATION OF MOVEMENTS IN CASH FLOW
DURING PERIOD**

	Amounts	
	30/6/10	30/6/09
Cash and cash equivalents: balance at start of period	20,653	22,110
Total cash flow (outflow) during period	6,133	(1,330)
Cash and cash equivalents: exchange rate effect	16	(127)
Cash and cash equivalents: balance at end of period	26,802	20,653

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PART A - ACCOUNTING POLICIES

Section 1

The Mediobanca Group's consolidated financial statements for the period ended 30 June 2010 have, as required by Italian Legislative Decree 38/05, been drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), which were adopted by the European Commission in accordance with the procedure laid down in Article 6 of regulation CE 1606/02 issued by the European Council and Commission on 19 July 2002. Adoption of the new accounting standards with respect to financial reporting by banks is governed by Bank of Italy circular no. 262 issued on 22 December 2005 (as amended on 18 November 2009).

Section 2

General principles

These consolidated financial statements comprise:

- balance sheet;
- profit and loss account;
- comprehensive profit and loss account;
- statement of changes to net equity;
- cash flow statement (direct method);
- notes to the accounts.

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

Section 3

Area and methods of consolidation

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

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

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

Emmebi S.p.A. was deconsolidated during the twelve months under review after its liquidation, while Compass Re (Luxembourg) S.A. was set up.

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

	Registered office	Type of relationship ¹	Shareholding		% voting rights ²
			Investee company	% interest	
A.	COMPANIES INCLUDED IN AREA OF CONSOLIDATION				
A.1	<i>Line-by-line</i>				
1.	Milan	1	—	—	—
2.	Rome	1	A.1.1	100.00	100.00
3.	Milan	1	A.1.1	100.00	100.00
4.	Milan	1	A.1.1	100.00	100.00
5.	Milan	1	A.1.1	100.00	100.00
6.	Milan	1	A.1.1	69.00	69.00
7.	Monte Carlo	1	A.1.1	100.00	100.00
8.	Monte Carlo	1	A.1.7	99.94	99.94
			A.1.8	0.06	0.06
9.	Monte Carlo	1	A.1.7	99.95	99.95
10.	Monte Carlo	1	A.1.7	99.96	99.96
11.	Monte Carlo	1	A.1.7	99.50	99.50
12.	Monte Carlo	1	A.1.7	99.00	99.00
			A.1.9	1.00	1.00
13.	Monte Carlo	1	A.1.8	99.90	99.90
14.	Lugano	1	A.1.7	100.00	100.00
15.	Luxembourg	1	A.1.1	99.00	99.00
			A.1.16	1.00	1.00
16.	Milan	1	A.1.1	100.00	100.00
17.	Milan	1	A.1.16	100.00	100.00
18.	Milan	1	A.1.16	100.00	100.00
19.	Milan	1	A.1.16	60.00	60.00
20.	Vicenza	1	A.1.19	95.00	100.00
			A.1.20	5.00	
21.	Milan	1	A.1.19	80.00	80.00
22.	Milan	1	A.1.1	100.00	100.00
23.	Milan	1	A.1.1	100.00	100.00
24.	Milan	1	A.1.16	100.00	100.00
25.	New York	1	A.1.1	100.00	100.00
26.	Milan	1	A.1.1	100.00	100.00
27.	Milan	1	A.1.16	90.00	90.00
28.	Milan	1	A.1.19	90.00	90.00
29.	Milan	1	A.1.16	100.00	100.00
30.	Milan	4	A.1.16	—	—
31.	Milan	1	A.1.17	90.00	90.00
32.	Luxembourg	1	A.1.16	100.00	100.00

Legend

¹ Type of relationship:

1 = majority of voting rights in ordinary AGMs.

2 = dominant influence in ordinary AGMs.

3 = agreements with other shareholders.

4 = other forms of control.

5 = unity of direction as defined in Article 26, paragraph 1 of Italian Legislative Decree 87/92.

6 = unity of direction as defined in Article 26, paragraph 2 of Italian Legislative Decree 87/92.

7 = joint control.

² Effective and potential voting rights in ordinary AGMs.

Section 4

Significant accounting policies

Financial assets held for trading

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

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

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

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

AFS securities

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

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

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

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

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

Financial assets held to maturity

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

Such assets are initially recognized at fair value, 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.

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

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

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

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

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

Accounts for which there is objective evidence of impairment, including those involving counterparties in countries deemed to be at risk, are subject to collective tests. Loans are grouped on the basis of similar credit risk characteristics, and the related loss percentages are estimated at the impairment date on the basis of historical series of internal and external data. Collective value adjustments are credited or charged to the profit and loss account, as appropriate. At each annual and interim reporting date, any writedowns or writebacks are remeasured on a differentiated basis with respect to the entire portfolio of loans deemed to be performing at that date.

Leasing

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

Hedges

There are two types of hedge:

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

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

Hedge derivatives are recognized at fair value as follows:

- changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset, where a difference between the two emerges as a result of the partial ineffectiveness of the hedge;

- the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in net equity, while the gain or loss deriving from the ineffective portion is recognized through the profit and loss account only as and when, with reference to the hedged item, the change in cash flow to be offset crystallizes.

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

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

Equity investments

This heading consists of investments in:

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

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

Property, plant and equipment

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

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

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

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

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

Intangible assets

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

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

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

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

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

Derecognition of assets

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

Assets or groups of assets which are sold continue to be recognized if the risks and benefits associated with them continue to be attributable to the Group. A corresponding amount is then entered as a liability to offset any amounts received.

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

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

Payables, debt securities in issue and subordinated liabilities

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

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

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

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

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

Trading liabilities

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

Staff severance indemnity provision

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

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

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

Provisions for liabilities and charges

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

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

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

Foreign currency transactions

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

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

Tax assets and liabilities

Income taxes are recorded in the profit and loss account 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.

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

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

Treasury shares

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

Dividends and commissions

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

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

Related parties (IAS 24)

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

- a) individuals or entities which directly or indirectly:
 - 1. are subject to joint control by Mediobanca (including the parent company, subsidiaries and associates);

2. hold an interest in Mediobanca which allows them to exert a significant influence over Mediobanca: significant influence is presumed to exist in cases where an individual or entity holds an interest of more than 5% in the share capital of Mediobanca, along with the entitlement to appoint at least one member of the Board of Directors

- b) associate companies;
- c) management with strategic responsibilities, that is, individuals with powers and responsibilities, directly or indirectly, for the planning, direction and control of the parent company's activities, including the members of the Board of Directors and Statutory Audit Committee;
- d) subsidiaries, jointly-controlled companies and companies subject to significant influence by one of the individuals referred to in letter c) above, or in which they themselves hold, directly or indirectly, a significant share of the voting rights or are shareholders and hold strategic roles (Chairman or Chief Executive Officer);
- e) close family members of the individuals referred to in letter c) above, that is, individuals who may be expected to influence them or be influenced by them in their relations with Mediobanca (this category includes partners, children, partners' children, dependents and partners' dependents) as well as any entities controlled, jointly controlled or subject to significant influence by such individuals, or in which such individuals hold, directly or indirectly, a significant share of the voting rights;
- f) pension funds for employees of the parent company or any other entity related to it.

PART A.3 - INFORMATION ON FAIR VALUE

A.3.1 Transfers between portfolios

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

Type of instrument	Transferred from	Transferred to	Book value at 30/6/10	Fair value at 30/6/10	Additions to P&L if assets not transferred (pre-tax)		Additions to P&L made during the year (pre-tax)	
					Valuation	Other	Valuation	Other
Debt securities (ABS)	Financial assets held for trading	Due from customers	178,495	168,691	27,696	4,245	—	4,245
Debt securities (ABS)	AFS securities	Due from customers	118,182	117,462	10,229	3,602	—	3,602
Total			296,677	286,153	37,925	7,847	—	7,847

A.3.2 Fair value ranking

A.3.2.1 Asset portfolios by fair value ranking

	30/6/10			30/6/09		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	10,389,255	4,905,129	1,037,811 ¹	9,196,711	3,189,641	751,258 ¹
2. Financial assets recognized at fair value	—	—	—	—	—	—
3. AFS securities	4,653,884	1,110,594	1,061,285 ²	3,849,669	1,701,831	1,101,886 ²
4. Hedge derivatives	—	2,047,183	—	—	1,744,646	—
Total	15,043,139	8,062,906	2,099,096	13,046,380	6,636,118	1,853,144
1. Financial liabilities held for trading	1,318,774	3,837,901	908,537 ¹	1,033,591	1,881,093	512,688 ¹
2. Financial liabilities recognized at fair value	—	—	—	—	—	—
3. Hedge derivatives	—	758,753	—	—	1,332,163	—
Total	1,318,774	4,596,654	908,537	1,033,591	3,213,256	512,688

¹ Includes market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€328m at 30/6/10 and €370m at 30/6/09) as well as options traded (€319m and €137m respectively), the values of which are recorded as both assets and liabilities for the same amount.

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

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

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

	FINANCIAL ASSETS			
	Held for trading ^{1 3}	Recognized at fair value	AFS ²	Hedges
1. Balance at start of period	380,517	—	1,101,885	—
2. Additions	195,177	—	59,240	—
2.1 Purchases	183,224	—	49,231	—
2.2 Profits recognized in:	11,953	—	7,177	—
2.2.1 profit and loss account	11,953	—	2,393	—
- of which, gains	11,779	—	1,251	—
2.2.2 net equity	—	—	4,784	—
2.3 Transfers from other levels	—	—	—	—
2.4 Other additions	—	—	2,832	—
3. Reductions	185,628	—	99,840	—
3.1 Disposals	101,347	—	48,206	—
3.2 Redemptions	—	—	—	—
3.3 Losses recognized in:	83,849	—	39,164	—
3.3.1 profit and loss account	83,849	—	20,699	—
- of which, losses	83,849	—	—	—
3.3.2 net equity	—	—	18,465	—
3.4 Transfers to other levels	—	—	—	—
3.5 Other reductions	432	—	12,470	—
4. Balance at end of period	390,066	—	1,061,285	—

¹ Net of the market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€333m at 30/6/10 and €245m at 30/6/09) as well as options traded (€319m and €137m respectively), the values of which are recorded as both assets and liabilities for the same amount.

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

³ Purchases include €178.3m in premiums paid to acquire options on listed securities dynamically hedged with the underlying share.

For more complex Level 3 instruments, the valuation models reflect a fine-tuning in the parameters used (“model reserve”) which allows the initial mark-to-market to be reduced to zero and released pro rata for the duration of the contract. This technique has only been applied to four contracts, and its impact is not significant (€1.1m).

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

	FINANCIAL LIABILITIES		
	Held for trading ^{1 2}	Recognized at fair value	Hedges
1. Balance at start of period	11,801	—	—
2. Additions	356,044		
2.1 Issues	355,859	—	—
2.2 Losses recognized in:	185	—	—
2.2.1 profit and loss account	185	—	—
- of which, losses	185	—	—
2.2.2 net equity	—	—	—
2.3 Transfers from other levels	—	—	—
2.4 Other additions	—	—	—
3. Reductions	107,053	—	—
3.1 Redemptions	—	—	—
3.2 Buybacks	—	—	—
3.3 Profits recognized in:	107,053	—	—
3.3.1 profit and loss account	107,053	—	—
- of which, gains	107,053	—	—
3.3.2 net equity	—	—	—
3.4 Transfers to other levels	—	—	—
3.5 Other reductions	—	—	—
4. Balance at end of period	260,792	—	—

¹ Net of the market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€333m at 30/6/10 and €245m at 30/6/09) as well as options traded (€319m and €137m respectively), the values of which are recorded as both assets and liabilities for the same amount.

² The amount of the issues is entirely due to the sale of options on listed securities dynamically hedged with the underlying share.

**PART B - NOTES TO
CONSOLIDATED BALANCE SHEET***

Assets

Section 1

Heading 10: Cash and cash equivalents

1.1 Cash and cash equivalents

	30/6/10	30/6/09
a) Cash	25,742	20,206
b) Demand deposits held at central banks	1,060	447
Total	26,802	20,653

* Figures in €'000

Section 2

Heading 20: Financial assets held for trading

2.1 Financial assets held for trading: composition

Derivative products	30/6/10			30/6/09		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	8,721,620	993,055	1	8,504,181	489,043	1
1.1 Structured	43,462	—	—	43,164	—	—
1.2 Other debt securities	8,678,158	993,055	1	8,461,017	489,043	1
2. Equities	844,163	34,386	190,695	273,843	17,613	212,283
3. UCITS units	335,532	298,179	13,482	—	470,839	108,960
4. Loans and advances	—	—	—	—	—	—
4.1 Repos	—	—	—	—	—	—
4.2 Others	—	—	—	—	—	—
Total A	9,901,315	1,325,620	204,178	8,778,024	977,495	321,244
B. Derivative products						
1. Financial derivatives	295,189	3,337,610	830,720	36,625	2,015,639	555,540
1.1 Trading	295,189	3,211,540	502,464 ¹	36,625	1,904,609	181,163 ¹
1.2 Linked to fair value options	—	—	—	—	—	—
1.3 Others	—	126,070	328,256 ²	—	111,030	374,377 ²
2. Credit derivatives	192,751	241,899	2,913	382,062	67,014	3,967
2.1 Trading	192,751	212,423	1,543	382,062	61,253	3,967
2.2 Linked to fair value options	—	—	—	—	—	—
2.3 Others	—	29,476	1,370	—	5,761	—
Total B	487,940	3,579,509	833,633	418,687	2,082,653	559,507
Total (A+B)	10,389,255	4,905,129	1,037,811	9,196,711	3,060,148	880,751

¹ Respectively €319,636,000 and €137,230,000 related to intermediate options whom the counterpart states among trading liabilities.

² Options' market value that faces toward those matched to bond loan issued by Mediobanca and Mediobanca International, whom counterpart states among trading liabilities.

2.2 Financial assets held for trading: by borrower/issuer

Item/value	30/6/10	30/6/09
A. CASH ASSETS		
1. Debt securities	9,714,676	8,993,225
a. Governments and central banks	5,809,289	5,751,534
b. Other public agencies	—	167,696
c. Banks	936,599	1,566,344
d. Other issuers	2,968,788	1,507,651
2. Equities	1,069,244	503,739
a. Banks	267,196	287,617
b. Other issuers	802,048	216,122
- insurances	45,835	20,236
- financial companies	77,436	21,370
- non-financial companies	678,777	174,516
- others	—	—
3. UCITS units	647,193	579,799
4. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
Total A	11,431,113	10,076,763
B. DERIVATIVE PRODUCTS		
a. Banks	3,030,863	2,014,840
b. Customers	1,870,219	1,046,007
Total B	4,901,082	3,060,847
Total A+B	16,332,195	13,137,610

2.3 Financial assets held for trading: derivative products

	Debt securities	Equities	UCITS units	Loans and advances	Total
A. Balance at start of period	8,993,225	503,739	579,799	—	10,076,763
B. Additions	51,449,905	7,634,321	941,586	—	60,025,812
B.1 Acquisitions	50,310,555	7,194,931	913,573	—	58,419,059
B.2 Increases in fair value	197,762	1,806	24,493	—	224,061
B.3 Other additions	941,588	437,584	3,520	—	1,382,692
C. Reductions	50,728,454	7,068,816	874,192	—	58,671,462
C.1 Disposals	43,310,281	6,505,550	873,639	—	50,689,470
C.2 Redemptions	6,806,947	—	—	—	6,806,947
C.3 Reductions in fair value	96,598	135,447	553	—	232,598
C.4 Transfers to other portfolios	—	—	—	—	—
C.5 Other reductions	514,628	427,819	—	—	942,447
D. Balance at end of period	9,714,676	1,069,244	647,193	—	11,431,113

Section 4

Heading 40: Available for sale (AFS) securities

4.1 AFS securities: composition

Item/value	30/6/10			30/6/09		
	Level 1	Level 2	Level 3 *	Level 1	Level 2	Level 3 *
1. Debt securities	4,256,159	992,470	1	3,360,410	1,562,989	1
1.1 Structured	—	—	—	—	—	—
1.2 Other debt securities	4,256,159	992,470	1	3,360,410	1,562,989	1
2. Equities	396,359	87,823	1,024,861	488,447	96,304	1,044,919
2.1 Recognized at fair value	396,359	87,823	1,024,809	488,447	96,304	1,044,853
2.2 Recognized at cost	—	—	52	—	—	66
3. UCITS units	1,366	30,301	36,423	812	42,538	56,966
4. Loans and advances	—	—	—	—	—	—
Total	4,653,884	1,110,594	1,061,285	3,849,669	1,701,831	1,101,886

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

4.2 *AFS securities: by borrower/issuer*

Item/value	30/6/10	30/6/09
1. Debt securities	5,248,630	4,923,400
a. Governments and central banks	1,892,935	1,616,468
b. Other public agencies	—	—
c. Banks	1,683,578	2,153,942
d. Other issuers	1,672,117	1,152,990
2. Equities	1,509,043	1,629,670
a. Banks	381,628	344,348
b. Other issuers	1,127,415	1,285,321
- insurances	—	—
- financial companies	545,231	616,556
- non-financial undertakings	582,184	668,766
- others	—	—
3. UCITS units	68,090	100,316
4. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
Total	6,825,763	6,653,386

4.3 *AFS securities: assets subject to specific hedging*

Item/value	30/6/10	30/6/09
1. Financial assets subject to specific fair value hedges:	576,566	83,402
a. interest rate risk	576,566	—
b. price risk	—	83,402
c. exchange rate risk	—	—
d. credit risk	—	—
e. more than one risk	—	—
2. Financial assets subject to specific cash flow hedges:	—	60,937
a. interest rate risk	—	—
b. exchange rate risk	—	—
c. other	—	60,937
Total	576,566	144,339

4.4 *AFS securities (excluding assets sold but not derecognized/impaired assets): movements during the period*

	Debt securities	Equities	UCITS units	Loans and advances	Total
A. Balance at start of period	4,923,400	1,629,670	100,316	—	6,653,386
B. Additions	6,652,324	358,361	46,081	—	7,056,766
B.1 Acquisitions	6,403,228	136,005	33,329	—	6,572,562
B.2 Increases in fair value	137,296	18,651	4,302	—	160,249
B.3 Writebacks	—	106,931	4,907	—	111,838
- recognized in profit and loss account	—	X	—	—	—
- recognized in net equity	—	106,931	4,907	—	111,838
B.4 Transfers from other asset classes	—	—	—	—	—
B.5 Other additions	111,800	96,774	3,543	—	212,117
C. Reductions	6,327,096	478,987	78,306	—	6,884,389
C.1 Disposals	5,492,835	287,431	73,535	—	5,853,801
C.2 Redemptions	736,588	—	—	—	736,588
C.3 Reductions in fair value	89,374	42,279	1,320	—	132,973
C.4 Writedowns due to impairment	—	148,319	1,700	—	150,019
- taken to profit and loss account	—	148,319	1,700	—	150,019
- taken to net equity	—	—	—	—	—
C.5 Transfers to other asset classes	—	—	—	—	—
C.6 Other reductions	8,299	958	1,751	—	11,008
D. Balance at end of period	5,248,628	1,509,044	68,091	—	6,825,763

Section 5

Heading 50: Financial assets held to maturity

5.1 *Financial assets held to maturity*

Type of transactions/group components	30/6/10				30/6/09			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	720,683	549,292	151,524	9,390	574,427	504,760	—	11,306
1.1 Structured	—	—	—	—	—	—	—	—
1.2 Other debt securities	720,683	549,292	151,524	9,390	574,427	504,760	—	11,306
2. Loans and advances	—	—	—	—	—	—	—	—
Total	720,683	549,292	151,524	9,390	574,427	504,760	—	11,306

5.2 *Financial assets held to maturity: by borrower/issuer*

Type of transactions/value	30/6/10	30/6/09
1. Debt securities	720,683	574,427
a. Governments and central banks	871	1,285
b. Other public agencies	—	—
c. Banks	25,390	25,404
d. Other entities	694,422	547,738
2. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
Total	720,683	574,427

5.4 *Assets held to maturity (excluding assets sold but not derecognized/impaired assets): movements during the period*

	Debt securities	Loans and advances	Total
A. Balance at start of period	574,427	—	574,427
B. Additions	152,294	—	152,294
B.1 Acquisitions	151,054	—	151,054
B.2 Writebacks	783	—	783
B.3 Transfers from other asset classes	—	—	—
B.4 Other additions	457	—	457
C. Reductions	6,038	—	6,038
C.1 Disposal	—	—	—
C.2 Redemptions	993	—	993
C.3 Value adjustments	1,717	—	1,717
C.4 Transfers to other asset classes	—	—	—
C.5 Other reductions	3,328	—	3,328
D. Balance at end of period	720,683	—	720,683

Section 6

Heading 60 - Due from banks

6.1 Due from banks

Type of transactions/value	30/6/10	30/6/09
A. Due from central banks	405,429	137,325
1. Term deposits	300,087	—
2. Compulsory reserves	105,342	137,325
3. Amounts due under repo agreements	—	—
4. Other amounts due	—	—
B. Due from banks	4,975,044	4,864,386
1. Current accounts and demand deposits	1,336,278	1,236,322
2. Term deposits	724,950	656,408
3. Other receivables:	2,913,816	2,773,528
3.1 amounts due under repo agreements	1,858,499	561,483
3.2 amounts due under finance leases	11,941	11,448
3.3 other amounts due	1,043,376	2,200,597
4. Debt securities	—	198,128
4.1 structured	—	—
4.2 other debt securities	—	198,128
Total book value	5,380,473	5,001,711
Total fair value	5,379,423	5,003,195

6.3 Due under finance leases

Loan term*	TOTAL					
	30/6/2010					
	Impaired exposures	Minimum payments			Gross investment	
		Equity share	Interest share	of which outstanding amount guaranteed	Gross investment	of which outstanding amount not guaranteed
Up to 3 months	—	1,205				
Between 3 months and 1 year	—	2,674	—	392	3,065	11
Between 1 year and 5 years	—	8,347	—	770	9,117	167
Over 5 years	—	—	—	—	—	—
Unspecified	—	—	—	—	—	—
Total	—	12,226	—	1,363	13,615	211

* This table, based on the “Instructions for financial intermediaries registered in the special list of electronic money institutions, fund managers and securities brokerages for preparing financial statements”, 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	30/6/10		30/6/09	
	Performing	Non-performing	Performing	Non-performing
1. Current accounts	85,581	—	203,504	—
2. Amounts due under repo agreements	4,439,138	—	5,434,885	—
3. Mortgages	19,361,803	333,717	20,375,779	204,768
4. Credit cards, personal loans and salary-guaranteed finance	7,931,884	276,192	7,820,338	222,637
5. Amounts due under finance leasing	4,342,324	189,482	4,683,810	260,708
6. Factoring	—	—	—	—
7. Other transactions	2,226,193	3,729	2,398,583	—
8. Debt securities	734,652	—	784,983	—
8.1 structured	—	—	—	—
8.2 other debt securities	734,652	—	784,983	—
Total book value	39,121,575	803,120	41,701,882	688,113
Total (fair value)		39,501,695		41,303,651

7.2 Due from customers: by borrower/issuer

Type of transactions/value	30/6/10		30/6/09	
	Performing	Non-performing	Performing	Non-performing
1. Debt securities:	734,652	—	784,982	—
a) Governments	—	—	—	—
b) Other public agencies	—	—	—	—
c) Other issuers	734,652	—	784,982	—
- non-financial undertakings	—	—	—	—
- financial companies	689,445	—	741,520	—
- insurances	45,207	—	43,462	—
- other entities	—	—	—	—
2. Loans and advances to:	38,386,923	803,120	40,916,900	688,113
a) Governments	62,365	—	88,758	—
b) Other public agencies	120,869	29,861	192,219	393
c) Other issuers	38,203,689	773,259	40,635,923	687,720
- non-financial undertakings	16,499,557	373,449	15,548,031	252,404
- financial companies	6,451,983	8,239	9,885,352	135,551
- insurances	2,094,046	—	2,246,463	—
- other entities	13,158,103	391,571	12,956,077	299,765
Total	39,121,575	803,120	41,701,882	688,113

7.3 Due from customers: assets subject to specific hedging

Type of transactions/value	30/6/10	30/6/09
1. Items subject to specific fair value hedges for :	707,453	254,445
a) interest rate risk	707,453	254,445
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	707,453	254,445

7.4 Due under finance leases

Loan term*	Total 30/6/10					
	Impaired Exposures	Minimum payments			Gross investment	
		Equity share		Interest share		of which outstanding amount not guaranteed
			of which outstanding amount guaranteed			
Up to 3 months	58,948	308,082	—	47,408	369,792	9,054
Between 3 months and 1 year	26,830	675,621	293	112,291	802,159	29,024
Between 1 year and 5 years	61,555	2,060,881	58	315,108	2,392,255	141,803
Over 5 years	826	1,236,425	—	222,096	1,459,347	303,424
Unspecified	36,193	—	—	—	36,193	—
Total	184,352	4,281,009	351	696,903	5,059,746	483,305

* This table, based on the “Instructions for financial intermediaries registered in the special list of electronic money institutions, fund managers and securities brokerages for preparing financial statements”, 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 type of contract and underlying asset

	30/6/10			Notional value	30/6/09			Notional value
	Fair value				Fair value			
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	2,046,619	—	26,446,337	—	1,744,646	—	22,871,176
1) Fair value	—	2,045,510	—	26,176,337	—	1,683,471	—	22,514,311
2) Cash flow	—	1,109	—	270,000	—	61,175	—	356,865
3) Non-Italian investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	2,046,619	—	26,446,337	—	1,744,646	—	22,871,176

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	892	—	—	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	892	—	—	—	—	—	—	—	—
1. Financial liabilities	2,044,618	—	—	—	—	X	1,109	X	X
2. Portfolio	X	X	X	X	X	—	X	—	X
Total liabilities	2,044,618	—	—	—	—	X	1,109	X	X
1. Estimated transactions	X	X	X	X	X	X	—	—	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	—	X	—	—

Section 10

Heading 100: Equity investments

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

Name	Registered office	Type of relationship	Shareholding		% of voting rights
			Investor company	% interest	
COMPANIES					
1. Banca Esperia S.p.A.	Milan	1	Mediobanca	50.00	50.00
2. Ducati Financial Services S.r.l.	Milan	1	Compass	50.00	50.00
3. Fidia SGR S.p.A.	Milan	2	Mediobanca	25.00	25.00
4. Athena Private Equity S.A.	Luxembourg	2	Mediobanca	24.27	24.27
5. Burgo Group S.p.A.	Altavilla Vicentina (VI)	2	Mediobanca	22.13	22.13
6. RCS MediaGroup S.p.A.	Milan	2	Mediobanca	14.36	14.94
7. Assicurazioni Generali S.p.A.	Trieste	2	Mediobanca	12.24	12.24
			Spafid	0.10	0.10
			Compass	1.00	1.00
8. Gemina S.p.A.	Milan	2	Mediobanca	12.53	12.56
9. Telco S.p.A.	Milan	2	Mediobanca	11.62	11.62
10. Pirelli & C. S.p.A.	Milan	2	Mediobanca	4.49	4.61

Legend:

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

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

Name	Key financial data ¹		Data for consolidation ²			
	Total assets (€m)	Total income (€m)	Net profit (loss)	Net equity	Book value	Fair value
A. EQUITY-ACCOUNTED COMPANIES						
A.1 JOINTLY-CONTROLLED COMPANIES (IAS 31)						
1. Ducati Financial Services S.r.l.	61,862	5,378	(982)	3,672	1,345	—
2. Banca Esperia S.p.A.	793,583	67,922	106	109,448	56,610 ³	—
A.2. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE (IAS 28)						
1. Burgo Group S.p.A.	2,336,511	2,085,297	779	363,774	80,675	—
2. Assicurazioni Generali S.p.A.	423,816,875	90,659,658	1,732,328	16,132,296	2,317,546	2,973,953
3. RCS MediaGroup S.p.A.	3,464,900	2,206,400	(119,862)	1,077,276	189,325 ⁴	103,194
4. Fidia SGR S.p.A.	8,457	638	(1,616)	6,096	1,121	—
5. Athena Private Equity S.A.	117,270	35,787	3,849	104,554	26,066	—
6. Pirelli & C. S.p.A.	6,727,261	4,637,122	52,410	2,188,554	117,353 ⁵	109,841
7. Gemina S.p.A.	3,939,234	570,908	(17,504)	1,645,332	199,743	92,266
8. Telco S.p.A. ⁶	6,528,987	157,359	(13,591)	3,095,759	358,148	—
Other minor investments	—	—	—	—	51	—
Total					3,347,983	

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

² Calculated pro-forma based on financial situation as at 31/3/10 or 30/6/10.

³ Includes Goodwill of 1,833,000.

⁴ Includes Goodwill of 51,003,000.

⁵ Includes Goodwill of 24,272,000.

⁶ Calculated based on financial situation as at 30/4/10.

The value of the investment in Gemina, €199.7m, continues to be in line with the pro-rata share in its net equity. The difference between this figure and the value based on stock market prices as at 30 June 2010, reflecting an implicit loss of €107.5m, is justified by the decision to align the value of the shareholding to figures contained in audited financial statements, the size of the shareholding and the growth potential reflected in the airport system headed up by Aeroporti Di Roma, which is the main asset owned by Gemina.

The holding in Pirelli & C. has a book value in line with stock market prices (the implicit loss of €7.5m reflected in the market price as at the reporting date has now been wiped out completely based on current prices). This reflects management initiatives to focus on the company's core business in the tyre business, industry, with the announcement of its intention to spin off the real estate activities.

The book value of the investment in Telco, which reflects earnings and financial changes for the period, is €358.1m, in line with the corresponding pro-rata share in the company's net equity as

per its financial statements for the period ended 30 April, in which its investment in Telecom Italia was confirmed as having a book value of €2.2 per share. This value is not considered to be higher than its value in use as defined in paragraph 33 of IAS 28, for the following reasons:

- with a share of 22.4% in Telecom Italia, Telco is the main shareholder in the Telecom Italia group;
- the time horizon of the investment is medium-/long-term;
- the value assigned to the Telecom Italia share price is consistent with the results of applying a discounted cash flow model based on recent strategic guidance and targets for the 2010-12 period presented by Telecom Italia management on 12 April 2010, with growth rates and returns on capital reflecting the current economic scenario;
- deals have been announced in the reference sector which imply valuation multiples which are significantly higher than those reflected in current stock market prices.

Based on stock market prices of Telecom Italia as at 30 June 2010, the value of Telco's net equity would be virtually nil.

As for the Group's shareholding in RCS MediaGroup, this has a book value of €189.3m, which is not considered to be higher than its value in use based on a discounted cash flow model that takes into account the negative earnings prospects of the publishing industry and the internal reorganization process (development of multi-media business, brand valorization and structural cost cutting). The higher value compared to stock market prices at the reporting date, which reflect an implicit loss of €86.1m, is justified by the size of shareholding and the unique nature of some of the company's assets.

10.3 Equity investments: movements during the period

Type of transactions/value	30/6/10	30/6/09
A. Balance at start of period	2,638,502	2,845,706
B. Additions	823,560	369,601
B.1 Acquisitions	1,004	3,245
B.2 Value adjustments	—	—
B.3 Revaluations	—	—
B.4 Other adjustments	822,556	366,356 ¹
C. Reductions	114,079	576,805
C.1 Disposals	51	—
C.2 Value adjustments for impairment	—	264,256
C.3 Other reductions	114,028	312,549
D. Balance at end of period	3,347,983	2,638,502
E. Total revaluations	—	—
F. Total adjustments	264,256	264,256

¹ €353,488,000 in connection with the transfer of the Gemina and Pirelli & C. holdings.

Section 12

Heading 120: Property, plant and equipment

12.1 Tangible assets stated at cost

Assets/value	30/6/10	30/6/09
A. Core assets		
1.1 owned by the Group	292,113	288,842
a) land	83,636	83,636
b) buildings	165,102	161,628
c) furniture	24,488	23,732
d) electronic equipment	12,766	14,122
e) other assets	6,123	5,724
1.2 acquired under finance leases:	25	44
a) land	—	—
b) buildings	—	—
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	25	44
Total A	292,138	288,886
B. Assets held for investment purposes		
2.1 owned by the Group:	27,848	28,614
a) land	20,350	20,350
b) buildings	7,498	8,264
2.2 acquired under finance leases:	—	—
a) land	—	—
b) buildings	—	—
Total B	27,848	28,614
Total (A+B)	319,986	317,500

12.3 Core tangible assets: movements during the period

	Land	Buildings	Furniture	Electronic equipment	Other assets	Total
A. Gross opening balance	83,636	184,869	48,111	39,744	24,857	381,217
A.1 Total net value reductions	—	(23,241)	(24,379)	(25,622)	(19,089)	(92,331)
A.2 Net opening balance	83,636	161,628	23,732	14,122	5,768	288,886
B. Additions:	—	8,312	6,550	4,773	3,015	22,650
B.1 Purchases	—	7,426	6,550	4,679	3,005	21,660
B.2 Improvement expenses, capitalized	—	—	—	—	—	—
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	—	—	—	7	10	17
B.6 Transfers from properties held for investment purposes	—	369	—	—	—	369
B.7 Other additions	—	517	—	87	—	604
C. Reductions:	—	4,838	5,794	6,129	2,637	19,398
C.1 Disposals	—	1,271	19	6	20	1,316
C.2 Depreciation charges	—	3,266	5,208	6,123	2,369	16,966
C.3 Value adjustments for impairment taken to:	—	301	—	—	—	301
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	301	—	—	—	—
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	—	—	567	—	248	815
D. Net closing balance	83,636	165,102	24,488	12,766	6,146	292,138
D.1 Total net value reductions	—	(25,295)	(29,281)	(30,851)	(20,551)	(105,978)
D.2 Gross closing balance	83,636	190,397	53,769	43,617	26,697	398,116
E. Stated at cost	—	—	—	—	—	—

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

	Total	
	Land	Buildings
A. Gross opening balance	20,350	8,264
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	—	766
C.1 Disposals	—	—
C.2 Depreciation charges	—	398
C.3 Reductions in fair value	—	—
C.4 Value adjustments for impairment	—	—
C.5 Reductions arising due to exchange rates	—	—
C.6 Transfers to other asset portfolios	—	368
a) core assets	—	—
b) non-current assets being sold	—	—
C.7 Other reductions	—	—
D. Closing balance	20,350	7,498
E. Stated at fair value	87,325	37,361

Section 13

Heading 130: Intangible assets

13.1 Intangible assets

Assets/ amounts	30/6/10		30/6/09	
	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	70,402	6,300	74,480	6,300
A.2.1 Recognized at cost:	70,402	6,300	74,480	6,300
a) intangible assets generated internally	—	—	—	—
b) other assets	70,402	6,300	74,480	6,300
A.2.2 Recognized at fair value:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
Total	70,402	372,234	74,480	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	—	—	99,769	6,300	472,003
A.1 Total net value reductions	—	—	—	(25,289)	—	(25,289)
A.2 Net opening balance	365,934	—	—	74,480	6,300	446,714
B. Additions	—	—	—	18,315	—	18,315
B.1 Purchases	—	—	—	17,858	—	17,858
B.2 Increases in internally generated assets	—	—	—	—	—	—
B.3 Revaluations	—	—	—	—	—	—
B.4 Increases in fair value taken to:	—	—	—	—	—	—
– net equity	—	—	—	—	—	—
– profit and loss account	—	—	—	—	—	—
B.5 Increases arising on exchange rates	—	—	—	—	—	—
B.6 Other additions	—	—	—	457	—	457
C. Reductions	—	—	—	22,393	—	22,393
C.1 Disposals	—	—	—	—	—	—
C.2 Value adjustments	—	—	—	22,390	—	22,390
– amortization	—	—	—	21,390	—	21,390
– writedowns	—	—	—	1,000	—	1,000
+ net equity	—	—	—	—	—	—
+ profit and loss account	—	—	—	1,000	—	1,000
C.3 Reductions in fair value charged to:	—	—	—	—	—	—
– net equity	—	—	—	—	—	—
– profit and loss account	—	—	—	—	—	—
C.4 Transfers to non-current assets being sold	—	—	—	—	—	—
C.5 Reductions due to exchange rate differences	—	—	—	—	—	—
C.6 Other reductions	—	—	—	3	—	3
D. Balance at end of period	365,934	—	—	70,402	6,300	442,636
D.1 Total net value adjustments	—	—	—	(37,025)	—	(37,025)
E. Gross closing balance	365,934	—	—	107,427	6,300	479,661
F. Stated at cost	—	—	—	—	—	—

Section 14

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

14.1 Advance tax assets

	30/6/10	30/6/09
Corporate income tax (IRES)	586,926	501,766
Regional production tax (IRAP)	36,444	36,948
Total	623,370	538,714

14.2 Deferred tax liabilities

	30/6/10	30/6/09
Corporate income tax (IRES)	306,674	336,244
Regional production tax (IRAP)	8,086	11,051
Total	314,760	347,295

14.3 Changes in advance tax during the period

	30/6/10	30/6/09
1. Opening balance	413,268	266,387
2. Additions	121,731	221,110
2.1 Advance tax originating during the period	121,576	221,013
a) for previous years	8,101	3,906
b) due to changes in accounting policies	—	—
c) amounts written back	63	101
d) other additions	113,412	217,006
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	155	97
3. Reductions	22,279	74,229
3.1 Advance tax reversed during the period	17,956	72,592
a) reclassifications	17,218	72,592
b) amounts written off as unrecoverable	—	—
c) due to changes in accounting policies	—	—
d) other	738	—
3.2 Reductions in tax rates	—	—
3.3 Other reductions	4,323	1,637
4. Balance at end of period	512,720	413,268

14.4 Changes in deferred tax during the period

	30/6/10	30/6/09
1. Opening balance	316,256	344,680
2. Additions	3,829	20,100
2.1 Deferred tax originating during period	3,095	20,061
a) relating to previous years	—	470
b) due to changes in accounting policies	—	—
c) others	3,095	19,591
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	734	39
3. Reductions	37,423	48,524
3.1 Deferred tax reversed during period	9,171	48,036
a) reclassifications	8,947	47,004
b) due to changes in accounting policies	—	—
c) others	224	1,032
3.2 Reductions in tax rates	—	—
3.3 Other reductions	28,252	488
4. Balance at end of period	282,662	316,256

14.5 Changes in advance tax during the period¹

	30/6/10	30/6/09
1. Opening balance	125,446	37,436
2. Additions	82,870	91,843
2.1 Advance tax originating during period	82,870	91,843
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	82,870	91,843
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	97,666	3,833
3.1 Advance tax reversed during period	97,666	3,833
a) reclassifications	97,666	3,833
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	110,650	125,446

¹ Taxes on cash flow hedges and AFS securities valuations.

14.6 *Changes in deferred tax during the period*¹

	30/6/10	30/6/09
1. Opening balance	31,039	59,305
2. Additions	21,747	12,640
2.1 Deferred tax originating during period	21,747	12,640
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	21,747	12,640
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	20,688	40,906
3.1 Advance tax reversed during the period	20,688	40,862
a) reclassifications	12,052	37,392
b) due to changes in accounting policies	—	—
c) others	8,636	3,470
3.2 Reductions in tax rates	—	—
3.3 Other reductions	—	44
4. Balance at end of period	32,098	31,039

¹ Taxes on cash flow hedges and AFS securities valuations.

Section 16

Heading 160: Other assets

16.1 Other assets

	30/6/10	30/6/09
1. Gold, silver and precious metals	695	687
2. Accrued income other than capitalized income from financial assets	5,696	1,542
3. Trade receivables or invoices to be issued	40,197	7,960
4. Amounts due from tax revenue authorities (not recorded under Heading 140)	16,664	10,745
5. Other items	155,742	114,276
- bills for collection	36,596	20,061
- amounts due in respect of premiums, grants, indemnities and other items in respect of lending transactions	56,578	28,826
- futures and other securities transactions	3,304	400
- advance payments on deposit commissions	7,518	5,201
- other items in transit	21,661	19,160
- amounts due to staff	267	106
- downpayments made on derivative contracts	—	—
- sundry other items	29,818	40,522
6. Adjustment arising on consolidation	4	2
Total	218,998	135,212

Liabilities

Section 1

Heading 10: Due to banks

1.1 Due to banks: composition

Type of transaction/amounts	30/6/10	30/6/09
1. Due to central banks	494,940	500,069
2. Due to banks	9,235,714	10,910,122
2.1 Current accounts and demand deposits	1,886,475	2,448,175
2.2 Term deposits	1,008,162	781,950
2.3 Borrowings	5,887,726	7,368,635
2.3.1 Reverse repos	568,134	1,873,730
2.3.2 Others	5,319,592	5,494,905
2.4 Liabilities in respect of assets sold but not derecognized	—	—
2.5 Other amounts due	453,351	311,362
Total book value	9,730,654	11,410,191
Total fair value	9,730,654	11,410,191

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

Subordinated liabilities included under the heading *Due to banks* amount to €43,483,000 and refer to amounts payable by Linea to its former shareholders.

1.4 Due to banks: items subject to specific hedges

	30/6/10	30/6/09
1. Items subject to specific fair value hedges for:	187,673	159,617
a) interest rate risk	187,673	159,617
b) exchange rate risk	—	—
c) more than one risk	—	—
2. Items subject to specific cash flow hedges for:	2,178,884	3,377,768
a) interest rate risk	2,178,884	3,377,768
b) exchange rate risk	—	—
c) other	—	—

Section 2

Heading 20: Due to customers

2.1 Due to customers: composition

Type of transaction/amounts	30/6/10	30/6/09
1. Current accounts and demand deposits	2,335,307	1,375,009
2. Term deposits	7,199,409	7,638,641
3. Borrowings	4,958,286	3,367,823
3.1 Reverse repos	3,473,314	1,621,661
3.2 others	1,484,972	1,746,162
4. Liabilities in respect of assets sold but not derecognized	—	—
5. Other amounts due	396,119	766,731
Total book value	14,889,121	13,148,204
Total fair value	14,889,121	13,148,204

2.4 Due to customers: items subject to specific hedges

	30/6/10	30/6/09
1. Items subject to specific fair value hedges for:	88,479	48,195
a) interest rate risk	88,479	48,195
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	—	—

Section 3

Heading 30: Debt securities in issue

3.1 Debt securities in issue: composition

Type of transaction/amounts	30/6/10				30/6/09			
	Book value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Book value	Fair value Level 1	Fair value Level 2	Fair value Level 3
A. Listed securities								
1. bonds	35,867,094	32,098,135	6,430,661	—	36,060,787	25,740,852	10,557,835	—
1.1 structured	12,184,238	11,613,942	556,029	—	11,867,085	9,034,380	2,859,950	—
1.2 others	23,682,856	20,484,193	5,874,632	—	24,193,702	16,706,472	7,697,885	—
2. other securities	798,453	—	741,440	57,012	1,355,411	—	1,274,643	80,768
2.1 structured	—	—	—	—	—	—	—	—
2.2 others	798,453	—	741,440	57,012	1,355,411	—	1,274,643	80,768
Total	36,665,547	32,098,135	7,172,101	57,012	37,416,198	25,740,852	11,832,478	80,768

Subordinated liabilities included under the heading *Debt securities in issue* total €952,185,000.

3.3 Debt securities: items subject to specific hedging

	30/6/10	30/6/09
1. Securities subject to specific fair value hedges	24,454,488	28,228,381
a) interest rate risk	24,454,488	28,228,381
b) exchange rate risk	—	—
c) other	—	—
2. Securities subject to specific cash flow hedges	3,435,735	2,782,852
a) interest rate risk	3,435,735	2,782,852
b) exchange rate risk	—	—
c) other	—	—

Section 4

Heading 40: Trading liabilities

4.1 Trading liabilities: composition

Type of transaction/amounts	30/6/10					30/6/09				
	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	136,050	130,831	—	—	130,831	116,860	109,859	—	—	109,859
2. Due to customers	610,007	602,065	460	—	602,525	497,023	493,587	—	—	493,587
3. Debt securities	2,959	—	—	—	—	378	289	—	—	289
3.1 Bonds	—	—	—	—	—	—	—	—	—	—
3.1.1 Structured	—	—	—	—	X	—	—	—	—	X
3.1.2 Other	—	—	—	—	X	—	—	—	—	X
3.2 Other securities	2,959	—	—	—	X	378	289	—	—	X
3.2.1 Structured	—	—	—	—	X	—	—	—	—	X
3.2.2 Other	2,959	—	—	—	X	378	289	—	—	X
Total A	749,016	732,896	460	—	733,356	614,261	603,735	—	—	603,735
B. Derivative products										
1. Financial derivatives	X	263,973	3,736,533	907,384	X	X	45,986	1,825,501	511,432	X
1.1 Trading	X	263,973	3,612,773	578,617 ¹	X	X	45,986	1,717,556	138,286 ¹	X
1.2 Linked to fair value options	X	—	—	—	X	X	—	—	—	X
1.3 Other	X	—	123,760	328,767 ²	X	X	—	107,945	373,146 ²	X
2. Credit derivatives	X	321,905	100,908	1,153	X	X	383,870	55,592	1,256	X
2.1 Trading	X	321,905	89,710	1,153	X	X	383,870	48,415	1,256	X
2.2 Linked to fair value options	X	—	—	—	X	X	—	—	—	X
2.3 Other	X	—	11,198	—	X	X	—	7,177	—	X
Total B	X	585,878	3,837,441	908,537	X	X	429,856	1,881,093	512,688	X
Total (A+B)	X	1,318,774	3,837,901	908,537	X	X	1,033,591	1,881,093	512,688	X

* Fair value calculated without taking into account changes in value due to changes in the issuer's credit standing subsequent to the issue date.

¹ Respectively €319,636,000 and €137,230,000 in respect of options traded, which the counterparty accounts for as trading liabilities.

² Market value of covering options implicit in bonds issued by Mediobanca S.p.A. and Mediobanca International, which the counterparty accounts for as trading liabilities.

Section 6

Heading 60: Hedging derivatives

6.1 Hedging derivatives: by type of product/underlying asset

Items/amounts	30/6/10			Nominal value	30/6/09			Nominal value
	Fair value				Fair value			
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	758,750	—	32,742,915	—	1,332,162	—	32,254,157
1) Fair value	—	652,547	—	29,429,915	—	1,156,321	—	25,972,657
2) Cash flow	—	106,203	—	3,313,000	—	175,841	—	6,281,500
3) Non-Italian investments	—	—	—	—	—	—	—	—
B. Financial derivatives	—	3	—	12,500	—	—	—	—
1) Fair value	—	3	—	12,500	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	758,753	—	32,755,415	—	1,332,162	—	32,254,157

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	—	—	—	—	—	X	—	X	X
2. Loans and advances	79,837	—	3	X	—	X	—	X	X
3. Financial assets held to maturity	X	—	—	X	—	X	—	X	X
4. Portfolio	—	—	—	—	—	—	—	—	X
5. Other operations	X	X	X	X	X	X	X	X	—
Total assets	79,837	—	3	—	—	—	—	—	—
1. Financial liabilities	572,710	—	—	X	—	X	106,203	X	X
2. Portfolio	—	—	—	—	—	—	—	—	X
Total liabilities	572,710	—	—	—	—	—	106,203	—	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 section 14 of assets.

Section 10

Heading 100: Other liabilities

10.1 Other liabilities

	30/6/10	30/6/09
1. Payment agreements (IFRS 2)	80	38
2. Impaired endorsements	102,510	53,189
3. Working capital payables and invoices pending receipt	191,037	198,696
4. Prepaid expenses other than capitalized expenses on related financial assets	178	16
5. Amounts due to revenue authorities	95,303	36,764
6. Amounts due to staff	144,552	69,832
7. Other items:	192,921	146,565
- bills for collection	12	38
- coupons and dividends pending collection	27,094	2,210
- fees payable to banks	—	—
- underwriting syndicate commissions payable	890	2,413
- available sums payable to third parties	41,003	44,277
- premiums, grants and other items in respect of lending transactions	67,216	30,867
- credit notes to be issued	18,532	13,396
- other	38,174	53,364
8. Adjustments upon consolidation	9	7
Total	726,590	505,107

Section 11

Heading 110: Staff severance indemnity provision

11.1 Staff severance indemnity provision: changes during the period

	30/6/10	30/6/09
A. Balance at start of period	28,898	29,172
B. Additions	12,727	11,948
B.1 Transfers during period	11,859	10,561
B.2 Other additions	868	1,387
C. Reductions	14,343	12,222
C.1 Indemnities paid out	5,302	3,572
C.2 Other reductions ¹	9,041	8,650
D. Balance at end of period	27,282	28,898

¹ Includes €6,500,000 in transfers to external, defined contribution pension schemes (€7,491,000 at 30 June 2009).

Section 12

Heading 120: Provisions

12.1 Provisions: composition

Item/amounts	30/6/10	30/6/09
1. Company post-employment benefit provision	—	—
2. Other provisions	156,318	159,383
2.1 litigation	690	906
2.2 staff-related	—	—
2.3 other	155,628	158,477
Total	156,318	159,383

12.2 Provisions: movements during the period

	Post-employment benefit provision	Litigation	Other provisions	Total
A. Balance at start of period	—	906	158,477	159,383
B. Additions	—	—	1,588	1,588
B.1 Transfers during period	—	—	1,448	1,448
B.2 Changes due to passing of time	—	—	—	—
B.3 Additions due to changes in discount rate	—	—	—	—
B.4 Other additions	—	—	140	140
C. Reductions	—	216	4,437	4,653
C.1 Transfers during period	—	216	4,437	4,653
C.2 Reductions due to changes in discount rate	—	—	—	—
C.3 Other reductions	—	—	—	—
D. Balance at end of period	—	690	155,628	156,318

Section 13

Heading 130: Technical reserves

	Direct business	Indirect business	30/6/10	30/6/09
A. Non-life business				
A1. Reserves for premiums	—	8,609	8,609	—
A2. Reserves for claims	—	62	62	—
A3. Other reserves	—	—	—	—
B. Life business				
B.1 Mathematical reserves	—	5,242	5,242	—
B.2 Reserves for sums to be paid out	—	—	—	—
B.3 Other reserves	—	—	—	—
C. Technical reserves where risk of investment is borne by insured parties				
C1. reserves for contracts in which performance is related to investment funds and market indexes	—	—	—	—
C2. Reserves deriving from pension fund management	—	—	—	—
D. Total technical reserves	—	13,913	13,913	—

Section 15

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

15.1 Group capital: composition

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

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

Item/type	Ordinary
A. Shares in issue at start of period	820,055,665
– entirely unrestricted	820,055,665
– with restrictions	—
A.1 Treasury shares	(16,200,000)
A.2 Shares in issue: balance at start of period	803,855,665
B. Additions	41,046,412
B.1 New share issuance as a result of:	41,046,412
– rights issues	43,629
– business combinations	—
– bond conversions	—
– exercise of warrants	43,629
– others	—
– bonus issues	41,002,783
– to staff members	—
– to Board members	—
– others	41,002,783
B.2 Treasury share disposals	—
B.3 Other additions	—
C. Reductions	810,000
C.1 Cancellations	—
C.2 Treasury share buybacks	810,000
C.3 Disposals of businesses	—
C.4 Other reductions	—
D. Shares in issue: balance at end of period	844,092,077
D.1 Treasury shares	(17,010,000)
D.2 Shares in issue at end of period	861,102,077
– entirely unrestricted	861,102,077
– with restrictions	—

15.4 *Profit reserves: other information*

Item	30/6/10	30/6/09
1. Legal reserve	86,106	82,006
2. Statutory reserves	992,771	976,063
3. Treasury shares	213,844	213,844
4. Others	2,603,109	2,221,343
Total	3,895,830	3,493,256

Section 16

Heading 210: Net equity attributable to minorities

16.1 Net equity attributable to minorities: composition

Item/amounts	30/6/10	30/6/09
1. Share capital	25,129	25,125
2. Share premium reserve	7,216	7,216
3. Reserves	78,134	79,235
4. Treasury shares	—	—
5. Valuation reserves ¹	(8,472)	(7,859)
6. Equity instruments	—	—
7. Profit (loss) for the period attributable to minorities	1,266	(457)
Total	103,273	103,260

¹ Relates to cash flow hedges.

Other information

1. Guarantees and commitments

Transactions	30/6/10	30/6/09
1. Financial guarantees given to:	334,186	397,516
a) Banks	19,366	2,727
b) Customers	314,820	394,789
2. Commercial guarantees given to:	—	1,863
a) Banks	—	—
b) Customers	—	1,863
3. Irrevocable commitments to lend funds to:	21,504,580	23,812,496
a) Banks	1,795,578	4,021,594
i) specific	1,390,859	1,213,997
ii) standby basis	404,719	2,807,597
b) Customers	19,709,002	19,790,902
i) specific	14,349,269	10,443,393
ii) standby basis	5,359,733	9,347,509
4. Commitments underlying credit derivatives: hedge sales	12,204,310	8,281,573
5. Assets pledged as collateral for customer obligations	—	41,513
6. Other commitments	3,886,305	407,047
Total	37,929,381	32,942,008

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

Portfolios	30/6/10	30/6/09
1. Financial assets held for trading	933,329	1,495,075
2. Financial assets recognized at fair value	—	—
3. AFS securities	—	—
4. Financial assets held to maturity	—	—
5. Due from banks	—	—
6. Due from customers	454,275	1,005,815
7. Property, plant and equipment	—	—

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

Transactions	30/6/10	30/6/09
1. Securities traded on behalf of customers	33,528,965	33,730,085
a) Purchases	16,818,865	18,287,389
1. settled	14,700,968	13,221,624
2. pending settlement	2,117,897	5,065,765
b) Disposals	16,710,100	15,442,696
1. settled	14,592,203	10,376,931
2. pending settlement	2,117,897	5,065,765
2. Asset management ¹	2,883,000	2,945,000
a) individuals	845,000	834,000
b) groups	2,038,000	2,111,000
3. Securities under custody/managed on a non-discretionary basis	48,177,007	41,066,332
a) customers' securities held on deposit: in connection with the Bank's activity as deposit bank (not including asset management) ²	6,877,572	6,276,044
1. securities issued by bank drawing up consolidated financial statements	783,763	1,820,349
2. other securities	6,093,809	4,455,695
b) other customers' securities held on deposit (not including asset management): others	4,968,836	5,225,160
1. securities issued by bank drawing up consolidated financial statements	82	32
2. other securities	4,968,754	5,225,128
c) customers' securities held on deposit with customers ³	11,241,635	7,211,938
d) own securities held on deposit with customers	25,088,964	22,353,190
4. Other transactions	—	—

¹ The Esperia group has assets under management totalling €8,286,000 (30/6/09: €6,067,000).

² The Esperia group manages assets on a non-discretionary basis worth €3,522,000 (30/6/09: €2,295,000).

³ Includes nominal value of UniCredit shares (€483,782,000) received under the terms of the CASHES transaction, for which Mediobanca S.p.A. acted as depositor bank.

**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 30/6/10	12 mths ended 30/6/09
1. Financial assets held for trading	341,448	—	—	341,448	423,478
2. Financial assets recognized at fair value	—	—	—	—	—
3. AFS securities	218,043	—	—	218,043	125,680
4. Financial assets held to maturity	27,124	—	—	27,124	25,969
5. Due from banks	52,799	13,373	9,887	76,059	153,341
6. Due from customers	22,801	1,514,963	18,763	1,556,527	2,234,633
7. Hedge derivatives	X	X	598,056	598,056	86,328
8. Other assets	X	X	2,899	2,899	1,709
Total	662,215	1,528,336	629,605	2,820,156	3,051,138

1.2 Interest and similar income: differences arising on hedging transactions

Items/sectors	12 mths ended 30/6/10	12 mths ended 30/6/09
A. Positive differences on transactions	1,010,831	427,292
B. Negative differences on transactions	(412,775)	(340,964)
C. Balance of differences arising on hedges	598,056	86,328

1.3 *Interest and similar income: other information*

Items/sectors	12 mths ended 30/6/10	12 mths ended 30/6/09
1.3.1 Interest receivable on financial assets denominated in currencies other than the Euro	198,800	221,280
1.3.2 Interest receivable in respect of finance leasing transactions	166,442	259,223
1.3.3 Interest income on receivables involving customers' funds held on a non-discretionary basis	—	—
Total	365,242	480,503

1.4 *Interest expense and similar charges: composition*

Line items/technical forms	Accounts payable	Securities	Other liabilities	12 mths ended 30/6/10	12 mths ended 30/6/09
1. Due to central banks	—	X	(5,055)	(5,055)	(40,814)
2. Due to banks	(68,740)	X	(11,516)	(80,256)	(337,030)
3. Due to customers	(256,033)	X	(34,837)	(290,870)	(276,588)
4. Debt securities in issue	—	(1,388,715)	—	(1,388,715)	(1,539,576)
5. Trading liabilities	X	—	—	—	—
6. Financial liabilities recognized at fair value	—	—	—	—	—
7. Other liabilities	X	X	(43)	(43)	(88)
8. Hedging derivatives	X	X	—	—	—
Total	(324,773)	(1,388,715)	(51,451)	(1,764,939)	(2,194,096)

1.6 *Interest expense and similar charges: other information*

Items/sectors	12 mths ended 30/6/10	12 mths ended 30/6/09
1.6.1 Interest payable on liabilities denominated in currencies other than the Euro	(54,037)	(147,912)
1.6.2 Interest payable on liabilities in respect of finance leasing transactions	—	(25)
1.6.3 Interest payable on customers' funds held on a non-discretionary basis	—	—
Total	(54,037)	(147,937)

Section 2

Headings 40 and 50: Net fee and commission income

2.1 Net fee and commission income: composition

Type of service/sectors	12 mths ended 30/6/10	12 mths ended 30/6/09
a) guarantees given	3,244	4,258
b) credit derivatives	—	—
c) management, trading and advisory services:	254,836	194,617
1. securities trading	18,776	16,218
2. foreign currency trading	120	138
3. asset management ¹	6,287	6,865
3.1 individuals	6,287	6,865
3.2 groups	—	—
4. securities under custody and non-discretionary management	4,876	4,077
5. deposit bank services	8,258	—
6. securities placement	88,469	53,425
7. procurement of orders	8,780	5,037
8. advisory services	19	30
8.1 investment advisory services	19	30
8.2 structured finance advisory services	—	—
9. agency fees	119,251	108,827
9.1 asset management	14,759	11,328
9.1.1 individuals	14,759	11,328
9.1.2 groups	—	—
9.2 insurance products	104,492	97,499
9.3 other products	—	—
d) collection and payment services	1,099	876
e) securitization services	173	120
f) factoring services	—	—
g) tax collection and receipt services	—	—
h) multilateral trading systems activity	—	—
i) current account keeping and management	—	—
j) other services	239,788	283,760
Total	499,140	483,631

¹ Banca Esperia recorded net fee and commission income of €55,806,000 (30/6/09: €50,161,000).

2.2 Fee and commission expense

Services/amounts	12 mths ended 30/6/10	12 mths ended 30/6/09
a) guarantees received	—	—
b) credit derivatives	—	—
c) management and trading services:	(7,577)	(5,778)
1. securities trading	(3,657)	(3,046)
2. foreign currency trading	—	—
3. asset management ¹ :	(1)	(1)
3.1 proprietary	(1)	(1)
3.2 on behalf of customers	—	—
4. securities under custody/held on a non-discretionary basis	(3,036)	(2,281)
5. securities placement	(883)	(450)
6. door-to-door sales of securities, products and services	—	—
d) collection and payment services	(3,838)	(2,858)
e) other services	(26,342)	(41,902)
Total	(37,757)	(50,538)

¹ Banca Esperia recorded net fee and commission income of €55,806,000 (30/6/09: €50,161,000).

Section 3

Heading 70: Dividends and similar income

3.1 Dividends and similar income: composition

Line items/income	12 mths ended 30/6/10		12 mths ended 30/6/09	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	51,438	—	23,983	—
B. AFS securities	16,986	—	16,995	—
C. Financial assets recognized at fair value	—	—	—	—
D. Equity investments	—	—	—	—
Total	68,424	—	40,978	—

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	210,637	540,618	(227,735)	(345,965)	177,555
1.1 Debt securities	198,161	305,929	(90,600)	(104,347)	309,143
1.2 Equities	11,716	231,607	(137,135)	(241,071)	(134,883)
1.3 UCITS units	760	174	—	—	934
1.4 Loans and advances	—	—	—	—	—
1.5 Others	—	2,908	—	(547)	2,361
2. Trading liabilities	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—
2.2 Debts	—	—	—	—	—
2.3 Others	—	—	—	—	—
3. Other assets and liabilities: differences arising on exchange rates	X	X	X	X	29,980
4. Derivative products	3,495,005	962,179	(3,631,214)	(945,203)	(119,233)
4.1 Financial derivatives:	2,934,119	745,220	(3,118,568)	(730,991)	(170,220)
– debt securities and interest rates ¹	1,944,503	98,696	(2,077,970)	(262,446)	(297,217)
– equities and stock market indexes	848,813	646,345	(874,346)	(468,545)	152,267
– foreign currency and gold	X	X	X	X	(148,034)
– others	140,803	179	(166,252)	—	(25,270)
4.2 Credit derivatives	560,886	216,959	(512,646)	(214,212)	50,987
Total	3,705,642	1,502,797	(3,858,949)	(1,291,168)	(59,732)

¹ Of which €135,627,000 in margins on interest rate derivatives (30/6/09: €939,000 000).

Section 5

Heading 90: Net hedging income (expense)

5.1 Net hedging income (expense): composition

Income elements/amounts	12 mths ended 30/6/10	12 mths ended 30/6/09
A. Income from:		
A.1 Fair value hedge derivatives	1,178,910	2,383,421
A.2 Financial assets hedged (fair value)	61,330	30,818
A.3 Financial liabilities hedged (fair value)	180,682	44,974
A.4 Cash flow hedge derivatives	2,161	5
A.5 Assets and liabilities in foreign currencies	—	—
Total hedging income (A)	1,423,083	2,459,218
B. Expense related to:		
B.1 Fair value hedge derivatives	(222,053)	(179,864)
B.2 Financial assets hedged (fair value)	(17,178)	(1,267)
B.3 Financial liabilities hedged (fair value)	(1,199,503)	(2,275,926)
B.4 Cash flow hedge derivatives	(28)	(139)
B.5 Assets and liabilities in foreign currencies	—	—
Total hedging expense (B)	(1,438,762)	(2,457,196)
Net hedging income (A–B)	(15,679)	2,022

Section 6

Heading 100: Gains (losses) on disposals/repurchases

6.1 Gains (losses) on disposals/repurchases: composition

Line items/income elements	12 mths ended 30/6/10			12 mths ended 30/6/09		
	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
Financial assets						
1. Due from banks	—	—	—	—	—	—
2. Due from customers	—	—	—	—	—	—
3. AFS securities	207,356	(8,432)	198,924	179,654	(4,645)	175,009
3.1 Debt securities	106,621	(7,376)	99,245	20,532	(4,615)	15,917
3.2 Equities	100,735	(1,056)	99,679	159,122	(30)	159,092
3.3 UCITS units	—	—	—	—	—	—
3.4 Loans and advances	—	—	—	—	—	—
4. Financial assets held to maturity	32	(6)	26	190	(78)	112
Total assets	207,388	(8,438)	198,950	179,844	(4,723)	175,121
Financial liabilities						
1. Due to banks	—	—	—	—	—	—
2. Due to customers	5,516	—	5,516	—	—	—
3. Debt securities in issue	18,328	(187)	18,141	26,930	(15,922)	11,008
Total liabilities	23,844	(187)	23,657	26,930	(15,922)	11,008

Section 8

Heading 130: Adjustments for impairment

8.1 Adjustments for impairment: composition

Transactions/income elements	Value adjustments			Amounts recovered				12 mths ended 30/6/10	12 mths ended 30/6/09
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Due from banks	—	(140)	—	—	—	—	653	513	612
- Loans	—	(140)	—	—	—	—	653	513	471
- Debt securities	—	—	—	—	—	—	—	—	141
B. Due from customers	(405,498)	(387,335)	(65,902)	2,788	392,424	—	1,689	(461,834)	(476,934)
- Loans	(405,498)	(387,335)	(65,902)	2,788	392,424	—	1,689	(461,834)	(79,709)
- Debt securities	—	—	—	—	—	—	—	—	(397,225)
C. Total	(405,498)	(387,475)	(65,902)	2,788	392,424	—	2,342	(461,321)	(476,322)

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 30/6/10	12 mths ended 30/6/09
	Specific		Specific			
	Writeoffs	Others	A	B		
A. Debt securities	—	—	—	—	—	1,899
B. Equities	—	(148,319)	—	—	(148,319)	(179,329)
C. UCITS units	—	(1,700)	—	—	(1,700)	(9,216)
D. Loans and advances to banks	—	—	—	—	—	—
E. Loans and advances to customers	—	—	—	—	—	—
F. Total	—	(150,019)	—	—	(150,019)	(186,646)

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 30/6/10	12 mths ended 30/6/09
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Debt securities	—	(1,717)	—	296	487	—	—	(934)	420
B. Loans and advances to banks	—	—	—	—	—	—	—	—	—
C. Loans and advances to customers	—	—	—	—	—	—	—	—	—
D. Total	—	(1,717)	—	296	487	—	—	(934)	420

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 30/6/10	12 mths ended 30/6/09
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Guarantees given	—	(13,669)	(9,687)	—	—	—	—	(23,356)	(15,940)
B. Credit derivatives	—	—	—	—	—	—	—	—	—
C. Commitments	—	(10,801)	(20,424)	—	—	—	—	(31,225)	(11,937)
D. Other transactions	—	—	—	—	—	—	—	—	—
E. Total	—	(24,470)	(30,111)	—	—	—	—	(54,581)	(27,877)

Legend

A = interest

B = other amounts recovered

Section 9

Heading 150: Net premium

9.1 Net premium income: composition

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

Section 10

Heading 160: Income less expense from insurance operations

10.1 Income less expense from insurance operations: composition

Items	12 mths to 30/6/10	12 mths to 30/6/09
1. Net change in technical reserves	(69)	—
2. Claims paid out during the year	(66)	—
3. Other income (expense) from insurance operations	(218)	—
Total	(353)	—

10.2 Breakdown of sub-heading changes to technical reserves

Net changes in technical reserves	12 mths to 30/6/10	12 mths to 30/6/09
1. Life business		
A. Mathematical reserves	(69)	—
A.1 Gross annual amount	(69)	—
A.2 (–) Share payable by reinsurers	—	—
B. Other technical reserves	—	—
B.1 Gross annual amount	—	—
B.2 (–) Share payable by reinsurers	—	—
C. Technical reserves where the insurance risk is borne by the insured parties	—	—
C.1 Gross annual amount	—	—
C.2 (–) Share payable by reinsurers	—	—
Total, life business reserves	(69)	—
2. Non-life business		
Changes in technical reserves in non-life business other than reserves for claims net of accounts ceded to reinsurers	—	—

10.3 Breakdown of sub-heading claims for the period

Claims expenses	12 mths to 30/6/10	12 mths to 30/6/09
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	(3)	—
C.1 Gross annual amount	(3)	—
C.2 (–) Share payable by reinsurers	—	—
D. Changes to amounts recovered net of shares payable by reinsurers	—	—
E. Changes to reserve for claims	(63)	—
E.1 Gross annual amount	(63)	—
E.2 Share payable by reinsurers (–)	—	—
Total claims, non-life business	(66)	—

Section 11

Heading 180: Administrative expenses

11.1 Personnel costs: composition

Type of expense/sectors	12 mths ended 30/6/10	12 mths ended 30/6/09
1. Employees	(358,699)	(339,118)
a) wages and salaries	(264,080)	(243,498)
b) social security contributions	(60,949)	(56,349)
c) severance indemnities	—	—
d) pension contributions	—	—
e) transfers to severance indemnity provisions	(14,108)	(11,406)
f) transfers to post-employment and similar benefits provisions:	—	—
– defined benefit	—	—
– defined contribution	—	—
g) amounts paid to external complementary pension schemes:	(11,036)	(10,550)
– defined benefit	(11,036)	(10,550)
– defined contribution	—	—
h) expenses incurred in connection with share payment schemes	(5,199)	(13,233)
i) other staff benefits	(3,327)	(4,082)
2. Other staff	(6,257)	(5,763)
3. Board members	(10,639)	(11,782)
4. Expenses incurred in connection with staff retiring	(3,991)	(3,412)
Total	(379,586)	(360,075)

11.2 Average number of staff by category

	12 mths ended 30/6/10	12 mths ended 30/6/09
Employees:		
a) Senior executives	170	170
b) Executives	1,035	966
c) Other employees	1,992	1,940
Other staff	202	168
Total	3,399	3,244

11.5 Other administrative expenses: composition

	12 mths ended 30/6/10	12 mths ended 30/6/09
OTHER ADMINISTRATIVE EXPENSES		
– legal, tax and professional services	(38,228)	(44,923)
– loan recovery activity	(51,841)	(40,867)
– marketing and communications	(69,121)	(79,967)
– property	(45,196)	(40,064)
– EDP	(31,392)	(26,598)
– bank charges, collection and payment fees	(20,594)	(21,041)
– info-provider	(21,200)	(19,241)
– operating expenses	(53,459)	(50,926)
– other staff expenses	(27,403)	(25,061)
– other costs	(10,574)	(8,643)
– indirect and other taxes	(30,713)	(31,053)
Total other administrative expenses	(399,721)	(388,384)

Section 12

Heading 190: Net transfers to provisions

12.1 Net transfers to provisions: composition

	12 mths to 30/6/10	12 mths to 30/6/09
TRANSFERS MADE TO COVER:		
– litigation	—	(565)
– advertising expenses	—	—
– certain or probable exposures or commitments ¹	(1,448)	(171)
Total net transfers to provisions	(1,448)	(736)

¹ Includes the effect of discounting such items.

