MEDIOBANCA

Interim Report

for the six months ended 31 December 2009

MEDIOBANCA

LIMITED COMPANY

SHARE CAPITAL € 430,529,224

HEAD OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY

Registered as a Bank Parent Company of the Mediobanca Banking Group

Interim Report

for the six months ended 31 December 2009

(as required pursuant to Article 154-ter of the Italian Consolidated Finance Act)

BOARD OF DIRECTORS

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

STATUTORY AUDIT COMMITTEE

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

CONTENTS

REVIEW OF GROUP OPERATIONS

The Group's results for the six months show a net profit of €270.1m, a significant increase on the €100.3m recorded at the same stage last year (which included a one-of tax gain of €45.9m). The result reflects 26% growth in income from banking activity, up from €824.2m to €1,039m, with the main items performing as follows:

— net interest income increased by 3.8%, from €425.7m to €441.7m, driven by corporate and investment banking (up 21.4%) on the back of higher business volumes;

— net trading income rose from €172.7m to €313m, on growth in treasury activity (up from €7.2m to €173.3m, €162.9m of which generated in the first quarter), which substantially offset the reduced gains on disposals of AFS securities (€131.1m, down from €158.8m last year);

— net fee and commission income rose by 25.9%, from €225.8m to €284.3m, reflecting higher contributions from all areas of corporate and investment banking.

The contribution from equity-accounted companies was more or less in line with last year, at €106.3m (31/12/08: €115.1m), with the profit earned by Assicurazioni Generali absorbing the losses reported by RCS MediaGroup and Telco.

Operating costs continued the trend seen last year, with an increase of 16.3%, up from €339.1m to €394.4m, reflecting growth by CheBanca! and Mediobanca's international expansion.

Loan loss provisions increased by 30.6%, from €207.1m to €270.4m, reflecting widespread deterioration in the risk profile of businesses and households ongoing for more than twelve months. However, the last two quarters have shown signs of improvement (down 19% and 26% compared to the fourth quarter of the last financial year). Of the total amount, €182.7m (€140.2m) involved retail financial services, €70.5m (€44.8m) wholesale banking, and €17.2m (€22.1m) leasing.

Despite the market recovery in these months, provisions for financial assets of €90.4m reflect the fact that the loss of value for these AFS equity investments has now exceeded 18 months, thus triggering automatic provisioning. However, following these provisions, at 31 December 2009 the net equity valuation reserve had returned to positive territory, for both the equity component (€105.8m) and the bond and other debt securities component (€49.2m).

A pre-tax profit of €395.7m was recorded, up from the approx. €111.9m posted last year.

Turning to the individual areas of the Group's activities, corporate and investment banking showed a net profit of €208.4m (€141.2m), on total income up over 40% (from €468.8m to €659.7m) and provisions totalling €170.3m (€140.5m). Retail and private banking posted a net loss of €26.2m (compared to a profit of €61m last year, though this did include a €45.9m one-off tax gain), with total income up 6.5%, from €381.3m to €406m, but loan loss provisions also increasing (€172.3m, versus €128.6m) and higher costs at CheBanca! (€93.3m, against €67.1m). Principal investing returned to profit, with a net €87m earned in the first six months (compared with a €97.7m loss last year), due to the upturn in profits reported by the Assicurazioni Generali group, and the virtual lack of provisions (totalling just €6.6m, as against €207.6m).

On the balance-sheet side, AFS securities increased from €6.7bn to €7.8bn, as did treasury funds (from €12.8bn to €13.5bn), while loans and advances to customers decreased from €35.2bn to €33.5bn. Funding declined slightly, from €53.4bn to €52.9bn, but was boosted by an increase in funds raised through the CheBanca! retail channel (from €6.2bn to €7.9bn).

* * *

Significant events during the six months under review include:

— approval by the Board of Directors, as authorized pursuant to Article 2443 of the Italian Civil Code, of a resolution to increase the company's share capital by means of a scrip issue to shareholders, effective from 28 September 2009, based on 1 share for every 20 shares owned and 1 warrant for every share held. The warrants entitle their holders to subscribe for newly-issued shares on the basis of 1 new share for every 7 warrants held at a price of €9.0 per share, starting from 1 January 2010 until 18 March 2011; in the event of full exercise, the rights issue should raise approx. €1bn;

— approval of the staff remuneration policies document by shareholders in an annual general meeting held on 28 October 2009; this document is still being reviewed in the light of the most recent provisions issued by the Financial Stability Board;

— approval of the ICAAP procedure required by regulations in force, and disclosure of the information required under Pillar 3 of the Basel II agreements, to provide a more accurate valuation of the Group's capital solidity and exposure to risks.

CONSOLIDATED FINANCIAL STATEMENTS*

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

RESTATED PROFIT AND LOSS ACCOUNT

	6 mths to 31//12/08	12 mths to 30/6/09	6 mths to 31/12/09	Y.o.Y. chg.
	€m	€m	€m	%
Net interest income	425.7	861.2	441.7	+3.8
Net trading income	172.7	421.7	313.0	+81.2
Net fee and commission income	225.8	511.5	284.3	+25.9
Equity-accounted companies	115.1	(18.8)	106.3	–7.6
TOTAL INCOME	**939.3**	**1,775.6**	**1,145.3**	**+21.9**
Labour costs	(169.1)	(360.1)	(199.7)	+18.1
Administrative expenses	(170.0)	(369.5)	(194.7)	+14.5
OPERATING COSTS	**(339.1)**	**(729.6)**	**(394.4)**	**+16.3**
Loan loss provisions	(207.1)	(503.8)	(270.4)	+30.6
Provisions for other financial assets	(281.2)	(451.4)	(90.4)	–67.9
Other gains (losses)	—	(0.1)	5.6	n.m.
PROFIT BEFORE TAX	**111.9**	**90.7**	**395.7**	**n.m.**
Income tax for the period	(12.1)	(88.8)	(124.6)	n.m.
Minority interest	0.5	0.5	(1.0)	n.m.
NET PROFIT	**100.3**	**2.4**	**270.1**	**+169.3**

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

RESTATED BALANCE SHEET

	31/12/08	30/6/09	31/12/09
	€m	€m	€m
Assets			
Treasury funds	10,174.4	12,753.5	13,502.7
AFS securities	2,985.6	6,653.4	7,807.1
of which: fixed-income	*1,770.8*	*4,923.4*	*6,051.1*
equities	*1,120.5*	*1,247.1*	*1,263.9*
Fixed financial assets (HTM & LR)	1,172.9	1,557.5	1,334.0
Loans and advances to customers	36,604.5	35,233.2	33,468.9
Equity investments	2,642.3	2,638.5	3,037.7
Tangible and intangible assets	767.1	764.2	762.9
Other assets	971.9	1,101.5	934.5
of which: tax assets	*696.4*	*830.1*	*700.3*
Total assets	55,318.7	60,701.8	60,847.8
Liabilities and net equity			
Funding	48,254.6	53,411.8	52,904.1
of which: debt securities in issue	*34,457.7*	*36,867.8*	*35,983.6*
retail deposits	*624.7*	*6,212.6*	*7,857.8*
Other liabilities	1,198.1	1,292.4	1,183.4
of which: tax liabilities	*527.9*	*653.7*	*541,4*
Provisions	203.5	188.3	183.8
Net equity	5,562.2	5,806.9	6,306.4
of which: share capital	*410.0*	*410.0*	*430.5*
reserves	*5,046.8*	*5,293.6*	*5,771.0*
minority interest	*105.4*	*103.3*	*104.9*
Profit for the period	100.3	2.4	270.1
Total liabilities and net equity	55,318.7	60,701.8	60,847.8
Tier 1 capital	*5,245.1*	*5,431.4*	*5,761.8*
Regulatory capital	*6,061.8*	*6,231.9*	*6,736.9*
Tier 1 capital/risk-weighted assets	*10.18%*	*10.30%*	*11.00%*
Regulatory capital/risk-weighted assets	*11.76%*	*11.82%*	*12.86%*
No. of shares in issue (m)	*820.1*	*820.1*	*861.1*

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

31 December 2009	Corporate & Investment Banking	Principal Investing	Retail & Private Banking	Group
	€m	€m	€m	€m
Profit-and-loss data				
Net interest income	215.8	(5.2)	243.3	441.7
Net trading income	263.9	—	37.2	313.0
Net fee and commission income	178.5	—	125.7	284.3
Equity-accounted companies	1.5	105.6	(0.2)	106.3
Total income	**659.7**	**100.4**	**406.0**	**1,145.3**
Labour costs	(111.3)	(2.8)	(92.4)	(199.7)
Administrative expenses	(46.4)	(1.3)	(162.1)	(194.7)
Operating costs	**(157.7)**	**(4.1)**	**(254.5)**	**(394.4)**
Loan loss provisions	(87.7)	—	(182.7)	(270.4)
Provisions for other financial assets	(82.6)	(6.6)	(0.9)	(90.4)
Other gains (losses)	—	—	5.6	5.6
Profit before tax	**331.7**	**89.7**	**(26.5)**	**395.7**
Income tax for the period	(122.2)	(2.7)	0.3	(124.6)
Minority interest	(1.1)	—	—	(1.0)
Net profit	**208.4**	**87.0**	**(26.2)**	**270.1**
Balance-sheet data				
Treasury funds	14,496.8	—	3,745.7	13,502.7
AFS securities	5,187.0	119.0	3,156.4	7,807.1
Equity investments	414.9	2,565.3	0.5	3,037.7
Loans and advances to customers	24,821.8	—	12,104.3	33,468.9
of which: to Group companies	*3,427.4*	—	—	—
Funding	(43,068.8)	(259.8)	(19,331.3)	(52,904.1)
Risk-weighted assets	39,343.3	2,608.7	10,431.3	52,389.4
No. of staff	853	—	2,450 *	3,196
Cost/income ratio(%)	23.9	4.1	62.7	34.4

* Includes 107 staff employed by Banca Esperia pro-forma, not included in the Group total.

1) Divisions comprise:
- *CIB (Corporate and investment banking)*: comprises corporate and investment banking, including leasing, plus the Group's trading investments. The companies which form part of this division are Mediobanca, Mediobanca International, MB Securities USA, Consortium, Prominvestment, SelmaBipiemme Leasing, Palladio Leasing and Teleleasing;
- *Principal investing*: comprises the Group's shareholdings in Assicurazioni Generali, RCS MediaGroup and Telco, plus stakes acquired as part of merchant banking activity and investments in private equity funds;
- *Retail and private banking*: businesses targeting retail customers via consumer credit products, mortgages, deposit accounts, private banking and fiduciary activities. The companies which make up this division are: Compass, CheBanca!, Cofactor, Futuro and Creditech (consumer credit); and Compagnie Monégasque de Banque, Spafid and Prudentia Fiduciaria, plus 48.5% of Banca Esperia pro-forma (private banking).

2) Sum of divisional data differs from Group total due to:
- Banca Esperia being consolidated pro-rata (50%) rather than equity-accounted;
- adjustments/differences arising on consolidation between business areas (€4m and €1.1m as at 31 December 2008 and 31 December 2009 respectively).

31 December 2008	Corporate & Investment Banking	Principal Investing	Retail & Private Banking	Group
	€m	€m	€m	€m
Profit-and-loss data				
Net interest income	177.8	(6.0)	256.1	425.7
Net trading income	168.4	—	4.5	172.7
Net fee and commission income	122.6	—	120.7	225.8
Equity-accounted companies	—	115.5	—	115.1
Total income	**468.8**	**109.5**	**381.3**	**939.3**
Labour costs	(92.8)	(2.6)	(78.3)	(169.1)
Administrative expenses	(47.6)	(1.2)	(133.4)	(170.0)
Operating costs	**(140.4)**	**(3.8)**	**(211.7)**	**(339.1)**
Loan loss provisions	(66.9)	—	(140.2)	(207.1)
Provisions for other financial assets	(73.6)	(207.6)	—	(281.2)
Other gains (losses)	—	—	—	—
Profit before tax	**187.9**	**(101.9)**	**29.4**	**111.9**
Income tax for the period	(47.2)	4.2	31.6	(12.1)
Minority interest	0.5	—	—	0.5
Net profit	**141.2**	**(97.7)**	**61.0**	**100.3**
Balance-sheet data				
Treasury funds	9,316.7	—	2,215.1	10,174.4
AFS securities	2,325.0	113.5	606.7	2,985.6
Equity investments	111.3	2,463.4	0.9	2,642.3
Loans and advances to customers	29,589.4	—	12,196.8	36,604.5
of which: to Group companies	*5,101.6*	—	—	—
Funding	(40,323.1)	(259.8)	(14,193.9)	(48,254.6)
Risk-weighted assets	39,171.5	2,470.1	9,880.0	51,527.7
No. of staff	868	—	2,328 *	3,095
Cost/income ratio(%)	29.9	3.5	55.5	36.1

* Includes 101 staff employed by the Esperia group pro-forma not included in the Group total.

Balance sheet

The main balance-sheet items, of which Mediobanca contributed just over one-half, showed the following trends for the six months (comparative data as at 30 June 2009):

Funding — this item was virtually stable at €52,904.1m (down 1%, from €53,411.8m), boosted by a net increase of over €1.6bn in the retail component (from €6,212.6m to €7,857.8m) and of approx. €300m in bond issuance (from €35,512.4m to €35,811.3m). Short-term funding (Euro CDs and commercial paper) declined from €1,355.6m to €172.2m, as did funding from banks, from €10,331.5m to €9,062m. During the period there was new issuance totalling €2,925m, redemptions and buybacks amounting to €2,597.1m, and adjustments (for exchange rates, amortized cost and hedges) amounting to €28.2m.

Loans and advances to customers — these fell by 5%, from €35,233.2m to €33,468.9m, chiefly due to the reduction in corporate demand (down 9%), while retail mortgages grew by 5.9%.

