MEDIOBANCA

Basel II pillar 3
Disclosure to the public

Situation as at 30 June 2013

MEDIOBANCA

Contents

Introduction

With the issue of Circular no.263 on 27 December 2006 ("New prudential supervisory provisions for banks" as amended, or "Circular 263"), the Bank of Italy revised its regulations for supervision of banks, transposing inter alia the amendments introduced by the Basel Committee under the "New Basel Capital Accord, Basel II" and EU directives 2006/48/CE and 2006/49/CE.

The new prudential regulatory structure is based around three so-called "pillars":

- *"Pillar 1" introduces a capital requirement to manage typical risks of banking and financial activity, which involves the use of alternative methodologies to calculate capital requirements;*
- *"Pillar 2" requires banks to equip themselves with a strategy and process for controlling current and future capital adequacy;*
- *"Pillar 3" introduces obligations of disclosure to the public aimed at allowing market operators to make a more accurate assessment of banks' capital solidity and exposure to risks.*
- *With this document the Mediobanca Group (the "Group") intends to provide the market with information regarding its own capital adequacy, exposure to risks, and the general characteristics of the systems put in place to identify, measure and manage such risks.*
- *The document, which is structured into sections (the "Sections") in accordance with the provisions of Circular 263, provides qualitative and quantitative information where this is considered to be applicable to the Group, within the term set for the annual financial statements to be published; unless otherwise stated, the figures shown are in thousands of Euros.*
- *The Group updates the document on its website at www.mediobanca.it.*

Section 1 – General disclosure requirement

Qualitative information

Introduction

The Group has equipped itself with a system for managing and controlling risks which is structured around the various organizational areas involved, to ensure the best possible coverage of significant risks to which the Group is or might be exposed, and at the same time to guarantee each unit's operations are consistent with their own propensity to risk as laid down in the Internal Capital Adequacy Assessment Process or ICAAP (Circular 263 - Section III). In particular, in the course of the ICAAP the governing bodies assess the Group's exposure to the various significant risks, both present and future, taking into account both strategies and developments in the reference scenario.

Group risk control and management system

Risk management involves, with different roles and responsibilities, the management and supervisory bodies and the various operating units of Mediobanca S.p.A. and the Group companies.

The Board of Directors, in view in particular of its role of strategic supervision, approves strategic guidelines and directions, business and financial plans, budgets, and risk management and internal control policies. 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 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.

The Control and Risks Committee assists the Board of Directors, having 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. 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 Control and Risks 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 monitors the system for managing and controlling risks and the internal controls system, assessing the effectiveness of all structures and units and also their co-ordination, and supervises the ICAAP process.

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. 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 other main units of the Bank involved in risk management and control are:

- Risk management;
- Asset and liability management (ALM) and liquidity;
- Compliance;
- Group audit.

The **Risk management** unit presides over the Bank's risk management system, defining the appropriate methodologies to be used to measure the whole set of risks, current and future, in compliance with regulations in force and the Bank's own operating decisions, monitoring risks and checking that the limits established for the various business lines are complied with. In conjunction with the Accounting and financial reporting unit, it is also responsible for measuring the amount of internal capital to cover significant, quantifiable risks. It generates the flow of information to the governing bodies of the Bank based on the internal risk quantification models, in order for the various books' exposure to risk to be monitored.

The structure of the Risk Management unit consists of the Chief Risk Officer, who reports directly to the Chief Executive Officer and is responsible for identifying and implementing an effective risk management process through the following units:

- **Enterprise risk management unit:** responsible for developing risk management policies and quantifying risk appetite, preparing the ICAAP (Internal Capital Adequacy Assessment Process) document, and validating the Group's internal rating system;
- **Credit risk management unit:** responsible for executing the credit risk analysis entailed by lending and market transactions, and for assigning internal credit ratings to the counterparties in these transactions;
- **Market risk management unit:** responsible for defining the market and counterparty/issuer risk methodologies and metrics for the Financial markets division, for validating the models and methodologies used in pricing, for managing the "Product catalogue", monitoring liquidity risk limits, managing liquidity policy and the related contingency funding plan;
- **Risk management London branch unit – Risk projects**, responsible for risk management at the London branch;
- **Operational risk management unit:** responsible for developing and maintaining the systems for measuring and managing operating risks.

The **ALM and Liquidity area** is responsible for monitoring future changes in net interest income and the Group's liquidity situation through reporting to the ALM committee. It is responsible for the following duties in particular:

- monitoring the ALM position at the Group level;
- estimating net interest income and the sensitivity indicators for the banking (and non-banking) book;

- monitoring compliance with the liquidity policy and the contingency funding plan (in conjunction with the Risk Management unit);

- measuring the liquidity indicators and monitoring compliance with the relevant limits, by means of the established reporting flows.

The **Compliance** unit is responsible, within the scope of regulations defined in the Internal Compliance Document, for checking and managing compliance and reputational risk in accordance with the relevant regulations; it is tasked with the following duties in particular:

- checking and ensuring that the Bank's and the Group's activities are compliant with legal and regulatory requirements, with reference specifically to regulations on banking activity and the provision of investment services and on market abuse, handling operating relations with the relevant authorities;

- implementing the requisite measures and instruments to ensure that risks associated with management of conflicts of interest are controlled effectively;

- operating duties, proposing organizational and procedural changes to ensure that the risks of non-compliance are adequately covered and preparing flows of information to the governing bodies and the units involved;

- providing assistance to the units of the Bank and Group companies in operating issues, including through explanatory circulars or reports on relevant regulatory aspects, ensuring a continuous and up-to-date flow of information on developments in the domestic and international regulatory framework;

- reporting duties, preparing regular reports for the governing bodies on the activities carried out and in all instances of failure to comply with regulations, and highlighting new compliance risks as well as possible corrective action.

The Compliance unit also contains the Anti-money-laundering unit which, as required by the instructions issued by the Bank of Italy on 10 March 2011, is responsible for ongoing monitoring of the company's procedures to prevent and tackle breach of the regulations on money-laundering and terrorist financing.

The **Group audit unit** is responsible for internal audit activities for the entire Group, in accordance with the provisions on "internal controls systems" governed in the "Supervisory instructions for Banks",[1] "Supervisory instructions for registered financial intermediaries"[2], and the "Joint Consob – Bank of Italy regulations".[3] Its duties include in particular:

- defining audit activity in line with the audit methodology adopted, and prepares a strategic and current audit plan;

- verifying compliance with the powers and operating limits assigned to the business units by the Board of Directors;

- monitoring the reliability of the IT systems including the automatic data processing and accounting systems;

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[1] *Bank of Italy circular no. 229 issued on 21 April 1999 as amended - Title IV Chapter 11 Section II - "Internal controls system".*
[2] *Bank of Italy circular no. 216 issued on 5 August 1996 as amended - Part 1 Chapter 6 Section II - "2. Internal controls system".*
[3] *Bank of Italy/Consob measure issued on 29 October 2007 - "Regulations on organization and procedures of intermediaries providing investment or collective savings management services".*

- carrying out periodic checks on the operational and internal control procedures;
- performing activities *inter alia* with respect to specific irregularities detected, if requested by the governing bodies and/or senior management;
- checking the existence and effectiveness of first-level controls in the various operating units and the second-level controls carried out by the Risk Management and Compliance units;
- checks that irregularities detected in the operation and functioning of controls are removed;
- regularly informing the senior management of the activity it has carried out and the results thus obtained by sending specific reports;
- preparing regular summaries for the governing bodies of the Group companies, describing the main results to emerge from the audits carried out, the suggestions made and any corrective action undertaken.

Strategies and procedures for managing significant risks

The Group has identified the significant risks based on its operations and reference markets to be specifically assessed as part of ICAAP reporting.

In particular, the types of risk requiring monitoring and management are credit risk, counterparty risk, market risks, operating risk, concentration risk, interest rate risk on the banking book, liquidity risk, residual risk, strategic risk, compliance risk, reputational risk, and risks deriving from securitizations.

The principal instruments of control for the main types of risk considered to be significant are described below, along with the strategies and processes adopted to mitigate them.

Credit risk

Credit risk refers to the risk of losses being incurred through defaults by borrowers in respect of cash and off-balance-sheet assets held in the banking book. The Group has implemented different credit management processes to reflect the specific features of the businesses carried out by the various product companies.

As part of the "Basel II New Capital Accord II" enacted under Bank of Italy Circular no. 263, the Group has set itself the objective of measuring credit risk using internal ratings.

A specific project is therefore in progress to obtain 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, and Holding Companies (customers mostly targeted by Mediobanca S.p.A.), Mid corporate and Small Businesses (customers targeted mostly by the leasing companies) and Private individuals (targeted by Compass for consumer credit and CheBanca! for mortgage lending).

Given the above, 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.

The features of the processes for managing credit currently applied by the main Group companies are described below.

Mediobanca

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 the Executive Committee, depending on the amount required and the credit rating of the counterparty involved, which includes the rating assigned internally or taken from outside. 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 Bank's operating unit.

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, applications for assets worth less than €75,000 are approved using a credit scoring system developed on the basis of historical series of data, tailored to both asset type and the counterparty's legal status (type of applicant company).

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

Consumer credit (Compass)

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

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

Mortgage lending (CheBanca!)

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

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, including through use of advanced early warning indicator systems linked to public and private databases. Procedurally mortgage loans with four or more unpaid instalments are designated as sub-standard accounts, and after the eighth or ninth unpaid instalment become non-performing. Impaired accounts are managed, for out-of-court credit recovery procedures, by a dedicated organizational structure with the help of external collectors. If further signs of deterioration are noted, property enforcement procedures are instigated through external lawyers.

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The Group uses credit risk mitigation techniques, in accordance with the provisions of Circular 263 for banks which use the standardized calculation methodology.

In particular, for real guarantees the so-called "integral" method has been adopted, with the standard regulatory amendments for volatility being applied, while for personal guarantees the replacement principle has been adopted.

Further information on the credit risk mitigation techniques used is provided in Section 8.

Counterparty risk

Counterparty risk is defined as the risk of the counterparty in a transaction involving particular financial instruments defaulting before the transaction has been settled.

This is measured in terms of expected potential market value, thus doing away with the need to set arbitrary weightings for each type of fund employed. As far as regards derivatives and loan collateralization products (repos and securities lending), the calculation is based on determining the maximum potential exposure (assuming a 95% confidence level) at various points on a time horizon that reaches up to 30 years. The scope of application regards all groups of counterparties which have relations with Mediobanca, taking into account the existence or otherwise of netting agreements (e.g. ISDA, GMSLA or GMRA) and collateralization (e.g. CSA), plus exposures deriving from interbank market transactions. For each type of operations there are different ceilings split by counterparty and/or group.

Market risk

Market risk is defined as the risk generated by operations on markets involving financial instruments which are held as part of the regulatory trading book and involving foreign currencies and/or merchandise.

Mediobanca monitors interest rate risk on its trading book on a daily basis, by calculating two main indicators:

- sensitivity to 1 basis-point changes in the interest rate curve;
- the share of the value-at-risk[4] linked to interest rates as part of the global measurement of market risks.

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

Such analysis is applied not only to the trading book but the Bank's entire asset structure, net of its equity investments. For positions in bonds and hedge derivatives, VaR measures the risks deriving from changes in market interest rates as well as in loan spreads.

In order to regulate the various business units' operations, limits have also been introduced in terms of sensitivities (known as the "Greeks") to movements in various factors (1 basis point for interest rates and loan spreads, 1 percentage points for shares and exchange rates, and 100 basis points for volatility surfaces).

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. The indicator used to check the limits is calculated by using Monte Carlo simulations, along with historical simulations for indicative purposes.[5] This measurement is also used to calculate the expected shortfall, which measures average loss in 1% of the most unfavourable scenarios.

In addition to these indicators, stress tests are also carried out weekly on the main risk factors, to show the impact which significant movements in the main market data (such as share prices and interest or exchange rates, calibrated according to the most pronounced fluctuations) might have.

As for exchange rate risk, all banking and trading book positions taken on the foreign exchange market are managed regularly and are monitored in integrated fashion by the Financial Markets division using internal VaR models.

A VaR model for market risk is also used by Compagnie Monégasque de Banque (CMB), based on a 99% confidence level.

Fair value hedges and cash flow hedges are also made on future trades (share disposals hedged through forward contracts) via derivative contracts entered into with leading market counterparties, in order to mitigate price risk on equity investments held as available for sale (AFS).

Operational risk

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, or due to external events. This category includes, among other things, losses deriving from fraud, human error, interruptions to operations, system unavailability, breaches of contract, and natural catastrophes. Operating risk includes legal risk.

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

In accordance with the policy adopted by the Group for managing operational risks and in line with the principle of proportionality, the processes of identifying, assessing , collecting loss data on and mitigating operational risks are defined and implemented at the level of Mediobanca S.p.A. and the main Group companies.

Such processes involve liaising with the other bodies and persons responsible for controls, such as the head of company financial reporting and the Compliance and Group Audit unit, in accordance with their respective duties and responsibilities.

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.

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

Interest rate risk on the banking book

This is defined as the risk deriving from potential changes in interest rates to the banking book.

The Mediobanca Group monitors and manages interest rate risk by analysing the sensitivity of net interest income and economic value to interest rate changes. The first type of sensitivity analysis quantifies the impact of a parallel, instantaneous 100 basis point change in the interest rate curve, over a time horizon of twelve months. The second type of sensitivity is calculated by comparing the discounted value of estimated cash flows obtained with the return curve at the current date and the value obtained using a return curve increased or reduced by 100 basis points ("parallel shock"); the difference is then compared with the Group's net equity to assess the degree of capital absorption.

Mediobanca also uses hedges intended to neutralize possible losses that may be incurred on a given asset or liability, due to the volatility of a certain financial risk factor (interest rate, exchange rate, credit or some other risk parameter), through the gains that may be realized on a hedge instrument which allow the changes in fair value or cash flows to be offset. For fair value hedges in particular, the Group seeks to minimize the financial risk on interest rates by bringing the entire interest-bearing exposure in line with Euribor (generally Euribor 3 months):[6]

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

Further information on interest rate risk for the banking book is provided in Section 14.

Liquidity risk

This is defined as the risk that the Bank will not be able to meet its own payment commitments through being unable to raise the requisite funds ("funding liquidity risk") or through limits on asset disposals ("market liquidity risk").

The Mediobanca Group monitors and manages liquidity risk in accordance with the internal regulations approved in accordance with Bank of Italy circular no. 263/06: the Liquidity risk management policy (the "Policy"), and the Contingency funding plan ("CFP"). The basic principles on which the Policy is based are as follows:

- identifying the parties, responsibilities and duties for controlling liquidity risk for the Group as a whole and for the individual Group companies;

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

- defining and monitoring the short-term risk limits (operating liquidity), which considers events that would impact on the Bank's liquidity position within a time frame of up to 12 months;
- defining and monitoring medium-/long-term liquidity (structural liquidity), which considers events that would impact on the Bank's liquidity position within a time frame of more than 12 months;
- defining a pricing system of internal fund transfers between the Group's various units and companies.

The Group's objective is to maintain a level of liquidity that will allow it to meet the payment obligations it has undertaken, ordinary and extraordinary, while at the same time keeping the costs involved to a minimum.

In particular, monitoring operating liquidity management guarantees an adequate ratio between counterbalancing capacity (defined principally as cash and securities eligible for refinancing with the ECB available post-haircut) and net cash outflows as calculated in stress scenarios. Monitoring structural liquidity, meanwhile, analyses the maturity profiles for both assets and liabilities, checking that inflows cover 100% of outflows for maturities of more than one year, and at least 90% of outflows for maturities of more than five years.

In addition to the monitoring described above, the ALM Monitoring and Risk Management units carry out weekly stress tests, assuming certain extraordinary factors such as drawdowns on committed lines granted to customers, reduction in the debt securities funding channel, and partial renewal of retail funding falling due.

The Group has also prepared a governance model for managing the possibility of liquidity crises which identifies parties, responsibilities and reporting procedures for dealing with emergency situations (the contingency liquidity funding plan).

To this end, a dashboard has been developed which, in conjunction with the stress tests, provides a system of Early Warning Indicators (EWIs). This dashboard is a useful instrument to help management to monitor those situations which could generate a deterioration in the Group's liquidity position deriving from external factors (e.g. market or sector) or from developments that are specific to the Group.

A steering committee monitors fortnightly both the Bank's liquidity and the sustainability of the business development on the Bank's asset structure.

Other risks considered in preparing ICAAP reporting

In addition to the risks described above, the Group has expanded the scope of the type of risks to be managed and mitigated to include other Pillar 2 risks as well:

- <u>concentration risk</u> – derives from a concentration of exposures to linked 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). Mediobanca manages this form of risk by ensuring that the Bank of Italy's regulations on "large risks" are complied with and by regular monitoring of the loan book's degree of concentration;

- <u>residual risk</u> - the risk that the recognized techniques used by the Bank to mitigate credit risk should prove to be less effective than anticipated. Mediobanca regularly reviews the process for managing guarantees recognized as being valid for purposes of risk mitigation, identifying possible areas of improvement in operating practices so as to make the management and valuation of guarantees more effective. Specific controls are also carried out to check that operations are compliant and in line with general and specific supervisory requirements;

- strategic risk - the Group has chose to divide strategic risk into two distinct macro-categories:

    - business risk - risk of current and future changes in profits/margins compared to estimated data, due to volatility in volumes or changes in customer behaviour;

    - "pure" strategic risk- 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.

    To monitor and manage strategic risk, the Group has implemented a regular review activity of the state of progress made in achieving its strategic objectives as defined in the business plan in force at the time and the earnings and financial targets set in the budget, with a view to providing indications as to corrective action to be taken if appropriate;

- compliance risk - 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 (e.g. Articles of Association, codes of conduct, ethical codes etc.) – and reputational risk – 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. The impact of compliance risk may therefore be quantified as possible reputational damages. As previously mentioned, the strategies for mitigating compliance risk and the organizational measures in terms of the unit responsible (the Compliance unit), policies and processes adopted by the Group constitute instruments for mitigating reputational risk;

- risks deriving from securitizations – the risk that the economic substance of a securitization is not fully reflected in the valuation and risk management decisions taken. Further information on securitizations is provided in Section 10.

Section 2 – Scope of application

Qualitative information

The disclosure requirements which subtend this document apply to Mediobanca – Banca di Credito Finanziario S.p.A., parent company of the Mediobanca Banking Group, entered in the register of banking groups, to which the data shown in the document refer.