Section 13

Heading 200: Net adjustments to tangible assets

13.1 Net adjustments to tangible assets: composition

Assets/income elements	Depreciation	Value adjustments for impairment	Amounts recovered	Net result
A. Tangible assets				
A.1 Owned	(17,338)	(301)	—	(17,639)
– core	(16,940)	(301)	—	(17,241)
– for investment purposes	(398)	—	—	(398)
A.2 Acquired under finance leases	(26)	—	—	(26)
– core	(26)	—	—	(26)
– for investment purposes	—	—	—	—
Total	(17,364)	(301)	—	(17,665)

Section 14

Heading 210: Net adjustments to intangible assets

14.1 Net adjustments to intangible assets

Assets/income elements	Amortization	Value adjustments for impairment	Amounts recovered	Net result
A. Intangible assets				
A.1 Owned	(21,390)	(1,000)	—	(22,390)
– software	(13,959)	—	—	(13,959)
– other	(7,431)	(1,000)	—	(8,431)
A.2 Goodwill	—	—	—	—
Total	(21,390)	(1,000)	—	(22,390)

Section 15

Heading 220: Other operating income (expense)

15.1 Other operating expense: composition

Income-based components/values	12 mths ended 30/6/10	12 mths ended 30/6/09
a) Leasing activity	(22,642)	(22,660)
d) Sundry costs and expenses	(3,238)	(2,301)
Total	(25,880)	(24,961)

15.2 Other operating income: composition

Income-based components/values	12 mths ended 30/6/10	12 mths ended 30/6/09
a) Amounts recovered from customers	49,106	53,342
b) Other income	101,429	104,316
Total	150,535	157,658

Section 16

Heading 240: Gains (losses) on equity investments

16.1 Gains (losses) on equity investments: composition

Income-based components/values	12 mths ended 30/6/10	12 mths ended 30/6/09
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	235,399	11,867
1. Revaluations	235,199	11,867
2. Gains on disposals	200	—
3. Amounts recovered	—	—
4. Other increases	—	—
B. Expenses	(21,931)	(295,383)
1. Writedowns	—	—
2. Adjustments for impairment	—	(264,398)
3. Losses from disposals	—	—
4. Other reductions	(21,931)	(30,985)
Net income	213,468	(283,516)
Total	213,468	(283,516)

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 30/6/10	12 mths ended 30/6/09
A. Properties	—	—
– gains on disposals	—	—
– losses on disposals	—	—
B. Other assets	5	(83)
– gains on disposals	5	3
– losses on disposals	—	(86)
Net gain (loss)	5	(83)

Section 20

Heading 290: Income tax on ordinary activities

20.1 Income tax on ordinary activities: composition

Income elements/sectors	12 mths ended 30/6/10	12 mths ended 30/6/09
1. Current taxes	(282,409)	(293,844)
2. Changes in current taxes for previous financial years	(89)	747
3. Reductions in current tax for the period	332	382
4. Changes in advance tax	99,419	143,554
5. Changes in deferred tax	1,579	60,395
Income tax for the year	(181,168)	(88,766)

20.2 Reconciliation between theoretical and effective tax burden

	12 mths ended 30/6/10	
	Amounts %	Absolute values
Total profit or loss before tax from current operations	100.00%	583,289
Theoretical tax rate	27.50%	X
Theoretical computed taxes on income	27.50%	160,404
Dividends (–)	-4.27%	(24,911)
Gains on disposals of equity investments (PEX) (–)	-4.32%	(25,203)
Gains on disposal of investments (equity method) (–)	-6.58%	(38,395)
Other taxes (non-Italian companies) (–)	-1.43%	(8,312)
Non-taxable income 10% IRAP (–)	-0.37%	(2,133)
Interest on exempt securities (–)	-0.31%	(1,796)
Tax sparing credit	-1.45%	(8,478)
Non-deductible interest expense 3% (+)	5.16%	30,076
Benefit from tax consolidation (–)	-0.47%	(2,762)
Impairment (+/–)	7.45%	43,466
Extraordinary items (rate adjustments, etc.)	0.20%	1,164
Other differences	-0.42%	(2,443)
TOTAL IRES	20.69%	120,677
IRAP	10.37%	60,491
TOTAL FOR HEADING ¹	31.06%	181,168

¹ Compared with a tax rate of 19.73% in the previous financial year.

Section 22

Heading 330: Net profit (loss) attributable to minorities

22.1 Breakdown of profit for the year attributable to minorities

	12 mths ended 30/6/10	12 mths ended 30/6/09
Palladio Leasing S.p.A.	2,000	1,008
SelmaBipiemme Leasing S.p.A.	(2,983)	(3,064)
Teleleasing S.p.A.	3,439	3,528
Other companies	(96)	(13)
Adjustments on consolidation	(1,094)	(1,916)
Total	1,266	(457)

Section 24

Earnings per share

24.1 Average number of ordinary shares on a diluted basis

	12 mths ended 30/6/10	12 mths ended 30/6/09
Net profit	400,855	2,409
Avg. no. of shares in issue	834,153,396	803,855,665
Avg. no. of potentially diluted shares	149,140,954	25,985,750
Avg. no. of diluted shares	983,294,350	829,841,415
Earnings per share	0.481	0.003
Earnings per share, diluted	0.408	0.003

**PART D - CONSOLIDATED COMPREHENSIVE
PROFIT AND LOSS ACCOUNT
BREAKDOWN OF CONSOLIDATED COMPREHENSIVE
PROFIT AND LOSS CONSTITUENTS**

	Items	Before tax effect	Tax effect	After tax effect
10.	Net profit (loss)	X	X	402,121
	Other comprehensive income			
20.	AFS securities:	78,785	(6,623)	72,162
	a) changes in fair value:	2,980	(11,375)	(8,395)
	b) reclassifications through profit or loss account	75,805	4,752	80,557
	- due to impairment	107,301	(5,172)	102,129
	- gain/losses on disposals	(31,496)	9,921	(21,572)
	c) other variations	—	—	—
30.	Property, plant and equipment	—	—	—
40.	Intangible assets	—	—	—
50.	Hedges of non-Italian investments:	—	—	—
	a) changes in fair value:	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
60.	Cash flow hedges:	(4,425)	(14,216)	(18,641)
	a) changes in fair value:	55,482	(17,924)	37,558
	b) reclassifications through profit or loss account	(59,907)	3,708	(56,199)
	c) other variations	—	—	—
70.	Exchange differences:	1,845	—	1,845
	a) changes in fair value:	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	1,845	—	1,845
80.	Non-current assets classified as held for sale:	—	—	—
	a) changes in fair value:	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
90.	Actuarial gains (losses) on defined benefits schemes	—	—	—
100.	Valuation reserves from equity-accounted investments:	397,629	—	397,629
110.	Total other comprehensive income after tax	473,834	(20,839)	452,995
120.	Comprehensive income after tax (10 + 110)	X	X	855,116
130.	Consolidated comprehensive income attributable to minorities	X	X	653
140.	Consolidated comprehensive income attributable to parent company	X	X	854,463

PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Section 1

Banking Group risks

1.1 Credit risk

QUALITATIVE INFORMATION

Basel II project

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

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

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

* * *

Information on the Group's capital adequacy and exposure to risks (Pillar III disclosure required under the Basel II regulations) will be published on the Bank's website at www.mediobanca.it by the term provided for publication of this annual report.

Corporate banking (Mediobanca)

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

Leasing

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

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

Consumer credit (Compass)

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

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

Mortgage lending (CheBanca!)

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

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

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

QUANTITATIVE INFORMATION

CREDIT QUALITY

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

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

Portfolio/quality	Banking Group ¹					Others ²		Total
	Non-performing	Potential problem	Restructured	Overdue	Other assets	Overdue	Other assets	
1. Financial assets held for trading	—	—	—	—	14,926,230	—	—	14,926,230
2. AFS securities	—	—	—	—	5,249,216	—	—	5,249,216
3. Financial assets held to maturity	—	—	—	—	720,683	—	—	720,683
4. Due from banks	127	—	—	—	5,389,127	—	14,163	5,403,417
5. Due from customers	188,688	347,359	166,397	101,438	39,382,596	—	15,850	40,202,328
6. Financial assets recognized at fair value	—	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	2,046,620	—	—	2,046,620
Total at 30/6/10	188,815	347,359	166,397	101,438	67,714,472	—	30,013	68,548,494
Total at 30/6/09	140,600	430,740	19,082	97,817	66,474,198	—	7,685	67,162,437

¹ Includes pro-rata consolidation of Banca Esperia and Ducati Financial Services.

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

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	—	—	—	X	X	14,926,230	14,926,230
2. AFS securities	—	—	—	5,249,216	—	5,249,216	5,249,216
3. Financial assets held to maturity	—	—	—	726,810	(6,127)	720,683	720,683
4. Due from banks	267	(140)	127	5,391,391	(2,264)	5,389,127	5,389,254
5. Due from customers	1,447,493	(643,611)	803,882	39,630,403	(247,807)	39,382,596	40,186,478
6. Financial assets recognized at fair value	—	—	—	X	X	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	X	X	2,046,620	2,046,620
Total A	1,447,760	(643,751)	804,009	50,997,820	(256,198)	67,714,472	68,518,481
B. Others							
1. Financial assets held for trading	—	—	—	—	—	—	—
2. AFS securities	—	—	—	—	—	—	—
3. Financial assets held to maturity	—	—	—	—	—	—	—
4. Due from banks	—	—	—	14,163	—	14,163	14,163
5. Due from customers	—	—	—	15,850	—	15,850	15,850
6. Financial assets recognized at fair value	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	—	—	—
Total B	—	—	—	30,013	—	30,013	30,013
Total at 30/6/10	1,447,760	(643,751)	804,009	51,027,833	(256,198)	67,744,485	68,548,494
Total at 30/6/09	1,333,798	(645,559)	688,239	52,402,022	(208,412)	66,474,198	67,162,437

A.1.3 Cash and off-balance-sheet exposures: gross/net values

Type of exposure/amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing	127	—	X	127
b) Potential problem	140	(140)	X	—
c) Restructured	—	—	X	—
d) Overdue	—	—	X	—
ef) Other assets	8,126,732	X	(2,264)	8,124,468
Total A	8,126,999	(140)	(2,264)	8,124,595
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	—	—	X	—
b) Other assets	16,454,420	X	—	16,454,420
Total B	16,454,420	—	—	16,454,420
Total (A + B)	24,581,419	(140)	(2,264)	24,579,015

A.1.4 Cash exposures to banks: trends in gross impaired positions and accounts subject to country risk

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

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

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

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

Type of exposure/amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing ¹	688,432	(499,744)	X	188,688
b) Potential problem	468,025	(120,666)	X	347,359
c) Restructured	183,290	(16,893)	X	166,397
d) Overdue	107,747	(6,309)	X	101,438
e) Other assets	52,606,070	X	(253,936)	52,352,134
Total A	54,053,564	(643,612)	(253,936)	53,156,016
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	128,804	(13,932)	X	114,872
b) Other assets	24,468,546	X	—	24,468,546
Total B	24,597,350	(13,932)	—	24,583,418
Total (A+B)	78,650,914	(657,544)	(253,936)	77,739,434

¹ Including accounts purchased from third parties in connection with Cofactor's activity.

A.1.7 Cash exposures to customers: trends in gross impaired positions/accounts subject to country risk

Description/category	Non-performing	Potential problem	Restructured	Overdue
A.1 Gross exposure at start of period	539,170	638,666	27,013	129,586
<i>of which: accounts sold but not derecognized</i>	<i>18,748</i>	<i>18,932</i>	<i>18</i>	<i>5,844</i>
Net changes in consolidation area	—	12	—	347
A.2 Opening balance proforma	539,170	638,678	27,013	129,933
B. Additions	589,912	377,814	189,554	125,679
B.1 transfers from performing loans	282,961	315,105	5,312	115,750
B.2 transfers from other categories of impaired assets	267,067	42,743	177,067	5,089
B.3 other additions	39,884	19,966	7,175	4,840
C. Reductions	(440,650)	(548,467)	(33,277)	(147,865)
C.1 transfers to performing loans	(3,511)	(24,617)	(167)	(23,887)
C.2 amounts written off	(350,662)	(37,280)	(43)	(5,395)
C.3 amounts collected	(55,555)	(84,995)	(26,289)	(18,549)
C.4 gains realized on disposals	(20,076)	(2,915)	—	(332)
C.5 transfers to other categories of impaired assets	(8,464)	(389,851)	(3,028)	(88,065)
C.6 other reductions	(2,382)	(8,809)	(3,750)	(11,637)
D. Gross exposure at end of period	688,432	468,025	183,290	107,747
<i>of which: accounts sold but not derecognized</i>	<i>29,687</i>	<i>16,895</i>	<i>1,938</i>	<i>3,868</i>

A.1.8 Cash exposures to customers: trends in value adjustments

Description/category	Non-performing	Potential problem	Restructured	Overdue
A.1 Adjustments at start of period	(398,694)	(207,918)	(7,931)	(31,645)
<i>of which: accounts sold but not derecognized</i>	<i>(17,574)</i>	<i>(9,681)</i>	—	<i>(1,942)</i>
Net change in consolidation area	—	—	—	(6)
A.2 Opening balance proforma	(398,694)	(207,918)	(7,931)	(31,651)
B. Additions	(471,354)	(55,454)	(21,726)	(8,247)
B.1 value adjustments	(352,869)	(39,591)	(5,468)	(8,246)
B.2 transfers from other categories of impaired assets	(111,672)	(12,906)	(14,335)	(1)
B.3 other additions	(6,813)	(2,957)	(1,923)	—
C. Reductions	370,304	142,706	12,764	33,589
C.1 writebacks based on valuations	2,842	367	114	638
C.2 writebacks due to amounts collected	4,871	1,468	5,329	180
C.3 amounts written off	349,264	32,589	294	4,342
C.4 transfers to other categories of impaired assets	6,283	107,230	54	25,503
C.5 other reductions	7,044	1,052	6,973	2,926
D. Adjustments at end of period	(499,744)	(120,666)	(16,893)	(6,309)
<i>of which: accounts sold but not derecognized</i>	<i>(27,896)</i>	<i>(4,585)</i>	—	—

A.2 Exposures by internal and external ratings

A.2.1 Cash and off-balance-sheet exposures by external rating category

Exposures	External rating category						Unrated	Total
	AAA / AA+	A+ / A-	BBB+ / BBB-	BB+ / BB-	B+ / B-	Lower than B-		
A. Cash exposures	11,317,318	9,280,674	5,125,449	1,557,076	526,009	36,888	33,427,197	61,270,611
B. Derivatives	6,637,585	7,964,089	353,138	—	—	—	4,244,260	19,199,072
B.1 financial derivatives	1,834,185	2,310,087	353,138	—	—	—	2,755,068	7,252,478
B.2 credit derivatives	4,803,400	5,654,002	—	—	—	—	1,489,192	11,946,594
C. Guarantees	—	—	—	12,605	40,017	—	281,564	334,186
D. Commitments to lend funds	735,191	3,601,049	2,601,556	398,281	155,134	—	14,013,369	21,504,580
Total at 30/6/10	18,690,094	20,845,812	8,080,143	1,967,962	721,160	36,888	51,966,390	102,308,449
Total at 30/6/09	12,086,901	28,195,776	7,453,843	808,035	790,872	108,251	57,806,089	107,249,767

A.3 Secured exposures by type of security

A.3.1 Secured cash exposures to banks and customers

	Amount	Real guarantees			Personal guarantees									Total (1) + (2)
		Properties	Securities	Other assets	CLN	Credit derivatives				Endorsements				
						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	259,364	—	—	—	—	—	—	—	—	—	415,478	—	—	415,478
- of which impaired	127	—	—	—	—	—	—	—	—	—	—	—	127	127
1.2 partly secured	39,019	—	—	—	—	—	—	—	—	—	—	—	9,449	9,449
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Secured off balance sheet credit exposures:														
2.1 completely secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- 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

Exposures/counterparties	Governments	Other public agencies	Financial companies	Insurances	Non-financial undertakings	Other entities
A. Cash exposures						
A.1 Non-performing						
Net exposure	—	—	18	—	35,306	153,364
Value adjustments to gross exposure	—	—	(11,483)	—	(33,135)	(452,357)
Value adjustments to portfolio	—	—	—	—	—	—
A.2 Potential problem						
Net exposure	—	2	3,867	—	147,716	195,774
Value adjustments to gross exposure	—	(20)	(6,163)	—	(35,106)	(79,376)
Value adjustments to portfolio	—	—	—	—	—	—
A.3 Restructured						
Net exposure	—	—	4,354	—	159,941	2,102
Value adjustments to gross exposure	—	—	(122)	—	(16,662)	(109)
Value adjustments to portfolio	—	—	—	—	—	—
A.4 Overdue						
Net exposure	—	29,859	374	—	30,486	40,719
Value adjustments to gross exposure	—	(4,702)	(2)	—	(649)	(956)
Value adjustments to portfolio	—	—	—	—	—	—
A.5 Other exposures						
Net exposure	7,713,707	120,902	9,266,545	2,781,754	18,977,936	13,491,290
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	(4,743)	(3,503)	(6,207)	(2,074)	(214,277)	(23,129)
Total A						
Net exposure	7,713,707	150,763	9,275,158	2,781,754	19,351,385	13,883,249
Value adjustments to gross exposure	—	(4,722)	(17,770)	—	(85,552)	(532,798)
Value adjustments to portfolio	(4,743)	(3,503)	(6,207)	(2,074)	(214,277)	(23,129)
B. Off-balance-sheet exposures						
B.1 Non-performing						
Net exposure	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
B.2 Potential problem						
Net exposure	—	—	6,857	—	—	246
Value adjustments to gross exposure	—	—	(1,143)	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
B.3 Other impaired assets						
Net exposure	—	—	—	—	107,673	96
Value adjustments to gross exposure	—	—	—	—	(12,789)	—
Value adjustments to portfolio	—	—	—	—	—	—
B.4 Other exposures						
Net exposure	113,928	233	7,797,057	339,143	10,602,587	5,615,598
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
Total B						
Net exposure	113,928	233	7,803,914	339,143	10,710,260	5,615,940
Value adjustments to gross exposure	—	—	(1,143)	—	(12,789)	—
Value adjustments to portfolio	—	—	—	—	—	—
Total at 30/6/10						
Net exposure	7,827,635	150,996	17,079,072	3,120,897	30,061,645	19,499,189
Value adjustments to gross exposure	—	(4,722)	(18,913)	—	(98,341)	(532,798)
Value adjustments to portfolio	(4,743)	(3,503)	(6,207)	(2,074)	(214,277)	(23,129)
Total at 30/6/09	7,920,510	370,152	25,364,008	2,680,227	31,656,728	15,628,415

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	181,831	(480,208)	6,857	(19,536)	—	—	—	—	—	—
A.2 Potential problem	243,325	(94,298)	103,502	(26,126)	532	(242)	—	—	—	—
A.3 Restructured	128,817	(16,773)	37,580	(120)	—	—	—	—	—	—
A.4 Overdue	97,925	(5,960)	3,513	(349)	—	—	—	—	—	—
A.5 Other exposures	37,861,875	(159,530)	12,377,779	(93,668)	1,884,005	(634)	89,820	(95)	134,506	(9)
Total A	38,513,773	(756,769)	12,529,231	(139,799)	1,884,537	(876)	89,820	(95)	134,506	(9)
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	154	—	6,949	(1,143)	—	—	—	—	—	—
B.3 Other impaired assets	99,769	(12,789)	8,000	—	—	—	—	—	—	—
B.4 Other exposures	14,858,771	—	9,270,538	—	175,604	—	162,986	—	647	—
Total B	14,958,694	(12,789)	9,285,487	(1,143)	175,604	—	162,986	—	647	—
Total at 30/6/10	53,472,467	(769,558)	21,814,718	(140,942)	2,060,141	(876)	252,806	(95)	135,153	(9)
Total at 30/6/09	60,724,629	(814,134)	20,847,341	(204,676)	1,789,734	(3,025)	38,075	(34)	68,168	(113)

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

Exposure/geographical areas	Italy		Other European countries		United States		Asia		Rest of world	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A) Cash exposures										
A.1 Non-performing	—	—	127	—	—	—	—	—	—	—
A.2 Potential problem	—	—	—	—	—	—	—	(140)	—	—
A.3 Restructured	—	—	—	—	—	—	—	—	—	—
A.4 Overdue	—	—	—	—	—	—	—	—	—	—
A.5 Other exposures	4,886,449	(430)	2,830,250	(92)	128,178	—	279,590	(1,742)	1	—
Total A	4,886,449	(430)	2,830,377	(92)	128,178	—	279,590	(1,882)	1	—
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—	—
B.4 Other exposures	2,566,647	—	13,779,882	—	105,187	—	2,704	—	—	—
Total B	2,566,647	—	13,779,882	—	105,187	—	2,704	—	—	—
Total at 30/6/10	7,453,096	(430)	16,610,259	(92)	233,365	—	282,294	(1,882)	1	—
Total at 30/6/09	2,224,594	(715)	14,759,227	—	317,361	—	1,536,611	—	100,495	—

B.5a Credit risk indicators

	30/6/10	30/6/09
a) Gross NPLs/total loans	2.04%	1.53%
b) Irregular items/total loans	4.29%	3.79%
c) Net NPLs/regulatory capital	2.72%	2.26%

B.5b Large risks

	30/6/10	30/6/09
a) Total weighted amount	11,306,315	12,032,200
b) No. of exposures	11	13
c) Large risks/regulatory capital	1.6	1.9

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 2010, deals of this nature amounted to €2,536.3m down slightly on the figure of €2,658m reported at 30 June 2009, approx. 15% of the corporate loan book, slightly under half of which in relation to domestic transactions, with the remainder for deals within the confines of the Eurozone. Movements during the period under review included the addition of two new deals worth a total of €106.8m, full repayment of one loan (in an amount of approx. €40m), capitalization of interest totalling €87m, and partial repayment of amounts outstanding of approx. €275m.

The portfolio no longer contains any positions with companies in financial difficulties, while a restructuring agreement for two accounts worth a total of €210.4m was reached during the year.

C. Securitizations and asset disposals

C.1 Securitizations

Qualitative information

No new securitizations were launched during the six months under review.

In addition to its traditional activity as sponsor and lead manager, Mediobanca also invests in securities originating from securitizations by other issuers. As at the reporting date these totalled €429.6m (30/6/09: €524.6m). The main movements during the period involved repayments – all at face value – totalling €111m (€35m of which in respect of the Alpha Sires synthetic securitization), purchases and disposals worth €5.9m, gains on disposal amounting to €6.5m, and upward adjustments as at the reporting date amounting to €3.7m.

Holdings in junior and mezzanine tranches were reduced, and chiefly involve the mezzanine tranche of one securitization of mortgage receivables implemented by Bpm Securitization Srl (€6.2m); the other tranches involve one position in junior securities issued in connection with a securitization of mortgage receivables by BCC Mortgages PLC (€1.1m), and one position in mezzanine securities relating to a securitization of leasing receivables by Agrisecurities Srl (€2.1m).

Mediobanca does not have on its books, and indeed never has had, any credit exposures backed by US subprime or Alt-A (Alternative – A, i.e. positions with underlying mortgages featuring incomplete documentation that does not allow them to be classified). Neither does it have any exposures to monoline insurers, i.e. insurance companies specializing in covering default risk on public and corporate bond issues with the exception of one credit default swap worth a nominal USD 30m entered into with MBIA (Municipal Bond Insurance Association), with a negative fair value of €4.6m (minus €2.3m as at 30 June 2009). The credit quality of the securities owned by the Mediobanca Group has shown no signs of deterioration. Moreover, the majority of the securities (just under 70%) is eligible for financing transactions with the European Central Bank. At the reporting date, writebacks of €3.6m were made to the portfolio, €3.7m of which was taken directly to the profit and loss account, with a €0.1m reduction in the net equity reserve (to which should be added the implicit losses of €29.2m on securities transferred to the equity investment portfolio (less than half the €66m at the balance-sheet date). These valuations have been made based on prices supplied by the leading financial information providers, i.e. Reuters, Bloomberg and Mark-it, giving priority to marked-to-market data rather than fair value models (which have been used only for certain unlisted positions), and for the most part made using a pricing model supplied by the main rating agencies.

Virtually the entire portfolio involves securities with domestic underlying assets, and is concentrated chiefly on two main sectors: mortgage lending (around half the portfolio) and state-owned properties (approx. 25%). The other deals involve securitizations of corporate leasing receivables (Entasi – Capitalia), synthetic securities (ELM) and one securitization involving UK mortgages fully backed by Lloyds (Permanent Master).

Over 75% of the portfolio has a rating consistent with securities of high credit standing attributed by at least one of the main credit rating agencies (Standard & Poor's, Moody's and Fitch). During the period under review no particular action was taken by any of the rating agencies, reflecting the solidity and the conservative nature of these transactions which have always been a feature of the Italian domestic market.

The only positions which are either unrated or which have non-performing assets underlying them are in deals where Mediobanca played an active role in the securitization, e.g. as sponsor, manager, etc.

Prices have continued to improve during the period under review, due to the general economic conditions easing and the favourable market scenario (with a lower number of downgrades by the ratings agencies, buyback schemes implemented by the main issuers, and the first signs of recovery on the primary market, chiefly in the U.K. and Netherlands).

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

- mortgage loans: despite delinquency levels improving in the short term (due to lower interest rates), the increase in unemployment, the reduction in household incomes and the removal of temporary benefits granted by banks have led to a deterioration in the percentage rates of default and delinquency over the long term, which has meant reserves being drawn on increasingly and a slowdown in the rate of prepayments; these effects, however, are less pronounced for the positions in Mediobanca's portfolio, which has a higher asset quality (with lower loan-to-value ratios and lower rates of concentration), partly because of the excess spread which has absorbed the difficulties and allowed all deadlines for repayment of capital and payment of interest to be met;
- state-owned properties: despite being affected by the sovereign debt crisis during the fourth quarter, this sector too was helped by the resilience of the Italian domestic property market, with payment schedules being respected; in particular, the Fip1A1 issue repaid approximately half the principal amount in January 2010, to the benefit of the Fip1A2 class (subordinate to it) which recently had its A+ rating confirmed.

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 exposures	Gross exposure	Net exposures	Gross exposure	Net exposures
A) Using own underlying assets:	14,980	14,980	—	—	—	—
a) Impaired	—	—	—	—	—	—
b) Other	14,980	14,980	—	—	—	—
B) Using customers' underlying assets	420,068	420,068	8,156	8,156	1,327	1,327
a) Impaired	169,960	169,960	—	—	—	—
b) Other	250,108	250,108	8,156	8,156	1,327	1,327

¹ Includes a commitment of €123.2m to subscribe for Zeus F07-25 A FRN, and a refinancing credit line to Island in an amount of €21.9m.

C.1.2 Exposures deriving from main proprietary securitizations by asset type/exposure

	Cash exposures ¹					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Fully derecognized	—	—	—	—	—	—
B) Partly derecognized	—	—	—	—	—	—
C) Not derecognized						
C.1 Quarzo-13 CLI FRN IT0003487011	14,980	14,980	—	—	—	—
Total at 30/6/10	14,980	14,980	—	—	—	—

¹ No off-balance-sheet exposures.

C.1.3 Exposures deriving from main customer securitizations by asset type/exposure

	Cash exposures ¹					
	Senior		Senior		Senior	
	Book value	Book value	Book value	Book value	Book value	Book value
A. Mortgage loans on property						
A.1 Argo Mortgage srl 1 A IT0003246276	338	3	—	—	—	—
A.2 Mantegna-37 A2 ind IT0003443527	738	16	—	—	—	—
A.3 Siena M-39 A2 FRN IT0003588958	97	4	—	—	—	—
A.4 Credico F3-25 A FRN IT0003683254	1,064	117	—	—	—	—
A.5 Atlante F-47 A FRN IT0004069032	3,755	(87)	—	—	—	—
A.6 BMP Securitisation srl IT0004083033	—	—	6,175	1,630	—	—
A.7 Velah 4 A2 IT0004102007	26,574	—	—	—	—	—
A.8 Cordusio 3 A2 06-42 IT0004144892	132	11	—	—	—	—
A.9 BP MORTG-43 A2 ind IT0004215320	11,036	47	—	—	—	—
A.10 Cassa 2007-1 A1 07-43 IT0004247687	5,712	(61)	—	—	—	—
A.11 Island Ref-25 A FRN IT0004293558	37,799	—	—	—	—	—
A.12 Zeus F07-25 A FRN IT0004306186	77,468	—	—	—	—	—
A.13 Tower Finance Float Nov27 IT0004386683	13,931	—	—	—	—	—
A.14 Permanent 9 A 0 Jun33 US71419XAC88	11,850	—	—	—	—	—
A.15 Sintonia Finance srl 2030 XS0163298432	607	39	—	—	—	—
A.16 BCC Mrtg-38 A FRN XS0256813048	6,410	(193)	—	—	—	—
A.17 BCCM1B 0 Mar38 XS0256815688	—	—	—	—	1,327	697
TOTAL						
Mortgage loans on property	197,511	(104)	6,175	1,630	1,327	697
B. State-owned properties						
B.1 Fip Fund-23 A2 FRN IT0003872774	100,142	—	—	—	—	—
TOTAL						
State-owned properties	100,142	—	—	—	—	—
C. Leasing receivables						
C.1 Locat MTGE 04-24 FLT IT0003733083	6,452	612	—	—	—	—
C.2 Split 2-18 A FRN IT0003763882	2,056	215	—	—	—	—
C.3 Imser-06/25 A1B FRN IT0004082712	525	69	—	—	—	—
C.4 Agri 2006-1 A2 IT0004137417	15,509	(135)	—	—	—	—
C.5 Agri 2006-1 B IT0004137433	—	—	1,981	104	—	—
C.6 Locat 12/12/2028 A2 IT0004153679	893	131	—	—	—	—
C.7 Abest 2 A 1/10/2015 XS0232767631	10,917	50	—	—	—	—
TOTAL						
Leasing receivables	36,352	943	1,981	104	—	—
D. Other credits						
D.1 Entasi srl 16/08/2016 IT0003142996	40,762	—	—	—	—	—
D.2 Astrea srl 17/01/2013 IT0003331292	308	22	—	—	—	—
D.3 Elm BB.V. FL XS0247902587	29,707	—	—	—	—	—
D.4 Permanent Master 0 Jul42	15,286	268	—	—	—	—
TOTAL						
Other credits	86,063	290	—	—	—	—
Total at 30/6/10	420,068	1,129	8,156	1,734	1,327	697
Total at 30/6/09	515,713	(1,531)	4,557	483	4,306	(2,089)

¹ Includes a commitment of €123.2m to subscribe for Zeus F07-25 A FRN, and a refinancing credit line to Island in an amount of €21.9m.

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	30/6/10	30/6/09
1. Cash exposures	75,624	—	42,523	29,707	296,677	444,531	587,561
- Senior	66,141	—	42,523	29,707	296,677	435,048	578,698
- Mezzanine	8,156	—	—	—	—	8,156	4,557
- Junior	1,327	—	—	—	—	1,327	4,306
2. Off-balance-sheet exposures	—	—	—	—	145,091	145,091	153,475
- Senior	—	—	—	—	145,091	145,091	153,475
- Mezzanine	—	—	—	—	—	—	—
- Junior	—	—	—	—	—	—	—

C.1.5 Total amount of securitized assets underlying junior securities or other forms of financing

Assets/amounts	Traditional securitizations	Synthetic securitizations
A. Own underlying assets:		
A.1 Fully derecognized	—	
1. Non-performing	—	X
2. Potential problem	—	X
3. Restructured	—	X
4. Overdue	—	X
5. Other assets	—	X
A.2 Partly derecognized	—	
1. Non-performing	—	X
2. Potential problem	—	X
3. Restructured	—	X
4. Overdue	—	X
5. Other assets	—	—
A.3 Not derecognized	—	—
1. Non-performing	—	—
2. Potential problem	—	—
3. Restructured	—	—
4. Overdue	—	—
5. Other assets	—	—
B. Customer underlying assets:		
B.1 Non-performing	—	—
B.2 Potential problem	—	—
B.3 Restructured	—	—
B.4 Overdue	—	—
B.5 Other assets	1,327	—

C.1.6 Interests in vehicle companies

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

C.1.7 Servicing – collecting securitized receivables and redeeming securities issued by vehicle companies

Servicer	Vehicle company	Securitized assets 30/6/10		Receivables collected during the year		Percentage share of securities repaid 30/6/10					
		Impaired	Performing	Impaired	Performing	Senior		Mezzanine		Junior	
						Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
Selma BPM S.p.A.	Quarzo Lease S.r.l.	—	374,926	2,945	—	—	—	—	—	—	—
Selma BPM S.p.A.	Quarzo Lease S.r.l.	—	437,244	1,447	—	—	—	—	—	—	—
Compass S.p.A.	Jump S.r.l.	8,185	774,607	768	453,851	—	29.-%	—	—	—	—
Compass S.p.A.	Quarzo S.r.l.	23,841	2,200,856	3,880	1,006,066	—	—	—	—	—	—

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

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

- the first, which was completed on 25 July 2007, involved the issue of 350 million senior securities and 36.9 million junior securities subscribed for by Selma itself, against €386.9m in performing receivables; the securitization has a revolving period until July 2016; as at 30 June 2010, a further €293m in receivables was sold;
- the second deal, completed on 19 May 2009, involved the issue of 350 million senior securities and 100 million junior securities subscribed for by Selma itself, against performing leases worth €450m; the securitization has a revolving period until July 2013; as at 30 June 2010, a further €120m in receivables was sold.

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

2007 securitization:

Amounts collected on behalf of Quarzo Lease	€	161.0m
Servicing fee	€	0.99m
Interest accruing on junior notes – fixed amount	€	0.7m
Interest accruing on junior notes – additional amount	€	4.8m

May 2009 securitization:

Amounts collected on behalf of Quarzo Lease	€	141.0m
Servicing fee	€	0.85m
Interest accruing on junior notes – fixed amount	€	3.8m
Interest accruing on junior notes – additional amount	€	2m

Quarzo s.r.l. (Compass)

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

- the first deal was completed on 13 August 2008, with the issue of 1 billion senior securities and 250 million junior securities, against performing receivables worth a total of €1,250m; the deal had a revolving period until February 2010, which has since been extended to 21 February 2011; in the twelve months ended 30 June 2010, receivables worth a further €629m were ceded;
- the second deal, which was completed on 26 February 2009, involves a portfolio of performing receivables worth €900m, against which 690 million senior and 210 million junior securities were issued; the securitization had a revolving period until August 2010, which has since been extended to 28 February 2011; receivables worth a further €432m were ceded.

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

Amounts collected on behalf of Quarzo:	€	1,238.6m
Servicing fee (net of VAT):	€	10.2m
Interest accruing on class B notes:	€	17.8m

Jump s.r.l. (formerly Linea)

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

- on 18 April 2005, a total of 102,696 receivables were sold by Linea worth of €572.6m (equal to their nominal value), revolving until 18 April 2009; Jump issued class A securities worth €526.8m, class B securities worth €40.1m, and junior notes worth €5.7m (subscribed for by Linea), all maturing on 27 April 2026; the repayment stage commenced on 27 April 2009 (approx. €306m as at 30 June 2010). During the year, Compass acquired class A securities worth a nominal €48m, realizing a gain of €3.3m.
- on 27 October 2006, Linea sold 61,751 receivables for €400m (equal to their nominal value), revolving until 27 October 2010, against which class A securities worth €368.6m, class B securities worth €30.6m, and junior notes worth €0.8m were issued, subscribed for by Linea and maturing on 27 April 2026. During the year, class A securities worth a nominal €26.2m and class B securities worth a nominal €1m were acquired, realizing a gain of €2.2m.

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

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

Amounts collected on behalf of Jump:	€	533.1m
Servicing fee:	€	3.9m
Interest accruing on junior notes:	€	23.9m

C.2 Asset disposals

C.2.1 Financial assets sold but not derecognized

Type/portfolio	Financial assets held for trading			Financial assets at fair value through profit and loss account			AFS securities			Financial assets held to maturity			Due from banks			Due from customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	30/6/10	30/6/09
A. Cash assets																				
1. Debt securities	784,291	—	—	—	—	—	1,140,477	—	—	—	—	—	1,698,374	—	—	—	—	—	3,623,142	2,833,624
2. Equities	—	—	—	—	—	—	—	—	—	X	X	X	X	X	X	X	X	X	—	—
3. UCITS units	—	—	—	—	—	—	—	—	—	X	X	X	X	X	X	X	X	X	—	—
4. Loans and advances	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	158,825	—	—	158,825	1,661,300
B. Derivative products	—	—	—	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	—	—
Total at 30/6/10	784,291	—	—	—	—	—	1,140,477	—	—	—	—	—	1,698,374	—	—	158,825	—	—	3,781,967	
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total at 30/6/09	1,495,075	—	—	—	—	—	—	—	—	—	—	—	1,338,549	—	—	723,948	—	—	—	3,557,572
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Legend:

A = Financial assets sold but recognized in full (book value).

B = Financial assets sold but recognized in part (book value).

C = Financial assets sold but recognized in part (full value).

C.2.2 Financial liabilities in respect of financial assets sold but not derecognized

Liabilities/asset portfolios	Financial assets held for trading	AFS securities	Financial assets held to maturity	Due from banks	Due from customers	Total
1. Cash assets	210,569	1,140,477	—	1,317,153	—	2,668,199
a) in respect of fully recognized assets	210,569	1,140,477	—	1,317,153	—	2,668,199
b) in respect of partly recognized assets	—	—	—	—	—	—
2. Due to banks	573,722	—	—	381,221	158,825	1,113,768
a) in respect of fully recognized assets	573,722	—	—	381,221	158,825	1,113,768
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 30/6/10	784,291	1,140,477	—	1,698,374	158,825	3,781,967
Total at 30/6/09	1,495,075	—	—	1,338,549	723,948	3,557,572

1.2 MARKET RISK

1.2.1 INTEREST RATE RISK – TRADING BOOK

QUALITATIVE INFORMATION

Mediobanca uses a risk management system that monitors market risk, and interest rate risk on the trading book in particular, on a daily basis via two main instruments: measuring sensitivity to movements in the interest rate curve; and calculating value at risk (VaR)¹. VaR is measured for the Bank's entire asset structure, i.e. banking as well as trading book, in order to reflect the fact that all risks, including those relating to lending and funding activities are centralized at the Bank's Financial Markets division. Calculation of interest rate risk on the trading book also takes into account the effects of movements in market curves and of changes to the credit rating of individual names.

The authorization structure governing Mediobanca's operations is based on value at risk readings for the various organizational units. VaR is calculated based on expected volatility and the correlation between risk factors concerned, assuming a disposal period of a single trading day and based on a 99% confidence level. VaR is calculated using the Monte Carlo and historical simulation methods, as well as the parametric method.² Historical simulation is also used to calculate the expected shortfall, which measures average loss in 1% of the most unfavourable scenarios. The main risk factors on which the analysis is based are exchange rates, share prices and interest rates, with the general market component being separated from issuer-specific credit risk. As from this year, inflation and volatility trends have also been factored into calculations of VaR.

In addition to these indicators, stress tests are also carried out weekly on the main risk factors, to show the impact which historical crisis scenarios being repeated and significant movements in the main market data could have on the Bank's risk positions. These include the Russian crisis of 1998, the shock induced by the terrorist attacks on September 11, 2001, and the subprime mortgage crisis and bankruptcy of Lehman Brothers.

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

² Determines portfolio value based on random and historical variations in risk factors respectively.

QUANTITATIVE INFORMATION

Following the increase recorded during the 2008/2009 financial year due to the fluctuations on equity and corporate bond markets, the first three quarters of the financial year under review reflect a reduction in risk. However, this trend was brusquely reversed by the recent crisis involving peripheral EU member states' sovereign debt, which induced a shock of such proportions that record new VaR levels were recorded, for the interest rate component particularly.

Indeed, while VaR for the largest aggregate, which includes equities and debt securities classified as available for sale as well as the trading book, remained stable at last year's levels, i.e. €34.8m, the reading on 30 June 2010 was more than three times the figure recorded at the previous year's reporting date and more than twice the average figure. The trend in government securities, which fall within the market interest rate risk component, drove a 50% increase in the average reading, from €12.3m to €18.6m, with a high of €95.4m. Conversely, the equity market's contribution reduced appreciably from last year, with an average reading of €20.6m (€26.3m), although the instability which began to be manifested in the month of May 2010 drove the figure at the reporting date up to €34.4m.

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

Risk factors (€'000)	12 mths to 30/6/10				12 mths to 30/6/09
	30/6	Min.	Max.	Avg.	Avg.
Interest rates	43,451	4,095	95,388	18,644	12,282
- of which: specific risk	26,007	2,896	40,510	9,348	8,567
Share prices	34,359	10,444	53,722	20,585	26,269
Exchange rates	2,211	427	4,733	1,999	2,416
Inflation	726	704	2,786	1,566	n.a.
Volatility	4,499	288	4,499	1,490	n.a.
Diversification effect*.....	(13,183)	(4,444)	(18,570)	(9,479)	(6,215)
TOTAL.....	72,063	14,065	139,922	34,805	34,752
Expected shortfall	85,509	46,075	91,541	65,098	37,865

* Due to mismatches between risk factors.

The maximum expected shortfall³ was lower than the reading for VaR, at €91.5m (compared with €139.9m), as it is calculated on the basis of historical simulation, and hence is less affected by volatility.

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

Analysis of VaR for the trading book (cf. Table 2 below) reflects the trends witnessed in the various different risk factors. However, the reduced importance of the equity market, as had been the case in previous years due to the presence of large positions in AFS equities, magnified the impact of the higher volatility on bond markets.

Thus VaR rose from an average of €12.4m last year to €18.1m, with a high of €90.3m and a reading at the reporting date of €40.9m, driven by the interest rate risk component. With specific risk stable at €6.5m, the average interest rate risk level rose from €9.9m to €17m, with a high of €86.1m. As already mentioned, this trend was attributable to the sovereign debt crisis and to the fact that the trading book has a concentration in Italian government securities.

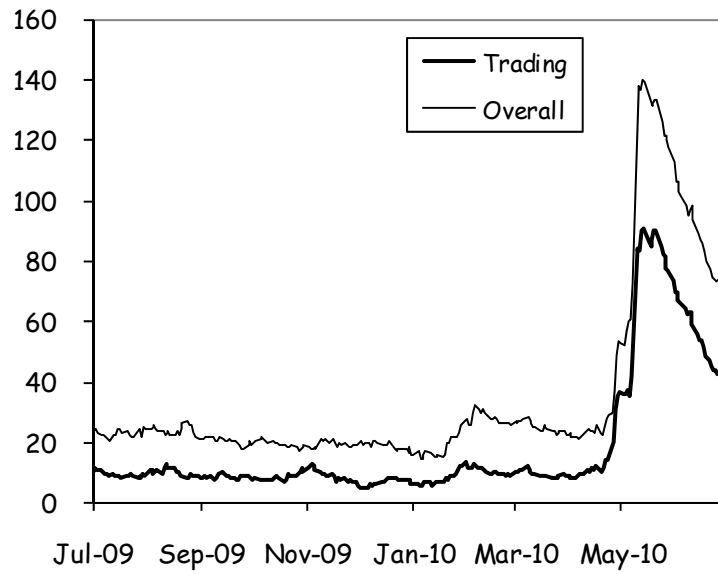
Table 2: Value at risk and expected shortfall: trading book

Risk factors (€'000)	12 mths to 30/6/10			12 mths to 30/6/09	
	30/6	Min.	Max.	Avg.	Avg.
Interest rates	37,788	3,902	86,128	16,976	9,909
- of which: specific risk	19,574	2,113	29,995	6,468	6,304
Share prices	2,957	1,020	4,960	2,378	4,412
Exchange rates	1,229	337	4,415	1,638	2,326
Inflation	726	704	2,786	1,566	n.a.
Volatility	4,507	235	4,507	1,455	n.a.
<i>Diversification effect*</i>	(6,345)	(3,431)	(10,112)	(5,879)	(4,207)
TOTAL	40,862	4,746	90,267	18,134	12,440
Expected shortfall	50,199	15,641	57,124	30,186	13,510

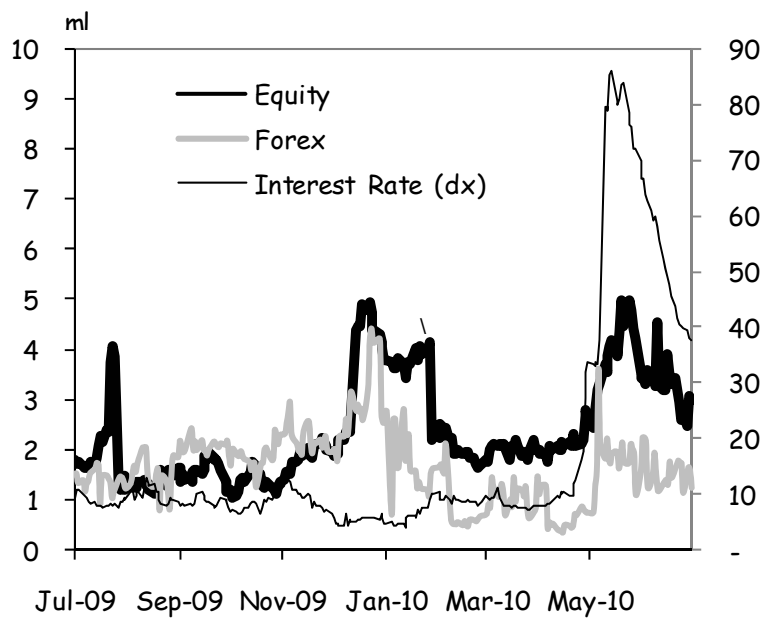
* Due to mismatches between risk factors.

The other items showed very low levels, with both share price and exchange rate risk both falling, from €4.4m to €2.4m for the former, and €2.3m and €1.6m for the latter. The contribution from volatility increased, given the increased trading activity in equity options.

Trends in VaR



Trends in VaR constituents



Although these data refer only to Mediobanca S.p.A., it is worth stressing the fact that the market risks faced by the other Group companies are negligible. The most significant is that of Compagnie Monégasque de Banque, whose average VaR for the period based on a 99% confidence level was just €138,000, with a high that did not even reach €250,000.

Despite the strong volatility recorded by stock markets during the past year, analysis of the results of the daily back-testing, which is based on the calculation of implied profits and losses⁴ and of the operating results shows the effectiveness and soundness of VaR as a risk management instrument. The VaR limit was breached on four occasions for the portfolio as a whole during the financial year, compared with just one occasion the previous year, while the trading book limit was breached on three occasions. Assuming a theoretical level of 2-3 times per financial year implied in a value-at-risk model at 99%, the slightly higher level recorded by the portfolio as a whole is more than justified by the exceptional volatility shown by the market in recent months.

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

QUANTITATIVE INFORMATION

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

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
1. Cash assets	138,690	2,453,144	1,518,389	914,401	1,170,749	892,559	1,185,464
1.1 Debt securities	138,690	2,453,144	1,518,389	914,401	1,170,749	892,559	1,185,464
– with early redemption option	—	—	—	—	—	—	—
– others	138,690	2,453,144	1,518,389	914,401	1,170,749	892,559	1,185,464
1.2 Other assets	—	—	—	—	—	—	—
2. Cash liabilities	—	3,503	1,558	4,831	142,940	279,803	96,668
2.1 Debt securities in issue	—	—	—	—	—	—	—
– with early redemption option	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—
2.2 Other liabilities	—	3,503	1,558	4,831	142,940	279,803	96,668
3. Financial derivatives	100,263	159,052,573	40,568,379	17,599,877	63,601,294	21,985,732	5,250,030
3.1 With underlying securities	30,207	4,307,729	—	—	304,313	1,302,252	376,765
– Options	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—
– Others	30,207	4,307,729	—	—	304,313	1,302,252	376,765
+ long positions	30,207	3,114,001	—	—	16,425	—	—
+ short positions	—	1,193,728	—	—	287,888	1,302,252	376,765
3.2 Without underlying securities	70,056	154,744,844	40,568,379	17,599,877	63,296,981	20,683,480	4,873,265
– Options	—	65,248,750	6,046,768	1,541,148	40,000	—	—
+ long positions	—	32,624,375	3,023,384	770,574	20,000	—	—
+ short positions	—	32,624,375	3,023,384	770,574	20,000	—	—
– Others	70,056	89,496,094	34,521,611	16,058,729	63,256,981	20,683,480	4,873,265
+ long positions	20,039	46,588,127	18,242,278	7,094,640	29,831,230	9,960,958	2,742,836
+ short positions	50,017	42,907,967	16,279,333	8,964,089	33,425,751	10,722,522	2,130,429

Currency of denomination: US DOLLAR

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
1. Cash assets	—	122,486	3,352	97,749	530,552	263,064	26,048
1.1 Debt securities	—	122,486	3,352	97,749	530,552	263,064	26,048
– with early redemption option	—	—	—	—	—	—	—
– others	—	122,486	3,352	97,749	530,552	263,064	26,048
1.2 Other assets	—	—	—	—	—	—	—
2. Cash liabilities	—	—	—	—	—	—	—
2.1 Debt securities in issue	—	—	—	—	—	—	—
– with early redemption option	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—
2.2 Other liabilities	—	—	—	—	—	—	—
3. Financial derivatives	468,410	4,181,424	385,140	547,633	2,029,562	665,309	—
3.1 With underlying securities	—	779,686	—	—	—	—	—
– Options	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—
– Others	—	779,686	—	—	—	—	—
+ long positions	—	389,843	—	—	—	—	—
+ short positions	—	389,843	—	—	—	—	—
3.2 Without underlying securities	468,410	3,401,738	385,140	547,633	2,029,562	665,309	—
– Options	—	—	1,140	—	—	—	—
+ long positions	—	—	570	—	—	—	—
+ short positions	—	—	570	—	—	—	—
– Others	468,410	3,401,738	384,000	547,633	2,029,562	665,309	—
+ long positions	234,195	1,834,994	188,472	233,070	922,903	334,692	—
+ short positions	234,215	1,566,744	195,528	314,563	1,106,659	330,617	—

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
1. Cash assets	—	83,816	1,955	35,151	258,595	28,816	—
1.1 Debt securities	—	83,816	1,955	35,151	258,595	28,816	—
– with early redemption option	—	—	—	—	—	—	—
– others	—	83,816	1,955	35,151	258,595	28,816	—
1.2 Other assets	—	—	—	—	—	—	—
2. Cash liabilities	—	—	—	—	—	—	—
2.1 Debt securities in issue	—	—	—	—	—	—	—
– with early redemption option	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—
2.2 Other liabilities	—	—	—	—	—	—	—
3. Financial derivatives	31,808	1,555,068	255,734	119,166	1,448,144	73,538	175,342
3.1 With underlying securities	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—
3.2 Without underlying securities	31,808	1,555,068	255,734	119,166	1,448,144	73,538	175,342
– Options	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—
– Others	31,808	1,555,068	255,734	119,166	1,448,144	73,538	175,342
+ long positions	15,903	738,043	137,190	59,583	763,433	27,577	87,671
+ short positions	15,905	817,025	118,544	59,583	684,711	45,961	87,671

2. *Regulatory trading book: cash exposures of equities and U.C.I.T.S. units*

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities ¹			
A.1 Shares	844,163	18,989	1
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	15,397	190,694
B. UCITS units			
B.1 Italian	—	—	13,482
- harmonized open	—	—	—
- non-harmonized open	—	—	—
- closed	—	—	—
- reserved	—	—	—
- speculative	—	—	13,482
B.2 Other EU states	335,532	298,179	—
- harmonized	335,532	—	—
- non-harmonized open	—	298,179	—
- non-harmonized closed	—	—	—
B.3 Non-EU states	—	—	—
- open	—	—	—
- closed	—	—	—
Total	1,179,695	332,565	204,177

¹ Over 50% of which in Italian securities and the remainder for other European countries.

1.2.2 INTEREST RATE RISK – BANKING BOOK

QUALITATIVE INFORMATION

The financial year under review saw the Group's liquidity buffer being strengthened, chiefly through bonds eligible for refinancing with the monetary authorities, which were distributed equally between the banking and trading books. This did not alter the mismatch between assets and liabilities on the banking book, which accentuates the gap between an increase/decrease in interest rates on the banking book alone, compared to that for the Group's entire asset structure, reflecting a more balanced position.

Thus a 100 basis point increase in interest rates would generate a reduction of €6.4m in estimated net interest income in the next twelve months (representing the difference between a €65m increase on the trading book and a €59m reduction on the banking book). Furthermore, the extremely low level of short-term interest rates, often below 1%, increased the mismatch in the event of a shock in the opposite direction. An equivalent reduction in interest rates would lead to a loss of €3m on the asset base as a whole (the difference between an increase of €58m on the banking book and a €61m reduction on the trading book).

As for the other Group companies, the most significant exposures are concentrated at Compass and CheBanca!, albeit in opposite directions. For Compass, the impact is similar to that for Mediobanca's trading book, due to the presence of variable-rate funding: a 100 basis point rise in interest rates would generate a reduction of over €27.7m in net interest income, while the gain would be just under €26.4m in the opposite case. For CheBanca!, meanwhile, the fact that much of its funding is fixed-rate means the correlation is positive, with minimal impact: a 100 basis point increase in interest rates would lead to a gain of €1.6m, while the zero limit on interest rates means that the impact in the event of a 100 basis point reduction would be virtually nil.

In addition to the sensitivity of net interest income to interest rates, the impact which a 100 basis point shock would have on the discounted value of future cash flows from the banking book has also been estimated. The fact that assets are below the level of liabilities is offset by their longer duration, and also by the presence of significant holdings in AFS and held-to-maturity assets. Hence the loss in the event of a rise in interest rates would be €99m for Mediobanca, while the gain in the opposite scenario would amount to €90m.

The sensitivity of CheBanca!'s banking book is equally significant, owing to its sizeable portfolio of medium-term securities and its funding having a shorter-term profile, leading to results similar to those shown by Mediobanca (that is, a negative

correlation), despite having much smaller asset levels. Here too the effects of the low levels of interest rates are evident: a 100 bps increase in the interest rate curve generates a loss of €111.5m, compared to a gain of €95.4m in the opposite scenario.

Hedging

Fair value hedges

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

Cash flow hedges

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

Counterparty risk

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

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	7,607,226	19,677,669	6,716,778	2,835,554	8,809,240	2,390,882	607,312	231,434
1.1 Debt securities	69,658	1,984,864	531,625	416,735	1,966,959	1,393,404	294,021	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	69,658	1,984,864	531,625	416,735	1,966,959	1,393,404	294,021	—
1.2 Loans to banks	2,854,372	1,221,677	180,207	213,543	81,520	3,543	—	99,222
1.3 Loans to customers	4,683,196	16,471,128	6,004,946	2,205,276	6,760,761	993,935	313,291	132,212
– current accounts	269,835	—	—	—	—	—	—	—
– other loans	4,413,361	16,471,128	6,004,946	2,205,276	6,760,761	993,935	313,291	132,212
– with early repayment option	306,225	2,877,936	88,053	97,935	309,959	85,637	259,018	620
– others	4,107,136	13,593,192	5,916,893	2,107,341	6,450,802	908,298	54,273	131,592
2. Cash liabilities	7,774,865	18,543,113	5,192,436	11,387,918	15,570,034	2,265,598	399,855	176,735
2.1 Due to customers	4,436,138	4,296,934	2,134,769	3,761,422	11,339	1,254	73,106	13,945
– current accounts	2,051,779	—	—	—	—	—	—	—
– other amounts due	2,384,359	4,296,934	2,134,769	3,761,422	11,339	1,254	73,106	13,945
2.2 Due to banks	2,841,242	5,312,422	665,136	6,628	13,967	—	190,385	162,730
– current accounts	1,865,859	—	—	—	—	—	—	—
– other amounts due	975,383	5,312,422	665,136	6,628	13,967	—	190,385	162,730
2.3 Debt securities	497,485	8,933,757	2,392,531	7,619,868	15,544,728	2,264,344	136,364	60
– with early repayment option	—	—	—	—	—	—	—	—
– others	497,485	8,933,757	2,392,531	7,619,868	15,544,728	2,264,344	136,364	60
2.4 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivative products	20,000	35,079,650	6,822,457	11,040,039	13,629,867	2,807,300	543,279	—
3.1 With underlying securities	—	164,000	—	25,000	99,000	—	—	—
– Options	—	164,000	—	25,000	99,000	—	—	—
+ long positions	—	144,000	—	—	—	—	—	—
+ short positions	—	20,000	—	25,000	99,000	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	20,000	34,915,650	6,822,457	11,015,039	13,530,867	2,807,300	543,279	—
– Options	—	—	—	—	10,000	90,000	100,000	—
+ long positions	—	—	—	—	—	—	100,000	—
+ short positions	—	—	—	—	10,000	90,000	—	—
– Others	20,000	34,915,650	6,822,457	11,015,039	13,520,867	2,717,300	443,279	—
+ long positions	10,000	9,150,930	1,980,633	10,473,581	10,709,573	2,059,300	343,279	—
+ short positions	10,000	25,764,720	4,841,824	541,458	2,811,294	658,000	100,000	—

Currency of denomination: US DOLLAR

Type	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	48,487	977,725	118,652	325	47,893	1,886	279	5
1.1 Debt securities	—	823	—	28	45,843	312	279	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	823	—	28	45,843	312	279	—
1.2 Loans to banks	45,885	204,473	3,289	238	1,905	1,546	—	3
1.3 Loans to customers	2,602	772,429	115,363	59	145	28	—	2
– current accounts	10	—	—	—	—	—	—	—
– other loans	2,592	772,429	115,363	59	145	28	—	2
– with early repayment option	—	—	—	—	—	—	—	—
– others	2,592	772,429	115,363	59	145	28	—	2
2. Cash liabilities	290,026	447,924	—	—	29,212	—	—	6
2.1 Due to customers	5,588	57,123	—	—	—	—	—	3
– current accounts	5,588	—	—	—	—	—	—	—
– other amounts due	—	57,123	—	—	—	—	—	3
2.2 Due to banks	—	127,545	—	—	—	—	—	3
– current accounts	—	—	—	—	—	—	—	—
– other amounts due	—	127,545	—	—	—	—	—	3
2.3 Debt securities	284,438	263,256	—	—	29,212	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	284,438	263,256	—	—	29,212	—	—	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivative products	—	31,619	—	—	15,321	11,700	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	31,619	—	—	15,321	11,700	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	31,619	—	—	15,321	11,700	—	—
+ long positions	—	8,149	—	—	15,321	5,850	—	—
+ short positions	—	23,470	—	—	—	5,850	—	—

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	54,901	425,659	103,212	12,885	3	8	—	2,781
1.1 Debt securities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
1.2 Loans to banks	53,069	—	—	—	—	—	—	—
1.3 Loans to customers	1,832	425,659	103,212	12,885	3	8	—	2,781
– current accounts	1	—	—	—	—	—	—	—
– other loans	1,831	425,659	103,212	12,885	3	8	—	2,781
– with early repayment option	—	—	—	—	—	—	—	—
– others	1,831	425,659	103,212	12,885	3	8	—	2,781
2. Cash liabilities	1,540	310,076	266,071	6,566	10,640	—	—	—
2.1 Due to customers	1,540	—	—	—	—	—	—	—
– current accounts	1,540	—	—	—	—	—	—	—
– other amounts due	—	—	—	—	—	—	—	—
2.2 Due to banks	—	872	—	—	—	—	—	—
– current accounts	—	—	—	—	—	—	—	—
– other amounts due	—	872	—	—	—	—	—	—
2.3 Debt securities	—	309,204	266,071	6,566	10,640	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	309,204	266,071	6,566	10,640	—	—	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivative products	—	264,909	—	9,175	255,734	—	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	264,909	—	9,175	255,734	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	264,909	—	9,175	255,734	—	—	—
+ long positions	—	—	—	9,175	255,734	—	—	—
+ short positions	—	264,909	—	—	—	—	—	—

2. *Regulatory trading book: cash exposures of equities and U.C.I.T.S. units*

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities ¹			
A.1 Shares	396,359	22,944	708,776
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	64,879	316,087
B. UCITS units			
B.1 Italian	24	—	23,889
- harmonized open	—	—	—
- non-harmonized open	—	—	—
- closed	24	—	23,889
- reserved	—	—	—
- speculative	—	—	—
B.2 Other EU states	1,342	—	—
- harmonized ⁽²⁾	—	—	—
- non-harmonized open	1,342	—	—
- non-harmonized closed	—	—	—
B.3 Non-EU states	—	30,301	12,534
- open	—	30,301	—
- closed	—	—	12,534
Total	397,725	118,124	1,061,286

¹ Of which 86% in Italian securities.

1.2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

A. General aspects, operating processes and measurement techniques.

B. Risk hedge activity.

Risks deriving from movements in exchange rates for all the Bank's positions are managed by the Financial Markets division. The VaR measurements shown on page 175 thus reflect the extent of the aggregate exposures entered into on the foreign exchange market for both the banking and trading books. The average readings for exchange rate risk show a reduction on last year at the overall level and for the trading book in particular. The average VaR reading declined from €2.4m to €2m for both the banking and trading books, and from €2.3m to €1.6m for the trading book alone, which underlines Mediobanca's tendency to limit the taking of risk positions in foreign exchange markets.

QUANTITATIVE INFORMATION

1. *Assets, liabilities and derivatives by currency*

Line items	Currency				
	US dollars	Pounds sterling	Japanese yen	Swiss francs	Other
A. Financial assets	2,819,306	817,577	103,904	103,797	96,940
A.1 Debt securities	1,220,583	311,227	99,788	23,463	17,466
A.2 Equities	107,352	10,314	—	51,624	9,025
A.3 Loans and advances to banks	53,823	852	3,381	12,396	31,985
A.4 Loans and advances to customers	1,244,431	495,184	735	16,314	38,464
A.5 Other financial assets	193,117	—	—	—	—
B. Other assets	—	—	—	—	—
C. Financial liabilities	(1,197,193)	(598,421)	(1,753)	(122,986)	(72,007)
C.1 Due to banks	(33,075)	(901)	(1)	(9,427)	(2,215)
C.2 Due to customers	(573,162)	(28,032)	(1,404)	(19,251)	(42,995)
C.3 Debt securities	(590,956)	(569,488)	(348)	(94,308)	(26,797)
C.4 Other financial liabilities	—	—	—	—	—
D. Other liabilities	—	—	—	—	—
E. Financial derivative products	(1,439,614)	(225,678)	(102,951)	(37,642)	(22,266)
- Options	—	—	—	—	—
+ Long positions	571	—	—	—	—
+ Short positions	(571)	—	—	—	—
- Other derivatives	(1,439,614)	(225,678)	(102,951)	(37,642)	(22,266)
+ Long positions	667,469	364,976	—	—	21,751
+ Short positions	(2,107,083)	(590,654)	(102,951)	(37,642)	(44,017)
Total assets	3,487,346	1,182,553	103,904	103,797	118,691
Total liabilities	(3,304,847)	(1,189,075)	(104,704)	(160,628)	(116,024)
Difference (+/-)	182,499	(6,522)	(800)	(56,831)	2,667

1.2.4 FINANCIAL DERIVATIVE PRODUCTS

A. FINANCIAL DERIVATIVES

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

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

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

A.2.1 *Hedge derivatives*

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

A.2.2 Other derivatives

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

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

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

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

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

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

Contracts not forming part of netting arrangements	30/6/10						
	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	1,394,091	—	3,319,848	5,704,032	1,334,178	7,454,637	—
- positive fair value	—	—	38,617	65,495	91,542	298,610	—
- negative fair value	—	—	(76,696)	(49,996)	(4,992)	(59,051)	—
- future exposure	—	—	17,613	6,576	15,782	58,700	—
2. Equities and share indexes							
- notional value	—	—	225,343	1,216,593	24,450	890,223	22
- positive fair value	—	—	8,578	236,445	—	126,570	—
- negative fair value	—	—	(32)	(209,243)	(4,294)	(248)	(4)
- future exposure	—	—	980	95,605	1,467	53,923	2
3. Exchange rates and gold							
- notional value	—	4,891	1,335,188	81,238	—	598,256	2,681
- positive fair value	—	86	6,188	1,720	—	1,576	18
- negative fair value	—	(17)	(31,258)	(39)	—	(45,114)	(125)
- future exposure	—	49	13,697	813	—	18,028	25
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

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

Contracts forming part of netting arrangements	30/6/10						
	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	75,953,705	13,160,405	—	—	—
- positive fair value	—	—	1,776,707	227,044	—	—	—
- negative fair value	—	—	(2,408,988)	(261,558)	—	—	—
2. Equities and share indexes							
- notional value	—	—	15,272,534	4,787,507	—	111,872	—
- positive fair value	—	—	464,912	338,925	—	9,732	—
- negative fair value	—	—	(330,435)	(502,020)	—	—	—
3. Exchange rates and gold							
- notional value	—	—	3,622,631	404,864	—	—	—
- positive fair value	—	—	55,761	29,130	—	—	—
- negative fair value	—	—	(146,756)	(23,536)	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

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

Contracts not forming part of netting arrangements	30/6/10						
	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	3,772,718	520,715	—	—	—
- positive fair value	—	—	29,562	804	—	—	—
- negative fair value	—	—	(97,374)	(13,267)	—	—	—
- future exposure	—	—	11,698	25	—	—	—
2. Equities and share indexes							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
3. Exchange rates and gold							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

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

Contracts forming part of netting arrangements	30/6/10						
	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	28,713,377	2,214,999	—	—	—
- positive fair value	—	—	1,889,615	40,352	—	—	—
- negative fair value	—	—	(613,055)	(58,367)	—	—	—
2. Equities and share indexes							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
3. Exchange rates and gold							
- notional value	—	—	43,716	—	—	—	—
- positive fair value	—	—	1,319	—	—	—	—
- negative fair value	—	—	(5,483)	—	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

A.9 *OTC financial derivatives by maturity: notional values*

Underlying/residual maturity	Up to 1 year	From 1 to 5 years	Over 5 years	Total
A. Regulatory trading book				
A.1 Financial derivatives on debt securities and interest rates	28,547,570	53,420,476	26,352,850	108,320,896
A.2 Financial derivatives on equities and share indexes	5,831,012	15,658,364	1,039,168	22,528,544
A.3 Financial derivatives on foreign currency and gold	4,593,264	1,051,193	405,291	6,049,748
A.4 Financial derivatives on other assets	—	—	—	—
B. Banking book:				
B.1 Financial derivatives on debt securities and interest rates	4,219,094	26,252,120	4,762,846	35,234,060
B.2 Financial derivatives on equities and share indexes	767,270	9,522,143	384,168	10,673,581
B.3 Financial derivatives on foreign currency and gold	8,149	87,056	—	95,205
B.4 Financial derivatives on other assets	—	—	—	—
Total at 30/6/10	43,966,359	105,991,352	32,944,323	182,902,034
Total at 30/6/09	33,890,834	70,630,435	40,610,170	145,131,439

B. CREDIT DERIVATIVES

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

Transaction categories	Regulatory trading book		Other transactions	
	Individual assets	Baskets	Individual assets	Baskets
1. Hedge buys				
a) Credit default	2,109,324	9,355,437	403,429	40,746
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total A at 30/6/10	2,109,324	9,355,437	403,429	40,746
Average values	2,438,569	8,068,729	134,991	67,096
Total A at 30/ 6/ 09	2,159,237	6,673,421	311,425	—
2. Hedge sales				
a) Credit default	1,176,265	9,615,081	510,964	902,000
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total B at 30/6/10	1,176,265	9,615,081	510,964	902,000
Average values	1,579,364	8,446,012	181,650	289,250
Total B at 30/6/09	1,127,537	7,034,422	119,615	—

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

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

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

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

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

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

* Does not include implied derivatives of bonds issued.

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

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

* Does not include implied derivatives of bonds issued.