	30/6/09	31/12/09	Chg.
	€m	€m	%
Corporate and investment banking	23,107.8	21,374.7	–7.5
– *of which: leasing*	*4,833.9*	*4,694.5*	*–2.9*
Retail and private banking	12,125.4	12,094.2	–0.3
– *of which: consumer credit*	*8,108.4*	*8,038.7*	*–0.9*
mortgage lending	*3,227.9*	*3,418.0*	*+5.9*
private banking	*789.1*	*637.6*	*–19.2*
Total loans and advances to customers	35,233.2	33,468.9	–5.0

Accordingly, the contribution provided by CIB (which brings together corporate lending, structured finance and leasing activities) reduced from 66% to 64% of the total loan book, while the contribution from retail services rose from 34% to 36%.

In a scenario that remains highly critical, there was a 12.5% increase in impaired assets (non-performing, sub-standard, restructured and overdue items), from €688.2m to €774m. The coverage rate remains over 50%, and asset quality is good: impaired assets account for just 1.42% (30/6/09: 1.55%) of total loans in the large corporate segment, 3.75% (2.3%) in leasing, 3.01% (2.27%) in consumer credit, and 2.27% (1.75%) in mortgage lending. Non-performing accounts represent 0.5% of total loans.

At the reporting date there were a total of twelve significant exposures to groups of customers (including market risk and equity investments), i.e. above 10% of regulatory capital, one fewer than at end-June 2009. These, when weighted, amount to €11,435.2m (€12,032.2m).

Equity investments — these increased in value from €2,638.5m to €3,037.7m, due to profit for the period (€106.3m) and increases in net equity from the valuation reserves (€292.9m). The highest contribution was from Assicurazioni Generali, with the value of this investment increasing from €1,576.2m to €1,975.6m, on profit for the period totalling €116.4m and the contribution from the valuation reserve returning to positive territory (€283m), in line with the upward market trend for the period. As for the other companies included in this portfolio, the following investments increased in value over the six months: Burgo Group, up €5.4m (after the company returned to profit, contributing €1.1m), Pirelli & C., up €3.2m (€0.4m of which in profit), and Gemina, up €1m (with the company breaking even again). Based on share prices at 31 December 2009, the portfolio showed a net surplus of €1,714.6m (€1,076.9m), which reduces to €1,303.5m based on current prices.

	Percentage shareholding *	Book value	Market value as at 31/12/09	Surplus
		(€ m)		
LISTED INVESTMENTS				
Assicurazioni Generali	13.24	1.975.6	3.878.7	1.903.1
RCS MediaGroup, *ordinary*	14.36	202.5	138.8	(63.7)
Pirelli & C. S.p.A.	4.49	119.0	101.3	(17.7)
Gemina	12.53	212.3	105.2	(107.1)
		2.509.4	4.224.0	1.714.6
OTHER INVESTMENTS				
Telco	11.62	362.5		
Banca Esperia	50.00	57.1		
Burgo Group	22.13	83.5		
Athena Private Equity class A	24.27	23.5		
Fidia	25.00	1.2		
Other minor investments		0.5		
		528.3		
		3,037.7		

* Percentage of entire share capital.

In terms of earnings, the equity investments have performed in line with the assumptions underlying the impairment tests carried out at 30 June 2009. This trend is borne out by market prices, which have remained constant or improved during the six months under review. Therefore none of the investments was subject to impairment testing at end-December.

Fixed financial assets — this portfolio brings together the Group's holdings in securities held to maturity, worth €577.8m (€574.4m) and unlisted debt securities (recognized at cost), worth €756.2m (€983.1m), including illiquid securities amounting to €320.4m (€548.1m) transferred to this category from 30 September 2008. Movements for the period may be summarized as follows: redemptions totalling €220.9m, and upward adjustments of €2.9m to reflect amortized cost. As at the reporting-date the portfolio showed an implicit loss of €31m (€105.2m), €8.7m of which in respect of the transferred securities referred to above (compared with €46.8m last year), and without which writebacks of €29.1m would have been booked to the profit and loss account for the period. There are no situations among issuers that require impairment charges to be recognized.

AFS securities— this portfolio is made up of debt securities worth €6,051.1m (€4,923.4m), equities amounting to €1,263.9m (€1,247.1m), and other securities totalling €492.1m (€482.9m), €438m of which are convertible into shares (up €32.3m, due to the increase in fair value) and €54.1m of which are stock units in funds held by Compagnie Monégasque de Banque (down €23.2m, due to an ongoing disposal programme). The debt securities component increased by over €1.1bn, following purchases worth €4,472.9m, disposals and redemptions totalling €3,547.4m, and upward adjustments to reflect amortized cost and/or fair value at the period-end amounting to €165.4m. Movements on the equity side include investments worth €24.1m (relating to unlisted shares, in particular the debt/equity swap by Ferretti), disposals of €135.2m yielding €81.4m in gains (including withdrawals from the valuation reserves), and writedowns totalling €89.2m made to shares with a fair value below their original recognition value for a period of over 18 months. Recognizing the assets at fair value as at the reporting-date added a further €43.2m (€5.7m of which in respect of shares subject to impairment last year), with the equity component reserve returning to positive territory at €105.8m (compared with minus €28m), even taking into account the withdrawals made as a result of impairment.

	Percentage shareholding*	Book value as at 31/12/09	Adjustments to fair value	Impairment recognized in P&L	Total AFS reserve
Fiat, *ordinary*	0.44 – 0.38	49.7	15.0	—	22.0
Italmobiliare	9.5 – 5.47	65.2	14.7	—	30.6
Other listed shares		375.8	17.5	(79.1)	5.3
Sintonia S.A.	6.50	311.8	—	—	—
Delmi S.p.A., *ordinary*	6.00	105.6	(4.4)	—	(4.4)
Santé S.A.	9.99	84.0	—	—	—
Other unlisted shares ...		271.8	0.4	(10.1)	52.3
TOTAL SHARES		1,263.9	43.2	(89.2)	105.8

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

Hedges to the equity portfolio in the form of forward contracts show a surplus of €4.6m, which has been taken to the reserves. Since the reporting date these contracts have been executed, yielding a gain of €3.8m.

Treasury funds — this item rose from €12,753.5m to €13,502.7m, and includes €826m (€696.2m) in cash and cash equivalents, €9,655.2m (€8,576.5m) in fixed-income securities, €860.3m (€896.5m) in equities, €31.2m (€237.3m) in upward adjustments to derivative contracts, and €2,130m (€2,347m) in net treasury funds raised (repos, interbank deposits etc.). This performance bears out the Group's comfortable liquidity position, which was strengthened further during the six months. The ABS portfolio, including the bonds transferred to the loan book, closed at €464.5m (€524.6m), reflecting adjustments amounting to €3.8m, and an implicit loss of €8.7m on the securities transferred to loans and receivables (down €38m from the balance-sheet date).

Tangible and intangible assets — these fell from €764.2m to €762.9m, after depreciation and amortization charges for the period totalling €19.9m (€2.9m of which in respect of assets deriving from the purchase price allocation process for Linea) which include investments made by Mediobanca (reflecting an increase of €9.5m, due to an upgrade of the Bank's IT systems), Seteci (€3.4m, in connection with plans to refurbish and extend the property used by the company), and CheBanca! (€2.7m). Goodwill and brands continue to be carried at €365.9m and €6.3m respectively.

Provisions — this item consists of the provision for liabilities and charges amounting to €156.6m (€159.4m), and the staff severance indemnity provision totalling €27.2m (€28.9m), both of which fell due to withdrawals made during the period.

Net equity — net equity rose by almost €500m, from €5,703.6m to €6,201.5m, boosted by the increase in the Group's valuation reserves (€199.8m) and the contribution made from equity-consolidating the investee companies (€292.9m). The AFS securities valuation reserve returned to positive territory, at €132.1m (from minus €94.7m), after withdrawals of €84.1m and upward adjustments of €142.7m to reflect fair value as at the reporting date (€119.9m of which in respect of debt securities, €43.2m of equities, and €33.7m of other securities, net of the related tax effect amounting to €54m). The cash flow hedge reserve remained in negative territory, at minus €109.1m (versus €82m), after gains of €59.9m on equity hedges were realized, absorbing the positive valuation of derivatives held in the portfolio (€32.9m). However, the share of the valuation reserves attributable to the equity-accounted investments was positive at €58.8m.

PROFIT AND LOSS ACCOUNT

Net interest income — this rose by 3.8%, from €425.7m to €441.7m, reflecting 21.4% growth in corporate and investment banking due to higher business volumes (up 4.4%), and 6% growth in consumer credit operations. The retail segment showed a deficit of over €30m, comfortably offset by dealing profits of over €40m made on the trading portfolio used to hedge customer deposits.

Net trading income — this item includes €173.3m (31/12/08: €7.2m) in dealing profits, €131.1m (€158.8m) in gains on disposals of AFS securities, and €8.6m (€6.6m) in dividends. Trading activity was boosted by the market recovery, with a €10.4m profit reported for the second quarter. Both the fixed-income and equity sides performed well, adding €145.8m and €27.5m respectively.

	6 mths to 31/12/08	6 mths to 31/12/09
	€m	€m
Dealing profits	56.1	148.8
Mark-to-market as at reporting date	(51.0)	23.4
Dividends	2.0	1.1
NET TRADING INCOME	7.2	173.3

Net fee and commission income — this item rose by 25.9%, from €225.8m to €284.3m, chiefly due to a higher contribution from corporate and investment banking activity (up 45.6%), driven by equity capital markets (up from €14m to €40m) and corporate lending (up from €55m to €65m). Fees and commissions from consumer credit operations were virtually unchanged, at €80.5m (€81.8m), while the contribution from Compagnie Monégasque de Banque increased, from €18.1m to €20.7m.

Operating costs — these rose by 16.3%, from €339.1m to €394.4m, and consist of:

— labour costs amounting to €199.7m (€169.1m); these include €5.4m in emoluments paid to directors (unchanged) and €2.6m (€6.7m) in respect of stock options awarded in previous years; the increase reflects the Group's geographic expansion, both in its retail business and outside Italy, which led to an increase in headcount (from 3,105 to 3,196) and number of branches (from 217 to 227) during the period;

— sundry costs and expenses amounting to €194.7m (€170m), including €19.9m (€15.7m) in depreciation and amortization, €0.7m (€0.2m) in transfers to the provision for liabilities and charges, and administrative expenses totalling €174.1m (€154.1m), made up as follows:

	6 mths to 31/12/08	6 mths to 31/12/09
	€m	€m
Legal, tax and other professional services	20.0	17.3
Bad debt recovery	2.8	13.2
Marketing and communication	38.6	34.2
Rent and property maintenance charges	16.3	26.6
EDP	13.5	15.9
Financial information subscriptions	9.2	10.0
Banking services, collection and payment charges	12.1	8.5
Operating expenses	22.8	27.3
Other labour costs	11.2	11.8
Others	2.7	4.8
Direct and indirect taxes (net of withholding tax)	4.9	4.5
TOTAL	154.1	174.1

Trends in the main expense items show an increase in debt recovery costs in the retail segment, linked to the higher number of sub-standard accounts, and growth in costs at CheBanca! as geographical coverage increases (65 branches at 31 December 2009, compared with 43 one year previously). Rent and property maintenance charges increased by €8.9m; operating expenses were up €4.8m, and EDP costs up €2.1m.

Loan loss provisions — in a scenario that continues to be challenging for borrowers, two-thirds of the increase in this item (from €207.1m to €270.4m) are due to the deterioration in households' risk profile, with provisions for this segment rising from €140.2m to €182.7m. The remainder is attributable to provisions for the corporate loan book, which were up from €66.9m to €87.7m, and include €21.6m in amounts set aside for specific potential problem or restructured exposures.

Provisions for other financial assets — this item regards only shares held as part of the AFS portfolio, with €79.1m covering equities whose fair value has been below their original acquisition cost for a period of over 18 months now, and the other €11.3m representing long-term losses in the value of holdings in private equity and venture capital funds.

Divisional results

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

Corporate and investment banking (wholesale banking and leasing)

	6 mths to 31/12/08	12 mths to 30/6/09	6 mths to 31/12/09	Y.o.Y. chg.
	€m	€m	€m	%
Profit-and-loss data				
Net interest income	177.8	378.5	215.8	+21.4
Net trading income	168.4	398.2	263.9	+56.7
Net fee and commission income	122.6	301.8	178.5	+45.6
Equity-accounted companies	—	(17.1)	1.5	n.m.
TOTAL INCOME	**468.8**	**1.061.4**	**659.7**	**+40.7**
Labour costs	(92.8)	(201.1)	(111.3)	+19.9
Administrative expenses	(47.6)	(100.5)	(46.4)	–2.5
OPERATING COSTS	**(140.4)**	**(301.6)**	**(157.7)**	**+12.3**
Loan loss provisions	(66.9)	(179.1)	(87.7)	+31.1
Provisions for other financial assets	(73.6)	(202.8)	(82.6)	+12.2
PROFIT BEFORE TAX	**187.9**	**377.9**	**331.7**	**+76.5**
Income tax for the period	(47.2)	(148.1)	(122.2)	n.m.
Minority interest	0.5	0.4	(1.1)	n.m.
NET PROFIT	**141.2**	**230.2**	**208.4**	**+47.6**
Cost/income ratio(%)	29.9	28.4	23.9	

	31/12/08	30/6/09	31/12/09
Treasury funds	9,316.7	13,418.3	14,496.8
AFS securities	2,325.0	4,208.7	5,187.0
Fixed assets (HTM & LR)	1,171.2	1,556.7	1,333.3
Equity investments	111.3	405.1	414.9
Loans and advances to customers	29,589.4	26,315.0	24,821.8
of which to Group companies	*5,101.6*	*3,207.2*	*3,427.4*
Funding	(40,323.1)	(43,250.2)	(43,068.8)

Corporate and investment banking 31 December 2009	Wholesale	Leasing	Total
	€m	€m	€m
Net interest income	178.8	37.0	215.8
Net trading income	263.9	—	263.9
Net fee and commission income	177.6	0.9	178.5
Equity-accounted companies	1.5	—	1.5
TOTAL INCOME	**621.8**	**37.9**	**659.7**
Labour costs	(102.6)	(8.7)	(111.3)
Administrative expenses	(39.6)	(6.8)	(46.4)
OPERATING COSTS	**(142.2)**	**(15.5)**	**(157.7)**
Loan loss provisions	(70.5)	(17.2)	(87.7)
Provisions for other financial assets	(82.6)	—	(82.6)
PROFIT BEFORE TAX	**326.5**	**5.2**	**331.7**
Income tax for the period	(118.8)	(3.4)	(122.2)
Minority interest	—	(1.1)	(1.1)
NET PROFIT	**207.7**	**0.7**	**208.4**
Cost/income ratio(%)	22.9	40.9	23,9
Other assetsfinanziarie	21,373.1	58.9	21,432.0
Loans and advances to customers	20,127.3	4,694.5	24,821.8
of which to Group companies	*3,427.4*	—	*3,427.4*
New loans	—	576.5	—
No. of staff	642	211	853