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. For regulatory purposes, the investment in Banca Esperia which is subject to joint control is consolidated pro-rata; Group company Compass RE (a reinsurance company incorporated under Luxembourg law) and the investments held in Fidia and Athena are deducted from regulatory capital, plus the investment in Perimetro Gestione Proprietà Immobiliari SCPA in an amount of €56m.

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.

During the period under review C.M.I. Compagnie Monégasque Immobilière SCI and MONOECI Société Civile Immobilière S.A.M. were merged into CMB (Compagnie Monégasque de Banque).

MEDIOBANCA

Quantitative information

Area of consolidation

	Name	Registered office	Type of relationship[1]	Shareholding		% voting rights[2]
				Investor company	% interest	
A.	COMPANIES INCLUDED IN AREA OF CONSOLIDATION					
A.1	Line-by-line					
1.	MEDIOBANCA - Banca di Credito Finanziario S.p.A.	Milan	1	–	–	–
2.	PROMINVESTMENT S.p.A. - in liquidation	Milan	1	A.1.1	100.00	100.00
3.	PRUDENTIA FIDUCIARIA S.p.A	Milan	1	A.1.1	100.00	100.00
4.	SETECI - Società Consortile per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.c.p.A.	Milan	1	A.1.1	100.00	100.00
5.	SPAFID S.p.A.	Milan	1	A.1.1	100.00	100.00
6.	COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A.M.	Monte Carlo	1	A.1.1	100.00	100.00
7.	C.M.G. COMPAGNIE MONEGASQUE DE GESTION S.A.M.	Monte Carlo	1	A.1.6	99.89	99.89
8.	SMEF SOCIETE MONEGASQUE DES ESTUDIES FINANCIERE S.A.M.	Monte Carlo	1	A.1.6	99.96	99.96
9.	C.M.B. ASSET MANAGEMENT S.A.M.	Monte Carlo	1	A.1.6	99.30	99.30
10.	MEDIOBANCA INTERNATIONAL (Luxembourg) S.A.	Luxembourg	1	A.1.1 A.1.11	99.00 1.00	99.00 1.00
11.	COMPASS S.p.A.	Milan	1	A.1.1	100.00	100.00
12.	CHEBANCA! S.p.A.	Milan	1	A.1.1	100.00	100.00
13.	COFACTOR S.p.A.	Milan	1	A.1.14	100.00	100.00
14.	SELMABIPIEMME LEASING S.p.A.	Milan	1	A.1.15	60.00	60.00
15.	PALLADIO LEASING S.p.A.	Vicenza	1	A.1.17 A.1.18	95.00 5.00	100.00
16.	TELELEASING S.p.A. - in liquidation	Milan	1	A.1.17	80.00	80.00
17.	SADE FINANZIARIA - INTERSOMER S.r.l.	Milan	1	A.1.1	100.00	100.00
18.	RICERCHE E STUDI S.p.A.	Milan	1	A.1.1	100.00	100.00
19.	CREDITECH S.p.A.	Milan	1	A.1.14	100.00	100.00
20.	MEDIOBANCA SECURITIES USA LLC	New York	1	A.1.1	100.00	100.00
21.	CONSORTIUM S.r.l.	Milan	1	A.1.1	100.00	100.00
22.	QUARZO S.r.l.	Milan	1	A.1.11	90.00	90.00
23.	QUARZO LEASE S.r.l.	Milan	1	A.1.14	90.00	90.00
24.	FUTURO S.p.A.	Milan	1	A.1.11	100.00	100.00
25.	MEDIOBANCA COVERED BOND S.r.l.	Milan	1	A.1.12	90.00	90.00
26.	COMPASS RE (Luxembourg) S.A.	Luxembourg	1	A.1.11	100.00	100.00
27.	MEDIOBANCA INTERNATIONAL IMMOBILIERE S.A.r.l.	Luxembourg	1	A.1.10	100.00	100.00
28.	MB ADVISORY KURUMSAL DANISMANLIK HITMETLERI ANONIM SIRKETI	Istanbul	1	A.1.1	100.00	100.00
29.	MEDIOBANCA SICAV (non-operative)	Luxembourg	1	A.1.1	100.00	100.00

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

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Section 3 – Composition of regulatory capital

Qualitative information

Consolidated capital

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

Since its inception one of the distinguishing features of the Mediobanca Group has been the solidity of its financial structure, with capital ratios that have been consistently and significantly higher than those required by the regulatory guidelines, as shown by the Internal Capital Adequacy Assessment Process (ICAAP) and the information disclosed to the public as required under Pillar III of Basel II, with the latter document published on the Bank's website at www.mediobanca.it. Based on the valuations carried out in 2012, the authorities considered the capital of the Group and its non-Italian banking subsidiary to be adequate to cover the risks contemplated under Pillar I and Pillar II.

Regulatory capital has been calculated on the basis of Bank of Italy circulars no. 263 (fifteenth update issued on 2 July 2013) and no. 155 (fifteenth update issued on 19 March 2013) 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.

The European Council and Parliament have now, based on the European Commission's proposal, approved the new body of supervisory and corporate governance rules for banks, which consists of a directive ("Capital Requirements Directive IV – CRD IV") and a regulation ("Capital Requirements Regulation - CRR"). The documents incorporate the new prudential guidelines for banks known as Basel III, which require a general strengthening of the quality of regulatory capital. The new regulatory regime will come into force starting from 1 January 2014, with a period of transition in which the rules are applied gradually, until they become fully effective in 2019.

Tier 1 capital consists of the share attributable to the Group and to minority shareholders of capital paid up and reserves, net of the loss for the period (€179.8m), treasury shares (€213.8m), intangible assets (€58.4m), goodwill (€370.7m compared with €411.8m last year due to the transfers of equity investments to the AFS segment), plus 50% of the book value of the Bank's investments in banks and financial services companies (equal to €60.2m).

Tier 2 capital includes 50% of the positive reserves for AFS securities (€208.4m), which does not include the net gain of EU member states' government securities (minus €26.1m), reserves for property valuations (€15.1m), Tier 2 subordinated liabilities (€1,781.8m); and exchange rate differences (€57.2m). Events during the period under review include a new, ten-year issue of subordinated instruments in an amount of €504.3m, plus the buyback of another issue worth €212.4m.

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Quantitative information

Regulatory capital		30/06/13	30/06/12
A.	**Tier 1 capital prior to application of prudential filters**		
A.1	Positive elements in Tier 1 capital:		
A.1.1	- share capital	455,513	455,513
A.1.2	- share premium reserve	2,127,359	2,127,359
A.1.3	- reserves	4,457,580	4,502,779
A.1.4	- non-innovative equity instruments	–	–
A.1.5	- innovative equity instruments	–	–
A.1.6	- profit for the period	–	38,681
A.2	Negative elements:		
A.2.1	- own shares or stock units	213,844	213,844
A.2.2	- goodwill	370,715	411,846
A.2.3	- other intangible assets	58,388	50,967
A.2.4	- Loss for the period	184,090	528
A.2.5	- Other negative elements:		
	* Value adjustments to trading book for regulatory purposes	–	–
	* Other	–	–
B.	Tier 1 capital prudential filters		
B.1	IAS/IFRS positive prudential filters (+)	–	–
B.2	IAS/IFRS negative prudential filters (-) [1]	–	52,959
C.	Tier 1 capital incl. elements to be deducted (A+B)	6,213,415	6,394,188
D.	Elements to be deducted from Tier 1 capital	60,230	55,275
E.	**Total Tier 1 capital (TIER 1) (C-D)**	**6,153,185**	**6,338,913**
F.	**Tier 2 capital prior to application of prudential filters**		
F.1	Positive elements in Tier 2 capital:		
F.1.1	- tangible assets valuation reserves	15,062	15,062
F.1.2	- AFS securities valuation reserves	416,709	7,188
F.1.3	- non-innovative equity instruments not included in Tier 1 capital	–	–
F.1.4	- innovative equity instruments not included in l Tier 1 capital	–	–
F.1.5	- hybrid equity instruments	–	–
F.1.6	- Tier 2 subordinate liabilities	1,781,820	1,457,912
F.1.7	- surplus of total value adjustments over estimated losses	–	–
F.1.8	- net gains on equity investments	–	–
F.1.9	- other positive elements	57,191	84,796
F.2	Negative elements:		
F.2.1	- net losses on equity investments	–	34,975
F.2.2	- loans and receivables	–	–
F.2.3	- other negative elements	–	–
G.	Prudential filters for Tier 2 capital		
G.1	IAS/IFRS positive prudential filters (+)	–	–
G.2	IAS/IFRS negative prudential filters (-) [2]	208,355	3,594
H.	Tier 2 capital incl. elements to be deducted (F+G)	2,062,427	1,526,389
I.	Elements to be deducted from Tier 2 capital	60,230	55,275
L.	**Total Tier 2 capital (TIER 2) (H-I)**	**2,002,197**	**1,471,114**
M.	Elements to be deducted from total Tier 1 and Tier 2 capital	–	–
N.	**Regulatory capital (E+L-M)**	**8,155,382**	**7,810,027**
O.	TIER 3 capital	–	–
P	**Regulatory capital including TIER 3 (N+O)**	**8,155,382**	**7,810,027**

[1] 100% of negative Available For Sale reserves.
[2] 50% of positive Available For Sale reserves.

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Section 3.1 – Composition of regulatory capital

Subordinated issues as at 30 June 2013

ISIN code	Currency	30/6/13		30/6/12	
		Nominal value	Book value	Nominal value	Book value
IT0004645542 - MB 2°ATTO 5% SUB	EUR	742,926	765,015	749,835	748,309
XS0270002669 - MEDIOB18(OT11) VAR	GBP	27,554	28,475	195,540	240,843
IT0004720436 - MB 4°ATTO - MINMAX2021	EUR	491,285	484,032	434,335	425,760
IT0004917842 MB SUB 5.75 APR23	EUR	494,503	504,298		
IT0004234008 - Linea Spa Sub	EUR			43,000	43,000
Total subordinated debt securities			**1,781,820**		**1,457,912**

Section 4 – Capital adequacy

Qualitative information

The Group pays particular attention to monitoring its own capital adequacy ratios, to ensure that its capital is commensurate with its risk propensity as well as with regulatory requirements.

As part of ICAAP, the Group assesses its own capital adequacy by considering its capital requirements deriving from exposure to the significant Pillar 1 and 2 risks to which the Group is or could be exposed in the conduct of its own current and future business. Sensitivity analyses or stress tests are also carried out to assess the impact of particularly adverse economic conditions on the Group's capital requirements deriving from its exposure to the principal risks, in order to appraise its capital resources even in extreme conditions.

This capital adequacy assessment takes the form of the ICAAP report which is produced annually and sent to the Bank of Italy, along with the resolutions and reports in which the governing bodies express their opinions on related matters according to their respective roles and responsibilities.

Capital adequacy in respect of Pillar 1 risks is also monitored Accounting and financial reporting unit through checking the capital ratios according to the rules established by Circular 263.

* * *

As at 30 June 2013, the Group's Tier 1 ratio, calculated as Tier 1 capital as a percentage of risk-weighted assets, amounted to 11.75%, higher than the figure posted at 30 June 2012 (11.49%), boosted by the reduction in risk-weighted assets from €55.2bn to €52.4bn, in particular loans (down €2.3bn) and despite the lower regulatory capital (down from €6.3bn to €6.2bn) due to the €179.8m loss reported for the year. The strengthening of the total capital ratio, which rose from 14.16% to 15.57%, reflected the new, €504.3m ten-year issue of tier 2 subordinated liabilities.

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Quantitative information

Section 4 - Capital adequacy

Categories/amounts	Unweighted amounts		Weighted amounts/requirements	
	30/06/13	30/06/12	30/06/13	30/06/12
A. RISK ASSETS				
A.1 Credit and counterpart risk	65,930,757	70,554,508	42,594,197	44,937,731
1. Standard methodology	65,685,260	70,282,306	42,222,627	44,612,976
2. Internal rating methodology	–	–	–	–
2.1 Basic	–	–	–	–
2.2 Advanced	–	–	–	–
3. Securitization	245,497	272,202	371,570	324,755
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterpart risk			3,407,536	3,595,018
B.2 Market risk			525,166	552,853
1. Standard methodology			503,482	533,792
2. Internal models			–	–
3. Concentration risk			21,684	19,061
B.3 Operational risk			257,064	265,251
1. Basic Indicator Approach (BIA)			257,064	265,251
2. Standard methodology			–	–
3. Advanced methodology			–	–
B.4 Other prudential requirements			–	–
B.5 Other calculation elements			–	–
B.6 Total prudential requirements			4,189,766	4,413,122
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			53,372,075	55,164,025
C.2 Tier 1 capital/risk-weighted assets (Tier 1			11.75%	11.49%
C.3 Regulatory capital/risk-weighted assets (total			15.57%	14.16%

Capital requirement for market risks

Capital requirement for market risk	30/6/13
Position risk *	**484,465**
of which relating to positions in respect of securitizations	822
Concentration risk *	**21,684**
Regulatory risk for DVP transactions	**–**
Exchange rate risk	**19,017**
Risk on positions in commodities	**–**

*Includes only assets held in the regulatory trading book.

Group capital requirements by business line*

€ Mln

Capital Requirement for type of Risk (€ mln)	June 2013							June 2012						
	Group Capital Requirement	Business Line						Group Capital Requirement	Business line					
		Corporate and Investment Banking	%	Principal Investment	%	Retail and Private Banking	%		Corporate and Investment Banking	%	Principal Investment	%	Retail and Private Banking	%
◆ Credit and Counterparty Risk	3,408	2,328	68%	224	7%	852	25%	3,595	2,517	70%	247	6,9%	830	23%
◆ Market Risk	525	522	99%			4	1%	553	537	97%			16	3%
◆ Operational Risk	257	126	49%			131	51%	265	140	53%			125	47%
Regulatory Capital	4,109	2,975	71%	224	5%	987	24%	4,413	3,195	72%	247	5,6%	971	22%

** Business lines are:*

- *CIB (Corporate and Investment Banking): comprises the corporate and investment banking activities including leasing, as well as the Group's trading investments. The companies included in this grouping are: Mediobanca, Mediobanca International, MB Securities USA, Consortium, MB Turkey, Prominvestment, SelmaBipiemme Leasing, Palladio Leasing and Teleleasing;*
- *Principal Investing: the Group's investments in Assicurazioni Generali, RCS MediaGroup and Telco, along with stakes taken as part of merchant banking and private equity fund activities;*
- *Retail and Private Banking: activities which target retail customers via consumer credit products, mortgages, deposit accounts, private banking and fiduciary business. The companies included in this grouping are: Compass, CheBanca!, Cofactor, Futuro, Compass RE and Creditech (consumer finance), and Compagnie Monégasque de Banque, Spafid and Prudentia Fiduciaria, plus 50% of Banca Esperia pro forma (private banking).*

The sum of data per business area differs from the Group total due to the other companies.

Section 5 – Credit risk: general information for all banks

Qualitative information

The definition of exposures in default (i.e. non-performing, sub-standard, restructured and overdue/overdrawn) adopted by the Mediobanca Group is based on the one used by the Bank of Italy, along with the internal criteria employed to define the transitions between the various categories of impaired loans.

The classification of impaired exposures may be summarized as follows:

- non-performing – cash exposures to individuals or entities in a state of insolvency (even if not certified by law) or in substantially equivalent situations;
- sub-standard – exposures to individuals or entities in temporary situations of objective difficulty which may be expected to be obviated within a reasonable period of time;
- restructured – exposures for which changes are agreed to the original terms of the contract due to a deterioration in the earning and financial condition of the borrower (e.g. rescheduling of repayments, reduction of debt and/or interest) which give rise to a loss;
- overdue/overdrawn – debtor positions for an individual or entity (not classified as non-performing, sub-standard or restructured) in respect of which a condition of persistent non-payment has been recorded (overdue/overdrawn for more than 90 days consecutively).

Description of methodologies adopted to determine loan loss provisions

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

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

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

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

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

Accounts for which there is no objective evidence of impairment, 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.

Exposure to sovereign debt risk

As requested by Consob in its communication no. DEM/11070007, the Mediobanca Group has provided information in its annual report on sovereign debt, in particular regarding which book each individual instrument is held in, the date on which it expires, its book value and fair value (as also required under sections 31-35 of IFRS7 – Financial Instruments: Disclosures).

The securities portfolio chiefly consists of financial instruments with Italy country risk (80% of the total, with an average maturity of just over two years). The exposure to German bonds remains substantial (at 14% of the total), buoyed by a particularly favourable market performance (the total book value of €1,396m corresponds to a notional value of €1,359m).

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Quantitative information

Sovereign exposures

Exposures to sovereign debt securities by state, counterparty and portfolio *

Asset portfolio/quality	Performing assets			Total (net exposure) [2]
	Gross exposure	Collective adjustments	Net exposure	
1. Financial assets held for trading	–	–	2,199,583	2,199,583
Italy	–	–	250,764	250,764
Germany	–	–	1,343,513	1,343,513
France	–	–	259,529	259,529
Finland	–	–	158,085	158,085
Holland	–	–	93,836	93,836
Others	–	–	93,856	93,856
2. AFS securities	7,512,097	–	7,512,097	7,512,097
Italy	7,398,997	–	7,398,997	7,398,997
Germany	52,098	–	52,098	52,098
France	19,752	–	19,752	19,752
European Union	41,250	–	41,250	41,250
3. Financial assets held to maturity	360,597	–	360,597	360,597
Italy	359,937	–	359,937	359,937
Others	660	–	660	660
Total at 30/6/13	**7,872,694**	**–**	**10,072,277**	**10,072,277**

* *Does not include financial and credit derivatives.*

[2] *The net exposure includes positions in securities (long and short) recognized at fair value (including the outstanding accrual) except for assets held to maturity which are stated at amortized cost, the implied fair value of which is €1.3m.*

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Exposures to sovereign debt securities by portfolio

Asset portfolio/quality	Trading book [1]			Banking book			
	Nominal value	Book value	Duration	Nominal value	Book value	Fair value	Duration
Italy	192,677	250,764	8.61	7,666,127	7,758,934	7,774,631	2.24
Germany	1,308,555	1,343,513	4.10	50,000	52,098	52,098	0.52
France	249,405	259,529	0.03	20,400	19,752	19,752	0.85
Greece	150,000	158,085	0	–	–	–	–
European Union	90,000	93,836	0	–	–	–	–
Brazil	–	–	–	40,349	41,250	41,250	1.13
Others	94,403	93,856	–	12,751	660	14,492	–
Total at 30/06/2012	**2,085,040**	**2,199,583**	**–**	**7,789,627**	**7,872,694**	**7,902,223**	**–**

[1] This item does not include sales of the following futures: Bund/Schatz (Germany) and Oat (France), amounting to €1.5bn and €0.2bn respectively (with respective fair values of €3.7m and €3m), or the €0.3bn in purchases of the T-note future (U.S.) with a fair value of minus €2.8m; net hedge buys of €392m with a positive fair value of €15.7m were also not included.

