MEDIOBANCA
Banca di Credito Finanziario S.p.A.

# Press release

## Performance share scheme for Group staff

At a Board meeting held on 21 September 2010, the Directors of Mediobanca approved *inter alia* a performance share scheme for Mediobanca Group staff, to be submitted to the approval of shareholders in a general meeting to be held on 28 October 2010, along with the following proposals:

a) 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) amendment to the resolution approved by shareholders in a general meeting held on 27 October 2007 in respect of the treasury shares owned by the Bank, to allow them to be used also in connection with share-based payment schemes for Group staff.

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;

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[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*

- 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.

Subject to approval of the proposals being submitted to shareholders in general meeting referred to above, 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, 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.

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

*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.*

[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.*

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;

- 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.

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