B.6 Credit derivatives: outstanding life – notional values

Underlying/residual maturity	Up to 1 year	From 1 year to 5 years	Over 5 years	Total
A. Regulatory trading book	967,710	20,518,041	770,356	22,256,107
A.1 Credit derivatives with “qualified” reference obligation	929,836	20,414,712	750,656	22,095,204
A.2 Credit derivatives with “unqualified” reference obligation	37,874	103,329	19,700	160,903
B. Banking book	342,476	1,261,363	253,300	1,857,139
B.1 Credit derivatives with “qualified” reference obligation	242,576	1,211,363	225,800	1,679,739
B.2 Credit derivatives with “unqualified” reference obligation	99,900	50,000	27,500	177,400
Total at 30/6/10	1,310,186	21,779,404	1,023,656	24,113,246
Total at 30/6/09	935,526	15,507,991	982,140	17,425,657

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 agreements							
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
- net counterparty risk	—	—	—	—	—	—	—
3) "Cross product" agreements*							
- positive fair value	2,478	—	108,078	33,776	—	—	—
- negative fair value	—	—	(143,955)	(19,660)	—	(552)	—
- future exposure	990	—	145,443	86,824	—	6,712	—
- net counterparty risk	3,468	—	297,593	48,367	—	6,161	—

* Net of contracts cash collateral received €488,081,000.

1.3 LIQUIDITY RISK

QUALITATIVE INFORMATION

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

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

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

In addition to the prudential approach adopted in estimating future cash flows (e.g. not assuming automatic renewal by on maturities for interbank funds), weekly stress tests are also carried out assuming:

- extraordinary drawdowns on committed lines granted to customers;
- major reductions in renewals of interbank funds raised by Group companies (linked partly to commercial relations);
- partial failure to renew CheBanca! funding when term deposits expire.

During the past year, the presence of a considerable securities portfolio, roughly half of which consisted of government securities, meant that the amount of cash and cash equivalents was considerably higher than the outflows anticipated in situations of stress.

In order to keep abreast of the guidance being issued in the various documents by the European regulatory bodies and the Bank of Italy, the methods used for monitoring liquidity risk are currently under review given the increasing complexity of this issue, the aim being to introduce limits for new and more complex indicators. A steering committee monitors the liquidity situation, the sustainability of business development given the Bank's asset structure, and the sensibility of earnings to movements in interest rates.

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	7,164,924	454,586	596,002	1,979,923	2,617,726	3,075,427	3,535,270	21,044,446	17,445,527	234,125
A.1 Government securities	4,894	29,523	—	70,761	94,973	1,391,162	409,564	761,912	4,522,583	—
A.2 Listed debtsecurities	—	—	—	—	1,142	25,053	30,538	109,510	9,242	—
A.3 Other debt securities	19,365	18,670	31,412	142,094	142,358	131,212	475,737	3,626,040	3,445,564	—
A.4 UCITS units	—	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	7,140,665	406,393	564,590	1,767,068	2,379,253	1,528,000	2,619,431	16,546,984	9,468,138	234,125
– to banks	2,848,804	272,219	162,999	357,042	304,035	87,953	95,899	430,039	128,621	99,222
– to customers	4,291,861	134,174	401,591	1,410,026	2,075,218	1,440,047	2,523,532	16,116,945	9,339,517	134,903
Cash liabilities	6,706,896	692,188	1,159,520	1,046,785	3,825,409	4,005,716	9,716,097	26,681,655	5,985,620	178,024
B.1 Deposits and currentaccounts	6,703,996	676,100	1,130,635	1,022,892	2,777,731	3,447,514	5,611,677	761,925	1,542,571	177,964
– to banks	2,864,574	312,990	474,669	559,912	713,111	1,284,920	1,790,623	509,389	391,695	162,730
– to customers	3,839,422	363,110	655,966	462,980	2,064,620	2,162,594	3,821,054	252,536	1,150,876	15,234
B.2 Debt securities	2,900	15,814	28,885	23,840	1,042,625	555,356	3,583,231	25,919,730	4,443,049	60
B.3 Other liabilities	—	274	—	53	5,053	2,846	521,189	—	—	—
Off-balance-sheet transactions	6,710,931	192,857	337,317	1,176,981	4,811,921	1,975,671	1,641,415	17,255,091	1,169,619	—
C.1 Financial derivatives with exchange of principal	432,661	135,265	292,498	1,019,057	3,758,843	506,702	272,614	1,593,846	186,178	—
– long positions	85,595	130,621	35	81,309	186,634	305,311	145,081	919,619	43,089	—
– short positions	347,066	4,644	292,463	937,748	3,572,209	201,391	127,533	674,227	143,089	—
C.2 Financial derivatives without principal exchange of	5,959,818	9,971	8,300	45,241	226,309	235,549	623,743	39,694	—	—
– long positions	3,246,183	7,672	971	30,366	126,967	101,089	403,972	6,253	—	—
– short positions	2,713,635	2,299	7,329	14,875	99,342	134,460	219,771	33,441	—	—
C.3 Deposits and loans for collection	—	—	—	—	—	—	—	—	—	—
– long positions	—	—	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds	318,452	47,621	36,510	112,683	826,769	1,231,947	744,938	15,613,506	979,332	—
– long positions	288,449	22,621	36,510	112,683	826,769	1,220,547	458,220	7,728,676	564,190	—
– short positions	30,003	25,000	—	—	—	11,400	286,718	7,884,830	415,142	—
C.5 Financed guarantees issued	—	—	9	—	—	1,473	120	8,045	4,109	—

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	48,488	1,225	208,967	39,206	148,360	43,660	162,142	1,241,459	336,932	5
A.1 Government securities	—	—	—	—	24	—	28	340	477	—
A.2 Listed debt securities	—	872	917	621	1,584	—	85,487	32,597	—	—
A.3 Other debt securities	—	—	3,697	1	27,183	26,268	61,395	576,687	250,276	—
A.4 UCITS units	—	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	48,488	353	204,353	38,584	119,569	17,392	15,232	631,835	86,179	5
– to banks	45,886	—	203,733	260	98	572	976	4,300	1,546	3
– to customers	2,602	353	620	38,324	119,471	16,820	14,256	627,535	84,633	2
Cash liabilities	5,592	—	85,082	124,123	150,814	13,864	342,270	49,020	—	6
B.1 Deposits and current accounts	5,588	—	60,635	124,053	—	—	—	—	—	6
– to banks	—	—	46,980	80,585	—	—	—	—	—	3
– to customers	5,588	—	13,655	43,468	—	—	—	—	—	3
B.2 Debt securities	4	—	24,447	70	150,814	13,864	342,270	49,020	—	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	555,466	75,961	5,901	752,993	937,349	197,335	441,693	6,074,150	200,750	—
C.1 Financial derivatives with exchange of principal	33,779	67,812	5,901	752,993	933,274	197,335	298,265	520,406	168,153	—
– long positions	25,158	34,041	38	155,638	558,130	61,181	61,120	137,560	—	—
– short positions	8,621	33,771	5,863	597,355	375,144	136,154	237,145	382,846	168,153	—
C.2 Financial derivatives without exchange of principal	521,687	—	—	—	—	—	—	—	—	—
– long positions	41,811	—	—	—	—	—	—	—	—	—
– short positions	479,876	—	—	—	—	—	—	—	—	—
C.3 Deposits and loans for collection	—	—	—	—	—	—	—	—	—	—
– long positions	—	—	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds	—	8,149	—	—	4,075	—	143,428	5,553,744	32,597	—
– long positions	—	—	—	—	—	—	71,714	2,766,685	32,597	—
– short positions	—	8,149	—	—	4,075	—	71,714	2,787,059	—	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—

1.4 OPERATING RISK

QUALITATIVE INFORMATION

Definition

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

Capital requirements for operating risk

Mediobanca has decided to adopt the Basic Indicator Approach (“BIA”) in order to calculate the capital requirement for covering operating risk, applying a margin of 15% to the average of the last three readings of total income. Based on this method of calculation, the capital requirement as at 30 June 2010 was €244.2m (€222.3m).

Risk mitigation

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

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

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

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

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

Litigation risk: risks deriving from litigation pending

Apart from the claim pending against Mediobanca for the alleged failure to launch a full takeover bid for La Fondiaria in 2002 (cf. p. 252), the Group faces no litigation risk worthy of note.

1.5 BANKING GROUP – OTHER RISKS

QUALITATIVE INFORMATION

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

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

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

The Group publishes information regarding its exposure to risks, and the general characteristics of the systems put in place to identify, measure and manage such risks, in the disclosure document required under pillar III of the Basel II regulations, to be found on the Bank’s website at www.mediobanca.it.

PART F - INFORMATION ON CONSOLIDATED CAPITAL

Section 1

Consolidated capital

A. Qualitative information

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

Since its inception one of the distinguishing features of 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.

In October the first full internal capital adequacy assessment process (ICAAP) was completed and the relevant information disclosed to the public in accordance with Basel 2 pillar III; the document may be found on the Bank's website at www.mediobanca.it.

B. Quantitative information

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

Net equity constituents	Banking group ¹	Insurance companies	Other companies	Elisions/adjustments upon-consolidation	Total
Share capital	430,551	—	—	—	430,551
Share premium	2,119,913	—	—	—	2,119,913
Reserves	3,938,440	—	—	—	3,938,440
Equity instruments	—	—	—	—	—
Treasury shares	(213,844)	—	—	—	(213,844)
Valuation reserves:	55,311	—	—	—	55,311
- AFS securities	(24,909)	—	—	2,322	(22,587)
- Property, plant and equipment	—	—	—	—	—
- Intangible assets	—	—	—	—	—
- Foreign investment hedges	—	—	—	—	—
- Cash flow hedges	(99,781)	—	—	253	(99,528)
- Exchange rate differences	1,703	—	—	142	1,845
- Non-current assets being sold	—	—	—	—	—
- Actuarial gains (losses) on defined-benefit pension schemes	—	—	—	—	—
- Share of valuation reserves represented by equity-accounted companies	164,878	—	—	(2,717)	162,111
- Special valuation laws	13,470	—	—	—	13,470
Gain (loss) for the period attributable to the Group/minorities	400,855	—	—	—	400,855
Total	6,731,226	—	—	—	6,731,226

¹ Includes pro-rata consolidation of Banca Esperia and Ducati Financial Services.

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	61,732	(83,294)	—	—	—	—	—	20	61,732	(83,274)
2. Equities	80,219	(84,593)	—	—	—	—	—	—	80,219	(84,593)
3. UCTIS units	4,075	(3,049)	—	—	—	—	—	2,302	4,075	(747)
4. Loans and advances	—	—	—	—	—	—	—	—	—	—
Total at 30/6/10	146,026	(170,296)	—	—	—	—	—	2,322	146,026	(168,614)
Total at 30/6/09	193,880	(288,628)	—	—	—	—	—	—	193,880	(288,628)

B.3 AFS valuation reserves: movements during the period

	Debt securities	Equities	UCTIS units	Loans	Total
1. Opening balance	(23,997)	(67,260)	(3,491)	—	(94,748)
2. Additions	103,135	128,771	8,086	—	239,992
2.1 Increases in fair value	86,179	20,263	4,133	—	110,575
2.2 Negative reserves charged back to profit and loss as a result of	16,956	108,508	3,953	—	129,417
– impairment	—	107,300	—	—	107,300
– disposals	16,956	1,208	3,953	—	22,117
2.3 Other additions	—	—	—	—	—
3. Reductions	100,680	65,885	1,267	—	167,832
3.1 Reductions in fair value	66,923	47,665	1,267	—	115,855
3.2 Adjustments for impairment	—	—	—	—	—
3.3 Positive reserves credited back to profit and loss as a result of: disposals	33,757	18,220	—	—	51,977
3.4 Other reductions	—	—	—	—	—
4. Balance at end of period	(21,542)	(4,374)	3,328	—	(22,588)

Section 2

Regulatory and supervisory capital requirements for banks

2.1 Scope of application of regulations

Regulatory capital has been calculated on the basis of Bank of Italy circulars no. 263 issued on 27 December 2006 (second update issued on 17 March 2008) and no. 155 (twelfth update issued on 5 February 2008), which transpose the new prudential guidelines for banks and banking groups introduced by the New Basel Capital Accord (Basel II) into the Italian regulatory framework.

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

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

2.2 Regulatory capital requirements for banks

A. Qualitative information

1. Tier 1 and Tier 2 capital

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

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

B. Quantitative information

	30/6/10	30/6/09
A. Tier 1 capital prior to application of prudential filters	5,966,447	5,647,796
B. Tier 1 prudential filters:		
B.1 IAS/IFRS positive filters	—	—
B.2 IAS/IFRS negative filters	(23,704)	(200,015)
C. Tier 1 capital gross of items to be deducted	5,942,743	5,447,781
D. Items for deduction from Tier 1 capital	(18,538)	(16,336)
E. Total Tier 1 capital	5,924,205	5,431,445
F. Tier 2 capital prior to application of prudential filters	1,100,100	816,816
G. Tier 2 prudential filters:		
G.1 IAS/IFRS positive filters	38,099	—
G.2 IAS/IFRS negative filters	(115,972)	—
H. Tier 2 capital gross of items to be deducted	1,022,227	816,816
I. Items for deduction from Tier 2 capital	(18,538)	(16,336)
L. Total Tier 2 capital	1,003,689	800,480
M. Items for deduction from Total Tier 1 and Tier 2 capital	—	—
N. Regulatory capital	6,927,894	6,231,925
O. Total Tier 3 capital	—	—
P. Total regulatory capital including Tier 3	6,927,894	6,231,925

2.3 Capital adequacy

A. Qualitative information

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

B. Quantitative information

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

PART C - COMBINATIONS INVOLVING GROUP COMPANIES OR BUSINESS UNITS

Section 1

Transactions completed during the year

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

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

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

The intangible assets with defined lives have an average duration of 7.8 years (up to a maximum of ten years), and have been amortized over the two years as to approx. €12m; at 30 June 2010 they were valued at €32.5m. All brands have been considered as having indefinite lives, and involve consumer credit as

to €3.6m and credit cards as to €2.7m. The goodwill has been allocated to the following cash generating units:

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

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

Cash generating units	CAGR			Cost of borrowing
	New loans	Total loans		
		30/6/10	Avg.	
Consumer credit	4.20%	3.70%	3.30%	2.90%
Credit cards	17.30%	2.30%	flat	1.70%
Salary-backed finance	2.90%	8.40%	9.20%	2.90%

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

- cost of capital (Ke): 10.4%, deriving from cost of capital taken over of 5.4%, risk-free rate of 3.5% and levered beta of 1.28;
- growth rate (g): 2%.

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

PART H - RELATED PARTY DISCLOSURE

1. Board member and senior management retribution

See part H of the notes to the individual accounts.

2. Related party disclosure

Under a resolution approved on 18 September 2009, the Board of Directors approved an amendment to the definition of related parties. In particular, merely being a party to the Mediobanca shareholders' agreement is no longer considered a sufficient condition to qualify as a related party, because the regulations governing the agreement do not provide for the parties to have control over Mediobanca (as defined by IAS 24) or grant any of the individual parties control or significant influence over the Bank.

The figures as at 30 June 2009 have been restated in order to take account of this amendment.

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

Accounts with related parties fall within the ordinary operations of the Group companies, are maintained on an arm's length basis, and are entered into in the interests of the individual companies concerned. No atypical or unusual transactions have been entered into with these counterparties. Details of Directors' and strategic management compensation are provided in footnotes to the table.

The increase in exposure to related parties (which represents the sum of assets plus guarantees and commitments) from €3.7bn to €4.1bn, is chiefly linked to treasury positions.

Overall, accounts with related parties represent approx. 6% of the total balance-sheet aggregates, and approx. 5.5% of net interest income.

Situation at 30 June 2010

	Directors, statutory auditors and strategic management	Associates	Other related parties	Total
	€m	€m	€m	€m
Assets	4.6	1,733.8	1,975.4	3,713.8
<i>of which: other assets</i>	4.6	281.3	695.3	981.2
<i>loans and advances .</i>	—	1,452.6	1,280.2	2,732.8
Liabilities	130.8	258.0	22.7	411.5
Guarantees and commitments ..	—	62.2	330.5	392.7
Interest income	1.6	76.7	71.6	149.9
Interest expense	(0.9)	(0.3)	(0.2)	(1.4)
Net fee income	3.2	31.7	35.0	69.9
Other income (costs)	(15.3) ¹	39.4	17.2	41.3

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

Situation at 30 June 2009

	Directors, statutory auditors and strategic management	Associates	Other related parties	Total
	€m	€m	€m	€m
Assets	74.7	1,840.4	1,530.0	3,445.2
<i>of which: other assets</i>	74.7	132.1	162.3	369.1
<i>loans and advances .</i>	—	1,708.3	1,367.8	3,076.1
Liabilities	3.7	2.6	92.4	98.7
Guarantees and commitments ..	30.5	35.8	238.1	304.4
Interest income	1.3	84.3	92.2	177.8
Interest expense	(0.3)	(6.5)	(3.8)	(10.6)
Net fee income	—	11.9	52.9	64.8
Other income (costs)	(20.0) ¹	204.4	37.9	222.2

¹ Of which: short-term benefits amounting to €18m, and stock options worth €1.8m.

PART I - SHARE-BASED PAYMENT SCHEMES

A. QUALITATIVE INFORMATION

1. Description

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

Extraordinary general meeting held on	No. of shares approved	Awards expire on	Deadline for exercising options	No. of shares awarded
29 March 1999	3,130,000	Expired	31 December 2011	3,130,000
30 July 2001	50,000,000	Expired	1 July 2015	49,634,000
28 October 2004	15,000,000	28 October 2009	1 July 2020	14,296,000
<i>of which to directors¹</i>	<i>4,000,000</i>	<i>28 October 2009</i>	<i>1 July 2020</i>	<i>3,375,000²</i>
27 June 2007	40,000,000	27 June 2012	1 July 2022	—
TOTAL	108,130,000			67,315,000

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

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

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

During the period a total of 310,000 stock options (79,000 from the upper limit approved by the Board of Directors on 28 October 2004 and the remainder from the upper limit approved on 27 June 2007) were awarded at a price of €8.401 per share, vesting in three years and exercisable within eight years.

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

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

Since the reporting date, a total of 16,360,000 options were awarded on 2 August 2010, 950,000 of which to Directors (all of them from the upper limit approved on 27 June 2007) at a price of €6.537 per share, vesting for three years and exercisable within 8 years.

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

B. QUANTITATIVE INFORMATION

1. Changes during the period

	30/6/09			30/6/10		
	No. of options	Avg. price	Avg. expiry	No. of options	Avg. price*	Avg. expiry
A. Balance at start of period	14,299,750	14.55	June 2014	24,610,750	12.23	May 2015
B. Additions						
B.1 New issues	10,311,000	11.04	June 2016	310,000	7.84	July 2017
B.2 Other additions	—	—	—	—	—	—
C. Reductions						
C.1 Options cancelled	—	—	—	525,000	10.87	—
C.2 Options exercised	—	—	—	—	—	—
C.3 Options expired	—	—	—	—	—	—
C.4 Other reductions	—	—	—	30,000	7.84	—
D. Balance at end of period	24,610,750	13.08	April 2015	24,365,750	12.21	June 2015
E. Options exercisable at reporting date	12,154,750	9.83	February 2013	12,029,750	13.64	June 2014

* The exercise price was recalculated following the scrip issue cum warrants to shareholders by applying the official adjustment coefficient of 0.933788.

PART L - SEGMENT REPORTING

A. PRIMARY SEGMENT REPORTING

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

	Corporate & Investment Banking	Principal Investing	Retail & Private banking	Others	Writeoffs ¹	Group
Profit-and-loss figures	€m	€m	€m	€m	€m	€m
Net interest income	428.9	(9.6)	525.7	(0.1)	(27.9)	917.0
Net trading income	244.4	—	79.2	—	30.2	353.8
Net fee and commission income	332.4	—	240.0	15.1	(54.0)	533.5
Share in profits earned by equity-accounted companies	0.3	213.4	(0.3)	—	0.1	213.5
Total income	1,006.0	203.8	844.6	15.0	(51.6)	2,017.8
Personnel costs	(205.1)	(5.5)	(182.5)	(4.9)	18.4	(379.6)
Administrative expenses	(98.0)	(2.6)	(322.2)	(9.9)	39.4	(393.3)
Operating costs	(303.1)	(8.1)	(504.7)	(14.8)	57.8	(772.9)
Gain (loss) on disposal of AFS securities	(156.0)	—	(360.8)	—	—	(516.8)
Gain (loss) on disposal of other securities	(135.8)	(12.2)	(1.9)	(0.3)	0.2	(150.0)
Others	—	—	5.2	—	—	5.2
Profit before tax	411.1	183.5	(17.6)	(0.1)	6.4	583.3
Income tax for the period	(166.7)	1.0	(14.0)	(0.3)	(1.2)	(181.2)
Minority interest	(1.4)	—	—	0.1	—	(1.3)
Net profit	243.0	184.5	(31.6)	(0.3)	5.2	400.8
<i>Cost/income ratio (%)</i>	<i>30.1</i>	<i>n.s.</i>	<i>59.8</i>	<i>n.s.</i>	<i>n.s.</i>	<i>38.3</i>

Business divisions comprise:

- *CIB (Corporate and Investment Banking)*: comprises corporate and investment banking activities, including leasing, plus the Group's AFS portfolio. The companies which contribute to this line of business are: Mediobanca, Mediobanca International, MB Securities USA, Consortium, Prominvest, SelmaBipiemme Leasing, Palladio Leasing and Teleleasing;
- *Principal Investing*: this comprises the Group's shareholdings in Assicurazioni Generali, RCS MediaGroup and Telco, plus stakes acquired as part of merchant banking activity and investments in private equity funds;
- *Retail and Private Banking*: this division comprises activities targeting retail customers through consumer credit products, mortgages, deposit accounts, private banking and fiduciary business. The companies which form part of this division are Compass, CheBanca!, Cofactor, Futuro and Creditech and Compass RE (consumer finance), Compagnie Monégasque de Banque, Spafid and Prudentia Fiduciaria plus 50% of Banca Esperia (private banking).

¹ The column headed "Adjustments" includes the contribution of Banca Esperia, which for operating purposes is consolidated pro-rata, plus any adjustments made upon consolidation (including elimination of inter-company positions) between the different business areas.

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

	Corporate & Investment Banking	Principal Investing	Retail & Private banking	Others	Writeoffs ¹	Group
Balance-sheet data	€m	€m	€m	€m	€m	€m
Treasury funds	16,362.2	—	4,086.8	0.5	(5,473.5)	14,976.0
AFS securities	5,130.8	114.8	2,571.8	—	(983.3)	6,825.7
Equity investments	1,454.5	—	2,507.4	—	(2,506.6)	1,455.3
Funding	397.8	2,892.2	1.4	—	56.6	3,348.0
Loans and advances to customers	24,629.5	—	12,563.9	—	(3,491.9)	33,701.5
Financial assets held to maturity (HTM & LR)	(44,921.7)	(259.8)	(20,999.9)	(6.0)	12,335.1	(53,852.3)

¹ The column headed “Adjustments” includes the contribution of Banca Esperia, which for operating purposes is consolidated pro-rata, plus any adjustments made upon consolidation (including elimination of inter-company positions) between the different business areas.

B. SECONDARY SEGMENT REPORTING

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

	Italy	Europe ¹	Group
	€m	€m	€m
Profit-and-loss figures			
Net interest income	882.4	34.6	917.–
Net trading income	311.3	42.5	353.8
Net fee and commission income	431.6	101.9	533.6
Share in profits earned by equity-accounted companies	213.3	0.2	213.5
Total income	1,838.6	179.2	2,017.9
Personnel costs	(292.–)	(87.6)	(379.6)
Administrative expenses	(360.7)	(32.6)	(393.3)
Operating costs	(652.7)	(120.2)	(772.9)
Gain (loss) on disposal of AFS securities	(513.5)	(3.3)	(516.9)
Gain (loss) on disposal of other securities	(148.3)	(1.7)	(150.–)
Others	—	5.2	5.2
Profit before tax	524.1	59.2	583.3
Income tax for the eperiod	(166.1)	(15.1)	(181.2)
Minority interest	(1.3)	—	(1.3)
Net profit	356.7	44.1	400.8
<i>Cost/income ratio (%)</i>	<i>35.5</i>	<i>67.1</i>	<i>38.3</i>

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

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

	Italy	Europe ¹	Group
	€m	€m	€m
<i>Balance-sheet data</i>			
Treasury funds	14,302.0	674.0	14,976.0
AFS securities	6,350.0	475.7	6,825.7
Financial assets held to maturity (HTM & LR)	1,455.3	—	1,455.3
Equity investments	3,348.0	—	3,372.3
Loans and advances to customers	28,924.2	4,777.3	33,701.5
Funding	(49,526.3)	(4,326.0)	(53,852.3)

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

ANNUAL GENERAL MEETING
28 OCTOBER 2010

AGENDA

Ordinary business

1. Adoption of financial statements for the year ended 30 June 2010, along with the Board of Directors' Review of Operations, the external auditors' report and the Statutory Audit Committee's report; associated resolutions
2. Resignations of two Directors: procedure pursuant to Article 14 of the company's Articles of Association
3. Staff remuneration policies
4. Performance share scheme
5. Amendment to resolution approved by shareholders in general meeting on 27 October 2007 to use treasury shares also in connection with equity-based compensation schemes for Group staff

Extraordinary business

1. Proposal to amend Articles 6, 7, 10, 12, 14, 28, 29 and 30 of the company's Articles of Association
2. Authorization to 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, through the award, as permitted under Article 2349 of the Italian Civil Code, of an equivalent amount of profit or profit reserves as per the most recent financial statements approved from time to time, via the issue of up to 20 million ordinary par value €0.50 shares to be reserved to Mediobanca Group employees, in implementation of the above performance share scheme

Ordinary business

ACCOUNTS OF THE BANK

REVIEW OF OPERATIONS

OVERVIEW

In the twelve months ended 30 June 2010, Mediobanca earned a net profit of €244.1m, up strongly on the €20.8m reported last year, due mostly to lower provisions for loans and financial assets totalling €278.6m (compared with €550.9m at 30 June 2009). Total income was virtually stable, down just 3%, from €980m to €950.3m, with the main items performing as follows:

- net interest income was up 10.1%, from €267.5m to €294.6m, chiefly due to 7% growth in business volumes;
- net trading income decreased from €401.7m to €277m, reflecting the reduced contribution from treasury operations, which declined from €227.5m to €121.2m due to the turmoil on financial markets during the fourth quarter, and to lower gains on disposals of AFS securities of €138.8m (€157.1m);
- net fee and commission income grew by 8.9% to reach €308.5m (€283.3m), on the back of an improved contribution from all areas of the corporate and investment banking division;
- dividends on equity investments increased from €27.5m to €70.2m, chiefly due to the contribution of Assicurazioni Generali (€66.7m), which last year paid its dividend in shares (7.3 million) which was therefore not included in the earnings results.

The slight, 2.2% increase in operating costs, from €274.3m to €280.4m, is entirely due to labour costs, which were up 3.9%, from €186.2 to €193.4m, and were chiefly linked to strengthening the Bank's activities outside Italy.

Loan loss provisions totalled €113.3m. The reduction in this item from the €134.9m total posted last year reflects an improving trend, with the amount provided reducing with each consecutive quarter (€40.2m for the first quarter ended 30 September 2009, €30m for the second quarter, €24.1m for the third quarter, and €19m for the fourth quarter ended 30 June 2010).

Provisions for financial assets were also lower than last year, at €165.3m (€416m): €117m of which in respect of AFS equities whose fair value has been below their original acquisition value for a period of over 18 months; €9.5m in adjustments to shares subject to impairment charges last year; and €38.8m in writedowns to unlisted shares (€17.3m of which in equities recognized at cost and adjusted pro-rata to net equity).

The main balance-sheet headings show rises in treasury funds (from €13.1bn to €16.2bn), AFS and longer-term bond investments (from €4.3bn to €5.2bn) and funding (from €40.2bn to €40.7bn). Conversely, AFS equities declined from €1.2bn to €1.1bn, as did loans and advances to customers (from €23.3bn to €20.2bn), chiefly due to the widespread reduction in demand.

FINANCIAL HIGHLIGHTS

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

RESTATED PROFIT AND LOSS ACCOUNT

	12 mths to 30/6/09	12 mths to 30/6/10	Y.o.Y. chg.
	€m	€m	%
Net interest income	267.5	294.6	+10.1
Net trading income	401.7	277.0	-31.0
Net fee and commission income.....	283.3	308.5	+8.9
Dividends on equity investments.....	27.5	70.2	n.m.
TOTAL INCOME.....	980.0	950.3	-3.0
Labour costs.....	(186.2)	(193.4)	+3.9
Administrative expenses	(88.1)	(87.0)	-1.2
OPERATING COSTS	(274.3)	(280.4)	+2.2
Loan loss provisions	(134.9)	(113.3)	-16.0
Provisions for other financial assets	(416.0)	(165.3)	-60.3
Other gains (losses).....	—	(0.2)	n.m.
PROFIT BEFORE TAX	154.8	391.1	n.m.
Income tax for the period.....	(134.0)	(147.0)	+9.7
NET PROFIT.....	20.8	244.1	n.m.

RESTATED BALANCE SHEET

	30/6/09	30/6/10
	€m	€m
Assets		
Treasury funds	13,059.4	16,241.4
AFS securities	4,330.9	5,237.1
Fixed financial assets	1,556.7	1,454.5
Loans and advances to customers	23,282.5	20,194.7
Equity investments	2,845.2	2,828.3
Tangible and intangible assets	122.5	130.6
Other assets	555.5	519.6
Total assets	45,752.7	46,606.2
Liabilities		
Funding	40,248.6	40,737.6
Other liabilities	702.3	788.3
Provisions	160.6	160.7
Net equity	4,620.4	4,675.5
Profit for the period	20.8	244.1
Total liabilities	45,752.7	46,606.2

Key indices and ratios for the period are as follows:

	30/6/09	30/6/10
Regulatory capital (€m)	5,390.6	5,530.3
Solvency margin (%)	14.32	14.64
Market capitalization (€m)	6,950.8	5,312.3
No. of shares in issue (millions)	820.1	861.1
Average no. of staff in year ended 30/6/10	564	600

REVIEW OF KEY ITEMS

Loans and advances to customers

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

	2007-08		2008-09		2009-10	
	€m	%	€m	%	€m	%
Balance disbursed at start of period.....	20,306	100.0	24,235	100.0	23,283	100.0
Movements during the twelve months:						
– net new loans	4,030	19.8	(773)	(3.2)	(2,976)	(12.8)
– adjustments to amortized cost	(101)	(0.5)	(179)	(0.7)	(112)	(0.5)
Balance disbursed at end of period	24,235	119.3	23,283	96.1	20,195	86.7

Loans and advances to customers fell significantly during the year under review, from €23,282.5m to €20,194.7m, due to a reduction in amounts lent to other Group companies, in particular CheBanca! and Mediobanca International, which have their own direct channels, and a severe decline in the demand for medium-term credit, with corporate lendings decreased by over 13%, from €14,448.5m to €12,552.7m. The share of the loan book accounted for by non-Italian customers remained at near 20%, and continues to be concentrated primarily in countries where Mediobanca has offices, namely France, Spain and Germany.

The heading includes loans and advances to Group companies totalling €7,642m, lower than last year as a result of the access to direct funding sources mentioned previously:

	<u>30/6/09</u>	<u>30/6/10</u>
	€m	€m
Mediobanca International	3,115.2	2,108.1
CheBanca!	510.6	215.4
Compass	2,170.5	2,761.1
Futuro	479.5	450.0
Palladio Leasing	1,113.1	983.2
SelmaBipiemme Leasing	1,023.0	750.8
Teleleasing	374.1	313.0
Cofactor	45.1	52.8
Seteci	1.5	6.0
MB Securities USA (subordinated)	1.4	1.6
	<u>8,834.0</u>	<u>7,642.0</u>

Impaired assets (i.e. non-performing, sub-standard, restructured and overdue accounts) involved a single non-performing item in an amount of €127,000 covered by SACE insurance, plus four new positions with a total cash exposure of €131.9m and one exposure via endorsements totalling €252.4m (plus €4.3m in equity instruments following the Ferretti restructuring); provisions of around €50m have been set aside in respect of these positions. Since the balance-sheet date, one sub-standard large corporate loan has been repaid in full, at the nominal amount of €110m.

As at 30 June 2010, there were fourteen significant exposures, i.e. above 10% of the Bank's regulatory capital (including market risks and equity investments), two fewer than at end-June 2009, worth a total amount of €13,108.1m (€13,747m).

Funding

	30/6/09	30/6/10
	€m	€m
Deposits and current accounts	1,852.9	3,689.6
Bonds and other debt securities	35,779.5	36,093.4
Other funds	2,616.2	954.6
	<u>40,248.6</u>	<u>40,737.6</u>

Deposits and current accounts rose from €1,852.9m to €3,689.6m, on the back of €2,703.2m in liquidity provided to Mediobanca by Group company CheBanca!. The downward trend in certificates of deposit continued, which fell from €80.8m to €57m.

Bonds and other debt securities also rose, from €35,779.5m to €36,093.4m, as a result of new issuance worth €4,815.8m, redemptions and repayments (including early redemptions) of €4,516.5m, and upward adjustments (to reflect amortized cost, exchange rates and hedging effects) totalling €14.6m.

Other funds fell from €2,616.2m to €954.6m, due to funding from Mediobanca International coming to an end (it provided just €96m, compared with €1,718.4m last year), and a decrease in EIB funding, from €750.2m to €621.5m).

Treasury accounts

	30/6/09	30/6/10
Cash and bank balances	169.5	218.2
Fixed-income securities.....	7,539.6	8,748.2
Equities	422.6	1,214.2
Other trading items	4,927.7	6,060.8
	<u>13,059.4</u>	<u>16,241.4</u>

Treasury operations during the period were managed with a view to further consolidating Mediobanca's comfortable liquidity position, by investing in debt securities and other short-term items.

Cash and bank balances include €163.5m in current account balances held at banks, plus €54.6m held in compulsory reserves.

Fixed-income securities grew from €7,539.6m to €8,748.2m; around one-third of these have issuers rated AA- or higher. Unrated bonds account for 4.1% of the total (€361.3m), and sub-investment grade paper for just under 14% (€1,231.6m), more than three-quarters of which are hedged for issuer risk via credit derivatives. The Bank has no positions in securities that might directly or indirectly contain risks relating to US sub-prime mortgages. The heading includes €75.6m in asset-backed securities issued against domestic assets. Details are provided in section C, part E of the notes to the accounts.

Equities totalled €1,214.2m, higher than the figure recorded last year of €422.6m, due to the increase in arbitrage trades hedged by derivative positions.

Other trading items comprise: repo trades (including securities lending) worth €8,357.7m (€9,514.6m) and reverse repos totalling €2,270.7m (€3,978m); deposits amounting to €3,369.6m (€1,987.5m) and shortfalls of €2,827.5m (€2,877.7m); and negative valuations of derivatives contracts totalling €568.3m (compared with positive valuations of €281.3m last year); the repos include €1,961.1m with Group companies.

Treasury management and adjustments to prices at the reporting date generated net trading income of €121.2m, down on the €227.5m reported last year, largely as a result of the turmoil on financial markets in the fourth quarter.

Equity investments

	Percentage shareholding*	Book value	Market value based on prices at 30/6/10	Gain
	%	€m	€m	€m
LISTED INVESTMENTS				
Assicurazioni Generali	12.24	836.2	2,749.2	1,913.0
RCS MediaGroup, <i>ordinary</i> ...	14.36	208.5	103.2	(105.3)
Gemina, <i>ordinary</i>	12.53	211.3	92.3	(119.0)
Pirelli & C., <i>ordinary</i>	4.49	115.7	109.8	(5.9)
		<u>1,371.7</u>	<u>3,054.5</u>	<u>1,682.8</u>
OTHER INVESTMENTS				
Telco	11.62	378.3		
Banca Esperia	50.00	29.1		
Burgo Group	22.13	54.6		
Athena Private Equity class A	24.27	23.7		
Fidia	25.00	1.4		
		<u>487.1</u>		
TOTAL INVESTMENTS IN ASSOCIATES.....		<u>1,858.8</u>		
TOTAL INVESTMENTS IN SUBSIDIARIES		<u>969.5</u>		
TOTAL INVESTMENTS		<u>2,828.3</u>		

* Of entire share capital.

The only significant movements in the portfolio involved adjustments to certain unlisted investments to reflect the companies' net equity totalling €17.4m, €14.5m of which in respect of Athena PE.

Comparison of the book value and fair value of the listed securities (Assicurazioni Generali, RCS MediaGroup, Gemina and Pirelli & C.) as at the reporting date shows a net surplus of €1,682.8m (€1,856.9m based on current prices). Further explanation of the criteria adopted for the valuations and impairment tests, which were passed by all the investments, is provided in section 10, part B of the notes to the accounts.

The performances of the other Group companies not discussed in the Review of Group Operations are described below:

- *Mediobanca International (Luxembourg) S.A.*, Luxembourg (99%-owned by Mediobanca; 1%-owned by Compass)

This company's financial statements for the twelve months ended 30 June 2010 show a net profit totalling €35.3m (€29.2m), on net interest income of €33.1m (€40.1m) and net fee and commission income from lending activity of €17.8m (€14m). Loans and advances to customers increased from €3,561.4m to €3,855.7m.

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

- *R. & S. - Ricerche e Studi S.p.A.*, Milan

This company's accounts for the twelve months ended 30 June 2010 show an even balance, after charging Mediobanca €1.6m (€1.4m) for services and expenses.

R&S produced updated versions of all its main publications during the period under review, including its Annual Directory with entries on the 50 leading Italian companies, its customary analysis of the quarterly accounts of listed companies, its survey of the world's primary industrial and service-sector multinationals, and its survey of leading international banks. The company's analysis of the stabilization schemes implemented by the world's leading countries to tackle the financial market crisis was also updated. Work continued on updating the R&S-Unioncamere scoring models for small and medium-sized companies, and R&S helped draw up the profiles of the companies shortlisted for the Mediobanca Prize for dynamic Italian companies.

The company employs 11 staff.

- *Technostart S.p.A. in liquidation*, Milan (69%-owned)

This company, which was placed in voluntary liquidation on 28 July 2009, filed its liquidation accounts on 31 December 2009 showing a loss of €352,000 (€45,000) and net equity of €86,000. The term required under law for claims has now passed, and steps are being taken to divide up the remaining assets.

— *MB Securities USA LLC.*, New York

Mediobanca Securities USA performs securities brokerage activities on the New York market. Its accounts for the period show a slight improvement, with a profit of \$12,000 compared to a \$970,000 loss last year, on the back of fee income doubling from \$1.2m to \$2.4m.

Table B provides restated accounts (balance sheets and profit and loss accounts) for the Bank's investee companies.

Fixed financial assets

This heading comprises financial assets held to maturity totalling €719.8m (€573.6m) and unlisted debt securities recognized at cost worth €734.7m (€983.1m). The latter include €296.7m in illiquid asset-backed securities transferred in September 2008 (virtually halved during the period). Acquisitions of €152.8m were made during the year, along with redemptions of €252.5m (almost entirely in respect of transferred securities) and adjustments to reflect amortized cost totalling €1.2m. The implicit loss on this asset class as at 30 June 2010 amounted to €40.4m (€119.9m), €8.9m of which in relation to transferred securities. No situations arose that would warrant impairment charges being recorded.

AFS securities

	30/6/09	30/6/10
Fixed-income securities.....	2,700.4	3,727.2
Equities	1,224.9	1,129.0
Other securities	405.6	380.9
	<u>4,330.9</u>	<u>5,237.1</u>

Holdings in bonds rose from €2,700.4m to €3,727.2m, following purchases worth €3,564.5m, disposals and redemptions of €2,645.7m (including gains of €40m), and other upward adjustments (to reflect amortized cost and/or fair value) totalling €61m. Overall, the valuation reserve was in negative territory, at minus €32.3m, an improvement on last

year following upward adjustments totalling €39.7m and writebacks of €7.2m in respect of negative reserves for securities being sold.

Investments in equities fell from €1,224.9m to €1,129m, due to purchases worth €156m and disposals of €287.3m, €62m of which from the trading portfolio. Gains of disposals of €98.8m were realized during the period (€17m of which from previous years' reserves), along with downward adjustments to reflect fair value at the period-end totalling €7.4m, and €148.1m in writedowns charged to the profit and loss account, €117m of which on listed equities whose stock market price had been below the original acquisition cost for more than eighteen months.

Accordingly, the AFS securities portfolio as at 30 June 2010 was made up as follows:

	Percentage shareholding*	Book value at 30/6/10	Adjustments to fair value	Impairment recognized in P&L	Aggregate AFS reserve
Italmobiliare	9.5 – 5.47	47.0	(3.5)	—	12.4
Other listed securities ..		349.4	9.2	(126.6)	3.2
Sintonia S.A.	6.50	311.8	—	—	—
Delmi S.p.A., <i>ordinary</i> ..	6.00	97.3	(12.8)	—	(12.8)
Santé S.A.	9.99	82.2	—	(1.8)	—
Other unlisted securities		241.3	(0.3)	(19.7)	51.6
TOTAL		1.129.0	(7.4)	(148.1)	54.4

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

All hedge positions on the portfolio were closed during the twelve months, releasing gains of €59.9m which were booked to the reserves.

Other securities include the UniCredit CASHES, which have a nominal value of €347.3m carried at €316.1m.

Fixed assets

These consist of:

— *Properties*, carried at €113.2m, including the value of land owned (€81.2m); depreciation charges for the year totalled €1.5m;

- *Furniture and Intangible assets*, consisting of furniture, office equipment, computers and software owned by the Bank worth a total of €17.4m, amortized as to €7.6m over the period.

Other liabilities and provisions

These comprise:

- provision for taxation, current and deferred, amounting to €517.2m, including €81.1m in amounts payable on behalf of Group companies involved in the tax consolidation;
- staff severance indemnity provision, totalling €9.9m;
- provision for liabilities and charges, unchanged at €150.8m.

Net equity, subordinated liabilities, regulatory capital and solvency margin

The Bank's net equity of €4,675.5m (30/6/09: €4,620.4m), includes:

- share capital amounting to €430.6m, up €20.6m as a result of the bonus issue made during the year using the share premium reserve, plus the conversion of warrants;
- reserves and retained earnings of €4,244.9m, up €34.5m; these consist of the following items:
 - *Legal reserve*, €86.1m, up €4.1m;
 - *Share premium reserve*, €2,119.9m (€2,140m);
 - *Other reserves*, €2,072.9m, up €21.8m, due to allocation of the profit earned during the previous year (€16.7m) and increases of €5.1m relating to the cost of stock options (including the share payable to other Group companies' employees);
 - *Valuation reserves*, minus €34m, down €44m on last year due to adjustments of AFS securities to fair value and to use of cash flow hedges.

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

Regulatory capital stood at €5,511.7m (€5,390.6m), following the increase in the valuation reserves and allocation of last year's profit; the solvency margin increased from 14.32% to 14.59%.

* * *

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

* * *

Net interest income

	<u>12 mths to 30/6/09</u>	<u>12 mths to 30/6/10</u>
	€m	€m
Interest income	1,987.7	1,768.9
(Interest expense)	(1,720.2)	(1,474.3)
Net interest income	<u>267.5</u>	<u>294.6</u>

Growth of 10.1% in net interest income reflects the higher lending volumes, which were up 11.1%, given the lower cost of funding.

Net trading income

This heading, which totals €277m, includes €121.2m (€227.5m) in dealing profits, plus €155.8m (€174.2m) in gains on disposals of AFS securities, €17m of which in respect of dividends (unchanged). The trading result reflects the negative performance on markets seen during the fourth quarter, which affected the fixed-income segment in particular (€67.6m, compared with €168.3m last year), while trading in equities improved from €22.4m to €51.1m; exchange rate differences continue to have only a marginal impact, adding €2.5m in the twelve months.

Net fee and commission income

This heading includes €296.9m (€272.1m) in corporate and investment banking fees, up despite the ongoing weak market conditions. Other items include €4.3m (€4.2m) in renting income and €7.3m (€7m) in sundry other income.

Operating costs

The growth in operating costs, from €274.3m to €280.4m, is entirely due to higher labour costs, which rose from €186.2m to €193.4m, including fees paid to directors totalling €7.2m (€8m) and stock option scheme costs amounting to €4.8m (€12.3m). This growth reflects an increase in the employee headcount, with 600 staff on the books as opposed to 564 last year, most of the additions being concentrated in the Bank's non-Italian branches.

Sundry costs and expenses fell slightly, from €88.1m to €87m, and include €9.1m (€5.8m) in depreciation and amortization, €1.1m (€0.8m) in other expenses, and €76.8m (€81.5m) in administrative expenses net of amounts recovered, made up as follows:

	12 mths to 30/6/09	12 mths to 30/6/10
	€m	€m
Legal, tax and professional services	17.7	12.9
Marketing and communications	3.4	3.8
Rent and property maintenance	7.7	7.9
EDP	15.5	13.0
Financial information subscriptions	10.2	11.9
Bank services, collection and payment commissions ..	3.9	4.0
Operating expenses	3.7	4.5
Other labour costs	6.1	7.9
Other expenses	9.7	9.6
Direct and indirect taxes	3.6	1.3
TOTAL	81.5	76.8

Loan loss provisions

Loan loss provisions fell from €134.9m to €113.3m, and include €1.4m in adjustments to securities held to maturity, plus a €111.9m charge to the corporate loan book, €22m of which in analytical provisions for impaired assets.

Provisions for other financial assets

This item only regards equity investments and shares owned as part of the AFS portfolio; the €165.3m provision is divided between AFS securities as to €148m (€117m of which in respect of listed shares whose fair value has been below their original recognition cost for more than 18 months, €9.5m for equities subject to impairment last year, and €21.5m for unlisted equities), and unlisted equity investments adjusted pro rata to net equity as to €17.3m.

Income tax for the period

Income tax for the period amounted to €147m, reflecting the fact that the provisions for equity investments and AFS shares are not tax deductible and that interest payable can only be deducted in part, as well as changes to the tax base for IRAP. For the second year running Mediobanca is the head company for the Group's tax consolidation, which includes Compass, SelmaBipiemme Leasing, Palladio Leasing, CheBanca!, Cofactor and Futuro; the existing agreement will remain in force for one more year.

* * *

A total of thirteen claims against Mediobanca, jointly with the other parties in their alleged failure to launch a full takeover bid for La Fondiaria in 2002, are still pending for damages amounting to €153m. The present status of the trials in respect of these claims is as follows:

- the court of appeals in Milan has ruled in favour of Mediobanca on four claims, three of which rulings have been challenged in the court of cassation;
- the court of appeals in Milan has ruled against the Bank on eight claims, in respect of which six appeals have been submitted;

- the court of Florence has ruled in favour of Mediobanca on one claim, which has been appealed by the plaintiff.

* * *

With regard to securities trading, a total of 54.5m Mediobanca shares were traded on behalf of customers, worth a total of €410.1m.

* * *

Significant events during the period under review include:

- approval by the Board of Directors on 18 September 2009, as authorized pursuant to Article 2443 of the Italian Civil Code, of a resolution to increase the company's share capital by means of a scrip issue to shareholders, effective from 28 September 2009, based on 1 share for every 20 shares and 1 warrant for every share held. The warrants entitle their holders to subscribe for newly-issued shares on the basis of 1 new share for every 7 warrants held at a price of €9.0 per share, until 18 March 2011; in the event of full exercise, the rights issue should raise approx. €1bn;
- the appointments of Renato Pagliaro as chairman of Mediobanca, following the resignation of Cesare Geronzi, who is now Chairman of Assicurazioni Generali, and of Francesco Saverio Vinci as General Manager;
- the issue of a five-year bond convertible into the Group's entire shareholding in Mediolanum (14.3 million shares, equal to 1.96% of the company's share capital), at a conversion price of €5.28 at maturity.

* * *

The security planning document required under Italian Legislative Decree 196/03 was updated during the year, as was the Bank's internal control system document prepared pursuant to Italian Legislative Decree 231/01.

* * *

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

Credit rating

As part of a review of the Italian banking universe by Standard & Poor's, Mediobanca's credit rating was downgraded from AA- to A+ for medium-/long-term debt, and from A-1+ to A-1 for short-term debt, with stable outlook.

Research

On the research side, work has continued as in the past on company and capital market surveys (cf. p. 246), by both Mediobanca's Research Department and the Group's research arm R&S.

Related party disclosure

Financial accounts with such parties at 30 June 2010 and intra-group and other related party transactions during the year are described in part H of the notes to the accounts.

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

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

* * *

OUTLOOK

The ongoing weakness in the economy and the performance of financial markets make it very difficult to make estimates for the current year. As things stand, net interest income is expected to grow moderately, as a result of an increased focus on lending assets; net fee and commission and income is expected to hold up well; while the contribution from trading activity remains extremely hard to estimate. However, results should benefit from an improvement in the risk profile of customers and the reduced impact of writedowns to investments.

Proposed allocation of profit for the year ended 30 June 2010

Dear Shareholders,

The net profit for the year was € 244,138,865.56, to be allocated as follows:

€	4,200,466.70	to the <i>Legal reserve</i> ;
€	96,442,617.42	to the <i>Statutory reserve</i> ;
€	143,495,781.44	by way of a €0.17 dividend on each of the 844,092,832 shares granting entitlement, given the redistribution of amounts due in respect of treasury shares.

Accordingly, you are invited to approve the following allocation of profit:

Net profit for the year	€	244,138,865.56
To the <i>Legal reserve</i>	€	4,200,466.70
To the <i>Statutory reserve</i>	€	<u>96,442,617.42</u>
Residual amount	€	<u>143,495,781.44</u>
Dividend of € 0.17 on 844,092,832 shares.....	€	<u>143,495,781.44</u>

The dividend of €0.17 per share will be paid on 25 November 2010, with the shares going ex-rights on 22 November 2010.

Milan, 21 September 2010

THE BOARD OF DIRECTORS

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

1. The undersigned Alberto Nagel and Massimo Bertolini, in their respective capacities as Chief Executive Officer and Head of Company Financial Reporting of Mediobanca, hereby declare and in view *inter alia* of the provisions contained in Article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree 58/98, that the administrative and accounting procedures used in the preparation of the individual financial statements:
 - were adequate in view of the company’s characteristics are adequate; and
 - were effectively applied during the year ended 30 June 2010.
2. Assessment of the adequacy of said administrative and accounting procedures for the preparation of the individual financial statements as at 30 June 2010 was based on a model defined by Mediobanca in accordance with benchmark standards for internal control systems which are widely accepted at an international level (i.e. the CoSO and CobiT frameworks).
3. It is further hereby declared that
 - 3.1 the individual financial statements:
 - have been drawn up in accordance with the International Financial Reporting Standards adopted by the European Union pursuant to CE regulation no. 1606/02 issued by the European Parliament and Council on 19 July 2002;
 - correspond to the data recorded in the company’s books and accounts ledgers;
 - are adequate for the purpose of providing a truthful and accurate representation of the capital, earnings and financial situation of the issuer.
 - 3.2 the review of operations contains reliable analysis of Mediobanca’s operating performance and results and its situation, along with a description of the main risks and uncertainties to which the Bank is exposed.

Milan, 21 September 2010

Chief Executive Officer
Alberto Nagel

Head of Company Financial Reporting
Massimo Bertolini

STATUTORY AUDIT COMMITTEE'S REPORT

STATUTORY AUDIT COMMITTEE'S REPORT
as required under Article 153 of Italian Legislative Decree no. 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", or the "Bank") during the financial year ended 30 June 2010.

1. In performing its duties of supervision and control, the Statutory Audit Committee has:

- a) monitored compliance with the provisions of the law, the company's Articles of Association and deed of incorporations;
- b) received from the directors, at the established regular intervals, information on the activities and the most significant transactions in earnings, financial and capital terms carried out by the Bank and the other Group companies, including in compliance with Article 150, paragraph 1 of the Italian Consolidated Finance Act. The following events in particular are recorded:
 - i) approval by the Board of Directors, under a resolution adopted on 18 September 2009 as authorized pursuant to Article 2443 of the Italian Civil Code, to increase the company's share capital by means of a scrip issue to shareholders, effective from 28 September 2009, based on 1 share for every 20 shares owned and 1 warrant for every share held. The warrants entitle their holders to subscribe for newly-issued shares on the basis of 1 new share for every 7 warrants held at a price of €9.0 per share, until 18 March 2011; in the event of full exercise, the rights issue should raise approx. €1bn;
 - ii) the issue of a five-year bond convertible into Mediolanum shares (14.3 million shares, equal to 1.96% of the company's share capital), at a conversion price of €5.28 at maturity.

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 and the company's Articles of Association;

- c) noted that no atypical or unusual transactions with Group companies, third parties or related parties have taken place. In its Review of Operations, the Board of Directors has provided an exhaustive illustration of the effects of the most significant of the ordinary transactions carried out by the Bank in earnings, financial and capital terms with other Group companies and related parties on an arm's length basis. The Statutory Audit Committee noted that no intra-group transactions or transactions with related parties have been entered into that are in conflict with the interests of the company. Based *inter alia* on the activity carried out by the Internal Audit unit, the Statutory Audit Committee also believes that relations with related parties have been monitored appropriately;
- d) been informed regarding, and has monitored the adequacy of, the Bank's organizational structure, its compliance with the principles of proper management, and the adequacy of the instructions given by the company to its subsidiaries, as required by Article 114, paragraph 2 of the Italian Consolidated Finance Act, 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 major issues emerged from our review of the annual reports by the Statutory Audit Committees of the Group companies;
- e) monitored the adequacy of the internal control and administrative/accounting systems in place, and the reliability of the latter in particular in respect of its ability to accurately represent operations, by:
 - i) review of the statements issued by the Chief Executive Officer and the Head of Company Financial Reporting as required by the provisions of Article 154-*bis* of the Italian Consolidated Finance Act;
 - ii) review of the Internal Audit unit's reports and of information on the outcome of monitoring activity for the corrective action highlighted as a result of its audits;
 - iii) review of reports prepared by the Compliance unit;

- iv)* receiving information from heads of company divisions;
- 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, during which the Statutory Audit Committee received information on developments involving the Group companies considered to be significant;
- vi)* review of the activities performed by the external auditors, and analysis of the results of their work;
- vii)* taking part in meetings of the Internal Control Committee, and dealing with issues in conjunction with it where necessary.

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

- f)* met regularly with the heads of the external auditors, including with reference to Article 150, paragraph 3, of the Italian Consolidated Finance Act, during the course of which no facts or situations emerged that would require inclusion in this report;
- g)* monitored the methods utilized in complying with the Code of Conduct issued by Borsa Italiana and adopted by Mediobanca as illustrated in the Annual Report on Corporate Governance and Ownership Structure attached hereto. The Statutory Audit Committee also checked that the procedures established by the Board of Directors for ascertaining the independence of its members have been applied, and checked the criteria laid down by the Code of Conduct in respect of its own members' independence have been complied with;
- h)* viewed and obtained information regarding the organizational and procedural activity implemented in compliance with Italian Legislative Decree 231/01 regarding corporate administrative liability. The supervisory body reported on the activities performed by it during the year ended 30 June 2010;
- i)* ascertained that the flows provided by the Group's non-EU companies are sufficient to carry out supervision of the annual and interim accounting situations, as required by Article 36 of the Regulations for Markets;
- j)* monitored the organizational measures implemented as a result of developments in the company's activities and of guidance issued by the Bank of Italy, following the inspection carried out by it last year;

- k) sent a report to the Bank of Italy on the salary-backed finance activities carried out by some of the Group companies.

The Statutory Audit Committee did not issue any opinions required by law.

The Statutory Audit Committee met on a total of 29 occasions, 9 of which in conjunction with the Internal Control Committee. It has also taken part in 6 meetings of the Board of Directors and 12 Executive Committee meetings, and has met with the Statutory Audit Committees of the other Group companies and the supervisory body established pursuant to Italian Legislative Decree 231/01. The Chairman of the Statutory Audit Committee has also taken part in the Remunerations Committee meetings.

With regard to the information it has received, the Statutory Audit Committee considers that the Group's activities have been conducted in compliance with the principles of proper management, and that its organizational structure, its internal control system and accounting/administrative procedures as a whole are adequate for the company's requirements.

2. With reference to relations with the external auditors, the Statutory Audit Committee reports that:
 - a) at an ordinary general meeting held on 28 October 2006, the shareholders of Mediobanca adopted a resolution whereby the duties of auditing the company's individual and consolidated financial statements and book-keeping and checking that operations have been correctly recorded in the company's books pursuant to Article 155 of the Italian Consolidated Finance Act would be assigned to external auditors Reconta Ernst & Young S.p.A.;
 - b) on 29 September 2010, external auditors Reconta Ernst & Young S.p.A. issued the reports required by Articles 14 and 16 of Italian Legislative Decree 39/10, stating that:
 - i) the separate and consolidated financial statements for the financial year ended 30 June 2010 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;
 - ii) the Review of Operations and the information required under paragraph 1, letters c), d), f), l), and m), and paragraph 2, letter b) of Article 123-bis of the Italian Consolidated Finance Act

presented in the Annual Statement on Corporate Governance and Ownership Structure are consistent with the Bank's and the consolidated financial statement;

- c) in addition to the duties prescribed by regulations for listed companies, external auditors Reconta Ernst & Young S.p.A. and the other companies forming part of its network have also received other mandates, the fees paid in respect of which have been recognized in the profit and loss as follows:

Type of service	Reconta Ernst & Young €m	Reconta Ernst & Young network €m
Statements	90	43
Other services:		
Review and analysis of administrative/ accounting internal control system	—	220
Other	12	223
Total	102	486

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

- d) no external opinions have been expressed by the external auditors as required by law in the course of the financial year under review, as no grounds for such opinions to be issued have materialized;
3. During the twelve months under review, a total of three complaints pursuant to Article 2408 of the Italian Civil Code have been received:
- i) with reference to the first complaint, that resolutions adopted by shareholders at general meetings held on 29 May 2006 and 29 January 2007 where Cesare Geronzi was confirmed as Director of Mediobanca were not passed validly, the Statutory Audit Committee ascertained that the resolutions were in fact properly adopted, and accordingly decided there were no grounds to pursue the matter further;
 - ii) with reference to the second complaint, regarding the allegation that the resolution to approve the staff remuneration scheme adopted by

shareholders at the general meeting held on 28 October 2009 was incomplete, the Statutory Audit Committee noted that the document in question had been prepared in accordance with the “Supervisory Regulations in respect of Banks’ Organization and Corporate Governance”, and that in line with the same provisions, quantitative data on the remunerations policies implemented in the year ended 30 June 2010 will be provided to shareholders at the imminent general meeting. The Statutory Audit Committee accordingly decided there were no grounds to pursue the matter further;

iii) the third complaint regarded the existence of trading activities involving Mediobanca and Unicredit shares in such a way as to influence their stock market price over the last twelve months, with reference in particular to the Unicredit capital raising. From its enquiries into this matter, the Statutory Audit Committee ascertained that no operations were carried out involving Mediobanca treasury shares. As for trading in Unicredit shares, a review of the trades carried out in the period from 1 July 2008 to 31 October 2009 showed no significant transactions given the volumes traded and relative to the total number of trades. Dealing on the stock was suspended during the capital increase period (3 October 2008 – 23 February 2009), in line with the provisions of the Market Abuse Directive, save for certain trades executed under contractual undertakings previously entered into. The Statutory Audit Committee accordingly decided there were no grounds to pursue the matter further.

4. It should be noted that Consob, under resolution no. 17445 issued on 5 August 2010, fined Mediobanca €175,000 pursuant to Articles 190 and 195 of the Italian Consolidated Finance Act. In particular Consob accused Mediobanca of failing to meet its responsibilities under Article 25 of the Italian Consolidated Finance Act following a breach of the restrictions on short selling during the rights issue implemented by SEAT – Pagine Gialle in April 2009. The Statutory Audit Committee ascertained that adequate internal procedures were in place, as demonstrated, among other things, by the absence of any comment to such effect by the authority, and noted that suitable disciplinary action had been taken and more stringent organizational measures adopted.

The Statutory Audit Committee is not aware of any facts or complaints, other than those referred to above, to be reported on to shareholders in general meeting. No omissions, censurable facts, irregularities or other significant circumstances such as would require the supervisory

authorities to be notified or as would warrant inclusion in this report have come to the Statutory Audit Committee's attention in the course of its activities or on the basis of the information it has received.

5. In view of the specific duties assigned to the external auditors in terms of auditing the Group's accounts and appraising the reliability of its financial statements, the Statutory Audit Committee has no observations to make to shareholders in general meeting regarding approval of the financial statements for the year ended 30 June 2010 and the Review of Operations as presented by the Board of Directors, or on the proposed profit allocation formulated by the Board.
6. The agenda for the annual general meeting to be held on 28 October 2010 includes a proposed resolution to approve the staff remuneration policies and a performance share scheme.

With reference to the former, the "Staff remuneration policies", the Statutory Audit Committee has no observations to make, having checked that the process adopted in finalizing them was fair and consistent with the regulatory framework.

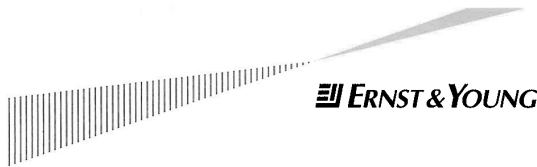
With reference to the "Performance share scheme" and the related proposal to authorize the Board of Directors to increase the company's share capital free of charge via the issuance of 20 million shares to be reserved to Group staff, and to amend the resolution adopted by shareholders at the general meeting held on 27 October 2007 to allow the treasury shares held by the Group to be used also in connection with share-based compensation schemes, the Statutory Audit Committee has no observations to make, given that these proposals are intended for the performance shares to be used as instruments of remuneration, which is in line with the policies proposed and the guidance issued by the authorities in this respect.

Finally, certain amendments to the company's Articles of Association are also being submitted to the resolution of shareholders in general meeting: here too the Statutory Audit Committee has no observations, as the proposed amendments are intended to bring the Articles into line with the regulations currently in force.

Milan, 4 October 2010

STATUTORY AUDIT COMMITTEE

AUDITORS' REPORT



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

To the Shareholders of
Mediobanca S.p.A.

1. We have audited the financial statements of Mediobanca S.p.A. as of and for the year ended 30 June 2010, comprising the balance sheet, the profit and loss account, the comprehensive profit and loss account, the statement of changes to net equity, the cash flow statement and the related notes to the accounts. These financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the standards issued in accordance with article 9 of Legislative Decree n. 38 of 28 February 2005, are the responsibility of Mediobanca S.p.A.'s directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards and procedures recommended by Consob (the Italian Companies and Stock Exchange Commission). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

With respect to the financial statements of the prior year, presented for comparative purposes, which have been restated to apply IAS 1, reference should be made to our report dated 29 September 2009.

3. In our opinion, the financial statements of Mediobanca S.p.A. as of and for the year ended 30 June 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the standards issued in accordance with article 9 of Legislative Decree n. 38 of 28 February 2005; accordingly, they present clearly and give a true and fair view of the financial position, results of operations, changes in net equity and cash flows of Mediobanca S.p.A. as of 30 June 2010 and for the year then ended.
4. Mediobanca S.p.A.'s directors are responsible for the preparation of the Review of Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Review of Operations and of the specific section on the Report on Corporate Governance and on the company's ownership structure restricted to the information reported therein in compliance with article 123-bis of Legislative Decree n. 58 of 24 February 1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion, the Review of Operations and the information reported therein in compliance with article 123-bis of Legislative Decree n. 58 of 24 February 1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the specific section, are consistent with the financial statements of Mediobanca S.p.A. as of 30 June 2010.

Milan, 29 September 2010

Reconta Ernst & Young S.p.A.
signed by: Riccardo Schioppa, partner

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

Reconta Ernst & Young S.p.A.
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INDIVIDUAL FINANCIAL STATEMENTS*

(* Figures in €.

MEDIOBANCA S.p.A. BALANCE SHEET

	Assets	30/6/10	30/6/09
10.	Cash and cash equivalents	40,875	37,795
20.	Financial assets held for trading	15,682,431,389	11,596,965,641
40.	Financial assets available for sale	5,237,181,302	4,330,945,009
50.	Financial assets held to maturity	719,814,254	573,633,353
60.	Due from banks	7,527,034,331	8,470,160,760
70.	Due from customers	26,280,176,331	28,397,135,999
80.	Hedging derivatives	2,094,905,941	1,762,353,488
100.	Equity investments	2,828,287,118	2,845,233,357
110.	Property, plant and equipment	118,897,029	117,995,605
120.	Intangible assets	11,683,192	4,453,257
130.	Tax assets:	331,542,230	323,488,528
	<i>a) current</i>	<i>178,763,483</i>	<i>178,574,067</i>
	<i>b) advance</i>	<i>152,778,747</i>	<i>144,914,461</i>
150.	Other assets	52,950,913	28,531,845
	TOTAL ASSETS	60,884,944,905	58,450,934,637

	Liabilities and net equity	30/6/10	30/6/09
10.	Due to banks	7,954,674,675	8,800,626,555
20.	Due to customers	2,051,945,438	3,214,808,800
30.	Debt securities in issue	37,518,164,270	36,349,849,640
40.	Trading liabilities	6,673,988,422	3,353,413,966
60.	Hedging derivatives	817,442,768	1,247,256,613
80.	Tax liabilities:	517,168,339	476,100,997
	<i>a) current</i>	<i>254,465,623</i>	<i>216,997,813</i>
	<i>b) deferred</i>	<i>262,702,716</i>	<i>259,103,184</i>
100.	Other liabilities	271,266,997	207,036,408
110.	Staff severance indemnity provision	9,874,124	9,835,962
120.	Provisions:	150,776,000	150,776,000
	<i>a) post-employment and similar benefits</i>	—	—
	<i>b) other provisions</i>	<i>150,776,000</i>	<i>150,776,000</i>
130.	Revaluation reserves	(33,972,127)	(62,695,782)
160.	Reserves	2,372,423,708	2,346,457,008
170.	Share premium reserve	2,119,912,747	2,140,043,291
180.	Share capital	430,551,039	410,027,832
190.	Treasury shares	(213,410,361)	(213,410,361)
200.	Profit for the period	244,138,866	20,807,708
	TOTAL LIABILITIES AND NET EQUITY	60,884,944,905	58,450,934,637

MEDIOBANCA S.p.A. PROFIT AND LOSS ACCOUNT

Item	12 mths to 30/6/10	12 mths to 30/6/09
10. Interest and similar income	1,824,150,944	1,972,289,104
20. Interest expense and similar charges	(1,473,243,488)	(1,725,536,563)
30. Net interest income	350,907,456	246,752,541
40. Fee and commission income	303,921,333	281,232,176
50. Fee and commission expense	(7,000,425)	(9,136,527)
60. Net fee and commission income	296,920,908	272,095,649
70. Dividends and similar income	138,592,745	68,448,500
80. Net trading income	9,949,475	204,634,436
90. Net hedging income (expense)	(15,987,333)	1,263,843
100. Gain (loss) on disposal/repurchase of:	158,318,141	175,578,122
<i>a) loans and advances</i>	—	—
<i>b) AFS securities</i>	138,767,751	157,110,172
<i>c) financial assets held to maturity</i>	26,350	111,979
<i>d) financial liabilities</i>	19,524,040	18,355,971
120. Total income	938,701,392	968,773,091
130. Adjustments for impairment to:	(261,285,081)	(313,977,692)
<i>a) loans and advances</i>	(57,672,748)	(77,021,189)
<i>b) AFS securities</i>	(148,016,782)	(179,113,678)
<i>c) financial assets held to maturity</i>	(1,402,497)	—
<i>d) financial liabilities</i>	(54,193,054)	(57,842,825)
140. Net income from financial operations	677,416,311	654,795,399
150. Administrative expenses:	(271,609,551)	(270,700,405)
<i>a) personnel costs</i>	(193,362,708)	(186,227,411)
<i>b) other administrative expenses</i>	(78,246,843)	(84,472,994)
170. Net adjustments to tangible assets	(3,062,156)	(3,003,796)
180. Net adjustments to intangible assets	(6,023,974)	(2,749,360)
190. Other operating income (expense)	11,851,974	13,313,481
200. Operating costs	(268,843,707)	(263,140,080)
210. Gain (loss) on equity investments	(17,432,654)	(236,830,969)
240. Gain (loss) on disposal of investments in:	(1,084)	(16,642)
<i>a) property</i>	—	—
<i>b) other assets</i>	(1,084)	(16,642)
250. Profit (loss) on ordinary activities before tax	391,138,866	154,807,708
260. Income tax for the year on ordinary activities	(147,000,000)	(134,000,000)
270. Profit (loss) on ordinary activities after tax	244,138,866	20,807,708
290. Net profit (loss) for the period	244,138,866	20,807,708

COMPREHENSIVE PROFIT AND LOSS ACCOUNT

	Headings	30/6/10	30/6/09
10.	Gain (loss) for the period	244,138,866	20,807,708
	Other income items net of tax		
20.	AFS securities	92,690,335	(52,833,810)
30.	Property, plant and equipment	—	—
40.	Intangible assets	—	—
50.	Foreign investment hedges	—	—
60.	Cash flow hedges	(63,966,680)	(67,590,158)
70.	Exchange rate differences	—	—
80.	Non-current assets being sold	—	—
90.	Actuarial gains (losses) on defined-benefit pension schemes	—	—
100.	Share of valuation reserves for equity-accounted companies	—	—
110.	Total other income items net of tax	28,723,655	(120,423,968)
120.	Aggregate profit (Heading 10 + Heading 110)	272,862,521	(99,616,260)

STATEMENT OF CHANGES TO AVERAGE MEDIOBANCA NET EQUITY

	Previously reported balance at 30/6/09	Allocation of profit for previous period		Changes during the reference period							Overall consolidated profit	Balance at 30/6/10	
		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 derivatives	Stock options			
Share capital:	410,027,832	—	—	—	20,523,207	—	—	—	—	—	—	—	430,551,039
a) ordinary shares	410,027,832	—	—	—	20,523,207	—	—	—	—	—	—	—	430,551,039
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,140,043,291	—	—	—	(20,130,545)	—	—	—	—	—	—	—	2,119,912,746
Reserves:	2,346,457,008	—	20,807,708	—	—	—	—	—	—	5,158,992	—	—	2,372,423,708
a) retained earnings	2,309,006,086	—	20,807,708	—	—	—	—	—	—	—	—	—	2,329,813,794
b) others*	37,450,922	—	—	—	—	—	—	—	—	5,158,992	—	—	42,609,914
Valuation reserves	(62,695,782)	—	—	—	—	—	—	—	—	—	28,723,655	—	(33,972,127)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(213,410,361)	—	—	—	—	—	—	—	—	—	—	—	(213,410,361)
Profit (loss) for the period	20,807,708	—	(20,807,708)	—	—	—	—	—	—	—	244,138,866	—	244,138,866
Net equity	4,641,229,696	—	—	—	392,662	—	—	—	—	5,158,992	272,862,521	—	4,919,643,871

* Transfer of stock option schemes.