[2] Item does not include the Greek GDP Linkers Securities, with a notional value of €127m booked at a fair value of €1.3m.

Quantitative information

Section 5.1 Credit and counterparty risk

Credit risk and counterparty risk	AMOUNTS AS AT 30/6/13				AMOUNTS AS AT 30/6/12			
	Gross amount of CRM	Unweighted amounts	Weighted amounts	Requirements	Gross amount of CRM	Unweighted amounts	Weighted amounts	Requirements
A. CREDIT RISK AND COUNTERPARTY RISK								
A.1 STANDARDIZED METHODOLOGY - RISK ASSETS								
A.11 Exposures to or guaranteed by central administrations and central banks	9,634,835	9,634,835	40,283	3,223	8,650,986	8,650,985	9,147	732
A.12. Exposures to or guaranteed by regional entities	37,500	37,500	7,499	600	51,853	51,853	25,889	2,071
A.13. Exposures to or guaranteed by non-profit-making and public sector entities	218,701	234,993	223,932	17,915	345,573	247,029	231,455	18,516
A.14. Exposures to or guaranteed by multilateral development banks	59,693	59,693	4	—	59,877	59,877	—	—
A.15. Exposures to or guaranteed by international organizations	10,496	10,496	—	—	10,552	10,552	—	—
A.16. Exposures to or guaranteed by regulated intermediaries	10,759,073	7,990,493	4,602,772	368,222	14,172,977	8,428,212	3,838,253	307,060
A.17. Exposures to or guaranteed by companies	24,592,492	23,795,645	20,047,502	1,603,800	28,637,065	27,826,256	23,054,995	1,844,400
A.18. Retail exposures	11,382,824	11,223,000	7,674,866	613,989	12,999,288	12,417,470	7,446,981	595,758
A.19. Exposures guaranteed by properties	4,673,390	4,672,889	1,763,053	141,044	5,029,786	5,028,354	1,930,555	154,444
A.110. Overdue exposures	989,419	991,710	1,135,128	90,810	912,254	916,336	1,034,769	82,782
A.111. High-risk exposures	137,979	137,979	261,485	20,919	555,431	555,431	1,097,959	87,837
A.112. Exposures in the form of guaranteed bank obligations	382,372	382,372	178,700	14,296	—	—	—	—
A.113. Short-term exposures to companies	—	—	—	—	—	—	—	—
A.114. Exposures to collective investment and savings organizations (OICRs)	324,242	324,259	295,033	23,603	308,803	308,820	268,560	21,485
A.115. Other exposures	6,189,427	6,189,396	5,992,370	479,390	5,781,172	5,781,131	5,674,413	453,953

Credit risk: cash and off-balance-sheet exposures to banks

Type of exposure/book	Amounts as at 30/6/13				
	Esposizioni per cassa				Off-balance-sheet exposures
	Financial assets held for trading	AFS securities	Financial assets held to maturity	Due from banks	
	Gross exposure	Gross exposure	Gross exposure	Gross exposure	Gross exposure
A. Cash exposures					
a) Non-performing	–	–	–	–	–
b) Sub-standard	–	–	–	–	–
c) Restructured	–	–	–	–	–
d) Overdue	–	–	–	–	–
e) Country risk	–	–	–	–	–
f) Other assets	495,594	1,602,001	391,559	4,811,864	–
Total A	**495,594**	**1,602,001**	**391,559**	**4,811,864**	–
B. Off-balance-sheet exposures					
a) Impaired	–	–	–	–	–
b) Other	–	–	–	–	59,375,389
Total B	–	–	–	–	**59,375,389**
TOTAL A+B	**495,594**	**1,602,001**	**391,559**	**4,811,864**	**59,375,389**

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Credit risk: cash and off-balance-sheet exposures to customers

Type of exposure/counterparty area	Amounts as at 30/6/13						
	Cash exposures						Off-balance-sheet exposures
	Financial assets held for trading	AFS securities	AFS securities	Financial assets held to maturity	Due from customers	Non-current assets and groups	
	Gross exposure	Gross exposure	Gross exposure	Gross exposure	Gross exposure	Gross exposure	Gross exposure
A. Cash exposures							
a) Non-performing	–	–	–	–	601,041	–	–
b) Sub-standard	–	–	–	–	532,615	–	–
c) Restructured	–	–	–	–	320,626	–	–
d) Overdue	–	–	–	–	313,154	–	–
e) Country risk	–	–	–	–	–	–	–
f) Other exposures	4,989,609	–	7,744,864	1,071,563	32,376,517	–	–
Total A	**4,989,609**	**–**	**7,744,864**	**1,071,563**	**34,143,953**	**–**	–
B. Off-balance-sheet exposures	**–**	**–**	**–**	**–**	**–**	**–**	**–**
a) Impaired	–	–	–	–	–	–	8,771
b) Other	–	–	–	–	–	–	18,361,495
Total B	–	–	–	–	–	–	18,370,266
Total A+B	**4,989,609**	**–**	**7,744,864**	**1,071,563**	**34,143,953**	**–**	**18,370,266**

Cash and off-balance-sheet exposures to customers by geographical region

Type of exposure/Counterparty area	Amounts as at 30/6/13									
	Italy		Other European countries		U.S.		Asia		Rest of world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
a) Non-performing	–	–	–	–	–	–	–	–	–	–
b) Sub-standard	–	–	–	–	–	–	–	–	–	–
c) Restructured	–	–	–	–	–	–	–	–	–	–
d) Overdue	–	–	–	–	–	–	–	–	–	–
e) Other exposures	3,637,966	3,637,617	3,359,297	3,323,327	160,120	160,120	25,285	24,522	47,358	–
Total A	**3,637,966**	**3,637,617**	**3,359,297**	**3,323,327**	**160,120**	**160,120**	**25,285**	**24,522**	**47,358**	**–**
B. Off-balance-sheet exposures										
a) Non-performing	–	–	–	–	–	–	–	–	–	–
b) Sub-standard	–	–	–	–	–	–	–	–	–	–
c) Other impaired assets	–	–	–	–	–	–	–	–	–	–
d) Other exposures	2,302,759	2,302,759	56,585,084	56,585,084	487,546	487,546	–	–	–	–
Total B	**2,302,759**	**2,302,759**	**56,585,084**	**56,585,084**	**487,546**	**487,546**	**–**	**–**	**–**	**–**
Total A + B	**5,940,725**	**5,940,376**	**59,944,381**	**59,908,411**	**647,666**	**647,666**	**25,285**	**24,522**	**47,358**	**–**

Cash and off-balance-sheet exposures to customers by geographical region

Type of exposure/counterparty area	Amounts as at 30/6/13									
	Italy		Other European countries		U.S.		Asia		Rest of world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
a) Non-performing	558,583	247,525	32,753	8,952	6,212	5,000	–	–	3,492	1,267
b) Sub-standard	487,238	283,516	43,737	14,417	1,640	905	–	–	–	–
c) Restructured	222,586	176,704	98,015	60,075	25	25	–	–	–	–
d) Overdue	243,641	179,428	21,281	11,608	282	282	–	–	514	514
e) Other exposures	39,143,138	38,894,259	10,234,564	10,183,030	1,267,559	1,266,119	9,003	8,992	218,227	218,061
Total A	**40,655,186**	**39,781,432**	**10,430,350**	**10,278,082**	**1,275,718**	**1,272,331**	**9,003**	**8,992**	222,233	219,842
B. Off-balance-sheet exposures										
a) Non-performing	–	–	–	–	–	–	–	–	–	–
b) Sub-standard	209	209	0	0	–	–	–	–	–	–
c) Other impaired assets	5,555	5,400	3,007	2,628	–	–	–	–	–	–
d) Other exposures	8,962,043	8,956,029	9,091,439	9,085,552	292,839	291,511	400	400	14,774	14,774
Total B	**8,967,807**	**8,961,638**	**9,094,446**	**9,088,180**	292,839	291,511	400	400	14,774	14,774
Total A + B	**49,622,993**	**48,743,070**	**19,524,796**	**19,366,257**	**1,568,557**	**1,563,842**	**9,403**	**9,392**	**237,007**	**234,616**

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Cash and off-balance-sheet exposures to customers by sector

Type of exposure/counterparty area	Amounts as at 30/6/13																	
	Governments			Other public entites			Financial companies			Insurances			Non-financial undertakings			Other entities		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
A. Cash exposures																		
a) Non-performing	—	—	—	—	—	—	11,472	(11,472)	—	—	—	—	111,388	(54,074)	57,314	478,180	(272,750)	205,430
b) Sub-standard	—	—	—	10	—	10	1,077	(115)	962	—	—	—	184,797	(82,964)	101,833	346,732	(150,699)	196,033
c) Restructured	—	—	—	—	—	—	66,066	(11,380)	54,686	—	—	—	251,085	(71,874)	179,211	3,474	(567)	2,907
d) Overdue	—	—	—	356	(29)	327	123	0	123	7	—	7	88,350	(14,982)	73,368	176,882	(58,875)	118,007
e) Other exposures	11,676,793	(3,590)	11,673,203	156,729	(3,197)	153,532	6,972,900	(34,478)	6,938,422	2,578,091	(4,759)	2,573,332	15,004,883	(216,026)	14,788,857	14,483,097	(39,982)	14,443,115
Total A	11,676,793	(3,590)	11,673,203	157,095	(3,226)	153,869	7,051,638	(57,445)	6,994,193	2,578,098	(4,759)	2,573,339	15,640,503	(439,920)	15,200,583	15,488,365	(522,873)	14,965,492
B. Off-balance-sheet exposures																		
a) Non-performing	—	—	—	—	—	—	—	—	—	—	—	—	0	0	0	—	—	—
b) Sub-standard	—	—	—	—	—	—	—	—	—	—	—	—	0	0	0	209	—	209
c) Other impaired assets	—	—	—	—	—	—	0	0	0	—	—	—	8,507	-534	7,973	55	—	55
d) Other exposures	2,273,038	—	2,273,038	2,452	—	2,452	7,406,995	(2,397)	7,404,598	152,568	—	152,568	7,378,009	(10,832)	7,367,177	1,148,433	—	1,148,433
Total B	2,273,038	—	2,273,038	2,452	—	2,452	7,406,995	(2,397)	7,404,598	152,568	—	152,568	7,386,516	(11,366)	7,375,150	1,148,697	—	1,148,697
Total A+B	13,949,831	(3,590)	13,946,241	159,547	(3,226)	156,321	14,458,633	(59,842)	14,398,791	2,730,666	(4,759)	2,725,907	23,027,019	(451,286)	22,575,733	16,637,062	(522,873)	16,114,189

Financial assets by outstanding maturity

Type	Amounts as at 30/6/13										Total
	On demand	From 1 day 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	More than 5 years	Unspecified duration	
Cash assets											
A.1 Government securities	243,815	158,086	353,447	15,473	1,228,295	356,892	1,611,771	4,793,108	1,056,023	–	**9,816,910**
A.2 Listed debt securities	–	–	–	–	–	–	–	–	–	–	**–**
A.3 Other debt securities	1,937	100,609	64,686	130,922	157,457	292,912	1,795,118	2,893,830	2,163,015	–	**7,600,486**
A.4 OICR units	–	–	–	–	–	–	–	–	–	32,946	**32,946**
A.5 Loans and advances											
- to banks	2,694,419	172,643	98,891	96,682	758,753	388,749	32,980	428,096	195,640	7,405	**4,874,258**
- to customers	3,038,998	337,102	518,155	1,634,995	2,478,940	2,526,285	2,780,205	16,174,710	8,031,577	28,462	**37,549,429**
Off-balance-sheet assets											
B.1 Financial derivatives with exchange of principal											
- to banks											
- to customers	(2,467,765)	(273,078)	(209,354)	(916,754)	(154,162)	(170,718)	(89,955)	(7,846,699)	(296,992)	(2,822)	**(12,428,299)**
B.2 Deposits and loans	(4,180,823)	(490,351)	(434,421)	(499,753)	(1,756,798)	(2,861,821)	(4,997,465)	(635,107)	(748,499)	(38,587)	**(16,643,625)**
B.3 Other liabilities											
Operazioni fuori bilancio	(1,868)	(7,771)	(4,782)	(29,544)	(531,835)	(1,113,150)	(6,209,603)	(14,831,748)	(3,208,342)	(47)	**(25,938,690)**
C.1 Financial derivatives with exchange of princ	–	(802,899)	(30,634)	(142,905)	(761,155)	(108,563)	–	–	–	–	**(1,846,156)**
- long positions											
- short positions											
C.2 Financial derivatives without exchange of principal											
- long positions	124,796	45,841	402,789	463,225	3,394,136	913,201	195,652	1,683,356	137,298	–	**7,360,294**
- short positions	34,848	14,348	18,738	533,594	3,074,031	959,106	285,697	2,686,910	455,103	–	**8,062,375**
C.3 Deposits and financing receivables											
- long positions	4,133,072	5,446	3,306	21,998	75,081	132,775	323,808	1,052	–	–	**4,696,538**
- short positions	4,221,316	195	5,006	15,578	41,810	75,365	123,256	8,853	–	–	**4,491,379**
C.4 Irrevocable commitment to disburse funds											
- long positions	1,914,007	2,426,687	112,291	297,367	780,443	39,149	85,900	–	–	–	**5,655,844**
- short positions	–	–	–	–	667,351	426,250	141,748	2,698,827	1,721,670	–	**5,655,846**
C.5 Garanzie finanziarie rilasciate											
- long positions	13,148	84,490	188,177	238,473	928,254	399,503	314,471	1,950,385	1,372,507	264	**5,489,672**
- short positions	3,465,450	2,023,957	–	–	–	–	–	–	–	264	**5,489,671**
C.5 Financial guarantees issued	31,800	–	–	–	–	–	–	–	–	–	**31,800**

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Cash exposures: trends in overall value adjustments

Description/category	Amounts as at 30/6/13									
	Exposures to banks					Exposures to customers				
	Non-performing	Sub-standard	Restructured	Overdue exposures	Total	Non-performing	Sub-standard	Restructured	Overdue exposures	Total
A. Adjustments at start of period	–	–	–	–	–	**(325,923)**	**(174,188)**	**(160,123)**	**(15,639)**	**(675,873)**
B. Additions	–	–	–	–	–	**(201,431)**	**(194,801)**	**(40,057)**	**(72,376)**	**(508,665)**
B.1 value adjustments	–	–	–	–	–	(148,233)	(170,959)	(18,102)	(70,237)	(407,531)
B.2 transfers from other categories of impaired assets	–	–	–	–	–	(51,152)	(22,521)	(14,524)	(1,234)	(89,431)
B.3 other additions	–	–	–	–	–	(2,046)	(1,321)	(7,431)	(905)	(11,703)
C. Reductions	–	–	–	–	–	**126,004**	**179,009**	**47,339**	**56,759**	**409,111**
C.1 writebacks based on valuations	–	–	–	–	–	16,383	22,213	799	8,537	47,932
C.2 writebacks due to amounts collected	–	–	–	–	–	13,663	8,365	18,994	2,566	43,588
C.3 amounts written off	–	–	–	–	–	44,876	49,566	1	9,805	104,248
C.4 transfers to other categories of impaired assets	–	–	–	–	–	3,556	51,764	–	34,111	89,431
C.5 other reductions	–	–	–	–	–	47,526	47,101	27,545	1,740	123,912
D. Total adjustments at end of period	–	–	–	–	–	**(401,350)**	**(189,980)**	**(152,841)**	**(31,256)**	**(775,427)**
of which:										
- specific adjustments	–	–	–	–	–	(338,296)	(233,777)	(83,822)	(73,886)	(729,781)
- collective adjustments	–	–	–	–	–	–	–	–	–	–
E. Value adjustments taken to P/L	–	–	–	–	–	–	–	–	–	–

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Section 6 – Credit risk: information on books subject to the standardized method and on specialized credit exposures and in equities in connection with use of the IRB methods

Qualitative information

Mediobanca uses the following external ratings agencies (or "ECAIs" in order to determine risk weightings in connection with the standardized method:

- Moody's Investors Service
- Standard & Poor's Rating Services
- Fitch Ratings

The books for which Mediobanca uses official ratings are listed below, along with the agencies which issue the ratings and the rating's characteristics:

Book	ECAI	Rating characteristic[6]
Exposures to central administrations and central banks	Moody's Investors Service Standard & Poor's Rating Services Fitch Ratings	Solicited/unsolicited
Exposures to international organizations	Moody's Investors Service Standard & Poor's Rating Services Fitch Ratings	Solicited/unsolicited
Exposures to multilateral development banks	Moody's Investors Service Standard & Poor's Rating Services Fitch Ratings	Solicited/unsolicited
Exposures to companies and other entities	Moody's Investors Service Standard & Poor's Rating Services Fitch Ratings	Solicited
Exposures to undertakings for collective investments in transferable securities (UCITS)	Moody's Investors Service Standard & Poor's Rating Services Fitch Ratings	Solicited
Positions in securitizations with short-term ratings	Moody's Investors Service Standard & Poor's Rating Services Fitch Ratings	
Positions in securitizations other than those with short-term ratings	Moody's Investors Service Standard & Poor's Rating Services Fitch Ratings	

* *"Solicited ratings" are ratings issued following a request by the entity being rated and in return for a fee. Ratings issued without such a request being made are treated as comparable to solicited ratings if the entity has previously received a solicited rating from the same ECAI. "Unsolicited ratings" are those issued without the entity being rated requesting a rating and without any fee being paid. The decision to use unsolicited ratings as well stems from some ECAIs choosing to convert the ratings of some European states from solicited to unsolicited.*