Corporate and investment banking 31 December 2008	Wholesale	Leasing	Total
	€m	€m	€m
Net interest income	141.2	36.6	177.8
Net trading income	168.5	(0.1)	168.4
Net fee and commission income	120.3	2.3	122.6
Equity-accounted companies	—	—	—
TOTAL INCOME	**430.0**	**38.8**	**468.8**
Labour costs	(82.8)	(10.0)	(92.8)
Administrative expenses	(40.7)	(6.9)	(47.6)
OPERATING COSTS	**(123.5)**	**(16.9)**	**(140.4)**
Loan loss provisions	(44.8)	(22.1)	(66.9)
Provisions for other financial assets	(73.6)	—	(73.6)
PROFIT BEFORE TAX	**188.1**	**(0.2)**	**187.9**
Income tax for the period	(44.9)	(2.3)	(47.2)
Minority interest	—	0.5	0.5
NET PROFIT	**143.2**	**(2.0)**	**141.2**
Cost/income ratio(%)	28.7	43.6	29.9
Other financial assets	12,818.1	106.1	12,924.2
Loans and advances to customers	24,712.7	4,876.7	29,589.4
of which to Group companies	*5,101.6*	—	*5,101.6*
New loans	—	794.4	—
No. of staff	635	233	868

This division reported a net profit of €208.4m for the six months, up sharply (47.6%) on the €141.2m recorded at the same stage last year, driven by substantial growth in total income (up 40.7%, from €468.8m to €659.7m) with all the main items contributing:

- net interest income rose by 21.4%, from €177.8m to €215.8m, due solely to the contribution from wholesale banking activity (which increased from €141.2m to €178.8m), on 4.4% growth in business volumes; net interest income from leasing was stable at €37m (compared with €36.6m);

- net trading income posted an increase of over €95m, from €168.5m to €263.9m, representing the balance between higher dealing profits (up from €3.2m to €170.8m) and reduced gains on disposals from the AFS portfolio which virtually halved, from €158.4m to €84.6m;

- net fee and commission income continued the good performance posted in the first quarter, rising from €122.6m to €178.5m, with all the main business areas contributing (capital markets, advisory services and corporate lending).

The 12.3% increase in costs, from €140.4m to €157.7m, reflects higher labour costs (€111.3m, up from €92.8m) due to the strengthening of the headcount, in particular at the Bank's international branches; the other administrative expense items were more or less stable at €46.4m (compared with €47.6m).

Loan loss provisions of €87.7m were higher than the €66.9m reported last year, due entirely to the corporate segment (€70.5m, against €44.8m), where however, risk has diminished gradually in the course of the first half, with the provisions falling to €40.5m as at 30 September and €30m as at December 2009. Indeed, there have been no new potential problem accounts. Writedowns of €82.6m to AFS equities involved holdings for which the fair value has been below the original acquisition cost for a period of over 18 months.

Lending and structured finance — lending to corporates, excluding Group companies, fell by 8.6%, from €18,274m to €16,699.9m, due to a general reduction in demand. Non-Italian exposures made up approx. 30% of the loan book, in particular France (which accounted for 8% of total loans disbursed), Spain (7.3%) and Germany (5.3%). Overall this area generated 25% of the Group's revenues from wholesale banking.

Funding and treasury accounts — funding, virtually stable at €43,068.8m (€43,250.2m), consists of: €37,589.9m (€38,243.9m) in debt securities in issue, €172.2m (€1,355.4m) of which in short-term funding (CDs and commercial paper); €2,365.1m (€1,954.6m) in deposits and current accounts, and €3,113.8m (€3,051.7m) in other forms of funding chiefly attributable to leasing activity. Treasury accounts consist of €237.6m (€224.8m) in cash and cash equivalents, €9,157.5m (€7,785.8m) in debt securities, €592.9m (€422.6m) in shares, €70.5m (€280.1m) in upward adjustments to derivatives contracts, and €4,438.3m (€4,705m) in net short term fund applications. Overall this area generated approx. 45% of the Group's revenues from wholesale banking.

Fixed assets and AFS bonds — these include financial assets held to maturity totalling €577.1m (€573.6m), unlisted debt securities (recognized at cost) worth €756.2m (€983.1m) and AFS bonds amounting to €3,626.8m (€2,700.4m). During the period under review there were purchases totalling €2,239.2m (solely in the AFS segment), disposals worth €1,698.2m (generating gains of €17.8m), adjustments of €37.7m to reflect amortized cost, and upward adjustments to fair value totalling €98.3m. The upturn in share prices recorded in the second half of 2009 allowed the AFS reserve to return to positive territory, at €32.9m (compared with minus €73.5m at 30 June 2009), and the implicit losses on the fixed asset portfolio to more than halve, at €47m (compared with €120m).

Equity investments and AFS shares — this portfolio brings together for operational purposes the Group's holdings in equities held as available for sale, plus its investments in Gemina, Pirelli & C. and Burgo Group. As at 31 December 2009, it was worth €1,537.1m (€1,507.9m) after purchases totalling €22.9m, disposals of €135.2m yielding gains of €81m (including €9.5m in reserves accrued in previous years), writedowns for impairment to AFS equities totalling €82.6m, upward adjustments of €43.1m to reflect fair value at the reporting date, and upward, pro-rata adjustments to net equity amounting to €9.6m (€1.5m of which was taken through the profit and loss account). The net equity reserve for AFS shares returned to positive territory, at €107.7m (compared with minus €23.8m at 30 June 2009).

Investment banking — the value of advisory mandates executed by Mediobanca more than doubled during the six months, from €10.5bn to €23bn, resulting in 16% growth in revenues generated from this activity, from €37m to €43m. International customers and cross-border transactions made a significant (approx. 50%) contribution to this result. Capital market business was healthy, with the fixed-income segment recovering, and total revenues from equity business virtually tripled. Overall this area generated over 15% of the Group's revenues from wholesale banking.

Leasing — a small profit of €0.7m was made from this business during the six months under review, compared with a €2m loss last year which reflected a one-off adjustment of €14.3m on a single position being restructured (Pininfarina). Despite total revenues being stable at €37.9m (compared with €38.8m) and costs reducing from €16.9m to €15.5m, the result shows the impact of higher writeoffs due to the generalized deterioration in risk (€17.2m compared with €7.8m last year net of the one-time restructuring charges). Loans and advances to customers declined from €4,833.8m to €4,694.5m, on new loans for the period totalling €576.5m (€794.4m), reflecting the slowdown in demand for credit.

Principal Investing

	31/12/08	30/6/09	31/12/09	Y.o.Y. chg.
	€m	€m	€m	%
Profit-and-loss data				
Net interest income	(6.0)	(11.1)	(5.2)	–13.3
Net trading income	—	0.2	—	n.m.
Equity-accounted companies	115.5	(0.9)	105.6	–8.6
TOTAL INCOME	**109.5**	**(11.8)**	**100.4**	**–8.3**
Labour costs	(2.6)	(4.6)	(2.8)	+7.7
Administrative expenses	(1.2)	(2.2)	(1.3)	+8.3
OPERATING COSTS	**(3.8)**	**(6.8)**	**(4.1)**	**+7,9**
Provisions for other financial assets	(207.6)	(241.0)	(6.6)	n.m.
PROFIT BEFORE TAX	**(101.9)**	**(259.6)**	**89.7**	**n.m.**
Income tax for the period	4.2	23.3	(2.7)	n.m.
NET PROFIT	**(97.7)**	**(236.3)**	**87.0**	**n.m.**

	31/12/08	30/6/09	31/12/09
	€m	€m	€m
AFS securities	113.5	122.2	119.0
Equity investments	2,463.4	2,175.5	2,565.3

This activity returned to profit during the six months under review, posting a bottom line of €87m (compared with a loss of €97.7m), chiefly due to the sharp reduction in provisioning, from €207.6m to €6.6m. The contribution from equity-accounted investments declined slightly, from €115.5m to €105.6m, representing the balance between improved performance by the Generali investment (up from €111.5m to €116.4m) and losses on all the other equity investments, in particular RCS MediaGroup (€4.7m) and Telco €4.2m). The book value of the investments increased by €389.8m, as a result of the increase in value by the Generali shares referred to above. The remainder of this portfolio, consisting of investments made in connection with merchant banking and private equity activities, was more or less stable at €119m (€122.2m), following investments worth €1.2m and provisions charged to the profit and loss account for a total of €6.6m.

Retail and private banking

	6 mths to 31/12/08	12 mths to 30/6/09	6 mths to 31/12/09	Y.o.Y. chg.
	€m	€m	€m	%
Profit-and-loss data				
Net interest income	256.1	494.9	243.3	–5.0
Net trading income	4.5	31.7	37.2	n.m.
Net fee and commission income	120.7	239.8	125.7	+4.1
Equity-accounted companies	—	(0.2)	(0.2)	n.m.
TOTAL INCOME	**381.3**	**766.2**	**406.0**	**+6.5**
Labour costs	(78.3)	(163.0)	(92.4)	+18.0
Administrative expenses	(133.4)	(294.4)	(162.1)	+21.5
OPERATING COSTS	**(211.7)**	**(457.4)**	**(254.5)**	**+20.2**
Loan loss provisions	(140.2)	(324.7)	(182.7)	+30.3
Provisions for other financial assets	—	(7.5)	(0.9)	n.m.
Other gains (losses)	—	(0.1)	5.6	n.m.
PROFIT BEFORE TAX	**29.4**	**(23.5)**	**(26.5)**	**n.m.**
Income tax for the period	31.6	34.5	0.3	n.m.
Minority interest	—	—	—	n.m.
NET PROFIT (LOSS)	**61.0**	**11.0**	**(26.2)**	**n.m.**

	31/12/08	**30/06/09**	31/12/09
	€m	€m	€m
Treasury funds	2,215.1	3,226.7	3,745.7
AFS securities	606.7	2,732.5	3,156.4
Fixed financial assets (HTM & LR)	2.0	1,021.7	1,021.7
Equity investments	0.9	0.6	0.5
Loans and advances to customers	12,196.8	12,140.0	12,104.3
Funding	(14,193.9)	(18,334.4)	(19,331.3)

This division showed a top-line improvement of 6.5% for the six months, from €381.3m to €406m, driven by higher net trading income (up from €4.5m to €37.2m, chiefly due to the CheBanca! trading book which hedges part of the deposits) and net fee and commission income (up from €120.7m to €125.7m). Operating costs also increased by 20.2%, from €211.7m to €254.5m, largely due to the operating and geographical expansion of CheBanca! (which had customer deposits of €7.9bn at 65 branches, compared with €6.2bn at 55 branches during the equivalent period last year), as did loan loss provisions, by 30.3% (from €140.2m to

€182.7m), almost entirely due to consumer credit operations (up 34%, from €128.6m to €172.3m, albeit virtually unchanged in three quarters). Overall, a net loss of €26.2m was reported by this division for the six months under review, compared with a €61m profit during the corresponding period last year, which, however, was boosted by a one-off €45.9m tax effect.

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

Retail and private banking 31 December 2009	Consumer credit	Retail banking	Private banking	Total
	€m	€m	€m	€m
Net interest income	225.4	5.4	12.5	243.3
Net trading income	—	29.2	8.0	37.2
Net fee and commission income	84.8	2.7	38.2	125.7
Equity-accounted companies	(0.2)	—	—	(0.2)
TOTAL INCOME	**310.0**	**37.3**	**58.7**	**406.0**
Labour costs	(37.6)	(27.5)	(27.3)	(92.4)
Administrative expenses	(78.3)	(65.8)	(18.0)	(162.1)
OPERATING COSTS	**(115.9)**	**(93.3)**	**(45.3)**	**(254.5)**
Loan loss provisions	(172.3)	(9.1)	(1.3)	(182.7)
Provisions for other financial assets	—	—	(0.9)	(0.9)
Other gains (losses)	—	—	5.6	5.6
PROFIT BEFORE TAX	**21.8**	**(65.1)**	**16.8**	**(26.5)**
Income tax for the period	(16.0)	16.3	—	0.3
NET PROFIT	**5.8**	**(48.8)**	**16.8**	**(26.2)**
Cost/income ratio(%)	37.4	n.m.	77.2	62.7
Equity investments	0.5	—	—	0.5
Other financial assets	689.6	5,464.5	1,769.6	7,923.7
Loans and advances to customers	8,038.7	3,418.0	647.7	12,104.3
New loans	1,873.2	443.0	—	2,316.2
No. of branches	146	65	—	211
No. of staff	1,279	842	329	2,450

Retail and private banking 31 December 2008	Consumer credit	Retail banking	Private banking	Total
	€m	€m	€m	€m
Net interest income	213.2	22.8	20.1	256.1
Net trading income	0.2	—	4.3	4.5
Net fee and commission income	84.1	2.4	34.2	120.7
Equity-accounted companies	—	—	—	—
TOTAL INCOME	**297.5**	**25.2**	**58.6**	**381.3**
Labour costs	(39.0)	(17.7)	(21.6)	(78.3)
Administrative expenses	(67.7)	(49.4)	(16.3)	(133.4)
OPERATING COSTS	**(106.7)**	**(67.1)**	**(37.9)**	**(211.7)**
Loan loss provisions	(128.6)	(11.6)	—	(140.2)
PROFIT BEFORE TAX	**62.2**	**(53.5)**	**20.7**	**29.4**
Income tax for the period	16.8	14.3	0.5	31.6
NET PROFIT	**79.0**	**(39.2)**	**21.2**	**61.0**
Cost/income ratio(%)	35.9	n.m.	64.7	55.5
Equity investments	0.9	—	—	0.9
Other financial assets	370.9	97.6	2,355.0	2,823.5
Loans and advances to customers	8,317.0	3,011.8	868.0	12,196.8
New loans	1,951.8	421.6	—	2,373.4
No. of branches	146	43	—	189
No. of staff	1,371	620	337	2,328

Turning now to the individual business segments, consumer credit showed total income up 4.2%, from €297.5m to €310m, due to higher net interest income (up from €213.2m to €225.4m), with net fee and commission income virtually in line with last year at €84.8m, compared to €84.1m. The increase in costs, from €106.7m to €115.9m, was almost entirely attributable to higher loan recovery expenses, which were up from €3.1m to €13.1m, and higher loan loss provisions (up from €128.6m to €172.3m) which nonetheless have been stable for the past three quarters. Net profit dropped from €79m (or €33.1m, net of the one-off tax effect referred to previously) to €5.8m. New loans for the period under review stood at €1,873.2m, down 4% compared to the €1,951.8m for the same period last year; loans outstanding as at 31 December 2009 were down 1% at €8,038.7m (from €8,108.4m).