STATEMENT OF CHANGES TO MEDIOBANCA NET EQUITY FROM 1/7/08 TO 30/6/09

	Previously reported balance at 30/6/08	Allocation of profit for previous period		Changes during the reference period							Profit (loss) for the period	Balance at 30/6/09	
		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 derivatives	Stock options			
Share capital:	410,027,832	—	—	—	—	—	—	—	—	—	—	—	410,027,832
a) ordinary shares	410,027,832	—	—	—	—	—	—	—	—	—	—	—	410,027,832
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,140,043,291	—	—	—	—	—	—	—	—	—	—	—	2,140,043,291
Reserves:	2,233,022,479	100,072,480	—	—	—	—	—	—	—	13,362,049	—	—	2,346,457,008
a) retained earnings	2,233,022,479	100,072,480	—	—	—	—	—	—	—	13,362,049	—	—	2,346,457,008
b) others	—	—	—	—	—	—	—	—	—	—	—	—	—
Valuation reserves	(57,728,186)	—	—	(120,423,968)	—	—	—	—	—	—	—	—	(62,695,782)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(213,410,361)	—	—	—	—	—	—	—	—	—	—	—	(213,410,361)
Profit (loss) for the period	622,578,662	(100,072,480)	(522,506,182)	—	—	—	—	—	—	—	20,807,708	—	20,807,708
Net equity	5,249,990,089	—	(522,506,182)	(120,423,968)	—	—	—	—	—	13,362,049	20,807,708	—	4,641,229,696

MEDIOBANCA CASH FLOW STATEMENT
Direct method

	Amounts	
	30/6/10	30/6/09
A. Cash flow from operating activities		
1. Operating activities	1,646,766,622	871,264,133
- interest received	3,513,887,930	4,322,312,806
-interest paid	(2,626,255,495)	(3,724,323,858)
-dividends and similar income	68,415,320	40,969,578
-net fees and commission income	379,959,196	204,265,867
-cash payments to employees	(82,240,655)	(147,090,272)
-net premium income	—	—
-other premium from insurance activities	—	—
-other expenses paid	(664,661,002)	(746,375,657)
-other income received	1,058,082,520	921,924,564
-income taxes paid	(421,192)	(418,895)
-net expense/income from groups of assets being sold	—	—
2. Cash generated/absorbed by financial assets	(2,566,848,456)	(4,391,608,625)
- financial assets held for trading	(2,288,572,050)	(1,850,917,724)
-financial assets recognized at fair value	—	—
-AFS securities	(781,629,874)	(2,206,652,400)
-due from customers	2,328,272,793	(6,556,401,029)
-due from banks: on demand	14,379,690	231,851,319
-due from banks: other	(1,721,258,830)	6,212,682,871
-other assets	(118,040,185)	(222,171,662)
3. Cash generated/absorbed by financial liabilities	1,017,308,459	4,035,140,924
-due to banks: on demand	4,508,774,809	(1,262,056,740)
-due to banks: other	(2,758,183,851)	(703,079,691)
-due to customers	(992,491,309)	1,057,142,707
-debt securities	(260,393,146)	4,968,358,195
-trading liabilities	780,505,383	158,288,174
-financial liabilities assets recognized at fair value	—	—
-other liabilities	(260,903,427)	(183,511,721)
Net cash flow (outflow) from operating activities	97,226,625	514,796,433
B. Investment activities		
1. Cash generated from	70,796,921	28,117,688
-disposals of shareholdings	55,041	1,040
-dividends received in respect of equity investments	70,177,424	27,478,365
-disposals/redemptions of financial assets held to maturity	476,032	619,137
-disposals of tangible assets	88,424	19,146
-disposals of intangible assets	—	—
-disposals of subsidiaries or business units	—	—
2. Cash absorbed by	(168,413,127)	(9,887,721)
-acquisitions of shareholdings	(138,257)	(3,241,000)
-acquisitions of held-to-maturity investments	(151,054,942)	—
-acquisitions of tangible assets	(3,966,020)	(2,059,099)
-acquisitions of intangible assets	(13,253,908)	(4,587,622)
-acquisitions of subsidiaries or business units	—	—
- Net cash flow (outflow) from investment/servicing of finance	(97,616,206)	18,229,967
C. Funding activities		
-issuance/acquisition of treasury shares	392,661	—
-issuance/acquisitions of equity instruments	—	—
-dividends payout and other applications of funds	—	(533,036,182)
Net cash flow (outflow) from funding activities	392,661	(533,036,182)
Net cash flow (outflow) during period	3,080	(9,782)

**RECONCILIATION OF MOVEMENTS IN CASH FLOW
DURING PERIOD**

	Amounts	
	30/6/10	30/6/09
Cash and cash equivalents: balance at start of period	37,795	47,577
Total cash flow (outflow) during period	3,080	(9,782)
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at end of period	40,875	37,795

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PART A - ACCOUNTING POLICIES

Section 1

Statement of conformity with IAS/IFRS

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

Section 2

General principles

These consolidated financial statements comprise:

- balance sheet;
- profit and loss account;
- comprehensive profit and loss account;
- statement of changes to net equity;
- cash flow statement (direct method);
- notes to the accounts.

All the statements have been drawn up in conformity with the general principles provided for under IAS and the accounting policies illustrated in section 3, and show data for the period under review compared with that for the previous financial year.

Section 3

Significant accounting policies

Financial assets held for trading

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

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

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

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

AFS securities

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

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

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

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

Assets are subjected to impairment tests at annual and interim reporting dates. If there is evidence of a long-term reduction in the value of the asset concerned, this is recognized in the profit and loss account on the basis of market prices in the case of listed instruments, and of estimated future cash flows discounted according to the original effective interest rate in the case of unlisted securities. For shares, in particular, the criteria used to determine impairment are a reduction in fair value of over one half or for longer than eighteen 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.

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

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

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

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

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

Accounts for which there is objective evidence of impairment, including those involving counterparties in countries deemed to be at risk, are subject to collective tests. Loans are grouped on the basis of similar credit risk characteristics, and the related loss percentages are estimated at the impairment date on the basis of historical series of internal and external data. Collective value adjustments are credited or charged to the profit and loss account, as appropriate. At each annual and interim reporting date, any writedowns or writebacks are remeasured on a differentiated basis with respect to the entire portfolio of loans deemed to be performing at that date.

Leasing

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

Hedges

There are two types of hedge:

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

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

Hedge derivatives are recognized at fair value as follows:

- changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset, where a difference between the two emerges as a result of the partial ineffectiveness of the hedge;
- the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in net equity, while

the gain or loss deriving from the ineffective portion is recognized through the profit and loss account only as and when, with reference to the hedged item, the change in cash flow to be offset crystallizes.

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

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

Equity investments

This heading consists of investments in:

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

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

Property, plant and equipment

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

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

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

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

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

Intangible assets

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

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

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

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

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

Derecognition of assets

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

Assets or groups of assets which are sold continue to be recognized if the risks and benefits associated with them continue to be attributable to the Bank. A corresponding amount is then entered as a liability to offset any amounts received.

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

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

Payables, debt securities in issue and subordinated liabilities

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

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

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

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

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

Trading liabilities

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

Staff severance indemnity provision

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

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

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

Provisions for liabilities and charges

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

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

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

Foreign currency transactions

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

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

Tax assets and liabilities

Income taxes are recorded in the profit and loss account 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.

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.

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

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

Treasury shares

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

Dividends and commissions

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

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

Related parties (IAS 24)

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

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

control of the parent company's activities, including the members of the Board of Directors and Statutory Audit Committee;

- d) subsidiaries, jointly-controlled companies and companies subject to significant influence by one of the individuals referred to in letter c) above, or in which they themselves hold, directly or indirectly, a significant share of the voting rights or are shareholders and hold strategic roles (Chairman or Chief Executive Officer);
- e) close family members of the individuals referred to in letter c) above, that is, individuals who may be expected to influence them or be influenced by them in their relations with Mediobanca (this category includes partners, children, partners' children, dependents and partners' dependents) as well as any entities controlled, jointly controlled or subject to significant influence by such individuals, or in which such individuals hold, directly or indirectly, a significant share of the voting rights;
- f) pension funds for employees of the parent company or any other entity related to it.

PART A.3 - INFORMATION ON FAIR VALUE

A.3.1 Transfers between portfolios

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

Type of instrument	Transferred from	Transferred to	Book value at 30/6/10	Fair value at 30/6/10	Additions to P&L if assets not transferred (pre-tax)		Additions to P&L made during the year (pre-tax)	
					Valuation	Other	Valuation	Other
Debt securities (ABS)	Financial assets held for trading	Due from customers	178,495	168,691	27,696	4,245	—	4,245
Debt securities (ABS)	AFS securities	Due from customers	118,182	117,462	10,229	3,602	—	3,602
Total			296,677	286,153	37,925	7,847	—	7,847

A.3.2 Fair value ranking

A.3.2.1 Asset portfolios by fair value ranking

	30/6/10			30/6/09		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	10,133,426	4,506,208	1,042,797 ¹	8,333,928	2,513,851	749,187 ¹
2. Financial assets recognized at fair value	—	—	—	—	—	—
3. AFS securities	3,539,713	648,813	1,048,655 ²	2,200,588	1,062,448	1,067,909 ²
4. Hedge derivatives	—	2,094,906	—	—	1,762,353	—
Total	13,673,139	7,249,927	2,091,452	10,534,516	5,338,652	1,817,096
1. Financial liabilities held for trading	1,318,774	4,441,691	913,523 ¹	1,034,922	1,934,676	383,816 ¹
2. Financial liabilities recognized at fair value	—	—	—	—	—	—
3. Hedge derivatives	—	817,443	—	—	1,247,257	—
Total	1,318,774	5,259,134	913,523	1,034,922	3,181,933	383,816

¹ Includes market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€328m at 30/6/10 and €370m at 30/6/09) as well as options traded (€319m and €137m respectively), the values of which are recorded as both assets and liabilities for the same amount.

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

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

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

	FINANCIAL ASSETS			
	Held for trading ^{1 3}	Recognized at fair value	AFS ²	Hedges
1. Balance at start of period	377,171	—	1,067,909	—
2. Additions	195,177	—	31,370	—
2.1 Purchases	183,224	—	26,586	—
2.2 Profits recognized in:	11,953	—	4,784	—
2.2.1 profit and loss account	11,953	—	—	—
- of which, gains	11,779	—	—	—
2.2.2 net equity	—	—	4,784	—
2.3 Transfers from other levels	—	—	—	—
2.4 Other additions	—	—	—	—
3. Reductions	182,282	—	50,624	—
3.1 Disposals	98,002	—	180	—
3.2 Redemptions	—	—	—	—
3.3 Losses recognized in:	83,849	—	37,974	—
3.3.1 profit and loss account	83,849	—	19,509	—
- of which, losses	83,849	—	—	—
3.3.2 net equity	—	—	18,465	—
3.4 Transfers to other levels	—	—	—	—
3.5 Other reductions	431	—	12,470	—
4. Balance at end of period	390,066	—	1,048,655	—

¹ Net of the market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€333m at 30/6/10 and €245m at 30/6/09) as well as options traded (€319m and €137m respectively), the values of which are recorded as both assets and liabilities for the same amount.

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

³ Purchases include €178.3m in premiums paid to acquire options on listed securities dynamically hedged with the underlying share.

For more complex Level 3 instruments, the valuation models reflect a fine-tuning in the parameters used (“model reserve”) which allows the initial mark-to-market to be reduced to zero and released pro rata for the duration of the contract. This technique has only been applied to four contracts, and its impact is not significant (€1.1m) instead.

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

	FINANCIAL LIABILITIES		
	Held for trading ^{1 2}	Recognized at fair value	Hedges
1. Balance at start of period	11,801	—	—
2. Additions	356,044	—	—
2.1 Issues	355,859	—	—
2.2 Losses recognized in:	185	—	—
2.2.1 profit and loss account	185	—	—
- of which, losses	185	—	—
2.2.2 net equity	—	—	—
2.3 Transfers from other levels	—	—	—
2.4 Other additions	—	—	—
3. Reductions	107,053	—	—
3.1 Redemptions	—	—	—
3.2 Buybacks	—	—	—
3.3 Profits recognized in:	107,053	—	—
3.3.1 profit and loss account	107,053	—	—
- of which, gains	107,053	—	—
3.3.2 net equity	—	—	—
3.4 Transfers to other levels	—	—	—
3.5 Other reductions	—	—	—
4. Balance at end of period	260,792	—	—

¹ Net of the market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€333m at 30/6/10 and €245m at 30/6/09) as well as options traded (€319m and €137m respectively), the values of which are recorded as both assets and liabilities for the same amount.

² The amount of the issues is entirely due to the sale of options on listed securities dynamically hedged with the underlying share.

PART B - NOTES TO BALANCE SHEET*

Segmental information

Assets

Section 1

Heading 10: Cash and cash equivalents

1.1 *Cash and cash equivalents*

	30/6/10	30/6/09
a) Cash	41	38
b) Demand deposits held at central banks	—	—
Total	41	38

* 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	30/6/10			30/6/09		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	8,465,791	811,764	1	7,641,398	314,927	1
1.1 Structured	43,462	—	—	43,164	—	—
1.2 Other debt securities	8,422,329	811,764	1	7,598,234	314,927	1
2. Equities	844,163	34,386	190,695	273,843	17,613	212,283
3. UCITS units	335,532	—	13,482	—	—	105,614
4. Loans and advances	—	—	—	—	—	—
4.1 Repos	—	—	—	—	—	—
4.2 Others	—	—	—	—	—	—
Total A	9,645,486	846,150	204,178	7,915,241	332,540	317,898
B. Derivative products						
1. Financial derivatives	295,189	3,429,265	835,706	36,625	2,091,716	426,669
1.1 Trading	295,189	3,305,370	502,464 ¹	36,625	2,004,293	181,163 ¹
1.2 Linked to fair value options	—	—	—	—	—	—
1.3 Others	—	123,895	333,242 ²	—	87,423	245,506 ²
2. Credit derivatives	192,751	230,793	2,913	382,062	89,595	4,620
2.1 Trading	192,751	230,793	2,913	382,062	89,595	4,620
2.2 Linked to fair value options	—	—	—	—	—	—
2.3 Others	—	—	—	—	—	—
Total B	487,940	3,660,058	838,619	418,687	2,181,311	431,289
Total (A+B)	10,133,426	4,506,208	1,042,797	8,333,928	2,513,851	749,187

¹ Respectively €319,636,000 and €137,230,000 in respect of options traded, which the counterparty accounts for as trading liabilities.

² Market value of options covering options implicit in bonds issued by Mediobanca S.p.A. and Mediobanca International, which the counterparty accounts for as trading liabilities.

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

Item/value	30/6/10	30/6/09
A. CASH ASSETS		
1. Debt securities	9,277,556	7,956,326
a. Governments and central banks	5,771,179	5,376,477
b. Other public agencies	—	167,696
c. Banks	800,141	1,167,528
d. Other issuers	2,706,236	1,244,625
2. Equities	1,069,244	503,739
a. Banks	267,196	287,617
b. Other issuers	802,048	216,122
- insurances	45,835	20,236
- financial companies	77,436	21,370
- non-financial companies	678,777	174,516
- others	—	—
3. UCITS units	349,014	105,614
4. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
Total A	10,695,814	8,565,679
B. DERIVATIVE PRODUCTS		
a. Banks	3,275,615	1,918,630
b. Customers	1,711,002	1,112,657
Total B	4,986,617	3,031,287
Total A+B	15,682,431	11,596,966

2.3 Financial assets held for trading: derivative products

	Debt securities	Equities	UCITS units	Loans and advances	Total
A. Balance at start of period	7,956,326	503,739	105,614	—	8,565,679
B. Additions	43,315,061	7,634,321	336,451	—	51,285,833
B.1 Acquisitions	42,202,629	7,194,931	335,294	—	49,732,854
B.2 Increases in fair value	186,595	1,806	983	—	189,384
B.3 Other additions	925,837	437,584	174	—	1,363,595
C. Reductions	41,993,831	7,068,816	93,051	—	49,155,698
C.1 Disposals	34,602,890	6,505,550	93,051	—	41,201,491
C.2 Redemptions	6,791,846	—	—	—	6,791,846
C.3 Reductions in fair value	84,552	135,447	—	—	219,999
C.4 Transfers to owner portfolios	—	—	—	—	—
C.5 Other reductions	514,543	427,819	—	—	942,362
D. Balance at end of period	9,277,556	1,069,244	349,014	—	10,695,814

Section 4

Heading 40: Available for sale (AFS) securities

4.1 AFS securities: composition

Item/value	30/6/10			30/6/09		
	Level 1	Level 2	Level 3*	Level 1	Level 2	Level 3*
1. Debt securities	3,143,354	583,934	—	1,712,141	988,230	—
1.1 Structured	—	—	—	—	—	—
1.2 Other debt securities	3,143,354	583,934	—	1,712,141	988,230	—
2. Equities	396,359	64,879	1,024,766	488,447	74,218	1,044,852
2.1 Recognized at fair value	396,359	64,879	1,024,766	488,447	74,218	1,044,852
2.2 Recognized at cost	—	—	—	—	—	—
3. UCITS units	—	—	23,889	—	—	23,057
4. Loans and advances	—	—	—	—	—	—
Total	3,539,713	648,813	1,048,655	2,200,588	1,062,448	1,067,909

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

4.2 AFS securities: by borrower/issuer

Item/value	30/6/10	30/6/09
1. Debt securities	3,727,288	2,700,371
a. Governments and central banks	912,864	473,179
b. Other public agencies	—	—
c. Banks	1,248,570	1,416,812
d. Other issuers	1,565,854	810,380
2. Equities	1,486,004	1,607,517
a. Banks	381,628	344,348
b. Other issuers	1,104,376	1,263,169
- insurances	—	—
- financial companies	545,188	616,542
- non-financial undertakings	559,188	646,627
- others	—	—
3. UCITS units	23,889	23,057
4. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other issuers	—	—
Total	5,237,181	4,330,945

4.3 AFS securities: assets subject to specific hedging

Item/value	30/6/10	30/6/09
1. Financial assets subject to specific fair value hedges:	255,640	83,402
a. interest rate risk	255,640	—
b. price risk	—	83,402
c. exchange rate risk	—	—
d. credit risk	—	—
e. more than one risk	—	—
2. Financial assets subject to specific cash flow hedges:	—	60,937
a. interest rate risk	—	—
b. exchange rate risk	—	—
c. other	—	60,937
Total	255,640	144,339

4.4 AFS securities: movements during the period

	Debt securities	Equities	UCITS units	Loans and advances	Total
A. Balance at start of period	2,700,371	1,607,517	23,057	—	4,330,945
B. Additions	3,757,482	357,172	1,593	—	4,116,247
B.1 Acquisitions	3,581,969	136,005	—	—	3,717,974
B.2 Increases in fair value	113,614	18,651	1,593	—	133,858
B.3 Writebacks	—	106,931	—	—	106,931
- recognized in profit and loss account	—	X	—	—	—
- recognized in net equity	—	106,931	—	—	106,931
B.4 Transfers from other asset classes	—	—	—	—	—
B.5 Other additions	61,899	95,585	—	—	157,484
C. Reductions	2,730,565	478,685	761	—	3,210,011
C.1 Disposals	2,111,240	287,431	—	—	2,398,671
C.2 Redemptions	537,672	—	—	—	537,672
C.3 Reductions in fair value	73,949	42,279	761	—	116,989
C.4 Writedowns due to impairment	—	148,017	—	—	148,017
- taken to profit and loss account	—	148,017	—	—	148,017
- taken to net equity	—	—	—	—	—
C.5 Transfers to other asset classes	—	—	—	—	—
C.6 Other reductions	7,704	958	—	—	8,662
D. Balance at end of period	3,727,288	1,486,004	23,889	—	5,237,181

Section 5

Heading 50: Financial assets held to maturity

5.1 Financial assets held to maturity

Type of transactions/group components	30/6/10				30/6/09			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	719,814	527,501	151,524	9,390	573,633	489,213	—	11,306
1.1 Structured	—	—	—	—	—	—	—	—
1.2 Other debt securities	719,814	527,501	151,524	9,390	573,633	489,213	—	11,306
2. Loans and advances	—	—	—	—	—	—	—	—
Total	719,814	527,501	151,524	9,390	573,633	489,213	—	11,306

5.2 *Financial assets held to maturity: by borrower/issuer*

Type of transactions/value	30/6/10	30/6/09
1. Debt securities	719,814	573,633
a. Governments and central banks	—	495
b. Other public agencies	—	—
c. Banks	25,392	25,400
d. Other entities	694,422	547,738
2. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
Total	719,814	573,633

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

	Debt securities	Loans and advances	Total
A. Balance at start of period	573,633	—	573,633
B. Additions	151,087	—	151,087
B.1 Acquisitions	151,054	—	151,054
B.2 Writebacks	—	—	—
B.3 Transfers from other asset classes	—	—	—
B.4 Other additions	33	—	33
C. Reductions	4,906	—	4,906
C.1 Disposal	—	—	—
C.2 Redemptions	476	—	476
C.3 Value adjustments	1,402	—	1,402
C.4 Transfers to other asset classes	—	—	—
C.5 Other reductions ¹	3,028	—	3,028
D. Balance at end of period	719,814	—	719,814

Section 6

Heading 60 - Due from banks

6.1 Due from banks

Type of transactions/value	30/6/10	30/6/09
A. Due from central banks	354,668	52,741
1. Term deposits	300,087	—
2. Compulsory reserves	54,581	52,741
3. Amounts due under repo agreements	—	—
4. Other amounts due	—	—
B. Due from banks	7,172,366	8,417,420
1. Current accounts and demand deposits	997,863	1,026,422
2. Term deposits	917,708	543,046
3. Other receivables:	5,256,795	6,649,824
3.1 amounts due under repo agreements	2,140,784	1,053,087
3.2 amounts due under finance leases	—	—
3.3 other amounts due	3,116,011	5,596,737
4. Debt securities	—	198,128
4.1 structured	—	—
4.2 other debt securities	—	198,128
Total book value	7,527,034	8,470,161
Total fair value	7,526,750	8,471,275

Section 7

Heading 70: Due from customers

7.1 Due from customers: composition

Type of transactions/amounts	30/6/10		30/6/09	
	Performing	Non-performing	Performing	Non-performing
1. Current accounts	64,330	—	284,763	—
2. Amounts due under repo agreements	6,117,994	—	7,122,946	—
3. Mortgages	17,450,534	116,895	18,751,596	148,353
4. Credit cards, personal loans and salary-guaranteed finance	—	—	—	—
5. Amounts due under finance leasing	—	—	—	—
6. Factoring	—	—	—	—
7. Other transactions	1,795,771	—	1,304,495	—
8. Debt securities	734,652	—	784,983	—
8.1 structured	—	—	—	—
8.2 other debt securities	734,652	—	784,983	—
Total book value	26,163,281	116,895	28,248,783	148,353
Total (fair value)		26,138,053		27,487,483

7.2 Due from customers: by borrower/issuer

Type of transactions/value	30/6/10		30/6/09	
	Performing	Non-performing	Performing	Non-performing
1. Debt securities:	734,652	—	784,983	—
a) Governments	—	—	—	—
b) Other public agencies	—	—	—	—
c) Other issuers	734,652	—	784,983	—
- non-financial undertakings	—	—	—	—
- financial companies	689,445	—	741,521	—
- insurances	45,207	—	43,462	—
- other entities	—	—	—	—
2. Loans and advances to:	25,428,629	116,895	27,463,800	148,353
a) Governments	62,365	—	88,705	—
b) Other public agencies	—	—	—	—
c) Other issuers	25,366,264	116,895	27,375,095	148,353
- non-financial undertakings	9,096,057	108,917	10,389,188	148,353
- financial companies	14,113,257	7,978	14,662,514	—
- insurances	2,081,470	—	2,245,654	—
- other entities	75,480	—	77,739	—
Total	26,163,281	116,895	28,248,783	148,353

7.3 Due from customers: assets subject to specific hedging

Type of transactions/value	30/6/10	30/6/09
1. Items subject to specific fair value hedges for:	266,197	254,441
a) interest rate risk	266,197	254,441
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	266,197	254,441

Section 8

Heading 80: Hedging derivatives

8.1 Hedging derivatives by type of contract and underlying asset

	30/6/10			Notional value	30/6/09			Notional value
	Fair value				Fair value			
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	2,094,906	—	27,926,195	—	1,762,353	—	23,481,405
1) Fair value	—	2,094,765	—	27,696,195	—	1,702,268	—	23,149,540
2) Cash flow	—	141	—	230,000	—	60,085	—	331,865
3) Non-Italian investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	2,094,906	—	27,926,195	—	1,762,353	—	23,481,405

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	892	—	—	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	892	—	—	—	—	—	—	—	—
1. Financial liabilities	2,093,873	—	—	—	—	X	141	X	X
2. Portfolio	X	X	X	X	X	—	X	—	X
Total liabilities	2,093,873	—	—	—	—	—	141	X	X
1. Estimated transactions	X	X	X	X	X	X	—	—	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	—	X	—	—

Section 10

Heading 100: Equity investments

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

Name	Registered office	Percentage shareholding	Percentage voting rights
A. SUBSIDIARIES			
Directly held investments			
1. Compass S.p.A. Share capital €587.5m, in par value €5 shares	Milan	100.00	100.00
2. Prominvestment S.p.A. (in liquidation) Share capital €743,000, in par value €0.52 shares	Rome	100.00	100.00
3. Prudentia Fiduciaria S.p.A. Share capital €100,000, in par value €5 shares	Milan	100.00	100.00
4. Ricerche e Studi S.p.A. Share capital €100,000, in par value €5 shares	Milan	100.00	100.00
5. Sade Finanziaria - Intersomer S.r.l. Share capital €25,000	Milan	100.00	100.00
6. Seteci - Società Consortile per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.c.p.A. Share capital €500,000, in par value €5 shares	Milan	99.99	99.99
7. Spafid S.p.A. Share capital €100,000, in par value €10 shares	Milan	100.00	100.00
8. Technostart S.p.A. Share capital €600,000, in par value €0.50 shares	Milan	69.00	69.00
9. Compagnie Monegasque de Banque - CMB S.A.M. Share capital €111.1m, in par value €200 shares	Monte Carlo	100.00	100.00
10. Mediobanca International (Luxembourg) S.A. Share capital €10m, in par value €10 shares	Luxembourg	99.00	99.00
11. MB Securities USA LLC Share capital \$2.25m	New York	100.00	100.00
12. Consortium S.r.l. Share capital €8.6m	Milan	100.00	100.00
B. JOINTLY-CONTROLLED COMPANIES			
1. Banca Esperia S.p.A. Share capital €13m, in par value €0.52 shares	Milan	50.00	50.00
C. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE			
1. Athena Private Equity S.A. Share capital €151.1m, in par value €2 shares	Luxembourg	24.27	24.27
2. Burgo Group S.p.A. Share capital €205.4m, in par value €0.52 shares	Altavilla Vicentina (VI)	22.13	22.13
3. Fidia - Fondo Interbancario d'Investimento Azionario SGR S.p.A. Share capital €6.8m, in par value €520 shares	Milan	25.00	25.00
4. Assicurazioni Generali S.p.A. Share capital €1,556.9m, in par value €1 shares	Trieste	12.24	12.24
5. RCS MediaGroup S.p.A. Share capital €762m, in par value €1 shares	Milan	14.36	14.94
6. Pirelli & C. S.p.A. Share capital €1,556.7m, in par value €0.29 shares	Milan	4.49	4.61
7. Gemina S.p.A. Share capital €1,473m, in par value €1 shares	Milan	12.53	12.56
8. Telco S.p.A. Share capital €3,287.2m	Milan	11.62	11.62

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

	Total assets	Total income	Net equity (€'000) (For. curr. '000)	Net profit (loss) (€'000) (For. curr. '000)	Book value (€'000)
A. SUBSIDIARIES (IAS 27)					
DIRECTLY OWNED					
1. Compass S.p.A. Share capital €587.5m, in par value €5 shares	9,734,379	937,677	926,302	16,874	580,311
2. Prominvestment S.p.A. (in liquidation) Share capital €743,000, in par value €0.52 shares	5,402	940	—	(520)	—
3. Prudentia Fiduciaria S.p.A. Share capital €100,000, in par value €5 shares	2,307	2,917	798	209	103
4. Ricerche e Studi S.p.A. Share capital €100,000, in par value €5 shares	987	1,787	123	(15)	103
5. Sade Finanziaria - Intersomer S.r.l. Share capital €25,000	15	—	16	(2)	16
6. Seteci - Società Consortile per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.c.p.A. Share capital €500,000, in par value €5 shares	15,844	13,278	3,178	3	522
7. Spafid S.p.A. Share capital €100,000, in par value €10 shares	44,760	7,298	40,075	1,140	172
8. Technostart S.p.A. Share capital €600,000, in par value €0.50 shares	86	2	438	(352)	71
9. Compagnie Monegasque de Banque - CMB S.A.M. Share capital €111.1m, in par value €200 shares	1,974,436	85,034	400,322	25,347	371,513
10. Mediobanca International (Luxembourg) S.A. Share capital €10m, in par value €10 shares	6,340,389	192,303	136,303	30,309	5,942
11. MB Securities USA L.L.C. Share capital \$2.25m	3,131	2,372	278	12	108
12. Consortium S.r.l. Share capital €8.6m	11,048	31	11,048	(24)	10,650
Total subsidiaries					969,511

	Significant data ¹					
	Total assets	Total income	Net profit (loss)	Net equity	Book value	Fair value
B. COMPANIES SUBJECT TO JOINT CONTROL (IAS 31)						
1. Banca Esperia S.p.A.	793,583	67,922	431	108,210	29,129	—
C. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE (IAS 28)						
1. Burgo Group S.p.A.	2,336,511	2,085,297	(12,347)	396,080	54,628	—
2. Assicurazioni Generali S.p.A.	423,816,875	90,659,658	1,309,124	15,343,129	836,151	2,749,155
3. RCS MediaGroup S.p.A.	3,464,900	2,206,400	(129,700)	1,124,300	208,467	103,194
4. Fidia SGR S.p.A.	8,457	638	(1,826)	6,802	1,364	—
5. Athena Private Equity S.A.	117,270	35,787	4,644	98,696	23,705	—
6. Gemina S.p.A.	3,939,234	570,908	(39,152)	1,725,025	211,337	92,266
7. Pirelli & C. S.p.A.	6,727,261	4,637,122	22,745	2,152,278	115,749	109,841
8. Telco S.p.A.	6,528,987	157,359	(13,592)	3,095,760	378,246	—
Total					1,858,776	

¹ From most recent approved consolidated financial statements.

The value which the investment in Gemina is carried, i.e. €211.3m, is higher than the pro-rata share in its net equity (€199.7m) and market value (€92.3m based on stock market prices as at 30 June 2010). However, it is still lower than its value in use as determined via a discounted cash flow model, which takes account of the growth potential reflected in the airport system headed up by Aeroporti Di Roma, which is the main asset owned by Gemina.

The holding in Pirelli & C. has a book value in line with stock market prices (the implicit loss of €5.9m reflected in the market price as at the reporting date has now been wiped out completely based on current prices). This reflects management initiatives to focus on the company's core business in the tyre business, with the announcement of its intention to spin off the real estate activities.

The book value of the investment in Telco is €378.2m, in line with the financial statements for the period ended 30 April 2010, in which the company's investment in Telecom Italia was confirmed as having a book value of €2.2 per share. This value is not considered to be higher than its value in use as defined in paragraph 33 of IAS 28, for the following reasons:

- with a share of 22.4% in Telecom Italia, Telco is the main shareholder in the Telecom Italia group;
- the time horizon of the investment is medium-/long-term;

- the value assigned to the Telecom Italia share price is consistent with the results of applying a discounted cash flow model based on recent strategic guidance and targets for the 2010-12 period presented by Telecom Italia management on 12 April 2010, with growth rates and returns on capital reflecting the current economic scenario;
- deals have been announced in the reference sector which imply valuation multiples significantly higher than those reflected in current stock market prices.

Based on stock market prices of Telecom Italia as at 30 June 2010, the value of Telco's net equity would be virtually nil.

As for the Bank's shareholding in RCS MediaGroup, this has a book value of €208.5m, which is not considered to be higher than its value in use based on a discounted cash flow model that takes into account the earnings prospects of the publishing industry, and the internal reorganization process (development of multi-media business, brand valorization and structural cost cutting). The higher value compared to stock market prices at the reporting date, which reflect an implicit loss of €105.3m, is justified by the size of the shareholding and the unique nature of some of the company's assets.

10.3 Equity investments: movements during the period

Type of transactions/Value	30/6/10	30/6/09
A. Balance at start of period	2,845,233	2,722,390
B. Additions	541	359,675
B.1 Acquisitions	138	5,139
B.2 Value adjustments	—	—
B.3 Revaluations	—	—
B.4 Other adjustments	403	354,536 ¹
C. Reductions	17,487	236,832
C.1 Disposals	55	1
C.2 Value adjustments for impairment	17,432	236,831
C.3 Other reductions	—	—
D. Balance at end of period	2,828,287	2,845,233
E. Total revaluations	—	—
F. Total adjustments	254,263	236,831

¹ €353,488,000 of which refer to the transfer of the Gemina and Pirelli & C stakes.

Section 11

Heading 110: Property plant and equipment

11.1 Tangible assets stated at cost

Assets/value	30/6/10	30/6/09
A. Core assets		
1.1 owned by the Group	91,078	25,610
a) land	60,858	16,567
b) buildings	24,567	3,830
c) furniture	1,574	1,638
d) electronic equipment	4,063	3,559
e) other assets	16	16
1.2 acquired under finance leases:	—	64,171
a) land	—	44,291
b) buildings	—	19,880
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	—	—
Total A	91,078	89,781
B. Assets held for investment purposes		
2.1 owned by the Group:	27,819	28,215
a) land	20,350	20,350
b) buildings	7,469	7,865
2.2 acquired under finance leases:	—	—
a) land	—	—
b) buildings	—	—
Total B	27,819	28,215
Total (A+B)	118,897	117,996

11.3 Core tangible assets: movements during the period

	Land	Buildings	Furniture	Electronic equipment	Other assets	Total
A. Gross opening balance	60,858	34,452	3,694	18,073	40	117,117
A.1 Total net value reductions	—	(10,742)	(2,056)	(14,514)	(24)	(27,336)
A.2 Net opening balance	60,858	23,710	1,638	3,559	16	89,781
B. Additions:	—	1,924	292	1,749	—	3,965
B.1 Purchases	—	1,924	292	1,749	—	3,965
B.2 Improvement expenses, capitalized	—	—	—	—	—	—
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:	—	1,067	356	1,245	—	2,668
C.1 Disposals	—	—	—	2	—	2
C.2 Depreciation charges	—	1,067	356	1,243	—	2,666
C.3 Value adjustments for impairment taken to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
C.4 Reductions in fair value charged to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
C.5 Reductions due to exchange rates	—	—	—	—	—	—
C.6 Transfers to:	—	—	—	—	—	—
a) assets held for investment purposes	—	—	—	—	—	—
b) assets being sold	—	—	—	—	—	—
C.7 Other reductions	—	—	—	—	—	—
D. Net closing balance	60,858	24,567	1,574	4,063	16	91,078
D.1 Total net value reductions	—	(11,809)	(2,412)	(15,671)	(24)	(29,916)
D.2 Gross closing balance	60,858	36,376	3,986	19,734	40	120,994
E. Stated at cost	—	—	—	—	—	—

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

	Total	
	Land	Buildings
A. Gross opening balance	20,350	7,865
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	—	396
C.1 Disposals	—	—
C.2 Depreciation charges	—	396
C.3 Reductions in fair value	—	—
C.4 Value adjustments for impairment	—	—
C.5 Reductions arising due to exchange rates	—	—
C.6 Transfers to other asset portfolios	—	—
a) core assets	—	—
b) non-current assets being sold	—	—
C.7 Other reductions	—	—
D. Closing balance	20,350	7,469
E. Stated at fair value	87,325	37,361

Section 12

Heading 120: Intangible assets

12.1 Intangible assets stated at cost

Assets/amounts	30/6/10		30/6/09	
	Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life
A.1 Goodwill	X	—	X	—
A.2 Other intangible assets	11,683	—	4,453	—
A.2.1 Recognized at cost:	11,683	—	4,453	—
a) intangible assets generated internally	—	—	—	—
b) other assets	11,683	—	4,453	—
A.2.2 Recognized at fair value:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
Total	11,683	—	4,453	—

12.2 Core intangible assets: movements during the period

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life	
A. Balance at start of period	—	—	—	10,921	—	10,921
A.1 Total net value reductions	—	—	—	(6,468)	—	(6,468)
A.2 Net opening balance	—	—	—	4,453	—	4,453
B. Additions	—	—	—	13,254	—	13,254
B.1 Purchases	—	—	—	13,254	—	13,254
B.2 Increases in internally generated assets	—	—	—	—	—	—
B.3 Revaluations	—	—	—	—	—	—
B.4 Increases in fair value taken to:	—	—	—	—	—	—
– net equity	—	—	—	—	—	—
– profit and loss account	—	—	—	—	—	—
B.5 Increases arising on exchange rates	—	—	—	—	—	—
B.6 Other additions	—	—	—	—	—	—
C. Reductions	—	—	—	6,024	—	6,024
C.1 Disposals	—	—	—	—	—	—
C.2 Value adjustments	—	—	—	6,024	—	6,024
– amortization	—	—	—	6,024	—	6,024
– writedowns	—	—	—	—	—	—
+ net equity	—	—	—	—	—	—
+ profit and loss account	—	—	—	—	—	—
C.3 Reductions in fair value charged to:	—	—	—	—	—	—
– net equity	—	—	—	—	—	—
– profit and loss account	—	—	—	—	—	—
C.4 Transfers to non-current assets being sold	—	—	—	—	—	—
C.5 Reductions due to exchange rate differences	—	—	—	—	—	—
C.6 Other reductions	—	—	—	—	—	—
D. Balance at end of period	—	—	—	11,683	—	11,683
D.1 Total net value adjustments	—	—	—	(12,491)	—	(12,491)
E. Gross closing balance	—	—	—	24,174	—	24,174
F. Stated at cost	—	—	—	—	—	—

Section 13

Asset heading 130 and Liability heading 80: Tax assets and liabilities

13.1 Advance tax assets

	30/6/10	30/6/09
Corporate income tax (IRES)	127,826	118,941
Regional production tax (IRAP)	24,953	25,974
Total	152,779	144,915

13.2 Deferred tax liabilities

	30/6/10	30/6/09
Corporate income tax (IRES)	255,197	250,073
Regional production tax (IRAP)	7,506	9,030
Total	262,703	259,103

13.3 Changes in advance tax during the period

	30/6/10	30/6/09
1. Opening balance	83,567	100,410
2. Additions	15,412	40,382
2.1 Advance tax originating during the period	15,412	40,382
a) for previous years	—	17
b) due to changes in accounting policies	—	—
c) amounts written back	—	—
d) other additions	15,412	40,365
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	6,589	57,225
3.1 Advance tax reversed during the period	3,650	57,074
a) reclassifications	3,650	57,074
b) amounts written off as unrecoverable	—	—
c) due to changes in accounting policies	—	—
d) other	—	—
3.2 Reductions in tax rates	—	—
3.3 Other reductions	2,939	151
4. Balance at end of period	92,390	83,567

13.4 Changes in deferred tax during the period

	30/6/10	30/6/09
1. Opening balance	240,880	277,906
2. Additions	—	7,885
2.1 Deferred tax originating during period	—	7,885
a) relating to previous years	—	374
b) due to changes in accounting policies	—	—
c) others	—	7,511
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	6,509	44,911
3.1 Deferred tax reversed during period	6,509	44,911
a) reclassifications	6,509	44,911
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	234,371	240,880

13.5 Changes in advance tax during the period¹

	30/6/10	30/6/09
1. Opening balance	61,348	37,436
2. Additions	60,389	27,745
2.1 Advance tax originating during period	60,389	27,745
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	60,389	27,745
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	61,348	3,833
3.1 Advance tax reversed during period	61,348	3,833
a) reclassifications	61,348	3,833
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	60,389	61,348

¹ Taxes relating to cash flow hedges and AFS securities valuations.

13.6 Changes in deferred tax during the period¹

	30/6/10	30/6/09
1. Opening balance	18,223	30,467
2. Additions	21,747	—
2.1 Deferred tax originating during period	21,747	—
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	21,747	—
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	11,638	12,244
3.1 Advance tax reversed during the period	11,638	12,244
a) reclassifications	11,638	12,244
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	28,332	18,223

¹ Taxes relating to cash flow hedges and AFS securities valuations.

Section 15

Heading 150: Other assets

15.1 Other assets

	30/6/10	30/6/09
1. Gold, silver and precious metals	—	—
2. Accrued income other than capitalized income from financial assets	2,829	9,658
3. Trade receivables or invoices to be issued	20,762	476
4. Amounts due from tax revenue authorities (not recorded under Heading 140)	11,126	8,158
5. Other items	18,234	10,240
- bills for collection	—	—
- amounts due in respect of premiums, grants, indemnities and other items in respect of lending transactions	—	—
- futures and other securities transactions	3,318	245
- advance payments on deposit commissions	60	479
- other items in transit	—	—
- amounts due to staff	43	44
- downpayments made on derivative contracts	—	—
- sundry other items	14,813	9,472
Total	52,951	28,532

Liabilities

Section 1

Heading 10: Due to banks

1.1 Due to banks: composition

Type of transaction/amounts	30/6/10	30/6/09
1. Due to central banks	494,940	500,069
2. Due to banks	7,459,735	8,300,558
2.1 Current accounts and demand deposits	4,791,531	3,263,582
2.2 Term deposits	908,545	2,446,835
2.3 Borrowings	1,334,628	2,331,691
2.3.1 Reverse repos	476,037	1,382,126
2.3.2 Others	858,591	949,565
2.4 Liabilities in respect of assets sold but not derecognized	—	—
2.5 Other amounts due	425,031	258,450
Total book value	7,954,675	8,800,627
Total fair value	7,954,675	8,800,627

Section 2

Heading 20: Due to customers

2.1 Due to customers: composition

Type of transaction/amounts	30/6/10	30/6/09
1. Current accounts and demand deposits	302,870	315,543
2. Term deposits	106,599	434,518
3. Borrowings	1,246,357	1,698,017
3.1 Reverse repos	1,164,721	1,621,661
3.2 others	81,636	76,356
4. Liabilities in respect of assets sold but not derecognized	—	—
5. Other amounts due	396,119	766,731
Total book value	2,051,945	3,214,809
Total fair value	2,051,945	3,214,809

Section 3

Heading 30: Debt securities in issue

3.1 Debt securities in issue: composition

Type of transaction/amounts	30/6/10				30/6/09			
	Book value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Book value	Fair value Level 1	Fair value Level 2	Fair value Level 3
A. Listed securities								
1. bonds	37,461,152	31,685,337	5,994,030	—	36,269,082	26,008,971	10,465,220	—
1.1 structured	10,936,836	10,645,655	259,042	—	11,288,724	8,720,126	2,583,020	—
1.2 others	26,524,316	21,039,682	5,734,988	—	24,980,358	17,288,845	7,882,200	—
2. other securities	57,012	—	—	57,012	80,768	—	—	80,768
2.1 structured	—	—	—	—	—	—	—	—
2.2 others	57,012	—	—	57,012	80,768	—	—	80,768
Total	37,518,164	31,685,337	5,994,030	57,012	36,349,850	26,008,971	10,465,220	80,768

Subordinated liabilities included under the heading *Debt securities in issue* total €952,185,000.

3.3 Debt securities: items subject to specific hedging

	30/6/10	30/6/09
1. Securities subject to specific fair value hedges	27,385,044	27,854,437
a) interest rate risk	27,385,044	27,854,437
b) exchange rate risk	—	—
c) other	—	—
2. Securities subject to specific cash flow hedges	675,735	672,852
a) interest rate risk	675,735	672,852
b) exchange rate risk	—	—
c) other	—	—

Section 4**Heading 40: Trading liabilities***4.1 Trading liabilities: composition*

Type of transaction/amounts	30/6/10					30/6/09				
	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	136,050	130,831	—	—	130,831	116,860	109,859	—	—	109,859
2. Due to customers	610,007	602,065	460	—	602,525	497,023	493,587	—	—	493,587
3. Debt securities	—	—	—	—	—	—	—	—	—	—
3.1 Bonds	—	—	—	—	—	—	—	—	—	—
3.1.1 Structured	—	—	—	—	X	—	—	—	—	X
3.1.2 Other	—	—	—	—	X	—	—	—	—	X
3.2 Other securities	—	—	—	—	X	—	—	—	—	X
3.2.1 Structured	—	—	—	—	X	—	—	—	—	X
3.2.2 Other	—	—	—	—	X	—	—	—	—	X
Total A	746,057	732,896	460	—	733,356	613,883	603,446	—	—	603,446
B. Derivative products										
1. Financial derivatives	X	263,973	4,055,302	912,370	X	X	45,986	1,837,407	382,560	X
1.1 Trading	X	263,973	3,931,508	579,085 ¹	X	X	45,986	1,750,082	138,286 ¹	X
1.2 Linked to fair value options	X	—	—	—	X	X	—	—	—	X
1.3 Other	X	—	123,794	333,285 ²	X	X	—	87,325	244,274 ²	X
2. Credit derivatives	X	321,905	385,929	1,153	X	X	385,490	97,269	1,256	X
2.1 Trading	X	321,905	385,929	1,153	X	X	385,490	97,269	1,256	X
2.2 Linked to fair value options	X	—	—	—	X	X	—	—	—	X
2.3 Other	X	—	—	—	X	X	—	—	—	X
Total B	X	585,878	4,441,231	913,523	X	X	431,476	1,934,676	383,816	X
Total (A+B)	X	1,318,774	4,441,691	913,523	X	X	1,034,922	1,934,676	383,816	X

* Fair value calculated without taking into account changes in value due to changes in the issuer's credit standing subsequent to the issue date.

¹ Respectively €319,636,000 and €137,230,000 in respect of options traded, which the counterparty accounts for as trading liabilities.

² Market value of options covering options implicit in bonds issued by Mediobanca S.p.A. and Mediobanca International, which the counterparty accounts for as trading liabilities.

Section 6

Heading 60: Hedging derivatives

6.1 Hedging derivatives: by type of product/underlying asset

Items/amounts	30/6/10			Nominal value	30/6/09			Nominal value
	Fair value				Fair value			
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	817,440	—	30,584,033	—	1,247,257	—	26,742,312
1) Fair value	—	792,809	—	30,354,033	—	1,234,155	—	26,512,312
2) Cash flow	—	24,631	—	230,000	—	13,102	—	230,000
3) Non-Italian investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	3	—	12,500	—	—	—	—
1) Fair value	—	3	—	12,500	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	817,443	—	30,596,533	—	1,247,257	—	26,742,312

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	—	—	—	—	—	X	—	X	X
2. Loans and advances	66,714	—	3	X	—	X	—	X	X
3. Financial assets held to maturity	X	—	—	X	—	X	—	X	X
4. Portfolio	—	—	—	—	—	—	—	—	X
5. Other operations	X	X	X	X	X	X	X	X	—
Total assets	66,714	—	3	—	—	—	—	—	—
1. Financial liabilities	726,095	—	—	X	—	X	24,631	X	X
2. Portfolio	—	—	—	—	—	—	—	—	X
Total liabilities	726,095	—	—	—	—	—	24,631	—	X
1. Expected transactions	X	X	X	X	X	X	—	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	—	X	—	—

Section 8

Heading 80 - Deferred liabilities

See Assets, section 13.

Section 10

Heading 100: Other liabilities

10.1 Other liabilities

	30/6/10	30/6/09
1. Payment agreements (IFRS 2)	80	38
2. Impaired endorsements	120,309	94,934
3. Working capital payables and invoices pending receipt	15,886	16,501
4. Prepaid expenses other than capitalized expenses on related financial assets	107	111
5. Amounts due to revenue authorities	6,841	31,746
6. Amounts due to staff	109,721	41,979
7. Other items:	18,323	21,727
- bills for collection	—	—
- coupons and dividends pending collection	2,179	2,210
- fees payable to banks	—	—
- underwriting syndicate commissions payable	890	2,413
- available sums payable to third parties	15,254	17,104
Total	271,267	207,036

Section 11

Heading 110: Staff severance indemnity provision

11.1 Staff severance indemnity provision

	30/6/10	30/6/09
A. Balance at start of period	9,836	10,676
B. Additions	3,858	4,878
B.1 Transfers during period	3,858	4,878
B.2 Other additions	—	—
C. Reductions	3,820	5,718
C.1 Indemnities paid out	659	929
C.2 Other reductions ¹	3,161	4,789
D. Balance at end of period	9,874	9,836

¹ Includes €3,129,000 in transfers to external, defined contribution pension schemes (€4,740,000 at 30 June 2009).

11.2 Other information

The staff severance indemnity provision, calculated according to the provisions of the Italian Civil Code, amounts to €11,761,000. Following regulatory changes, new interest accrued during the year has not been included (service cost).

In order to determine the actuarial value, the provision has been revalued assuming a return of 2% for the current year and discounted using the government bonds interest rate curve as at 30 June 2010, which shows an interest cost of €111,000.

Section 12

Heading 120: Provisions

12.1 Provisions

Item/amounts	30/6/10	30/6/09
1. Company post-employment benefit provision	—	—
2. Other provisions	150,776	150,776
2.1 litigation	—	—
2.2 staff-related	—	—
2.3 other	150,776	150,776
Total	150,776	150,776

12.4 Other provisions

	Post-employment benefit provision	Litigation	Other provisions	Total
A. Balance at start of period	—	—	150,776	150,776
B. Additions	—	—	—	—
B.1 Transfers during period	—	—	—	—
B.2 Changes due to passing of time	—	—	—	—
B.3 Additions due to changes in discount rate	—	—	—	—
B.4 Other additions	—	—	—	—
C. Reductions	—	—	—	—
C.1 Transfers during period	—	—	—	—
C.2 Reductions due to changes in discount rate	—	—	—	—
C.3 Other reductions	—	—	—	—
D. Balance at end of period	—	—	150,776	150,776

Section 14

Headings 130, 150, 160, 170, 180, 190 and 200: Net equity

14.1 Net equity

See part F for the composition of net equity.

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

Item/type	Ordinary
A. Shares in issue at start of period	820,055,665
– entirely unrestricted	820,055,665
– with restrictions	—
A.1 Treasury shares	(16,200,000)
A.2 Shares in issue: balance at start of period	803,855,665
B. Additions	41,046,412
B.1 New share issuance as a result of:	41,046,412
– rights issues	43,629
– business combinations	—
– bond conversions	—
– exercise of warrants	43,629
– others	—
– bonus issues	41,002,783
– to staff members	—
– to Board members	—
– others	41,002,783
B.2 Treasury share disposals	—
B.3 Other additions	—
C. Reductions	810,000
C.1 Cancellations	—
C.2 Treasury share buybacks	810,000
C.3 Disposals of businesses	—
C.4 Other reductions	—
D. Shares in issue: balance at end of period	844,092,077
D.1 Add: treasury shares	(17,010,000)
D.2 Shares in issue at end of period	861,102,077
– entirely unrestricted	861,102,077
– with restrictions	—

14.3 *Regulatory capital requirements for banks (pursuant to Article 2427, paragraph 7-bis of the Italian Civil Code)*

	Amount	Possible uses	Portion available	Summary of uses over three previous years	
				To cover losses	Other
Share capital	430,551	—	—	—	—
Share premium reserve	2,119,913	A – B – C	2,119,913	—	—
Reserves:					
- Legal reserve	86,106	B	86,106	—	—
- Statutory reserve	992,771	A – B – C	992,771	—	—
- Treasury share reserve	213,410	A – B – C	213,410	—	—
- Other reserves	1,080,137	A – B – C	1,080,137	—	—
Valuation reserves:					
- AFS securities	(25,287)	—	—	—	—
- Cash flow hedges	(16,272)	—	—	—	—
- Special laws	7,587	A – B – C	7,587	—	—
- Treasury shares	(213,410)	—	—	—	—
Total	4,675,506	—	4,499,924	—	—
Portion unavailable	—	—	299,516	—	—
Remainder distributable	—	—	4,200,408	—	—

Legend:

A: due to rights issues

B: to cover losses

C: due to distribution to shareholders

Other information

1. Guarantees and commitments

Transactions	30/6/10	30/6/09
1. Financial guarantees given to:	6,481,508	11,333,117
a) Banks	5,884,486	9,896,827
b) Customers	597,022	1,436,290
2. Commercial guarantees given to:	43,756	7,263
a) Banks	504	370
b) Customers	43,252	6,893
3. Irrevocable commitments to lend funds to:	27,287,122	23,129,829
a) Banks	12,064,604	3,601,715
i) specific	4,671,649	701,840
ii) standby basis	7,392,955	2,899,875
b) Customers	15,222,518	19,528,114
i) specific	13,360,675	12,434,768
ii) standby basis	1,861,843	7,093,346
4. Commitments underlying credit derivatives: hedge sales	11,778,680	8,445,673
5. Assets pledged as collateral for customer obligations	—	—
6. Other commitments	3,886,305	1,091,470
Total	49,477,371	44,007,352

2. Assets pledged as collateral for own liabilities and commitments

Portfolios	30/6/10	30/6/09
1. Financial assets held for trading	933,329	1,495,075
2. Financial assets recognized at fair value	—	—
3. AFS securities	—	—
4. Financial assets held to maturity	—	—
5. Due from banks	—	—
6. Due from customers	454,275	1,005,815
7. Property, plant and equipment	—	—

4. *Assets managed and traded on behalf of customers*

Transactions	30/6/10	30/6/09
1. Securities traded on behalf of customers	33,534,381	33,730,085
a) Purchases	16,821,573	18,287,389
1. settled	14,700,968	13,221,624
2. pending settlement	2,120,605	5,065,765
b) Disposals	16,712,808	15,442,696
1. settled	14,592,203	10,376,931
2. pending settlement	2,120,605	5,065,765
2. Asset management	—	—
a) individuals	—	—
b) groups	—	—
3. Securities under custody/managed on a non-discretionary basis	38,944,011	36,764,697
a) customers' securities held on deposit: in connection with the Bank's activity as deposit bank (not including asset management)	7,710,986	7,493,608
1. securities issued by bank drawing up consolidated financial statements	783,763	1,820,349
2. other securities	6,927,223	5,673,259
b) other customers' securities held on deposit (not including asset management): others	—	—
1. securities issued by bank drawing up consolidated financial statements	—	—
2. other securities	—	—
c) customers' securities held on deposit with customers	7,382,685	7,146,601
d) own securities held on deposit with customers	23,850,340	22,124,488
4. Other transactions	—	—

PART C - NOTES TO PROFIT AND LOSS ACCOUNT

Section 1

Headings 10 and 20: Net interest income

1.1 Interest and similar income

Line items/technical forms	Debt securities	Loans and advances	Other transactions	12 mths ended 30/6/10	12 mths ended 30/6/09
1. Financial assets held for trading	309,956	—	—	309,956	381,827
2. Financial assets recognized at fair value	—	—	—	—	—
3. AFS securities	150,698	—	—	150,698	68,884
4. Financial assets held to maturity	25,293	—	—	25,293	24,405
5. Due from banks	2,268	79,620	10,182	92,070	325,214
6. Due from customers	22,801	454,835	45,885	523,521	1,060,528
7. Hedge derivatives	X	X	722,613	722,613	111,419
8. Other assets	X	X	—	—	12
Total	511,016	534,455	778,680	1,824,151	1,972,289

1.2 Interest and similar income: differences arising on hedging transactions

Items/sectors	12 mths ended 30/6/10	12 mths ended 30/6/09
A. Positive differences on transactions	1,163,893	421,706
B. Negative differences on transactions	(441,280)	(310,287)
C. Balance of differences arising on hedges	722,613	111,419

1.3 Interest and similar income: other information

Items/sectors	12 mths ended 30/6/10	12 mths ended 30/6/09
1.3.1 Interest receivable on financial assets denominated in currencies other than the Euro	108,275	73,897
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	108,275	73,897

1.4 Interest expense and similar charges

Line items/technical forms	Accounts payable	Securities	Other liabilities	12 mths ended 30/6/10	12 mths ended 30/6/09
1. Due to central banks	—	X	(5,055)	(5,055)	(40,814)
2. Due to banks	(115,695)	X	(8,322)	(124,017)	(200,371)
3. Due to customers	(1,415)	X	(4,205)	(5,620)	(53,777)
4. Debt securities in issue	—	(1,338,551)	—	(1,338,551)	(1,430,531)
5. Trading liabilities	X	—	—	—	—
6. Financial liabilities recognized at fair value	—	—	—	—	—
7. Other liabilities	X	X	—	—	(44)
8. Hedging derivatives	X	X	—	—	—
Total	(117,110)	(1,338,551)	(17,582)	(1,473,243)	(1,725,537)

1.6 Interest expense and similar charges: other information

Items/sectors	12 mths ended 30/6/10	12 mths ended 30/6/09
1.6.1 Interest payable on liabilities denominated in currencies other than the Euro	(18,525)	(59,416)
1.6.2 Interest payable on liabilities in respect of finance leasing transactions	(57)	(374)
1.6.3 Interest payable on customers' funds held on a non-discretionary basis	—	—
Total	(18,582)	(59,790)

Section 2

Headings 40 and 50: Net fee and commission income

2.1 Net fee and commission income

Type of service/sectors	12 mths ended 30/6/10	12 mths ended 30/6/09
a) guarantees given	2,103	3,018
b) credit derivatives	—	—
c) management, trading and advisory services:	111,287	63,927
1. securities trading	10,844	9,362
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	—
6. securities placement	88,469	53,269
7. procurement of orders	4,516	1,296
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	190,531	214,287
Total	303,921	281,232

2.2 Fee and commission income: by product/service distribution channel

Channels/Sectors	12 mths ended 30/6/10	12 mths ended 30/6/09
a) on the Bank's own premises:	88,469	53,269
1. asset management	—	—
2. securities placement	88,469	53,269
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	88,469	53,269

2.3 Fee and commission expense

Services/amounts	12 mths ended 30/6/10	12 mths ended 30/6/09
a) guarantees received	—	—
b) credit derivatives	—	—
c) management and trading services:	(4,949)	(3,326)
1. securities trading	(2,708)	(1,784)
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	(1,358)	(1,092)
5. securities placement	(883)	(450)
6. door-to-door sales of securities, products and services	—	—
d) collection and payment services	(1,891)	(3,639)
e) other services	(160)	(2,172)
Total	(7,000)	(9,137)

Section 3

Heading 70: Dividends and similar income

3.1 Dividends and similar income

Line items/income	12 mths ended 30/6/10		12 mths ended 30/6/09	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	51,430	—	23,976	—
B. AFS securities	16,986	—	16,995	—
C. Financial assets recognized at fair value	—	—	—	—
D. Equity investments	70,177	—	27,478	—
Total	138,593	—	68,449	—

Section 4

Heading 80: Net trading income

4.1 Net trading income

Transactions/income elements	Gains (A)	Dealing profits (B)	Value reductions (C)	Dealing losses (D)	Net trading income [(A+B)-(C+D)]
1. Trading assets	208,288	532,726	(226,201)	(344,910)	169,903
1.1 Debt securities	195,812	301,727	(89,066)	(103,843)	304,630
1.2 Equities	11,716	230,825	(137,135)	(241,067)	(135,661)
1.3 UCITS units	760	174	—	—	934
1.4 Loans and advances	—	—	—	—	—
1.5 Others	—	—	—	—	—
2. Trading liabilities	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—
2.2 Debts	—	—	—	—	—
2.3 Others	—	—	—	—	—
3. Other assets and liabilities: differences arising on exchange rates	X	X	X	X	61,801
4. Derivative products	3,501,702	1,053,469	(3,646,586)	(941,783)	(221,755)
4.1 Financial derivatives:	2,927,952	821,035	(3,119,946)	(733,127)	(292,643)
– debt securities and interest rates ¹	1,904,910	174,511	(2,077,911)	(264,582)	(263,072)
– equities and stock market indexes	882,239	646,345	(874,191)	(468,545)	185,848
– foreign currency and gold	X	X	X	X	(188,557)
– others	140,803	179	(167,844)	—	(26,862)
4.2 Credit derivatives	573,750	232,434	(526,640)	(208,656)	70,888
Total	3,709,990	1,586,195	(3,872,787)	(1,286,693)	9,949

¹ Of which €53,593,000 in positive margins on interest rate derivatives (30/6/09: €18,252,000).

Section 5

Heading 90: Net hedging income

5.1 Net hedging income

Income elements/amounts	12 mths ended 30/6/10	12 mths ended 30/6/09
A. Income from:		
A.1 Fair value hedge derivatives	1,190,529	2,358,206
A.2 Financial assets hedged (fair value)	38,759	30,818
A.3 Financial liabilities hedged (fair value)	99,510	44,974
A.4 Cash flow hedge derivatives	—	—
A.5 Assets and liabilities in foreign currencies	—	—
Total hedging income (A)	1,328,798	2,433,998
B. Expense related to:		
B.1 Fair value hedge derivatives	(281,872)	(234,422)
B.2 Financial assets hedged (fair value)	(2,482)	(1,267)
B.3 Financial liabilities hedged (fair value)	(1,060,431)	(2,197,045)
B.4 Cash flow hedge derivatives	—	—
B.5 Assets and liabilities in foreign currencies	—	—
Total hedging expense (B)	(1,344,785)	(2,432,734)
Net hedging income (A–B)	(15,987)	1,264

Section 6

Heading 100: Gains (losses) on disposals/repurchases

6.1 Gains (losses) on disposals/repurchases

Line items/income elements	12 mths ended 30/6/10			12 mths ended 30/6/09		
	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
Financial assets						
1. Due from banks	—	—	—	—	—	—
2. Due from customers	—	—	—	—	—	—
3. AFS securities	147,200	(8,432)	138,768	158,934	(1,824)	157,110
3.1 Debt securities	47,331	(7,376)	39,955	637	(1,794)	(1,157)
3.2 Equities	99,869	(1,056)	98,813	158,297	(30)	158,267
3.3 UCITS units	—	—	—	—	—	—
3.4 Loans and advances	—	—	—	—	—	—
4. Financial assets held to maturity	32	(6)	26	190	(78)	112
Total assets	147,232	(8,438)	138,794	159,124	(1,902)	157,222
Financial liabilities						
1. Due to banks	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—
3. Debt securities in issue	19,524	—	19,524	18,356	—	18,356
Total liabilities	19,524	—	19,524	18,356	—	18,356

Section 8

Heading 130: Adjustments for impairment

8.1 Adjustments for impairment

Transactions/income elements	Value adjustments			Amounts recovered				12 mths ended 30/6/10	12 mths ended 30/6/09
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Due from banks	—	(140)	—	—	—	—	653	513	471
- Loans	—	(140)	—	—	—	—	653	513	471
- Debt securities	—	—	—	—	—	—	—	—	—
B. Due from customers	—	(6,153)	(57,198)	—	5,165	—	—	(58,186)	(77,492)
- Loans	—	(6,153)	(57,198)	—	5,165	—	—	(58,186)	(77,492)
- Debt securities	—	—	—	—	—	—	—	—	—
C. Total	—	(6,293)	(57,198)	—	5,165	—	653	(57,673)	(77,021)

Legend

A = interest

B = other amounts recovered

8.2 Net adjustments for impairment to AFS securities

Transactions/income elements	Value adjustments		Amounts recovered		12 mths ended 30/6/10	12 mths ended 30/6/09
	Specific		Specific			
	Writeoffs	Others	A	B		
A. Debt securities	—	—	—	—	—	—
B. Equities	—	(148,017)	—	—	(148,017)	(179,114)
C. UCITS units	—	—	—	—	—	—
D. Loans and advances to banks	—	—	—	—	—	—
E. Loans and advances to customers	—	—	—	—	—	—
F. Total	—	(148,017)	—	—	(148,017)	(179,114)

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 30/6/10	12 mths ended 30/6/09
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Debt securities	—	(1,402)	—	—	—	—	—	(1,402)	—
B. Loans and advances to banks	—	—	—	—	—	—	—	—	—
C. Loans and advances to customers	—	—	—	—	—	—	—	—	—
D. Total	—	(1,402)	—	—	—	—	—	(1,402)	—

Legend

A = interest

B = other amounts recovered

8.4 Adjustments for impairment to other financial transactions: composition

Transactions/income-linked components	Value adjustments			Amounts recovered				12 mths ended 30/6/10	12 mths ended 30/6/09
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Guarantees given	—	(13,669)	(9,665)	—	—	—	—	(23,334)	(45,905)
B. Credit derivatives	—	—	—	—	—	—	—	—	—
C. Commitments	—	(10,800)	(20,059)	—	—	—	—	(30,859)	(11,938)
D. Other transactions	—	—	—	—	—	—	—	—	—
E. Total	—	(24,469)	(29,724)	—	—	—	—	(54,193)	(57,843)

Legend

A = interest

B = other amounts recovered

Section 9

Heading 150: Administrative expenses

9.1 Personnel costs

Type of expense/sectors	12 mths ended 30/6/10	12 mths ended 30/6/09
1. Employees	(177,441)	(171,217)
a) wages and salaries	(133,254)	(122,990)
b) social security contributions	(27,293)	(24,146)
c) severance indemnities	—	—
d) pension contributions	—	—
e) transfers to severance indemnity provisions	(5,835)	(4,877)
f) transfers to post-employment and similar benefits provisions:	—	—
– defined benefit	—	—
– defined contribution	—	—
g) amounts paid to external complementary pension schemes:	(5,497)	(5,143)
– defined benefit	(5,497)	(5,143)
– defined contribution	—	—
h) expenses incurred in connection with share payment schemes	(4,756)	(12,313)
i) other staff benefits	(806)	(1,748)
2. Other staff	(5,521)	(5,376)
3. Board members	(7,340)	(7,972)
4. Expenses incurred in connection with staff retiring	(3,570)	(1,989)
5. Expenses recovered in respect of staff seconded to other companies	509	327
6. Refunds of expenses for other companies' staff seconded to Mediobanca	—	—
Total	(193,363)	(186,227)

9.2 Average number of staff by category

	12 mths ended 30/6/10	12 mths ended 30/6/09
Employees:		
a) Senior executives	112	106
b) Executives	325	302
c) Other employees	140	144
Other staff	64	53
Total	641	605

9.5 Other administrative expenses

	12 mths ended 30/6/10	12 mths ended 30/6/09
OTHER ADMINISTRATIVE EXPENSES		
– legal, tax and professional services	(12,852)	(20,336)
– loan recovery activity	—	—
– marketing and communications	(3,764)	(3,407)
– property	(7,901)	(7,673)
– EDP	(13,049)	(15,566)
– info-provider	(11,919)	(10,186)
– bank charges, collection and payment fees	(4,047)	(3,891)
– operating expenses	(4,529)	(3,747)
– other staff expenses	(7,920)	(6,075)
– other costs	(10,421)	(9,683)
– indirect and other taxes	(1,845)	(3,909)
Total other administrative expenses	(78,247)	(84,473)

Section 11

Heading 170: Net adjustments to tangible assets

11.1 Net adjustments to tangible assets

Assets/income elements	Depreciation	Value adjustments for impairment	Amounts recovered	Net result
A. Tangible assets				
A.1 Owned	(3,062)	—	—	(3,062)
– core	(2,666)	—	—	(2,666)
– for investment purposes	(396)	—	—	(396)
A.2 Acquired under finance leases	—	—	—	—
– core	—	—	—	—
– for investment purposes	—	—	—	—
Total	(3,062)	—	—	(3,062)

Section 12

Heading 180: Net adjustments to intangible assets

12.1 Net adjustments to intangible assets

Assets/income elements	Amortization	Value adjustments for impairment	Amounts recovered	Net result
A. Intangible assets				
A.1 Owned	(6,024)	—	—	(6,024)
– software	(6,024)	—	—	(6,024)
– other	—	—	—	—
A.2 Goodwill	—	—	—	—
Total	(6,024)	—	—	(6,024)

Section 13

Heading 130: Other operating income (expense)

13.1 Other operating expense: composition

Income-based components/values	12 mths ended 30/6/10	12 mths ended 30/6/09
a) Leasing activity	—	—
d) Sundry costs and expenses	(1,081)	(760)
Total	(1,081)	(760)

13.2 Other operating income: composition

Income-based components/values	12 mths ended 30/6/10	12 mths ended 30/6/09
a) Amounts recovered from customers	1,369	2,861
b) Other income	11,564	11,212
Total	12,933	14,073

Section 14

Heading 210: Gains (losses) on equity investments

14.1 Gains (losses) on equity investments: composition

Income-based components/values	12 mths ended 30/6/10	12 mths ended 30/6/09
A. Income	—	—
1. Revaluations	—	—
2. Gains on disposals	—	—
3. Amounts recovered	—	—
4. Other increases	—	—
B. Expenses	(17,433)	(236,831)
1. Writedowns	—	—
2. Adjustments for impairment	(17,433)	(236,831)
3. Losses from disposals	—	—
4. Other reductions	—	—
Net income	(17,433)	(236,831)

Section 17

Heading 240: Net gain (loss) upon disposal of investments

17.1 Net gain (loss) upon disposal of investments

Income elements/sectors	12 mths ended 30/6/10	12 mths ended 30/6/09
A. Properties	—	—
– gains on disposals	—	—
– losses on disposals	—	—
B. Other assets	(1)	(17)
– gains on disposals	—	—
– losses on disposals	(1)	(17)
Net gain (loss)	(1)	(17)

Section 18

Heading 260: Income tax on ordinary activities

18.1 Income tax on ordinary activities

Income elements/sectors	12 mths ended 30/6/10	12 mths ended 30/6/09
1. Current taxes	(162,334)	(154,181)
2. Changes in current taxes for previous financial years	—	—
3. Reductions in current tax for the period	—	—
4. Changes in advance tax	8,824	(16,844)
5. Changes in deferred tax	6,510	37,025
Income tax for the year	(147,000)	(134,000)

18.2 Reconciliation between theoretical and effective tax burden

	12 mths ended 30/6/10	
	Amounts %	Absolute values
Total profit or loss before tax from current operations	100.00%	391,139
Theoretical tax rate	27.50%	27.50%
Theoretical computed taxes on income	27.50%	107,563
Dividends (-)	-5.82%	(22,771)
Gains on disposals of equity investments (PEX) (-)	-6.44%	(25,203)
Interest on exempt securities (-)	-0.36%	(1,401)
Tax losses (-)	-0.46%	(1,784)
Non-deductible interest expense 3 % (+)	-2.17%	(8,478)
Benefit from tax consolidation (-)	3.85%	15,057
Impairment (+/-)	11.21%	43,865
Other differences	0.53%	2,070
TOTAL IRES	27.85%	108,918
IRAP	9.74%	38,082
TOTAL FOR HEADING ¹	37.58%	147,000

¹ Compared with a tax rate of 86.56% in the previous financial year.