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Quantitative information

Standardized methodology: risk assets

Portafolios	Amounts as at 30/6/13		
	Value of exposure	Exposures guaranteed	
		Real guarantee	Personal guarantee
Exposures to or guaranteed by central administrations and central banks	**9,634,834**	**7,176**	**89,902**
credit rating class 1	9,554,196		
credit rating class 2	–		
credit rating class 3	80,638		
credit rating classes 4 and 5	–		
credit rating class 6	–		
Exposures to or guaranteed by regional entities	**37,500**	**–**	**–**
credit rating class 1	37,500		
credit rating class 2	–		
credit rating class 3	–		
credit rating classes 4 and 5	–		
credit rating class 6	–		
Exposures to or guaranteed by non-profit-making or public-sector entities	**234,994**	**250**	**–**
credit rating class 1	155		
credit rating class 2	15,663		
credit rating class 3	–		
credit rating classes 4 and 5	219,176		
credit rating class 6	–		
Exposures to or guaranteed by Banche multilateral development banks	**59,693**	**786**	**–**
credit rating class 1	59,693		
credit rating class 2	–		
credit rating class 3	–		
credit rating classes 4 and 5	–		
credit rating class 6	–		
Exposures to or guaranteed by international organizations	**10,496**	**–**	**–**
Exposures to or guaranteed by regulated intermediaries	**7,990,491**	**5,104,840**	**127,082**
credit rating class 1	4,054,462		
credit rating class 2	219,629		
credit rating class 3	–		
credit rating classes 4 and 5	3,716,399		
credit rating class 6	1		
Exposures to or guaranteed by companies	**23,795,646**	**1,695,652**	**142,475**
credit rating class 1	70,063		
credit rating class 2	1,321,815		
credit rating classes 3 and 4	22,168,815		
credit rating classes 5 and 6	234,953		
Retail exposures	**11,223,000**	**165,045**	**–**
Exposures guaranteed by properties	**4,672,888**	**502**	**–**
Overdue exposures	**991,711**	**324**	**–**
High-risk exposures	**137,979**	**–**	**–**
Exposures in the form of guaranteed bank debt securities	**382,371**	**–**	**–**
Short-term exposures to companies	**–**	**–**	**–**
credit rating class 1	–		
credit rating class 2	–		
credit rating class 3	–		
credit rating classes from 4 to 6	–		
Exposures to OICRs	**324,259**	**–**	**–**
credit rating class 1	–		
credit rating class 2	–		
credit rating classes 3 and 4	324,259		
credit rating classes 5 and 6	–		
Other exposures	**6,189,398**	**134**	**–**
Total cash risk assets	**53,655,779**	**992,633**	**258,487**
Total guarantees issued and commitments to disburse funds	**8,555,475**	**725**	**100,972**
Total derivatives contracts	**2,192,927**	**786,892**	**–**
Total SFTs and trades with long-term settlement	**1,281,079**	**5,194,459**	**–**
Netting arrangements between various products	**–**		
Grand total	**65,685,260**	**6,974,709**	**359,459**

Section 8 – Risk mitigation techniques

Qualitative information

The Group has implemented specific activities aimed at defining and meeting the necessary requirements for correctly applying credit risk mitigation (CRM) techniques, to maximize the effect of mitigation on the real and personal guarantees for loans, and to obtain a positive impact on the Group's capital requirements.

With reference to Mediobanca in particular, as a unit which is independent of the Bank's operating and commercial division s, the Compliance unit has been tasked with checking the eligibility of guarantees made for purposes of credit risk mitigation, in relation to the instructions provided by the Bank of Italy for banks or groups adopting the standardized method.

Netting policies and processes for on- and off-balance-sheet transactions

The Group does not net credit risk exposures for on- or off-balance-sheet transactions. Instead, risk reduction policies are adopted by entering into netting agreements and collateral agreements, both for derivatives and for positions held in securities lending transactions.

With respect to derivatives, the Group has also drawn up counterparty risk reduction policies, by entering into ISDA and Credit Support Annex agreements with institutional counterparties, in accordance with regulations in force. As for securities lending transactions, repos and repurchasing repos, the Group has implemented counterparty risk reduction policies by executing GMSLA and GMRA (for repos and repurchasing reports) netting agreements which provide for collateralization agreements, in some cases in the form of triparty repos.

Policies and processes for valuing and managing real guarantees

In performing lending operations, the Group widely acquires guarantees which are typical of banking activity, principally as real guarantees over financial instruments and properties as described below:

- mortgage guarantees – the initial value of the property at the disbursement stage is based on a valuation made by independent experts. In order to ensure that the value of the collateral thus acquired is in line with the value of the underlying asset, a specific procedure has been drawn up which involves the fair value of the property being calculated and monitored on a regular basis based on market data supplied by an external information provider;

- pledge guarantees – pledge guarantees are valued on the basis of their real value, in the sense of market value for financial instruments listed on a regulated market, or presumed realization value in other cases. This value is then revised to reflect prudential margins, which vary according to the financial instrument used as the collateral in accordance with the provisions of regulatory requirements.

Main types of guarantors and counterparties in credit derivative transactions and their credit rating

The Group uses leading market counterparties to hedge credit derivative exposures.

Information on market or credit risk concentrations in connection with credit risk mitigation techniques adopted

Just under 75% of the guarantees received (€5.2bn) involve securities and cash in connection with securities financing transactions which are recorded among real financial guarantees; there is also €787m (approx. 12.5% of the total) in cash collateral, chiefly in respect of derivatives trading and the remainder for structured finance transactions.

Quantitative information

Risk mitigation techniques

Exposures to		Amounts as at 30/06/13			Amounts as at 30/06/12	
	Real financial guarantees	Other guarantees	Personal guarantees and credit derivatives	Real financial guarantees	Other guarantees	Personal guarantees and credit derivatives
Central administrations and central banks	7,176	–	89,902	–	–	181,641
Regulatory intermediaries	5,104,840	6,507	120,575	7,914,215	44,893	175,712
Regional entities	–	–	–	–	–	–
Non-profit-making and public sector entities	250	–	–	127,465	–	–
Multilteral development banks	786	–	–	–	–	–
International bodies	–	–	–	–	–	–
Companies	1,695,652	–	142,475	1,763,105	–	94,713
Retail exposures	165,045	–	–	530,226	–	–
Short-term exposures to companies	–	–	–	–	–	–
OICRs	–	–	–	–	–	–
Exposures guaranteed by properties	502	–	–	1,432	–	–
Exposures in the form of guaranteed bank debt securities	–	–	–	–	–	–
Overdue exposures	324	–	–	973	–	–
High-risk exposures	–	–	–	–	–	–
Other exposures	134	80,756	–	42	513	–
Total	**6,974,709**	**87,263**	**352,952**	**10,337,458**	**45,406**	**452,066**

Section 9 – Counterparty risk

Qualitative information

This is measured in terms of expected potential market value, thus doing away with the need to set arbitrary weightings for each type of fund employed. As far as regards derivatives and loan collateralization products (repos and securities lending), the calculation is based on determining the maximum potential exposure (assuming a 95% confidence level) at various points on a time horizon that reaches up to 30 years. The scope of application regards all groups of counterparties which have relations with Mediobanca, taking into account the existence or otherwise of netting agreements (e.g. ISDA, GMSLA or GMRA) and collateralization (e.g. CSA), plus exposures deriving from interbank market transactions. For each type of operations there are different ceilings split by counterparty and/or group. The limits are checked daily, based on the reports produced by the Risk Management unit.

* * *

For regulatory purposes, counterparty risk is calculated by applying the methodologies stipulated in Circular 263. The following methodologies in particular have been used to calculate the exposure:

- the “current value” method for financial and credit derivative instruments traded OTC and for trades with long-term settlements;

- the “integral” method for SFT trades with regulatory adjustments for volatility; such trades consist of repos, securities and/or commodities lending transactions and loans linked with securities.

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Quantitative information

Counterparty risk

Counterparty risk – real guarantees held

COUNTERPARTY RISK - REAL GUARANTEES HELD	AMOUNTS AS AT 30/06/13	AMOUNTS AS AT 30/06/12
Standardized approach		
- derivatives contracts	786,892	684,072
- SFTs and trades with long-term settlement	5,194,459	8,711,299
IRB approaches		
- derivatives contracts	–	–
- SFTs and trades with long-term settlement	–	–

Counterparty risk – risk assets

COUNTERPARTY RISK	AMOUNTS AS AT 30/6/13	AMOUNTS AS AT 30/6/12
Standardized approach		
- derivatives contracts	2,192,927	2,152,074
- SFTs and trades with long-term settlement	1,281,079	834,408
IRB approaches		
- derivatives contracts	–	–
- SFTs and trades with long-term settlement	–	–

Type of transaction	30/6/13		30/6/12	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	111,360,707	68,684,370	109,668,791	13,473,584
a) Options	5,887	56,849,325	–	4,225,500
b) Swaps	97,089,820	–	99,892,289	–
c) Forwards	–	–	–	–
d) Futures	–	11,835,045	–	9,248,084
e) Others	14,265,000	–	9,776,502	–
2. Equities and share indexes	27,901,604	29,840,092	43,946,742	31,844,057
a) Options	26,525,407	29,694,729	40,775,779	31,649,118
b) Swaps	1,376,197	–	3,170,842	–
c) Forwards	–	–	121	–
d) Futures	–	145,363	–	194,939
e) Others	–	–	–	–
3. Exchange rates and gold	8,993,545	–	9,522,300	132
a) Options	1,271,886	–	59,161	–
b) Swaps	1,881,230	–	1,498,372	–
c) Forwards	5,840,429	–	7,964,767	–
d) Futures	–	–	–	132
e) Others	–	–	–	–
4. Commodities	–	–	–	1,264
5. Other assets	–	–	–	–
Total	**148,255,856**	**98,524,462**	**163,137,833**	**45,319,037**
Average values	158,568,866	71,921,750	163,236,379	53,094,119

Type of transaction	30/6/13		30/6/12	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	27,511,264	–	30,998,853	–
a) Options	–	–	–	–
b) Swaps	27,252,867	–	30,807,897	–
c) Forwards	–	–	10,956	–
d) Futures	–	–	–	–
e) Others	258,397	–	180,000	–
2. Equities and share indexes	2,436	–	2,560	–
a) Options	59	–	183	–
b) Swaps	–	–	–	–
c) Forwards	2,377	–	2,377	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
3. Exchange rates and gold	15,289	–	33,539	–
a) Options	–	–	–	–
b) Swaps	15,289	–	33,539	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
4. Commodities	–	–	–	–
5. Other assets	–	–	–	–
Total	**27,528,989**	**–**	**31,034,952**	**–**
Average values	29,702,791	–	32,744,916	–

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Type of transaction	30/6/13		30/6/12	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	537,251	–	12,251	–
a) Options	–	–	–	–
b) Swaps	537,251	–	12,251	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
2. Equities and share indexes	6,723,608	–	8,240,895	–
a) Options	6,723,608	–	8,240,895	–
b) Swaps	–	–	–	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
3. Exchange rates and gold	2,302	–	10,613	–
a) Options	–	–	10,613	–
b) Swaps	2,302	–	–	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
4. Commodities	–	–	–	–
5. Other assets	–	–	–	–
Total	**7,263,161**	**–**	**8,263,759**	**–**
Average values	7,631,974	–	8,783,947	–

Type of transactions	Positive fair value			
	30/6/13		30/6/12	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	4,320,377	867,425	4,412,338	1,096,518
a) Options	1,315,270	853,684	1,302,514	1,082,876
b) Interest rate swaps	2,778,379	–	2,939,169	–
c) Cross currency swaps	59,329	–	52,725	–
d) Equity swaps	63,358	–	41,738	–
e) Forwards	104,041	–	76,192	–
f) Futures	–	13,741	–	13,642
g) Others	–	–	–	–
B. Banking book: hedge derivatives	1,298,768	–	1,735,298	–
a) Options	–	–	–	–
b) Interest rate swaps	1,129,576	–	1,586,718	–
c) Cross currency swaps	1,373	–	1,619	–
d) Equity swaps	–	–	–	–
e) Forwards	–	–	–	–
f) Futures	–	–	–	–
g) Others	167,819	–	146,961	–
C. Banking book: other derivatives	144,996	–	131,863	–
a) Options	130,763	–	127,912	–
b) Interest rate swaps	14,233	–	3,951	–
c) Cross currency swaps	–	–	–	–
d) Equity swaps	–	–	–	–
e) Forwards	–	–	–	–
f) Futures	–	–	–	–
g) Others	–	–	–	–
Total	5,764,141	867,425	6,279,499	1,096,518

Type of transaction	Negative fair value			
	30/6/13		30/6/12	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	(4,414,620)	(968,447)	(5,136,695)	(1,044,228)
a) Options	(1,150,278)	(958,955)	(1,408,537)	(1,025,783)
b) Interest rate swaps	(2,955,097)	–	(3,273,728)	–
c) Cross currency swaps	(57,235)	–	(108,589)	–
d) Equity swaps	(147,017)	–	(264,259)	–
e) Forwards	(104,993)	–	(81,582)	–
f) Futures	–	(9,492)	–	(18,445)
g) Others	–	–	–	–
B. Banking book: hedge derivatives	(503,207)	(1)	(507,544)	–
a) Options	(167,843)	–	(147,056)	–
b) Interest rate swaps	(335,211)	–	(357,861)	–
c) Cross currency swaps	(150)	–	(2,526)	–
d) Equity swaps	–	–	–	–
e) Forwards	(3)	(1)	(101)	–
f) Futures	–	–	–	–
g) Others	–	–	–	–
C. Banking book: other derivatives	(177,176)	–	(119,069)	–
a) Options	(171,230)	–	(119,069)	–
b) Interest rate swaps	(5,946)	–	–	–
c) Cross currency swaps	–	–	–	–
d) Equity swaps	–	–	–	–
e) Forwards	–	–	–	–
f) Futures	–	–	–	–
g) Others	–	–	–	–
Total	**(5,095,003)**	**(968,448)**	**(5,763,308)**	**(1,044,228)**

Contracts not forming part of netting arrangements	30/06/13						
	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1 Debt securities and interest rates							
- notional value	—	—	855,965	2,140,825	—	6,784,966	—
- positive fair value	—	—	40,231	70,412	—	201,212	—
- negative fair value	—	—	(9,252)	(19,389)	—	(290,611)	—
- future exposure	—	—	9,415	9,851	—	52,332	—
2. Equities and share indexes							
- notional value	—	—	18,721	646,782	35,513	543,827	6,009
- positive fair value	—	—	232	45,758	—	42,395	—
- negative fair value	—	—	—	(79,474)	—	(47,052)	(128)
- future exposure	—	—	1,150	38,807	3,551	36,417	—
3. Exchange rates and gold							
- notional value	—	—	6,868	234,154	—	327,325	—
- positive fair value	—	—	36	1,248	—	18,416	—
- negative fair value	—	—	(3)	(191)	—	(8,893)	—
- future exposure	—	—	69	7,205	—	18,317	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1 Debt securities and interest rates							
- notional value	—	—	82,685,305	16,635,993	1,731,351	526,302	—
- positive fair value	—	—	2,093,857	352,080	176,892	66,283	—
- negative fair value	—	—	(2,360,501)	(381,135)	—	—	—
2. Equities and share indexes							
- notional value	—	—	10,392,157	16,099,806	158,664	125	—
- positive fair value	—	—	364,216	692,531	7,255	—	—
- negative fair value	—	—	(327,238)	(728,827)	(5,674)	(3,011)	—
3. Exchange rates and gold							
- notional value	—	—	7,088,831	1,183,461	—	152,905	—
- positive fair value	—	—	110,831	36,491	—	—	—
- negative fair value	—	—	(127,424)	(1,881)	—	(23,938)	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1 Debt securities and interest rates							
- notional value	—	—	542,548	—	—	—	—
- positive fair value	—	—	169,286	—	—	—	—
- negative fair value	—	—	(12,108)	—	—	—	—
- future exposure	—	—	1,236	—	—	—	—
2. Equities and share indexes							
- notional value	—	—	—	—	—	2,377	59
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	(24)
- future exposure	—	—	—	—	—	—	4
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	—	—	—	—	—	—	—

Transaction categories	Regulatory trading book		Other transactions	
	Individual assets	Baskets	Individual assets	Baskets
1. Hedge buys				
a) Credit default	1,901,362	42,469,017	346,386	74,735
b) Credit spread products	–	–	–	–
c) Total rate of return swaps	–	–	–	–
d) Others	–	–	–	–
Total A at 30/6/10	**1,901,362**	**42,469,017**	**346,386**	**74,735**
Average values	1,699,177	60,754,734	329,431	64,631
Total A at 30/ 6/ 12	**1,439,830**	**79,058,450**	**446,498**	**40,525**
2. Hedge sales				
a) Credit default	1,325,915	41,767,315	124,987	1,403,963
b) Credit spread products	–	–	–	–
c) Total rate of return swaps	–	–	–	–
d) Others	–	–	–	–
Total B at 30/6/10	**1,325,915**	**41,767,315**	**124,987**	**1,403,963**
Average values	1,437,802	60,937,414	70,926	1,295,332
Total B at 30/6/12	**1,485,945**	**79,485,412**	**110,114**	**1,835,000**

Portfolio/derivative instrument type	Positive fair value	
	30/6/13	30/6/12
A. Regulatory trading book	754,633	1,717,268
a) Credit default products	754,633	1,717,268
b) Credit spread products	–	–
c) Total rate of returns swaps	–	–
d) Others	–	–
B. Banking book	28,349	70,901
a) Credit default products	28,349	70,901
b) Credit spread products	–	–
c) Total rate of returns swaps	–	–
d) Others	–	–
Total	**782,982**	**1,788,169**

Portfolios/derivative instruments type	Negative fair value	
	30/6/13	30/6/09
A. Regulatory trading book	(699,513)	(1,723,332)
a) Credit default products	(699,513)	(1,723,332)
b) Credit spread products	–	–
c) Total rate of returns swaps	–	–
d) Others	–	–
B. Banking book	(18,354)	(34,915)
a) Credit default products	(18,354)	(34,915)
b) Credit spread products	–	–
c) Total rate of returns swaps	–	–
d) Others	–	–
Total	**(717,867)**	**(1,758,247)**

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	–	–	43,583,128	687,251	–	–	–
- positive fair value	–	–	223,028	6,967	–	–	–
- negative fair value	–	–	(493,951)	(5,003)	–	–	–
2. Hedge sales							
- notional value	–	–	42,761,598	331,632	–	–	–
- positive fair value	–	–	520,176	1,878	–	–	–
- negative fair value	–	–	(195,332)	(4,569)	–	–	–
Banking book							
1. Hedge buys							
- notional value	–	–	–	–	–	–	–
- positive fair value	–	–	–	–	–	–	–
- negative fair value	–	–	–	–	–	–	–
2. Hedge sales							
- notional value	–	–	–	–	–	–	–
- positive fair value	–	–	–	–	–	–	–
- negative fair value	–	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**	**–**	**–**
- notional value	–	–	86,344,726	1,018,883	–	–	–
- positive fair value	–	–	743,204	8,845	–	–	–
- negative fair value	–	–	(689,283)	(9,572)	–	–	–

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Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
Regulatory trading book							
1 Hedge buys							
- notional value	—	—	—	50,000	—	50,000	—
- positive fair value	—	—	—	—	—	2,583	—
- negative fair value	—	—	—	(657)	—	—	—
- future exposure	—	—	—	2,500	—	2,500	—
2. Hedge sales							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
Banking book							
1 Hedge buys							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
2. Hedge sales							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1) Financial derivatives bilateral agreements							
- positive fair value	–	–	–	–	–	–	–
- negative fair value	–	–	–	–	–	–	–
- future exposure	–	–	–	–	–	–	–
- net counterparty risk	–	–	–	–	–	–	–
2) Credit derivatives bilateral agreeements							
- positive fair value	–	–	–	–	–	–	–
- negative fair value	–	–	–	–	–	–	–
- future exposure	–	–	–	–	–	–	–
- net counterparty risk	–	–	–	–	–	–	–
3) "Cross product" agreements							
- positive fair value	–	–	782,801	140,364	184,801	44,788	–
- negative fair value	–	–	(315,778)	(95,594)	(5,651)	(5,636)	–
- future exposure	–	–	773,675	326,914	17,204	8,462	–
- net counterparty risk	–	–	810,526	444,747	178,275	53,250	–

Section 10 – Securitizations

Qualitative information

The Group has four securitizations outstanding, executed through securitization vehicle companies Quarzo Lease S.r.l. (SelmaBipiemme receivables) and Quarzo S.r.l. (Compass receivables), without giving rise to derecognition. In all these securitizations, the junior tranches have been subscribed for by Group companies; the Quarzo S.r.l. deal is an auto-securitization (subscribed for internally), while the the senior tranche of the Quarzo Lease deal was subscribed for by the European Investment Bank, and the junior tranche by SelmaBipiemme.