Retail banking activity showed a net loss of €48.8m, higher than the €39.2m loss recorded last year, due to the increase in operating costs (up from €67.1m to €93.3m), absorbed only in part by growth in the top line (from €25.2m to €37.3m) and the improvement in loan loss provisioning (down from €11.6m to €9.1m). At end-December 2009 retail deposits totalled €7,857.8m, up over 25% compared to the total reported at the balance-sheet date (€6,212.6m). Total loans stood at €3,418m (€3,011.8m), on new loans for the first six months of the financial year totalling €443m (€421.6m).

Private banking recorded a profit of €16.8m, down from the €21.2m reported last year. Total income remained stable, at €58.7m (compared with €58.6m), with net fee and commission income up slightly (from €34.2m to €38.2m), and net trading income doubling from €4.3m to €8m, which together offset the reduction in net interest income generated by Compagnie Monégasque de Banque (from €17.7m to €11.5m) due to the reduction in interest rates. Operating costs rose from €37.9m to €45.3m, which was compensated by non-recurring income of €5.6m after a dispute with suppliers was settled favourably. Provisions totalled €2.2m, attributable to the loan book as to €1.3m and to AFS shares held by CMB as to €0.9m. Assets under management on a discretionary/non-discretionary basis at the reporting date totalled €10.9bn (€10.2bn), €5.3bn (€6bn) of which was attributable to CMB and €5.6bn (€4.3bn) to Banca Esperia. This shows the effect of the tax "amnesty" (Italian Decree Law 194/09), which boosted Banca Esperia's AUM levels by 30%.

* * *

Private banking 31 December 2009	CMB	Banca Esperia 50%	Other	Total PB
	€m	€m	€m	€m
Net interest income	11.5	0.9	0.1	12.5
Net trading income	7.9	—	0.1	8.0
Net fee and commission income	20.7	14.1	3.4	38.2
TOTAL INCOME	**40.1**	**15.0**	**3.6**	**58.7**
Labour costs	(14.8)	(10.4)	(2.1)	(27.3)
Administrative expenses	(11.7)	(5.5)	(0.8)	(18.0)
OPERATING COSTS	**(26.5)**	**(15.9)**	**(2.9)**	**(45.3)**
Loan loss provisions	(1.2)	—	(0.1)	(1.3)
Provisions for other financial assets	(0.9)	—	—	(0.9)
Other gains (losses)	5.6	—	—	5.6
PROFIT BEFORE TAX	**17.1**	**(0.9)**	**0.6**	**16.8**
Income tax for the period	(0.1)	0.3	(0.2)	—
NET PROFIT	**17.0**	**(0.6)**	**0.4**	**16.8**
Assets under management	5,297.0	5,567.0	—	10,864.0
Securities held on a trustee basis	N/A	N/A	1,541.0	1,541.0

Private banking 31 December 2008	CMB	Banca Esperia 50%	Other	Total PB
	€m	€m	€m	€m
Net interest income	17.7	2.1	0.3	20.1
Net trading income	8.2	(3.4)	(0.5)	4.3
Net fee and commission income	18.1	13.1	3.0	34.2
TOTAL INCOME	**44.0**	**11.8**	**2.8**	**58.6**
Labour costs	(12.4)	(7.5)	(1.7)	(21.6)
Administrative expenses	(10.3)	(5.4)	(0.6)	(16.3)
OPERATING COSTS	**(22.7)**	**(12.9)**	**(2.3)**	**(37.9)**
Provisions for other financial assets	(0.1)	—	0.1	—
Other gains (losses)	—	—	—	—
PROFIT BEFORE TAX	**21.2**	**(1.1)**	**0.6**	**20.7**
Income tax for the period	—	0.6	(0.1)	0.5
NET PROFIT	**21.2**	**(0.5)**	**0.5**	**21.2**
Assets under management	5,934.0	3,937.0	—	9,871.0
Securities held on a trustee basis	N/A	N/A	1,268.3	1,268.3

Review of Group company performances

Mediobanca

In the six months ended 31 December 2009, Mediobanca reported a net profit of €167.1m, compared to a €58.2m loss last year, boosted by a 52.3% increase in total income (from €396.4m to €603.9m) generated by all the main sources:

— net interest income rose by 31.7%, from €118m to €155.4m, on an 11.1% increase in business volumes with the weight of the cost of funding reducing;

— net trading income increased from €169.2m to €278.8m, reflecting substantial growth in dealing profits (up from €4m to €171.8m) which offset the lower gains on disposals of AFS securities(which totalled €107m, compared with €165m);

— net fee and commission income grew 55.4% to reach €169.7m (versus €109.2m last year), with all corporate and investment banking activities contributing.

The 14.3% increase in operating costs, from €128.5m to €146.9m, is entirely due to the labour component (up 22.7%, from €86.5m to €106.1m) linked to the Bank strengthening operations at its international branches.

Loan loss provisions amounted to €70.2m, reflecting the deterioration in the corporate loan book's risk profile compared to the six months ended 31 December 2008 (€44.8m). However the trend has improved in the first half of the new financial year, with provisions of €40.2m for the first quarter and €30m for the second.

Provisions for other financial assets fell from €244.3m last year to €106.7m, €89.3m of which in respect of AFS shares with a fair value below the cost of acquisition for over 18 months, and €17.4m of which in respect of unlisted equity investments recognized at cost.

With regard to the main balance-sheet items:

— funding decreased by €1,075.2m, from €40,248.6m to €39,173.4m, chiefly due to borrowings from banks, while debt securities in issue remained stable at €35,765.1m (30/6/09: €35,779.5m); in particular, deposits and current accounts increased from €1,852.9m to €2,400.6m, due to funds raised by CheBanca!, while other forms of funding declined by €1,608.5m, from €2,616.2m to €1,007.7m;

— loans and advances to customers fell from €23,282.5m to €20,919.1m (down 11.3%); loans to Group companies reduced from €8,834.1m to €7,836.1m;

— equity investments declined from €2,845.2m to €2,828.1m, reflecting €17.4m adjustments to bring the value of holdings in certain unlisted securities into line with their net equity value. Market prices as at 31 December 2009 reflect a surplus of fair value over book value amounting to €2,443.8m, or €2,178.7m based on current prices;

— fixed financial assets reduced from €1,556.7m to €1,333.3m; the implicit loss on this item based on prices and holdings as at the reporting date totalled €47m (€119.9m);

— AFS securities rose from €4,330.9m to €5,306m, and comprise €3,626.8m (€2,700.4m) in debt securities, €437.9m (€405.6m) in convertible bonds, and €1,241.3m (€1,224.9m) in equities. In addition to upward value adjustments of €64.5m for the period, movements in equities reflect purchases of €24.1m, disposals (at revenue) of €354.2m yielding gains of €71.5m (including €8.9m in reserves accrued during previous years), and writedowns for impairment to listed and unlisted investments amounting to €89.3m;

— treasury funds totalled €14,114.1m (€13,059.4m), and include €209m (€169.5m) in cash and bank deposits, €9,488m (€7,962.2m) in securities, €451.5m in downward valuations of derivative contracts (compared with €281.3m in positive valuations), and €4,868.6m (€4,646.4m) in short-term funding;

— the Bank's net equity of €4.806,4m (€4,620.4m) includes: share capital amounting to €430.5m, up €20.5m following the scrip issue implemented, valuation reserves totalling €99.8m, and other reserves and retained earnings amounting to €4,276.1m.

* * *

With reference to the claims made against Mediobanca, jointly with the other parties involved in what is alleged to be their failure to launch a full takeover bid for La Fondiaria in 2002, a total of twelve are still pending for damages amounting to €153m. The present status of these claims is as follows:

- the court of appeals in Milan has ruled in favour of Mediobanca on two claims, and both rulings have been challenged in the Court of Cassation;
- the court of Milan has ruled against Mediobanca on eight claims, in respect of which six appeals have been submitted;
- the court of Florence has ruled in favour of Mediobanca on one claim, which ruling has been appealed by the plaintiff;
- one claim is still pending at the court of Milan.

* * *

RESTATED PROFIT AND LOSS ACCOUNT*

	6 mths ended 31/12/08	12 mths ended 30/6/09	6 mths ended 31/12/09	Y.o.Y. chg.
	€m	€m	€m	%
Net interest income	118.0	267.5	155.4	+31.7
Net trading income	169.2	401.7	278.8	+64.7
Net fee and commission income	109.2	283.3	169.7	+55.4
Dividends from equity investments	—	27.5	—	n.m.
TOTAL INCOME	**396.4**	**980.0**	**603.9**	**+52.3**
Labour costs	(86.5)	(186.2)	(106.1)	+22.7
Administrative expenses	(42.0)	(88.1)	(40.8)	–2.9
OPERATING COSTS	**(128.5)**	**(274.3)**	**(146.9)**	**+14.3**
Loan loss provisions	(44.8)	(134.9)	(70.2)	+56.7
Provisions for other financial assets	(244.3)	(416.0)	(106.7)	–56.3
PROFIT BEFORE TAX	**(21.2)**	**154.8**	**280.1**	n.m.
Income tax for the period	(37.0)	(134.0)	(113.0)	n.m.
NET PROFIT	**(58.2)**	**20.8**	**167.1**	n.m.

* The financial statements are also reported in accordance with the recommendations made by the Bank of Italy in the annex hereto, along with further details on how the various items have been restated.

RESTATED BALANCE SHEET*

	31/12/08	30/6/09	31/12/09
	€m	€m	€m
Assets			
Treasury funds	9,078.4	13,059.4	14,114.1
AFS securities	2,438.5	4,330.9	5,306.0
Fixed financial assets	1,171.2	1,556.7	1,333.3
Loans and advances to customers	27,315.3	23,282.5	20,919.1
Equity investments	2,553.0	2,845.2	2,828.1
Tangible and intangible assets	122.2	122.5	127.9
Other assets	393.3	555.5	302.1
Total assets	43,071.9	45,752.7	44,930.6
Liabilities and net equity			
Funding	38,195.1	40,248.6	39,173.4
Other liabilities	528.2	702.3	622.9
Fondi del passivo	161.9	160.6	160.8
Net equity	4,244.9	4,620.4	4,806.4
Profit for the period	(58.2)	20.8	167.1
Total liabilities and net equity	43,071.9	45,752.7	44,930.6

* The financial statements are also reported in accordance with the recommendations made by the Bank of Italy in the annex hereto, along with further details on how the various items have been restated.

* * *

A review of the other Group companies' performance is provided below:

— *Compass S.p.A.*, Milan *(consumer credit; 100%-owned by Mediobanca)*: the company's accounts for the six months ended 31 December 2009 reflect a slight profit of €213,000 (€76.5m), after loan loss provisions of €170m (€128m) and tax of €13m (compared with income of €19.6m during the same period last year, due to the one-off benefit of €45.9m linked to goodwill in connection with the Linea transaction being released from taxation).

  Loans and advances to customers were down approx. 2% compared with 30 June 2009, from €7,837.2m to €7,685.2m.

  Work also began during the period to refurbish and extend Seteci's offices and EDP processing centre in order to house Compass's offices as well.

— *Futuro S.p.A.*, Milan *(salary-backed finance; 100%-owned by Compass)*: Futuro recorded a net profit of €1.8m for the six months (€1.4m), after extraordinary provisions amounting to €600,000 and tax of €1m (€831,000). Accounts outstanding as at year-end 2008 were up approx. 13% on the balance-sheet date, from €514.1m to €581.9m.

— *Ducati Financial Services S.r.l.*, Milan *(50:50 joint venture between Compass and Ducati Motor Holding)*: Ducati Financial Services recorded a loss of €490,000 for the six months (€160,000), after adjustments to receivables totalling €1.1m (€391,000). Customer loans had decreased by approx. 5% since the balance-sheet date, from €68.4m to €64.8m.

— *CheBanca! S.p.A.*, Milan *(retail banking; 100%-owned by Compass)*: CheBanca! reported a net loss of €49.3m (€39.1m) for the period, after advance tax of €16.2m (€14.3m). The €65.5m operating loss (pre-tax) was approx. 20% higher than the €53.4m recorded in the same period last year, due to the €26.5m increase in costs, only partly absorbed by higher revenues (up around 50%, from €25m to €36.9m), and to a lesser degree by the reduction in loan loss provisioning (€9.1m, against €11.6m).

CheBanca! has seen the commercial success of its first months continue, reaching a customer base of over 200,000 clients in just over 18 months' activity.

Retail deposits of €7,858m at the reporting date were up approx. 30% on the €6,115m recorded at 30 June 2009. The technical forms of funding on offer, which until November consisted of deposit, current and "pocket" accounts, have now been extended with the addition of repos.

With reference to mortgage lending activity, customer loans were approx. 6% higher than at the balance-sheet date, up from €3,229.1m to €3,418.3m.

— *SelmaBipiemme Leasing S.p.A.*, Milan *(leasing; 60%-owned by Compass)*: this company made a slight loss of €0.3m for the six months (€4.3m), after dividends of €2.7m (€4.8m) and €13.7m (€20m) in adjustments to receivables; as at 31 December 2009 amounts leased to customers had fallen by 4% since the balance-sheet date, to €2,605.3m (€2,715.6m).