Section 21

Earnings per share

21.1 Average number of ordinary shares on a diluted basis

	12 mths to 2009/10	12 mths to 2008/09
Net profit	244,139	20,808
Avg. no. of shares in issue	834,153,396	803,855,665
Avg. no. of potentially diluted shares	149,140,954	25,985,750
Avg. no. of diluted shares	983,294,350	829,841,415
Earnings per share	0.29	0.03
Earnings per share, diluted	0.25	0.03

PART D - COMPREHENSIVE PROFIT AND LOSS ACCOUNT

BREAKDOWN OF COMPREHENSIVE PROFIT AND LOSS CONSTITUENTS

	Items	Before tax effect	Tax effect	After tax effect
10.	Net profit (loss)	X	X	244,139
	Other comprehensive income			
20.	AFS securities:	111,190	(18,500)	92,690
	a) changes in fair value:	13,724	(12,088)	1,636
	b) reclassifications through profit or loss account	97,466	(6,412)	91,054
	- due to impairment	107,301	(5,172)	102,129
	- gain/losses on disposals	(9,835)	(1,240)	(11,075)
	c) other variations	—	—	—
30.	Property, plant and equipment	—	—	—
40.	Intangible assets	—	—	—
50.	Hedges of non-Italian investments:	—	—	—
	a) changes in fair value:	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
60.	Cash flow hedges:	(71,398)	7,431	(63,967)
	a) changes in fair value:	(11,514)	3,721	(7,793)
	b) reclassifications through profit or loss account	(59,884)	3,710	(56,174)
	c) other variations	—	—	—
70.	Exchange differences:	—	—	—
	a) changes in fair value:	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
80.	Non-current assets classified as held for sale:	—	—	—
	a) changes in fair value:	—	—	—
	b) reclassifications through profit or loss account	—	—	—
	c) other variations	—	—	—
90.	Actuarial gains (losses) on defined benefits plans	—	—	—
100.	Valuation reserves from equity-accounted investments:	—	—	—
110.	Total other comprehensive income after tax	39,792	(11,069)	28,723
120.	Comprehensive income after tax (10 + 110)	39,792	(11,069)	272,862

PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Section 1

Credit risk

QUALITATIVE INFORMATION

Basel II project

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

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

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

1. General aspects

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

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

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

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

Portfolio/quality	Non-performing	Potential problem	Restructured	Overdue	Other assets	Total
1. Financial assets held for trading	—	—	—	—	14,264,173	14,264,173
2. AFS securities	—	—	—	—	3,727,288	3,727,288
3. Financial assets held to maturity	—	—	—	—	719,814	719,814
4. Due from banks	127	—	—	—	7,526,907	7,527,034
5. Due from customers	—	3,699	113,196	—	26,163,281	26,280,176
6. Financial assets recognized at fair value	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	2,094,906	2,094,906
Total at 30/6/10	127	3,699	113,196	—	54,496,369	54,613,391
Total at 30/6/09	127	148,353	—	—	52,742,787	52,891,267

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

Portfolio/quality	Impaired assets			Performing			Total
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	X	X	14,264,173	14,264,173
2. AFS securities	—	—	—	3,727,288	—	3,727,288	3,727,288
3. Financial assets held to maturity	—	—	—	721,216	(1,402)	719,814	719,814
4. Due from banks	267	(140)	127	7,528,858	(1,951)	7,526,907	7,527,034
5. Due from customers	143,150	(26,255)	116,895	26,341,845	(178,564)	26,163,281	26,280,176
6. Financial assets recognized at fair value	—	—	—	X	X	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	X	X	2,094,906	2,094,906
Total at 30/6/10	143,417	(26,395)	117,022	38,319,207	(181,917)	54,496,369	54,613,391
Total at 30/6/09	173,747	(25,267)	148,480	40,109,312	(116,491)	52,742,787	52,891,267

A.1.3 Cash and off-balance-sheet exposures: gross/net values

Type of exposure/amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing	127	—	X	127
b) Potential problem	140	(140)	X	—
c) Restructured	—	—	X	—
d) Overdue	—	—	X	—
e) Other assets	9,602,962	X	(1,951)	9,601,011
Total A	9,603,229	(140)	(1,951)	9,601,138
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	—	—	X	—
b) Other assets	33,547,941	X	—	33,547,941
Total B	33,547,941	—	—	33,547,941
Total (A + B)	43,151,170	(140)	(1,951)	43,149,079

A.1.4 Cash exposures to banks: trends in gross impaired positions and accounts subject to country risk

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

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

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

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

Type of exposure/amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing	11,472	(11,472)	X	—
b) Potential problem	9,852	(6,153)	X	3,699
c) Restructured	121,826	(8,630)	X	113,196
d) Overdue	—	—	X	—
e) Other assets	37,993,803	X	(179,967)	37,813,836
Total A	38,136,953	(26,255)	(179,967)	37,930,731
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	252,421	(31,731)	X	220,690
b) Other assets	23,743,520	X	—	23,743,520
Total B	23,995,941	(31,731)	—	23,964,210
Total (A+B)	62,132,894	(57,986)	(179,967)	61,894,941

A.1.7 Cash exposures to customers: trends in gross impaired positions/accounts subject to country risk

Description/category	Non-performing	Potential problem	Restructured	Overdue
A. Gross exposure at start of period	11,472	162,148	—	—
<i>of which: accounts sold but not derecognized</i>	—	—	—	—
B. Additions	—	9,852	125,206	—
B.1 transfers from performing loans	—	9,852	—	—
B.2 transfers from other categories of impaired assets	—	—	125,206	—
B.3 other additions	—	—	—	—
C. Reductions	—	(162,148)	(3,380)	—
C.1 transfers to performing loans	—	—	—	—
C.2 amounts written off	—	—	—	—
C.3 amounts collected	—	(36,942)	(3,380)	—
C.4 gains realized on disposals	—	—	—	—
C.5 transfers to other categories of impaired assets	—	(125,206)	—	—
C.6 other reductions	—	—	—	—
D. Gross exposure at end of period	11,472	9,852	121,826	—
<i>of which: accounts sold but not derecognized</i>	—	—	—	—

A.1.8 Cash exposures to customers: trends in value adjustments

Description/category	Non-performing	Potential problem	Restructured	Overdue
A. Adjustments at start of period	(11,472)	(13,795)	—	—
<i>of which: accounts sold but not derecognized</i>	—	—	—	—
B. Additions	—	(6,153)	(13,795)	—
B.1 value adjustments	—	(6,153)	—	—
B.2 transfers from other categories of impaired assets	—	—	(13,795)	—
B.3 other additions	—	—	—	—
C. Reductions	—	13,795	5,165	—
C.1 writebacks based on valuations	—	—	—	—
C.2 writebacks due to amounts collected	—	—	5,165	—
C.3 amounts written off	—	—	—	—
C.4 transfers to other categories of impaired assets	—	13,795	—	—
C.5 other reductions	—	—	—	—
D. Adjustments at end of period	(11,472)	(6,153)	(8,630)	—
<i>of which: accounts sold but not derecognized</i>	—	—	—	—

A.2 Exposures by internal and external ratings

A.2.1 Cash and off-balance-sheet exposures by external rating category

Exposures	External rating category						Unrated	Total
	AAA / AA+	A+ / A-	BBB+ / BBB-	BB+ / BB-	B+ / B-	Lower than B		
A. Cash exposures	9,088,160	17,429,621	3,928,867	1,333,885	346,590	36,888	15,367,858	47,531,869
B. Derivatives	6,637,585	12,230,849	353,138	—	—	—	4,478,193	23,699,765
B.1 financial derivatives	1,834,185	6,301,913	353,138	—	—	—	3,010,595	11,499,831
B.2 credit derivatives	4,803,400	5,928,936	—	—	—	—	1,467,598	12,199,934
C. Guarantees	—	6,293,445	—	—	40,017	—	191,802	6,525,264
D. Commitments to lend funds	735,191	16,716,949	2,281,954	255,682	142,963	—	7,154,384	27,287,123
Total at 30/6/10	16,460,936	52,670,864	6,563,959	1,589,567	529,570	36,888	27,192,237	105,044,021
Total at 30/6/09	41,818,249	26,828,268	6,854,462	581,649	377,577	108,251	34,030,636	110,599,092

A.3 Secured exposures by type of security

A.3.1 Secured cash exposures to banks and customers

	Amount	Real guarantees				Personal guarantees								Total (1) + (2)				
		Properties	Securities	Other assets	CLN	Credit derivatives				Endorsements								
						Other credit derivatives				Govern- ments	Other public agencies	Banks	Others		Govern- ments	Other public agencies	Banks	Others
						Govern- ments	Other public agencies	Banks	Others									
1. Secured balance sheet credit exposures:																		
1.1 completely secured	62,078	—	—	—	—	—	—	—	—	—	213,446	—	—	213,446				
- of which impaired	127	—	—	—	—	—	—	—	—	—	—	—	127	127				
1.2 partly secured	27,014	—	—	—	—	—	—	—	—	—	—	—	1,351	1,351				
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—				
2. Secured off balance sheet credit exposures:																		
2.1 completely secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—				
- 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

Exposures/counterparts	Governments	Other public agencies	Financial companies	Insurances	Non-financial undertakings	Other entities
A. Cash exposures						
A.1 Non-performing						
Net exposure	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	(11,472)	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
A.2 Potential problem						
Net exposure	—	—	3,699	—	—	—
Value adjustments to gross exposure	—	—	(6,153)	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
A.3 Restructured						
Net exposure	—	—	4,279	—	108,917	—
Value adjustments to gross exposure	—	—	(120)	—	(8,510)	—
Value adjustments to portfolio	—	—	—	—	—	—
A.4 Overdue						
Net exposure	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
A.5 Other exposures						
Net exposure	6,746,408	—	16,815,055	2,770,614	11,208,489	273,270
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	(18)	—	(5,792)	(2,071)	(172,004)	(81)
Total A						
Net exposure	6,746,408	—	16,823,033	2,770,614	11,317,406	273,270
Value adjustments to gross exposure	—	—	(17,745)	—	(8,510)	—
Value adjustments to portfolio	(18)	—	(5,792)	(2,071)	(172,004)	(81)
B. Off-balance sheet exposures						
B.1 Non-performing						
Net exposure	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
B.2 Potential problem						
Net exposure	—	—	89,958	—	—	—
Value adjustments to gross exposure	—	—	(18,042)	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
B.3 Other impaired assets						
Net exposure	—	—	—	—	130,732	—
Value adjustments to gross exposure	—	—	—	—	(13,689)	—
Value adjustments to portfolio	—	—	—	—	—	—
B.4 Other exposures						
Net exposure	113,928	—	14,476,406	339,143	8,813,206	837
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
Total B						
Net exposure	113,928	—	14,566,364	339,143	8,943,938	837
Value adjustments to gross exposure	—	—	(18,042)	—	(13,689)	—
Value adjustments to portfolio	—	—	—	—	—	—
Total at 30/6/10						
Net exposure	6,860,336	—	31,389,397	3,109,757	20,261,344	274,107
Value adjustments to gross exposure	—	—	(35,787)	—	(22,199)	—
Value adjustments to portfolio	(18)	—	(5,792)	(2,071)	(172,004)	(81)
Total at 30/6/09						
Net exposure	6,401,320	171,515	38,763,673	2,669,505	25,576,140	239,839

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

Exposure/geographical areas	Italy		Other European countries		United States		Asia		Rest of world	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A) Cash exposures										
A.1 Non-performing	—	—	—	(11,472)	—	—	—	—	—	—
A.2 Potential problem	—	—	3,699	(6,153)	—	—	—	—	—	—
A.3 Restructured	108,917	(8,510)	4,279	(120)	—	—	—	—	—	—
A.4 Overdue	—	—	—	—	—	—	—	—	—	—
A.5 Other exposures	28,459,000	(98,612)	7,550,627	(80,697)	1,611,158	(568)	89,186	(90)	103,865	—
Total A	28,567,917	(107,122)	7,558,605	(98,442)	1,611,158	(568)	89,186	(90)	103,865	—
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	—	—	89,958	(18,042)	—	—	—	—	—	—
B.3 Other impaired assets	130,732	(13,689)	—	—	—	—	—	—	—	—
B.4 Other exposures	15,782,494	—	7,714,165	—	83,875	—	162,986	—	—	—
Total B	15,913,226	(13,689)	7,804,123	(18,042)	83,875	—	162,986	—	—	—
Total at 30/6/10	44,481,143	(120,811)	15,362,728	(116,484)	1,695,033	(568)	252,172	(90)	103,865	—
Total at 30/6/09	57,889,308	(111,230)	14,618,857	(63,477)	1,225,256	(492)	37,440	(32)	51,131	—

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

Exposure/geographical areas	Italy		Other European countries		United States		Asia		Rest of world	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A) Cash exposures										
A.1 Non-performing	—	—	127	—	—	—	—	—	—	—
A.2 Potential problem	—	—	—	—	—	—	—	(140)	—	—
A.3 Restructured	—	—	—	—	—	—	—	—	—	—
A.4 Overdue	—	—	—	—	—	—	—	—	—	—
A.5 Other exposures	5,048,657	(117)	4,349,704	(92)	123,803	—	78,846	(1,742)	1	—
Total A	5,048,657	(117)	4,349,831	(92)	123,803	—	78,846	(1,882)	1	—
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—	—
B.4 Other exposures	2,542,341	—	30,897,709	—	105,187	—	2,704	—	—	—
Total B	2,542,341	—	30,897,709	—	105,187	—	2,704	—	—	—
Total at 30/6/10	7,590,998	(117)	35,247,540	(92)	228,990	—	81,550	(1,882)	1	—
Total at 30/6/09	7,637,520	(90)	27,476,505	(83)	283,515	—	1,279,066	(2,432)	100,495	—

B.4 Large risks

	30/6/10	30/6/09
a) Overall weighted amount	13,108,083	13,747,033
b) No. of exposures	14	16

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 2010, deals of this nature amounted to €2,210.8m. down slightly on the figure of €2,658m reported at 30 June 2009, including as a result of reducing coverage for other Group companies (approx. €252m). The overall position in leveraged finance: deals amounts to approx. 13.8% of the corporate loan book, more than half of which in relation to domestic transactions, with the remainder for deals within the confines of the Eurozone. Movements during the period under review included the addition of one new deal worth a total of €32.5m, capitalization of interest totalling €87m, full repayment of one loan (in an amount of approx. €40m), and partial repayment of amounts outstanding of approx. €275m.

The portfolio no longer contains any positions with companies in financial difficulties, while a restructuring agreement for two accounts worth a total of €210.4m was reached during the year.

C. Securitizations and asset disposals

C.1 Securitizations

Qualitative information

In addition to its traditional activity as sponsor and lead manager, Mediobanca also invests in securities originating from securitizations by other issuers. As at the reporting date these totalled €417.3m (30/6/09: €544.1m). The main movements during the period involved repayments – all at face value – totalling €111m (€35m of which in respect of the Alpha Sires synthetic

securitization), purchases and disposals worth minus €22.2m, gains on disposal amounting to €5.2m, and upward adjustments as at the reporting date amounting to €3.9m.

Holdings in junior and mezzanine tranches were reduced, and chiefly involve the mezzanine tranche of one securitization of mortgage receivables implemented by Bpm Securitization Srl (€6.2m); the other tranches involve one position in junior securities issued in connection with a securitization of mortgage receivables by BCC Mortgages PLC (€1.1m), and one position in mezzanine securities relating to a securitization of leasing receivables by Agrisecurities Srl (€2.1m).

Mediobanca does not have on its books, and indeed never has had, any credit exposures backed by US subprime or Alt-A (Alternative – A, i.e. positions with underlying mortgages featuring incomplete documentation that does not allow them to be classified). Neither does it have any exposures to monoline insurers, i.e. insurance companies specializing in covering default risk on public and corporate bond issues with the exception of one credit default swap worth a nominal USD 30m entered into with MBIA (Municipal Bond Insurance Association), with a negative fair value of €4.6m (minus €2.3m as at 30 June 2009). The credit quality of the securities owned by the Mediobanca Group has shown no signs of deterioration. Moreover, the majority of the securities (over two-thirds) is eligible for financing transactions with the European Central Bank. At the reporting date, writebacks of €3.9m were made to the portfolio, €3.7m of which was taken directly to the profit and loss account, and €0.2m added to the net equity reserve (to which should be added the implicit losses of €29.2m on securities transferred to the equity investment portfolio (less than half the €66m at the balance-sheet date). These valuations have been made based on prices supplied by the leading financial information providers, i.e. Reuters, Bloomberg and Mark-it, giving priority to marked-to-market data rather than fair value models (which have been used only for certain unlisted positions), and for the most part made using a pricing model supplied by the main rating agencies.

Virtually the entire portfolio involves securities with domestic underlying assets, and is concentrated chiefly on two main sectors: mortgage lending (around half of the portfolio), and state-owned properties (approx. 25%). The other deals involve securitizations of corporate leasing receivables (Entasi – Capitalia), synthetic securities (ELM) and one securitization involving UK mortgages fully backed by Lloyds (Permanent Master).

Over 75% of the portfolio has a rating consistent with securities of high credit standing attributed by at least one of the main credit rating agencies (Standard & Poor's, Moody's and Fitch). During the period under review no particular action was taken by any of the rating agencies, reflecting the solidity and the conservative nature of these transactions which have always been a feature of the Italian domestic market.

The only positions which are either unrated or which have non-performing assets underlying them are in deals where Mediobanca played an active role in the securitization, e.g. as sponsor, manager, etc.

Prices have continued to improve during the period under review, due to the general economic conditions easing and the favourable market scenario (with a lower number of downgrades by the ratings agencies, buyback schemes implemented by the main issuers, and the first signs of recovery on the primary market, chiefly in the U.K. and Netherlands).

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

- mortgage loans: despite delinquency levels improving in the short term (due to lower interest rates), the increase in unemployment, the reduction in household incomes and the removal of temporary benefits granted by banks have led to a deterioration in the percentage rates of default and delinquency over the long term, which has meant reserves being drawn on increasingly and a slowdown in the rate of prepayments; these effects, however, are less pronounced for the positions in Mediobanca's portfolio, which has a higher asset quality (with lower loan-to-value ratios and lower rates of concentration), partly because of the excess spread which has absorbed the difficulties and allowed all deadlines for repayment of capital and payment of interest to be met;
- state-owned properties: despite being affected by the sovereign debt crisis during the fourth quarter, this sector too was helped by the resilience of the Italian domestic property market, with payment schedules being respected; in particular, the Fip1A1 issue repaid approximately half the principal amount in January 2010, to the benefit of the Fip1A2 class (subordinate to it) which recently had its A+ rating confirmed.

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	407,811	407,811	8,156	8,156	1,327	1,327
a) Impaired	169,960	169,960	—	—	—	—
b) Other	237,851	237,851	8,156	8,156	1,327	1,327

¹ Includes a €123.2m commitment to subscribe for the Zeus F97-25 A FRN issue and a refinancing credit line to Island in an amount of €21.9m.

C.1.3 Exposures deriving from main customer securitizations by asset type/exposure

	Cash exposures ¹					
	Senior		Senior		Senior	
	Book value	Book value	Book value	Book value	Book value	Book value
A. Mortgage loans on property						
A.1 Argo Mortgage srl 1 A IT0003246276	338	3	—	—	—	—
A.2 Mantegna-37 A2 ind IT0003443527	738	16	—	—	—	—
A.3 Siena M-39 A2 FRN IT0003588958	97	4	—	—	—	—
A.4 Credico F3-25 A FRN IT0003683254	1,064	117	—	—	—	—
A.5 Atlante F-47 A FRN IT0004069032	3,755	(87)	—	—	—	—
A.6 BMP Securitisation srl IT0004083033	—	—	6,175	1,630	—	—
A.7 Velah 4 A2 IT0004102007	26,574	—	—	—	—	—
A.8 Cordusio 3 A2 06-42 IT0004144892	132	11	—	—	—	—
A.9 BP MORTG-43 A2 ind IT0004215320	11,036	47	—	—	—	—
A.10 Cassa 2007-1 A1 07-43 IT0004247687	394	1	—	—	—	—
A.11 Island Ref-25 A FRN IT0004293558	37,799	—	—	—	—	—
A.12 Zeus F07-25 A FRN IT0004306186	77,468	—	—	—	—	—
A.13 Tower Finance Float Nov27 IT0004386683	13,931	—	—	—	—	—
A.14 Permanent 9 A 0 Jun33 US71419XAC88	11,850	—	—	—	—	—
A.15 Sintonia Finance srl 2030 XS0163298432	607	39	—	—	—	—
A.16 BCCM1B 0 Mar38 XS0256815688	—	—	—	—	1,327	697
TOTAL A						
Mortgage loans on property	185,783	151	6,175	1,630	1,327	697
B. State-owned properties						
B.1 Fip Fund-23 A2 FRN IT0003872774	100,142	—	—	—	—	—
TOTAL B						
State-owned properties	100,142	—	—	—	—	—
C. Leasing receivables						
C.1 Quarzo-13 CL1 FRN IT0003487011	14,980	(30)	—	—	—	—
C.2 Locat MTGE 04-24 FLT IT0003733083	6,452	612	—	—	—	—
C.3 Split 2-18 A FRN IT0003763882	2,056	215	—	—	—	—
C.4 Imser-06/25 A1B FRN IT0004082712	525	70	—	—	—	—
C.5 Agri 2006-1 B IT0004137433	—	—	1,981	104	—	—
C.6 Locat 12/12/2028 A2 IT0004153679	893	131	—	—	—	—
C.7 Abest 2 A 1/10/2015 XS0232767631	10,917	50	—	—	—	—
TOTAL C						
Leasing receivables	35,823	1,048	1,981	104	—	—
D. Other receivables						
D.1 Entasi srl 16/08/2016 IT0003142996	40,762	—	—	—	—	—
D.2 Astrea srl 17/01/2013 IT0003331292	308	22	—	—	—	—
D.3 Elm BB.V. FL XS0247902587	29,707	—	—	—	—	—
D.4 Permanent Master 0 Jul42	15,286	268	—	—	—	—
TOTAL D						
Other receivables	86,063	290	—	—	—	—
Total at 30/6/10	407,811	1,489	8,156	1,734	1,327	697
Total at 30/6/09	535,282	(2,186)	4,557	483	4,306	(2,089)

¹ Includes a €123.2m commitment to subscribe for the Zeus F97-25 A FRN issue and a refinancing credit line to Island in an amount of €21.9m.

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	30/6/10	30/6/09
1. Cash exposures	75,624	—	15,286	29,707	296,677	417,294	544,146
- Senior	66,141	—	15,286	29,707	296,677	407,811	535,283
- Mezzanine	8,156	—	—	—	—	8,156	4,557
- Junior	1,327	—	—	—	—	1,327	4,306
2. Off-balance-sheet exposures	—	—	—	—	145,091	145,091	153,475
- Senior	—	—	—	—	145,091	145,091	153,475
- Mezzanine	—	—	—	—	—	—	—
- Junior	—	—	—	—	—	—	—

C.1.5 Total amount of securitized assets underlying junior securities or other forms of financing

Assets/amounts	Traditional securitizations	Synthetic securitizations
A. Own underlying assets:		
A.1 Fully derecognized	—	
1. Non-performing	—	X
2. Potential problem	—	X
3. Restructured	—	X
4. Overdue	—	X
5. Other assets	—	X
A.2 Partly derecognized	—	
1. Non-performing	—	X
2. Potential problem	—	X
3. Restructured	—	X
4. Overdue	—	X
5. Other assets	—	—
A.3 Not derecognized	—	—
1. Non-performing	—	—
2. Potential problem	—	—
3. Restructured	—	—
4. Overdue	—	—
5. Other assets	—	—
B. Customer underlying assets:		
B.1 Non-performing	—	—
B.2 Potential problem	—	—
B.3 Restructured	—	—
B.4 Overdue	—	—
B.5 Other assets	1,327	—

C.2 Asset disposals

C.2.1 Financial assets sold but not derecognized

Type/portfolio	Financial assets held for trading			Financial assets at fair value through profit and loss account			AFS securities			Financial assets held to maturity			Due from banks			Due from customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	30/6/10	30/6/09
A. Cash assets																				
1. Debt securities	784,291	—	—	—	—	—	149,037	—	—	—	—	—	98,936	—	—	—	—	—	1,032,264	2,833,624
2. Equities	—	—	—	—	—	—	—	—	—	X	X	X	X	X	X	X	X	X	—	—
3. UCITS units	—	—	—	—	—	—	—	—	—	X	X	X	X	X	X	X	X	X	—	—
4. Loans and advances	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	158,825	—	—	158,825	—
B. Derivative products	—	—	—	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	—	—
Total at 30/6/10	784,291	—	—	—	—	—	149,037	—	—	—	—	—	98,936	—	—	158,825	—	—	1,191,089	—
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total at 30/6/09	1,495,075	—	—	—	—	—	—	—	—	—	—	—	1,338,549	—	—	—	—	—	—	2,833,624
- of which impaired	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Legend:

A = Financial assets sold but recognized in full (book value).

B = Financial assets sold but recognized in part (book value).

C = Financial assets sold but recognized in part (full value).

C.2.2 Financial liabilities in respect of financial assets sold but not derecognized

Liabilities/asset portfolios	Financial assets held for trading	AFS securities	Financial assets held to maturity	Due from banks	Due from customers	Total
1. Cash assets	210,569	149,037	—	—	—	359,606
a) in respect of fully recognized assets	210,569	149,037	—	—	—	359,606
b) in respect of partly recognized assets	—	—	—	—	—	—
2. Due to banks	573,722	—	—	98,936	158,825	831,483
a) in respect of fully recognized assets	573,722	—	—	98,936	158,825	831,483
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 30/6/10	784,291	149,037	—	98,936	158,825	1,191,089
Total at 30/6/09	1,495,075	—	—	1,338,549	—	2,833,624

Section 2

Market risk

2.1 INTEREST RATE RISK - TRADING BOOK

QUALITATIVE INFORMATION

Mediobanca uses a risk management system that monitors market risk, and interest rate risk on the trading book in particular, on a daily basis via two main instruments: measuring sensitivity to movements in the interest rate curve; and calculating value at risk (VaR)¹. VaR is measured for the Bank's entire asset structure, i.e. banking as well as trading book, in order to reflect the fact that all risks, including those relating to lending and funding activities, are concentrated at the Bank's Financial Markets division. Calculation of interest rate risk on the trading book also takes into account the effects of movements in market curves and of changes to the credit rating of individual names.

The authorization structure governing Mediobanca's operations is based on value at risk readings for the various organizational units. VaR is calculated based on expected volatility and the correlation between risk factors concerned, assuming a disposal period of a single trading day and based on a 99% confidence level. VaR is calculated using the Monte Carlo and historical simulation methods, as well as the parametric method.² Historical simulation is also used to calculate the expected shortfall, which measures average loss in 1% of the most unfavourable scenarios. The main risk factors on which the analysis is based are exchange rates, share prices and interest rates, with the general market component being separated from issuer-specific credit risk. As from this year, inflation and volatility trends have also been factored into to calculations of VaR.

In addition to these indicators, stress tests are also carried out weekly on the main risk factors, to show the impact which historical crisis scenarios being repeated and significant movements in the main market data could have on the Bank's risk positions. These include the Russian crisis of 1998, the shock induced by the terrorist attacks on September 11, 2001, and the subprime mortgage crisis and bankruptcy of Lehman Brothers.

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

² Determines portfolio value based on random and historical variations in risk factors respectively.

QUANTITATIVE INFORMATION

Following the increase recorded during the 2008/2009 financial year due to the fluctuations on equity and corporate bond markets, the first three quarters of the financial year under review reflect a reduction in risk. However, this trend was brusquely reversed by the recent crisis involving peripheral EU member states' sovereign debt, which induced a shock of such proportions that record new VaR levels were recorded, in the interest rate component particularly.

Indeed, while VaR for the largest aggregate, which includes equities and debt securities classified as available for sale as well as the trading book, remained stable at last year's levels, i.e. €34.8m, the reading on 30 June 2010 was more than three times the figure recorded at the previous year's reporting date and more than twice the average figure. The trend in government securities, which fall within the market interest rate risk component, drove a 50% increase in the average reading, from €12.3m to €18.6m, with a high of €94.5m. Conversely, the equity market's contribution reduced appreciably from last year, with an average reading of €20.6m (€26.3m), although the instability which began to be manifested in the month of May 2010 drove the figure at the reporting date up to €34.4m.

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

Risk factors (€'000)	12 mths to 30/6/10				12 mths to 30/6/09
	30/6	Min.	Max.	Avg.	Avg.
Interest rates	43,451	4,095	95,388	18,644	12,282
- of which: specific risk	26,007	2,896	40,510	9,348	8,567
Share prices	34,359	10,444	53,722	20,585	26,269
Exchange rates	2,211	427	4,733	1,999	2,416
Inflation	726	704	2,786	1,566	n.a.
Volatility	4,499	288	4,499	1,490	n.a.
<i>Diversification effect*</i>	(13,183)	(4,444)	(18,570)	(9,479)	(6,215)
TOTAL	72,063	14,065	139,922	34,805	34,752
Expected shortfall	85,509	46,075	91,541	65,098	37,865

* Due to mismatches between risk factors.

The maximum expected shortfall³ was lower than the reading for VaR, at €91.5m (compared with €139.9m), as it is calculated on the basis of historical simulation, and hence is less affected by volatility.

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

Analysis of VaR for the trading book (cf. Table 2 below) reflects the trends witnessed in the various different risk factors. However, the reduced importance of the equity market, as had been the case in previous years due to the presence of large positions in AFS equities, magnified the impact of the higher volatility on bond markets.

Thus VaR rose from an average of €12.4m last year to €18.1m, with a high of €90.3m and a reading at the reporting date of €40.9m, driven by the interest rate risk component. With specific risk stable at €6.5m, the average interest rate risk level rose from €9.9m to €17m, with a high of €86.1m. As already mentioned, this trend was attributable to the sovereign debt crisis and to the fact that the trading book has a concentration in Italian government securities.

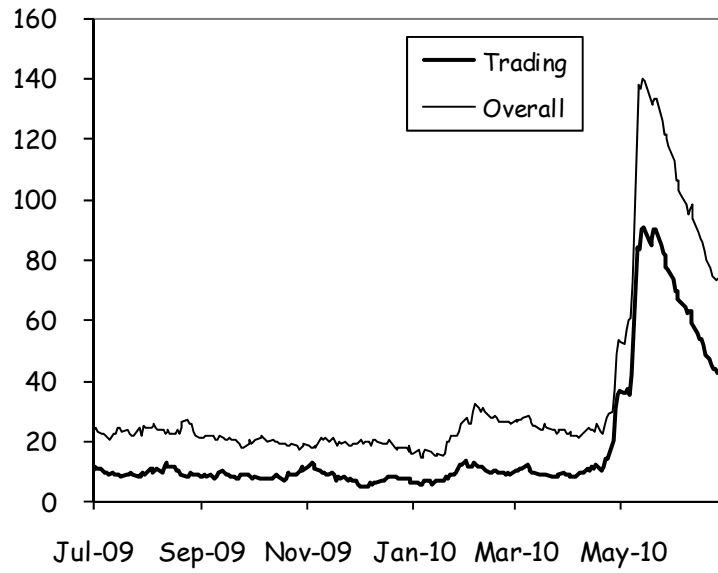
Table 2: Value at risk and expected shortfall: trading book

Risk factors (€'000)	12 mths to 30/6/10			12 mths to 30/6/09	
	30/6	Min.	Max.	Avg.	Avg.
Interest rates	37,788	3,902	86,128	16,976	9,909
- of which: specific risk	19,574	2,113	29,995	6,468	6,304
Share prices	2,957	1,020	4,960	2,378	4,412
Exchange rates	1,229	337	4,415	1,638	2,326
Inflation	726	704	2,786	1,566	n.a.
Volatility	4,507	235	4,507	1,455	n.a.
<i>Diversification effect*</i>	(6,345)	(3,431)	(10,112)	(5,879)	(4,207)
TOTAL	40,862	4,746	90,267	18,134	12,440
Expected shortfall	50,199	15,641	57,124	30,186	13,510

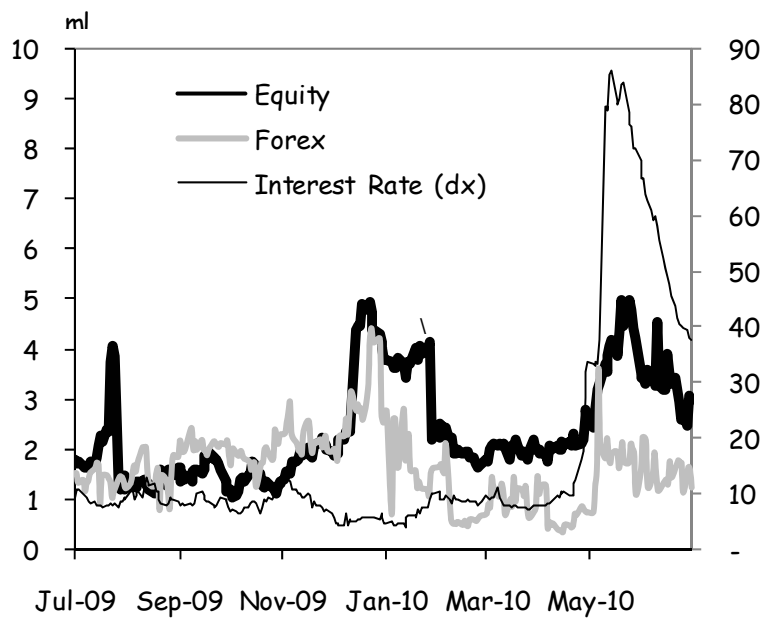
* Due to mismatches between risk factors.

The other items showed very low levels, with both share price and exchange rate risk both falling, from €4.4m to €2.4m for the former, and €2.3m and €1.6m for the latter. The contribution from volatility increased, given the increased trading activity in equity options.

Trends in VaR



Trends in VaR constituents



Despite the strong volatility recorded by stock markets during the past year, analysis of the results of the daily back-testing, which is based on the calculation of implied profits and losses⁴ and of the operating results shows the effectiveness and soundness of VaR as a risk management instrument. The VaR limit was breached on four occasions for the portfolio as a whole during the financial year, compared with just one occasion the previous year, while the trading book limit was breached on three occasions. Assuming a theoretical level of 2-3 times per financial year implied in a value-at-risk model at 99%, the slightly higher recorded by the portfolio as a whole is more than justified by the exceptional volatility shown by the market in recent months.

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

1. *Regulatory trading book by outstanding maturity (repricing date) of cash assets and liabilities and financial derivative 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
1. Cash assets	138,690	2,265,714	1,492,149	887,525	1,080,332	896,287	1,185,464
1.1 Debt securities	138,690	2,265,714	1,492,149	887,525	1,080,332	896,287	1,185,464
– with early redemption option	—	—	—	—	—	—	—
– others	138,690	2,265,714	1,492,149	887,525	1,080,332	896,287	1,185,464
1.2 Other assets	—	—	—	—	—	—	—
2. Cash liabilities	—	3,503	1,558	4,831	142,940	279,803	96,668
2.1 Debt securities in issue	—	—	—	—	—	—	—
– with early redemption option	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—
2.2 Other liabilities	—	3,503	1,558	4,831	142,940	279,803	96,668
3. Financial derivatives	100,207	166,498,654	40,569,317	21,531,611	67,247,156	22,015,732	10,297,869
3.1 With underlying securities	30,207	6,260,102	—	3,342,234	584,781	1,302,252	5,390,904
– Options	—	—	—	3,342,234	—	—	3,342,234
+ long positions	—	—	—	3,342,234	—	—	—
+ short positions	—	—	—	—	—	—	3,342,234
– Others	30,207	6,260,102	—	—	584,781	1,302,252	2,048,670
+ long positions	30,207	5,066,374	—	—	16,425	—	—
+ short positions	—	1,193,728	—	—	568,356	1,302,252	2,048,670
3.2 Without underlying securities	70,000	160,238,552	40,569,317	18,189,377	66,662,375	20,713,480	4,906,965
– Options	—	65,248,750	6,045,626	1,541,148	40,000	—	—
+ long positions	—	32,624,375	3,022,813	770,574	20,000	—	—
+ short positions	—	32,624,375	3,022,813	770,574	20,000	—	—
– Others	70,000	94,989,802	34,523,691	16,648,229	66,622,375	20,713,480	4,906,965
+ long positions	20,000	46,657,000	18,964,793	7,664,140	33,163,844	9,990,958	2,776,536
+ short positions	50,000	48,332,802	15,558,898	8,984,089	33,458,531	10,722,522	2,130,429

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
1. Cash assets	—	122,486	3,352	12,269	495,844	263,064	26,048
1.1 Debt securities	—	122,486	3,352	12,269	495,844	263,064	26,048
– with early redemption option	—	—	—	—	—	—	—
– others	—	122,486	3,352	12,269	495,844	263,064	26,048
1.2 Other assets	—	—	—	—	—	—	—
2. Cash liabilities	—	—	—	—	—	—	—
2.1 Debt securities in issue	—	—	—	—	—	—	—
– with early redemption option	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—
2.2 Other liabilities	—	—	—	—	—	—	—
3. Financial derivatives	468,356	4,888,144	343,132	637,927	2,082,447	665,309	—
3.1 With underlying securities	—	779,686	—	—	—	—	—
– Options	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—
– Others	—	779,686	—	—	—	—	—
+ long positions	—	389,843	—	—	—	—	—
+ short positions	—	389,843	—	—	—	—	—
3.2 Without underlying securities	468,356	4,108,458	343,132	637,927	2,082,447	665,309	—
– Options	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—
– Others	468,356	4,108,458	343,132	637,927	2,082,447	665,309	—
+ long positions	234,178	2,137,042	168,038	323,364	955,500	334,692	—
+ short positions	234,178	1,971,416	175,094	314,563	1,126,947	330,617	—

Currency of denomination: OTHERS

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
1. Cash assets	—	83,816	1,955	35,151	258,595	28,816	—
1.1 Debt securities	—	83,816	1,955	35,151	258,595	28,816	—
– with early redemption option	—	—	—	—	—	—	—
– others	—	83,816	1,955	35,151	258,595	28,816	—
1.2 Other assets	—	—	—	—	—	—	—
2. Cash liabilities	—	—	—	—	—	—	—
2.1 Debt securities in issue	—	—	—	—	—	—	—
– with early redemption option	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—
2.2 Other liabilities	—	—	—	—	—	—	—
3. Financial derivatives	31,806	1,551,314	255,734	119,166	1,448,087	73,538	175,342
3.1 With underlying securities	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—
3.2 Without underlying securities	31,806	1,551,314	255,734	119,166	1,448,087	73,538	175,342
– Options	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—
– Others	31,806	1,551,314	255,734	119,166	1,448,087	73,538	175,342
+ long positions	15,903	736,137	137,190	59,583	763,433	27,577	87,671
+ short positions	15,903	815,177	118,544	59,583	684,654	45,961	87,671

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

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities ¹			
A.1 Shares	844,163	18,989	1
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	15,397	190,694
B. UCITS units			
B.1 Italian	—	—	13,482
- harmonized open	—	—	—
- non-harmonized open	—	—	—
- closed	—	—	—
- reserved	—	—	—
- speculative	—	—	13,482
B.2 Other EU states	335,532	—	—
- harmonized	335,532	—	—
- non-harmonized open	—	—	—
- non-harmonized closed	—	—	—
B.3 Non-EU states	—	—	—
- open	—	—	—
- closed	—	—	—
Total	1,179,695	34,386	204,177

¹ Over 50% of which in Italian securities and the remainder for other European countries.

2.2 INTEREST RATE AND PRICE RISK - BANKING BOOK

QUALITATIVE INFORMATION

The financial year under review saw the Bank's liquidity buffer being strengthened, chiefly through bonds eligible for refinancing with the monetary authorities, which were distributed equally between the banking and trading books. This did not alter the mismatch between assets and liabilities on the banking book, which accentuates the gap between an increase/decrease in interest rates on the banking book alone, compared to that for the Bank's entire asset structure, reflecting a more balanced position.

Thus a 100 basis point increase in interest rates would generate a reduction of €6.4m in estimated net interest income in the next twelve months (representing the difference between a €65m increase on the trading book and a €59m reduction on the banking book). Furthermore, the extremely low level of short-term interest rates, often below 1%, increased the mismatch in the event of a shock in the opposite direction. An equivalent reduction in interest rates leads to a loss of €3m on the asset base as a whole (the difference between an increase of €58m on the banking book and a €61m reduction on the trading book).

In addition to the sensitivity of net interest income to interest rates, the impact which a 100 basis point shock would have on the discounted value of future cash flows from the banking book has also been estimated. The fact that assets are below the level of liabilities is offset by their longer duration, and also by the presence of significant holdings in AFS and held-to-maturity assets. Hence the loss in the event of a rise in interest rates would be €99m for Mediobanca, while the gain in the opposite scenario would amount to €90m.

Hedging

Fair value hedges

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

Cash flow hedges

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

Counterparty risk

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

QUANTITATIVE INFORMATION

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

Type	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	5,861,856	18,384,047	5,073,284	2,398,611	2,139,417	1,682,171	294,021	129,985
1.1 Debt securities	—	1,530,872	66,727	203,451	1,646,876	1,393,391	294,021	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	1,530,872	66,727	203,451	1,646,876	1,393,391	294,021	—
1.2 Loans to banks	2,526,337	2,705,220	424,028	51,391	74,301	3,543	—	116,565
1.3 Loans to customers	3,335,519	14,147,955	4,582,529	2,143,769	418,240	285,237	—	13,420
– current accounts	127	—	—	—	64,203	—	—	—
– other loans	3,335,392	14,147,955	4,582,529	2,143,769	354,037	285,237	—	13,420
– with early repayment option	—	—	—	—	—	—	—	—
– others	3,335,392	14,147,955	4,582,529	2,143,769	354,037	285,237	—	13,420
2. Cash liabilities	7,599,243	8,761,173	2,791,314	7,652,945	15,113,831	2,264,344	136,364	187,415
2.1 Due to customers	1,350,994	162,728	87,629	40,295	8	—	—	13,945
– current accounts	302,722	—	—	—	—	—	—	—
– other amounts due	1,048,272	162,728	87,629	40,295	8	—	—	13,945
– with early repayment option	—	—	—	—	—	—	—	—
– others	1,048,272	162,728	87,629	40,295	8	—	—	13,945
2.2 Due to banks	5,752,909	1,111,338	389,810	6,628	13,967	—	—	173,410
– current accounts	4,790,713	—	—	—	—	—	—	—
– other amounts due	962,196	1,111,338	389,810	6,628	13,967	—	—	173,410
2.3 Debt securities	495,340	7,487,107	2,313,875	7,606,022	15,099,856	2,264,344	136,364	60
– with early repayment option	—	—	—	—	—	—	—	—
– others	495,340	7,487,107	2,313,875	7,606,022	15,099,856	2,264,344	136,364	60
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products	20,000	32,158,379	6,351,781	10,464,037	13,369,516	2,717,300	773,683	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	20,000	32,158,379	6,351,781	10,464,037	13,369,516	2,717,300	773,683	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	20,000	32,158,379	6,351,781	10,464,037	13,369,516	2,717,300	773,683	—
+ long positions	10,000	6,759,889	2,053,957	10,440,580	11,160,343	2,059,300	443,279	—
+ short positions	10,000	25,398,490	4,297,824	23,457	2,209,173	658,000	330,404	—

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	39,968	520,772	4,890	1,924	357,248	1,546	—	5
1.1 Debt securities	—	800	—	—	45,616	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	800	—	—	45,616	—	—	—
1.2 Loans to banks	37,732	408,484	3,289	238	311,487	1,546	—	3
1.3 Loans to customers	2,236	111,488	1,601	1,686	145	—	—	2
– current accounts	—	—	—	—	—	—	—	—
– other loans	2,236	111,488	1,601	1,686	145	—	—	2
– with early repayment option	—	—	—	—	—	—	—	—
– others	2,236	111,488	1,601	1,686	145	—	—	2
2. Cash liabilities	162	112,633	—	—	12,631	—	—	6
2.1 Due to customers	158	—	—	—	—	—	—	3
– current accounts	83	—	—	—	—	—	—	—
– other amounts due	75	—	—	—	—	—	—	3
– with early repayment option	—	—	—	—	—	—	—	—
– others	75	—	—	—	—	—	—	3
2.2 Due to banks	—	104,031	—	—	—	—	—	3
– current accounts	—	—	—	—	—	—	—	—
– other amounts due	—	104,031	—	—	—	—	—	3
2.3 Debt securities	4	8,602	—	—	12,631	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	4	8,602	—	—	12,631	—	—	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products	—	31,619	—	—	15,321	—	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	31,619	—	—	15,321	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	31,619	—	—	15,321	—	—	—
+ long positions	—	8,149	—	—	15,321	—	—	—
+ short positions	—	23,470	—	—	—	—	—	—

Currency of denomination: OTHERS

Type	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	54,189	292,108	—	—	232,693	—	—	2,781
1.1 Debt securities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
1.2 Loans to banks	52,358	245,155	—	—	232,693	—	—	—
1.3 Loans to customers	1,831	46,953	—	—	—	—	—	2,781
– current accounts	—	—	—	—	—	—	—	—
– other loans	1,831	46,953	—	—	—	—	—	2,781
– with early repayment option	—	—	—	—	—	—	—	—
– others	1,831	46,953	—	—	—	—	—	2,781
2. Cash liabilities	9,690	282,856	266,071	—	10,640	—	—	—
2.1 Due to customers	65	—	—	—	—	—	—	—
– current accounts	65	—	—	—	—	—	—	—
– other amounts due	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
2.2 Due to banks	9,625	60,225	—	—	—	—	—	—
– current accounts	817	—	—	—	—	—	—	—
– other amounts due	8,808	60,225	—	—	—	—	—	—
2.3 Debt securities	—	222,631	266,071	—	10,640	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	222,631	266,071	—	10,640	—	—	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products	—	274,084	—	18,350	255,734	—	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	274,084	—	18,350	255,734	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	274,084	—	18,350	255,734	—	—	—
+ long positions	—	9,175	—	9,175	255,734	—	—	—
+ short positions	—	264,909	—	9,175	—	—	—	—

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

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities ¹			
A.1 Shares	396,359	—	708,679
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	64,879	316,087
B. UCITS units			
B.1 Italian	—	—	23,889
- harmonized open	—	—	—
- non-harmonized open	—	—	—
- closed	—	—	23,889
- reserved	—	—	—
- speculative	—	—	—
B.2 Other EU states	—	—	—
- harmonized	—	—	—
- non-harmonized open	—	—	—
- non-harmonized closed	—	—	—
B.3 Non-EU states	—	—	—
- open	—	—	—
- closed	—	—	—
Total	396,359	64,879	1,048,655

¹ Of which 87.4% in Italian securities.

2.3 EXCHANGE RATE RISK

Risks deriving from movements in exchange rates for all the Bank's positions are managed by the Financial Markets division. The VaR measurements shown on page 373 thus reflect the extent of the aggregate exposures entered into on the foreign exchange market for both the banking and trading books. The average readings for exchange rate risk show a reduction on last year at the overall level and for the trading book in particular. The average VaR reading declined from €2.4m to €2m for both the banking and trading books, and from €2.3m to €1.6m for the trading book alone, which underlines Mediobanca's tendency to limit the taking of risk positions in foreign exchange markets.

QUANTITATIVE INFORMATION

1. Assets, liabilities and derivatives by currency

Line items	Currency				
	US dollars	Pounds sterling	Japanese yen	Swiss francs	Other
A. Financial assets	1,960,435	818,626	102,727	63,329	64,017
A.1 Debt securities	973,088	309,947	99,788	886	346
A.2 Equities	102,931	10,314	—	51,624	9,025
A.3 Loans and advances to banks	548,817	449,926	2,939	10,650	51,517
A.4 Loans and advances to customers	335,599	48,439	—	169	3,129
A.5 Other financial assets	—	—	—	—	—
B. Other assets	—	—	—	—	—
C. Financial liabilities	(139,401)	(562,954)	(348)	(77,619)	(26,797)
C.1 Due to banks	—	—	—	(69,851)	—
C.2 Due to customers	(104,114)	(32)	—	(33)	—
C.3 Debt securities	(35,287)	(562,922)	(348)	(7,735)	(26,797)
C.4 Other financial liabilities	—	—	—	—	—
D. Other liabilities	—	—	—	—	—
E. Financial derivative products	(1,700,495)	(234,853)	(102,951)	(37,642)	(22,258)
- Options	—	—	—	—	—
+ Long positions	—	—	—	—	—
+ Short positions	—	—	—	—	—
- Other derivatives	(1,700,495)	(234,853)	(102,951)	(37,642)	(22,258)
+ Long positions	656,925	363,141	—	—	21,746
+ Short positions	(2,357,420)	(597,994)	(102,951)	(37,642)	(44,004)
Total assets	2,617,360	1,181,767	102,727	63,329	85,763
Total liabilities	(2,496,821)	(1,160,948)	(103,299)	(115,261)	(70,801)
Difference (+/-)	(120,539)	20,819	(572)	(51,932)	14,962

2.4 FINANCIAL DERIVATIVE PRODUCTS

A. FINANCIAL DERIVATIVES

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

Type of transaction	30/6/10		30/6/09	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	118,489,053	45,676,567	82,251,203	9,271,314
a) Options	3,342,234	34,609,375	3,353,636	17,775
b) Swaps	99,140,620	—	72,774,449	—
c) Forwards	3,870,021	165,254	3,986,940	5,772,136
d) Futures	—	10,901,938	—	3,481,403
e) Others	12,136,178	—	2,136,178	—
2. Equities and share indexes	23,005,701	23,121,148	8,569,583	1,081,402
a) Options	20,460,332	23,031,364	7,133,492	894,292
b) Swaps	2,545,369	—	1,281,441	—
c) Forwards	—	6,903	154,650	20,433
d) Futures	—	82,881	—	166,677
e) Others	—	—	—	—
3. Exchange rates and gold	6,334,804	—	4,644,576	—
a) Options	1,879,876	—	1,330,662	—
b) Swaps	1,563,195	—	991,217	—
c) Forwards	2,891,733	—	2,322,697	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	147,829,558	68,797,715	95,465,362	10,352,716
Average values	121,647,459	39,575,216	74,031,767	15,068,305

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

A.2.1 Hedge derivatives

Type of transaction	30/6/10		30/6/09	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	33,172,012	—	28,716,864	—
a) Options	—	—	—	—
b) Swaps	32,972,012	—	28,510,500	—
c) Forwards	—	—	6,364	—
d) Futures	—	—	—	—
e) Others	200,000	—	200,000	—
2. Equities and share indexes	—	6,774	203,865	—
a) Options	—	4,397	102,000	—
b) Swaps	—	—	—	—
c) Forwards	—	2,377	101,865	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and gold	52,891	—	45,796	—
a) Options	—	—	—	—
b) Swaps	52,891	—	45,796	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	33,224,903	6,774	28,966,525	—
Average values	31,095,714	3,387	27,059,302	—

A.2.2 Other derivatives

Type of transaction	30/6/10		30/6/09	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	12,251	—	—	—
a) Options	—	—	—	—
b) Swaps	12,251	—	—	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equities and share indexes	10,250,423	—	24,226,491	—
a) Options	10,250,423	—	24,226,491	—
b) Swaps	—	—	—	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and gold	51,489	—	141,202	—
a) Options	51,489	—	141,202	—
b) Swaps	—	—	—	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	10,314,163	—	24,367,693	—
Average values	17,340,929	—	22,395,573	—

A.3 *Financial derivatives: positive fair value – breakdown by product*

Type of transactions	Positive fair value			
	30/6/10		30/6/09	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	4,004,542	294,494	2,061,372	31,685
a) Options	1,059,971	288,325	640,892	28,712
b) Interest rate swaps	2,530,859	—	1,055,513	—
c) Cross currency swaps	40,614	—	1,595	—
d) Equity swaps	315,821	—	276,301	—
e) Forwards	57,277	1,122	87,071	—
f) Futures	—	5,047	—	2,973
g) Others	—	—	—	—
B. Banking book: hedge derivatives	2,100,160	—	1,549,518	—
a) Options	—	—	11,768	—
b) Interest rate swaps	2,005,569	—	1,477,866	—
c) Cross currency swaps	2,284	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	59,884	—
f) Futures	—	—	—	—
g) Others	92,307	—	—	—
C. Banking book: other derivatives	53,355	—	53,106	—
a) Options	53,355	—	53,106	—
b) Interest rate swaps	—	—	—	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	6,158,057	294,494	3,663,996	31,685

A.4 *Financial derivatives: negative fair value – breakdown by product*

Type of transaction	Negative fair value			
	30/6/10		30/6/09	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	(4,488,821)	(255,896)	(1,591,165)	(45,083)
a) Options	(906,774)	(239,051)	(359,951)	(40,103)
b) Interest rate swaps	(3,022,713)	—	(1,082,044)	—
c) Cross currency swaps	(159,201)	—	(80,214)	—
d) Equity swaps	(223,127)	—	(25,732)	—
e) Forwards	(177,006)	(126)	(43,224)	—
f) Futures	—	(16,719)	—	(4,980)
g) Others	—	—	—	—
B. Banking book: hedge derivatives	(843,316)	(2,165)	(1,069,693)	—
a) Options	(92,311)	—	(79,314)	—
b) Interest rate swaps	(745,522)	—	(980,323)	—
c) Cross currency swaps	(5,483)	—	(10,056)	—
d) Equity swaps	—	—	—	—
e) Forwards	—	(2,165)	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
C. Banking book: other derivatives	(342,345)	—	(401,814)	—
a) Options	(338,945)	—	(401,814)	—
b) Interest rate swaps	(3,400)	—	—	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	(5,674,482)	(258,061)	(3,062,672)	(45,083)

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

Contracts not forming part of netting arrangements	30/6/10						
	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	1,394,091	—	2,959,848	5,704,032	1,334,178	7,104,637	—
- positive fair value	—	—	38,617	65,495	91,542	293,422	—
- negative fair value	—	—	(71,296)	(49,996)	(4,992)	(59,051)	—
- future exposure	—	—	15,813	6,576	15,782	56,950	—
2. Equities and share indexes							
- notional value	—	—	219,343	1,210,593	24,450	890,223	22
- positive fair value	—	—	8,578	236,445	—	126,570	—
- negative fair value	—	—	—	(209,240)	(4,294)	(248)	(4)
- future exposure	—	—	980	95,605	1,467	53,923	2
3. Exchange rates and gold							
- notional value	—	—	1,242,867	—	—	597,487	815
- positive fair value	—	—	6,081	—	—	1,535	—
- negative fair value	—	—	(29,407)	—	—	(45,073)	(119)
- future exposure	—	—	12,776	—	—	18,025	8
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

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

Contracts forming part of netting arrangements	30/6/10						
	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	76,714,223	23,278,044	—	—	—
- positive fair value	—	—	1,776,951	309,666	—	—	—
- negative fair value	—	—	(2,706,085)	(280,339)	—	—	—
2. Equities and share indexes							
- notional value	—	—	15,761,691	4,787,507	—	111,872	—
- positive fair value	—	—	605,533	338,925	—	9,732	—
- negative fair value	—	—	(332,963)	(502,020)	—	—	—
3. Exchange rates and gold							
- notional value	—	—	4,088,771	404,864	—	—	—
- positive fair value	—	—	66,322	29,130	—	—	—
- negative fair value	—	—	(170,164)	(23,536)	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

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

Contracts not forming part of netting arrangements	30/6/10						
	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	612,868	20,085	—	—	—
- positive fair value	—	—	28,456	801	—	—	—
- negative fair value	—	—	(15,312)	(125)	—	—	—
- future exposure	—	—	4,170	25	—	—	—
2. Equities and share indexes							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
3. Exchange rates and gold							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

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

Contracts forming part of netting arrangements	30/6/10						
	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	30,124,060	2,414,999	—	—	—
- positive fair value	—	—	2,023,077	45,542	—	—	—
- negative fair value	—	—	(764,024)	(58,367)	—	—	—
2. Equities and share indexes							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
3. Exchange rates and gold							
- notional value	—	—	52,891	—	—	—	—
- positive fair value	—	—	2,284	—	—	—	—
- negative fair value	—	—	(5,483)	—	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

A.9 *OTC financial derivatives by maturity: notional values*

Underlying/residual maturity	Up to 1 year	From 1 to 5 years	Over 5 years	Total
A. Regulatory trading book				
A.1 Financial derivatives on debt securities and interest rates	35,295,626	56,776,539	26,416,888	118,489,053
A.2 Financial derivatives on equities and share indexes	5,866,012	16,022,521	1,117,168	23,005,701
A.3 Financial derivatives on foreign currency and gold	4,837,573	1,091,940	405,291	6,334,804
A.4 Financial derivatives on other assets	—	—	—	—
B. Banking book:				
B.1 Financial derivatives on debt securities and interest rates	2,283,094	26,008,769	4,892,400	33,184,263
B.2 Financial derivatives on equities and share indexes	708,270	9,157,985	384,168	10,250,423
B.3 Financial derivatives on foreign currency and gold	8,150	96,230	—	104,380
B.4 Financial derivatives on other assets	—	—	—	—
Total at 30/6/10	48,998,725	109,153,984	33,215,915	191,368,624
Total at 30/6/09	35,113,364	72,759,477	40,926,739	148,799,580

B. CREDIT DERIVATIVES

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

Transaction categories	Regulatory trading book		Other transactions	
	Individual assets	Baskets	Individual assets	Baskets
1. Hedge buys				
a) Credit default	2,323,730	9,657,683	117,379	—
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total A at 30/6/10	2,323,730	9,657,683	117,379	—
Average values	2,438,569	8,068,729	58,690	26,350
Total A at 30/ 6/ 09	2,336,846	6,708,797	—	—
2. Hedge sales				
a) Credit default	1,451,199	9,615,081	356,900	355,500
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total B at 30/6/10	1,451,199	9,615,081	356,900	355,500
Average values	1,472,210	8,033,555	181,650	289,250
Total B at 30/6/09	1,411,252	7,034,422	—	—

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

Portfolio/derivative instrument type	Positive fair value	
	30/6/10	30/6/09
A. Regulatory trading book	382,619	442,875
a) Credit default products	382,619	442,875
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
B. Banking book	38,635	3,967
a) Credit default products	38,635	3,967
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
Total	421,254	446,842

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

Portfolios/derivative instruments type	Negative fair value	
	30/6/10	30/6/09
A. Regulatory trading book	(397,501)	(431,207)
a) Credit default products	(397,501)	(431,207)
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
B. Banking book	(27,941)	(1,256)
a) Credit default products	(27,941)	(1,256)
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
Total	(425,442)	(432,463)

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

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

* Does not include implied derivatives of bonds issued.

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

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

* Does not include implied derivatives of bonds issued.

B.6 Credit derivatives: outstanding life – notional values

Underlying/residual maturity	Up to 1 year	From 1 year to 5 years	Over 5 years	Total
A. Regulatory trading book	1,214,183	21,063,155	770,355	23,047,693
A.1 Credit derivatives with “qualified” reference obligation	1,176,309	20,959,826	750,655	22,886,790
A.2 Credit derivatives with “unqualified” reference obligation	37,874	103,329	19,700	160,903
B. Banking book	149,679	426,800	253,300	829,779
B.1 Credit derivatives with “qualified” reference obligation	49,779	376,800	225,800	652,379
B.2 Credit derivatives with “unqualified” reference obligation	99,900	50,000	27,500	177,400
Total at 30/6/10	1,363,862	21,489,955	1,023,655	23,877,472
Total at 30/6/09	935,526	15,573,650	982,140	17,491,316

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 agreements							
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
- net counterparty risk	—	—	—	—	—	—	—
3) "Cross product" agreements*							
- positive fair value	2,478	—	108,078	33,776	—	—	—
- negative fair value	—	—	(143,955)	(19,660)	—	(552)	—
- future exposure	990	—	145,443	86,824	—	6,712	—
- net counterparty risk	3,468	—	297,593	48,367	—	6,161	—

* Net of contracts with Group counterparties (minus €119,118,000) and cash collateral received (€488,081,000).

Section 3

Liquidity risk

QUALITATIVE INFORMATION

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

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

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

In addition to the prudential approach adopted in estimating future cash flows (e.g. not assuming automatic renewal by on maturities for interbank funds), weekly stress tests are also carried out assuming:

- extraordinary drawdowns on committed lines granted to customers;
- major reductions in renewals of interbank funds raised by Group companies (linked partly to commercial relations);
- partial failure to renew CheBanca! funding when term deposits expire.

During the past year, the presence of a considerable securities portfolio, roughly half of which consisted of government securities, meant that the amount of cash and cash equivalents was considerably higher than the outflows anticipated in situations of stress.

In order to keep abreast of the guidance being issued in the various documents by the European regulatory bodies and the Bank of Italy, the methods used for monitoring liquidity risk are currently under review given the increasing complexity of this issue, the aim being to introduce limits for new and more complex indicators. A steering committee monitors the liquidity situation, the sustainability of business development given the Bank's asset structure, and the sensibility of earnings to movements in interest rates.

1. *Financial assets and liabilities by outstanding life – Currency of denomination: EUROS*

Type	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	5,809,475	366,587	377,235	1,901,666	1,930,731	2,905,803	4,712,773	14,272,249	12,264,116	129,985
A.1 Government securities	581	29,523	—	70,761	93,563	1,035,834	309,167	655,434	4,072,581	—
A.2 Listed debt securities	—	—	—	—	—	—	—	—	—	—
A.3 Other debt securities	1,272	1,175	1,759	10,412	67,646	59,495	326,287	3,432,438	3,312,706	—
A.4 UCITS units	—	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	5,807,622	335,889	375,476	1,820,493	1,769,522	1,810,474	4,077,319	10,184,377	4,878,829	129,985
– to banks	2,526,336	252,634	222	603,844	279,177	283,205	39,886	1,653,709	167,871	116,565
– to customers	3,281,286	83,255	375,254	1,216,649	1,490,345	1,527,269	4,037,433	8,530,668	4,710,958	13,420
Cash liabilities	7,106,803	59,805	453,059	200,748	748,542	612,676	4,015,862	28,339,707	4,702,300	187,412
B.1 Deposits	7,103,903	43,845	451,354	177,101	167,418	176,100	87,822	459,793	255,705	187,352
– to banks	5,752,908	43,845	451,354	150,218	31,573	88,471	47,527	459,785	255,705	173,407
– to customers	1,350,995	—	—	26,883	135,845	87,629	40,295	8	—	13,945
B.2 Debt securities	2,900	15,686	1,705	23,594	576,071	433,730	3,406,851	27,879,914	4,446,595	60
B.3 Other liabilities	—	274	—	53	5,053	2,846	521,189	—	—	—
Off-balance-sheet transactions	6,306,082	148,459	302,322	1,060,167	3,943,870	723,582	4,881,756	17,468,617	1,271,828	—
C.1 Financial derivatives										
with exchange of principal	346,851	113,716	292,451	1,012,146	3,654,032	466,218	3,611,629	1,669,346	286,178	—
– long positions	—	113,716	23	76,519	132,284	285,082	144,808	919,619	143,089	—
– short positions	346,851	—	292,428	935,627	3,521,748	181,136	3,466,821	749,727	143,089	—
C.2 Deposits and loans										
for collection	5,949,231	9,743	9,871	48,021	216,838	232,464	618,691	—	—	—
– long positions	3,240,996	7,618	2,279	33,334	126,304	114,349	409,771	—	—	—
– short positions	2,708,235	2,125	7,592	14,687	90,534	118,115	208,920	—	—	—
C.3 Irrevocable commitments										
to disburse funds	—	—	—	—	—	—	—	—	—	—
– long positions	—	—	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments										
to disburse funds	10,000	25,000	—	—	73,000	24,900	651,436	15,799,271	985,650	—
– long positions	—	—	—	—	48,000	13,500	343,718	7,808,561	570,850	—
– short positions	10,000	25,000	—	—	25,000	11,400	307,718	7,990,710	414,800	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—

Currency of denomination: *OTHERS*

Type	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6	From 6 months to 1	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	54,189	93	727	9,453	221,770	4,021	45,684	633,743	30,617	2,781
A.1 Government securities	—	—	83	—	—	—	85	17,465	—	—
A.2 Listed debt securities	—	—	—	—	—	—	—	—	—	—
A.3 Other debt securities	—	—	644	24	68,175	3,587	44,794	254,405	30,617	—
A.4 UCITS units	—	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	54,189	93	—	9,429	153,595	434	805	361,873	—	2,781
– to banks	52,358	93	—	—	153,537	290	581	324,442	—	—
– to customers	1,831	—	—	9,429	58	144	224	37,431	—	2,781
Cash liabilities	9,691	—	60,225	341	—	10,934	223,020	11,071	258,644	—
B.1 Deposits	9,691	—	60,225	—	—	—	—	—	—	—
– to banks	9,626	—	60,225	—	—	—	—	—	—	—
– to customers	65	—	—	—	—	—	—	—	—	—
B.2 Debt securities	—	—	—	341	—	10,934	223,020	11,071	258,644	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	864,787	1,074	37,095	234,850	169,844	132,563	376,093	533,156	237,138	—
C.1 Financial derivatives										
with exchange of principal	15,379	1,074	36,699	234,850	169,844	119,830	375,199	533,156	237,138	—
– long positions	15,379	524	—	170,339	32,409	52,401	335,620	227,713	17,516	—
– short positions	—	550	36,699	64,511	137,435	67,429	39,579	305,443	219,622	—
C.2 Deposits and loans										
for collection	849,408	—	396	—	—	12,733	894	—	—	—
– long positions	304,526	—	—	—	—	12,286	—	—	—	—
– short positions	544,882	—	396	—	—	447	894	—	—	—
C.3 Irrevocable commitments										
to disburse funds	—	—	—	—	—	—	—	—	—	—
– long positions	—	—	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments										
to disburse funds	—	—	—	—	—	—	—	—	—	—
– long positions	—	—	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	—	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—

Section 4

Operating risk

Definition

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

Capital requirements for operating risk

Mediobanca has decided to adopt the Basic Indicator Approach (“BIA”) in order to calculate the capital requirement for covering operating risk, applying a margin of 15% to the average of the last three readings of total income. Based on this method of calculation, the capital requirement as at 30 June 2010 was €107.8m (€106.6m).