Information on such deals is provided below, to provide a clearer picture of their nature in earnings terms

- **Quarzo Lease S.r.l. (securitizations originated by SelmaBipiemme Leasing receivables)** - This special purpose vehicle company currently has three securitizations outstanding, all with SelmaBipiemme as the underlying instruments, with the senior tranches underwritten by the EIB:

  i) the first involved the issue of 350 million in senior securities and €36.9m in junior securities against €386.9m in performing receivables; the securitization, which was completed on 25 July 2007, and the repayment phase commenced on 25 April 2013 (during the current year a further €39m in receivables were sold); at 30 June 2013 the senior securities amounted to €280.4m, against leases sold totalling €316.3m;

  ii) the second deal involved the issue of 350 million senior securities and 100 million junior securities, against performing leases worth €450m; the repayment phase commenced in July 2012, and at 30 June 2013 the senior securities amounted to €177.2m, against leases sold totalling €276m;

  iii) the third deal involved the issue of 202 million senior and 123.1 million junior securities, against performing leases worth €325m; the securitization was completed on 18 July 2011, and the repayment phase will commence on 25 August 2014 (during the current financial year a further €93m in receivables were sold); at 30 June 2013 the amount outstanding on the leases sold was €307.1m;

- Quarzo s.r.l. (securitization originated by Compass receivables) – In May 2013, following the start of the repayment phase, the two securitizations which Compass had outstanding were closed early; at the same time, a new securitization of performing consumer credit receivables was structured. The new deal was completed in May, with the non-recourse disposal of an initial portfolio of performing receivables worth approx. €3,500m to Quarzo S.r.l., and consists of a senior issue in an amount of €2,960m fully subscribed for by Mediobanca S.p.A., and junior securities worth €540m subscribed for by Compass; the securitization involves monthly revolving periods which began in July 2013 and will continue until December 2015;

- Jump s.r.l. (securitizations originated by Linea performing receivables) - This special purpose vehicle issued two series of notes against two disposals of performing receivables by Linea:

  i) the first deal (launched in April 2005) involved 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;

ii) the second deal (launched in October 2006) consists of class A securities worth €368.6m, class B securities worth €30.6m, and junior notes worth €0.8m, subscribed for by Linea maturing on 27 April 2026.

On 29 October 2012, as permitted by the general regulations on securities, Jump exercised its right of early redemption for all securities issued.

The Group also holds:

- a banking book of securities deriving from securitizations by other issuers amounting to €246.1m (30/6/12: €277.8m), following disposals and redemptions totalling €58.5m (generating gains of €3.2m) and other upward adjustments amounting to €0.8m, €0.02m of which in connection with adjustments to fair value; the banking book reflects potential losses of €27.7m;

- a trading book of securities deriving from securitizations by other issuers amounting to €26.8m (30/6/12: €53.0m), following purchases of €14.1m, disposals and redemptions totalling €43.5m (generating gains of €2.0m), and other upward adjustments amounting to €1.3m, €1.4m of which in connection with adjustments to fair value.

These balance-sheet valuations are 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.

The exposures to securities deriving from securitizations are monitored as part of the calculation of the market value at risk which is calculated by the Market risk management unit, and are subject to the issuer limits established.

For the purpose of calculating the exposure for the investments held as part of the banking and trading books, a rating-based approach is used,[7] or alternatively an internal valuation is made using the “look-through” method for unrated positions; these involve only deals where Mediobanca has played an active role in the securitization, e.g. as sponsor, manager.

[7] *A list of the ECAIs used is provided in section 6.*

Quantitative information

Standardized methodology: positions in securitizations

1. *Banking book securitizations (AFS, HTM and LR portfolios)*

RISK WEIGHTING CLASSES	Amounts as at 30/6/13	
	Off-balance-sheet risk assets	
	Third-party securitizations	
	Type of securitization	
	Traditional	Synthetic
Weighting 20%	–	–
Weighting 50%	50,666	–
Weighting 100%	151,647	–
Weighting 350%		–
Weighting 1250% - with rating		–
Weighting 1250% - without rating	2,403	–
Look-through - second loss in ABCP		–
Look-through - other	41,357	–
Total	246,073	–

* *No off-balance-sheet risk assets included.*

2 *Trading book securitizations*

RISK WEIGHTING CLASSES	Amounts as at 30/6/13	
	Cash risk assets	
	Third-party securitizations	
	Type of securitization	
	Traditional	Synthetic
Ponderazione 20%	16,748	–
Ponderazione 50%	7,721	–
Ponderazione 100%	2,305	–
Ponderazione 350%	–	–
Ponderazione 1250% - con rating	–	–
Ponderazione 1250% - privo di rating	–	–
Look-through - second loss in ABCP	–	–
Look-through - altro	–	–
Ponderazione 650%	–	–
Totale	26,774	–

* *No off-balance-sheet risk assets included.*

Section 12 – Operational risk

Qualitative information

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 2013 was €257.1m.

Section 13 – Exposures to equities: information on banking book positions

Qualitative information

Equity instruments refer to those assets recognized in the accounts as "Equity investments and other AFS shares"; during the period, the Group's stakes in RCS MediaGroup, Gemina, Pirelli and Telco were transferred from equity investments to AFS shares. The accounting policies adopted in respect of these asset classes are described below.

Equity investments

This heading consists of investments in:

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

AFS securities

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

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

Assets are subjected to impairment tests at annual and interim reporting dates. If there is evidence of a long-term reduction in the value of the asset concerned, this is recognized in the profit and loss account on the basis of market prices in the case of listed instruments, and of estimated future cash flows discounted according to the original effective interest rate in the case of unlisted securities. In particular, the criteria for measuring impairment for shares are a reduction in fair value of more than 30%, or a reduction versus the initial recognition value of more than 24 months. 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.

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Quantitative information

Banking book: cash exposures in equities and UCITS

Items	Amounts as at 30/06/13										
	Book value		Fair value		Impairment	Gains/losses realized		Gain/loss not realized		Gain/loss not realized included in Tier 1/Tier 2 capital	
	Listed	Unlisted	Listed	Unlisted		Gains	Losses	Gains	Losses	Gains	Losses
A. Equities											
A.1 Shares	3,111,324	653,845	3,416,469	653,845	(378,900)	93,093	(82,715)	352,625	(306)	25,342	–
A.2 Innovative equity instruments	–	–	–	–	–	–	–	–	–	–	–
A.3 Other equity instruments	–	226,544	–	226,544	(125,005)	–	–	11,772	–	–	–
B. OICR units											
B.1 Incorporated under Italian law	–	–	–	–	–	–	–	–	–	–	–
harmonized, open	–	–	–	–	–	–	–	–	–	–	–
not harmonized, open	–	–	–	–	–	–	–	–	–	–	–
closed	–	82,939	–	82,939	(2,059)	–	–	4,169	(1,691)	–	–
reserved	–	4,741	–	4,741	(5,009)	–	–	152	–	–	–
speculative	–	5,802	–	5,802	–	–	–	1,028	–	–	–
B.2 Other EU states	–	–	–	–	–	–	–	–	–	–	–
harmonized	366	14,460	366	14,460	(876)	48	(58)	1,534	–	1,422	–
not harmonized, open	–	–	–	–	–	–	–	–	–	–	–
not harmonized, closed	–	8,101	–	8,101	–	–	–	1,282	–	–	–
B.3 Non-EU states	–	–	–	–	–	–	–	–	–	–	–
open	–	1,338	–	1,338	–	89	–	45	(1)	–	–
closed	–	–	–	–	–	–	–	–	–	–	–
Total	3,111,690	997,770	3,416,835	997,770	(511,850)	93,230	(82,773)	372,606	(1,998)	26,764	–

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Banking book: equity instruments

Category	Book value as at 30/06/13
Private equity instruments held in a sufficiently diversified form	117,747
Equity instruments listed on regulated markets	3,111,324
Other equity instruments	880,389
Total equity instruments	**4,109,460**
Balance-sheet values, listed and unlisted	**4,109,460**
Difference	–

Section 14 – Interest rate risk on banking book positions

Qualitative information

See section 1, "General disclosure requirement", under "Interest rate risk on the banking book".

Quantitative information

The Group's exposure to interest rate risk has been quantified in accordance with the simplified methodology described by the Bank of Italy in Circular 263. The regulatory approach is based on quantifying the variation in the economic value of the supervisory banking book following a change in interest rates.

In determining internal capital under ordinary conditions, reference has been made to the annual changes in interest rates recorded during an observation period of 6 years, considering alternately the first percentile (reduction) and the 99th percentile (increase).[8]

The calculation of the interest rate risk on interest on the banking book is shown below, following a shift in the interest rate considering the 99th percentile (increase) in the annual changes in interest rates recorded in the last 6 years:[9]

(€ mln)	Amounts at 30.06.13
Interest rate risk on the banking book	**175**
• Euro	175
• Other currencies	(0.3)

In addition, stress tests have been carried out on the interest rate on the banking book at the consolidated level, with the aim of quantifying the effect of a parallel shift of + 200 basis points in the interest rate curve as required by Circular 263, in order to calculate the risk indicator.

A breakdown of the exposures in the individual relevant currencies and the aggregate of non-relevant currencies is provided below, along with a calculation of the risk indicator, assuming a parallel shift in interest rates of + 200 bps:

(€ mln)	Amounts at 30.06.13
Interest rate risk on the banking book	**462**
• Euro	**462**
• Other currencies	**(14)**
Regulatory capital	**8.155**
Risk Index	**5,67%**

The riskiness index is approx. 5.67%, far below the 20% attention threshold set by the Bank of Italy.

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8 *The calculation methods are in line with the simplified methodology provided for in Circular 263.*

9 *In the event of interest rates falling, there would be an overall increase in the value of the banking book which does not represent a source of risk. On prudential grounds, no offset between exposures in different currencies has been offset included in the calculation.*

Section 15 – Remuneration and incentivization systems and practices

Qualitative information

Introduction

During the year under review, the governing bodies of Mediobanca have continued to devote particular attention to the issue of remuneration, including in the light of the new documents published by the supervisory authorities on this subject. In particular, on 16 April 2013 the European Parliament approved the CRR/CRDIV directive and regulations, which are in the process of being transposed into the various national regulations, and are due to come into force as from 1 January 2014. The new regulations contain provisions introducing caps on the variable remuneration component of staff qualifying as "most relevant": Furthermore, in a memo issued on 14 March 2013, the Bank of Italy published the methods by which variable remuneration was to be managed for the financial year in course, in view of the difficult economic and financial environment, and in line with the principles of prudence and watchfulness established in previous years.

At an annual general meeting held on 28 October 2013, the shareholders of Mediobanca approved the Group's new remunerations policies, which had been approved by the Board of Directors on 17 September 2013, and which are set forth below.

Staff remuneration policies for FY 2012/2013

Remuneration of non-executive directors

The Board of Directors' remuneration for 2012–2014 is some 30% than that received by them during the previous three-year period, as follows:

Group	Compensation 2012-2014 (€)		Total (€)
Directors	22	100.000	2.200.000
Deputy Chairman	2	35.000	70.000
Executive Committee	3	60.000	180.000
Remunerations Committee	4	20.000	80.000
Appointments Committee	4	20.000	80.000
Internal Control and Risks Committee and Related Parties Committee	4	75.000	300.000
Total			**2.910.000**

Executive directors' remuneration

The annual gross remuneration paid to those of the directors who are also members of the Group's senior management has been set at the following rates:

Executive Director	Gross annual salary (€)
Renato Pagliaro - Chairman	1.800.000
Alberto Nagel - Chief Executive Officer	**1.800.000**
Francesco Saverio Vinci - General Manager	1.500.000
Massimo Di Carlo	**1.260.000**
Maurizio Cereda	1.170.000

For the financial year ended 30 June 2013, as for the previous three years, the Group's executive directors have not received any variable compensation.

Bonus pool calculation and allocation using risk-adjusted metrics based on sustainable results over time

The variable component remuneration component to be assigned annually to Mediobanca staff who, on account of their responsibilities, role or level of remuneration, have or may have a significant impact on the Bank's risk profile, defined as "most relevant" in accordance with the Bank of Italy instructions,[10] constitutes the so-called "bonus pool". Its payment is conditional upon a series a conditions, or gates, which consist of the following indicators

- positive economic profit earned by the CIB division;[11]
- consolidated financial statements reflecting a profit;
- core tier 1 ratio above regulatory threshold;
- compliance with adequate liquidity coverage ratio level.[12]

The bonus pool is also calculated by taking into account:

- other quantitative aspects: results achieved compared to budget objectives, performance compared to historical precedents
- qualitative considerations: payment of a dividend, Mediobanca's positioning and market share, evaluation of stock market performance, cost/income and compensation/income ratio levels with a view to their sustainability over time, loyalty retention among top performers and key staff, as well as the need to add new professional talent.

The Chief Executive Officer allocates the aggregate bonus pool to the individual business areas based on a model which uses Economic Profit as its metric, while individual awards are made on the basis of personal quantitative and qualitative performances, with particular attention to reputational and compliance issues.

The performance of the CIB division (excluding items in respect of equity investments and leasing) in the twelve months ended 30 June 2013 shows:

- lower revenues, reflecting market volatility (net trading income down 35%), trends in market interest rates and demand for credit, and the parent company's prudent liquidity management policy (with net interest income down 22% for the year despite recovering in the fourth quarter)
- labour costs down 5%, and administrative costs reducing

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[10] This year a total of 109 Mediobanca staff qualified as "most relevant", compared to 125 last year.

[11] Economic profit (EP) consists of the profit earned by the CIB division, not including the contribution from leasing operations or the equity investments attributable to the division (equity investments and AFS shares), adjusted for the cost of capital (regulatory and other type of risks) required to carry out such activity. The metric therefore measures the extra profit created after the return on capital, with the cost of capital being calculated on the basis of the medium-/long-term risk-free rate plus returns for general and specific risk. The EP metric was chosen in order to take into account, as required by the supervisory authorities, current and potential risks and sustainability of results over time.

[12] Coincides with the liquidity coverage ratio, a short-term liquidity indicator calculated from the ratio between the amount of highly liquid securities (or "counterbalance capacity", largely consisting of core European government bonds) and the balance of net outflows in the next 30 days, and using certain stress assumptions for the demand items. This indicator is considered to be adequate if above 100%, that is, the amount of the counterbalance capacity has to exceed the expected net outflows. Alternatively another indicator could be used which is more representative of the Group's liquidity situation.

- loan loss provisions up 12% due to the deteriorating risk profile
- gains on securities totalling €48m (as against writedowns of €156m last year)
- a small reduction in gross operating profit (from €290m to €271m).

At the Group level the following results should be noted:

- a 12% reduction in revenues from core banking activities, reflecting the 37% reduction in net trading income plus the slowdown in investment banking, offset by the resilience of retail business
- disciplined cost management, with costs falling 4%, on the back of the 5% reduction in 2012
- loan loss provisions reflecting the deterioration in credit standing of businesses and households
- profit from ordinary activities down 40%
- still negative contribution from equity investments and other items (approx. €370m in total, consisting of writedowns, adjustments and losses incurred by the PI division), in line with the 2012 figure.

For the year ended 30 June 2013, the following conditions were met successfully:

- economic profit earned by the CIB division totalling approx. €137m, down 20% on the previous year
- core tier 1 ratio 11.7%, an improvement on the 11.5% reported in 2012
- liquidity ratio of 115%, net of the LTROs.

Conversely, the condition of the consolidated financial statements reflecting a profit was not met, basically due to the substantial writedowns and losses taken in respect of the securities portfolio, as a result of the decision, in line with the new three-year strategic plan approved on 21 June 2013, to reduce the Group’s exposure to equity and to mark the portfolio holdings to market based on prices in force at 30 June 2013.

Nonetheless, the Chief Executive Officer has decided that a bonus should be paid for retention purposes, electing to exercise the right provided for under the remunerations policies in force in the event of the conditions or gates not being met if this is due to extraordinary events, and provided the performance in terms of banking activities is positive. The same approach has been applied to the bonus forms deferred from previous years, as the events which have impacted on the Bank’s ordinary operations are not attributable to the individual areas’ results.

This decision is justified by the need to safeguard the Bank’s professional resources, both in Italy and the various international branches, in view of the sustainability of future results and performances during the year which were creditable given the difficult operating conditions.

The Board of Directors, having received a favourable opinion from the Remunerations Committee, agreed with the Chief Executive Officer’s decision.

By contrast, no variable remuneration component was paid to the directors who are members of the Bank’s senior management, the heads of the Principal Investing division and Risk Management unit, or to the head of company financial reporting, in line with the Bank of Italy guidance issued in its memo dated 14 March 2013.