— *Palladio Leasing S.p.A.*, Vicenza *(leasing; 95%-owned by SelmaBipiemme; 5% treasury shares):* Palladio Leasing's accounts for the six months under review reflect a net profit of €1.7m, lower than the €2.9m posted in the equivalent period last year, following adjustments to receivables of €2.7m and tax amounting to €1.1m (compared with €2m and €1.8m last year respectively); as at 31 December 2009 amounts leased to customers were virtually flat versus the balance-sheet date, at €1,617.4m (compared with €1,609.8m).

— *Teleleasing S.p.A.*, Milan *(leasing; 80%-owned by SelmaBipiemme)*: this company earned a net profit of €3m (€3.7m) during the period, after value adjustments to receivables totalling €0.7m and tax of €1.8m (compared with €0.1m and €2.1m last year respectively); as at 31 December 2009 amounts leased to customers had fallen by approx. 5% since the balance-sheet, from €574.7m to €548.9m.

— *Cofactor S.p.A.*, Milan *(non-recourse factoring; 100%-owned by Compass)*: Cofactor recorded a net profit of €504,000 (€47,000), after income tax for the period amounting to €165,000 (€18,000). Accounts outstanding as at year-end 2009 were booked at €84.7m (compared with €84.2m at the balance-sheet date).

— *Creditech S.p.A., Milan (credit management; 100%-owned by Compass)*: this company reported a net profit of €2.2m (€1.7m), after tax of €1.1m (€0.9m).

— *Compagnie Monégasque de Banque,* Monaco *(100%-owned by Mediobanca)*: the draft consolidated accounts as at 31 December 2009 reflect a profit of €32.6m (€33.2m), after net fee and commission income of €39.1m (€38.8m). Lendings totalled €631.9m (31/12/08: €772.8m) and deposits €1,504.3m (€2,491.2m). Assets managed on a discretionary and non-discretionary basis amounted to €5.3bn (€5.9bn), down approx. 11%.

— *Banca Esperia S.p.A.,* Milan *(50%-owned by Mediobanca)*: the draft consolidated accounts as at 31 December 2009 show a profit of €0.45m (€4m), on net fee and commission income totalling €51.5m (€57.7m). The reduction reflects the difficulties experienced by this sector as a result of the financial market crisis, and also the business reorganization measures implemented during the period. Assets under management rose from €9.6bn to €11.1bn.

— *Spafid - Società per Amministrazioni Fiduciarie S.p.A.,* Milan *(100%-owned by Mediobanca)*: this company recorded a profit of €409,000 (€201,000), after tax of €210,000 (€159,000). Securities under trust at 31 December 2009 totalled €2,126.2m (€1,325.1m).

— *Prudentia Fiduciaria S.p.A.,* Milan *(100%-owned by Mediobanca)*: Prudentia recorded a profit of €11,000 (€25,000) in the period, after tax of €35,000 (€39,000). Securities under trust as at 31 December 2009 amounted to €66.7m (€64.9m at the balance-sheet date).

— *Mediobanca International (Luxembourg) S.A.,* Luxembourg *(99%-owned by Mediobanca; 1%-owned by Compass)*: this company recorded a profit of €12.3m for the six months (€25.8m), after total income virtually halved from €33m to €17.3m. Loans and advances to customers fell from €3,689.7m to €3,393.8m; funds raised from debt securities increased from €1,444.8m to €1,760.8m, while short-term funding in the form of CDs and Euro commercial paper reduced, from €1,244.7m to €106.3m. Net equity stood at €131.2m (€102m).

— *Prominvestment in liquidation*, Rome (*100%-owned by Mediobanca*): Prominvestment made a loss of €256,000 (€19,000) for the period, on net fee and commission income of €266,000 (€533,000).

— *MB Securities USA LLC.*, New York *(100%-owned by Mediobanca)*: this company, which carries out order collection, returned to profit in the six months under review, earning $136,000 (compared with a loss of $484,000).

— *R. & S. – Ricerche e Studi S.p.A.*, Milan *(100%-owned by Mediobanca)*: this company recorded a loss of €17,000 for the six months, after charging Mediobanca €0.7m (€0.5m) for services and expenses. R&S produced the thirty-fourth edition of its Annual Directory, which includes analysis of leading Italian listed companies, and updated the reports available in digital format on the company's website. It also published an update to its survey of European banks based on interim data, and in co-operation with Italian daily newspaper *Il Sole 24 Ore* continued its publication of the quarterly survey of blue chip companies' results. It also launched a research project on medium-sized European companies (in Italy, Germany and Spain) in the first instance, in conjunction with IfM (*Institut für Mittelstandsforschung*) in Bonn and UCM (*Universidad Complutense de Madrid*).

* * *

Outlook

Results for the second half of the financial year will continue to reflect the weak scenario, which shows no signs of recovery, with respect to the securities portfolio and loan book particularly. Apart from these items, total income is expected to be in line that posted in the first six months, save for trading activity and the equity investment portfolio performance, which again will be closely linked to market volatility.

Reconciliation of shareholders' equity and net profit

	Shareholders' equity €m	Net profit €m
Balance at 31/12 as per Mediobanca S.p.A. accounts	4,806,359	167,103
Net surplus over book value for consolidated companies	15,331	(14,445)
Other adjustments and restatements on consolidation, including the effects of accounting for companies on an equity basis	1,379,819	119,065
Dividends received during the period	—	(1,642)
TOTAL	6,201,509	270,081

* * *

On 30 October 2009, Pietro Ferrero tendered his resignation from the post of director of Mediobanca, owing to increasing commitments as a result of leading his own group. The Board wishes to place on record its thanks to Mr Ferrero for his much-appreciated contribution to its work.

Milan, 24 February 2010.

THE BOARD OF DIRECTORS

CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

CONSOLIDATED BALANCE SHEET

	Assets	31/12/09		30/6/09	
			€'000		€'000
10.	Cash and cash equivalents		28,952		20,653
20.	Financial assets held for trading		15,691,951		13,137,610
40.	Financial assets available for sale		7,807,074		6,653,386
50.	Financial assets held to maturity		577,831		574,427
60.	Due from banks		4,690,710		5,001,711
70.	Due from customers		39,385,202		42,389,995
80.	Hedging derivatives		1,840,482		1,744,646
100.	Equity investments		3,037,657		2,638,502
120.	Property, plant and equipment		318,654		317,500
130.	Intangible assets		444,228		446,714
	of which:				
	goodwill	*365,934*		*365,934*	
140.	Tax assets:		700,286		830,124
	a) current	*177,744*		*291,411*	
	b) advance	*522,542*		*538,714*	
160.	Other assets		158,696		135,212
	TOTAL ASSETS		**74,681,723**		**73,890,480**

	Liabilities and net equity	31/12/09		30/6/09	
			€'000		€'000
10.	Due to banks		10,317,189		11,410,191
20.	Due to customers		13,368,378		13,148,204
30.	Debt securities in issue		36,944,504		37,416,198
40.	Trading liabilities		5,145,235		3,427,372
60.	Hedging derivatives		1,049,062		1,332,162
80.	Tax liabilities:		541,391		653,662
	a) current	*189,565*		*306,367*	
	b) deferred	*351,826*		*347,295*	
100.	Other liabilities		555,671		505,107
110.	Staff severance indemnity provision		27,239		28,898
120.	Provisions:		156,604		159,383
	b) other provisions	*156,604*		*159,383*	
140.	Revaluation reserves		95,769		(163,300)
170.	Reserves		3,769,513		3,530,707
180.	Share premium reserve		2,119,542		2,140,043
190.	Share capital		430,529		410,028
200.	Treasury shares		(213,844)		(213,844)
210.	Minority interest		104,860		103,260
220.	Profit for the period		270,081		2,409
	TOTAL LIABILITIES AND NET EQUITY		**74,681,723**		**73,890,480**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Items	6 mths to 31/12/09		12 mths to 30/6/09		6 mths to 31/12/08	
10.	Interest and similar income		1,389,256		3,051,138		1,651,451
20.	Interest expense and similar charges		(893,142)		(2,194,096)		(1,243,172)
30.	**Net interest income**		**496,114**		**857,042**		**408,279**
40.	Fee and commission income		269,933		483,631		212,429
50.	Fee and commission expense		(25,107)		(50,538)		(28,221)
60.	**Net fee and commission income**		**244,826**		**433,093**		**184,208**
70.	Dividends and similar income		9,655		40,978		8,616
80.	Net trading income		120,700		196,749		19,015
90.	Net hedging income (expense)		(12,936)		2,022		(5,060)
100.	Gain (loss) on disposal/repurchase of:		141,174		186,129		167,628
	a) loans and advances	—		—		—	
	b) AFS securities	*131,078*		*175,009*		*158,831*	
	c) financial assets held to maturity	*16*		*112*		*127*	
	d) financial liabilities	*10,080*		*11,008*		*8,670*	
110.	Net result from assets/liabilities recognized at fair value		—		—		—
120.	**Total income**		**999,533**		**1,716,013**		**782,686**
130.	Adjustments for impairment to:		(360,851)		(690,425)		(281,203)
	a) loans and advances	*(228,704)*		*(476,322)*		*(187,070)*	
	b) AFS securities	*(90,442)*		*(186,646)*		*(74,133)*	
	c) financial assets held to maturity	*250*		*420*		*147*	
	d) financial liabilities	*(41,955)*		*(27,877)*		*(20,147)*	
140.	**Net income from financial operations**		**638,682**		**1,025,588**		**501,483**
180.	Administrative expenses:		(395,278)		(748,459)		(348,699)
	a) personnel costs	(199,684)		(360,075)		(169,153)	
	b) other administrative expenses	(195,594)		(388,384)		(179,546)	
190.	Net transfers to provisions		(661)		(736)		(152)
200.	Net adjustments to tangible assets		(8,401)		(15,416)		(7,371)
210.	Net adjustments to intangible assets		(11,479)		(19,357)		(8,315)
220.	Other operating income (expense)		66,437		132,697		66,982
230.	**Operating costs**		**(349,382)**		**(651,271)**		**(297,555)**
240.	Gain (loss) on equity investments		106,330		(283,516)		(92,020)
270.	Gain (loss) on disposal of investments in:		2		(83)		(12)
	a) property	—		—		—	
	b) other assets	*2*		*(83)*		*(12)*	
280.	**Profit (loss) on ordinary activities before tax**		**395,632**		**90,718**		**111,896**
290.	Income tax for the year on ordinary activities		(124,599)		(88,766)		(12,084)
300.	**Profit (loss) on ordinary activities after tax**		**271,033**		**1,952**		**99,812**
320.	**Net profit (loss) for the period**		**271,033**		**1,952**		**99,812**
330.	**Net profit attributable to minorities**		952		(457)		(534)
340.	**Net profit (loss) for the period attributable to Mediobanca**		**270,081**		**2,409**		**100,346**

CONSOLIDATED COMPREHENSIVE INCOME

	Headings	31/12/09	31/12/08
10.	Gain (loss) for the period	271,033	99,812
	Other income items net of tax		
20.	AFS securities	226,853	(449,123)
30.	Property, plant and equipment	—	—
40.	Intangible assets	—	—
50.	Foreign investment hedges	—	—
60.	Cash flow hedges	(26,258)	(215,965)
70.	Exchange rate differences	468	272
80.	Non-current assets being sold	—	—
90.	Actuarial gains (losses) on defined-benefit pension schemes	—	—
100.	Share of valuation reserves for equity-accounted companies	294,268	(111,088)
110.	Total other income items net of tax	495,331	(775,904)
120.	Aggregate profit (Heading 10 + Heading 110)	766,364	(676,092)
130.	Overall consolidated profit attributable to minorities	2,260	(11,373)
140.	Overall consolidated profit attributable to Mediobanca	764,104	(664,719)

STATEMENT OF CHANGES TO NET EQUITY

	Previously reported balance at 30/6/09	Allocation of profit for previous period		Changes during the reference period								Balance at 31/12/09	Net profit attributable to minorities at 31/12/09
					Transactions involving net equity								
		Reserves	Dividends and other fund applications	Changes to reserves	New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury share derivatives	Stock options	Overall consolidated profit		
Share capital:	410,028	—	—	—	20,501	—	—	—	—	—	—	430,529	25,129
a) ordinary shares	410,028	—	—	—	20,501	—	—	—	—	—	—	430,529	25,129
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,140,043	—	—	—	(20,501)	—	—	—	—	—	—	2,119,542	7,216
Reserves:	3,530,707	2,409	—	233,746	—	—	—	—	—	2,651	—	3,769,513	78,014
a) retained earnings	3,493,256	2,409	—	233,746	—	—	—	—	—	—	—	3,729,411	78,014
b) others*	37,451	—	—	—	—	—	—	—	—	2,651	—	40,102	—
Valuation reserves	(163,300)	—	—	(234,954) [1]	—	—	—	—	—	—	494,023	95,769	(6,551)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(213,844)	—	—	—	—	—	—	—	—	—	—	(213,844)	—
Profit (loss) for the period	2,409	(2,409)	—	—	—	—	—	—	—	—	270,081	270,081	952
Net equity	5,706,043	—	—	(1,208)	—	—	—	—	—	2,651	764,104	6,471,590	—
Net profit attributable to minorities	103,260	—	—	(660)	—	—	—	—	—	—	2,260	104,860	104,860

* Transfer of stock option scheme reserves.

[1] Equity-accounted companies' share of valuation reserves as at 30 June 2009 reclassified.