Risk mitigation

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

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

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

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

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

Litigation risk: risks deriving from litigation pending

The only claim worthy of note is the one in respect of the Bank’s alleged failure to launch a full takeover bid for La Fondiaria in 2002 (cf. p. 252).

PART F - INFORMATION ON CAPITAL

Section 1

Capital of the company

B. Quantitative information

B.1 Net equity

Net equity constituents	30/6/10	30/6/09
1. Share capital	430,551	410,028
2. Share premium	2,119,913	2,140,043
3. Reserves	2,372,424	2,346,457
- of gains	2,329,814	2,309,006
a) legal	86,106	82,006
b) statutory	992,771	976,063
c) treasury shares	213,410	213,410
d) others	1,037,527	1,037,527
- others	42,610	37,451
4. Equity instruments	—	—
5. (Treasury shares)	(213,410)	(213,410)
6. Valuation reserves:	(33,972)	(62,696)
- AFS securities	(25,287)	(117,978)
- Property, plant and equipment	—	—
- Intangible assets	—	—
- Foreign investment hedges	—	—
- Cash flow hedges	(16,272)	47,695
- Exchange rate difference	—	—
- Non-current assets being sold	—	—
- Actuarial gains (losses) on defined-benefit pension schemes	—	—
- Share of valuation reserves represented by equity-accounted	—	—
- Special valuation laws	7,587	7,587
7. Gain (loss) for the period	244,139	20,808
Total	4,919,645	4,641,230

For further information, see section 14 “Capital of the company – Headings 130, 150, 160, 170, 180, 190, and 200”.

B.2 AFS valuation reserves: composition

Assets/Amounts	Total at 30/6/10		Total at 30/6/09	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	48,433	(71,119)	63,369	(115,143)
2. Equities	80,219	(84,593)	100,158	(167,418)
3. UCITS units	1,772	—	1,057	—
4. Loans and advances	—	—	—	—
Total	130,424	(155,712)	164,584	(282,561)

B.3 AFS valuation reserves: movements during the period

	Debt securities	Equities	UCITS units	Loans	Total
1. Opening balance	(51,774)	(67,260)	1,057	—	(117,977)
2. Additions	93,348	128,771	1,423	—	223,542
2.1 Increases in fair value	76,471	20,263	1,423	—	98,157
2.2 Negative reserves charged					
back to profit and loss as a	16,877	108,508	—	—	125,385
result of					
– impairment	—	107,300	—	—	107,300
– disposals	16,877	1,208	—	—	18,085
2.3 Other additions	—	—	—	—	—
3. Reductions	64,260	65,885	708	—	130,853
3.1 Reductions in fair value	54,561	47,665	708	—	102,934
3.2 Adjustments for impairment	—	—	—	—	—
3.3 Positive reserves credited					
back to profit and loss as a	9,699	18,220	—	—	27,919
result of: disposals					
3.4 Other reductions	—	—	—	—	—
4. Balance at end of period	(22,686)	(4,374)	1,772	—	(25,288)

Section 2

Regulatory and supervisory capital requirements for banks

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

Since its inception one of the distinguishing features of Mediobanca has been the solidity of its financial structure, with capital ratios that have been consistently and significantly higher than those required by the regulatory guidelines. Such surplus capital is justified by the nature of the Bank's operations on corporate markets.

2.1 *Scope of application of regulations*

Regulatory capital has been calculated on the basis of Bank of Italy circulars no. 263 issued on 27 December 2006 and no. 155 (twelfth update) issued on 5 February 2008, which transpose the new prudential guidelines for banks and banking groups introduced by the New Basel Capital Accord (Basel II) into the Italian regulatory framework.

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

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

2.2 *Regulatory capital requirements for banks*

A. QUALITATIVE INFORMATION

Tier 1 capital consists of capital paid up, reserves, and profit for the period net of treasury shares (€213.4m) and intangible assets (€11.7m), plus 50% of the book value of the Bank's investments in banks and financial services companies (equal to €64.2m).

Tier 2 capital includes the positive valuation reserves (€27.2m, €16.7m of which in respect of AFS shares), Tier 2 subordinated liabilities (€922.1m) net of the implicit losses on investments (€115.1m) and the remaining share of the book value of investments in banks and financial companies.

B. QUANTITATIVE INFORMATION

	30/6/10	30/6/09
A. Tier 1 capital prior to application of prudential filters	4,798,437	4,699,472
B. Tier 1 prudential filters:		
B.1 IAS/IFRS positive filters	—	—
B.2 IAS/IFRS negative filters	—	(53,549)
C. Tier 1 capital gross of items to be deducted	4,798,437	4,699,472
D. Items for deduction from Tier 1 capital	(64,242)	(23,122)
E. Total Tier 1 capital	4,734,195	4,622,801
F. Tier 2 capital prior to application of prudential filters	833,345	806,769
G. Tier 2 prudential filters:		
G.1 IAS/IFRS positive filters	35,648	—
G.2 IAS/IFRS negative filters	(27,218)	(15,804)
H. Tier 2 capital gross of items to be deducted	841,775	790,965
I. Items for deduction from Tier 2 capital	(64,242)	(23,122)
L. Total Tier 2 capital	777,533	767,843
M. Items for deduction from Total Tier 1 and Tier 2 capital	—	—
N. Regulatory capital	5,511,728	5,390,644
O. Total Tier 3 capital	—	—
P. Total regulatory capital including Tier 3	5,511,728	5,390,644

Two Tier 2 subordinate bonds have also been issued, namely:

- XS50270002669 MB GBP 200,000,000 Lower Tier II Subordinate Fixed/Floating Rate Notes Due 2018
- XS0270008864 MB EURO 700,000,000 Lower Tier II Subordinate Floating Rate Notes Due 2016.

2.3 Capital adequacy

A. QUALITATIVE INFORMATION

As at 30 June 2010, the Bank's total core ratio, calculated as regulatory capital as a percentage of risk-weighted assets, stood at 14.59, while the core Tier 1 ratio, calculated as Tier 1 capital as a percentage of risk-weighted assets, amounted to 12.53. These figures were in line with those recorded last year, confirming the Bank's solidity.

B. QUANTITATIVE INFORMATION

Categories/amounts	Unweighted amounts		Weighted amounts/requirements	
	30/6/10	30/6/09	30/6/10	30/6/09
A. RISK ASSETS				
A.1 Credit and counterpart risk	57,548,076	61,495,060	29,694,907	30,934,560
1. Standard methodology	57,236,114	61,145,095	29,547,167	30,761,852
2. Internal rating methodology	—	—	—	—
2.1 Basic	—	—	—	—
2.2 Advanced	—	—	—	—
3. Securitization	311,962	349,965	147,740	172,708
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterpart risk			1,781,694	1,856,074
B.2 Market risk			376,677	296,589
1. Standard methodology			376,677	296,589
2. Internal models			—	—
3. Concentration risk			—	—
B.3 Operational risk			107,795	106,556
1. Basic Indicator Approach (BIA)			107,795	106,556
2. Standard methodology			—	—
3. Advanced methodology			—	—
B.4 Other prudential requirements			—	—
B.5 Other calculation elements			—	—
B.6 Total prudential requirements			2,266,166	2,259,219
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			37,769,438	37,653,640
C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			12.53%	12.28%
C.3 Regulatory capital/risk-weighted assets (total capital ratio)			14.59%	14.32%

PART H - RELATED PARTY DISCLOSURE

1. Board member and senior management remuneration

Remuneration paid to Directors, Statutory Auditors and other management with strategic responsibilities

Disclosure required under Article 78 of CONSOB Resolution 11971/99

Name	Description			Remuneration			
	Position	Period during which post held	Term expires	Fee €'000	Fringe benefits €'000	Bonuses and other incentives €'000	Other compensation €'000
BOARD OF DIRECTORS							
Cesare GERONZI ^{1 2 3}	Chairman	01.07.09 - 25.04.10	—	2.702	26		
Renato PAGLIARO ^{1 2 3}	Chairman ⁶	01.07.09 - 30.06.10	30/06/2011	150	5		2,400
Dieter RAMPL ²	Deputy Chairman	01.07.09 - 30.06.10	30/06/2011	225			
Marco TRONCHETTI PROVERA ²	Deputy Chairman	01.07.09 - 30.06.10	30/06/2011	225			
Alberto NAGEL ^{1 2}	Chief Executive Officer	01.07.09 - 30.06.10	30/06/2011	150	6		2,400
Francesco Saverio VINCI ^{1 2}	General Manager ⁷	01.07.09 - 30.06.10	30/06/2011	150	7		1,680
Jean AZEMA	Director	01.07.09 - 30.06.10	30/06/2011	150			
Tarak BEN AMMAR ^{3 4}	Director	01.07.09 - 30.06.10	30/06/2011	250			
Gilberto BENETTON	Director	01.07.09 - 30.06.10	30/06/2011	150			
Marina BERLUSCONI	Director	01.07.09 - 30.06.10	30/06/2011	150			
Antoine BERNHEIM	Director	01.07.09 - 30.06.10	30/06/2011	150			
Roberto BERTAZZONI ^{2 3 4}	Director	01.07.09 - 30.06.10	30/06/2011	275			
Vincent BOLLORE ^{1 2 3}	Director	01.07.09 - 30.06.10	30/06/2011	275			
Angelo CASO ^{1 3 4}	Director	01.07.09 - 30.06.10	30/06/2011	325			
Maurizio CEREDA ¹	Director	01.07.09 - 30.06.10	30/06/2011	150	5		2,010
Massimo DI CARLO ¹	Director	01.07.09 - 30.06.10	30/06/2011	150	6		2,100
Ennio DORIS	Director	01.07.09 - 30.06.10	30/06/2011	150			
Pietro FERRERO	Director	01.07.09 - 30.10.09	—	50			
Jonella LIGRESTI ³	Director	01.07.09 - 30.06.10	30/06/2011	175			
Fabrizio PALENZONA	Director	01.07.09 - 30.06.10	30/06/2011	150			
Marco PARLANGELI	Director	01.07.09 - 30.06.10	30/06/2011	150			
Carlo PESENTI ³	Director	01.07.09 - 30.06.10	30/06/2011	175			
Eric STRUTZ ¹	Director	01.07.09 - 30.06.10	30/06/2011	225			
MANAGEMENT with strategic responsibilities ⁵		=	=		5	120	537
STATUTORY AUDIT COMMITTEE							
Marco REBOA	Chairman	01.07.09 - 30.06.10	30/06/2011	120			
Maurizia ANGELO COMNENO	Standing Auditor	01.07.09 - 30.06.10	30/06/2011	90			
Gabriele VILLA	Standing Auditor	01.07.09 - 30.06.10	30/06/2011	90			

¹ Executive Committee members. The executive directors who are members of this committee do not receive fees for this position.

² Appointments Committee members. The executive directors who are members of this committee do not receive fees for this position. The independent member does receive a fee for his/her participation in committee meetings pursuant to Article 18 of the Bank's Articles of Association. Mr Vinci has been a member of this Committee since 10 May 2010.

³ Remunerations Committee members. The executive directors who are members of this committee do not receive fees for this position. Mr Pagliaro has been a member of this Committee since 10 May 2010.

⁴ Members of the Internal Control Committee.

⁵ Aggregate data.

⁶ Chairman since 10 May 2010.

⁷ General Manager since 10 May 2010.

N.B. The fees of directors Jean AZEMA, Carlo PESENTI, Marco TRONCHETTI PROVERA and Marco PARLANGELI are paid directly to their companies.

**STOCK OPTIONS GRANTED TO DIRECTORS, GENERAL MANAGERS
AND OTHER MANAGEMENT WITH STRATEGIC RESPONSIBILITIES**
Disclosure required under Article 78 of Consob resolution no. 11971/99)

Name	Position	Options at beginning of financial year			Options granted during year			Options exercised during year			Options expiring	Options at end of financial year		
		No. of options	Avg. strike price	Avg. expiry	No. of options	Avg. strike price	Avg. expiry	No. of options	Avg. strike price	Avg. market price	No. of options	No. of options	Avg. strike price	Avg. expiry
Renato PAGLIARO	Chairman	575,000	13.244	> 5 anni	—	—	—	—	—	—	—	575,000	12.366	< 5 anni
Alberto NAGEL	Chief Executive Officer	575,000	13.244	> 5 anni	—	—	—	—	—	—	—	575,000	12.366	< 5 anni
Francesco Saverio VINCI	General Manager and executive director	575,000	13.244	> 5 anni	—	—	—	—	—	—	—	575,000	12.366	< 5 anni
Maurizio CEREDA	Executive director	575,000	13.244	> 5 anni	—	—	—	—	—	—	—	575,000	12.366	< 5 anni
Massimo DI CARLO	Executive director	575,000	13.244	> 5 anni	—	—	—	—	—	—	—	575,000	12.366	< 5 anni
MANAGEMENT with strategic responsibilities*		240,000	13.504	> 5 anni	—	—	—	—	—	—	—	240,000	12.609	< 5 anni

* Aggregate data

§ Average stock market prices for the calendar year prior to the award, adjusted by the Board of Directors on 18 December 2009 by applying the official adjustment coefficient K published by Borsa Italiana on 25 September 2009 of 0.933788.

**BENEFICIAL INTEREST OF BOARD MEMBERS, STATUTORY AUDITORS, GENERAL MANAGERS
AND MANAGEMENT WITH STRATEGIC RESOPONSIBILITIES**

Disclosure required under Article 79 of Consob resolution no. 11971/99

Name	Investee company	No. of shares owned at end of previous financial year	No. of shares acquired	No. of shares sold	No. of shares held at end of current financial year
BENETTON Gilberto	MEDIOBANCA	536,000	26,800 ¹	—	562,800
BERLUSCONI Marina	MEDIOBANCA	—	40,000	—	40,000
BERNHEIM Antoine	MEDIOBANCA	60,000	3,000 ¹	—	63,000
BERTAZZONI Roberto	MEDIOBANCA	1,000,000	50,000 ¹	—	1,050,000
BOLLORE' Vincent	MEDIOBANCA	40,954,907	2,047,745 ¹	—	43,002,652
CEREDA Maurizio	MEDIOBANCA	590,000	29,500 ¹	—	619,500
DI CARLO Massimo	MEDIOBANCA	530,000	26,500 ¹	—	556,500
DORIS Ennio	MEDIOBANCA	1,732,273	86,613 ¹	—	1,818,886
NAGEL Alberto	MEDIOBANCA	2,501,000	125,050 ¹	—	2,626,050
PAGLIARO Renato	MEDIOBANCA	2,600,000	130,000 ¹	—	2,730,000
PARLANGELI Marco	MEDIOBANCA	300	15 ¹	—	315
VINCI Francesco Saverio	MEDIOBANCA	900,000	45,000 ¹	—	945,000
MANAGEMENT with strategic responsibilities *	MEDIOBANCA	92,500	4,625 ¹	—	97,125

N.B. Holdings for Directors who were appointed or who resigned during the course of the financial year are stated as at the date on which the person concerned took up or relinquished the position.

¹ Following capital increase.

* Aggregate data.

2. *Related party disclosure*

Under a resolution approved on 18 September 2009, the Board of Directors approved an amendment to the definition of related parties. In particular, merely being a party to the Mediobanca shareholders' agreement is no longer considered a sufficient condition in order to qualify as a related party, because the regulations governing the agreement do not provide for the parties to have control over Mediobanca (as defined by IAS 24) or grant any of the individual parties control or significant influence over the Bank.

The figures as at 30 June 2009 have been restated in order to take account of this amendment.

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

Accounts with related parties fall within the ordinary operations of the Group companies, are maintained on an arm's length basis, and are entered into in the interests of the individual companies concerned. No atypical or unusual transactions have been entered into with these counterparties. Details of Directors' and strategic management compensation are provided in a footnote to the table.

The increase in exposure to related parties (which represents the sum of assets plus guarantees and commitments) from €3.6bn to €4bn, is due exclusively to treasury positions.

Overall, accounts with related parties represent approx. 8% of the total balance-sheet aggregates and interest income.

Situation at 30 June 2010

	Group companies	Directors and strategic management	Associates	Other related parties	Total
€m					
Assets	10,985.3	4.6	1,733.7	1,893.2	14,616.8
<i>of which: other assets</i>	3,343.2	4.6	281.2	694.7	4,323.7
<i>loans and advances</i>	7,642.1	—	1,452.5	1,198.5	10,293.1
Liabilities	4,278.2	111.7	258.0	22.6	4,670.5
Guarantees and commitments	20,075.3	—	62.2	330.5	20,468.0
Interest income	262.8	1.6	76.7	63.7	404.8
Interest expense	(156.7)	—	(0.3)	—	(157.0)
Net fee income	30.3	3.2	31.7	33.9	99.1
Other income (costs)	33.6	(15.3) ¹	40.4	16.7	75.4

¹ Includes short-term benefits amounting to €18.6m and stock options worth €0.5m.

Situation at 30 June 2009

	Group companies	Directors and strategic management	Associates	Other related parties	Total
€m					
Assets	11,233.1	70.7	1,840.2	1,419.6	14,563.6
<i>of which: other assets</i>	2,399.0	70.7	132.0	144.6	2,746.3
<i>loans and advances</i>	8,834.1	—	1,708.2	1,275.0	11,817.3
Liabilities	3,253.3	0.2	2.6	86.3	3,342.4
Guarantees and commitments	14,959.1	29.9	35.8	237.7	15,262.5
Interest income	471.5	1.3	83.4	91.5	647.7
Interest expense	(180.5)	(0.3)	(6.5)	(3.8)	(191.1)
Net fee income	8.6	—	11.9	52.9	73.4
Other income (costs)	190.5	(20.0) ¹	202.9	37.8	411.2

¹ Includes short-term benefits amounting to €18m and stock options worth €1.8m.

PART I - SHARE-BASED PAYMENT SCHEMES

A. QUALITATIVE INFORMATION

1. Description

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

Extraordinary general meeting held on	No. of shares approved	Awards expire on	Deadline for exercising options	No. of shares awarded
29 March 1999	3,130,000	Expired	31 December 2011	3,130,000
30 July 2001	50,000,000	Expired	1 July 2015	49,634,000
28 October 2004	15,000,000	Expired	1 July 2020	14,350,000
<i>of which to directors¹</i>	<i>4,000,000</i>	<i>Expired</i>	<i>1 July 2020</i>	<i>3,375,000²</i>
27 June 2007	40,000,000	27 June 2012	1 July 2022	201,000
TOTAL	108,130,000			67,315,000

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

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

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

During the period a total of 310,000 stock options (79,000 from the upper limit approved by the Board of Directors on 28 October 2004 and the remainder from the upper limit approved on 27 June 2007) were awarded at a price of €8.401 per share, vesting in three years and exercisable within eight years.

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

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

Since the reporting date, a total of 16,150,000 options were awarded on 2 August 2010, 950,000 of which to Directors (all of them from the upper limit approved on 27 June 2007) at a price of €6.537 per share, vesting for three years and exercisable within 8 years.

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

B. QUANTITATIVE INFORMATION

1. Changes during the period

	30/6/09			30/6/10		
	No. of options	Avg. price	Avg. expiry	No. of options	Avg. price	Avg. expiry
A. Balance at start of period	13,306,000	14.52	June 2014	22,717,000	12.23	April 2015
B. Additions						
B.1 New issues	9,411,000	11.04	June 2016	310,000	7.84	July 2017
B.2 Other additions	—	—	—	—	—	—
C. Reductions						
C.1 Options cancelled	—	—	—	525,000	10.87	—
C.2 Options exercised	—	—	—	—	—	—
C.3 Options expired	—	—	—	—	—	—
C.4 Other reductions	—	—	—	30,000	7.84	—
D. Balance at end of period	22,717,000	13.08	April 2015	22,472,000	12.21	June 2015
E. Options exercisable at reporting date	11,276,000	9.85	January 2013	11,036,000	13.62	June 2014

ANNEXES

CONSOLIDATED BALANCE SHEET (IAS/IFRS-compliant)

	IAS-compliant 30/6/09	IAS-compliant 30/6/10
	€ m	
Assets		
10. Cash and cash equivalents	20.7	26.8
20. Financial assets held for trading	13,137.6	16,332.2
30. Financial assets recognized at fair value	—	—
40. AFS securities	6,653.4	6,825.8
50. Financial assets held to maturity	574.4	720.7
60. Due from banks	5,001.7	5,380.5
<i>of which:</i>		
<i>other trading items</i>	3,936.1	4,739.3
<i>securities</i>	198.1	—
<i>other items</i>	1.5	2.8
70. Due from customers	42,390.0	39,924.7
<i>of which:</i>		
<i>other trading items</i>	7,072.2	5,868.4
<i>securities</i>	785.0	734.7
<i>other items</i>	82.2	76.7
80. Hedging derivatives	1,744.6	2,046.6
<i>of which:</i>		
<i>funding hedge derivatives</i>	1,669.6	2,045.5
<i>lending hedge derivatives</i>	2.6	0.9
90. Value adjustments to financial assets subject to general hedging	—	—
100. Equity investments	2,638.5	3,348.0
110. Total reinsurers' share of technical reserves	—	—
120. Property, plant and equipment	317.5	320.0
130. Intangible assets	446.7	442.6
<i>of which:</i>		
<i>goodwill</i>	365.9	365.9
140. Tax assets	830.1	914.3
<i>a) current</i>	291.4	290.9
<i>b) advance</i>	538.7	623.4
150. Other non-current and Group assets being sold	—	—
160. Other assets	135.3	219.0
<i>of which:</i>		
<i>other trading items</i>	20.1	24.7
Total assets	73,890.5	76,501.2

The balance sheet provided on p. 20 reflects the following restatements:

- *Treasury funds* comprises 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, which chiefly consist 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 of asset heading 80 and liability heading 60 in respect of hedging derivatives, plus the relevant share of liability heading 100.

	IAS-compliant 30/6/09	IAS-compliant 30/6/10
	€ m	
Liabilities and net equity		
10. Due to banks	11,410.2	9,730.7
<i>of which:</i>		
<i>other trading items</i>	5,170.9	3,778.9
<i>other liabilities</i>	0.6	0.4
20. Due to customers	13,148.2	14,889.1
<i>of which:</i>		
<i>other trading items</i>	2,834.9	2,171.2
<i>other liabilities</i>	8.0	10.3
30. Debt securities	37,416.2	36,665.5
40. Trading liabilities	3,427.4	6,065.2
50. Liabilities recognized at fair value	—	—
60. Hedging derivatives	1,332.2	758.8
<i>of which:</i>		
<i>funding hedge derivatives</i>	1,121.2	573.3
<i>lending hedge derivatives</i>	32.7	79.8
70. Value adjustments to financial liabilities subject to general hedging	—	—
80. Tax liabilities	653.7	633.2
<i>a) current</i>	306.4	318.4
<i>b) deferred</i>	347.3	314.8
90. Liabilities in respect of Group assets being sold	—	—
100. Other liabilities	505.0	726.7
<i>of which:</i>		
<i>Adjustments to L & R</i>	53.2	102.9
110. Staff severance indemnity provision	28.9	27.3
120. Provisions	159.4	156.3
<i>a) post-employment and similar benefits</i>	—	—
<i>b) other provisions</i>	159.4	156.3
130. Technical reserves	—	13.9
140. Valuation reserves	(163.3)	55.3
150. Shares with right of withdrawal	—	—
160. Equity instruments	—	—
170. Reserves	3,530.7	3,938.4
180. Share premium reserve	2,140.0	2,119.9
190. Share capital	410.0	430.6
200. Treasury shares	(213.8)	(213.8)
210. Net equity attributable to minorities	103.3	103.3
220. Profit (loss) for the year	2.4	400.8
Total liabilities and net equity	73,890.5	76,501.2

CONSOLIDATED PROFIT AND LOSS ACCOUNTS (IAS/IFRS-compliant)

	12 mths to 30/6/09	12 mths to 30/6/10
Profit and loss account	€ m	
10. Interest and similar income	3,051.1	2,820.2
20. Interest expense and similar charges	(2,194.1)	(1,764.9)
30. Net interest income	857.0	1,055.3
40. Fee and commission income	483.6	499.1
50. Fee and commission expense	(50.5)	(37.7)
60. Net fee and commission income	433.1	461.4
70. Dividends and similar income	41.0	68.4
80. Net trading income	196.7	(59.7)
90. Net hedging income (expense)	2.0	(15.7)
100. Gain (loss) on disposal of:	186.1	222.6
<i>a) loans and receivables</i>	—	—
<i>b) AFS securities</i>	175.0	198.9
<i>c) financial assets held to maturity</i>	0.1	—
<i>d) other financial liabilities</i>	11.0	23.7
120. Total income	1,715.9	1,732.3
130. Adjustments for impairment to:	(690.4)	(666.9)
<i>a) loans and receivables</i>	(476.3)	(461.3)
<i>b) AFS securities</i>	(186.6)	(150.0)
<i>c) financial assets held to maturity</i>	0.4	(1.0)
<i>d) other financial liabilities</i>	(27.9)	(54.6)
140. Net income from financial operations	1,025.5	1,065.4
150. Net premium income	—	1.0
160. Income less expense from insurance operations	—	(0.4)
170. Net income from financial and insurance operations	1,025.5	1,066.0
180. Administrative expenses:	(748.5)	(779.3)
<i>a) personnel costs</i>	(360.1)	(379.6)
<i>b) other administrative expenses</i>	(388.4)	(399.7)
190. Net transfers to provisions for liabilities and charges	(0.7)	3.8
200. Net adjustments to property, plant and equipment	(15.4)	(17.7)
210. Net adjustments to intangible assets	(19.4)	(22.4)
<i>of which: goodwill</i>	—	—
220. Other operating income (expenses)	132.7	119.4
230. Operating costs	(651.3)	(696.2)
240. Profit (loss) from equity-accounted companies	(283.5)	213.5
270. Gain (loss) on disposal of investments	—	—
280. Profit (loss) before tax on ordinary activities	90.7	583.3
290. Income tax on ordinary activities for the year	(88.8)	(181.2)
300. Profit (loss) after tax on ordinary activities	1.9	402.1
310. Net gain (loss) on non-current assets being sold	—	—
320. Profit (loss) for the year	1.9	402.1
330. Profit (loss) for the year attributable to minorities	0.5	(1.3)
340. Net profit (loss) for the year attributable to Mediobanca	2.4	400.8

The profit and loss account reported on p. 19 reflects the following restatements:

- *Net interest income* includes the total reported under Heading 90, plus margins on swaps reported under Heading 80 amounting to €0.9m and €-135.6m respectively, net of €0.9m and €0.6m respectively in interest expense on securities lending accounted for as *Net trading income*;
- Amounts under Heading 220 have been restated as *Net fee and commission income*, save for amounts refunded/recovered amounting to €54.3m, €47.9m respectively which net operating costs; items 150 and 160 are included in commissions and other net income.
- In addition to the items already stated, *Net trading income* also includes dividends from trading and the gains (losses) on financial liabilities reported under Heading 100.

MEDIOBANCA S.p.A. BALANCE SHEET

Assets	IAS-compliant 30/6/09	IAS-compliant 30/6/10
	€ m	
10. Cash and cash equivalents	—	—
20. Financial assets held for trading	11,597.0	15,682.4
40. AFS securities	4,330.9	5,245.5
50. Financial assets held to maturity	573.6	719.8
60. Due from banks	8,470.2	7,527.0
<i>of which:</i>		
<i>other trading items</i>	4,020.9	4,748.2
<i>securities</i>	198.1	—
<i>other items</i>	28.2	29.7
70. Due from customers	28,397.1	26,280.2
<i>of which:</i>		
<i>other trading items</i>	8,324.1	7,801.2
<i>securities</i>	785.0	734.7
<i>other items</i>	103.4	112.7
80. Hedging derivatives	1,762.4	2,094.9
<i>of which:</i>		
<i>funding hedge derivatives</i>	1,687.9	2,093.9
<i>lending hedge derivatives</i>	2.6	0.9
100. Equity investments	2,845.2	2,828.3
110. Property, plant and equipment	118.0	118.9
120. Intangible assets	4.5	11.7
130. Tax assets	323.5	331.1
<i>a) current</i>	178.6	178.7
<i>b) advance</i>	144.9	152.4
150. Other assets	28.5	53.0
Total assets	58,450.9	60,892.8

The balance sheet provided on p. 240 reflects the following restatements:

- *Treasury funds* comprises 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, which chiefly consist of repos, interbank accounts and margins on derivatives;
- *Funding* comprises the balances shown under liability headings 10, 20 and 30 (excluding 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* and other items), the relevant amounts of asset heading 80 and liability heading 60 in respect of hedging derivatives, plus the relevant share of liability heading 100.

	IAS-compliant 30/6/09	IAS-compliant 30/6/10
	€ m	
Liabilities and net equity		
10. Due to banks	8,800.6	7,954.7
<i>of which:</i>		
<i>other trading items</i>	4,695.8	3,619.7
<i>other liabilities</i>	27.0	18.1
20. Due to customers	3,214.8	2,051.9
<i>of which:</i>		
<i>other trading items</i>	2,833.4	1,704.1
<i>other liabilities</i>	70.8	77.3
30. Debt securities	36,349.9	37,518.2
40. Trading liabilities	3,353.4	6,674.0
60. Hedging derivatives	1,247.3	817.4
<i>of which:</i>		
<i>funding hedge derivatives</i>	1,198.4	726.1
<i>lending hedge derivatives</i>	32.7	66.7
80. Tax liabilities	476.1	517.1
<i>a) current</i>	217.0	254.4
<i>b) deferred</i>	259.1	262.7
100. Other liabilities	207.0	271.2
<i>of which:</i>		
<i>Adjustments to L & R</i>	95.0	120.3
110. Staff severance indemnity provision	9.8	9.9
120. Provisions	150.8	150.8
<i>a) post-employment and similar benefits</i>	—	—
<i>b) other provisions</i>	150.8	150.8
130. Valuation reserves	—	—
140. Valuation reserves	(62.7)	(26.0)
160. Reserves	2,346.5	2,372.4
170. Share premium reserve	2,140.0	2,119.9
180. Share capital	410.0	430.6
190. Treasury shares (–)	(213.4)	(213.4)
200. Profit (loss) for the period	20.8	244.1
Total liabilities and net equity	58,450.9	60,892.8

MEDIOBANCA S.p.A. PROFIT AND LOSS ACCOUNT

	12 mths to 30/6/09	12 mths to 30/6/10
Profit and loss account	€ m	
10. Interest and similar income	1,972.3	1,824.2
20. Interest expense and similar charges	(1,725.6)	(1,473.2)
30. Net interest income	246.7	351.0
40. Fee and commission income	281.2	303.9
50. Fee and commission expense	(9.1)	(7.0)
60. Net fee and commission income	272.1	296.9
70. Dividends and similar income	68.5	138.6
80. Net trading income	204.6	9.9
90. Net hedging income (expense)	1.3	(16.0)
100. Gain (loss) on disposal of:	175.6	158.3
<i>a) loans and receivables</i>	—	—
<i>b) AFS securities</i>	157.1	138.8
<i>c) financial assets held to maturity</i>	0.1	—
<i>d) other financial liabilities</i>	18.4	19.5
120. Total income	968.8	938.7
130. Adjustments for impairment to:	(314.0)	(261.3)
<i>a) loans and receivables</i>	(77.0)	(57.7)
<i>b) AFS securities</i>	(179.1)	(148.0)
<i>c) financial assets held to maturity</i>	—	(1.4)
<i>d) other financial liabilities</i>	(57.9)	(54.2)
140. Net income from financial operations	654.8	677.4
180. Administrative expenses:	(270.7)	(271.6)
<i>a) personnel costs</i>	(186.2)	(193.4)
<i>b) other administrative expenses</i>	(84.5)	(78.2)
190. Net transfers to provisions for liabilities and charges	—	—
200. Net adjustments to property, plant and equipment	(3.0)	(3.1)
210. Net adjustments to intangible assets	(2.7)	(6.0)
<i>of which: goodwill</i>	—	—
220. Other operating income (expenses)	13.3	11.9
230. Operating costs	(263.1)	(268.8)
240. Profit (loss) from equity investments	(236.9)	(17.4)
270. Gain (loss) on disposal of investments	—	(0.1)
280. Profit (loss) before tax on ordinary activities	154.8	391.1
290. Income tax on ordinary activities for the year	(134.0)	(147.0)
300. Profit (loss) after tax on ordinary activities	20.8	244.1
330. Net profit (loss) for the period	20.8	244.1

The profit and loss account reported on p. 239 reflects the following restatements:

- *Net interest income* includes the total reported under Heading 90, plus margins on swaps reported under Heading 80 amounting to €18.3m and €-53.6m respectively, net of €0.9m and € 0.7m in interest expense on securities lending accounted for as *Net trading income*;
- Amounts under Heading 190 have been restated as *Net fee and commission income*, save for amounts refunded/recovered amounting to €2,4m and €0.6m respectively which net operating costs;
- In addition to the items already stated, *Net trading income* also includes the net amounts stated under Headings 70, 80 and 100.

TABLE A

ASSET REVALUATION STATEMENTS REQUIRED BY ARTICLE 10
OF LAW No. 72 OF 19 MARCH 1983

Revaluations effected under Law 576/75:

	Original revaluation	Decrease due to disposal or writedown	Current revaluation
	€	€	€
– Property in Piazzetta Enrico Cuccia 1 (formerly Via Filodrammatici 6-8-10)	2,609,651.24	—	2,609,651.24
– Property in Piazza Paolo Ferrari 6 . . .	815,743.67	—	815,743.67
			<u>3,425,394.91</u>

Revaluations effected under Law 72/83:

	Original revaluation	Decrease due to disposal or writedown	Current revaluation
	€	€	€
– ASSICURAZIONI GENERALI S.p.A., Trieste			
– 6,375,000 shares	21,174,732.86	—	21,174,732.86
– FONDIARIA-SAI S.p.A., Florence (formerly La Fondiaria Assicurazioni)			
– 2,500,000 shares*	1,766,071.64	51,105.98	1,714,965.66
– Property in Piazzetta Enrico Cuccia 1 (formerly Via Filodrammatici 6-8-10)	11,620,280.23	—	11,620,280.23
– Property in Piazza Paolo Ferrari 6	4,389,883.64	—	4,389,883.64
			<u>38,899,862.39</u>

* Due to disposal of 74,500 shares.

Revaluations effected under Law 413/91:

	Original revaluation	Decrease due to disposal or writedown	Current revaluation
	€	€	€
– Property in Piazzetta Enrico Cuccia 1 (formerly Via Filodrammatici 6-8-10)	4,174,707.04	—	4,174,707.04

BANKS AND FINANCIAL COMPANIES (IAS/IFRS)

Table B

BALANCE SHEETS

	COMPASS	CHEBANCA!	COFACTOR	CREDITECH	SELMABIPIEMME LEASING	PALLADIO LEASING	TELELEASING	MEDIOBANCA INTERNATIONAL (LUXEMBOURG)	TECHNOSTART	PROMINVESTMENT	SADE FINANZIARIA- INTERSOMER
	(€ 000)	(€ 000)	(€ 000)	(€ 000)	(€ 000)	(€ 000)	(€ 000)	(€ 000)	(€ 000)	(€ 000)	(€ 000)
ASSETS											
10. Cash and cash equivalents	1,095	18,158	2	—	6	7	—	25,450	—	1	—
20. Financial assets held for trading	—	—	—	—	—	—	—	1,165,996	—	—	—
40. AFS securities	—	2,006,001	—	—	—	—	—	—	43	—	—
50. Financial assets held to maturity	—	—	869	—	—	—	—	—	—	—	—
60. Due to banks	166,518	5,530,968	5	13,388	22,771	3,504	19,960	1,097,941	—	1,360	15
70. Due to customers	7,858,183	3,546,096	93,484	3,957	2,495,243	1,607,988	518,839	3,856,007	43	3,949	—
80. Hedging derivatives	—	1,222	—	—	974	—	17	153,309	—	—	—
100. Equity investments	784,111	45	—	—	51,049	—	—	—	—	—	—
120. Property, plant and equipment	23,969	15,755	231	205	1,620	7,372	14	3	—	—	—
130. Intangible assets	389,329	2,712	206	88	773	—	—	—	—	—	—
140. Tax assets	438,489	29,568	248	404	90,910	5,238	7,670	123,469	—	49	—
160. Other assets	72,685	41,156	213	77	4,068	22,444	193	13,956	—	42	—
Total assets	<u>9,734,379</u>	<u>11,191,681</u>	<u>95,258</u>	<u>18,119</u>	<u>2,667,414</u>	<u>1,646,553</u>	<u>546,693</u>	<u>6,436,131</u>	<u>86</u>	<u>5,401</u>	<u>15</u>
LIABILITIES											
10. Due to banks	7,847,428	1,217,401	55,047	3	2,499,229	1,484,007	423,313	2,609,900	—	—	—
20. Due to customers	614,038	9,561,126	1,485	—	11,117	—	2,082	539,806	—	—	—
30. Debt securities in issue	—	—	—	—	—	—	—	2,635,071	—	—	—
40. Financial liabilities	—	—	—	—	—	—	333	290,193	—	—	—
60. Hedging derivatives	121,802	21,997	—	—	26,319	—	10,184	33,243	—	—	—
70. Value adjustments to financial assets subject to general hedging	—	—	—	—	—	—	—	—	—	—	—
80. Tax liabilities	39,495	7,995	410	210	4,674	6,713	9,029	144,196	—	196	—
100. Other liabilities	159,459	160,984	1,430	2,700	31,325	56,603	10,915	17,203	—	5,111	1
110. Staff severance indemnity provision	8,841	1,227	1,326	506	2,058	991	323	—	—	94	—
120. Provisions	140	375	565	21	345	113	—	—	—	520	—
130. Valuation reserves	(63,846)	(1,050)	—	—	(16,790)	816	(4,004)	—	—	—	—
170. Reserves	402,648	844	1,796	10,421	57,250	84,069	78,402	121,227	(162)	(743)	(9)
180. Share premium reserve	—	90,000	—	—	18,040	—	—	—	—	—	—
190. Share capital	587,500	210,000	32,500	250	41,305	8,675	9,500	10,000	600	743	25
200. Treasury shares	—	—	—	—	—	(434)	—	—	—	—	—
220. Profit (loss) for the period	16,874	(79,218)	699	4,008	(7,458)	5,000	6,616	35,292	(352)	(520)	(2)
Total liabilities	<u>9,734,379</u>	<u>11,191,681</u>	<u>95,258</u>	<u>18,119</u>	<u>2,667,414</u>	<u>1,646,553</u>	<u>546,693</u>	<u>6,436,131</u>	<u>86</u>	<u>5,401</u>	<u>15</u>

Table B (cont.)

PROFIT AND LOSS ACCOUNTS

	COMPASS	CHEBANCA!	COFACTOR	CREDITECH	SELMABIPIEMME LEASING	PALLADIO LEASING	TELELEASING	MEDIOBANCA INTERNATIONAL (LUXEMBOURG)	TECHNOSTART	PROMINVESTMENT	SADE FINANZIARIA- INTERSOMER
	(€ 000)	(€ 000)	(€ 000)	(€ 000)	(€ 000)	(€ 000)	(€ 000)	(€ 000)	(€ 000)	(€ 000)	(€ 000)
10. Interest and similar income	714,905	311,972	13,140	113	92,703	40,783	35,216	173,492	2	3	—
20. Interest and similar expense	(283,306)	(279,991)	(831)	(1)	(54,826)	(21,012)	(17,383)	(138,946)	—	—	—
30. Net interest income	431,599	31,981	12,309	112	37,877	19,771	17,833	34,546	2	3	—
40. Fee and commission income	115,656	7,770	—	22,502	173	—	—	48,480	—	820	—
50. Fee and commission expense	(12,465)	(2,481)	—	(9,927)	(1,634)	(65)	(453)	(30,709)	(1)	(302)	—
60. Net fee and commission income	103,191	5,289	—	12,575	(1,461)	(65)	(453)	17,771	(1)	518	—
70. Gain (loss) on disposal/repurchase of financial assets	4,968	—	—	—	2,736	—	—	—	—	—	—
80. Net trading income (expense)	781	—	103	—	(23)	(46)	(170)	(3,192)	(1)	—	—
90. Net hedging income (expense)	—	2,171	—	—	23	—	12	(65)	—	—	—
100. Dividends and similar income	5,516	57,953	—	—	—	—	—	66	—	—	—
110. Net income from financial assets and liabilities	—	—	—	—	—	—	—	—	—	—	—
120. Total income	546,055	97,394	12,412	12,687	39,152	19,660	17,222	49,126	—	521	—
130. Adjustments for impairment	(328,215)	(23,001)	429	—	(32,587)	(5,920)	(2,110)	(2,105)	(302)	(7)	—
140. Net income from financial operations	217,840	74,393	12,841	12,687	6,565	13,740	15,112	47,021	(302)	514	—
150. Administrative expenses	(253,065)	(176,393)	(6,441)	(6,546)	(18,102)	(7,414)	(5,542)	(2,328)	(50)	(1,147)	(2)
160. Net transfers to provisions	—	(250)	—	—	—	—	—	—	—	91	—
170. Net income (expense) from financial operations	—	—	—	—	—	—	—	—	—	—	—
180. Net adjustments to intangible assets	(8,838)	(7,636)	(331)	(115)	(1,163)	(424)	(222)	—	—	—	—
190. Other operating income (expense)	95,851	4,859	(5,102)	31	4,208	2,399	1,028	126	—	27	—
200. Operating costs	(166,052)	(179,420)	(11,874)	(6,630)	(15,057)	(5,439)	(4,736)	(2,202)	(50)	(1,029)	(2)
210. Gain (loss) on equity investments	(734)	(9)	—	—	—	—	—	—	—	—	—
220. Net gain (loss) on recognizing tangible/intangible assets at fair value	—	—	—	—	—	—	—	—	—	—	—
230. Adjustments to goodwill	—	—	—	—	—	—	—	—	—	—	—
240. Gain (loss) on disposal of investments	—	—	(4)	—	—	—	—	—	—	—	—
250. Profit (loss) on ordinary activities before tax	51,054	(105,036)	963	6,057	(8,492)	8,301	10,376	44,819	(352)	(515)	(2)
260. Income tax on ordinary activities for the year	(34,180)	25,818	(264)	(2,049)	1,034	(3,301)	(3,760)	(9,527)	—	(5)	—
270. Profit (loss) on ordinary activities after tax	16,874	(79,218)	699	4,008	(7,458)	5,000	6,616	35,292	(352)	(520)	(2)
280. Gain (loss) on groups of assets being sold	—	—	—	—	—	—	—	—	—	—	—
290. Net profit (loss) for the period	16,874	(79,218)	699	4,008	(7,458)	5,000	6,616	35,292	(352)	(520)	(2)

BANKS

Table B (cont.)

BALANCE SHEETS

	COMPAGNIE MONEGASQUE DE BANQUE	COMPAGNIE MONEGASQUE DE GESTION	CMB BANQUE PRIVEE S.A.
	(€ 000)	(€ 000)	(CHF 000)
Assets			
10. Cash and cash equivalents	34,694	8,798	8,096
20. Due from banks	23,031	—	43,899
30. Due from financial institutions	—	—	—
40. Due from customers	631,992	—	541
50. Bonds and other debt securities	985,823	405	—
60. Equities, stock units and other floating-rate securities	322,036	—	—
70. Equity investments	21,939	—	—
80. Investments in Group undertakings	94,468	—	—
90. Intangible fixed assets	20,780	—	1,275
100. Tangible fixed assets	2,218	1	1,857
120. Treasury shares and stock units	—	—	—
130. Other assets	7,541	2,676	73
140. Accrued income and deferred expenses	6,138	86	287
Total Assets	2,150,660	11,966	56,028
Liabilities			
10. Due to banks	174,137	—	6,500
20. Due to financial institutions	—	—	—
30. Due to customers	1,493,336	—	30,574
40. Debt securities	11,991	—	—
50. Other liabilities	31,284	1,007	137
60. Accrued expenses and deferred income	14,851	—	1,000
70. Staff severance indemnity provision	—	—	—
80. Provision for liabilities and charges	2,967	—	—
90. Provision for risks over assets	—	—	—
110. Subordinated liabilities	—	—	—
120. Share capital	111,110	600	25,000
130. Share premium reserve	4,573	—	—
140. Reserves	269,714	60	—
150. Valuation reserves	—	—	—
160. Retained earnings (accumulated loss)	1	233	(1,293)
170. Profit (loss) for the period	36,696	10,066	(5,890)
Total Liabilities	2,150,660	11,966	56,028

BANKS

Table B (cont.)

PROFIT AND LOSS ACCOUNTS

	COMPAGNIE MONEGASQUE DE BANQUE	COMPAGNIE MONEGASQUE DE GESTION	CMB BANQUE PRIVEE S.A.
	(€ 000)	(€ 000)	(SFR 000)
10. Interest and similar income	38,261	—	73
20. Interest and similar expense	(24,608)	—	(3)
30. Dividends and similar income	8,829	—	—
40. Fee and commission income	27,150	13,140	515
50. Fee and commission expense	(2,493)	—	(49)
60. Gain (loss) on dealing transactions	28,431	—	31
70. Other operating income	(718)	—	2
80. Administrative expenses	(37,359)	(3,132)	(5,902)
90. Value adjustments to tangible/intangible assets	(5,326)	(10)	(486)
100. Provisions for liabilities and charges	—	—	—
110. Other operating expenses	—	(4)	—
120. Value adjustments to receivables and provisions for guarantees and commitments	—	—	(1)
130. Writebacks on receivables and transfers in respect of guarantees and commitments	609	—	—
140. Transfers to loan loss provision	—	—	—
170. Profit (loss) on ordinary activities	<u>32,776</u>	<u>9,994</u>	<u>(5,820)</u>
180. Extraordinary income	3,920	—	—
190. Extraordinary expense	—	72	—
200. Net extraordinary income (expense)	<u>3,920</u>	<u>72</u>	<u>—</u>
210. Changes to provision for general banking risks	—	—	—
220. Income tax for the period	—	—	(70)
230. Net profit (loss) for the period	<u><u>36,696</u></u>	<u><u>10,066</u></u>	<u><u>(5,890)</u></u>

OTHER GROUP COMPANIES

Table B (cont.)

BALANCE SHEETS

	Compagnie Monegasque Immobiliere	Societe Monegasque d'etudes Financieres	Monoeci Soc. Civile Immobiliere	Moulins 700 S.A.M.	CMB Asset Management S.A.M.
	(€ 000)	(€ 000)	(€ 000)	(€ 000)	(€ 000)
Assets					
B) Fixed assets:					
I) Intangible assets	—	—	—	—	—
II) Tangible assets	21,008	42	674	39,270	11
III) Financial fixed assets	160	—	—	—	—
Total B	21,168	42	674	39,270	11
C) Current assets:					
I) Inventories	—	—	—	—	—
II) Accounts receivable	787	2,503	—	2,367	169
III) Financial assets other than fixed assets	—	—	—	—	—
IV) Cash	340	113	404	11	11
Total C	1,127	2,616	404	2,378	180
D) Accrued income and prepaid expenses	14	—	—	—	—
Total assets	22,309	2,658	1,078	41,648	191
Liabilities					
A) Shareholders' equity:					
I) Share capital	2,440	775	2	160	150
III) Revaluation reserves	—	—	—	—	—
IV) Legal reserve	—	—	—	—	—
VI) Statutory reserve	—	24	—	16	—
VII) Other reserves	—	—	—	—	—
VIII) Retained earnings (accumulated loss)	(4,238)	332	15	(179)	4
IX) Profit (loss) for the year	(665)	27	65	(76)	7
Total A	(2,463)	1,158	82	(79)	161
B) Provisions for liabilities and charges					
C) Provision for staff termination indemnities					
D) Accounts payable:					
3) Amounts due to banks	24,591	—	991	41,720	—
4) Amounts due to other lenders	—	1,410	—	—	10
5) Advances from customers	—	—	—	—	—
6) Trade accounts payable	176	—	—	—	—
8) Amounts due to subsidiaries	—	—	—	—	—
9) Amounts due to associated companies	—	—	—	—	—
10) Amounts due to parent companies	—	—	—	—	—
11) Taxable payable	—	—	—	—	—
12) Amounts due to social security institutions	—	—	—	—	—
14) Other accounts payable	5	90	4	7	20
Total D Amounts due to social security institutions	24,772	1,500	995	41,727	30
E) Accrued expenses and deferred income Other accounts payable					
Total liabilities					
	22,309	2,658	1,078	41,648	191

OTHER GROUP COMPANIES

Table B (cont.)

PROFIT AND LOSS ACCOUNTS

	Compagnie Monegasque Immobiliere	Societe Monegasque d'etudes Financieres	Monoeci Soc. Civile Immobiliere	Moulins 700 S.A.M.	CMB Asset Management S.A.M.
	(€ 000)	(€ 000)	(€ 000)	(€ 000)	(€ 000)
A) Value of production	1,497	1,295	125	—	477
B) Costs of production:					
6) Raw materials, secondary materials consumables, semi-finished and finished goods	—	—	—	—	—
7) Services	(278)	(1,085)	(15)	(76)	(369)
8) Use of third parties' assets	—	—	—	—	—
9) Personnel	—	(141)	—	—	(93)
10) Depreciation, amortization and writedowns	(1,490)	(24)	(27)	—	(4)
12) Provision for liabilities	—	(9)	—	—	—
13) Other provisions	—	—	—	—	—
14) Sundry operating expenses	—	—	—	—	—
Total B	<u>(1,768)</u>	<u>(1,259)</u>	<u>(42)</u>	<u>(76)</u>	<u>(466)</u>
Value of production less costs of production	<u>(271)</u>	<u>36</u>	<u>83</u>	<u>(76)</u>	<u>11</u>
C) Interest income (charges)	(427)	(8)	(17)	—	—
D) Value adjustments to financial fixed assets	—	—	—	—	—
E) Extraordinary income (expenses)	<u>33</u>	<u>13</u>	<u>(1)</u>	<u>—</u>	<u>—</u>
Profit (loss) before tax	(665)	41	65	(76)	11
Income taxes for the year	<u>—</u>	<u>(14)</u>	<u>—</u>	<u>—</u>	<u>(4)</u>
Profit (loss) for the year	<u><u>(665)</u></u>	<u><u>27</u></u>	<u><u>65</u></u>	<u><u>(76)</u></u>	<u><u>7</u></u>

OTHER FINANCIAL COMPANIES (IAS/IFRS)

Table B (cont.)

BALANCE SHEETS

	CONSORTIUM	SPAFID	PRUDENTIA FIDUCIARIA	MEDIOBANCA SECURITIES LLC
	(€ 000)	(€ 000)	(€ 000)	(\$ 000)
Assets				
10. Cash and cash equivalents	—	5	1	2,780
20. Financial assets held for trading	—	7,297	295	—
40. AFS securities	—	—	—	—
50. Financial assets held to maturity	—	2,847	961	—
60. Due from banks	10,895	1,851	948	174
70. Due from customers	—	2,414	64	34
80. Hedging derivatives	—	—	—	—
100. Equity investments	—	29,478	—	—
120. Property, plant and equipment	—	3	—	97
130. Intangible assets	—	15	—	—
140. Tax assets	153	126	34	—
160. Other assets	—	723	4	46
Total assets	<u>11,048</u>	<u>44,759</u>	<u>2,307</u>	<u>3,131</u>
Liabilities				
10. Due to banks	—	36	—	2,010
20. Due to customers	—	—	—	—
30. Debt securities in issue	—	—	—	—
40. Financial liabilities	—	—	—	—
60. Hedging derivatives	—	—	—	—
70. Value adjustments to financial assets subject to general hedging	—	—	—	—
80. Tax liabilities	—	1,204	194	—
100. Other liabilities	24	1,506	666	741
110. Staff severance indemnity provision	—	798	440	90
120. Provisions	—	—	—	—
130. Valuation reserves	—	—	—	—
170. Reserves	2,417	39,975	698	(1,972)
180. Share premium reserve	—	—	—	—
190. Share capital	8,631	100	100	2,250
200. Treasury shares	—	—	—	—
220. Profit (loss) for the period	(24)	1,140	209	12
Total liabilities	<u>11,048</u>	<u>44,759</u>	<u>2,307</u>	<u>3,131</u>

PROFIT AND LOSS ACCOUNTS

Table B (cont.)

	CONSORTIUM	SPAFID	PRUDENTIA FIDUCIARIA	MEDIOBANCA SECURITIES LLC
	(€ 000)	(€ 000)	(€ 000)	(\$ 000)
10. Interest and similar income	31	172	12	—
20. Interest and similar expense	—	—	—	(24)
30. Net interest income	31	172	12	(24)
40. Fee and commission income	—	5,780	2,824	2,372
50. Fee and commission expense	—	(2,152)	—	—
60. Net fee and commission income	—	3,628	2,824	2,372
70. Dividends and similar income	—	484	—	—
80. Net trading income (expense)	—	75	(2)	—
90. Net hedging income (expense)	—	—	—	—
100. Gain (loss) on disposal/repurchase of financial assets	—	—	—	—
110. Net income from financial assets and liabilities	—	—	—	—
120. Total income	31	4,359	2,834	2,348
130. Adjustments for impairment	—	(143)	—	—
140. Net income from financial operations	31	4,216	2,834	2,348
150. Administrative expenses	(55)	(3,456)	(2,551)	(2,336)
160. Net transfers to provisions	—	—	—	—
170. Net adjustments to tangible assets	—	(2)	—	—
180. Net adjustments to intangible assets	—	(9)	—	—
190. Other operating income (expense)	—	782	81	—
200. Operating costs	(24)	1,531	364	12
210. Gain (loss) on equity investments	—	—	—	—
220. Net gain (loss) on recognizing tangible/intangible assets at fair value	—	—	—	—
230. Adjustments to goodwill	—	—	—	—
240. Gain (loss) on disposal of investments	—	—	—	—
250. Profit (loss) on ordinary activities before tax	(24)	1,531	364	12
260. Income tax on ordinary activities for the year	—	(391)	(155)	—
270. Profit (loss) on ordinary activities after tax	(24)	1,140	209	12
280. Gain (loss) on groups of assets being sold	—	—	—	—
290. Net profit (loss) for the period	(24)	1,140	209	12

OTHER FINANCIAL COMPANIES (IAS/IFRS)

Table B (cont.)

BALANCE SHEETS

	FUTURO	DUCATI FINANCIAL SERVICES	MEDIOBANCA COVERED BOND	JUMP	QUARZO LEASE	QUARZO
	(€ 000)	(€ 000)	(€ 000)	(€ 000)	(€ 000)	(€ 000)
Assets						
10. Cash and cash equivalents	—	2	—	—	—	—
20. Financial assets held for trading	—	—	—	—	—	—
40. AFS securities	—	—	—	—	—	—
50. Financial assets held to maturity	—	—	—	—	—	—
60. Due from banks	3,016	529	51	10	65	109
70. Due from customers	609,774	59,889	—	—	—	—
80. Hedging derivatives	—	—	—	—	—	—
100. Equity investments	—	—	—	—	—	—
120. Property, plant and equipment	109	—	—	—	—	—
130. Intangible assets	10	—	—	—	—	—
140. Tax assets	3,999	1,202	—	7	—	183
160. Other assets	2,558	239	—	19	88	152
Total assets	619,466	61,861	51	36	153	444
Liabilities						
10. Due to banks	573,155	54,281	—	—	—	—
20. Due to customers	—	—	—	—	—	—
30. Debt securities in issue	—	—	—	—	—	—
40. Financial liabilities	—	—	—	—	—	—
60. Hedging derivatives	10,959	927	—	—	—	—
70. Value adjustments to financial assets subject to general hedging	—	—	—	—	—	—
80. Tax liabilities	777	243	—	—	16	—
100. Other liabilities	12,856	3,709	35	26	88	431
110. Staff severance indemnity provision	147	11	—	—	—	—
120. Provisions	749	—	—	—	—	—
130. Valuation reserves	(6,567)	(506)	—	—	—	—
170. Reserves	20,016	(422)	—	—	—	3
180. Share premium reserve	—	—	—	—	—	—
190. Share capital	4,800	4,600	50	10	10	10
200. Treasury shares	—	—	—	—	—	—
220. Profit (loss) for the period	2,574	(982)	(34)	—	39	—
Total liabilities	619,466	61,861	51	36	153	444

Table B (cont.)

PROFIT AND LOSS ACCOUNT

	FUTURO	DUCATI FINANCIAL SERVICES	MEDIOBANCA COVERED BOND	JUMP	QUARZO LEASE	QUARZO
	(€ 000)	(€ 000)	(€ 000)	(€ 000)	(€ 000)	(€ 000)
10. Interest and similar income	36,485	4,264	—	—	—	—
20. Interest and similar expense	(20,605)	(2,366)	—	—	—	—
30. Net interest income	15,880	1,898	—	—	—	—
40. Fee and commission income	1,643	414	—	—	—	—
50. Fee and commission expense	(733)	—	—	—	—	—
60. Net fee and commission income	910	414	—	—	—	—
70. Dividends and similar income	—	—	—	—	—	—
80. Net trading income (expense)	—	—	—	—	—	—
90. Net hedging income (expense)	—	—	—	—	—	—
100. Gain (loss) on disposal/repurchase of financial assets	—	—	—	—	—	—
110. Net income from financial assets and liabilities	—	—	—	—	—	—
120. Total income	16,790	2,312	—	—	—	—
130. Adjustments for impairment	(3,648)	(2,010)	—	—	—	—
140. Net income from financial operations	13,142	302	—	—	—	—
150. Administrative expenses	(7,858)	(2,194)	(32)	(32)	(45)	(57)
160. Net transfers to provisions	(1,198)	—	—	—	—	—
170. Net adjustments to tangible assets	—	—	—	—	—	—
180. Net adjustments to intangible assets	(110)	(19)	—	—	—	—
190. Other operating income (expense)	525	700	(2)	43	100	57
200. Operating costs	4,501	(1,211)	(34)	11	55	—
210. Gain (loss) on equity investments	—	—	—	—	—	—
220. Net gain (loss) on recognizing tangible/intangible assets at fair value	—	—	—	—	—	—
230. Adjustments to goodwill	—	—	—	—	—	—
240. Gain (loss) on disposal of investments	—	—	—	—	—	—
250. Profit (loss) on ordinary activities before tax	4,501	(1,211)	(34)	11	55	—
260. Income tax on ordinary activities for the year	(1,927)	229	—	(11)	(16)	—
270. Profit (loss) on ordinary activities after tax	2,574	(982)	(34)	—	39	—
280. Gain (loss) on groups of assets being sold	—	—	—	—	—	—
290. Net profit (loss) for the period	2,574	(982)	(34)	—	39	—

OTHER NON-FINANCIAL UNDERTAKINGS (IAS/IFRS)

Table B (cont.)

BALANCE SHEETS

	RICERCHE E STUDI S.p.A. 30/6/10	SETECI S.p.A. 30/6/10
	(€ 000)	(€ 000)
Assets		
Non-current assets		
Intangible assets	2	1,517
Tangible assets	3	—
Property, plant and equipment	—	12,943
Investments in subsidiaries	—	—
Investments in associate companies	—	—
- of which to related parties	—	—
AFS securities	—	—
Real estate assets	—	—
Other non-current assets	—	20
Financial assets in the form of derivative instruments	—	—
Advance tax assets	—	236
Total non-current assets	<u>5</u>	<u>14,716</u>
Current assets		
Accounts receivable	—	66
- of which to related parties	—	—
Other receivables	—	—
Sundry receivables and other current assets	636	1,013
- of which to related parties	—	—
Current tax assets	—	—
- of which to related parties	—	—
Current financial receivables	—	—
- of which to related parties	—	—
Financial derivative products	—	—
Other current financial assets	—	—
Cash and liquid assets	346	49
Total current assets	<u>982</u>	<u>1,128</u>
AFS securities	—	—
Total assets	<u>987</u>	<u>15,844</u>

Table B (cont.)

	RICERCHE E STUDI S.p.A. 30/6/10	SETECI S.p.A. 30/6/10
	(€ 000)	(€ 000)
Liabilities		
A) Net equity:		
Share capital	100	500
Other financial instruments representing equity	—	—
- of which to related parties	—	—
Reserves	3	2,678
Treasury shares	—	—
Hedge reserves	—	—
Other reserves	—	—
Profit (loss) for previous years	—	—
Profit (loss) for period	—	3
Total net equity	<u>103</u>	<u>3,181</u>
Non-current liabilities		
Staff benefits	—	—
Provisions for liabilities and charges	—	—
Staff-related provisions	319	477
Deferred tax liabilities	—	985
Borrowings net of current borrowings	—	—
Other non-current liabilities	—	—
Total non-current liabilities	<u>319</u>	<u>1,462</u>
Current liabilities		
Due to banks	—	—
Accounts payable	—	735
- of which to related parties	—	—
Current tax liabilities	—	85
- of which to related parties	—	—
Financial liabilities in the form of derivative products	—	—
Current financial liabilities	—	5,962
- of which to related parties	—	—
Provisions for liabilities and charges	—	778
Other current liabilities	565	—
Sundry payables and other current assets	—	3,641
- of which to related parties	—	—
Total current liabilities	<u>565</u>	<u>11,201</u>
Liabilities in respect of AFS securities	—	—
Total liabilities	<u>987</u>	<u>15,844</u>

Table B (cont.)

PROFIT AND LOSS ACCOUNT

	RICERCHE E STUDI S.p.A. 30/6/2010	SETECI S.p.A. 30/6/2010
	(€ 000)	(€ 000)
Net income:	1,786	14,694
- of which to related parties	—	—
Consumption of raw materials and services	(527)	(4,900)
- of which to related parties	—	—
- of which non-recurring	—	—
Personnel costs	(1,170)	(4,986)
- of which to related parties	—	—
- of which non-recurring	—	—
Other operating income	—	(1,862)
Other operating costs	—	—
Other operating income and costs	—	—
- of which to related parties	—	—
Sundry operating expenses	(20)	—
Provisions for various risks	—	—
Depreciation and amortization	(1)	(705)
Depreciation on property, plant and equipment	(2)	(1,948)
Amortization of real estate investments	—	—
Operating profit (loss)	<u>66</u>	<u>293</u>
Financial income (expense)		
Financial income	—	—
- of which to related parties	—	—
- of which non-recurring	—	—
Financial expense	—	(55)
- of which to related parties	—	—
Other income (expense) from financial assets and liabilities	—	—
- of which to related parties	—	—
- of which non-recurring	—	—
Extraordinary expense	<u>2</u>	<u>5</u>
Net profit before tax	<u>68</u>	<u>243</u>
Income tax	<u>(68)</u>	<u>(240)</u>
Net profit for the period	<u>—</u>	<u>3</u>

GROUP COMPANIES

Table B (cont.)

BALANCE SHEET

COMPASS RE S.A.

30/06/2010

(€'000)

ASSETS

B) Intangible assets (total)	—
C) Investments	
D) Investments on behalf of insured parties in life insurance business who bear the risk, deriving from pension fund management (total)	—
Dbis) Reinsurers' share of technical reserves	
I) Non-life business (total)	55
II) Life business (total)	—
Total reinsurers' share of technical reserves (Dbis)	55
E) Receivables	
I) Amounts receivable from direct insurance operations (total)	—
II) Amounts receivable from reinsurance operations (total)	11,701
III) Other receivables	—
Total receivables (E)	11,701
F) Other asset items	
I) Tangible assets and stocks (total)	—
II) Cash and cash equivalents (total)	3,175
III) Other assets (total)	12
Total other asset items (F)	3,187
G) Accrued income and prepaid expenses (total)	2,874
TOTAL ASSETS (B+C+D+Dbis+E+F+G)	17,817

Table B (cont.)

COMPASS RE S.A.

30/06/2010

(€'000)

LIABILITIES AND NET EQUITY

A) Net equity	
I) Share capital subscribed or equivalent provision	3,200
II-VII) – Reserves (total)	—
IX) Profit (loss) for the period	—
Total net equity (A)	3,200
B) Subordinated liabilities	—
C) Technical reserves	
I) Non-life businesses (total)	14,374
II) Life businesses (total)	—
Total technical reserves (C)	14,374
D) Technical reserves where investment risk is borne by insured party and reserves deriving from pension fund management (total)	—
E) Provisions for risks and liabilities (total)	—
F) Deposits received from reinsurers	—
G) Payables and other liabilities	
I) Amounts payable in respect of direct insurance operations	—
II) Amounts due in respect of direct reinsurance operations	110
III) Bond issues	—
IV) Amounts due to banks and financial institutions	—
V) Amounts due with real guarantees	—
VI) Sundry loans and other financial debts	—
VII) Staff severance indemnity provision	—
VIII) Other amounts payable	5
IX) Other liabilities	128
Total amounts payable and other liabilities (G)	243
H) Accrued expenses and deferred income (total)	—
TOTAL LIABILITIES AND NET EQUITY (A+B+C+D+E+F+G+H)	17,817

GROUP COMPANIES

Table B (cont.)

PROFIT AND LOSS ACCOUNT (technical account)

	COMPASS RE S.A.
	30/06/2010
	(€'000)
1) Net premium income	959
2) Fee and commission income	—
3) Income less expense from financial instruments recognized at fair value in the profit and loss account	—
4) Income from other financial instruments and property investments	—
5) Other revenues	4
A. TOTAL INCOME AND REVENUES	963
1) Net expense in respect of claims	(134)
2) Fee and commission expense	—
3) Expenses in connection with other financial instruments and property investments	—
4) Operating expenses	(145)
5) Other costs	(219)
B. TOTAL COSTS AND EXPENSES	(498)
C. PROFIT (LOSS) FOR THE PERIOD BEFORE TAX AND COMPENSATION RESERVE	465
D. Transfers to compensation reserve	(460)
E. Taxation for the period	(5)
F. NET PROFIT (LOSS) FOR THE PERIOD	—

ASSOCIATE COMPANIES

Table C

BALANCE SHEET

	ASSICURAZIONI GENERALI 31/12/09 <u>(€ 000)</u>
Assets	
B) Total intangible assets	157.290
C) Investments	
I) Land and buildings (total)	1.457.873
II) Investments in Group and other undertakings (total)	28.407.848
III) Other financial investments	
1) Shares and stock units	1.994.660
2) Mutual fund units	1.938.046
3) Bonds and other fixed-income securities	18.925.372
4) Loans	237.839
6) Deposits with banks	106.251
7) Other financial investments	1.161.009
Total other financial investments	<u>24.363.177</u>
IV) Deposits with reinsurers	<u>9.359.284</u>
Total investments (C)	63.588.182
D) Investments for the benefit of life policyholders who carry the risk and deriving from pension fund management (total)	1.053.797
Dbis) Reinsurers' share of technical reserves	
I) General business (total)	1.321.039
II) Life business (total)	205.678
Total reinsurers' share of technical reserves (Dbis)	<u>1.526.717</u>
E) Accounts receivable	
I) Amounts due in respect of primary insurances (total)	1.395.572
II) Amount due in respect of reinsurances (total)	643.714
III) Other accounts receivable	1.405.529
Total accounts receivable (E)	<u>3.444.815</u>
F) Other assets	
I) Tangible assets and inventories (total)	3.039
II) Cash (total)	1.397.679
III) Own shares or stock units	116.581
IV) Other assets (total)	290.627
Total other assets (F)	<u>1.807.926</u>
G) Accruals and prepayments (total)	<u>614.715</u>
Total assets (B+C+D+Dbis+E+F+G)	<u><u>72.193.442</u></u>

Table C (cont.)