The amount paid by way of retention bonus for part of the "most relevant staff" on the books of Mediobanca S.p.A. thus amounts to €28.7m, representing a reduction of 35% compared to last year, and of 68% versus 2011. The bonus corresponds to a payout ratio of 21% for the year (versus 26% in 2012 and 37% in 2011).

This amount includes the share paid in equity form (i.e. performance shares) equal to approx. €5.2m (some 17.5% of the bonus), which will be booked in part over the next three financial years based on the accounting standards currently in force. Accordingly, the Board of Directors has approved a resolution to award Group staff members a total of 1,050,801 performance shares (worth approximately €5.2m based on the average Mediobanca shares' stock market price in the month prior to the award being made, namely €4.91 per share). Of the cash component (€23.5m), a total of €16.5m has been paid, with the remainder to be distributed over the coming years.

A total of 99 members of staff were the recipients of this variable component (as opposed to 119 beneficiaries last year), made up as follows: Mediobanca senior management (5 staff); risk-takers (i.e. 20 staff employed at the trading desks in the Financial Markets division); staff employed in the control units (12) and other staff (62) who, on account of the activities they perform and the seniority of their role, have an impact on the Bank's risk profile (in terms of market, reputational and operational risk).

Management with strategic responsibilities other than the executive directors as at 30 June 2013 consisted of ten persons: the heads of the control units plus the principal staff and support areas, the head of financial reporting, and other staff in charge of important business areas considered strategic for the Bank's functioning. Their remuneration package reflects the provisions of the Remuneration policies, based on the individual category of most relevant staff to which they belong.

Deferral of annual bonus over several years and malus conditions for deferred annual bonus

For the most important figures in the "most relevant staff" the share accounted for by the deferred bonus amounts to 60%, falling to 40% or 30% for the other categories impacting less substantially on the risks faced by the Bank, in accordance with the Remunerations policies approved currently in force. The time horizon for deferral is in all cases three years, with payments made annually pro rata.

The share paid in the form of equity instruments for staff with variable remuneration of over is 50%, for both the upfront component (i.e. paid in the same year as the award itself is made) and the deferred share; the balance is paid in cash.

Conditions of retention and conservation are applied to the equity component of the remuneration once the respective rights have vested, for an addition period of time (known as the holding period), for purposes of retention. The holding period has been set at two years for the upfront component and one year for the deferred component.

For the group of staff identified internally based on the criterion of proportionality[13] (with deferred share equal to 30% if the amount of the variable remuneration exceeds €200,000), the payment is made entirely in cash.

The 40 Mediobanca staff subject to deferral are divided as follows:

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[13] *Criterion identified by the supervisory authorities to graduate application of the regulation based on the complexity and type of company.*

Senior managers, Italy and international	5	Equity/cash
Senior risk-takers	16	Equity/cash
Others	19	Cash
Total	**40**	

The staff remuneration policies also provide for the deferred bonus to be subject to further performance conditions which, in the years of the deferral period, could result in its being cancelled. In this way remuneration takes account into account the performance of the risks assumed by the Bank, the divisional results and individual behaviour, over time.

Assessment of individual quantitative/qualitative performance in awarding annual bonuses

The Chief Executive Officer has granted bonuses to individual beneficiaries based on assessment of their performances, exclusively 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, co-operation with other areas of the Bank), earnings results achieved, and the market positioning of the staff involved.

Involvement of control units in validation of remuneration process

The Group's Human Resources department has supported the governance activities and co-ordinated to the process of formulating the proposals and resolutions.

The Group Audit and Compliance units have issued reports on the controls carried out by them, which show that the remuneration and incentivization policy adopted by Mediobanca complies with the Bank of Italy's guidance. The Risk Management unit was involved in the activities which led to the remuneration awards being decided.

New staff remuneration policies

The new staff remuneration policies submitted to your approval are substantially in line with the policies previously adopted, pending introduction of the new provisions contained in the recent European regulations (CRD IV/CRR), which will be incorporated as soon as they have been definitively approved. In the meantime, certain improvements and clarifications have been made to the governance process for distributing variable remuneration components for retention purposes and to the criteria for identifying staff qualifying as "most relevant".

Governance

The governance for the Mediobanca remuneration policy and decisions regarding the "most relevant staff" is structured across two levels:

I. corporate

II. organizational

Corporate governance

The corporate governance of the remuneration policies guarantees that the policies are based on clear and prudent guidelines which ensure the policies are consistent, avoiding situations of conflicts of interest arising, and transparent, through suitable reporting.

Under the current Articles of Association:

- shareholders in general meeting determine the fixed annual remuneration payable to members of the Board of Directors, upon their appointment for the entire duration of their term of office, to be divided among the individual Board members according to the decisions of the Board of Directors itself (Article 13).

- shareholders in general meeting also approve remunerations policies and share-based compensation schemes for directors and Group staff (Article 13).

- the Board of Directors determines the Chairman's, the Chief Executive Officer's and General Manager's remuneration (Article 18).

- the Remunerations Committee has powers of consultation and enquiry to determine the remuneration of Directors vested with particular duties and the General Manager. The Remunerations Committee also gives its opinion on the staff remuneration and retention policies operated by the Group and presented by the Chief Executive Officer (Article 19).

- the Chief Executive Officer presents the proposed Group staff remuneration and retention policies to the governing bodies (Article 19), is responsible for staff management, and having sought the opinions of the General Manager, determines the bonus pool based on the criteria established by the Board of Directors (Article 25) and then distributes it.

Remunerations committee

The committee is made up of six non-executive members, with a majority independent according to the Code of Conduct definition, and has powers of consultation and enquiry to determine the remuneration of Directors vested with particular duties and the General Manager, as well as the proposals formulated by the Chief Executive Officer in respect of the guidelines of the remuneration system for senior management and the staff remuneration and retention policies operated by the Group.

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 three times in the period from 1 July 2012 to 30 June 2013. The average duration of Committee meetings was roughly one hour.

Remunerations Committee	Indipendent (Code)*	Indipendent (Finance Act)**
Angelo Casò (Chairman)	x	x
Roberto Bertazzoni	x	x
Anne Marie Idrac	x	x
Vanessa Labérenne	x	x
Renato Pagliaro		
Carlo Pesenti		x

* *Independent as defined in Code of conduct for listed companies.*
** *Independent as defined in Article 148, para. 3 of Italian Legislative Decree 58/98.*

Organizational governance

The process by which the Mediobanca remuneration policies are formulated, which involves the approval procedure described above, requires the involvement of various individuals and bodies. The Human resources department supports the governance activities, and is responsible for overseeing and managing the process by which proposals are formulated. The internal control units are also involved in this process.

The Risk Management unit is responsible for identifying potential events that could impact on the company's business, managing the risk within acceptable limits; it therefore helps in defining the metrics to be used to calculate the risk-adjusted company performance (i.e. economic profit or other indicators, plus other quantitative and qualitative aspects, if any) and in validating the results.

The Group Audit unit reports at least once a year on the controls it has carried out, including a statement to the effect that the staff remuneration and incentivization policy adopted by the Bank complies with the Instructions. It also carries out annual controls on the data and process, and brings any irregularities to the attention of the relevant bodies for the appropriate corrective action to be taken.

The Compliance unit too carries out an annual assessment of the remuneration policies' compliance with the reference regulatory framework with a view to containing any legal or reputational risks. The Compliance unit is involved in the processes of revising, adapting and managing the remuneration systems to ensure these are in line with the regulations in force at the time. The review carried out by the unit of the new remuneration policies showed that the policies are consistent with the regulatory instructions presently in force.

Remuneration structure for non-executive directors

The non-executive directors' remuneration is fixed by the shareholders in general meeting, and no provision is made for incentives linked to the Bank's performance. An insurance policy is available to cover such directors against civil liability.

Remuneration structure for directors who are members of the Group's senior management

The remuneration for directors who are members of the Group's senior management is fixed by the Board of Directors. Their remuneration structure comprises:

- a fixed salary;
- an annual variable component which accrues only upon the accrual of the aggregate bonus pool for the company as a whole, as established by the Remuneration policies approved by shareholders in general meaning. The amount of the individual bonus will depend on specific quantitative and qualitative performance indicators being reached which are assigned individually by the relevant bodies from year to year. If the individually assigned quantitative and qualitative targets are met, the amount of the bonus may reach a maximum of two times the annual fixed salary. Payment of the bonus is made according to the terms, conditions and methods set forth in the Remuneration policies: this currently involves deferral of 60% over a three-year time horizon, 50% cash 50% equity for both the upfront and deferred components, with a holding period for the equity part;
- upon the approval of the three-year Group plan, the Board of Directors may choose to award an additional lump-sum extraordinary bonus, or long-term incentive, upon the objectives set forth in the plan itself being reached. The actual payment of the long-term incentive will take place in accordance with the terms, conditions and methods provided for in the Group's remuneration policies.

The Chairman receives only fixed remuneration. As permitted by the remuneration policies and in line with the sector regulations in force from time to time, the Board of Directors may, having consulted with the Remunerations Committee, and at its own discretion, choose to pay the Chairman a variable component as well.

The Group's executive directors also receive their emoluments as directors, but not those due in respect of participation in committees, and in the case of positions held on behalf of Mediobanca in subsidiaries or investee companies, any emoluments due are paid to Mediobanca as the persons concerned are Bank employees. An insurance policy is available to cover such directors against civil liability, and they also benefit from participation in the complementary pension scheme operated for Mediobanca staff.

Identification of "most relevant staff"

The Bank of Italy regulations lay down the criteria (responsibility, role and level of compensation) and principles by which the "most relevant staff" are to be identified. Accordingly, based on these criteria and principles, and with particular attention to those profiles for which the annual variable component represents a significant proportion of their total remuneration (the application threshold), relevant staff have been identified and assigned to the following categories.

Group	Definition	No.
1) Executive Directors	Directors who are members of the Bank's management	5
2) Heads of principal business lines, geographical areas and other senior figures	Heads of Principal Investing and Mid Corporate divisions CEOs of main Group companies International branch managers	11
3) Heads of internal control units and most senior staff	Human Resources Compliance Risk Management Group Audit Head of company financial reporting	14
4) Risk-takers	Heads of trading, liquidity and trading origination desks and other senior staff in the Financial Markets division	20
5) Employees whose remuneration is equal to that of other risk-takers	Staff with a total remuneration of ≥ €750,000 not included in previous categories	-
6) Other relevant staff identified discretionally by the company based on criterion of proportionality	Staff employed at trading, liquidity and trading origination desks with variable remuneration of ≥ €100,000 Managing Directors and Executive Director with indirect impact on reputational risk and relevant as a result of support provided to strategic businesses Staff with impact on operational risks (COO, CIO, Legal	63
Total at 30/6/13		**113**
at 30/6/12		**129**

As far as regards the remuneration package for management with strategic responsibilities other than the executive directors (the heads of the control units plus the principal staff and support areas, the head of financial reporting, and other staff in charge of important business areas considered strategic for the Bank's functioning), the composition of their remuneration package reflects the provisions of the Remuneration policies, based on the individual category of most relevant staff to which they belong.

Pay mix

The Mediobanca Group Remuneration policy is intended to attract and retain highly qualified and professional staff, in particular for key positions and roles, who are suited to the complexity and specialization of corporate and investment banking business, based on a rationale of prudent management and sustainability of costs and results over time. The increasingly international dimension of the Bank's operations means that constant monitoring of the individual geographical areas is required to safeguard adequate professional standards, in a competitive market scenario. The structure of the Mediobanca staff remuneration is based on various components, with the objective of: balancing the fixed and variable components over time (pay mix), implementing a flexible approach to remuneration, and gearing compensation towards performance in view of the significance of role within the company without encouraging risky and/or short-term behaviour. Each year the staff compensation package's positioning is assessed compared to its reference market, including with the assistance of outside advisors.

The typical components of remuneration in Mediobanca are as follows:

- fixed salary: for the non-executive directors, this is established by the shareholders in general meeting. For the executive directors, the Group's strategic management and the remaining staff, the fixed salary is determined by their specialization, role carried out in the organization and related responsibilities. It reflects technical, professional and managerial capabilities. Mediobanca devotes continuous attention to the value of the fixed salaries it pays, which are monitored in relation to its competitors and adapted to changes in the market scenario from time to time, avoiding excessive reliance on annual bonuses but at the same time being careful not to make the overall remuneration package unduly inflexible.

- variable remuneration: the annual bonus, which the non-executive directors and the Chairman do not receive, functions as recognition and reward for targets set and results achieved, and is calculated based on indicators reflecting a risk-weighting system and correlation to results actually achieved over time. It is an important motivational factor. For some business figures, this may still form the majority of their annual pay, in line with market practice (Corporate and Investment Banking).

  The variable component is paid: in part upfront during the relevant financial year, and in part in deferred form over a three-year period, subject to certain performance conditions being met; in terms of the instruments used, part of the variable remuneration is paid in cash form, part in equity. A further time period is applied to the equity component of the remuneration once the respective rights have vested, during which the instruments must be kept (known as the holding period), for purposes of retention. The remuneration cannot be paid in forms, instruments or other means with the intention of avoiding the regulatory instructions.

  For a restricted number of young staff with high potential, who occupy key positions and are on a fast-track career plan, a long-term incentive is applied in the form of deferred cash (a bonus which accrues over three years and is paid in the following two years) in addition to the annual bonus.

  The correlation between fixed and variable components, with the variable component pre-eminent in accordance with sector practice in corporate and investment banking, is balanced in Mediobanca by the presence of a cap on the latter to be assigned to the business units. Furthermore, for some staff employed in certain business segments, where there is a closer correlation to results, a cap in absolute terms has been provided for, as approved by the Board of Directors based on the Remunerations Committee's opinion.

  Mediobanca constantly monitors trends in variable remuneration on the reference market, and, with a view to retaining its own competitiveness, especially on the international market adopts an approach that allows it to pay the variable component up to its maximum amount, as permitted by the supranational and local regulations in force at the time and compliance with the approval and governance procedures required, in an attempt to reconcile the objective of not rendering the fixed cost structure unduly rigid and at the same time incentivizing virtuous behaviour patterns in achieving business objectives and increasing value, thus avoiding undue propensity to risk.

- Benefits: in line with the market, the Mediobanca staff compensation package is completed by a series of fringe benefits which constitute an integral part thereof. These chiefly consist of pension, insurance and healthcare schemes. The benefit schemes are sometimes distinguished by families of professionals, but do not make provision for individual discretionary systems. The Bank's supplementary pension scheme was established in December 1998 for all staff, with contribution rates distinguished by category and length of time employed by the company. Company cars are provided only for the most senior figures.

<u>Correlation between remuneration, risks and performance</u>

The correlation between remuneration, risks and performance is achieved by a system which:

- benchmarks the variable remuneration to risk-adjusted performance indicators over several years; variable remuneration is determined on the basis of indicators recorded at Group, Wholesale Banking division (WB) [14] and business unit level;
- ensures that the award of variable compensation is subject to the conditions of capital solidity, liquidity and risk-adjusted profitability being met continuously;
- makes payment of the deferred bonus subject to maintaining: the conditions of capital solidity, liquidity and risk-adjusted profitability at Group and possibly also business area level; adequate levels of individual performance; and appropriate individual behaviour (compliance breaches);
- reflects a discretionary assessment of individual results (see point h. below).

In particular:

1) The bonus pool pays the variable component to be awarded annually to those staff, in Italy and elsewhere, who because of the size of their compensation, management of business activities, assumption of specific risks and/or organizational role, have or may have a significant impact on the Bank's risk profile – that is, those who qualify as the "most relevant staff". Distribution of the bonus pool only takes place provided a series of conditions, or gates, are met, i.e. if the following indicators are respected

    - positive economic profit earned by the WB division;
    - consolidated financial statements reflecting a profit;
    - core tier 1 ratio above regulatory threshold;
    - compliance with adequate liquidity coverage ratio level.

    The Board of Directors, having received a favourable opinion from the Remunerations Committee and at the Chief Executive Officer's proposal, may in any case choose to pay a variable component, solely for retention purposes, in respect of individual performances that are decisive for the sustainability of results over time, even in the event of the conditions or gates failing to me met if this is due to extraordinary events and if the Bank's performance in its banking activities is positive.

2) Variable remuneration (the bonus pool) is established annually by the Chief Executive Officer, by applying:

[14] *According to the new Mediobanca Group organizational structure approved in June 2013.*

a) the quantitative metric represented by the Economic Profit earned by the Wholesale Banking division, plus:

b) other quantitative aspects:

- comparison with budget objectives;
- performance compared to historical precedents;

c) qualitative considerations:

- distribution of a dividend;
- Mediobanca's positioning and market share;
- appraisal of the Mediobanca share stock market performance, including relative to the market and the Bank's main competitors, Italian and international;
- cost/income and compensation/income ratio levels, to take into account sustainability over time;
- staff professionalism and reliability, with reference in particular to reputational and compliance issues;
- securing loyalty of top performers and retaining key staff, plus the need to add new professional talents.

3) The Chief Executive Officer allocates the bonus pool to the individual business areas of the WB division based on the Economic Profit earned by each area as the reference metric and other secondary quantitative and qualitative metrics, with the provision of a cap. individual awards are made on the basis of an overall assessment of personal performance in quantitative and qualitative terms.

4) The satisfaction of performance conditions, and provision of subsequent correction mechanisms (malus conditions), are intended to ensure that the deferred bonuses in equity and cash forms are paid in time only if the results achieved prove to be sustainable, if the company continues to be solid and liquidity, and the individual concerned continues to behave appropriately. Accordingly, the following conditions must be satisfied at the time when the deferred component is to be paid, and provided that the beneficiary is still in the Group's employ:

- positive Economic Profit earned by the WB division;
- consolidated financial statements reflecting a profit;
- core tier 1 ratio above regulatory threshold;
- compliance with adequate liquidity coverage ratio level;
- possible additional individual performance conditions;
- proper conduct by the individual (i.e. not having been subject to disciplinary measures) in view, *inter alia*, of the provisions of the Group audit regulations, Code of ethics, Organizational model and the other internal Mediobanca regulations.[15]

The Board of Directors may also identify additional performance indicators upon the occasion of each individual award cycle. For any employees of Group companies who may be included in the scheme, the Chief Executive Officer will identify one or more specific economic indicators to replace those set forth above.