STATEMENT OF CHANGES TO NET EQUITY FROM 1/7/08 TO 31/12/08

	Balance at 30/6/08	Allocation of profit from previous period		Changes during the reference period								Balance at 31/12/08
					Transactions involving net equity							
		Reserves	Dividends and other fund applications	Changes to reserves	New shares issued	Treasury shares	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury share derivatives	Stock options	Profit (loss) for the period	
Share capital:	410,028	—	—	—	—	—	—	—	—	—	—	410,028
a) ordinary shares	410,028	—	—	—	—	—	—	—	—	—	—	410,028
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,140,043	—	—	—	—	—	—	—	—	—	—	2,140,043
Reserves:	3,280,171	492,326	—	(116,727)	—	—	—	—	—	6,737	—	3,662,507
a) retained earnings	3,280,171	492,326	—	(116,727)	—	—	—	—	—	6,737	—	3,662,507
b) others	—	—	—	—	—	—	—	—	—	—	—	—
Valuation reserves:	112,795	—	—	(654,698)	—	—	—	—	—	—	—	(541,903)
a) AFS securities	(58,661)	—	—	(449,123)	—	—	—	—	—	—	—	(507,784)
b) cash flow hedges	157,537	—	—	(205,126)	—	—	—	—	—	—	—	(47,589)
c) special laws	13,919	—	—	(449)	—	—	—	—	—	—	—	13,470
d) others	—	—	—	—	—	—	—	—	—	—	—	—
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(213,844)	—	—	—	—	—	—	—	—	—	—	(213,844)
Profit (loss) for the period	1,014,832	(492,326)	(522,506)	—	—	—	—	—	—	—	100,346	100,346
Net equity	6,744,025	—	(522,506)	(771,425)	—	—	—	—	—	6,737	100,346	5,557,177
Net profit attributable to minorities	119,845	(5,032)	—	(9,991)	—	—	—	—	—	—	(534)	105,356

CONSOLIDATED CASH FLOW STATEMENT
Direct method

		Amounts	
		31/12/09	31/12/08
A.	**Cash flow from operating activities**		
1.	**Operating activities**	**1,051,519**	**473,999**
	– interest received	2,303,960	2,699,673
	– interest paid	(1,582,419)	(2,112,631)
	– dividends and similar income	12,371	13,397
	– net fees and commission income	213,686	22,635
	– cash payments to employees	(139,688)	(132,538)
	– net premium income	—	—
	– other income from insurance activities	(30,277)	(64,418)
	– other expenses paid	(472,346)	(488,454)
	– other income received	883,893	628,926
	– income taxes paid	(137,661)	(92,591)
	– net expense/income from groups of assets being sold	—	—
2.	**Cash generated/absorbed by financial assets**	**2,943,894**	**(8,093,770)**
	– financial assets held for trading	(607,182)	(1,807,913)
	– financial assets recognized at fair value	—	—
	– AFS securities	(1,978,117)	(867,474)
	– due from customers	2,119,713	(3,730,006)
	– due from banks: on demand	(899,946)	(2,432,672)
	– due from banks: other	2,974,140	712,191
	– other assets	1,335,286	32,104
3.	**Cash generated/absorbed by financial liabilities**	**(3,966,167)**	**8,175,402**
	– due to banks: on demand	2,207,284	(12,058)
	– due to banks: other	(3,670,240)	3,687,880
	– due to customers	(1,888,447)	2,554,507
	– debt securities	(519,828)	2,223,156
	– trading liabilities	252,351	19,421
	– financial liabilities assets recognized at fair value	—	—
	– other liabilities	(347,287)	(297,504)
	Net cash flow (outflow) from operating activities	**29,246**	**555,631**
B.	**Investment activities**		
1.	**Cash generated from**	**466**	**2,931**
	– disposals of shareholdings	53	—
	– dividends received in respect of equity investments	—	2,330
	– disposals/redemptions of financial assets held to maturity	332	297
	– disposals of tangible assets	81	304
	– disposals of intangible assets	—	—
	– disposals of subsidiaries or business units	—	—
2.	**Cash absorbed by**	**(21,623)**	**(7,950)**
	– acquisitions of shareholdings	(4,337)	(392)
	– acquisitions of held-to-maturity investments	(18)	(920)
	– acquisitions of tangible assets	(8,950)	(1,478)
	– acquisitions of intangible assets	(8,318)	(5,160)
	– acquisitions of subsidiaries or business units	—	—
	Net cash flow (outflow) from investment/servicing of finance	**(21,157)**	**(5,019)**
C.	**Funding activities**		
	– issuance/acquisition of treasury shares	15	—
	– issuance/acquisition of equity instruments	—	—
	– dividend payouts and other applications of funds	(3,420)	(542,658)
	Net cash flow (outflow) from funding activities	**(3,405)**	**(542,658)**
	Net cash flow (outflow) during period	**4,684**	**7,954**

RECONCILIATION OF MOVEMENTS IN CASH FLOW DURING PERIOD

	Amounts	
	31/12/09	31/12/08
Cash and cash equivalents: balance at start of period	20,653	22,110
Total cash flow (outflow) during period	4,684	7,954
Cash and cash equivalents: exchange rate effect	3,615	—
Cash and cash equivalents: balance at end of period	28,952	30,064

NOTES TO THE ACCOUNTS

PART A - ACCOUNTING POLICIES

Section 1

Statement of conformity with IAS/IFRS

The Mediobanca Group's consolidated financial statements for the period ended 31 December 2009 have, as required by Italian Legislative Decree 38/05, been drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), which were adopted by the European Commission in accordance with the procedure laid down in Article 6 of regulation CE 1606/02 issued by the European Council and Commission on 19 July 2002. Adoption of the new accounting standards with respect to financial reporting by banks was governed by Bank of Italy circular no. 262 issued on 22 December 2005. The abridged interim report has been drawn up in conformity with IAS 34 on interim financial reporting.

Section 2

General principles

These consolidated financial statements comprise:

– balance sheet;
– profit and loss account;
– statement of overall profitability;
– statement of changes in net equity;
– cash flow statement (direct method);
– notes to the accounts.

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

Section 3

Area and methods of consolidation

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

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

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

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

		Registered office	Type of relation-ship[1]	Shareholding		% voting rights[2]
				Investee 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	Rome	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.	TECHNOSTART S.p.A.	Milan	1	A.1.1	69.00	69.00
7.	COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A.M.	Monte Carlo	1	A.1.1	100.00	100.00
8.	C.M.I. COMPAGNIE MONEGASQUE IMMOBILIERE SCI	Monte Carlo	1	A.1.7	99.94	99.94
				A.1.8	0.06	0.06
9.	C.M.G. COMPAGNIE MONEGASQUE DE GESTION S.A.M.	Monte Carlo	1	A.1.7	99.95	99.95
10.	SMEF SOCIETE MONEGASQUE DES ETUDES FINANCIERE S.A.M.	Monte Carlo	1	A.1.7	99.96	99.96
11.	CMB ASSET MANAGEMENT S.A.M.	Monte Carlo	1	A.1.7	99.50	99.50
12.	MONOECI SOCIETE CIVILE IMMOBILIERE	Monte Carlo	1	A.1.7	99.00	99.00
				A.1.9	1.00	1.00
13.	MOULINS 700 S.A.M.	Monte Carlo	1	A.1.8	99.90	99.90
14.	CMB BANQUE PRIVÈE (Suisse) S.A.	Lugano	1	A.1.7	100.00	100.00
15.	MEDIOBANCA INTERNATIONAL (Luxembourg) S.A.	Luxembourg	1	A.1.1	99.00	99.00
			1	A.1.16	1.00	1.00
16.	COMPASS S.p.A.	Milan	1	A.1.1	100.00	100.00
17.	CHEBANCA! S.p.A.	Milan	1	A.1.16	100.00	100.00
18.	COFACTOR S.p.A.	Milan	1	A.1.16	100.00	100.00
19.	SELMABIPIEMME LEASING S.p.A.	Milan	1	A.1.16	60.00	60.00
20.	PALLADIO LEASING S.p.A.	Vicenza	1	A.1.19	95.00	100.00
				A.1.20	5.00	
21.	TELELEASING S.p.A.	Milan	1	A.1.19	80.00	80.00
22.	SADE FINANZIARIA - INTERSOMER S.r.l.	Milan	1	A.1.1	100.00	100.00
23.	RICERCHE E STUDI S.p.A.	Milan	1	A.1.1	100.00	100.00
24.	CREDITECH S.p.A.	Milan	1	A.1.16	100.00	100.00
25.	MEDIOBANCA SECURITIES USA LLC	New York	1	A.1.1	100.00	100.00
26.	CONSORTIUM S.r.l.	Milan	1	A.1.1	100.00	100.00
27.	QUARZO S.r.l.	Milan	1	A.1.16	90.00	90.00
28.	QUARZO LEASE S.r.l.	Milan	1	A.1.19	90.00	90.00
29.	FUTURO S.P.A.	Milan	1	A.1.16	100.00	100.00
30.	JUMP S.r.l.	Milan	4	A.1.16	—	—
31.	MB COVERED BOND S.r.l.	Milan	1	A.1.17	90.00	90.00
32.	COMPASS RE S.A. (Luxembourg)	Luxembourg	1	A.1.16	100.00	100.00

Legend

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

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

Section 4

Significant accounting policies

Financial assets held for trading

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

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

After initial recognition they continue to be measured at fair value, which for listed instruments is calculated on the basis of market prices ruling at the reporting date (Level 1 assets). If no market prices are available, other valuation methods and models are used (Level 2 assets) based on market-derived data, e.g. valuations of listed instruments with similar features, discounted cash flow analysis, option price calculation methods, or valuations used in comparable transactions, or alternatively valuations based on internal estimates (Level 3 assets). Equities and linked derivatives for which it is not possible to reliably determine fair value using the methods described above are stated at cost (these too qualify as Level 3 assets). If the assets suffer impairment, they are written down to their current value.

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

AFS securities

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

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

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

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

Financial assets held to maturity

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

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

Assets are tested for impairment at annual and interim reporting dates. If there is evidence of a long-term reduction in the value of the asset concerned, this is recognized in the profit and loss account on the basis of market prices in the case of listed instruments, and of estimated future cash flows discounted according to the original effective interest rate in the case of unlisted securities. If the reasons which brought about the loss of value subsequently cease to apply, the impairment is written back to the profit and loss account up to the value of amortized cost.

Loans and receivables

These comprise loans to customers and banks which provide for fixed or otherwise determinable payments that are not quoted in an active market and which cannot therefore be classified as available for sale. Repos and receivables due in respect of finance leasing transactions are also included.

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

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

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

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

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

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

Leasing

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

Hedges

There are two types of hedge:

– fair value hedges, which are intended to offset the exposure of recognized assets and liabilities to changes in their fair value;

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

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

Hedge derivatives are recognized at fair value as follows:

- changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset, where a difference between the two emerges as a result of the partial ineffectiveness of the hedge;
- the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in net equity, while the gain or loss deriving from the ineffective portion is recognized through the profit and loss account only as and when, with reference to the hedged item, the change in cash flow to be offset crystallizes.

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

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

Equity investments

This heading consists of investments in:

- associates, which are equity-accounted. These 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 (in any case over 10%);
- jointly-controlled companies, also equity-accounted;
- other investments of negligible value, which are recognized at cost.

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

Property, plant and equipment

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

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

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

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

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

Intangible assets

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

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

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

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

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

Derecognition of assets

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

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

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

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

Payables, debt securities in issue and subordinated liabilities

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

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

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

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

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

Trading liabilities

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

Staff severance indemnity provision

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

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

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

Provisions for liabilities and charges

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

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

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

Foreign currency transactions

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

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

Tax assets and liabilities

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

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

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

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

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

Stock options

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

Treasury shares

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

Dividends and commissions

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

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

Related parties (IAS 24)

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

a) individuals or entities which directly or indirectly:
   a. are subject to joint control by Mediobanca (including the parent company, subsidiaries and associates);
   b. hold an interest in Mediobanca which allows them to exert a significant influence over Mediobanca: significant influence is presumed to exist in cases where an individual or entity holds an interest of more than 5% in the share capital of Mediobanca, along with the entitlement to appoint at least one member of the Board of Directors

b) associate companies;

c) management with strategic responsibilities, that is, individuals with powers and responsibilities, directly or indirectly, for the planning, direction and control of the parent company's activities, including the members of the Board of Directors and Statutory Audit Committee;

d) subsidiaries, jointly-controlled companies and companies subject to significant influence by one of the individuals referred to in letter c) above, or in which they themselves hold, directly or indirectly, a significant share of the voting rights or are shareholders and hold strategic roles (Chairman or Chief Executive Officer);

e) close family members of the individuals referred to in letter c) above, that is, individuals who may be expected to influence them or be influenced by them in their relations with Mediobanca (this category includes partners, children, partners' children, dependents and partners' dependents) as well as any entities controlled, jointly controlled or subject to significant influence by such individuals, or in which such individuals hold, directly or directly, a significant share of the voting rights;

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

PART A.3 - INFORMATION ON FAIR VALUE

A.3.1 Transfers between portfolios

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

Type of instrument	Transferred from	Transferred to	Book value at 31/12/09	Fair value at 31/12/09	Additions to P&L if assets not transferred (pre-tax)		Additions to P&L made during the year (pre-tax)	
					Valuation	Other	Valuation	Other
Debt securities (ABS)	Financial assets held for trading	Due from customers	181,222	172,578	29,056	2,360	—	2,360
Debt securities (ABS)	AFS securities	Due from customers	139,131	136,934	9,400	2,159	—	2,159
Total			320,353	309,512	38,456	4,519	—	4,519

A.3.2 Fair value ranking

A.3.2.1 Asset portfolios by fair value ranking

	31/12/09			30/6/09		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	11,326,494	3,393,108	972,349 [1]	9,196,711	3,189,641	751,258 [1]
2. Financial assets recognized at fair value	—	—	—	—	—	—
3. AFS securities	5,179,754	1,504,886	1,122,434 [2]	3,849,669	1,701,831	1,101,886 [2]
4. Hedge derivatives	—	1,840,482	—	—	1,744,646	—
Total	16,506,248	6,738,476	2,094,783	13,046,380	6,636,118	1,853,144
1. Financial liabilities held for trading	1,685,380	2,709,150	750,705 [1]	1,033,591	1,881,093	512,688 [1]
2. Financial liabilities recognized at fair value	—	—	—	—	—	—
3. Hedge derivatives	—	1,049,062	—	—	1,332,163	—
Total	1,685,380	3,758,212	750,705	1,033,591	3,213,256	512,688

[1] Includes implicit options linked to fully hedged bond issues (€502,558,000 as at 31/12/09 and €370,000,000 as at 30/6/09) and options traded (€131,434,000 and €137,230,000 respectively), the values of which are entered as both assets and liabilities at equal amounts.

[2] Includes holdings in private equity and venture capital funds and vehicle companies, including with underlying listed assets.