	ASSICURAZIONI GENERALI 31/12/09
	(€ 000)
Liabilities and shareholder's equity	
A) Shareholder's equity	
I) Share capital or equivalent fund	1.556.864
II-VII) Reserves (total)	11.690.577
IX) Profit (loss) for year	555.683
Total shareholder's equity (A)	13.803.124
B) Subordinated liabilities	4.776.911
C) Technical reserves	
I) General business (total)	8.360.283
II) Life business (total)	32.117.113
Total technical reserves (C)	40.477.396
D) Technical reserves where investment risk is carried by policyholders and reserves arising from pension fund management (total)	1.050.782
E) Provisions for risks and charges (total)	104.888
F) Deposits received from reinsurers	170.895
G) Accounts payable and other liabilities	
I) Amounts payable in respect of primary insurances	167.271
II) Amounts payable in respect of reinsurance	262.926
III) Bond issues	4.250.000
IV) Amounts payable to banks and financial institutions	14.102
V) Secured debt	—
VI) Loans and other debt	5.109.863
VII) Staff termination indemnity provision	24.031
VIII) Other accounts payable	668.740
IX) Other liabilities	767.161
Total accounts payable and other liabilities (G)	11.264.094
H) Accruals and deferrals (total)	545.352
Total liabilities and shareholder's equity(A+B+C+D+E+F+G+H)	72.193.442
Guarantees, commitments and other contra accounts (total)	55.418.172

ASSOCIATE COMPANIES

Table C (*cont.*)

STATEMENT OF EARNINGS (non-technical accounts)

	ASSICURAZIONI GENERALI 31/12/09
	(€ 000)
1) Underwriting profit (loss) from general business	249.247
2) Underwriting profit (loss) from life business	188.638
3) Investment income in general business	
a) Dividends	564.423
b) Other investment income (total)	216.183
c) Writebacks in book value of investments	96.410
d) Gain on disposal of investments	187.527
Total investment income in general business	1.064.543
4) Portion of investment income transferred from technical accounts of life business	176.854
5) Operating and financial expenses in general business	
a) Investment management expenses and interest paid	120.558
b) Writedowns to investments	94.941
c) Loss on disposal of investments	193.636
Total operating and financial expenses in general business	409.135
6) Portion of investment income transferred from technical accounts of general business	313.108
7) Other income	321.047
8) Other expenditure	1.447.399
9) Profit (loss) on ordinary operations	(169.313)
10) Extraordinary income	640.894
11) Extraordinary expenditure	(101.202)
12) Net extraordinary income (expenditure) (10-11)	539.692
13) Earnings before tax	370.379
14) Taxation for the year	185.304
15) Profit (loss) for the year (13-14)	555.683

OTHER ASSOCIATED UNDERTAKINGS

Table C (*cont.*)

BALANCE SHEETS

	RCS Media Group S.p.A. 31/12/09 (€ 000)	GEMINA S.p.A. 31/12/09 (€ 000)
Assets		
Non-current assets		
Intangible assets	5	3
Tangible assets	—	48
Property, plant and equipment	10.996	—
Equity investments	1.470.008	1.851.849
AFS securities	13.556	—
Real estate assets	100.120	—
Other non-current assets	281	5.991
<i>- of which to related parties</i>	—	1.400
Financial assets in the form of derivative instruments	3.021	—
Advance tax assets	10.755	2.109
Total non-current assets	<u>1.608.742</u>	<u>1.860.000</u>
Current assets		
Account receivable	3.177	398
<i>- of which to related parties</i>	3.115	336
Other receivables	—	14.435
<i>- of which to related parties</i>	—	13.456
Sundry receivables and other current assets	7.336	—
<i>- of which to related parties</i>	1.169	—
Current tax assets	16.202	—
<i>- of which to related parties</i>	12.483	—
Current financial receivables	613.334	—
<i>- of which to related parties</i>	613.334	—
Financial derivative products	197	—
Other current financial assets	—	1.566
<i>- of which to related parties</i>	—	1.566
Cash and cash equivalents	2.575	13.433
Total current assets	642.821	29.832
Financial assets held for sale	—	—
Total assets	<u>2.251.563</u>	<u>1.889.832</u>

OTHER ASSOCIATED UNDERTAKINGS

Table C (*cont.*)

	RCS Media Group S.p.A. 31/12/09 (€ 000)	GEMINA S.p.A. 31/12/09 (€ 000)
Liabilities		
A) Net equity:		
Share capital	762.019	1.472.960
Other financial instruments representing equity	9.446	—
- <i>of which to related parties</i>	7.312	—
Reserves	223.346	200.057
Treasury shares	(14.544)	—
Hedge reserves	—	(648)
Other reserves	—	82.756
Profit (loss) for previous years	287.066	78.349
Profit (loss) for period	(36.119)	(14.070)
Total net equity	<u>1.231.214</u>	<u>1.819.404</u>
Non-current liabilities		
Staff benefits	—	193
Provisions for liabilities and charges	1.357	9.100
- <i>of which to related parties</i>	—	3.100
Staff-related provisions	2.122	—
Deferred tax liabilities	7.260	—
Liabilities:		
Borrowings net of current borrowings	758.342	46.964
- <i>of which to related parties</i>	—	46.964
Other non-current liabilities	8.680	—
Total non-current liabilities	<u>777.761</u>	<u>56.257</u>
Current liabilities		
Due to banks	25.285	—
Accounts payable	4.820	478
- <i>of which to related parties</i>	801	128
Current tax liabilities	26.577	—
- <i>of which to related parties</i>	26.577	—
Financial liabilities in the form of derivative products	2.748	926
- <i>of which to related parties</i>	—	926
Current financial liabilities	175.244	89
- <i>of which to related parties</i>	174.977	89
Provisions for liabilities and charges	3.360	1.903
Other current liabilities	—	10.775
- <i>of which to related parties</i>	—	12
Sundry payables and other current assets	4.554	—
- <i>of which to related parties</i>	107	—
Total current liabilities	<u>242.588</u>	<u>14.171</u>
Liabilities in respect of AFS securities	—	—
Total liabilities	<u>2.251.563</u>	<u>1.889.832</u>

OTHER ASSOCIATED UNDERTAKINGS

Table C (cont.)

PROFIT AND LOSS ACCOUNTS

	RCS Media Group S.p.A. 31/12/09	GEMINA S.p.A. 31/12/09
	(€ 000)	(€ 000)
Net income	7.875	301
- of which to related parties	7.830	208
Consumption of raw materials and services	(23.122)	—
- of which to related parties	(4.559)	—
- of which non-recurring	—	—
Personnel costs	(17.870)	(1.411)
- of which to related parties	(1.480)	—
- of which non-recurring	(2.700)	—
Other operating income	—	646
- of which to related parties	—	505
Other operating costs	—	(3.163)
Other operating income and cost	17.384	—
- of which to related parties	16.568	—
Sundry operating expenses	(1.216)	—
- of which to related parties	(1)	—
- of which non-recurrent	—	—
Provisions for various risks	(812)	(3.100)
- of which non-recurrent	(500)	(3.100)
Writebacks (writedowns) to non-recurring assets	—	—
Depreciation and amortization	(50)	(29)
Depreciation on property, plant and equipment	(1.348)	—
Amortization of real estate investments	(1.332)	—
Writedowns to fixed assets:	—	—
- of which: non-recurrent	—	—
Operating profit (loss)	<u>(20.491)</u>	<u>(6.756)</u>
Income (expense) from equity investments		
Dividends from subsidiaries	—	—
Dividends from associates	—	240
Dividends from other companies	—	—
Other income (expense) from equity investments	—	(3.953)
Interest income (expense)	—	—
Interest income	15.288	837
- of which to related parties	14.774	209
- of which non-recurring	—	—
Interest expense	(24.871)	(4.082)
- of which to related parties	(2.157)	(3.756)
Other income (expense) from financial assets and liabilities	(13.018)	—
- of which to related parties	(13.278)	—
- of which non-recurring	—	—
Net profit before tax	<u>(43.092)</u>	<u>(13.714)</u>
Income tax	6.973	(356)
Profit (loss) from assets to be retained	<u>(36.119)</u>	<u>(14.070)</u>
Profit (loss) from assets to be sold/ sold	—	—
Net profit for the period	<u><u>(36.119)</u></u>	<u><u>(14.070)</u></u>

BALANCE SHEET

Table C (cont.)

	Burgo Group S.p.A. 31/12/09 <u>(€ 000)</u>
Assets	
Non-current assets	
Intangible assets	32,577
Tangible assets	<u>1,007,423</u>
Property, plant and equipment	<u>1,005,885</u>
Real estate assets	<u>1,538</u>
Other non-current assets	<u>343,750</u>
Investments in subsidiaries	<u>320,230</u>
Investments in associated companies	6,150
Investments in other companies	9
Securities not qualifying as equity investments	5,421
Financial receivables and other non-current financial assets	11,632
Other non-current assets	<u>308</u>
Advance tax assets	<u>25,885</u>
Current assets	—
Inventory stocks	188,306
Trade receivables	418,970
Sundry receivables and other current assets	20,284
Equity investments	75,206
Securities not qualifying as equity investments	12
Financial receivables and other non-current financial assets	84,171
Cash and cash equivalents	<u>23,563</u>
Total assets	<u><u>2,220,147</u></u>
Liabilities	
Net equity	
Share capital	205,443
Reserves	112,165
Retained earnings (losses)	168,885
Profit (loss) for the year	<u>(9,061)</u>
Total net equity	<u>477,432</u>
Non-current liabilities	
Non-current financial liabilities	983,781
Staff-related provisions	64,941
Deferred tax liabilities	—
Provisions for liabilities and charges	25,188
Other non-current liabilities	—
Total non-current liabilities	<u>1,073,910</u>
Current liabilities	
Current financial liabilities	193,851
Trade payables	416,249
Current tax liabilities	8,242
Other current liabilities	<u>50,463</u>
Total current liabilities	<u>668,805</u>
Total liabilities	<u><u>2,220,147</u></u>

PROFIT AND LOSS ACCOUNT

Table C (cont.)

	Burgo Group S.p.A. 31/12/09 <u>(€ 000)</u>
Revenues	1,690,433
Other revenues and income	71,672
Total revenues and income from operations	<u>1,762,105</u>
Cost of materials and external services	(1,391,739)
Labour costs	(170,373)
Other operating costs	(26,258)
Changes to stocks	973
Capitalized cost of work carried out internally	<u>(45,398)</u>
Profit before depreciation, amortization and non-recurring expenses	129,310
Depreciation and amortization	(85,763)
Gain (loss) on disposal of non-current assets	1,554
Writebacks (writedowns) to non-recurring assets	(27,917)
Non-recurring expenses, net	(3,318)
Restructuring charges, net	<u>(8,399)</u>
Operating profit (loss)	5,467
Interest income	27,632
Interest expense	<u>(58,109)</u>
Profit before tax	(25,010)
Taxation for the period	<u>15,949</u>
Profit for the period	<u><u>(9,061)</u></u>

Table C (cont.)

BALANCE SHEETS

	Telco S.p.A. 30/04/10	LUVE S.p.A. 31/12/09	GB Holding S.r.l. 31/12/09
	(€ 000)	(€ 000)	(€ 000)
B) Fixed assets:			
I) Intangible assets	2,847	26,389	—
II) Tangible assets	—	40,932	—
III) Financial fixed assets	6,607,891	25,342	13,666
Total (B)	6,610,738	92,663	13,666
C) Current assets:			
I) Inventories	—	4,372	—
II) Accounts receivable:			
1) from customers	—	10,573	—
2) from group companies	—	7,424	—
3) from associate companies	150,179	—	—
4) from parent companies	—	—	—
4 bis) from tax authorities	—	2,935	6
4 ter) advance tax	55	1,618	—
5) from others	—	243	—
Total accounts receivable	150,234	22,793	6
III) Financial assets other than fixed assets	—	—	—
IV) Cash	1,903	2,657	—
Total C	152,137	29,822	6
D) Accrued income	19,456	874	—
Total assets (B+C+D)	6,782,331	123,359	13,672
Liabilities			
A) Shareholders' equity:			
I) Share capital	3,287,195	9,000	97
II) Share premium reserve	—	9,574	13,578
III) Revaluation reserve	—	273	—
IV) Legal reserve	42,190	1,182	19
VII) Other reserve	7,632	8,177	—
VIII) Retained earnings (accumulated loss)	—	—	(22)
IX) Profit (loss) for the period	(1,505)	628	(10)
Total A	3,335,512	28,834	13,662
B) Provisions for liabilities and charges	—	—	—
For tax (including deferred tax)	—	6,708	—
Other provisions	—	1,259	—
Total B	—	7,967	—
C) Provision for staff termination indemnities	—	1,377	—
D) Accounts payable:			
3) Debiti verso soci per finanziamenti	1,300,000	—	8
4) Amounts due to banks	2,121,500	64,879	—
5) Amounts due to other lenders	—	220	—
7) Amounts due to suppliers	940	12,041	2
9) Amounts due to group companies	—	5,196	—
12) Amounts due to tax authorities	1	378	—
13) Amounts due to pension and social security institutions	—	765	—
14) Other amounts due	152	1,674	—
Total D	3,422,593	85,153	10
E) Accrued expenses and deferred income	24,226	28	—
Total liabilities (A+B+C+D+E)	6,782,331	123,359	13,672

Table C (cont.)

PROFIT AND LOSS ACCOUNTS

	Telco S.p.A. 30/4/10 (€ 000)	LUVE S.p.A. 31/12/09 (€ 000)	GB Holding S.r.l. 31/12/09 (€ 000)
A) Value of production:			
1) Income from sales and services rendered	—	57,569	—
2) Changes in stocks of products being completed, semi-finished and finished products	—	(1,160)	—
3) Increase in fixed assets due to internal work	—	—	—
4) Other revenue and income	—	2,126	—
Total value of production (A)	—	58,535	—
B) Costs of production:			
6) Raw materials, secondary materials, consumables and merchandise	—	(26,667)	—
7) Services	(3,084)	(12,301)	(8)
8) Use of third parties' assets	—	(1,348)	—
9) Personnel			
a) Salaries and wages	—	(7,532)	—
b) Social security expenses	—	(2,486)	—
c) Staff severance indemnity provision	—	(517)	—
d) Other costs	—	—	—
Total personnel costs	—	(10,535)	—
10) Depreciation, amortization and writedowns			
a) Amortization	(403)	(2,264)	—
b) Depreciation	—	(3,860)	—
c) Other writedowns to fixed assets	—	—	—
d) Value adjustments to receivables included in calculation of working capital and cash	—	(85)	—
Total depreciation, amortization and writedowns	(403)	(6,209)	—
11) Changes in stocks of raw materials, secondary materials, consumables and merchandise	—	(858)	—
12) Provisions for liabilities	—	—	—
13) Other provisions	—	—	—
14) Sundry operating expenses	(23)	(298)	(2)
Total costs of production (B)	(3,510)	(58,216)	(10)
Difference between value and cost of production (A-B)	(3,510)	319	(10)
C) Interest income (charges):			
15) Income from investments	150,179	3,327	—
16) Other financial income	19,927	40	—
17) Interest and other financial expenses	(168,115)	(3,252)	—
17bis) Gains (losses) on exchange rates	—	420	—
Total C	1,991	535	—
D) Value adjustments to financial assets:			
18) Writebacks	—	—	—
19) Writedowns	—	—	—
Total D	—	—	—
E) Extraordinary income (expenses):			
20) Income	14	122	—
21) Expenses	—	(478)	—
Total E	14	(356)	—
Profit (loss) before tax (A-B+C+D+E)	(1,505)	498	(10)
22) Income tax for the period			
- current tax	—	(217)	—
- deferred tax	—	347	—
Total income tax for the period	—	130	—
23) Profit (loss) for the period	(1,505)	628	(10)

BALANCE SHEETS

Table C (cont.)

	FIDIA SGR S.p.A. 31/12/09	BANCA ESPERIA S.p.A. 31/12/09
	(€ 000)	(€ 000)
Assets		
10. Cash and cash equivalents	1	101
20. Financial assets held for trading	—	33,557
30. Financial assets recognized at fair value	—	—
40. AFS securities	1,621	97,924
50. Financial assets held to maturity	—	—
60. Due from banks	6,802	186,791
70. Due from customers	—	399,822
80 Hedging derivatives	—	—
90. Value adjustments subject to general hedging	—	—
100 Equity investments	—	19,772
110. Property, plant and equipment	4	476
120. Intangible assets	—	233
130. Tax assets	20	15,832
a) current	20	7,350
b) deferred	—	8,482
140. Non-current and groups of assets being sold	—	—
150. Other assets	9	25,399
Total assets	8,457	779,907
Liabilities		
10. Due to banks	—	—
20. Due to customers	—	611,708
30. Debt securities in issue	—	9,439
40. Trading liabilities	—	—
50. Financial liabilities recognized at fair value	—	—
60. Hedging derivatives	—	—
80. Tax liabilities	—	1,399
a) current	—	—
b) deferred	—	1,399
90. Liabilities linked to assets being sold	—	—
100. Other liabilities	1,287	72,039
110. Staff severance indemnity provision	106	1,364
120. Provisions	2,088	—
130. Valuation reserves	9	(3,740)
140. Redeemable shares	—	—
150. Equity instruments	—	—
160. Reserves	—	37,663
170. Share premium reserve	—	38,646
180. Share capital	6,793	13,000
190. Treasury shares	—	—
200. Profit (loss) for the period	(1,826)	(1,611)
Total liabilities	8,457	779,907

Table C (cont.)

PROFIT AND LOSS ACCOUNTS

	FIDIA SGR S.p.A. 31/12/09 (€ 000)	Banca Esperia S.p.A. 31/12/09 (€ 000)
10. Interest and similar income	63	8,681
20. Interest and similar expense	—	(5,309)
30. Net interest income	<u>63</u>	<u>3,372</u>
40. Fee and commission income	574	18,846
50. Fee and commission expense	(49)	(2,239)
60. Net fee and commission income	<u>525</u>	<u>16,607</u>
70. Dividends and similar income	—	8,917
80. Net trading income	—	3,312
90 Net hedging income	—	—
100 Gain (loss) on disposal/repurchase of:	1	(1,117)
a) loans and advances	—	—
b) AFS securities	—	(1,117)
c) financial assets held to maturity	1	—
d) financial liabilities	—	—
110. Net income from financial assets/liabilities recognized at fair value	<u>—</u>	<u>—</u>
120. Total income	<u>589</u>	<u>31,091</u>
130. Adjustments for impairment to:	—	—
a) loans and advances	—	—
b) AFS securities	—	—
c) financial assets held to maturity	—	—
d) other financial transactions	—	—
140. Net income from financial operations	<u>589</u>	<u>31,091</u>
150. Administrative expenses	(2,309)	(34,541)
a) labour costs	(1,850)	(25,045)
b) other administrative expenses	(459)	(9,496)
160. Net transfers to provisions	—	—
170. Net adjustments to tangible assets	(4)	(338)
180. Net adjustments to intangible assets	—	(117)
190. Other operating income (expense)	(99)	(33)
200. Operating costs	<u>(2,412)</u>	<u>(35,029)</u>
210. Net gain (loss) on equity investments	—	—
220. Net gain (loss) on recognizing tangible/intangible assets at fair value	—	—
230. Adjustments to goodwill	—	—
240. Gain (loss) on disposal of investments	—	—
250. Profit (loss) on ordinary activities before tax	<u>(1,823)</u>	<u>(3,938)</u>
260. Income tax on ordinary activities for the period	<u>(3)</u>	<u>2,327</u>
270. Profit (loss) on ordinary activities after tax	<u>(1,826)</u>	<u>(1,611)</u>
280. Net gain (loss) on groups of assets being sold	—	—
290. Net profit (loss) for the period	<u><u>(1,826)</u></u>	<u><u>(1,611)</u></u>

BALANCE SHEETS

Table C (cont.)

	MB Venture Capital Fund I Part.Co. A N.V. 31/12/09	Athena Private Equity S.A. 31/12/09
	(€ 000)	(€ 000)
Assets		
10. Cash in hand	9	7,686
20. Amounts due from banks	—	—
30. Amounts due from financial companies	—	—
40. Trade accounts receivable	—	—
50. Bonds and other fixed-income securities	—	2,499
60. Equities, participating interests and other floating rate securities	—	—
70. Equity investments	18,706	83,513
80. Investments in Group undertakings	—	11,220
90. Intangible fixed assets	—	—
100. Tangible fixed assets	—	—
110. Unpaid call on capital	—	—
130. Other assets	—	12,352
140. Accrued income and prepaid expenses	—	—
Total assets	<u>18,715</u>	<u>117,270</u>
Liabilities		
10. Amounts due to banks	—	—
20. Amounts due to financial companies	—	—
30. Trade accounts payable	—	—
50. Other liabilities	—	11,944
60. Accrued expenses and deferred income	—	—
70. Provision for staff termination indemnities	—	—
80. Provisions for liabilities and charges	—	1,986
90. Loan loss provisions	—	—
120. Share capital	50	151,138
130. Share premium reserve	18,687	—
140. Reserves	—	5,034
160. Retained earnings (accumulated loss)	(20)	(57,476)
170. Loss for the year	(2)	4,644
Total liabilities	<u>18,715</u>	<u>117,270</u>

PROFIT AND LOSS ACCOUNTS

Table C (cont.)

	MB Venture Capital Fund I Part.Co. A N.V. 31/12/09	Athena Private Equity S.A. 31/12/09
	(€ 000)	(€ 000)
Expenses		
10. Interest payable and similar expenses	—	16
20. Commissions payable	—	—
30. Loss on dealing transactions	—	1,152
40. Administrative expenses	2	980
50. Adjustments to intangible and tangible fixed assets	—	—
60. Other operating expenses	—	—
70. Provisions for liabilities and charges	—	1,986
80. Transfer to loan loss provisions	—	—
90. Adjustments to receivableS and provisions for guarantees and commitments	—	—
100. Adjustments to financial fixed assets	—	3,535
110. Extraordinary expenses	—	820
130. Net transfers to provisions for liabilities and charges	—	—
140. Profit for the year	—	4,644
Total expenses	<u>2</u>	<u>13,133</u>
Income		
10. Interest receivable and similar income	—	137
20. Dividends and other income	—	—
30. Commissions receivable	—	—
40. Gain on dealing transactions	—	1,501
70. Other operating income	—	—
80. Extraordinary income	—	11,495
100. Loss for the year	2	—
Total income	<u>2</u>	<u>13,133</u>

TABLE D

**SIGNIFICANT EQUITY INVESTMENTS AS DEFINED IN ARTICLE 120/3 OF
DECREE LAW 58/98 AND ARTICLE 126 OF CONSOB REGULATION 11971/99**

	Share capital €m	Par value per share €	No. of shares held directly	Direct interest* %	No. of shares held indirectly	Indirect interest* %	Shares held by
DIRECTLY CONTROLLED SUBSIDIARIES							
COMPASS S.p.A., Milan	587.5	5	117,500,000	100.00	—	—	—
COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A., Monte Carlo	111.1	200	555,538	100.00	—	—	—
CONSORTIUM S.R.L., Milan	8.6	—	1	100.00	—	—	—
MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A., Luxembourg	10.0	10	990,000	99.00	10,000	1.00	Compass
MEDIOBANCA SECURITIES USA LLC., New York	2.25	—	1	100.00	—	—	—
PROMINVESTMENT S.p.A., in liquidation, Rome	0.7	0.52	1,428,571	100.00	—	—	—
PRUDENTIA FIDUCIARIA S.p.A., Milan	0.1	5	20,000	100.00	—	—	—
RICERCHE E STUDI S.p.A., Milan	0.1	5	20,000	100.00	—	—	—
SADE FINANZIARIA - INTERSOMER S.r.l., Milan ¹	25	—	1	100.00	—	—	—
SETECI - Società Consortile per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.c.p.A., Milan	0.5	5	99,995	100.00	1	n.m.	CheBanca!
					1	n.m.	Compass
					1	n.m.	Cofactor
					1	n.m.	Futuro
SPAFID S.p.A., Milan	0.1	10	10,000	100.00	—	—	—
TECHNOSTART S.p.A. in liquidation, Milan	0.6	0.50	828,000	69.00	—	—	—
INDIRECTLY CONTROLLED SUBSIDIARIES							
CHEBANCA! S.p.A., Milan	210.0	0.50	—	—	420,000,000	100.00	Compass
COMPASS RE S.A., Luxembourg	3.2	10	—	—	320,000	100.00	Compass
COFACTOR S.p.A., Milan	32.5	0.50	—	—	65,000,000	100.00	Compass
CREDITECH S.p.A., Milan	0.25	1	—	—	250,000	100.00	Compass

* Shares owned.

¹ Figures €'000.

TABLE D (cont.)

	Share capital €m	Par value per share €	No. of shares held directly	Direct interest* %	No. of shares held indirectly	Indirect interest* %	Shares held by
DUCATI FINANCIAL SERVICES, Milan	4.6	—	—	—	1	50.00	Compass
QUARZO S.R.L., Milan ¹	10	1	—	—	9,000	90.00	Compass
FUTURO S.P.A., Milan	4.8	0.60	—	—	8,000,000	100.00	Compass
SELMABIPIEMME LEASING S.p.A., Milan	41.3	0.50	—	—	49,564,777	60.00	Compass
PALLADIO LEASING S.p.A., Vicenza	8.7	0.50	—	—	16,482,500	95.00	SelmaBipiemme
	—	—	—	—	867,500	5.00	Palladio Leasing
MB COVERED BOND S.R.L., Milan ¹	50	1	—	—	45,000	90.00	CheBanca!
QUARZO LEASE S.R.L., Milan ¹	10	1	—	—	9,000	90.00	SelmaBipiemme
TELELEASING S.p.A., Milan	9.5	1	—	—	7,600,000	80.00	SelmaBipiemme
C.M.B. Asset Management S.A.M., Monte Carlo	0.2	150	—	—	995	99.50	C.M.B. S.A.M.
C.M.I. Compagnie Monégasque Immobilière - SCI, Monte Carlo	2.4	1,525	—	—	1,599	99.94	C.M.B S.A.M.
			—	—	1	0.06	C.M.G. S.A.M.
C.M.G. Compagnie Monégasque de Gestion S.A.M., Monte Carlo	0.6	160	—	—	3,748	99.95	C.M.B. S.A.M.
CMB Banque Privée (Suisse) S.A., Lugano	Fr.Sv. 25,000	Fr. Sv. 1,000	—	—	25,000	100.00	C.M.B. S.A.M.
SMEF - Soc. Monégasque des Etudes Financières S.A.M., Monte Carlo	0.8	155	—	—	4,998	99.96	C.M.B. S.A.M.
MONOECI Soc. Civile Immobilière, Monte Carlo ¹	1,6	15,5	—	—	99,00	99.00	C.M.B. S.A.M.
			—	—	1,00	1.00	C.M.G.S.A.M.
MOULINS 700 S.A.M., Monte Carlo	0.2	160	—	—	999	99.90	C.M.I. SCI

* Shares owned.

¹ Figures €'000.

TABLE D (cont.)

	Share capital €m	Par value per share €	No. of shares held directly	Direct interest* %	No. of shares held indirectly	Indirect interest* %	Shares held by
OTHER SIGNIFICANT EQUITY INVESTMENTS							
ATHENA PRIVATE EQUITY S.A., Luxembourg	151.1	2	18,343,380	24.27	—	—	—
BANCA ESPERIA S.p.A., Milan	13.0	0.52	12,500,000	50.00	—	—	—
BURGO GROUP S.p.A., Altavilla Vicentina (VI)	205.4	0.52	87,442,365	22.13	—	—	—
TELCO S.p.A., Milan	3.3	—	206,464,495	11.62	—	—	—
FERRETTI HOLDING S.p.A., Milan	0.2	1	38,200	19.10	—	—	—
FIDIA - Fondo Interbancario d'Investi- mento Azionario SGR S.p.A., Milan	6.8	520	3,266	25.00	—	—	—
GB HOLDING S.R.L., MONTECCHIO MAGGIORE (VI)	1.0	—	48,394	49.90	—	—	—
ISTITUTO EUROPEO DI ONCOLOGIA S.r.l., Milan	80.6	—	1	14.78	—	—	—
LU-VE S.p.A., VARESE	9.0	360	5,000	20.00	—	—	—
MB VENTURE CAPITAL FUND I PARTICIPATING CO. A N.V., Amsterdam	0.5	1	22,500	45.00	—	—	—
SINTERAMA S.p.A., Sandigliano	45.2	0.51	9,324,456	10.51	—	—	—
MB VENTURE CAPITAL S.A., Luxembourg	1.0	—	—	—	1,400	35.00	Technostart

* Shares owned.

TABLE E

FEEs PAID FOR AUDITING AND SUNDRY OTHER SERVICES
(pursuant to Article 149-*duodecies* of Consob resolution 11971/99)

Type of service	Mediobanca S.p.A.		Group companies*	
	Reconta Ernst & Young	Reconta Ernst & Young network	Reconta Ernst & Young	Reconta Ernst & Young network
Auditing	350	—	324	274
Statements	71	—	19	43
Other services:	—	—	12	443
– <i>Observation/analysis of administrative/accounting internal control system</i>	—	—	—	220
– <i>other</i>	—	—	12	223
Total	421	—	355	760

* Group companies and other companies consolidated line-by-line.

**RESIGNATIONS BY TWO DIRECTORS; PROCEDURE PURSUANT
TO ARTICLE 14 OF THE COMPANY'S ARTICLES OF ASSOCIATION**

During the year under review, both Cesare Geronzi and Pietro Ferrero left Mediobanca.

The Board has placed on record its thanks to Mr Geronzi, who is now Chairman of Assicurazioni Generali, for his contribution during the nearly twenty years in which he has served as one of the Bank's Directors. The Board also wishes to thank Mr Ferrero warmly for his hard work on its behalf.

In this connection, shareholders are reminded that in an annual general meeting held on 28 October 2008, the number of Directors was set at 23 (twenty-three). This has now reduced to 21 (twenty-one) as a result of the two aforementioned directors resigning, both of whom were elected from the majority list. The Board therefore invites shareholders to take the appropriate steps in general meeting, according to Article 14 of the company's Articles of Association.

Milan, 21 September 2010

THE BOARD OF DIRECTORS

REPORT ON STAFF REMUNERATION POLICIES

Dear Shareholders,

We have called you together in general meeting,

- A) to report on the remuneration policies adopted for the twelve months ended 30 June 2010, and
- B) to submit Mediobanca's new remuneration policies, approved by the Board of Directors on 21 September 2010 in compliance with the Bank of Italy's instructions on this matter, to your approval.

A) STAFF REMUNERATION POLICIES FOR FY 2009/2010

On 28 October 2009, the Bank of Italy issued communication no. 0321560/09, emphasizing that the adoption of appropriate "remuneration and incentivization systems" is an integral part of the rules of corporate governance, and constitutes an essential prerequisite for sound and prudent management of banks as well as the stability of the financial system as a whole. The communication reflects, among other things, the international standards and guidance contained in the "Principles for Sound Compensation Practices" issued by the Financial Stability Board on 25 September 2009. Accordingly, during the twelve months under review the Remunerations Committee and Board of Directors of Mediobanca have continued in their efforts to bring the Bank's remuneration system in line with the new regulatory requirements, along the lines approved by shareholders in the general meeting held on 28 October 2009.

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

Criteria adopted:

1. quantitative metric: Economic Profit (EP) earned by the Corporate and Investment Banking division (not including the contribution from leasing or the equity investment effect), along with
2. other quantitative aspects;
3. qualitative considerations.

EP consists of the profit earned by the CIB division, not including the contribution from leasing operations or the equity investments attributable to the

division (AFS equity investments and shares¹), adjusted for the cost of capital (regulatory) required to carry out such activity. The metric therefore measures the extra profit created after the return on capital, with the cost of capital being calculated on the basis of the medium-/long-term risk-free rate plus returns for general and specific risk. The EP metric has been chosen in order to take into account current and potential risks and sustainability of results over time, as requested by the regulatory authorities. The metric has been supplemented by additional quantitative considerations (such as comparison with budget and with the previous year) and qualitative considerations (cost/income and compensation/income readings in order to assess sustainability over time, comparison with market, development of product offering and new businesses, cross-selling activity, quality of relations with customers, and staff professionalism and reliability).

The performance of the CIB division in the twelve months ended 30 June 2010, calculated as above, was ahead of budget, with gross operating profit up 8% and in line with 2009. The following aspects in particular are worth noting in comparison to the previous year:

- profits from banking activity improving (net interest income up 18%, net fee and commission income up 11%), and loan loss provisions down 14%;
- positive contribution from trading activity, despite being hit by strong volatility in second half;
- further strengthening of the headcount, which was up 7%, at the Bank's non-Italian branches in particular (up 26%), with high seniority and professional specialization.

At the Group level the following results should be noted:

- the sizeable profit earned, compared with substantial breakeven last year, due to significant increase in total income (up 14%) and reduced writedowns to securities;
- Mediobanca's positioning on its domestic market strengthened, and its footprint outside Italy consolidated;
- cost/income and compensation/income ratio readings far below those of the Bank's competitors, raising risks in terms of retaining key staff.

The CIB division's EP was comfortably positive, at just over €320m, in line with the €328m posted last year.

The unfavourable earnings performance last year, despite the good results posted by CIB, led to an approx. 30% reduction in senior staff bonuses. Give the

¹ The Group's equity investments are divided into:

- i. shareholdings allocated to the Principal Investing division (Assicurazioni Generali, Telco and RCS MediaGroup) and shareholdings taken in connection with merchant banking activity;
- ii. other shareholdings, allocated to the CIB division.

return to significant profits and the other considerations referred to above, a policy of moderate increase was applied to the variable remuneration component (approx. 11%), with a bonus pool of approx. €61m being paid out for the cash part.

b. Introduction of methods for paying annual bonuses in equity forms spread over several years

The guidance issued by the Bank of Italy and the Financial Stability Board stipulates that a significant portion of the variable remuneration component should be paid in the form of equity instruments, in order to link incentives to the objective of creating value over the long term. In conformity with these indications, for senior management staff with variable remuneration of above €500,000, and to some staff operating in the Financial Markets division who, as a result of the type of activity or their seniority in their role, have an impact on the Bank's risk profile, a part of their variable remuneration (between 15% and 20%) has been paid in the form of stock options, in accordance with the terms and conditions of the scheme currently in operation (approved by shareholders in a general meeting held on 27 October 2007).

Furthermore, part of the variable remuneration paid in cash has been deferred over three years, with 60% paid this year, and two tranches of 20% each to be paid in the next two years. Around 60 staff were paid using equity instruments; around half of these also received cash bonuses deferred over a two-year time horizon.

Thus the Board of Directors decided to award Group staff a total of 16,360,000 stock options from the upper limit and scheme approved on 27 October 2007, at a price of €6.537 per share. This award includes a portion distributed by way of a long-term incentive (generally every two years).

c. Remuneration structure for staff employed in control and support capacities

As from the 2009/2010 financial year, the remuneration package for staff employed in internal control capacities (internal audit, compliance and risk management), for the Head of company financial reporting and for the most senior staff in the areas referred to above has been structured in such a way as to ensure that the majority of the compensation is fixed, with a small variable component to be revised on a year-to-year basis in view of quality and efficiency criteria.

d. Assessment of quantitative/qualitative performance in awarding individual annual bonuses

The award of bonuses to individual beneficiaries is based on assessment of their performances, with a view to retaining the best key staff. This includes

qualitative criteria (development of product offering, professional conduct and reliability, quality in terms of customer relationships, technical and analytical skills in the field of finance, ability to control costs, importance placed on achieving operating efficiency, and co-operation with other areas of the Bank), and also earnings results achieved.

e. Structure of executive directors' remuneration package

The Group's executive directors have a remuneration package which is structured as follows:

- fixed salary;
- annual bonus, payable at the Bank's discretion, in relation to the quality of the services provided and the results achieved by the Bank and the Group; this may also be paid via stock options or other instruments;
- MBO, defined every three years, and for the first three years linked to the substantial achievement of quantitative and qualitative earnings targets set for the Mediobanca Group in its 2008-11 business plan.

For the financial year ended 30 June 2010, as for the previous year, the Group's executive directors did not receive any bonuses.

The following stock option awards were made to the Chairman, the Managing Director and the General Manager:

– Renato Pagliaro - <i>Chairman</i>	350,000
– Alberto Nagel - <i>Managing Director</i>	350,000
– Francesco Saverio Vinci - <i>General Manager</i>	250,000

f. Role of Risk Management in remuneration process and involvement of Internal Audit Unit in validation

The Risk Management unit has been involved in finalizing the metrics to be utilized (EP; quantitative and qualitative aspects) and in validating the results.

The remuneration process has also been reviewed by the Internal Audit Unit, which has written a report on its activities and which shows that the remuneration and incentivization policy adopted by Mediobanca fundamentally complies with the Bank of Italy's guidance.

ANNEX

The table below shows the structured of the remuneration packages offered by Mediobanca, showing the fixed and annual variable cash, with long-term variable components of total compensation, as at 30 June 2009 and 30 June 2010, by division and role.

	2008/2009			2009/2010		
	Total remuneration ¹			Total remuneration ¹		
	FIXED	VARIABLE	STOCK OPTIONS	FIXED	VARIABLE	STOCK OPTIONS
Directors	100%	0%	0%	100%	0%	0%
Executive Directors	100%	0%	0%	92%	0%	8%
Heads of division	38%	62%	0%	22%	60%	18%
of which Advisory	41%	59%	0%	31%	55%	14%
of which Lending	48%	52%	0%	35%	53%	12%
of which Markets	30%	70%	0%	14%	65%	21%
Other divisional staff	55%	45%	0%	55%	45%	0%
of which Advisory	51%	49%	0%	51%	49%	0%
of which Lending	65%	35%	0%	65%	35%	0%
of which Markets	49%	51%	0%	49%	51%	0%
Heads of control units ²	49%	51%	0%	72%	20%	8%
Heads of staff areas	64%	36%	0%	56%	39%	5%
Other employees in staff units	74%	26%	0%	74%	26%	0%

NOTES

¹ Percentage of total compensation. Stock options awarded on 2 August 2010 have been measured and recognized in accordance with IAS/IFRS 2, and include options granted by way of two-year long-term incentives.

² Heads of Internal Audit and Compliance, Head of Company Financial Reporting, Head of Risk Management.

B) NEW STAFF REMUNERATION POLICIES

a. Remuneration policy objectives and remuneration package structure

The remuneration policy operated by Mediobanca is intended to attract and retain professional staff in particular for key positions and roles, commensurate with the complexity and specialization of the business, and based on a rationale of prudent management and sustainable costs and results over time, in a competitive market scenario in line with international standards.

Mediobanca staff remuneration comprises three components, with the aim of diversifying financial benefits accruing over time:

- fixed salary: this is generally determined on the basis of specialization, role carried out in the organization and related responsibilities;
- variable remuneration (annual bonus): this recognizes and rewards the achievement of targets set and results achieved, and is an important motivational factor in their achievement. For some business figures, this may still form the majority of their annual pay, in line with market practice. Part of this variable component may be paid via equity instruments (hitherto stock options, which are fundamentally deferred over time) or in cash (this too on occasion may in part be deferred);
- long-term incentive (LTI), the main instrument in which is the stock option. For a restricted number of young staff with high potential who do not qualify for stock option schemes but occupy key positions and are on a fast-track career plan, a long-term incentive is applied in the form of deferred cash (a bonus which currently accrues over three years and is paid in the following two years).

This remuneration system has provided excellent staff retention levels, with an annual exit rate of around 2% in the last three years.

b. Governance structures

Under the current Articles of Association:

- shareholders in general meeting determine the fixed annual remuneration payable to members of the Board of Directors, upon their appointment for the entire duration of their term of office, to be divided among the individual Board members according to the decisions of the Board of Directors itself (Article 12);

- shareholders in general meeting also approve remunerations policies and share-based compensation schemes for Directors and Group staff (Article 12);
- the Board of Directors determines the Chairman’s, the Managing Director’s and General Manager’s remuneration (Article 17);
- the Remunerations Committee has powers of consultation and enquiry to determine the remuneration of Directors vested with particular duties and the General Manager. The Remunerations Committee also gives its opinion on the staff remuneration and retention policies operated by the Group and presented by the Managing Director (Article 18);
- the Managing Director presents the staff remuneration and retention policies to the governing bodies (Article 18), and is responsible for them (Article 24).

b. Criteria for calculating variable component

The bonus pool for the variable component is established annually by applying:

1. the quantitative metric of the Economic Profit (EP) earned by the Corporate and Investment Banking division, along with
 2. other quantitative aspects;
 3. qualitative considerations.
1. EP consists of the profit earned by the CIB division, not including the contribution from leasing operations or the equity investments attributable to the division, adjusted for the cost of capital (regulatory) required to carry out such activity. The metric therefore measures the extra profit created after the return on capital, with the cost of capital being calculated on the basis of the medium-/long-term risk-free rate plus returns for general and specific risk. The EP metric has been chosen in order to take into account current and potential risks and sustainability of results over time.
 2. The additional **quantitative aspects** for the CIB division are:
 - comparison with budget objectives;
 - performance compared to historical precedents.
 3. The **qualitative considerations** are chiefly:
 - Group profit in comparison with the previous year;
 - possibility of distributing a dividend;
 - Mediobanca’s positioning and market share;

- appraisal of the Mediobanca share stock market performance, including relative to the market and the Bank’s main competitors;
- cost/income and compensation/income ratio readings, to take into account sustainability over time;
- developing product offering and new businesses;
- cross-selling activity;
- quality of relations with customers;
- staff professionalism and reliability;
- securing loyalty of top performers and retaining key staff, plus the need to add new professional talents.

The bonus pool serves to pay the variable component awarded annually to staff who, in Italy and elsewhere, are closely identified with the Bank’s earnings results on account of the size of their remuneration, management of business activities, assumption of specific risks and/or organizational role. These may be summarized as follows:

- heads of business areas in Italy;
- heads and Managing Directors of non-Italian branches;
- staff employed at desks in the Financial Markets division, in Italy and elsewhere, who, as a result of the nature of their activity and seniority in the role, may be described as “risk takers”;
- staff in management positions in support roles.

Save where otherwise provided in pre-existing employment contracts, the bonus pool is only payable when the EP earned by the CIB division is positive and the consolidated financial statements reflect a profit.

The bonus pool is allocated to the individual business units on the basis of a model which in quantitative terms uses the EP of each individual area as its benchmark metric.

Distribution to individual staff members will be based on assessment of their performances with a view to retaining the best key staff based on qualitative considerations (development of product offering, professional conduct and reliability, quality in terms of customer relationships, technical and analytical skills in the field of finance, ability to control costs, importance placed on achieving operating efficiency, and co-operation with other areas of the Bank) and earnings results achieved. The positioning of the staff remuneration package is also reviewed annually relative to the reference market, including with the assistance of independent external consultants.

c. Annual bonuses paid in equity forms spread over several years

The guidance issued by the Bank of Italy and the Financial Stability Board stipulates that a significant portion of the variable remuneration component should be paid in the form of equity instruments, in order to link incentives to the objective of creating value over the long term. In conformity with these indications, for senior management staff with variable remuneration of above €500,000, and to some staff operating in the Financial Markets division who, as a result of the type of activity or their seniority in their role, have an impact on the Bank's risk profile (risk-takers), part of their variable remuneration will be paid in the form of stock options, using the scheme currently in operation, and/or performance shares, in accordance with the scheme being submitted to the approval of shareholders at today's general meeting. Part of the variable component paid in cash may be deferred over a time horizon of several years, with payment subject to the same conditions described above in respect of the bonus pool.

d. Stock option scheme

At an extraordinary general meeting held on 27 June 2007, shareholders of Mediobanca approved a rights issue involving 40,000,000 new shares (to be awarded by and no later than June 2014) for use in connection with a stock option scheme; a total of approx. 23 million are still outstanding. At an ordinary general meeting held on 27 October 2007, as required by legal and regulatory provisions, shareholders of Mediobanca approved the adoption of the stock option scheme and also the methods for implementing it. The main features of the scheme, which is intended for staff with roles considered to be strategic with a view to achieving the Group's objectives (such as executive members of the Mediobanca Board of Directors, key management figures in Group companies, key management figures in Mediobanca both in Italy and elsewhere, professionals with highly-specialized expertise in particular business areas, and some staff with responsibilities for co-ordination and/or support within Mediobanca) are as follows: vesting period of three years starting from the date on which the options are awarded; exercise period within eight years (three years' vesting plus five years' exercise), obligation to reinvest 50% of any capital gains achieved upon disposal of shares, and lock-up period of 18 months.

e. Performance share scheme

In connection with equity instruments to be used for deferred staff remuneration, alongside stock options it has been decided to adopt a performance share scheme, submitted to the approval of shareholders at today's general meeting. Under the proposed scheme, Mediobanca shares would be allotted free of charge at the end of a vesting period with a two-year horizon. Resolutions have

been prepared to increase the company's share capital free of charge via the issuance of 20 million new Mediobanca shares and by using the treasury shares owned by the Bank. The objectives of the proposed scheme are to:

- bring the Bank's remuneration structure in 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 for shareholders.

f. Remuneration structure for staff employed in control and support capacities

The remuneration package for staff employed in internal control capacities (internal audit, compliance and risk management), for the Head of company financial reporting and for the most senior staff in the areas referred to above is structured so as to ensure that the majority of the compensation is fixed, with a small variable component to be revised on a year-to-year basis in view of quality and efficiency criteria.

The main aspects assessed are as follows:

- a) for staff employed in accountancy divisions:
 - earnings results and financial information being correctly represented in the Group's and the Bank's financial statements;
 - all mandatory, regulatory and reporting requirements being met correctly;
 - all accounting processes and related electronic procedures being managed efficiently and correctly;
 - alignment between company strategies and policies in respect of their representation in the accounts and the relevant tax and legal requirements;
 - reliability of budget and pre-closing figures;
- b) for staff employed in delle internal control capacities (internal audit, compliance and risk management):
 - continuous coverage and control of the Bank's processes and operations, carried out independently and autonomously, to prevent risk situations arising and to detect irregular behaviour early;

- ongoing appraisal of compliance with regulatory requirements through appropriate audit plans, updates to internal guidelines and staff training (business and non-business divisions);
- development of models, methodologies and metrics by which to measure market, credit and operating risk, producing reports on risk monitoring activity, and accurate analysis of new products and their risk profiles.

In general terms the remuneration for such staff is determined on the basis of positioning vis-à-vis the reference market, and varies according to the value of the individual staff, their role and retention strategies. The variable remuneration component for such staff is usually small, both in absolute terms and as a percentage of the total, and tends not to be increased in accordance with the Group's earnings performance but instead on the basis of individual qualitative performance.

g. Bonus calculation for executive directors

The performance of the executive directors is also assessed on the basis of EP, in order to comply with the regulatory requirements, with different benchmarks used according to the individual role performed.

For the Managing Director and the General Manager, the benchmark is the Group's performance, whereas for the heads of division the performance of their respective divisions and business areas are used, with adjustments made in all cases to reflect qualitative considerations. Part of the bonus, which in accordance with the practice and timescales hitherto adopted and also with international benchmark practice, has to be approved by the relevant governing bodies, may also be paid in the form of equity instruments. As required by the regulators, provision will also be made for the executive directors' variable remuneration to be deferred over time, in a variety of ways.

h. Remuneration policies for Group companies

The main incentivization mechanism used for the management and key staff of Mediobanca Group companies (in a very limited number and with amounts of variable remuneration which do not exceed 30% of the fixed component) is the annual bonus, approved by Mediobanca S.p.A. on the basis of a qualitative and quantitative assessment of the performance delivered by the company. This mechanism rewards results based on qualitative considerations and the sustainability of the incentives. It is not, however, based on defined objectives, and as such will be shortly reviewed along the following lines:

- more structured criteria to be adopted as the basis for assessment, to allow the sustainability of the performance to be appraised more easily and to facilitate

the internal validation process (Board meetings and annual general meetings of Group companies);

- metrics to be finalized for use as the benchmarks in setting operating targets (volumes/income, profits, etc.), adjusted to reflect risk;
- qualitative considerations to be formalized (compliance with procedures, laws and regulations, customer satisfaction, reliability and professionalism, etc.).

i. Role of internal control units

The Risk Management unit will be involved in finalizing the metrics to be used (EP, quantitative and qualitative considerations) and in validating the results.

The Compliance unit has expressed the opinion that the new staff remuneration policies are consistent with correct application of the principles and criteria established by the regulations. Its analysis shows that the policies are substantially consistent with the regulatory provisions.

The process will also be subject to review by the Internal Audit Unit.

* * *

Dear Shareholders,

We invite you to adopt the following resolution:

“At an ordinary general meeting, having heard the Board of Directors’ proposal, the shareholders of Mediobanca

hereby resolve

- to approve the “Staff Remuneration Policies”;
- to confer on the Board of Directors, the Chairman and the Managing Director, jointly and severally, the broadest powers to execute all deeds and perform all measures and formalities necessary in order to implement this resolution.”

Milan, 21 September 2010

THE BOARD OF DIRECTORS

REPORT ON PERFORMANCE SHARE SCHEME

Dear Shareholders,

The staff remuneration policies approved by you today involve the use of performance shares as well as stock options among the incentivization instruments. Accordingly, we are submitting to your approval a long-term incentivization scheme for selected Mediobanca Group staff involving the use of performance shares, in the form of ordinary Mediobanca shares (the “2010 Performance Share Scheme”), against:

- a) the authorization to increase the company’s share capital via the issue of 20 million new shares, reserved for subscription by Mediobanca Group staff by 28 October 2015, to be approved today under Article 2349 of the Italian Civil Code, and;
- b) the 17,010,000 treasury shares owned by the Bank; the resolution adopted by shareholders in general meeting on 27 October 2007 authorizing the Board to buy back these shares will be amended accordingly under a different item on the agenda.

The scheme has the following characteristics.

1. Rationale for the scheme

The scheme is intended 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.

2. Beneficiaries

The beneficiaries of the 2010 Performance Share Scheme will be staff considered to be critical in terms of achieving the Group’s targets, to be identified from time to time by the relevant governing bodies (Board of Directors for

executive directors, the Managing Director for other beneficiaries) based on the following criteria:

- executive directors who are employees of the Mediobanca Group;
- general managers;
- Mediobanca staff whose decisions impact on the Bank's risk profile, and other staff comparable to them in terms of role or remuneration package;
- members of the Bank's senior management.

The only person other than the members of the Board of Directors who are employed by the Mediobanca Group who presently qualifies as one of the individuals with management duties who have access to insider information and are empowered to take operating decisions with the potential to impact on the performance and future prospects of the issuer pursuant to Article 152-sexies, para. 1, letter c)-c.2 of Consob resolution 11971/99, is the head of company financial reporting.

There are no categories of staff in respect of whom different terms are provided under 2010 Performance Share Scheme, which is the same for all beneficiaries.

3. Procedure for approval and timescale for award of the instruments

Without prejudice to the Board of Directors' and the Remuneration Committee's powers in respect of awards to directors who are members of the Group's management, the Managing Director is responsible for the management of the performance share scheme, with the help of the Human Resources unit. The Board is responsible, at the Managing Director's proposal, for approving and updating the guidelines of the performance share scheme and for determining the overall quantity of shares to be awarded in each award cycle, which is generally annual. The Managing Director is responsible for determining the awards to be made to individual beneficiaries from the above quantity. The Managing Director may also use this instrument to define remuneration packages upon the occasion of recruiting new key staff, including outside the annual award cycle, and/or with a view to retaining them.

The choice of beneficiaries and the quantity of shares awarded is made with consideration to the individual's rank within the organization, the importance of his/her role, and the value of his/her performance based on targets set and results achieved.

No particular procedures have been implemented with respect to the possible revision of Mediobanca's 2010 Performance Share Scheme, save for those usually connected with the powers vested in the governing bodies.

The Remunerations Committee having expressed its opinion in favour, the Board of Directors approved these terms and conditions on 21 September 2010, to be submitted to the approval of shareholders in ordinary general meeting. The market price of Mediobanca ordinary shares recorded at that date was € 6.815 per share. The awards made in respect of the 2010 Performance Share Scheme will be disclosed to the market in accordance with and to the effects of the regulatory and legal provisions in force.

4. Characteristics of the instruments

The scheme is an incentivization system involving the award of shares to employees. The shares will be awarded at the end of a vesting period (the first tranche after one year, the second tranche after two year), provided that the beneficiary is still employed by the Group and further provided that certain conditions are met at the time of the award which will determine whether or not the shares are actually received. The general conditions are as follows:

- the Economic Profit (EP)¹ earned by the Corporate and Investment Banking must be positive;
- the consolidated financial statements must reflect a profit.

For employees of Group companies included in the scheme, if any, the Managing Director will identify one or more specific earnings indicators instead of those stated above.

The Board of Directors may also identify other performance indicators upon the occasion of each individual award cycle.

The governing bodies will award quantities of performance shares on a regular basis, generally once a year, from the upper limit approved by shareholders in today's general meeting or alternatively from the treasury shares owned by the Bank. The 2010 Performance Share Scheme will expire on 28 October 2015.

The maximum number of shares that may be awarded under the terms of this scheme is 20 million, from the authorization to increase the company's share capital free of charge approved today, plus up to 17,010,000 treasury shares owned by the Bank, provided that the use of the latter remains conditional upon them actually being available. Based on the resolution adopted by shareholders in the general meeting held on 27 October 2007, the shares may at present be used either as a consideration for acquiring investments and/or as possible awards to shareholders.

¹ EP consists of the profit earned by the CIB division, not including the contribution from leasing operations or the equity investments attributable to the division (equity investments – apart from those considered to be strategic – and AFS shares), adjusted for the cost of capital (regulatory) required to carry out such activity. The metric therefore measures the extra profit created after the return on capital, with the cost of capital being calculated on the basis of the medium-/long-term risk-free rate plus returns for general and specific risk.

The shares are received personally, without prejudice to inheritance rights. Once received, and subject to the relevant conditions being met, the shares may be traded immediately, bearing in mind the limits established by law and regulations in force (market abuse, internal dealing) and by the Group.

It should be noted that the shares will only be granted to those who are still employed by the Group as at the date of distribution. In the event of the working relationship being terminated for whatever reason (with the exception of retirement), the entitlement to receive performance shares is lost (save where authorized otherwise by the governing bodies).

In the event of extraordinary events taking place which impact significantly on the Group's earnings and/or financial performance, the 2010 Performance Share Scheme may be revised and/or abolished at the discretion of the Board of Directors, having first sought the opinion of the Remunerations Committee.

No provision is made under the terms of the 2010 Performance Share Scheme for the shares awarded to be bought back by the company.

Under the accounting standards adopted, the award of performance shares is recognized in the profit and loss account on the basis of a notional cost spread over several years according to the benefit received and the vesting period. The notional cost is equal to the value of the shares at the award date adjusted for probability factors linked to the scheme (possibility of beneficiaries resigning, actuarial parameters, etc.). The performance shares will be subject both to taxation and to social security contributions, in accordance with the legislation in force in each beneficiary's country of residence.

The shares to be used for the 2010 Performance Share Scheme deriving from the capital increase represent 2.27% of the company's share capital, fully diluted.² The impact on the stock market value and the possible dilutions of the share capital ensuing are not significant, given that the awards will be made over the course of several years.

The 2010 Performance Share Scheme does not establish any limits for the exercise of voting rights or capital rights in relation to the ordinary Mediobanca shares awarded subject to the foregoing conditions being met.

5. Other

The 2010 Performance Share Scheme:

- does not involve the award of financial instruments not issued by Mediobanca; rather, only Mediobanca shares are awarded, traded on regulated markets;

² Of the shares currently in issue (861.1 million), therefore not including the shares that may be issued in respect of the warrants in issue and stock options awarded.

- is not affected by tax or accounting issues. It will take into account the tax and social security contribution regimes in the beneficiaries' countries of residence in force at the time.

The scheme is not supported by the special provision to incentivize workers' investment in companies established under Article 4, paragraph 112 of Italian Law 350/03.

It should be noted that none of the Mediobanca Group companies accounts for more than fifty percent of Mediobanca's assets, and that no individuals control Mediobanca.

* * *

Dear Shareholders,

You are invited to approve the proposed item on the agenda and accordingly to adopt the following resolution:

“Gathered in Ordinary General Meeting, the shareholders of Mediobanca, having heard the Board of Directors' report,

hereby resolve

- to adopt a long-term incentivization plan involving the award of performance shares to selected Mediobanca Group staff, on the terms and according to the methods described above;
- to vest the Board of Directors, the Chairman and the General Manager with every appropriate power, jointly and severally, to:
 - a) to incorporate into this resolution and the documents that constitute an integral and substantive part hereof any amendment and/or addendum (which does not alter the substance of the resolution) that may be required to bring it into line with any developments in the legal or regulatory provisions, and
 - b) to adopt any further measure that should become necessary in order to implement this resolution.

Milan, 21 September 2010

THE BOARD OF DIRECTORS

**AMENDMENT TO RESOLUTION ADOPTED BY SHAREHOLDERS
IN GENERAL MEETING ON 27 OCTOBER 2007 IN RESPECT OF
TREASURY SHARES, TO EXTEND THEIR USES TO INCLUDE
GROUP STAFF REMUNERATION SCHEMES**

Dear Shareholders,

As illustrated previously, under the new staff remuneration policies (see item no. 3 on the agenda for today's ordinary meeting) and the new performance share scheme (item no. 4 on the agenda at today's ordinary meeting), a share of the variable remuneration component can be paid in the form of equity instruments, in particular stock options and performance shares.

In this connection, the Board believes it would be helpful to be able to use the 17,010,000 treasury shares owned by the Bank, part of which were acquired under the terms of a resolution adopted by shareholders in a general meeting held on 27 October 2007, and the others from a scrip issue implemented in September 2009. Accordingly, the Board of Directors has decided to submit to your approval an amendment to the resolution adopted on 27 October 2007, to include share-based compensation schemes approved by shareholders in general meeting, including the performance share scheme being submitted to your approval today, among the purposes for which such shares may be used.

You are therefore invited to adopt the following resolution:

“At an ordinary General Meeting held on on 28 October 2010, the shareholders of Mediobanca,

- having heard the Board of Directors' report; and
- having duly noted that the number of treasury shares currently owned by the Bank is 17,010,000, equal to 1.98 % of the company's share capital as at 31 August 2010;

hereby resolves

- to update and amend the resolution adopted by shareholders in a general meeting held on 27 October 2007, authorizing the acquisition and disposal of treasury shares, to empower the Board of Directors to dispose of such treasury shares owned for an unlimited period of time *inter alia* on behalf of Mediobanca Group staff, in execution of existing and future share-based compensation schemes approved by the Board of Directors; such transactions

shall be recognized in the accounts in accordance with legal provisions and the applicable accounting standards;

- to confer the requisite powers on the Board of Directors, and on its behalf, the Chairman and Managing Director, jointly and severally, for them to:
 - establish the methods, times, and all the executive and accessory terms and conditions for the transactions in respect of the treasury shares;
 - perform all deeds, measures and formalities required in connection with the implementation of this resolution;
- to vest the Chairman, the Managing Director and the General Manager in office at the time, jointly and severally, with the widest powers to incorporate into this resolution any amendment, change or addendum that may be required or otherwise requested by the competent authority.

Milan, 21 September 2010

THE BOARD OF DIRECTORS

Extraordinary business

**BOARD OF DIRECTORS' REPORT ON PROPOSED
AMENDMENTS TO ARTICLES OF ASSOCIATION**

Dear Shareholders,

We have called you together in an Extraordinary General Meeting to submit the proposed amendments to Articles 6, 7, 10, 12, 14, 28, 29 and 30 of the company's Articles of Association to your approval. The purpose of these amendments is chiefly to incorporate some of the changes introduced by Italian Legislative Decree 27/10 with a view to encouraging shareholders to exercise their rights. Given the lack of regulations by Consob implementing these changes, the amendments we are proposing to make are necessary to reflect compulsory requirements which are either already in force or will be in force for general meetings called subsequent to 31 October 2010, as well as some optional provisions in areas where the regulatory framework is now complete. Further amendments may be necessary in this area. The proposals being submitted to your approval in today's meeting involve:

- “compulsory” amendments to the Articles of Association: identification of the reference date for shareholdings to authorize participation in general meetings and exercise of voting rights (seven open market days prior to the date of the general meeting), indication of the methods for giving notice of proxies, if any, in electronic format (Article 7); and new methods and terms for submitting lists in respect of the appointment of new Directors and Statutory Auditors (Articles 14 and 28);
- “optional” amendments submitted to your approval include: the possibility of calling the general meeting to approve the annual financial statements within an extended term of 180 days, compared to the 120-day term currently provided, and the possibility of calling the general meeting on a single date as well as providing alternative dates in the event of the meeting being adjourned (Article 6), with the introduction of new quorums for the validity of the meeting and passing resolutions in such cases (Article 10);
- amendments recently suggested by the Supervisory Body with respect to including Group collaborators as beneficiaries of the remuneration policy (Article 12) and defining the duties and powers of the Statutory Audit Committee more clearly, these amendments being supplemented by the provisions of Italian Legislative Decree 39/10 (Articles 29 and 30).

The proposed amendments do not entail any right of withdrawal.

You are therefore invited to adopt the following resolution:

“At an Extraordinary General Meeting held on on 28 October 2010, the shareholders of Mediobanca:

– having heard the Board of Directors’ report,

hereby resolve:

1. to amend Articles 6, 7, 10, 12, 14, 28, 29 and 30 of the Articles of Association, as follows:

EXISTING TEXT

SECTION III
General Meetings

Article 6

Ordinary General Meetings shall be called at least once a year within 120 days of the close of the Company’s financial year.

Ordinary and Extraordinary General Meetings shall pass resolutions on matters attributable to each under regulations in force or these Articles of Association.

Resolutions in respect of i) mergers, as provided for by Articles 2505 and 2505-bis of the Civil Code, ii) the institution or removal of branch offices, iii) reductions in the Company’s share capital as a result of shareholders exercising their right of withdrawal, iv) amendments to the Company’s Articles of Association to comply with regulatory requirements, and v) transfer of the Company’s headquarters within Italian territory, are by law the sole competence of the Board of Directors.

The procedures for calling and powers to call meetings shall be those laid down by the law.

Such notice may also include indication of any further Meetings to be held should the Meeting in question be adjourned, failing which the terms provided by law shall apply.

NEW TEXT

SECTION III
General Meetings

Article 6

Ordinary General Meetings shall be called at least once a year within **180 days** of the close of the Company’s financial year **to approve the financial statements, the Company being required to prepare consolidated accounts.**

Unchanged

Resolutions in respect of i) mergers, as provided for by Articles 2505 and 2505-bis of the Civil Code, **including as referred to in Article 2506-ter of the Civil Code,** ii) the institution or removal of branch offices, iii) reductions in the Company’s share capital as a result of shareholders exercising their right of withdrawal, iv) amendments to the Company’s Articles of Association to comply with regulatory requirements, and v) transfer of the Company’s headquarters within Italian territory, are by law the sole competence of the Board of Directors.

Unchanged

Such notice also **includes an indication of the date scheduled for the Meeting in the first instance,** and may also stipulate dates for further Meetings to be held should the Meeting in question be adjourned.

Ordinary and extraordinary general meetings may alternatively be called on a single date, with the majorities specified in Article 10 applying in such cases.

Article 7

The right to attend and vote at General Meetings shall be governed by the law.

Shareholders in possession of voting rights may take part in General Meetings, provided they:

- present a copy of the notification issued by their authorized agent to the Company at its Head Office as required by legal provisions in force;
- such notification is received by the Company no later than two working days prior to the date set for such Meeting.

Any Shareholder may delegate any other person to represent him at a General Meeting by means of a proxy in writing, subject to cases of incompatibility and the limits prescribed by law.

Article 10

The validity of both Ordinary and Extraordinary General Meetings, and the validity of the resolutions taken thereat shall be governed by the provisions of the law.

Members of the Board of Directors and Statutory Audit Committee shall be appointed in accordance with the procedures set out respectively in Articles 14 and 28 hereof.

Article 7

Unchanged

Shareholders are authorized to attend and vote at General Meetings if, by the end of the third open market day prior to the meeting, the issuer has received notification in respect of them from an authorized intermediary based on evidence as at the close of business on the seventh open market day prior to the date set for the general meeting in the first or only instance.

Without prejudice to the foregoing, a shareholder is authorized to attend and to vote at a general meeting if such notification reaches the issuer after the terms indicated in the above paragraph, provided that it does so by the start of proceedings in the case of general meetings called with one date only.

Shareholders authorized to attend and vote at general meetings may elect to have themselves be represented in such a meeting via a proxy issued in writing or made electronically in cases where such possibility is provided for by regulations in force and in accordance therewith, subject to cases of incompatibility and the limits prescribed by law.

Proxies may be notified electronically using the relevant section of the Company's website, in accordance with the instructions provided in the notice of meeting.

Article 10

Unchanged

In cases where general meetings are called on one date only, an ordinary general meeting shall be validly constituted regardless of the percentage of the share capital represented, with resolutions being adopted on an absolute majority basis. An extraordinary general meeting is validly constituted if at least one-fifth of the company's share capital is represented, and resolutions are adopted with at least two-thirds of the share capital in attendance voting in favour.

Unchanged

Article 12

Shareholders in general meeting shall determine the fixed annual remuneration payable to members of the Board of Directors, upon their appointment for the entire duration of their term of office, to be shared between the individual Board members in accordance with the decisions of the Board of Directors itself.

Shareholders in general meeting also approve remuneration policies and compensation schemes based on financial instruments operated for Directors and Group staff.

SECTION IV
Management

Sub-section I - Board of Directors

Article 14

The Board of Directors comprises between fifteen and twenty-three members. The duration of their term of office shall be three financial years, save where otherwise provided in the resolution approved for their appointment.

Members of the Board of Directors shall be in possession of the requisite qualifications for holding such office expressly stipulated under regulations in force at the time, failing which they shall become ineligible or, in the event of such circumstances materializing subsequently, shall be disqualified from office.

At least three of the Directors shall qualify as independent as defined by Article 148, paragraph 3, of Italian Legislative 58/98. At least two of the Directors (who may coincide with those qualifying as independent under the aforementioned requirements) shall qualify as independent as defined by the Code of Conduct for Listed Companies. If a Director qualifying as independent as defined above ceases to do so, this shall not result in him/her being disqualified from office provided the minimum number of Directors required to be independent under the present Articles of Association in compliance with regulations in force is still represented.

Five Directors are chosen from among employees with at least three years' experience of working for Mediobanca Banking Group companies at senior management level.

Directors are appointed on the basis of lists in which the candidates are numbered consecutively. Lists may be submitted by the Board of Directors and/or by shareholders representing in the aggregate at least the percentage of the Company's share capital established under regulations in force at the time and specified in the notice of general meeting. To prove ownership of the number of shares required for said lists to be

Article 12

Unchanged

Shareholders in general meeting also approve remuneration policies and compensation schemes based on financial instruments operated for Directors, Group staff and **collaborators**.

SECTION IV
Management

Sub-section I - Board of Directors

Article 14

Unchanged

Ownership of the minimum percentage of the Company's share capital required to submit a

submitted, shareholders must also submit all documentation necessary for them to take part legitimately in the general meeting.

list is established on the basis of shares recorded as being in the shareholders' possession at the date on which the lists are filed with the issuer.

Proof of ownership may also be produced subsequent to the list's filing, provided that it is forthcoming within the term provided for the issuer to make the lists public.

Unchanged

The lists undersigned by the shareholder or shareholder submitting them (including by means of a proxy to one of them) shall contain a number of candidates not to exceed the maximum number of directors to be elected, and must be lodged at the Company's head office at least fifteen days prior to the date scheduled for the general meeting to take place in the first instance, to be stipulated in the notice of meeting.

... and must be lodged at the Company's head office at least **twenty-five days prior** to the date scheduled for the general meeting in the first **or only** instance, to be stipulated in the notice of meeting.

The list submitted by the Board of Directors, if any, shall be lodged and made public using the same methods provided as the lists submitted by shareholders at least twenty days prior to the date scheduled for the general meeting to take place in the first instance.

The list submitted by the Board of Directors, if any, shall be lodged and made public using the same methods provided as the lists submitted by shareholders at least **thirty days prior** to the date scheduled for the general meeting to take place in the first **or only** instance.

Unchanged

Lists containing a number of candidates equal to or above two-thirds of the Directors to be appointed shall contain five candidates numbered consecutively starting from the second in possession of the requisites stipulated under the foregoing paragraph 4.

Unchanged

Along with each list a *curriculum vitae* shall be filed for each candidate, along with all the other information and statements required under regulations in force at the time. Such *curriculum vitae* shall contain an indication of the candidate's professional credentials, together with statements whereby each candidate declares, under his/her own responsibility, that there are no grounds for his/her being incompatible with or ineligible for the post under consideration, and that he/she is in possession of the requisites specified under law and these Articles, and a list of the management or supervisory roles held by him/her at other companies.

Lists submitted which do not conform to the above specifications shall be treated as null and void.

Unchanged

Outgoing Directors who have served their terms of office may be re-elected.

Unchanged

One individual shareholder may not submit or vote for more than one list, including via proxies or trustee companies. Shareholders belonging to the same group – that is, the parent company, subsidiaries and companies subject to joint control – and shareholders who are parties to a shareholders' agreement in respect of the issuer's share capital as defined in Article 122 of Italian Legislative Decree 58/98 may not submit or vote for more than one list, including via proxies or trustee companies. Individual candidates may only feature in one list, failing which they shall become ineligible.