The Board of Directors , having received a favourable opinion from the Remunerations Committee and at the Chief Executive Officer's proposal, may in any case choose to distribute all or part of the

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15) In particular the relevant cases of application for compliance breaches are identified internally, via an assessment of the most relevant areas of the regulations with respect to the Bank's reputational risk and the gravity of the breach concerned, as well as the process for evaluating them correctly and correcting them if appropriate, which involves the control units and governing bodies.

deferred share for retention purposes, even in the event of the conditions or gates failing to be met if this is due to extraordinary events, provided that the Bank's performance in its banking activities is positive, and further provided that the risk-adjusted results of the individual business unit are *

Structure of variable component

A significant part of the variable remuneration is deferred and distributed inter alia in the form of equity instruments, to ensure that the incentives are linked to the objective of value creation in the long term and ongoing, sustainable company results.

For the key figures among the "most relevant staff" (i.e. groups 1, 2 and 4 – as indicated in the above table), the deferred component of the bonus amounts to 60%, and falls to 40% (group 5), for any amount of variable remuneration. The time horizon for the deferral is three years for everyone, with annual payments made pro rata.

For Heads of internal control units and senior staff (group 3) the deferred component share of 40% is applied for all those the variable component exceeds the amount of €80.000

The share awarded in the form of equity instruments is equal to 50% of the variable remuneration, for both the upfront component (i.e. distributed in the year in which it is awarded) and the deferred component; the balance is paid in cash.

The equity component of the remuneration is subject, once the rights have vested, to restrictions in terms of retaining and continuing to hold the shares for retention purposes, for a further period of time (the holding period). This has been set at two years for the upfront component and one year for the deferred component. Hence the options actually vest for the final tranche of the component paid in equity in the fourth year after the award has been made.

For other relevant staff (group 6), and indeed for all those for whom the variable component exceeds the amount of €100,000, the distribution is made entirely in the form of cash, with a deferred share of 30%

Assessment of individual quantitative and qualitative performance in the award of the annual bonus

Individual annual bonuses are awarded by the Chief Executive Officer via an annual performance assessment process which emphasizes professional merit and quality, with a view to retaining key staff members.

With a view to developing employees' professional capabilities, at the start of the year the professional, personal and company objectives for each Mediobanca staff member are assigned and discussed with each respective line manager. Such objectives, duly documented and supported using an electronic platform, are clearly weighted and established in terms of results or productivity, measurable where possible, and both achievable and challenging at the same time, and if possible with a definite timescale. Particular attention is paid to the adoption of proper individual conduct in the achievement of the above objectives, in accordance with the provisions of the Group Regulations, Code of Ethics and Organizational Model, and in general terms with the principles established by regulations, operational procedures and processes as formalized and approved by the relevant governing bodies and/or internal offices.

Based on the objectives thus defined, the line manager then holds a one-on-one meeting at the end of the financial year, making a formal assessment for the year for each staff member, with the possibility of an interim assessment if desired. Ongoing feedback throughout the year also allows the line manager and staff to agree on the expected performance, ensuring that each team member has the right characteristics to ensure the objectives are met, with objective discussion of individual performances. In this way the organization is able to reach its objectives while respecting its corporate values, and ensures transparency in terms of training opportunities, professional development and assessment criteria. A formal process is also employed for promotions to higher positions within the Bank.

For the business units the assessment reflects:

- qualitative criteria: development of product offering, professional conduct and reliability, quality in terms of customer relationships, technical and analytical skills in the field of finance, ability to control costs, importance placed on achieving operating efficiency, and co-operation with other areas of the Bank, valuation criteria linked to reputational and compliance issues (in view, *inter alia*, of the provisions of the Group audit regulations, Code of ethics, Organizational model and the other internal Mediobanca regulations), and adherence to the Bank's values;
- earnings results achieved, e.g. reaching or not reaching budget targets and objectives in terms of improvement from the previous year, with reference to the risk/return and cost/income ratios, and to value generation in accordance with the risk-adjusted principles referred to above.

For all the other units, the main aspects of assessment are based on qualitative objectives and a broader appraisal regarding control of costs, efficient management of areas and compliance with regulations.

The following in particular are assessed:

a) for professionals employed in the accounting, planning and control areas:
   - that the earnings and financial data are accurately represented in the Group's and the Bank's financial statements;
   - that all obligatory, supervisory and market disclosure requirements are complied with;
   - that all the accounting processes and related electronic procedures are managed efficiently and accurately;
   - that company strategies are correctly aligned to the policies regarding their representation in the accounts, and compliance with tax and legal requirements;
   - reliability of the budget and pre-closing data;

b) for professionals employed in the internal control units (Group Audit, Compliance and Risk Management):
   - continuous monitoring and control of the Bank's processes and operations, carried out independently and autonomously to prevent risk situations developing and ensure irregular behaviour is picked up swiftly;
   - continuous assessment of compliance with the regulations in the form of appropriate audit plans, updates to internal guidance, training of internal units, business and non-business;
   - correct development of models, methodologies and metrics with which to measure market, credit and operating risks, producing adequate reporting for monitoring processes and accurate analysis of new products and their risk profiles.

Within the system of assessment described above, the management's discretionary evaluation remains a central part of the awards made to individuals.

<u>Performance share scheme</u>

In connection with the equity instruments to be used as components of staff remuneration, Mediobanca has adopted a performance share scheme, which was approved by shareholders at a general meeting held on 28 October 2010 and revised by the Board of Directors on 24 June 2011, in exercise of the powers granted to it, to bring it in line with the Instructions.

The scheme involves the award of shares to employees. The shares will be awarded at the end of a three-year vesting period (save as provided below for the upfront component) provided that the beneficiary is still employed by the Group and further provided that certain conditions are met at the time of the award. The performance conditions are identified in the Remunerations policies in force at the time. The performance shares are allocated as a deferred equity component, subsequent to the performance conditions for the relevant year being met, are subject to a further holding period (the beneficiary continuing to be an employee of Mediobanca) of at least one year prior to their actual assignation. The performance shares allocated as an upfront equity component are subject to a two-year holding period prior to their actual assignation. The competent governing bodies award quantities of performance shares on a regular basis, generally once a year, from the upper limit approved by shareholders in the general meeting held on 28 October 2010 or alternatively from the treasury shares owned by the Bank. The maximum number of shares that may be awarded under the terms of this scheme is 20 million (a total of 10,635,705) are outstanding) pursuant to the resolution approved on 28 October 2010, plus up to 17,010,000 treasury shares owned by the Bank, provided that the use of the latter remains uncertain because the resolution adopted by shareholders in the general meeting held on 27 October 2007 in respect of them specified other possible uses as well (consideration to acquire investments, possible assignment to shareholders).

The Chief Executive Officer may also use this instrument to define remuneration packages upon the occasion of recruiting new key staff, including outside the annual award cycle.

Performance stock option scheme

At an extraordinary general meeting held on 27 June 2007, the shareholders of Mediobanca approved a capital increase involving the issue of 40,000,000 shares (to be awarded by June 2014), for use as part of a stock option scheme; at total of 23,734,000 are outstanding. At an ordinary general meeting held on 27 October 2007, in accordance with the provisions of the regulatory instructions, the shareholders of Mediobanca approved a resolution to adopt the scheme and its methods of implementation. At a Board meeting held on 24 June 2011, in exercise of the powers granted to them, the directors of Mediobanca revised the stock option scheme to bring it in line with the Instructions, making provision for performance conditions for exercise in addition to those of a purely temporal nature, thereby effectively transforming the scheme into a performance stock option scheme.

The essential characteristics of the scheme, which is for staff with roles key to the achievement of the Group's objectives, are: a vesting period of three years from the award date, subject to the performance conditions being met; an exercise period of up to the end of year 8 (three years' vesting plus five years' exercise); a holding period of at least 18 months for Mediobanca shares corresponding to at least half of the capital gain achieved, irrespective of tax profiles, for certain participants in the scheme who perform significant roles. Stock options awarded can be exercised based on the performance conditions for each of the three years of the vesting period being met. In each year the performance conditions must be met for one-third of the stock options awarded. Failure to meet the performance conditions in any one year will result in the relevant share being cancelled. The performance conditions are identified in the remuneration policies in force at the time.

Remuneration structure for staff employed in control and support capacities

The remuneration package for the Head of company financial reporting, the heads of the internal control units (Internal audit, Compliance and Risk management), the head of Human Resources and the most senior staff in the areas referred to above is structured so as to ensure that the majority of the compensation is fixed, with a small variable component to be revised on a year-to-year basis in view of quality and efficiency criteria. The remuneration of the heads of these offices (with the fixed component comprised in a range from between 75% and 85% of their total compensation if a variable component is paid), which may be reviewed annually, is approved by the Board of Directors subject to the Remunerations Committee's favourable opinion.

In general the remuneration of individuals employed in staff and support areas is determined based on positioning relative to the reference market (gradated according to the value of the staff, their role and the retention strategies in place). The variable component for such staff, which is normally of modest proportions, tends to increase on the basis of the quality of individual performance rather than in relation to the Group's earnings.

Remunerations policies at Group companies

Mediobanca has set the guidelines for the incentives mechanism of management at the various Group companies, leaving the specific decisions up to their respective Boards of Directors with the objective of attracting and motivating key staff. The incentivization system is and importance to the business, have an impact on their companies' performance and value creation. The beneficiaries are therefore senior and key management staff.

Beneficiaries, based on the proposal of the CEO of the company concerned and identified by the Chief Executive Officer of Mediobanca, having sought the opinion of the General Manager, are included in the incentive scheme subject to approval from the head of the Retail and Consumer Banking and Private Banking division and the head of Human Resources of Mediobanca. Each beneficiary is included in the incentives scheme with a defined individual annual bonus target and calculation method. The bonus is determined annually on an individual basis in view of the risk-adjusted earnings performance delivered by the company (the indicator used for the Group companies is the economic profit earned by the business area in which they operate). Other assessment criteria are also adopted linked to quality of performance, for example indicators of customer satisfaction, and to the achievement of individual qualitative and project-based objectives. In line with the provisions of the scheme operated by Mediobanca S.p.A., the incentivization schemes implemented at the other Group companies also devote special attention to the issue of correct evaluation of individual conduct (e.g. compliance with regulations and internal procedures, as well as transparency towards customers) through the adoption of compliance breaches.

There are also limits below which the bonus is paid fully in cash in the year in which it accrues. Above this limit forms of deferral are envisaged, on a three-year basis. Mediobanca S.p.A. reserves the right not to pay all or part of the deferred share in the event of losses related (such instances not to be construed restrictively) to wrongful provisions, contingent liabilities or other items which might prejudice the integrity of the accounts and the significance of the results achieved ("malus conditions").

Policies in the event of employment being terminated or otherwise ended

No special treatment is provided for directors in the event of their ceasing to work for Mediobanca.

For the executive directors and management with strategic responsibilities, in the event of their ceasing to work for the Bank for any reason, only the provisions of the law and the national collective contract apply.

Other information

Guaranteed bonuses: these may be considered for particularly important profiles but only at the recruitment stage and for the first year of their employment by the company, as per the regulations in force.

Staff are not allowed to use personal hedging or insurance strategies involving remuneration or other aspects which could alter or otherwise distort the fundamental alignment of the compensation mechanisms with the company's risk.

Quantitative information

Table 1: Compensation paid to members of the Bank's governing and control bodies, general managers and other managerial staff with strategic responsibilities.

(A)	(B)	(C)			(1)			(2)	(3)		(4)	(5)	(6)	(7)
Name and surname	Post	Period for which post has been held		Term of office expires	Fixed compensation			Fees payable for participation in committees	Variable compensation (non-		Non-cash benefits	Other forms of compensation	Total	Fair value of equity compensation
					Emoluments	Fixed salary*	Total		Bonus and other incentives	Interest in earnings				
Renato Pagliaro	Chairman of Board of Directors	01/07/2012	30/06/2013	30/06/2014	100.000	1.800.000	1.900.000				351.750 of which complementary pension scheme 346.442		2.251.750	113.366
	(I) Compensation in company preparing the accounts				**100.000**	**1.800.000**	**1.900.000**				**351.750**		**2.251.750**	**113.366**
	(II) Compensation from subsidiaries/associates at 30/06/2013						**0**						**0**	
	(III) Total				**100.000**	**1.800.000**	**1.900.000**	**0**	**0**	**0**	**351.750**	**0**	**2.251.750**	**113.366**
Dieter Rampl	Deputy Chairman of Board of Directors	01/07/2012	30/06/2013	30/06/2014	135.000		135.000						135.000	
	(I) Compensation in company preparing the accounts				**135.000**	**0**	**135.000**	**0**					**135.000**	**0**
	(II) Compensation from subsidiaries/associates at 30/06/2013													
	(III) Total				**135.000**	**0**	**135.000**	**0**	**0**	**0**	**0**	**0**	**135.000**	**0**
Marco Tronchetti Provera	Deputy Chairman of Board of Directors	01/07/2012	30/06/2013	30/06/2014	135.000		135.000						135.000	
	(I) Compensation in company preparing the accounts (1)				**135.000**	**0**	**135.000**						**135.000**	**0**
	(II) Compensation from subsidiaries/associates at 30/06/2013						**0**						**0**	
	(III) Total				**135.000**		**135.000**	**0**	**0**	**0**	**0**	**0**	**135.000**	**0**
Alberto Nagel	Chief Executive Officer	01/07/2012	30/06/2013	30/06/2014	100.000	1.800.000	1.900.000				352.305 of which complementary pension scheme 346.532		2.252.305	113.366
	(I) Compensation in company preparing the accounts				**100.000**	**1.800.000**	**1.900.000**	**0**	**0**	**0**	**352.305**	**0**	**2.252.305**	**113.366**
	(II) Compensation from subsidiaries/associates at 30/06/2013						**0**						**0**	
	(III) Total				**100.000**	**1.800.000**	**1.900.000**	**0**	**0**	**0**	**352.305**	**0**	**2.252.305**	**113.366**
Francesco Saverio Vinci	General Manager	01/07/2012	30/06/2013	30/06/2014	100.000	1.500.000	1.600.000				294.178 of which complementary pension scheme 288.093		1.894.178	80.976
	(I) Compensation in company preparing the accounts				**100.000**	**1.500.000**	**1.600.000**	**0**	**0**		**294.178**		**1.894.178**	**80.976**
	(II) Compensation from subsidiaries/associates at 30/06/2013 (1) (2)				**10.000**		**10.000**	**10.000**					**20.000**	
	(III) Total				**110.000**	**1.500.000**	**1.610.000**	**10.000**	**0**	**0**	**294.178**	**0**	**1.914.178**	**80.976**

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(A)	(B)	(C)			(1)			(2)	(3)		(4)	(5)	(6)	(7)
					Fixed compensation				Variable compensation (non-					
Name and surname	Post	Period for which post has been held		Term of office expires	Emoluments	Fixed salary*	Total	Fees payable for participation in committees	Bonus and other incentives	Interest in earnings	Non-cash benefits	Other forms of compensation	Total	Fair value of equity compensation
Tarak Ben Ammar	Director	01/07/2012	30/06/2013	30/06/2014	100.000		100.000						100.000	
	(I) Compensation in company preparing the accounts				**100.000**	**0**	**100.000**						**100.000**	**0**
	(II) Compensation from subsidiaries/associates at 30/06/2013													
	(III) Total				**100.000**	**0**	**100.000**	**0**	**0**	**0**	**0**	**0**	**100.000**	**0**
Gilberto Benetton	Director	01/07/2012	30/06/2013	30/06/2014	100.000		100.000						100.000	
	(I) Compensation in company preparing the accounts				**100.000**	**0**	**100.000**	**0**			**0**		**100.000**	
	(II) Compensation from subsidiaries/associates at 30/06/2013						**0**						**0**	
	(III) Total				**100.000**	**0**	**100.000**	**0**	**0**	**0**	**0**	**0**	**100.000**	**0**
Pier Silvio Berlusconi	Director	01/07/2012	30/06/2013	30/06/2014	100.000		100.000						100.000	
	(I) Compensation in company preparing the accounts				**100.000**	**0**	**100.000**	**0**			**0**		**100.000**	
	(II) Compensation from subsidiaries/associates at 30/06/2013													
	(III) Total				**100.000**	**0**	**100.000**	**0**	**0**	**0**	**0**	**0**	**100.000**	**0**
Roberto Bertazzoni	Director	01/07/2012	30/06/2013	30/06/2014	100.000		100.000						100.000	
	Member of Internal Control and Risks and Related Parties Committees	01/07/2012	30/06/2013	30/06/2014	75.000		75.000						75.000	
	Member of Remunerations Committee	01/07/2012	30/06/2013	30/06/2014	20.000		20.000						20.000	
	Member of Appointments Committee (3)	01/07/2012	30/06/2013	30/06/2014	20.000		20.000						20.000	
	(I) Compensation in company preparing the accounts				**215.000**	**0**	**215.000**						**215.000**	**0**
	(II) Compensation from subsidiaries/associates at 30/06/2013						**0**						**0**	
	(III) Total				**215.000**	**0**	**215.000**	**0**	**0**	**0**	**0**	**0**	**215.000**	**0**
Angelo Casò	Director	01/07/2012	30/06/2013	30/06/2014	100.000		100.000						100.000	
	Chairman of Internal Control and Risks and Related Parties Committees	01/07/2012	30/06/2013	30/06/2014	75.000		75.000						75.000	
	Member of Executive Committee	01/07/2012	30/06/2013	30/06/2014	60.000		60.000						60.000	
	Chairman of Remunerations Committee	01/07/2012	30/06/2013	30/06/2014	20.000		20.000						20.000	
	Member of Appointments Committee	01/07/2012	30/06/2013	30/06/2014	20.000		20.000						20.000	
	(I) Compensation in company preparing the accounts				**275.000**	**0**	**275.000**						**275.000**	**0**
	(II) Compensation from subsidiaries/associates at 30/06/2013													
	(III) Total				**275.000**	**0**	**275.000**	**0**	**0**	**0**	**0**	**0**	**275.000**	**0**
Maurizio Cereda	Director	01/07/2012	30/06/2013	30/06/2014	100.000	1.179.750	1.279.750				194.119 of which complementary pension scheme 188.457		1.473.869	
	(I) Compensation in company preparing the accounts				**100.000**	**1.179.750**	**1.279.750**	**0**			**194.119**		**1.473.869**	
	(II) Compensation from subsidiaries/associates at 30/06/2013													
	(III) Total				**100.000**	**1.179.750**	**1.279.750**	**0**	**0**	**0**	**194.119**	**0**	**1.473.869**	**0**