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

	FINANCIAL ASSETS			
	Held for trading[1]	Recognized at fair value	AFS[2]	Hedges
1. Balance at start of period	380,517	—	1,101,886	—
2. Additions	23,317	—	68,696	—
2.1 Purchases	352	—	46,159	—
2.2 Profits recognized in:	22,965	—	22,413	—
2.2.1 profit and loss	22,965	—	2,396	—
- of which, gains	22,828	—	—	—
2.2.2 net equity	—	—	20,017	—
2.3 Transfers from other levels	—	—	—	—
2.4 Other additions	—	—	124	—
3. Reductions	114,742	—	48,148	—
3.1 Disposals	95,646	—	31,226	—
3.2 Redemptions	—	—	—	—
3.3 Losses recognized in:	18,724	—	16,732	—
3.3.1 profit and loss	18,724	—	9,060	—
- of which, losses	18,724	—	—	—
3.3.2 net equity	—	—	7,672	—
3.4 Transfers to other levels	—	—	—	—
3.5 Other reductions	372	—	190	—
4. Balance at end of period	289,092	—	1,122,434	—

1 For clarity of exposition, options traded and implicit options linked to fully-hedged structured bond issues have been netted (provided there are no mismatches.

2 Includes holdings in private equity and venture capital funds and vehicle companies, including with underlying listed assets.

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

	FINANCIAL LIABILITIES		
	Held for trading	Recognized at fair value	Hedges
1. Balance at start of period	11,801	—	—
2. Additions	63,880	—	—
2.1 Issues	—	—	—
2.2 Losses recognized in:	63,880	—	—
2.2.1 profit and loss	63,880	—	—
- of which, losses	63,880 [1]	—	—
2.2.2 net equity	—	—	—
2.3 Transfers from other levels	—	—	—
2.4 Other additions	—	—	—
3. Reductions	6,697	—	—
3.1 Redemptions	—	—	—
3.2 Buybacks	—	—	—
3.3 Profits recognized in:	6,697	—	—
3.3.1 profit and loss	6,697	—	—
- of which, gains	6,697	—	—
3.3.2 net equity	—	—	—
3.4 Transfers to other levels	—	—	—
3.5 Other reductions	—	—	—
4. Balance at end of period	68,984	—	—

[1] Includes a new position in derivatives totalling €57,799,000, which in operational terms is hedged with Level 2 derivative instruments.

PART B - NOTES TO CONSOLIDATED BALANCE SHEET*

Assets

Section 1

Heading 10: Cash and cash equivalents

1.1 Cash and cash equivalents

	31/12/09	30/6/09
a) Cash	28,122	20,206
b) Demand deposits held at central banks	830	447
Total	28,952	20,653

* Figures in €'000 save in footnotes, where figures are provided in full. Information refers to the group of companies as a whole included in the consolidation basis. The contributions of the companies comprised within the "Banking Group" and the "other companies" to assets and earnings are shown as an annex (net of inter-company accounts).

Section 2

Heading 20: Financial assets held for trading

2.1 Financial assets held for trading: composition

Derivative products	31/12/09			30/6/09		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	10,290,895	362,836	1	8,504,181	489,043	1
1.1 structured	38,973	—	—	43,164	—	—
1.2 other debt securities	10,251,922	362,836	1	8,461,017	489,043	1
2. Equities	821,650	21,394	210,968	273,843	17,613	212,283
3. OICR units	—	267,252	14,238	—	470,839	108,960
4. Loans and advances	—	—	—	—	—	—
4.1 repos	—	—	—	—	—	—
4.2 others	—	—	—	—	—	—
Total A	11,112,545	651,482	225,207	8,778,024	977,495	321,244
B. Derivative products						—
1. Financial derivatives	69,452	2,664,894	745,675	36,625	2,015,639	555,540
1.1 trading	69,452	2,579,267	243,117 [1]	36,625	1,904,609	181,163 [1]
1.2 linked to fair value options	—	—	—	—	—	—
1.3 others	—	85,627	502,558 [2]	—	111,030	374,377 [2]
2. Credit derivatives	144,497	76,732	1,467	382,062	67,014	3,967
2.1 trading	144,497	50,530	1,046	382,062	61,253	3,967
2.2 linked to fair value options	—	—	—	—	—	—
2.3 others	—	26,202	421	—	5,761	—
Total B	213,949	2,741,626	747,142	418,687	2,082,653	559,507
Total (A+B)	11,326,494	3,393,108	972,349	9,196,711	3,060,148	880,751

[1] Respectively €131,434,000 and €137,230,000 in respect of options traded, with the equivalent amount being recorded as trading liabilities.

[2] Market value of options covering options implicit in bonds issued by Mediobanca S.p.A. and Mediobanca International, with the equivalent amount being recorded as trading liabilities.

2.3 Cash assets held for trading: movements during the period

	Debt securities	Equities	OICR units	Loans and advances	Total
A. Balance at start of period	8,993,224	503,739	579,799	—	10,076,762
B. Additions	28,567,002	3,490,511	283,782	—	32,341,295
B.1 Acquisitions	27,217,189	2,845,165	279,649	—	30,342,003
B.2 Increases in fair value	183,861	31,156	435	—	215,452
B.3 Other additions	1,165,952	614,190	3,698	—	1,783,840
C. Reductions	26,906,494	2,940,238	582,091	—	30,428,823
C.1 Disposals	23,294,392	2,613,722	573,525	—	26,481,639
C.2 Redemptions	3,124,442	—	—	—	3,124,442
C.3 Reductions in fair value	47,265	29,116	8,566	—	84,947
C.4 Tranfers to other portfolios	—	—	—	—	—
C.5 Other reductions	440,395	297,400	—	—	737,795
D. Balance at end of period	10,653,732	1,054,012	281,490	—	11,989,234

Section 4

Heading 40: Available for sale (AFS) securities

4.1 AFS securities: composition

Item/Value	31/12/09			30/6/09		
	Level 1	Level 2	Level 3*	Level 1	Level 2	Level 3*
1. Debt securities	4,688,042	1,363,053	1	3,360,410	1,562,989	1
1.1 Structured	—	—	—	—	—	—
1.2 Other debt securities	4,688,042	1,363,053	1	3,360,410	1,562,989	1
2. Equities	490,702	112,668	1,074,801	488,447	96,304	1,044,919
2.1 Recognized at fair value	490,702	112,668	1,074,749	488,447	96,304	1,044,853
2.2 Recognized at cost	—	—	52	—	—	66
3. OICR units	1,010	29,165	47,632	812	42,538	56,966
4. Loans and advances	—	—	—	—	—	—
Total	5,179,754	1,504,886	1,122,434	3,849,669	1,701,831	1,101,886

* Includes investments in unlisted companies valued based on internal models.

4.4 AFS securities: movements during the period

	Debt securities	Equities	OICR units	Loans and advances	Total
A. Balance at start of period	4,923,400	1,629,670	100,316	—	6,653,386
B. Additions	4,740,351	282,303	37,663	—	5,060,317
B.1 Acquisitions	4,489,779	24,081	32,224	—	4,546,084
B.2 Increases in fair value	136,309	85,735	2,144	—	224,188
B.3 Writebacks	—	100,238	—	—	100,238
- charged to profit and loss	—	—	—	—	—
- charged to net equity	—	100,238	—	—	100,238
B.4 Transfers from other asset classes	—	—	—	—	—
B.5 Other additions	114,263	72,249	3,295	—	189,807
C. Reductions	3,612,653	233,802	60,174	—	3,906,629
C.1 Disposals	3,398,975	135,196	55,838	—	3,590,009
C.2 Redemptions	175,408	—	—	—	175,408
C.3 Reductions in fair value	23,973	6,568	3,119	—	33,660
C.4 Writedowns due to impairment	—	87,602	886	—	88,488
- taken to profit and loss account	—	87,602	886	—	88,488
- taken to net equity	—	—	—	—	—
C.5 Transfers to other asset classes	—	—	—	—	—
C.6 Other reductions	14,297	4,436	331	—	19,064
D. Balance at end of period	6,051,098	1,678,171	77,805	—	7,807,074

Section 5

Heading 50: Financial assets held to maturity

5.1 Financial assets held to maturity

Type of transactions/Group components	31/12/09				30/6/09			
	Book	Fair value			Book	Fair value		
	Value	Level 1	Level 2	Level 3	Value	Level 1	Level 2	Level 3
1. Debt securities	577,831	544,937	—	10,668	574,427	504,760	—	11,306
1.1 Structured	—	—	—	—	—	—	—	—
1.2 Other debt securities	577,831	544,937	—	10,668	574,427	504,760	—	11,306
2. Loans and advances	—	—	—	—	—	—	—	—
Total	577,831	544,937	—	10,668	574,427	504,760	—	11,306

5.4 *Assets held to maturity: movements during the period*

	Debt securities	Loans and advances	Total
A. Balance at start of period	574,427	—	574,427
B. Additions	4,573	—	4,573
B.1 Acquisitions	—	—	—
B.2 Writebacks	529	—	529
B.3 Transfers from other asset classes	—	—	—
B.4 Other additions	4,044	—	4,044
C. Reductions	1,169	—	1,169
C.1 Disposal	—	—	—
C.2 Redemptions	574	—	574
C.3 Value adjustments	279	—	279
C.4 Transfers to other asset classes	—	—	—
C.5 Other reductions	316	—	316
D. Balance at end of period	577,831	—	577,831

Section 6

Heading 60 - Due from banks

6.1 *Due from banks*

Type of transactions/Value	31/12/09	30/6/09
A. Due from central banks	72,445	137,325
1. Term deposits	—	—
2. Compulsory reserves	72,445	137,325
3. Amounts due under repo agreements	—	—
4. Other amounts due	—	—
B. Due from banks	4,618,265	4,864,386
1. Current accounts and demand deposits	1,477,545	1,236,322
2. Term deposits	249,448	656,408
3. Other receivables:	2,891,272	2,773,528
3.1 amounts due under repo agreements	2,111,911	1,900,031
3.2 amounts due under finance leases	13,634	11,448
3.3 other amounts due	765,727	862,049
4. Debt securities	—	198,128
4.1 structured	—	—
4.2 other debt securities	—	198,128
Total book value	4,690,710	5,001,711
Total fair value	4,689,760	5,003,195

Section 7

Heading 70: Due from customers

7.1 Due from customers: composition

Type of transactions/amounts	31/12/09		30/6/09	
	Bonis	Non-performing	Bonis	Non-performing
1. Current accounts	147,369	—	203,268	—
2. Amounts due under repo agreements	3,877,140	—	5,434,885	—
3. Mortgages	19,124,111	314,983	20,375,779	204,768
4 Credit cards, personal loans and salary-guaranteed finance	7,700,137	278,017	7,820,338	222,637
5. Amounts due under finance leasing	4,462,709	178,569	4,683,046	260,708
6. Factoring	—	—	—	—
7. Other transactions	2,543,703	2,283	2,398,583	—
8. Debt securities	756,184	—	784,983	—
8.1 structured	—	—	—	—
8.2 other debt securities	756,184	—	784,983	—
Total book value	38,611,353	773,852	41,701,882	688,113
Total (fair value)	38,778,045		41,303,651	

Section 8

Heading 80: Hedging derivatives

8.1 Hedging derivatives: by type of contract and underlying asset

	31/12/09				30/6/09			
	Fair value			Notional value	*Fair value*			Notional value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	1,840,482	—	23,921,975	—	1,744,646	—	22,871,176
1) *Fair value*	—	1,838,910	—	23,203,975	—	1,683,471	—	22,514,311
2) Cash flow	—	1,572	—	718,000	—	61,175	—	356,865
3) Non-Italian investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) *Fair value*	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	1,840,482	—	23,921,975	—	1,744,646	—	22,871,176

8.2 Hedging derivatives: by portfolio hedged and hedge type

Operations/Type of hedging	*Fair value hedges*						Cash flow hedges		Non-Italian investments
	Specific					General	Specific	General	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. AFS securities	—	—	—	—	—	—	—	—	—
2. Loans and advances	1,229	—	—	—	—	—	—	—	—
3. Financial assets held to maturity	—	—	—	—	—	—	—	—	—
4. Portfolio	—	—	—	—	—	—	—	—	—
5. Non-Italian investments	—	—	—	—	—	—	—	—	—
Total assets	1,229	—	—	—	—	—	—	—	—
1. Financial liabilities	1,837,681	—	—	—	—	—	1,572	—	—
2. Portfolio	—	—	—	—	—	—	—	—	—
Total liabilities	1,837,681	—	—	—	—	—	1,572	—	—
1. Estimated transactions	—	—	—	—	—	—	—	—	—
2. Portfolio of financial assets and liabilities	—	—	—	—	—	—	—	—	—

Section 10

Heading 100: Equity investments

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

Name	Registered office	Type of relation ship	Shareholding *		% of votino rights
			Investor company	% interest	
1. Burgo Group S.p.A.	Altavilla Vicentina near Vicenza	2	Mediobanca	22.13	22.13
2. Assicurazioni Generali S.p.A.	Trieste	2	Mediobanca	13.61	12.24
			Spafid	0.09	0.09
			Compass	1.01	0.91
3. RCS MediaGroup S.p.A.	Milan	2	Mediobanca	14.45	14.94
4. Banca Esperia S.p.A.	Milan	2	Mediobanca	50.00	50.00
5. Fidia SGR S.p.A.	Milan	2	Mediobanca	25.00	25.00
6. Ducati Financial Services S.r.l.	Milan	1	Compass	50.00	50.00
7. Telco S.p.A.	Milan	2	Mediobanca	10.64	11.62
8 Athena Private Equity S.A.	Luxembourg	2	Mediobanca	24.47	24.47
9. Gemina S.p.A.	Milan	2	Mediobanca	12.53	12.56
10. Pirelli & C. S.p.A.	Milan	2	Mediobanca	4.49	4.61

Legend:

1 Joint control.

2 Subject to significant influence.

* Refers to reference date for financial situation used for consolidation purposes (30 September 2009 for Assicurazioni Generali and 31 October 2009 for Telco).