Unchanged

The procedure for the appointment of Directors is as follows: all Directors save one are chosen on the basis of the consecutive number in which they are ordered from the list obtaining the highest number of votes; the other Director is chosen from the list which ranks second in terms of number of votes cast and which is not submitted or voted for by shareholders who are related, as defined under regulations currently in force, to the shareholders who submitted or voted for the list ranking first in terms of number of votes cast, again on the basis of the consecutive number in which the candidates are ordered.

Unchanged

In the event of an equal number of votes being cast, a ballot shall be held.

Unchanged

In the event that following the procedure set out above does not result in a sufficient number of Directors in possession of the requisites stipulated under the foregoing paragraphs 3 and 4 hereof being elected, the procedure shall be to replace the necessary number of candidates elected from among those in the majority list in the last consecutive positions with candidates in possession of the requisite qualifications from the same list based on their consecutive numbering. If it proves impossible to complete the number of Directors required via this procedure, again in order to comply with the provision of the foregoing paragraphs 3 and 4, the remaining Directors shall be appointed by shareholders in general meeting on the basis of a simple majority, at the proposal of the shareholders in attendance.

Unchanged

In the event of just one list being submitted, the Board of Directors is taken from this list in its entirety, providing the quorum established by law for ordinary general meetings has been reached.

Unchanged

For the appointment of those Directors who for whatever reason could not be elected to comply with the provisions set forth in the foregoing paragraphs, or in the event that no lists are submitted, the Board of Directors is appointed by shareholders in general meeting on the basis of a relative majority, again without prejudice to the requirements stipulated in the said paragraphs 3 and 4 hereof.

Unchanged

In the event of one or more Directors leaving office before their term expires, the procedure shall be as described in Article 2386 of the Italian Civil Code, without prejudice to the obligation to comply with the provisions of Article 14, paragraphs 3 and 4 hereof. Directors co-opted by the Board shall remain in office until the next successive annual general meeting, where shareholders will appoint a new Board member to replace the Director who has left office. Shareholders in general meetings shall adopt resolutions based on a relative majority, in compliance with the provisions in respect of the Board's composition set forth herein. If the Directors being replaced had been elected from a minority list, where possible they are replaced with unelected Directors taken from the same list.

Unchanged

For the purposes hereof, control shall be defined, including with respect to entities not incorporated as companies, as in the cases listed under Article 93 of Italian Legislative Decree 58/98.

Unchanged

The foregoing shall be without prejudice to other and/or further provisions regarding the appointment of, and qualifications for, members of the Board of Directors required without exception under law and/or regulations in force.

Unchanged

In the event of more than half of the Board of Directors leaving office before its term expires, whether as a result of resignations being tendered or for any other reason, the entire Board shall be deemed to have tendered its resignation and a general meeting called to appoint new Directors. However, the Board shall remain in office until shareholders have approved its reappointment in general meeting and until at least half the new Directors have accepted the position.

Unchanged

SECTION V
Statutory Audit Committee

Article 28

Shareholders in ordinary general meeting appoint three standing and two alternate auditors and establish the emoluments payable to each auditor for each financial year. Their powers and term of office are governed by regulations in force.

Members of the Statutory Audit Committee shall be in possession of the requisite qualifications for holding such office expressly stipulated under regulations in force at the time, failing which they shall become ineligible or, in the event of such circumstances materializing subsequently, shall be disqualified from office.

In particular, with reference to professional qualifications, these are understood as being strictly pertinent to those in respect of the company, those listed under Article 1 of the Italian Consolidated Banking Act, and the provision of investment services or collective portfolio management, both of which as defined in Italian Legislative Decree 58/98.

Members of the Statutory Audit Committee may not hold posts in governing bodies other than those with responsibility for control of other Group companies or in companies in which Mediobanca holds, including indirectly, an investment which is deemed to be strategic under supervisory requirements laid down by the Bank of Italy.

In addition, candidates who hold the post of director, manager or officer in companies or entities, or who otherwise work with the management of companies operating directly or indirectly (including through subsidiaries) in the same sectors as Mediobanca may not be elected, or if already elected are disqualified from office.

Outgoing Statutory Audit Committee members may be re-elected.

Appointments to the Statutory Audit Committee are made on the basis of lists in which each candidate is numbered consecutively. Each list is in two sections, one for candidates for the post of standing auditor, one for candidates for the post of alternate auditor. Each list

SECTION V
Statutory Audit Committee

Article 28

Shareholders in ordinary general meeting appoint three standing and two alternate auditors and establish the emoluments payable to each auditor for each financial year. **Their term of office** is governed by regulations in force.

Unchanged

Unchanged

Unchanged

Unchanged

Unchanged

Unchanged

Ownership of the minimum percentage of the Company's share capital required to submit a list, in accordance with the indications

may be submitted only by shareholders representing in the aggregate at least the percentage of the Company's share capital established under regulations in force at the time and specified in the notice of general meeting.

One individual shareholder may not submit or vote for any more than one list, including via proxies or trustee companies. Shareholders belonging to the same group – that is, the parent company, subsidiaries and companies subject to joint control – or shareholders who are parties to a shareholders' agreement in respect of the issuer's share capital as defined under Article 122 of Italian Legislative Decree 58/98, may not submit or vote for more than one list, including via proxies or trustee companies. Individual candidates may only feature in one list, failing which they become ineligible.

Lists are deposited at the Company's head office at least fifteen calendar days prior to the date scheduled for the general meeting to be held in the first instance called to adopt resolutions in respect of the appointment of statutory auditors, and shall include:

- a) information on the identity of the shareholders submitting the lists, with an indication of the aggregate percentage shareholding and certification providing proof of ownership;
- b) a statement from shareholders submitting the list other than those who own, including jointly, a controlling interest or relative majority, declaring the non-existence or existence as the case may be, of relations with the latter, as required by the provisions of Article 144-*quinquies*, paragraph 1, of Consob regulation no. 11971/99;
- c) full information on the personal and professional characteristics of the candidates, a list of the management and/or supervisory posts held by them in other companies, plus a statement by the candidates themselves to the effect that they are in possession of the qualifications required under law and these Articles and agree to stand as candidates.

Lists submitted which do not conform to the above specifications shall be treated as null and void.

In the event that by the date on which the term for submission of lists has passed, only one list has been submitted, or only lists submitted by shareholders who are related as defined in Article 144-*quinquies*, paragraph 1 of Consob regulation no. 11971/99 based on the statements referred to under the foregoing paragraph 9, letter b) hereof, lists may be presented up to the fifth calendar day subsequent to such date. In this case the minimum percentage shareholding for submitting lists referred to under the foregoing paragraph 7 is reduced by half.

The proposals for appointments are disclosed to the public on the terms and according to the methods prescribed by law.

provided in Article 14 above in respect of appointments to the Board of Directors, is established on the basis of shares recorded as being in the shareholders' possession at the date on which the lists are filed with the issuer.

Unchanged

Lists are deposited at the Company's head office at least **twenty-five days prior** to the date scheduled for the general meeting to be held in the first **or only** instance called to adopt resolutions in respect of the appointment of statutory auditors, and shall include:

- a) information on the identity of the shareholders submitting the lists, with an indication of the aggregate percentage shareholding; certification providing proof of ownership **may also be produced subsequently, provided that it is forthcoming within the term provided for the issuer to make the lists public.**

Unchanged

Unchanged

Unchanged

Before voting commences, the Chairman presiding over the general meeting reminds shareholders of any statements made pursuant to the foregoing paragraph 9, letter b) hereof, and invites shareholders taking part in the meeting who have not submitted or contributed to submitting lists, to declare any relations, as defined in Article 144-*quinquies*, paragraph 1 of Consob regulation no. 11971/99, with those shareholders who have submitted lists or with those who hold, including jointly, a controlling interest or relative majority.

Unchanged

In the event of an individual related to one or more shareholders who have submitted or voted for the list ranking first in terms of number of votes voting for a minority list, such relationship shall assume significance only if the vote was decisive in the appointment of the auditor.

Unchanged

The following procedure is adopted for the appointment of statutory auditors:

Unchanged

- a) two statutory auditors and one alternate auditor are chosen based on the consecutive order in which they are numbered from the list obtaining the highest number of votes;
- b) one standing auditor and one alternate auditor are chosen based on the consecutive order in which they are numbered in the respective list sections, from the list ranking second in terms of number of votes in general meeting and which under regulations in force is not linked even indirectly with the shareholders who submitted or voted for the list which ranked first.

In the event of the same number of votes being cast for more than one list, a new vote is held in the form of a ballot between the lists, with the candidates from the list which obtains a simple majority in this case being elected.

Unchanged

The candidate ranking first in the section for election of standing auditors in the list ranking second in terms of the number of votes cast is appointed Chairman of the Statutory Audit Committee.

Unchanged

In the event of only one list being submitted, shareholders in general meeting express their opinion on it; if the list obtains the majority required by law for the ordinary general meeting, the three candidates numbered consecutively in the relevant section are appointed standing auditors, and the two candidates numbered consecutively in the relevant section are appointed alternate auditors; the candidate listed first in the section for candidates to the post of standing auditor in the list submitted is appointed as Chairman of the Statutory Audit Committee.

Unchanged

In the event of no lists being submitted, or if the voting mechanism by lists provides a lower number of candidates appointed than the number established in these Articles, the Statutory Audit Committee is appointed or completed by shareholders in general meeting with the majorities provided by law.

Unchanged

If more than one list is submitted, and in the event of a standing auditor leaving office, an alternate auditor from the same list shall take his place.

Unchanged

In the event that the Chairman of the Committee has to be replaced, the alternate auditor taking his place shall also take on the role of Chairman to the Statutory Audit Committee.

Unchanged

The procedure for shareholders in general meeting to replace the number of standing and/or alternate auditors to complete the Statutory Audit Committee is as follows: if auditors elected from the majority list or sole list have to be appointed, or auditors elected directly by shareholders in general meeting, appointments are made by means of a vote passed by a relative majority without restrictions in terms of lists; if, however, auditors elected from the minority list are to be replaced, shareholders gathered in general meeting replace them by means of a vote passed by a relative majority, but choosing from among the candidates indicated in the list which included the auditor to be replaced, or failing this, from among the candidates contained in any further minority lists.

In the event of there being no candidates on the minority list or lists, the appointment is made by means of a vote based on one or more lists, comprising a number of candidates not to exceed the number of auditors to be elected, to be submitted prior to the general meeting in accordance with the provisions hereof for appointments to the Statutory Audit Committee, provided that lists may not be submitted (and if submitted are treated as null and void) by shareholders who, based on the statements made as required by regulations in force, hold a relative majority, including indirectly, of the voting rights that may be exercised in general meeting, or by shareholders related to them as defined in regulations in force. The candidates featured in the list which obtains the highest number of votes are appointed.

Unchanged

In the event that no lists are submitted that comply with the foregoing provisions, appointments shall be made on the basis of a vote passed by a relative majority without restrictions in terms of lists.

Unchanged

In all circumstances which require the Chairman of the Committee to be replaced, the auditor taking his place also takes on the role of Chairman to the Statutory Audit Committee.

Unchanged

Article 29

Article 29

The Statutory Audit Committee is responsible for monitoring:

- a. compliance with legal, regulatory and statutory requirements, and observance of the principles of correct management;**
- b. the adequacy of the organizational and administrative/accounting structure of the company and its financial reporting process;**
- c. the effectiveness and adequacy of the risk control and management system, the internal audit process and the functioning of the internal control system as a whole;**
- d. the legal auditing process for the annual and consolidated accounts;**

e. the independence of the legal external auditors, in particular insofar as regards the provision of non-audit services.

The Statutory Audit Committee is vested with the powers provided for under regulatory provisions in force, and reports to the Bank of Italy on operating irregularities or breaches of regulations detected in the course of its duties.

The Statutory Audit Committee is usually informed of the activities carried out and the most significant transactions in earnings, financial and capital terms, executed by the Company or its subsidiaries, and in particular transactions in which the Directors have an interest either in their own right or by means of third parties, including via the appointed bodies, directly upon the occasion of meetings of the Board of Directors and Executive Committee, which are held with the frequency established under the foregoing Article 19 hereof; note of this is duly made in the minutes of the respective meetings. Information is also furnished to the Statutory Audit Committee outside of meetings of the Board of Directors and Executive Committee in writing, addressed to the Chairman of the Statutory Audit Committee.

Unchanged

Statutory Audit Committee meetings may also be held via video- or tele-conference, provided that the persons entitled to attend may be properly identified, follow the discussions appropriately and speak in real time on items on the agenda; if such conditions are met, the Statutory Audit Committee is held to have met at the place where the Chairman is present.

SECTION VI
Auditing

Article 30

Inspection of the Company's accounts shall be carried out by a duly registered external auditor, whose terms of appointment, duties and responsibilities shall be governed by law.

SECTION VI
Legal auditing

Article 30

Legal auditing shall be carried out by a duly registered external **legal auditor**.

Unchanged

2. to vest the Chairman, the Managing Director and the General Manager in office at the time, jointly and severally, with the widest powers to incorporate into this resolution any amendment, change or addendum that may be required or otherwise requested by the competent authorities.”

Milan, 30 July 2010

THE BOARD OF DIRECTORS

AUTHORIZATION TO 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, OF AN EQUIVALENT MAXIMUM AMOUNT OF PROFIT OR PROFIT RESERVES AS PER THE MOST RECENT APPROVED COMPANY FINANCIAL STATEMENTS THROUGH THE ISSUE OF NO MORE THAN 20 MILLION ORDINARY PAR VALUE €0.50 SHARES TO BE RESERVED TO MEDIOBANCA GROUP EMPLOYEES IN EXECUTION OF A PERFORMANCE SHARE SCHEME

Dear Shareholders,

As illustrated in the report to shareholders in ordinary general meeting, following approval from the Remunerations Committee, the Board of Directors has resolved to submit to your approval a performance share scheme (item no. 4 on today's agenda).

The scheme is intended 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 order to implement the above scheme you are invited to approve a proposal to authorize the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, to resolve, on one or more occasions and for a period of up to five years as from the date of this resolution, to increase the company's share capital free of charge, as permitted under Article 2349 of the Italian Civil Code, in a nominal amount of €10m via the issue of no more than 20 million ordinary par value €0.50 shares, to be awarded to Mediobanca Group staff members in execution of the performance share scheme described under item no. 4 on the agenda. The share capital will be increased by drawing on profits or profit reserves as per the most recently approved financial statements. The foregoing shall be subject to the introduction of a general provision to the company's Articles of Association

authorizing, as permitted by Article 2349 of the Italian Civil Code, the award of profits to individuals who are employees of the company or Group companies.

You are therefore invited to adopt the following resolution:

“At an Extraordinary General Meeting held on 28 October 2010, the shareholders of Mediobanca:

- having heard the Board of Directors’ report; and
- having duly noted the Statutory Audit Committee’s statement that the current share capital of the company, amounting to €430,551,416, is fully subscribed and paid up,

hereby resolves:

1. to introduce a new third paragraph to Article 4 of the Company’s Articles of Association, to read as follows: “*Profits may, in the ways and forms permitted by the law, be awarded to employees of the Company or Group companies via the issuance of shares, pursuant to Article 2349 of the Italian Civil Code*”;
2. to authorize the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, for a period of five years as from the date of this resolution and accordingly until 28 October 2015, to increase the company’s share capital free of charge in an amount of up to €10m, through the award, as permitted under Article 2349 of the Italian Civil Code, of an equivalent amount of profit or profit reserves as per the most recent financial statements approved from time to time, via the issue of no more than 20 million ordinary par value €0.50 shares to be reserved to Mediobanca Group employees, in implementation of the performance share scheme described under item no. 4 on the agenda for today’s ordinary Annual General Meeting;
3. to authorize the Chairman of the Board of Directors, the Managing Director and the General Manager in office at the time to make jointly and severally, and to every legal effect, the relevant changes to the numerical expressions contained in Article 4 of the Articles of Association regarding the company’s share capital following the issuance of shares;
4. to amend Article 4 of the Articles of Association by introducing new third and eleventh paragraphs, as follows:

Article 4
The Company’s subscribed and fully paid up share capital is Euro 430,551,416 represented by 861,102,832 Euro 0.50 par value shares.

The share capital may also be increased as provided under legal provisions, including Article 2441, paragraph 4, point 2 of the Italian Civil Code, in compliance with the terms and procedure set forth therein.

Article 4
Unchanged

Unchanged

Profits may, in the ways and forms permitted by law, be awarded to employees of the Company or Group companies via the issuance of shares, under Article 2349 of the Italian Civil Code.

Unchanged

The shares shall be registered.

An Extraordinary General Meeting held on 30 July 2001 amended the resolution taken at the Extraordinary General Meeting held on 28 October 2000 relating to the capital increase restricted to employees of the Mediobanca Banking Group via the creation of up to 13 million par value Euro 0.50 ordinary shares, whereby the maximum nominal amount thereof was increased to Euro 25,000,000 via the creation of up to 50,000,000 Euro 0.50 par value ordinary shares ranking for dividends *pari passu* with the Bank's existing shares, to be subscribed by Mediobanca Banking Group employees not later than 1 July 2015 on a restricted basis under Article 2441/8 of the Civil Code. Of these 50 million shares, a total of 37,819,250 new shares have to date been subscribed.

Unchanged

As a result of resolutions adopted at Extraordinary General Meetings held on 25 June 2004 and 28 October 2004, the Bank's share capital was increased by up to a further Euro 7.5m via the issue of up to 15 million par value Euro 0.50 ordinary shares, ranking for dividends *pari passu* and for subscription no later than 1 July 2020, pursuant to paragraphs 8 and 5 Article 2441 of the Italian Civil Code, to be set aside as follows:

- up to 11 million shares for employees of the Mediobanca Group;
- up to 4 million shares for Bank Directors, carrying out particular duties. Of these, a total of 2,500,000 new shares have still to be subscribed).

Unchanged

The Board of Directors is also authorized under Article 2443 of the Italian Civil Code, to increase the Bank's share capital by means of rights or bonus issues in one or more tranches by and no later than 27 June 2012, in a nominal amount of up to Euro 100m, including via warrants, through the issue of up to 200 million ordinary par value Euro 0.50 shares, to be offered in option or otherwise allotted to shareholders, and also to establish the issue price of such new shares from time to time, including the share premium, the date from which they shall rank for dividends, and whether or not any of the shares shall be used for exercising warrants, and is further authorized under Article 2420-ter of the Italian Civil Code to issue bonds convertible into ordinary shares and/or shares with warrants attached in one or more tranches by and no later than 27 June 2012, in a nominal amount of up to Euro 2bn to be offered in option to shareholders, establishing that exercise of such authorizations shall not, without prejudice to the foregoing, lead to the issue of a total number of shares in excess of 200 million.

Unchanged

Pursuant to the above authorization, at a meeting held on 18 September 2009, the Board of Directors adopted a resolution to (i) increase the Company's share capital

free of charge by Euro 20,501,391.50 with effect from 28 September 2009, and (ii) increase the Company's share capital in one or more tranches by a nominal amount of up to Euro 57,418,261.50 via the issue by and no later than 31 March 2011 of up to 114,836,523 par value Euro 0.50 shares for use in connection with the exercise of 803,855,665 warrants assigned free of charge to shareholders entitled to receive them. Following partial exercises of such warrants a total of 43,890 new shares have been subscribed for.

The Board of Directors is also authorized under Article 2443 of the Italian Civil Code, to increase the Bank's share capital by means of rights issues in one or more tranches by and not later than 27 June 2012, in a nominal amount of up to Euro 40m including via warrants, through the issue of up to 80 million ordinary par value Euro 0.50 shares, to be set aside for subscription by Italian and non-Italian professional investors with option rights excluded under and pursuant to the provisions of Article 2441 paragraph 4 point 2 of the Italian Civil Code and in compliance with the procedure and conditions precedent set forth therein.

Unchanged

At an Extraordinary General Meeting held on 27 June 2007, shareholders approved a resolution to increase the company's share capital in an amount of up to Euro 20m through the issue of up to 40 million ordinary par value Euro 0.50 new shares, ranking for dividends *pari passu*, to be set aside for subscription by Mediobanca Group employees by and no later than 1 July 2022 pursuant to Article 2441, paragraph 8 of the Italian Civil Code.

Unchanged

The Board of Directors is authorized, under Article 2443 of the Italian Civil Code, to increase the Bank's share capital free of charge, as permitted by Article 2349 of the Italian Civil Code, in one or more tranches by and not later than 28 October 2015, in an amount of up to Euro 10m, through the issue of no more than 20 million ordinary par value Euro 0.50 shares, ranking for dividends *pari passu*, to be awarded to Mediobanca Group employees in execution of and in compliance with the terms of the performance share schemes approved by shareholders in general meeting.

5. to vest the Chairman, the Managing Director and the General Manager in office at the time, jointly and severally, with the widest powers to incorporate into this resolution any formal amendment, change or addendum that may be required or otherwise requested by the competent authorities.”

Milan, 21 September 2010

THE BOARD OF DIRECTORS

STATEMENT ON CORPORATE GOVERNANCE

ANNUAL STATEMENT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE¹

Mediobanca adheres to the code of conduct for listed companies operated by Borsa Italiana on the following terms.

Mediobanca adopts a traditional model of corporate governance based on the presence of Board of Directors and a Statutory Audit Committee, both of which are appointed by shareholders in general meeting, considering this model to be better suited to combining maximum efficiency in terms of operations with effective control, at the same time satisfying shareholders' interests and leveraging fully on the Bank's management. The system of corporate governance thus adopted also contains considerably innovative aspects. In particular, the Articles of Association now in force provide for a significant number of executives (five) to be represented on the Banking Group's Board of Directors, in a system of corporate governance based on wide-ranging powers being granted to the Executive Committee (made up by a majority of executive members) and the Managing Director for the day-to-day running of the company. This allows the management's professional capabilities to be leveraged, and ensures their independence with respect to situations of potential conflicts of interest with shareholders. At the same time, under the provisions of the Articles, the Board of Directors is vested with the role of strategic supervision via the traditional, non-delegable powers, both primary (e.g. approval of draft financial statements, rights issues pursuant to Article 2443 of the Italian Civil Code, etc.) and secondary (decisions concerning strategic direction and business and financial plans, acquisition and disposal of significant equity investments, appointments to the post of General Manager, etc.).

The Statutory Audit Committee is responsible for supervising control activities.

COMPANY

Mediobanca was set up in 1946 and has been listed on the Italian stock market since 1956. Its core businesses are lending and investment banking, helping its clients, which include leading Italian corporates as well as numerous medium-sized businesses and international groups, to grow by providing them with professional advisory services in addition to traditional medium-term bank credit. Over the years, the advisory and lending sides have been complemented by equity investment, consumer credit (via Group companies Compass and Linea), leasing (via the SelmaBipiemme group), private banking (via Compagnie Monégasque de Banque and Banca Esperia), and most recently, retail banking

¹ Prepared in accordance with the guidelines laid down in the Code of Conduct for Listed Companies issued by Borsa Italiana in March 2006 and available on website www.borsaitaliana.it and pursuant to Italian Legislative Decree 58/98 (the Italian Finance Act) and Consob's Regulations for Issuers.

(via CheBanca!). In the meantime a footprint has been developed on non-Italian markets, with branch offices opening in Paris, Frankfurt, Madrid, and London.

SHARE CAPITAL AND OWNERSHIP

The Bank's share capital at 30 June 2010 totalled €430,551,038.50, made up of 861,102,077 par value €0.50 shares. The shares are bearer shares, and entitle shareholders to one vote per share in general meeting.

Pursuant to Article 2443 of the Italian Civil Code, the Board of Directors was authorized by shareholders in a general meeting held on 27 June 2007:

- to increase the Bank's share capital by means of rights or bonus issues, on or prior to the fifth anniversary of the date of the relevant resolution, in an amount of up to €100m via the issuance of 200 million new ordinary shares, to be offered in option or otherwise allotted to shareholders, and to establish the issue price and ranking of such new shares from time to time; and to issue bonds convertible into ordinary shares in a nominal amount of up to €2bn also to be offered to shareholders; provided that exercise of such resolution should not lead to the issue of a total number of ordinary shares in excess of 200 million;
- to increase the Bank's share capital by means of rights or bonus issues, on or prior to the fifth anniversary of the date of the relevant resolution, in a nominal amount of up to Euro 40m, via the issuance of up to 80 million new ordinary shares, to reserved for subscription by Italian and non-Italian professional investors, with option rights excluded under Article 2441, paragraph 4 of the Italian Civil Code.

At a general meeting held on 27 October 2007, the shareholders of Mediobanca authorized a buyback of par value €0.50 ordinary shares issued by the company for up to 2% of its share capital, at a minimum price not to be below the shares' nominal value, and a maximum price not to exceed by more than 5% the reference price recorded at close of business on the trading day prior to the completion of each individual purchase. Upon completion of the transaction a total of 16,200,000 shares had been bought back at an average price of €13.17 per share, repurchased for a total outlay of €213.4m.

Since 1998 shareholders in general meeting have adopted resolutions to increase the company's share capital under the terms of the stock option schemes restricted to company chief executives and to Mediobanca Group management (cf. Article 4, paras 4, 5 and 9 of the company's Articles of Association). As at 1 July 2010 the number of stock options still unassigned totalled 39,799,000 in respect of a like number of shares. Since that date a total of 16,360,000 stock options have been awarded, as disclosed in a press release issued on 4 August 2010 (press releases regarding schemes in force and awards made are available at http://www.mediobanca.it/investor_relations_en/stock_options.php).

As authorized by shareholders in a general meeting held on 27 June 2007, at a Board meeting held on 18 September 2009, the Directors of Mediobanca adopted a resolution to increase the company's share capital via a scrip issue by a nominal amount of €20,501,391.50, and to increase the company's share capital by a nominal amount of €57,418,261.50 via the issue in several tranches by 31 March 2011, of up to 114,836,523 new par value €0.50 shares to be used in connection with the exercise of 803,855,665 warrants allotted free of charge to entitled shareholders (cf. Article 4, para. 7 of the company's Articles of Association; information available at www.mediobanca.it/investor_relations/delibere_consiliari).

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 2010 the following shareholders own more than 2% of the subscribed and paid share capital of Mediobanca, either in their own right or through subsidiaries:

Shareholder	No. of shares	% of share capital
Unicredito group	74,531,792	8.66
Bolloré group	43,002,652	4.99
Groupama group	42,430,160	4.93
Premafin group	33,019,886	3.83
Mediolanum group	29,095,110	3.38
Fondaz. Cariverona	27,004,604	3.14
Blackrock group	25,946,982	3.01
Italmobiliare group	22,568,992	2.62
Fondazione Ca.Ris.Bo	21,315,647	2.48
Benetton group	18,625,029	2.16
Fininvest group	17,713,785	2.06

Mediobanca has approximately 55,000 shareholders. Shareholders representing approximately 44% of the Bank's share capital have entered into an agreement expiring on 31 December 2011. The agreement is filed with the Milan companies' register, and an excerpt from it may be found on the Bank's institutional website (http://www.mediobanca.it/investor_relations_en/our_shareholders.php).

GOVERNING BODIES

- Shareholders in general meeting
- Board of Directors
- Chairman of Board of Directors
- Executive Committee
- Managing Director
- General Manager
- Head of Company Financial Reporting
- Statutory Audit Committee

GENERAL MEETINGS

The general meeting gives expression to the wishes of the body of the company's shareholders, and decisions taken in such meetings, which are adopted in conformity with the provisions of both the law and the company's Articles of Association, are binding on all shareholders. Issues which fall within the jurisdiction of shareholders in general meeting include the following:

- approval of financial statements and allocation of profits;
- appointment and/or dismissal of the Board of Directors and Statutory Audit Committee;
- responsibilities of members of the Board of Directors and Statutory Audit Committee;
- engagement of, and termination of agreements with, external auditors;
- transactions required by law to be approved by shareholders in extraordinary general meeting;
- remuneration policies and compensation schemes based on financial instruments adopted for Directors and employees of the Bank.

The right to attend and vote at General Meetings is governed by the Articles of Association, which require shareholders, purely for the purpose of facilitating ordered flows of access to the meetings), to present a copy of the notification issued by their authorized agent to the Company at its Head Office as required by legal provisions in force, which notification must be received by the company no later than two working days prior to the date set for such meeting.

BOARD OF DIRECTORS: COMPOSITION AND ROLE

The Board of Directors consists of between fifteen and twenty-three members, with one place reserved for minority shareholders. Of the Directors thus appointed, five are managers with at least three years' experience of working for the Mediobanca Banking Group, three qualify as independent as defined in Article 148, para. 3 of Italian Legislative Decree 58/98, and two, who may coincide with the three qualifying as independent referred to above, qualify as independent based on the Code of Conduct for Listed Companies issued by Borsa Italiana. The Board of Directors of Mediobanca was appointed by shareholders in a general meeting held 28 October 2008 for the 2009-11 three-year period. In accordance with the Articles of Association, Directors are appointed on the basis of lists of candidates who are in possession of the requisite professional credentials, qualify as fit and proper persons to hold such office and as independent in accordance with the law and the company's Articles of Association. Such lists are submitted by shareholders representing in the aggregate at least the percentage of the

company's share capital established under regulations in force 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.it/investor relations/corporate governance/governance documents](http://www.mediobanca.it/investor%20relations/corporate%20governance/governance%20documents)).

The Board of Directors appointed on 28 October 2008 for the 2009, 2010 and 2011 financial years consists of 21 members, 16 of whom qualify as independent pursuant to Article 148, para. 3 of Italian Legislative Decree 58/98, 5 of whom also qualify as independent pursuant to the Code of Conduct operated by Borsa Italiana:

Members	Post Held	Date of birth	Independent*	Independent**	Manager
Renato Pagliaro	Chairman	20/02/1957			X
Dieter Rampl ♦	Deputy Chairman	05/09/1947		X	
Marco Tronchetti Provera ♦	Deputy Chairman	18/01/1948		X	
Alberto Nagel ♦	CEO	07/06/1965			X
Francesco Saverio Vinci ♦	General Manager	10/11/1962			X
Jean Azema ♦	Director	23/02/1953		X	
Tarak Ben Ammar ♦	Director	12/06/1949	X	X	
Gilberto Benetton ♦	Director	19/06/1941		X	
Marina Berlusconi ♦	Director	10/08/1966		X	
Antoine Bernheim ♦	Director	04/09/1924		X	
Roberto Bertazzoni ♦	Director	10/12/1942	X	X	
Vincent Bollorè ♦	Director	01/04/1952		X	
Angelo Casò ♦	Director	11/08/1940	X	X	
Maurizio Cereda ♦	Director	07/01/1964			X
Massimo Di Carlo ♦	Director	25/06/1963			X
Ennio Doris ♦	Director	03/07/1940		X	
Jonella Ligresti ♦	Director	23/03/1967		X	
Fabrizio Palenzona ♦	Director	01/09/1953	X	X	
Marco Parlangeli Ø	Director	20/02/1960	X	X	
Carlo Pesenti ♦	Director	30/03/1963		X	
Eric Strutz ♦	Director	13/12/1964		X	

* Independent as required in Code of conduct for listed companies.

** Independent as required by Article 148, para. 3 of Italian Legislative Decree 58/98.

♦ Appointed from the list submitted by shareholder "Capitalia Partecipazioni S.p.A." (UniCredit group) which holds 8.66% of the company's share capital.

Ø Appointed from the minority list submitted by shareholder "Fondazione dei Monti di Paschi di Siena" which holds 1.93% of the company's share capital.

The representatives of the minority list have issued a statement to the effect that no links exist, as defined in Article 144-quinquies of Consob regulation 11971/99, with shareholders owning, including jointly between themselves, a controlling or majority shareholding in Mediobanca.

The Board includes prominent figures from the banking, insurance and industrial sectors, which ensures an appropriate degree of professionalism as required by the complexity of the Bank's operations, and given the Board's role in strategic supervision.

All the Directors have made statements to the effect that no cause exists for them to be disqualified from office under legislation currently in force on the grounds of their being incompatible, ineligible or otherwise having lapsed from office, and further statements to the effect that they are fit and proper persons in possession of the requisite qualifications to hold such office and that they qualify as independent where this is required by legislation currently in force and in particular Article 148, paragraph three of the Italian Consolidated Finance Act, which the Board has duly noted. The Articles of Association do not provide for any further requirements in terms of professional qualifications than those stipulated by Article 26 of the Italian Consolidated Banking Act.

The independence of each Director is assessed annually on the basis of information provided by him/her, and any relations which might compromise, or appear to compromise, the Director's independence of judgement are assessed accordingly.

The independent Directors meet at least once a year on their own without the other Directors present.

Curricula vitae for individual Board members submitted in conjunction with lists for appointments to the Board of Directors and a list of posts held by them in other companies as at 30 June 2010 are available on the Mediobanca website (http://www.mediobanca.it/investor_relations_en/corporate_governance.php).

As approved by shareholders in a general meeting held on 28 October 2008, Directors holding posts in other banking companies are allowed to serve as Directors pursuant to Article 2390 of the Italian Civil Code. The Board of Directors reviews the posts held by its members in such companies annually, reporting on any critical issues at the next successive annual general meeting. To this end, each director is bound to inform the Board of any activities he/she might have taken on in the course of his/her term of office that could be in competition with Mediobanca.

The following matters fall within the remit of the Board of Directors:

- 1) approval of strategic guidelines and directions, business and financial plans, budgets, and risk management and internal control policies;
- 2) approval of quarterly and interim accounts and of draft individual and consolidated financial statements;
- 3) decisions concerning the acquisition or disposal of equity investments which alter the composition of the Banking Group for amounts of over €500m or otherwise of investments worth in excess of €750m;

- 4) trading involving equity investments in excess of 15% of the holdings owned at the start of each financial year in Assicurazioni Generali S.p.A., RCS MediaGroup S.p.A. and Telco S.p.A.;
- 5) appointment and dismissal of the Executive Committee with the powers provided for in the Articles of Association, under Article 22, and establishment of any additional powers to be vested in it;
- 6) appointment and dismissal of the Managing Director with the powers described in the Articles of Association, and establishment of any additional powers to be vested in him as well as his remuneration;
- 7) appointment and dismissal of the General Manager and establishment of any additional powers to be vested in him as well as his remuneration;
- 8) appointment of the Head of Company Financial Reporting and of persons responsible for internal audit and compliance duties;
- 9) proposals to be submitted to shareholders in ordinary and extraordinary general meetings;
- 10) approval of or amendment to an internal regulations;
- 11) ascertaining that Directors and members of the Statutory Audit Committee upon their appointment, or without prejudice to the foregoing on at least an annual basis, are in possession of the requisite professional credentials and qualify as fit and proper persons and as independent as required by regulations in force and the Articles of Association.

The Board normally adopts resolutions on proposals from the Executive Committee or Managing Director, with a majority of those in attendance voting in favour, while a majority of all Directors in office is required for resolutions on appointments to the Executive Committee or to the posts of Managing Director or General Manager. The same majority is required where the Board is to take resolutions in respect of transactions which fall within the jurisdiction of the appointed governing bodies.

Meetings of the Board of Directors are called by the Chairman or Acting Chairman, on his own initiative or when requisitioned by at least three Directors. As a rule, the Board of Directors meets at least five times a year, and a quorum is established when a majority of the Directors in office is in attendance. Board meetings may also be called by the Statutory Audit Committee or one of its members, provided the Chairman of the Board has been notified to such effect in advance.

A total of seven meetings are scheduled for the present financial year (six meetings took place in the period from 1 July 2009 to 30 June 2010).

The Board of Directors also assesses the adequacy of the Bank's organizational, administrative and accounting structure annually, with particular

attention being paid to the internal control system and management of conflicts of interest.

The executive Directors' and Chairman's remuneration is structured in such a way as to ensure their interests are aligned with the main objective of value creation for shareholders over the medium and long term. The compensation package is structured into three components so that the economic benefits accruing to executive Directors are diversified over time:

- fixed salary;
- annual bonus payable at the governing bodies' discretion based on performance and results achieved; this may also take the form of stock option grants or other financial instruments. No such bonuses were paid for the year ended 30 June 2010;
- MBO: calculated quarterly, and linked to the earnings targets set in the 2008-11 three-year plan being substantially met.

Non-executive Directors' remuneration is set by shareholders in annual general meeting, and does not include incentives linked to the Bank's performance.

Regarding the emoluments paid to the Chairman, at a Board meeting held on 25 June 2010 the Directors confirmed their assessment that the existing remuneration scheme for the Chairman was fair and adequate, including in view of the new duties assigned to him (cf. below).

CHAIRMAN OF BOARD OF DIRECTORS

The Chairman of the Board of Directors calls, chairs and directs proceedings at general meetings, Board and Executive Committee meetings, and ensures that all the other Directors are provided with adequate information regarding the items on the agenda. The Chairman of the Board of Directors is currently also the Chairman of the Appointments and Remunerations committees.

The Chairman is responsible for ensuring that the corporate governance system runs smoothly in practice, guaranteeing due balance between the powers of the Managing Director and the other executive Directors; he is the counterparty for dialogue with the internal control bodies and internal committees; and coordinates with the Managing Director in supervising relations with externals and institutions.

At a Board meeting held on 10 May 2010, the Directors of Mediobanca appointed Renato Pagliaro as Chairman. Mr Pagliaro was also appointed as Chairman of the Executive, Appointments and Remunerations Committees and given responsibility for control of internal audit activity. Moreover, as a member of the Group's management, Mr Pagliaro oversees the consolidation of certain key customer accounts and relations and the performance of various of the Group's main investments.

COMMITTEES

The Board of Directors has established three committees:

Internal control committee

Internal control committee	Auditor•	Independent(Code)*	Independent (Finance Act)**
Angelo Casò (Chairman)	X	X	X
Tarak Ben Ammar		X	X
Roberto Bertazzoni		X	X

• Registered auditor.

* Independent as defined in Code of conduct for listed companies.

** Independent as defined in Article 148, para. 3 of Italian Legislative Decree 58/98.

The Committee is made up of three Directors who qualify as independent as defined by the Code of Conduct for Listed Companies, which has duties of consultation and enquiry in particular with respect to the Bank's system of internal control and risk management, and the structure of its IT and financial reporting organization.

In particular, with reference to the internal control system, the committee:

- gives its non-binding opinion on appointment and dismissal of staff responsible for internal control and compliance activities, their remuneration, powers and means for them to carry out their duties;
- reviews the adequacy of the internal control structures and procedures and the adequacy of the information flows required for internal control procedures to be carried out;
- reviews the plan of activity prepared by the head of internal control and his report on activities carried out, at least twice a year.

With reference to risk management, the committee:

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

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

The Statutory Audit Committee takes part in meetings of the Internal Control Committee.

The Committee met on a total of nine occasions in the period from 1 July 2009 to 30 June 2010.

Remunerations committee

Remunerations committee	Independent(Code)*	Independent (Finance Act)**
Renato Pagliaro		
Tarak Ben Ammar	X	X
Roberto Bertazzoni	X	X
Vincent Bollorè		X
Angelo Casò	X	X
Jonella Ligresti		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 seven non-executive members, with duties of consultation and enquiry to determine the remuneration of Directors vested with particular duties and the General Manager, as well as on the remuneration and staff retention policies operated by the Group.

Although the “independent” component of the committee is not in line with the Code of conduct's recommendations, this is not considered to be an obstacle to objective, balanced assessment of the activities performed by the company's management and their subsequent remuneration.

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

The Committee met four times in the period from 1 July 2009 to 30 June 2010.

Appointments committee

Appointments committee	Independent (Code)*	Independent (Finance Act)**
Renato Pagliaro (Chairman)		
Alberto Nagel (CEO)		
Francesco Saverio Vinci (GM)		
Roberto Bertazzoni ♦	X	X
Vincent Bollorè		X
Dieter Rampl		X
Marco Tronchetti Provera		X

* Independent as defined in Code of conduct for listed companies.

** Independent as defined in Article 148, para. 3 of Italian Legislative Decree 58/98.

- Independent as defined in the Articles of Association, who takes part in committee meetings for certain resolutions.

The Appointments committee is made up of six members and including *de jure* the Chairman of the Board of Directors, the General Manager/Deputy Chairman of the Executive Committee and the Managing Director. Based on proposals made by the Managing Director and having first sought the Chairman's opinion, the Appointments Committee approves the decisions to be adopted in the general meetings of Assicurazioni Generali, RCS MediaGroup and Telco with respect to appointments to these companies' governing bodies.

The Appointments Committee also has duties of enquiry in respect of proposals of submission of lists for the Board of Directors and for the appointment of the Executive Committee, Managing Director and General Manager, in this case with the addition of an independent member.

The fact that only one member of the committee qualifies as independent under the Code of conduct for listed companies, whereas the Code recommends that such members should be in the majority, is justified by the different responsibilities: i.e., appointments to posts in strategic investee companies, rather than identifying candidates for the post of director.

Minutes are taken of committee meetings which are kept in specific registers.

The Committee met three times in the period from 1 July 2009 to 30 June 2010.

EXECUTIVE COMMITTEE

The Board of Directors appoints an Executive Committee to comprise a total of nine members, establishing their powers in accordance with the provisions of the Articles of Association.

The Executive Committee presently has eight members. The Chairman of the Board of Directors and the other Directors who are members of the management

of Mediobanca Group companies are members of the Executive Committee *de jure*. Members of the Executive Committee who are part of the Mediobanca Group's management are bound to devote themselves exclusively to the performance of activities relating to their post, and unless permitted otherwise by the Board of Directors, may not carry out duties of management, direction, control or of any other nature for companies or entities other than those owned by Mediobanca. The other Executive Committee members, again unless permitted otherwise by the Board of Directors, may not carry out duties of management, direction, control or of any other nature for other banking or insurance groups.

Directors who are also part of the Banking Group's management, and who in such capacity are called to form part of the Executive Committee, cease to be Directors upon their ceasing to be employed by the company belonging to the Banking Group.

Members of the Executive Committee shall also be disqualified from the office of Director upon the occasion of any breach on their part of the restriction on not accepting positions of administration, management, control or of any other kinds for banking groups or insurance companies. Disqualification is pronounced by the Board of Directors.

The Executive Committee is chaired by the Chairman of the Board of Directors.

The Executive Committee appoints a Deputy Chairman of the Executive Committee from among those of its number who have been part of the Mediobanca Group management for at least three years.

The Committee remains in office for the entire duration of the office of the Board of Directors which appointed it.

The Statutory Audit Committee takes part in Executive Committee meetings.

The Executive Committee is currently made up as follows:

Members	Post	Executive
Renato Pagliaro	Chairman	X
Alberto Nagel	Managing Director	X
Francesco Saverio Vinci	Deputy Chairman, Executive Committee	X
Vincent Bollorè •	Director	
Maurizio Cereda	Director	X
Massimo Di Carlo	Director	X
Angelo Casò* •	Director	
Eric Strutz •	Director	

* Independent as defined in Code of conduct for listed companies.

• Independent as defined in Article 148, para. 3 of Italian Legislative Decree 58/98.

Pursuant to the Bank's Articles of Association, the Executive Committee is responsible for managing the ordinary activities of the bank and for co-ordinating and directing the Group companies without prejudice to those issues for which the Board of Directors has sole jurisdiction. In particular the Executive Committee is responsible for the Bank's operating performance, approving resolutions to grant loans and trading involving the Group's interests in Assicurazioni Generali, RCS MediaGroup and Telco as well as other shareholdings for amounts and percentage values not to exceed those for which the Board of Directors itself has jurisdiction. It also draws up internal regulations, to be submitted to the approval of the Board of Directors, and establishes the principles for co-ordination and management of the Group companies in execution of the strategic guidelines approved by the Board of Directors

Resolutions are approved by the Executive Committee with the majority of its members in attendance and voting in favour.

Executive Committee meetings are called on the initiative of the Chairman based on the requirements of the business, as a rule meeting once a month.

A total of twelve meetings are scheduled for the present financial year (twelve meetings took place in the period from 1 July 2009 to 30 June 2010).

MANAGING DIRECTOR

The Board of Directors appoints a Managing Director from among the Directors who have been members of the Banking Group's management for at least three years.

The Board of Directors establishes the powers of the Managing Director. The Managing Director in particular:

- 1) has executive powers, and is responsible for implementing resolutions adopted by the Board of Directors and the Executive Committee and – in accordance with the powers attributed to him – the plans and strategic directions established by the Board of Directors and Executive Committee;
- 2) is empowered to make proposals to the Board of Directors and Executive Committee, with reference in particular to management direction, proposed strategic plans and budgets, draft financial statements and interim accounts;
- 3) is responsible for staff management, and having sought the opinions of the General Manager, if appointed, appoints managerial staff;
- 4) ensures that the organizational, administrative and accounting systems of the bank are adequate for its operations and the size of the Company;
- 5) reports, with the General Manager, if appointed, to the Board of Directors and Executive Committee each quarter on the Bank's operating performance and

prospects, and on the most significant transactions carried out by the Company and its subsidiaries.

At a Board meeting held on 28 October 2008, Mr Alberto Nagel was appointed Managing Director of Mediobanca.

GENERAL MANAGER

The Board of Directors may, at the Managing Director's proposal, appoint a General Manager from among the Directors who have members of the Banking Group's management for at least three years.

The Board of Directors shall authorize the General Manager to sign jointly or severally on behalf of the Company as laid down in the Articles of Association in respect of powers to sign on behalf of the company, and thereby vest him with powers to carry out the day-to-day business of the company and to implement resolutions passed by the Board of Directors and Executive Committee in accordance with the directions issued by, and based on the individual remit of, the Board of Directors, Executive Committee and Managing Director.

At a Board meeting held on 10 May 2010, Mr Francesco Saverio Vinci was appointed General Manager of Mediobanca. Mr Vinci is responsible for the Operations division and the Banking Group's principal investments; he is also responsible for the Financial Markets area which is part of the Corporate and Investment Banking division.

HEAD OF COMPANY FINANCIAL REPORTING

On the proposal of the Executive Committee and having sought the opinion of the Statutory Audit Committee, the Board of Directors appoints one person to act as head of financial reporting, who shall be chosen from among the Bank's management and who has held management positions for a period of at least three years in the field of accounting administration at the Bank itself or at other leading banks. Currently the post is held by Massimo Bertolini who was appointed Head of Company Financial Reporting on 4 July 2007.

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

The Board of Directors has assigned a budget to this office in terms of funding and staff, and exerts supervision to ensure that the Head of Company Financial Reporting is vested with suitable powers and means to carry out the

duties entrusted to him, and to ensure that the administrative and accounting procedures are complied with in practice.

Audit of the company's full-year financial statements and interim accounts, and other activities provided for under Article 155 of the Italian Consolidated Finance Act are the responsibility of Reconta Ernst & Young S.p.A., appointed as external auditors for the 2007-2012 period.

STATUTORY AUDIT COMMITTEE

The Statutory Audit Committee consists of three standing auditors and two alternate auditors. Appointment to the Statutory Audit Committee is made on the basis of lists deposited at least fifteen calendar days prior to the date scheduled for the general meeting to be held in the first instance along with professional CVs for the individual candidates and statements by them agreeing to stand as candidates and confirming that they are in possession of the qualifications required under law and the Articles of Association. The Articles in particular provide that members of the Statutory Audit Committee may not hold posts in governing bodies other than those with responsibility for control of other Group companies or in companies in which Mediobanca holds, including indirectly, an investment which is deemed to be strategic under supervisory requirements laid down by the Bank of Italy, hold the post of managing director, manager or officer in companies or entities, or who otherwise work with the management of companies operating directly or indirectly (including through subsidiaries) in the same sectors as Mediobanca. The Articles of Association further provide that lists may only be submitted by shareholders representing in the aggregate at least the percentage of the company's share capital established under regulations in force 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.

The Statutory Audit Committee is made up as follows:

Member	Position
Marco Reboa *	Chairman
Maurizia Angelo Comneno ♦	Standing Auditor
Gabriele Villa ♦	Standing Auditor
Guido Croci ♦	Alternate Auditor
Umberto Rangoni*	Alternate Auditor

♦ Appointed from the list submitted by shareholder "Capitalia Partecipazioni S.p.A." (UniCredit group) which holds 8.66% of the company's share capital.

* Appointed from the minority list submitted by shareholder "Fondazione Cassa di Risparmio in Bologna" which holds 2.59% of the company's share capital.

The CVs of the Statutory Auditors appointed by shareholders in the general meeting held on 28 October 2008 and the list of posts held by them in other companies as at 30 June 2010 may be found on the Bank's website at (http://www.mediobanca.it/investor_relations_en/corporate_governance.php).

In particular, the Statutory Audit Committee:

- is responsible for monitoring compliance with the provisions of law and the Company's memorandum of incorporation, with the principles of proper management, and in particular the adequacy of the organizational, administrative and accounting arrangements set in place by the company and their functioning in practice, as well as the effectiveness of the financial reporting process;
- monitors the effectiveness and adequacy of the risk management and control system and the internal control system, assessing the effectiveness of all units and departments involved and their co-ordination;
- checks at least twice a year that the plan of activity established by the head of the internal audit unit has been implemented;
- monitors the process of calculating the adequacy of the Bank's aggregate capital, current and estimated, at the consolidated level in view of the large risks to which the Bank and Group are exposed (ICAAP);
- reviews the proposal submitted by audit companies for the mandate to act as the Bank's external auditors, and reviews the plan of activity prepared by the audit company and the results shown in the auditors' report and their letter containing suggestions;
- monitors the effectiveness of the external auditing process;
- monitors the independence of the external auditors, in particular with respect to the provision of non-auditing services;
- gives its opinion on the appointment and dismissal of the heads of internal audit and compliance;
- gives its opinion on appointments to the role of Head of Company Financial Reporting;
- reports any operating irregularities or breaches of regulations noted to the supervisory authorities.

The statutory auditors are vested with the broadest powers provided for by legal and regulatory provisions in force.

The Statutory Audit Committee is kept informed of the activities carried out and the most significant transactions in earnings, financial and capital terms, executed by the Company or its subsidiaries, and in particular transactions in which the Directors have an interest either in their own right or by means of third

parties, through participating in the meetings of the Board of Directors and Executive Committee. Information is also provided to the Statutory Audit Committee outside of meetings of the Board of Directors and Executive Committee in writing, addressed to the Chairman of the Statutory Audit Committee.

The Statutory Audit Committee receives information flows organized and channelled via the internal control units, i.e. Internal audit and Compliance, takes part in all Internal control committee meetings, and maintains regular relations, with a view to reciprocal exchanges of information, with the external 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 legal external auditors' independence are complied with, in particular regarding the services other auditing provided to Mediobanca and the Mediobanca Group companies by it and other entities forming part of the same network.

As part of their duties, the Statutory Auditors may ask the Internal Audit unit to perform specific checks on areas of activity or the company's operations.

The Statutory Audit Committee checks that the criteria and procedures adopted by the Board of Directors for assessing the independence of its members are applied correctly.

Any Statutory Auditor who has an interest, either in his/her own right or via third parties, in a particular transaction in which Mediobanca is involved informs the other Statutory Auditors and the Chairman of the Board of Directors promptly and exhaustively regarding the nature, terms, origin and scope of such interest.

A total of twenty-nine meetings of the Statutory Audit Committee were held in the last financial year, nine of which jointly with the Internal Control Committee, and met on several occasions with representatives of the external auditors engaged to audit the company's financial statements pursuant to Article 155 of the Italian Consolidated Act.

RELATED PARTY DISCLOSURE

The Board of Directors has established that accounts with related parties, including with Group companies, which are typical and/or usual in nature, maintained on an arm's length basis, and entered into in the interests of the company itself, should in the normal course of events be approved by the relevant governing bodies pursuant to the Articles of Association or the powers delegated by the Board itself. All other transactions with related parties are submitted, subject to prior approval from the Internal control committee, to the jurisdiction of the Board of Directors, which is also kept informed of such transactions when approved by the competent governing bodies. In application of such resolution,

the terms of transactions falling into the above category are evaluated even if they are carried out by subsidiaries. Applications to the relevant governing body for approval state that a transaction has been carried out with a related party and that the terms thereof do not diverge from those usually applied by the Bank in transactions of a similar nature. Each director is bound to inform the Bank in a timely manner of any transactions entered into by the Bank with related parties through his or her agency, and in the event of his/her being in attendance at the meeting where the said transaction is due to be approved, he/she shall leave the meeting while the matter is discussed.

INTERNAL DEALING

At a Board meeting held on 28 October 2008, the Directors of Mediobanca 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.

PERSONAL TRANSACTIONS

In accordance with the provisions of Article 18 of the Bank of Italy-Consob combined regulations issued on 29 October 2009, Mediobanca has adopted a procedure for identifying personal transactions made by relevant persons (or transactions recommended, solicited or divulged to third parties) which may give rise to conflicts of interest or otherwise be in breach of the regulations on insider or confidential information.

Under the procedure:

- relevant persons must be made aware of the restrictions on personal transactions and the measures implemented by the Bank in respect of personal transactions and disclosure of information;

- Mediobanca must be promptly informed of every personal transaction made by a relevant person;
- personal transactions notified to the Bank or identified by it must be registered.

INTERNAL CONTROL SYSTEM PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/01: CONFIDENTIAL INFORMATION

At a Board meeting held on 12 May 2009, an updated version of the internal control system implemented pursuant to Italian Legislative Decree 231/01 was approved, reflecting new legislation introduced in respect of electronic crime, money-laundering and health and safety in the work place, as well as the changes to the Bank's corporate governance that had taken place.

The system includes a code of conduct with rules and policies that are binding on Directors, employees, advisors, outside staff and suppliers in respect of the treatment of confidential information, to avoid such information being used for personal interests or on behalf of others. In transposing the regulations on market abuse, the system adopted also makes provision for the drawing up of various lists, in which persons in possession of privileged information in respect of Mediobanca and its customers are recorded. In execution of the powers and duties assigned to it under the internal control system, the supervisory body prepares an annual report to the Board of Directors via the Internal control committee and the Statutory Audit Committee on the functioning of, and compliance with, the internal control system adopted pursuant to Italian Legislative Decree 231/01.

INTERNAL AUDIT AND CONTROL

As required by Bank of Italy regulations, Mediobanca maintains an internal audit unit which is organized so as to monitor and ensure on an ongoing basis that the company's internal control system functions effectively and efficiently. Control is extended to the other companies in the Banking Group both by the unit itself and via its co-ordination of the corresponding subsidiaries' units. The unit has direct access to all useful information, and has adequate means to perform all its duties. The head of internal audit is also part of the supervisory committee set up as part of the internal control system established pursuant to Italian Legislative Decree 231/01, and takes part in meetings of the internal control committee to report on the activities carried out and to support the committee in its own supervisory activities. The Internal audit unit prepares a six-monthly report on its activities and on the status and adequacy of the Bank's internal control system for the internal control committee, and hence also the Board of Directors. It also provides quarterly updates on measures taken to rectify irregularities detected.

In accordance with the application criteria laid down in the Code of conduct for listed companies on the issue of internal control, the person responsible for internal control is the head of the Internal audit unit, Piero Pezzati. His term of office expires in conjunction with that of the present Board of Directors, namely the annual general meeting to approve the company's financial statements for the period ending 30 June 2011.

In performing his duties, the head of internal control:

- a) checks that the internal control system is adequate, fully operative and functioning at all times;
- b) reports on his/her activities to the Internal control committee and Statutory Audit Committee, in particular with respect to the issue of risk management;
- c) ensures the internal control system is appropriate to achieve an acceptable overall risk profile.

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 Board of Directors at least once a year on the activities it has carried out.

SHAREHOLDERS AND INVESTOR RELATIONS

Mediobanca seeks to maintain good relations with its shareholders, encouraging them to attend general meetings, and sending shareholders with a record of recent attendance copies of annual reports and other relevant information. Material of this kind is also available on the company's website at www.mediobanca.it, in English and Italian. Relations with institutional investors, financial analysts and journalists are handled by the relevant units, i.e. the Investor relations and Media relations offices.

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 Article 9 of the Articles of Association, is the Chairman of the Board of Directors – to have 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.

OTHER INFORMATION REQUIRED UNDER ARTICLE 123-BIS OF THE ITALIAN CONSOLIDATED FINANCE ACT: SEVERANCE PAY AGREEMENTS

Under the terms of the agreements updating in 2008, in the event of the executive members of the Board of Directors leaving the Bank by mutual consent or being dismissed without just cause or by tendering their resignations with just cause, limitation of their roles, or the Mediobanca shareholders' agreement being wound up in advance, are entitled to receive an indemnity equal to four years' annual fixed and variable salary and the emoluments due to them as Directors, and to retain the rights held by them to subscribe for shares in Mediobanca at the date on which their employment by Mediobanca ceases.

CHANGE OF CONTROL CLAUSES

Mediobanca is a party to shareholder agreements in respect of listed and unlisted companies. Such agreements may make provision, in the event of substantial changes to the controlling structure of party, for the other parties to exclude it from the agreement and oblige it to sell its shareholding.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM FOR FINANCIAL REPORTING PROCESS

Mediobanca has equipped itself with an internal control system for accounting and financial reporting requirements based on benchmark standards which are widely accepted at international levels (COSO and COBIT framework).² The system includes:

- Company Level Controls: controls to ensure that general and supervisory regulations are complied with in the running of the business, which are the

² 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.

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 is based on a rationale of relevance to Group companies, accounts and processes.

Control activity is carried out via two distinct methods according to the process involved:

- Test of controls for accounting processes, and performed by the Internal Audit unit;
- Test of controls for non-accounting processes (chiefly those affecting the Front, Middle and Back Office areas), performed by the person responsible for the process itself on a self-assessment basis and checked by the head of the relevant area.

The Internal Audit unit ascertains annually that the tests carried out on a self-assessment basis have been performed in accordance with the relevant methodologies.

Any gaps that emerge from the tests are analysed in conjunction with the persons 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, 30 July 2010

Table 1: BOARD OF DIRECTORS/COMMITTEES AS AT 30 JUNE 2010

BOARD OF DIRECTORS							Executive Committee		Internal Control Committee		Remunerations Committee		Appointments Committee	
Member****	Executive	Non executive	Ind. (Code)	Ind. (Fin. Act)	*** §	No. other posts*	**	*** §	**	*** §	**	*** §	**	*** §
Renato Pagliaro		X	NO	NO	100%	3	X	100%			X	100%	X	100%
Dieter Rampl		X	NO	YES	100%	7							X	100%
Marco Tronchetti Provera		X	NO	YES	100%	8							X	100%
Alberto Nagel	X		NO	NO	100%	2	X	100%					X	100%
Francesco Saverio Vinci	X		NO	NO	100%	4	X	100%					X	—
Jean Azema		X	NO	YES	0%	6								
Tarak Ben Ammar		X	YES	YES	100%	8			X	33%	X	100%		
Gilberto Benetton		X	NO	YES	83%	7								
Marina Berlusconi		X	NO	YES	100%	3								
Antoine Bernheim		X	NO	YES	50%	11								
Roberto Bertazzoni		X	YES	YES	100%	4			X	100%	X	100%	X	100%Ø
Vincent Bollorè		X	NO	YES	66%	14	X	83%			X	75%	X	100%
Angelo Casò		X	YES	YES	100%	9	X	92%	X	100%	X	100%		
Maurizio Cereda	X		NO	NO	100%	2	X	100%						
Massimo Di Carlo	X		NO	NO	100%	=	X	100%						
Ennio Doris		X	NO	YES	100%	3								
Jonella Ligresti		X	NO	YES	83%	8					X	50%		
Fabrizio Palenzona		X	YES	YES	100%	5								
Marco Parlangeli		X	YES	YES	83%	1								
Carlo Pesenti		X	NO	YES	83%	6					X	75%		
Eric Strutz		X	NO	YES	66%	8	X	75%						

NUMBER OF MEETINGS HELD DURING THE YEAR

Board of Directors:	6	Executive Committee:	12	Internal Control Committee:	9	Remunerations Committee:	4	Appointments Committee:	4
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NOTES

- * 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 and a list of the posts held by them in other companies as at 30 June 2010 will be made available on the Bank's website at [www.mediobanca.it/investor-relations/corporate-governance/Board of Directors](http://www.mediobanca.it/investor-relations/corporate-governance/Board-of-Directors).
- Ø Only for fees payable pursuant to point i) of Article 18 of the Bank's Articles of Association.
- § Reference period is from 1/7/09 to 30/6/10.

Table 2: STATUTORY AUDIT COMMITTEE

Position held	Member	Percentage attendance record at Statutory Audit Committee meetings	Number of other posts held*
Chairman	Marco REBOA	96%	3
Standing Auditor	Maurizia ANGELO COMNENO	100%	
Standing Auditor	Gabriele VILLA	100%	1
Alternate Auditor	Guido CROCI		
Alternate Auditor	Umberto RANGONI		

No. of meetings held during the reference period: §	29**
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 1/7/09 to 30/6/10.

** Nine of which held in conjunction with the Internal Control Committee.

Table 3: OTHER REQUIREMENTS UNDER CODE OF CONDUCT FOR LISTED COMPANIES

	YES	NO	Reasons for any departures from recommendations made in the code
Power to represent the Bank and related party disclosure			
Has the Board of Directors authorized parties to represent the Bank and established:			
a) limits	X		
b) methods for exercising such powers	X		
c) regular reporting requirements?	X		
Has the Board of Directors reserved for itself the right to inspect and approve all significant transactions in terms of earnings, capital and finances (including transactions with related parties)?	X		
Has the Board of Directors set guidelines and established criteria for identifying “significant” transactions?	X		
If so, have such guidelines/criteria been set out in the statement on corporate governance?	X		
Has the Board of Directors implemented procedures for reviewing and approving transactions with related parties?	X		
If so, have such procedures been set out in the statement on corporate governance?	X		
Procedures for most recent appointments to Board of Directors/Statutory Audit Committee			
Were candidates’ applications for the post of director lodged at least fifteen days in advance?	X		
Were they accompanied by appropriately detailed documentation?	X		
Were they accompanied by statements regarding the candidates’ eligibility to stand as independent Board members?	X		
Were candidates’ applications for the post of statutory auditor lodged at least ten days in advance?	X		
Were they accompanied by appropriately detailed documentation?	X		
General meetings			
Has the Bank adopted specific regulations in respect of the holding of general meetings?		X	Orderly proceedings are ensured by the powers vested in the Chairman under law and the company’s Articles of Association.
If so, are such regulations attached as an annex hereto, or is indication provided in the annual report as to where they may be obtained or downloaded?		X	
Internal control			
Has the company designated staff to take charge of internal control?	X		
If so, are such staff independent in operational terms from the various heads of the individual operating units?	X		
Organizational unit responsible for internal control pursuant to Article 9.3 of the code)	X		Internal audit unit
Investor relations			
Has the company appointed a head of investor relations?			
If so, what are the head of the IR unit’s contact details?			Jessica Spina Tel. no.: (0039) 02-8829.860 Fax no.: (0039) 02-8829.819 Email: investor.relations@mediobanca.it

Annex - Posts held in other financial companies, banks, insurances or other companies of significant size by members of the Board of Directors of Mediobanca

Name	Position held in Mediobanca	Posts held in other companies
PAGLIARO Renato	Chairman and Executive Committee member	Deputy Chairman, RCS MediaGroup Director, Telecom Italia Director, Pirelli & C.
RAMPL Dieter	Deputy Chairman	Chairman, UniCredit Chairman of Supervisory Board, Koenig & Bauer Chairman of Supervisory Board, Bayerische Börse ¹ Member of Supervisory Board, FC Bayern München Director, KKR Guernsey GP Limited Chairman of Managing Board, Hypo-Kulturstiftung Member of Supervisory Board, Gesellschaft für Kapitalmarktforschung
Marco TRONCHETTI PROVERA	Deputy Chairman	Chairman, Pirelli & C. Chairman, Camfin Chairman, Pirelli & C. Real Estate Chairman, Gruppo Partecipazioni Industriali Director, RCS Quotidiani Director, Alitalia Director, F.C. Internazionale Milano Director Eurostazioni
NAGEL Alberto	Chief Executive Officer and Executive Committee member	Deputy Chairman, Assicurazioni Generali Director, Banca Esperia
VINCI Francesco Saverio	General Manager and Executive Committee member	Director, Assicurazioni Generali Director, Banca Esperia Director, Italmobiliare Director, Perseo
AZEMA Jean	Director	Deputy Chairman, La Banque Postale Assurance IARD General Manager, Groupama General Manager, Fédération Nationale Groupama Director, Société Générale <i>Représentant permanent</i> , Bolloré BoD Director, Véolia Environnement
BEN AMMAR Tarak	Director	Director, Telecom Italia Chief Executive Officer (CEO) Quinta Communications Chairman, Europa Tv Chairman and Chief Executive Officer (CEO), Prima Tv Chief Executive Officer (CEO), Carthago Film Chief Executive Officer (CEO), Andromeda Tunisie S.A. Chairman, Eagle Pictures S.p.A. Chairman, Promotions et Participations International S.A.

¹ Post held until 30/6/10.

Name	Position held in Mediobanca	Posts held in other companies
BENETTON Gilberto	Director	Chairman, Edizione Chairman, Autogrill Director, Sintonia Director, Benetton Group Director, Pirelli & C. Director, Atlantia Director, Allianz
BERLUSCONI Marina	Director	Chairman, Finanziaria d'Investimento Fininvest Chairman, Arnoldo Mondadori Editore Director, Mediaset
BERNHEIM Antoine	Director	Honorary Chairman, Assicurazioni Generali Deputy Chairman, Alleanza Toro Deputy Chairman, LVMH Deputy Chairman, Bollorè Director, Generali Deutschland Holding A.G. Director, Ciments Français Director, Christian Dior Member of Supervisory Board, Eurazeo Director B.S.I (Banca della Svizzera Italiana) Représentant permanent, Banco Santander S.A. Director, Havas
BERTAZZONI Roberto	Director	Chairman, Smeg Director, RCS MediaGroup Chairman and, Managing Director Erfin - Eridano Finanziaria Chairman and Managing Director, Cofiber
BOLLORE' Vincent	Director and Executive Committee member	Chairman and General Manager, Bollorè Chairman and General Manager, Bollorè Participations Chairman, Financière De L'Odet Chairman, Havas Deputy Chairman, Assicurazioni Generali Director, Matin Plus Director, Direct Soir Director, Natixis Chairman and Managing Director Financiere du Champ de Mars Chairman, Financiere Nord Sumatra Chairman, Financière V <i>Représentant permanent</i> , Societe des Chemins De Fer Et Tramways du Var et Du Gard <i>Représentant permanent</i> , Société Industrielle et Financiere De L'Artois Director, Societ� Financiere Luxembourgeoise - Socfinal

Name	Position held in Mediobanca	Posts held in other companies
CASO' Angelo	Director and Executive Committee member	Chairman Statutory Audit Committee, Benetton Group Chairman Statutory Audit Committee, Edizione Chairman Statutory Audit Committee, Vittoria Assicurazioni Chairman Statutory Audit Committee, Indesit Company Chairman Statutory Audit Committee, Fidelity Chairman Statutory Audit Committee, Bracco Chairman Statutory Audit Committee, Bracco Imaging Chairman Statutory Audit Committee, Vestar Capital Partners Italia Standing Auditor, Barclays Private Equity
CEREDA Maurizio	Director and Executive Committee member	Director, Ansaldo STS Director, Enervit
DI CARLO Massimo	Director and Executive Committee member	=
DORIS Ennio	Director	Managing Director, Mediolanum Chairman, Banca Mediolanum Director, Banca Esperia
LIGRESTI Jonella	Director	Chairman, Fondiaria-Sai Chairman, Sai Holding Italia Deputy Chairman, Fondazione Fondiaria-Sai Deputy Chairman, Premafin Finanziaria Director, Milano Assicurazioni Director, RCS MediaGroup Director, Italmobiliare Director, Finadin
PALENZONA Fabrizio	Director	Deputy Chairman, Unicredit Group Chairman, Gemina Chairman, Aeroporti di Roma Chairman, Aviva Italia Director, Fondazione Cassa Di Risparmio di Alessandria
PARLANGELI Marco	Director	General Manager, Fondazione Monte dei Paschi di Siena
PESENTI Carlo	Director	General Manager, Italmobiliare Managing Director, Italcementi Deputy Chairman, Ciments Français Director, UniCredit Director, RCS MediaGroup Director, Ambienta Società di Gestione del Risparmio

Name	Position held in Mediobanca	Posts held in other companies
STRUTZ Eric	Director and Executive Committee member	Member of Board of Managing Directors, Commerzbank Member of Supervisory Board, ABB Deputy Chairman, Commerzbank Auslandsbanken Holding Member of Supervisory Board, Commerzbank Auslandsbanken Holding Nova Member of Supervisory Board, RWE Power Member of Board of Directors, SdB Sicherungseinrichtungsgesellschaft deutscher Banken Member of Board of Directors, Verlagsbeteiligungs – und Verwaltungsgesellschaft Chairman of Supervisory Board, Commerzbank Inlandsbanken Holding