(A)	(B)	(C)			(1)			(2)	(3)		(4)	(5)	(6)	(7)
Name and surname	Post	Period for which post has been held		Term of office expires	Fixed compensation			Fees payable for participation in committees	Variable compensation (non-		Non-cash benefits	Other forms of compensation	Total	Fair value of equity compensation
					Emoluments	Fixed salary*	Total		Bonus and other incentives	Interest in earnings				
Christian Collin	Director	01/07/2012	30/06/2013	30/06/2014	100.000		100.000						100.000	
	(I) Compensation in company preparing the accounts (1)				100.000	0	100.000	0			0		100.000	
	(II) Compensation from subsidiaries/associates at 30/06/2013													
	(III) Total				100.000	0	100.000	0	0	0	0	0	100.000	0
Alessandro Decio	Director	01/07/2012	30/06/2013	30/06/2014	100.000		100.000						100.000	
	(I) Compensation in company preparing the accounts (1)				100.000	0	100.000	0			0		100.000	
	(II) Compensation from subsidiaries/associates at 30/06/2013													
	(III) Total				100.000	0	100.000	0	0	0	0	0	100.000	0
Massimo Di Carlo	Director	01/07/2012	30/06/2013	30/06/2014	100.000	1.260.000	1.360.000				208.842 of which complementary pension scheme 203.289		1.568.842	
	(I) Compensation in company preparing the accounts				100.000	1.260.000	1.360.000				208.842		1.568.842	
	(II) Compensation from subsidiaries/associates at 30/06/2013													
	(III) Total				100.000	1.260.000	1.360.000	0	0	0	208.842	0	1.568.842	0
Bruno Ermolli	Director	01/07/2012	30/06/2013	30/06/2014	100.000		100.000						100.000	
	(I) Compensation in company preparing the accounts				100.000	0	100.000	0			0		100.000	
	(II) Compensation from subsidiaries/associates at 30/06/2013													
	(III) Total				100.000	0	100.000	0	0	0	0	0	100.000	0
Anne Marie Idrac	Director	01/07/2012	30/06/2013	30/06/2014	100.000		100.000						100.000	
	Member of Remunerations Committee	01/07/2012	30/06/2013	30/06/2014	20.000		20.000						20.000	
	Member of Appointments Committee (3)	01/07/2012	30/06/2013	30/06/2014	20.000		20.000						20.000	
	(I) Compensation in company preparing the accounts				140.000	0	140.000						140.000	0
	(II) Compensation from subsidiaries/associates at 30/06/2013													
	(III) Total				140.000	0	140.000	0	0	0	0	0	140.000	0
Vanessa Labérenne	Director	01/07/2012	30/06/2013	30/06/2014	100.000		100.000						100.000	
	Member of Executive Committee	01/07/2012	30/06/2013	30/06/2014	60.000		60.000						60.000	
	Member of Remunerations Committee	01/07/2012	30/06/2013	30/06/2014	20.000		20.000						20.000	
	Member of Internal Control and Risks and Related Parties Committees	01/07/2012	30/06/2013	30/06/2014	75.000		75.000						75.000	
	(I) Compensation in company preparing the accounts				255.000	0	255.000						255.000	0
	(II) Compensation from subsidiaries/associates at 30/06/2013													
	(III) Total				255.000	0	255.000	0	0	0	0	0	255.000	0

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(A)	(B)	(C)			(1)			(2)	(3)		(4)	(5)	(6)	(7)
Name and surname	Post	Period for which post has been held		Term of office expires	Fixed compensation			Fees payable for participation in committees	Variable compensation (non-		Non-cash benefits	Other forms of compensation	Total	Fair value of equity compensation
					Emoluments	Fixed salary*	Total		Bonus and other incentives	Interest in earnings				
Elisabetta Magistretti	Director	01/07/2012	30/06/2013	30/06/2014	100.000		100.000						100.000	
	Member of Internal Control and Risks and Related Parties Committees	01/07/2012	30/06/2013	30/06/2014	75.000		75.000						75.000	
	Member of Appointments Committee	01/07/2012	30/06/2013	30/06/2014	20.000		20.000						20.000	
	(I) Compensation in company preparing the accounts				**195.000**	**0**	**195.000**						**195.000**	**0**
	(II) Compensation from subsidiaries/associates at 30/06/2013						**0**						**0**	
	(III) Total				**195.000**	**0**	**195.000**	**0**	**0**	**0**	**0**	**0**	**195.000**	**0**
Alberto Pecci	Director	27/10/2012	30/06/2013	30/06/2014	67.397		67.397						67.397	
	(I) Compensation in company preparing the accounts				**67.397**	**0**	**67.397**	**0**			**0**		**67.397**	
	(II) Compensation from subsidiaries/associates at 30/06/2013						**0**						**0**	
	(III) Total				**67.397**	**0**	**67.397**	**0**	**0**	**0**	**0**	**0**	**67.397**	**0**
Carlo Pesenti	Director	01/07/2012	30/06/2013	30/06/2014	100.000		100.000						100.000	
	Member of Remunerations Committee	01/07/2012	30/06/2013	30/06/2014	20.000		20.000						20.000	
	(I) Compensation in company preparing the accounts (1)				**120.000**	**0**	**120.000**						**120.000**	**0**
	(II) Compensation from subsidiaries/associates at 30/06/2013 (4)				**15.000**		**15.000**	**15.000**					**30.000**	
	(III) Total				**135.000**	**0**	**135.000**	**15.000**	**0**	**0**	**0**	**0**	**150.000**	**0**
Fabio Roversi Monaco	Director	01/07/2012	16/04/2013	–	79.452		79.452						79.452	
	(I) Compensation in company preparing the accounts				**79.452**	**0**	**79.452**	**0**			**0**		**79.452**	
	(II) Compensation from subsidiaries/associates at 30/06/2013													
	(III) Total				**79.452**	**0**	**79.452**	**0**	**0**	**0**	**0**	**0**	**79.452**	**0**
Eric Strutz	Director	01/07/2012	30/06/2013	30/06/2014	100.000		100.000						100.000	
	Member of Executive Committee	01/07/2012	30/06/2013	30/06/2014	60.000		60.000						60.000	
	(I) Compensation in company preparing the accounts				**160.000**	**0**	**160.000**						**160.000**	**0**
	(II) Compensation from subsidiaries/associates at 30/06/2013													
	(III) Total				**160.000**	**0**	**160.000**	**0**	**0**	**0**	**0**	**0**	**160.000**	**0**

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(A)	(B)	(C)		(1)			(2)	(3)		(4)	(5)	(6)	(7)
Name and surname	Post	Period for which post has been held	Term of office expires	Fixed compensation			Fees payable for participation in committees	Variable compensation (non-		Non-cash benefits	Other forms of compensation	Total	Fair value of equity compensation
				Emoluments	Fixed salary*	Total		Bonus and other incentives	Interest in earnings				
Management with stragetic responsibilities (10 staff)					4.021.333	4.021.333		1.541.000		557.708 of which complementary pension scheme 507.344		6.120.041	1.326.116
	(I) Compensation in company preparing the accounts				4.021.333	4.021.333		1.541.000		557.708		6.120.041	1.326.116
	(II) Compensation from subsidiaries/associates at 30/06/2013 (1) (5)			212.000		212.000	37.027		170			249.198	
	(III) Total			212.000	4.021.333	4.233.333	37.027	1.541.000	170	557.708	0	6.369.239	1.326.116
Natale Freddi	Chairman of Statutory Audit Committee	01/07/2012 30/06/2013	30/06/2014	120.000		120.000						120.000	
	(I) Compensation in company preparing the accounts			120.000	0	120.000		0		0		120.000	0
	(II) Compensation from subsidiaries/associates at 30/06/2013					0						0	
	(III) Total			120.000	0	120.000	0	0	0	0	0	120.000	0
Maurizia Angelo Comneno	Member of Statutory Audit Committee	01/07/2012 30/06/2013	30/06/2014	90.000		90.000						90.000	
	(I) Compensation in company preparing the accounts			90.000	0	90.000		0		0		90.000	0
	(II) Compensation from subsidiaries/associates at 30/06/2013					0						0	
	(III) Total			90.000	0	90.000	0	0	0	0	0	90.000	0
Gabriele Villa	Member of Statutory Audit Committee	01/07/2012 30/06/2013	30/06/2014	90.000		90.000						90.000	
	(I) Compensation in company preparing the accounts			90.000	0	90.000		0		0		90.000	0
	(II) Compensation from subsidiaries/associates at 30/06/2013					0						0	
	(III) Total			90.000	0	90.000	0	0	0	0	0	90.000	0

1) Fees are paid directly to the company of origin
2) Fees due in respect of position held in Banca Esperia
3) Independent director added to the Appointments Committee as required by Articles of Association for certain resolutions only
4) Fees due in respect of position held in RCS MediaGroup
5) Fees due in respect of position held in Assicurazioni Generali

Table 2: Stock options granted to members of the governing bodies, general managers and managerial staff with strategic responsibilities

			Options held at start of financial year			Options awarded during the year						Options exercised during the year			Options expired during the year	Options held at year-end	Options attributable to the year
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = (2)+(5)-(11)-(14)	(16)
Name and surname	Post held	Scheme	No. of options	Exercise price	Possible exercise period (from-to)	No. of options	Exercise price	Possible exercise period (from-to)	Fair value at award date	Award date	Market price of shares underlying award	No. of options	Exercise price	Market price of underlying shares at exercise date	No. of options	No. of options	Fair value
R. Pagliaro	Chairman																
Compensation in company preparing the accounts		30/7/01	300.000	€14,25	From 29 June 2009 to 28 June 2014											300.000	-
		28/10/04	275.000	€10,31	From 1 July 2011 to 30 June 2016											275.000	-
		27/10/07	350.000	€6,54	From 2 August 2013 to 1 August 2018											350.000	113.366
A. Nagel	CEO																
Compensation in company preparing the accounts		30/7/01	300.000	€14,25	From 29 June 2009 to 28 June 2014											300.000	-
		28/10/04	275.000	€10,31	From 1 July 2011 to 30 June 2016											275.000	-
		27/10/07	350.000	€6,54	From 2 August 2013 to 1 August 2018											350.000	113.366
F. S. Vinci	General Manager																
Compensation in company preparing the accounts		30/7/01	300.000	€14,25	From 29 June 2009 to 28 June 2014											300.000	-
		28/10/04	275.000	€10,31	From 1 July 2011 to 30 June 2016											275.000	-
		27/10/07	250.000	€6,54	From 2 August 2013 to 1 August 2018											250.000	80.976

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			Options held at start of financial year			Options awarded during the year						Options exercised during the year			Options expired during the year	Options held at year-end	Options attributable to the year
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = (2)+(5)-(11)-(14)	(16)
Name and surname	Post held	Scheme	No. of options	Exercise price	Possible exercise period (from-to)	No. of options	Exercise price	Possible exercise period (from-to)	Fair value at award date	Award date	Market price of shares underlying award	No. of options	Exercise price	Market price of underlying shares at exercise date	No. of options	No. of options	Fair value
M. Cereda	Director																
(I) Compensation in company preparing the accounts		30/7/01	300.000	€14,25	From 29 June 2009 to 28 June 2014											300.000	-
		28/10/04	275.000	€10,31	From 1 July 2011 to 30 June 2016											275.000	-
M. Di Carlo	Director																
Compensation in company preparing the accounts		30/7/01	300.000	€14,25	From 29 June 2009 to 28 June 2014											300.000	-
		28/10/04	275.000	€10,31	From 1 July 2011 to 30 June 2016											275.000	-
Managerial staff with strategic responsibilities																	
Compensation in company preparing the accounts		30/7/01	1340.000	€14,25	From 29 June 2009 to 28 June 2014											1340.000	-
		28/10/04	1015.000	€10,31	From 1 July 2011 to 30 June 2016											1015.000	-
		27/10/07	1660.000	€6,54	From 2 August 2013 to 1 August 2018											1660.000	537.691
		27/10/07	200.000	€6,43	From 1 August 2014 to 31 July 2019											200.000	63.942
(III) Total			**8.040.000**													**8.040.000**	**909.341**

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Table 3A: Incentivization schemes based on financial instruments other than stock options in favour of members of the governing bodies, general managers and managerial staff with strategic responsibilities

			Financial instruments awarded in previous years which have not vested during the course of the year		Financial instruments awarded during the year					Financial instruments vested during the year not allocated	Financial instruments vested during the year and allocated		Financial instruments attributable to the year
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Name and surname	Post	Scheme	No. and type of instruments	Vesting period	No. and type of instruments	Fair value at award date	Vesting period	Award date	Market price at award	No. and type	No. and type	Value upon vesting	Fair value
Managerial staff with strategic responsibilities													
Compensation in company preparing the accounts		28/10/10	240.304 performance shares	Nov. 2013 – Nov. 2015							-	-	418.916
		28/10/10	-	-	335.075 performance shares	1.111.497	Nov. 2014 – Nov. 2016	27/9/12	4,189		-	-	305.567
Total			240.304		335.075								724.483

Table 3B: Cash incentivization schemes based on financial instruments other than stock options in favour of members of the governing bodies, general managers and managerial staff with strategic responsibilities

A	B	(1)	(2)			(3)			(4)
Name and surname	Position	Scheme	Bonus for the year			Previous years' bonuses			Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/paid	Deferred	Deferral period	No longer payable	Payable/paid	Still deferred	
Managerial staff with strategic responsibilities		FY 2012/2013	780.000	375.000	Nov.2014-Nov.2016				16.000
		FY 2011/2012						852.000	
		FY 2010/2011					130.000	130.000	
		FY 2009/2010					615.000		
Total compensation in compcany preparing the accounts			780.000	375.000			745.000	982.000	16.000

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Investments held by members of the governing and control bodies and by general managers

Name and surname	Post	Investee company	No. of shares held at end of previous year	No. of shares acquired	No. of shares sold	No. of shares owned at end of present years
RENATO PAGLIARO	Chairman	MEDIOBANCA	2.730.000	==	==	**2.730.000**
ALBERTO NAGEL	CEO	MEDIOBANCA	2.626.050	==	==	**2.626.050**
FRANCESCO SAVERIO VINCI	General Manager	MEDIOBANCA	945.000	==	==	**945.000**
GILBERTO BENETTON*	Director	MEDIOBANCA	562.800	==	==	**562.800**
ROBERTO BERTAZZONI	Director	MEDIOBANCA	1.050.000	==	==	**1.050.000**
MAURIZIO CEREDA	Director	MEDIOBANCA	619.500	==	==	**619.500**
MASSIMO DI CARLO	Director	MEDIOBANCA	556.500	==	==	**556.500**
ALBERTO PECCI*	Director	MEDIOBANCA	4.757.500	==	==	**4.757.500**
FABIO ALBERTO ROVERSI MONACO	Director	MEDIOBANCA	172.000	25.000	50.000	**147.000**

For directors appointed or whose positions ended in the course of the year, the initial/final holding refer to the dates of appointment or resignation/disposal accordingly.

** Investment owned through subsidiaries.*

Investments held by other managerial staff with strategic responsibilities

No. of managerial staff with strategic responsibilities	Investee company	No. of shares owned at end of previous year	No. of shares acquired	No. of shares sold	No. of shares owned at end of present year
10	MEDIOBANCA	283.082	==	==	263.132

Values at start and end of period vary according to changes in composition of aggregate of managerial staff with strategic responsibilities.

Aggregate quantitative information by division as required by the Bank of Italy instructions

Mediobanca area of activity	Fixed salary	Variable	Cash upfront	Equity upfront	Deferred cash	Deferred equity
1) Financial markets	16.117	23.844	14.325	1.866	4.854	2.799
2) Advisory	12.728	8.396	6.875	200	1.021	300
3) Lending and Structured Finance	4.640	2.830	2.671		159	
4) Staff, support and control functions	22.411	5.831	5.831			
	55.896	**40.901**	**29.702**	**2.066**	**6.034**	**3.099**

Gross amounts in €’000

Does not include directors with executive duties - directors who are member of the Group’s senior management.

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Aggregate quantitative information by the various categories of "most relevant staff" as required by the Bank of Italy instructions

Group	(gross amounts)						
	No.	Fixed salary	Variable	Cash upfront	Equity upfront	Deferred cash	Deferred equity
1) Executive directors (Group managers)	5	7.530	-	-	-	-	-
2) Heads of principal business lines, geographical areas and other senior figures	11	4.566	6.926	2.151	1.100	2.025	1.650
3) Heads of internal control units and most senior staff	14	2.686	611	611	-	-	-
4) Risk-takers	20	3.375	8.835	3.886	966	2.534	1.449
5) Employees whose remuneration is equal to that of other risk-takers	-	-	-	-	-	-	-
6) Other relevant staff identified discretionally by the company based on criterion of proportionality	63	10.535	9.655	8.090	-	1.565	-
	113	**28.692**	**26.027**	**14.738**	**2.066**	**6.124**	**3.099**

Gross amounts in €'000

For 2013, Group 2 includes the remuneration paid to the CEOs of Compass and CheBanca! and the heads of MB Securities USA and MB Turkey, non-Mediobanca staff, not included in the Mediobanca bonus pool for the variable component.

Group	No.	Deferred from previous years and paid during the year
1) Executive directors (Group managers)	-	-
2) Heads of principal business lines, geographical areas and other senior figures	4	2.701
3) Heads of internal control units and most senior staff	-	-
4) Risk-takers	15	4.431
5) Employees whose remuneration is equal to that of other risk-takers	-	-
6) Other relevant staff identified discretionally by the company based on criterion of proportionality	23	1.648
	42	**8.780**

Gross amounts in €'000, paid entirely in cash.

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Group	No.	Treatment at start of relationship	No.	Treatment at end of relationship[1]
1) Executive directors (Group managers)		-		-
2) Heads of principal business lines, geographical areas and other senior figures		-	2	1.263
3) Heads of internal control units and most senior staff		-	1	59
4) Risk-takers		-		
5) Employees whose remuneration is equal to that of other risk-takers		-		-
6) Other relevant staff identified discretionally by the company based on criterion of proportionality	2	41	9	2.874
	2	**41**	**12**	**4.196**

Gross amounts in €'000.

1) *Includes amounts required by the Italian Civil Code and the provisions of law. The highest amount paid to an individual person was €1,253,216.*

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Declaration by Head of Company Financial Reporting

As required by Article 154-*bis*, para. 2 of Italian Legislative Decree 58/98, the undersigned hereby declares that the accounting information contained in this document conforms to the documents, account ledgers and book entries kept by the company.

Head of Company Financial Reporting

Massimo Bertolini