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

Name	Book value	Fair value
B. JOINTLY-CONTROLLED COMPANIES (IAS 31)		
1. Ducati Financial Services S.r.l.	445	—
2. Banca Esperia S.p.A.	57,053	—
C. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE (IAS 28)		
1. Burgo Group S.p.A.	83,492	—
2. Assicurazioni Generali S.p.A.	1,975,570	3,878,710
3. RCS MediaGroup S.p.A.	202,516	138,759
4. Fidia SGR S.p.A.	1,172	—
5. Athena Private Equity S.A.	23,534	—
6. Telco S.p.A.	362,541	—
7. Pirelli & C. S.p.A.	118,973	101,281
8. Gemina S.p.A.	212,296	105,183
Other minor investments	65	—
Total	3,037,657	—

The earnings performance of the investee companies was in line with the assumptions on which the impairment test carried out on 30 June 2009 was based. This trend is also confirmed by market prices, which remained constant or improved during the six months under review. Accordingly, no investee company was subject to impairment at end-December.

Section 12

Heading 120: Property, plant and equipment

12.1 Tangible assets stated at cost

Assets/ Value	31/12/09	30/6/09
A. Core assets		
1.1 owned by the Group	290,214	288,842
a) land	83,636	83,636
b) buildings	163,857	161,628
c) furniture	24,359	23,732
d) electronic equipment	12,651	14,122
e) other assets	5,711	5,724
1.2 acquired under finance leases:	33	44
a) land	—	—
b) buildings	—	—
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	33	44
Total A	290,247	288,886
B. Assets held for investment purposes		
2.1 owned by the Group:	28,407	28,614
a) land	20,350	20,350
b) buildings	8,057	8,264
2.2 acquired under finance leases:	—	—
a) land	—	—
b) buildings	—	—
Total B	28,407	28,614
Total (A+B)	318,654	317,500

12.3 Core tangible assets: movements during the period

	Land	Buildings	Furniture	Electronic equipment	Other assets	Total
A. Gross opening balance	83,636	184,869	48,111	39,744	24,857	381,217
A.1 Total net value reductions	—	(23,241)	(24,379)	(25,622)	(19,089)	(92,331)
A.2 Net opening balance	83,636	161,628	23,732	14,122	5,768	288,886
B. Additions:	—	3,838	3,190	1,539	1,342	9,909
B.1 Purchases	—	3,404	3,145	1,452	1,309	9,310
B.2 Improvement expenses, capitalized	—	434	—	—	—	434
B.3 Writebacks	—	—	—	—	—	—
B.4 Increases in fair value recognized in:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
B.5 Increases arising due to exchange rates	—	—	—	—	—	—
B.6 Transfers from properties held for investment purposes	—	—	—	—	—	—
B.7 Other additions	—	—	45	87	33	165
C. Reductions:	—	1,609	2,563	3,010	1,366	8,548
C.1 Disposals	—	—	91	2	51	144
C.2 Depreciation charges	—	1,609	2,472	3,007	1,106	8,194
C.3 Value adjustments for impairment taken to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
C.4 Reductions in fair value charged to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
C.5 Reductions due to exchange rates	—	—	—	1	1	2
C.6 Transfers to:	—	—	—	—	—	—
a) assets held for investment purposes	—	—	—	—	—	—
b) assets being sold	—	—	—	—	—	—
C.7 Other reductions	—	—	—	—	208	208
D. Net closing balance	83,636	163,857	24,359	12,651	5,744	290,247
D.1 Total net value reductions	—	(24,220)	(26,726)	(28,469)	(19,688)	(99,103)
D.2 Gross closing balance	83,636	188,077	51,085	41,120	25,432	389,350
E. Stated at cost	—	—	—	—	—	—

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

	Total	
	Land	Buildings
A. Gross opening balance	20,350	8,264
B. Additions	—	—
B.1 Purchases	—	—
B.2 Improvement expenses, capitalized	—	—
B.3 Net increases in fair value	—	—
B.4 Writebacks	—	—
B.5 Increases arising due to exchange rates	—	—
B.6 Transfers from core assets	—	—
B.7 Other additions	—	—
C. Reductions	—	207
C.1 Disposals	—	—
C.2 Depreciation charges	—	207
C.3 Reductions in fair value	—	—
C.4 Value adjustments for impairment	—	—
C.5 Reductions arising due to exchange rates	—	—
C.6 Transfers to other asset portfolios	—	—
a) core assets	—	—
b) non-current assets being sold	—	—
C.7 Other reductions	—	—
D. Closing balance	20,350	8,057
E. Stated at fair value	—	—

Section 13

Heading 130: Intangible assets

13.1 Intangible assets

Assets/ Amounts	31/12/09		30/6/09	
	Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life
A.1 Goodwill	X	365,934	X	365,934
A.1.1 attributable to the Group ([1])	X	365,934	X	365,934
A.1.2 attributable to third parties	X	—	X	—
A.2 Other intangible assets	71,994	6,300	74,480	6,300
A.2.1 Recognized at cost:	71,994	6,300	74,480	6,300
a) intangible assets generated internally	—	—	—	—
b) other assets	71,994	6,300	74,480	6,300
A.2.2 Recognized at fair value:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
Total	71,994	372,234	74,480	372,234

13.2 Intangible assets: movements during the period

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life	
A. Balance at start of period	365,934	—	—	99,769	6,300	472,003
A.1 Total net value reductions	—	—	—	(25,289)	—	(25,289)
A.2 Net opening balance	365,934	—	—	74,480	6,300	446,714
B. Additions	—	—	—	8,991	—	8,991
B.1 Purchases	—	—	—	8,991	—	8,991
B.2 Increases in internally generated assets	—	—	—	—	—	—
B.3 Revaluations	—	—	—	—	—	—
B.4 Increases in fair value taken to:	—	—	—	—	—	—
– net equity	—	—	—	—	—	—
– profit and loss account	—	—	—	—	—	—
B.5 Increases arising on exchange rates	—	—	—	—	—	—
B.6 Other additions	—	—	—	—	—	—
C. Reductions	—	—	—	11,477	—	11,477
C.1 Disposals	—	—	—	—	—	—
C.2 Value adjustments	—	—	—	11,477	—	11,477
– amortization	—	—	—	10,477	—	10,477
– writedowns	—	—	—	1,000	—	1,000
+ net equity	—	—	—	—	—	—
+ profit and loss account	—	—	—	1,000	—	1,000
C.3 Reductions in fair value charged to:	—	—	—	—	—	—
– net equity	—	—	—	—	—	—
– profit and loss account	—	—	—	—	—	—
C.4 Transfers to non-current assets being sold	—	—	—	—	—	—
C.5 Reductions due to exchange rate differences	—	—	—	—	—	—
C.6 Other reductions	—	—	—	—	—	—
D. Balance at end of period	365,934	—	—	71,994	6,300	444,228
D.1 Total net value adjustments	—	—	—	(18,923)	—	(18,923)
E. Gross closing balance	365,934	—	—	90,917	6,300	463,151
F. Stated at cost	—	—	—	—	—	—

Section 14

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

14.1 Advance tax assets

	31/12/09	30/6/09
Corporate income tax (IRES)	494,448	501,766
Regional production tax (IRAP)	28,094	36,948
Total	522,542	538,714

14.2 Deferred tax liabilities

	31/12/09	30/6/09
Corporate income tax (IRES)	339,542	336,244
Regional production tax (IRAP)	12,284	11,051
Total	351,826	347,295

14.3 Changes in advance tax during the period

	31/12/09	30/6/09
1. Opening balance	413,268	266,387
2. Additions	65,044	221,110
2.1 Advance tax originating during the period	61,365	221,013
a) for previous years	9,440	3,906
b) due to changes in accounting policies	—	—
c) amounts written back	46	101
d) other additions	51,879	217,006
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	3,679	97
3. Reductions	28,700	74,229
3.1 Advance tax reversed during the period	25,133	72,592
a) reclassifications	23,750	72,592
b) amounts written off as unrecoverable	1,383	—
c) due to changes in accounting policies	—	—
d) othes	—	—
3.2 Reductions in tax rates	—	—
3.3 Other reductions	3,567	1,637
4. Balance at end of period	449,612	413,268

14.4 *Changes in deferred tax during the period*

	31/12/09	30/6/09
1. Opening balance	316,256	344,680
2. Additions	10	20,100
2.1 Deferred tax originating during period	—	20,061
a) relating to previous years	—	470
b) due to changes in accounting policies	—	—
c) others	—	19,591
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	10	39
3. Reductions	12,150	48,524
3.1 Deferred tax reversed during period	12,036	48,036
a) reclassifications	11,784	47,004
b) due to changes in accounting policies	—	—
c) others	252	1,032
3.2 Reductions in tax rates	—	—
3.3 Other reductions	114	488
4. Balance at end of period	304,116	316,256

14.5 *Changes in advance tax during the period* [1]

	31/12/09	30/6/09
1. Opening balance	125,446	37,436
2. Additions	39,051	91,843
2.1 Advance tax originating during period	39,051	91,843
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	39,051	91,843
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	91,567	3,833
3.1 Advance tax reversed during period	91,567	3,833
a) reclassifications	90,893	3,833
b) amounts written off due to becoming unrecoverable	—	—
c) due to changes in accounting policies	—	—
d) others	674	—
3.2 Reductions in tax rates	—	—
3.3 Other reductions	—	—
4. Balance at end of period	72,930	125,446

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

14.6 Changes in deferred tax during the period[1]

	31/12/09	30/6/09
1. Opening balance	31,039	59,305
2. Additions	19,625	12,640
2.1 Deferred tax originating during period	19,625	12,640
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	19,625	12,640
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	2,954	40,906
3.1 Advance tax reversed during the period	2,954	40,862
a) reclassifications	2,895	37,392
b) due to changes in accounting policies	—	—
c) others	59	3,470
3.2 Reductions in tax rates	—	—
3.3 Other reductions	—	44
4. Balance at end of period	47,710	31,039

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

Section 16

Heading 160: Other assets

16.1 Other assets

	31/12/09	30/06/09
1. Gold, silver and precious metals	687	687
2. Accrued income other than capitalized income from financial assets	3,809	1,542
3. Trade receivables or invoices to be issued	30,807	7,960
4. Amounts due from tax revenue authorities (not recorded under Heading 140)	9,581	10,745
5. Other items	113,809	114,276
- Bills for collection	5,849	20,061
- Amounts due in respect of premiums, grants, indemnities and other items in respect of lending transactions	35,336	28,826
- Futures and other securities transactions	814	400
- Advance payments on deposit commissions	6,516	5,201
- Other items in transit	33,093	19,160
- Amounts due to staff	588	106
- Sundry other items	31,613	40,522
6. Adjustments arising on consolidation	3	2
Total	158,696	135,212

Liabilities

Section 1

Heading 10: Due to banks

1.1 Due to banks: composition

Type of transaction/amounts	31/12/09	30/6/09
1. Due to central banks	502,714	500,069
2. Due to banks	9,814,475	10,910,122
2.1 Current accounts and demand deposits	2,713,928	2,448,175
2.2 Term deposits	332,530	781,950
2.3 Borrowings	6,474,575	7,368,635
2.3.1 Reverse repos	1,446,734	1,873,730
2.3.2 Others	5,027,841	5,494,905
2.4 Liabilities in respect of assets sold but not derecognized	—	—
2.5 Other amounts due	293,442	311,362
Total (book value)	10,317,189	11,410,191
Total (fair value)	10,317,189	11,410,191

1.2 Breakdown of Heading 10: "Due to banks": subordinated debt

Subordinated liabilities included under the heading *Due to banks* amount to €43,531,000 and refer to amounts payable by Linea to its former shareholders.

Section 2

Heading 20: Due to customers

2.1 Due to customers: composition

Type of transaction/amounts	31/12/09	30/6/09
1. Current accounts and demand deposits	1,845,622	1,375,009
2. Term deposits	8,268,826	7,638,641
3. Borrowings	2,470,690	3,367,823
3.1 Reverse repos	860,187	1,621,661
3.2 others	1,610,503	1,746,162
4. Liabilities in respect of assets sold but not derecognized	—	—
5. Other amounts due	783,240	766,731
Total book value	13,368,378	13,148,204
Total fair value	13,368,378	13,148,204

Section 3

Heading 30: Debt securities in issue

3.1 Debt securities in issue: composition

Type of transaction/amounts	31/12/09				30/6/09			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Listed securities								
1. bonds	36,772,255	7,499,170	29,488,963	—	36,060,787	25,740,852	10,557,835	—
1.1 structured	12,572,964	1,413,127	11,147,074	—	11,867,085	9,034,380	2,859,950	—
1.2 others	24,199,291	6,086,043	18,341,889	—	24,193,702	16,706,472	7,697,885	—
2. other securities	172,249	—	172,249	—	1,355,411	—	1,355,411	—
2.1 structured	—	—	—	—	—	—	—	—
2.2 others	172,249	—	172,249	—	1,355,411	—	1,355,411	—
Total	36,944,504	7,499,170	29,661,212	—	37,416,198	25,740,852	11,913,246	—

Subordinated liabilities included under the heading *Debt securities in issue* total €922,247,000, and are attributable to Mediobanca S.p.A.

Section 4

Heading 40: Trading liabilities

4.1 Trading liabilities: composition

Type of transaction/amounts	31/12/09					30/6/09				
	Nominal value	Fair Value			Fair Value *	Nominal value	Fair Value			Fair Value *
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Cash liabilities										
1. Due to banks	84,898	91,674	—	—	—	116,860	109,859	—	—	—
2. Due to customers	1,475,874	1,382,106	—	—	—	497,023	493,587	—	—	—
3. Debt securities	—	—	—	—	X	378	289	—	—	X
3.1 Bonds	—	—	—	—	X	—	—	—	—	X
3.1.1 Structured	—	—	—	—	X	—	—	—	—	X
3.1.2 Other	—	—	—	—	X	—	—	—	—	X
3.2 Other securities	—	—	—	—	X	378	289	—	—	X
3.2.1 Structured	—	—	—	—	X	—	—	—	—	X
3.2.2 Other	—	—	—	—	X	378	289	—	—	X
Total A	1,560,772	1,473,780	—	—	—	614,261	603,735	—	—	—
B. Derivative products										
1. Financial derivatives	X	58,196	2,647,559	751,649	X	X	45,986	1,825,501	511,432	X
1.1 Trading	X	58,196	2,564,595	249,412 [1]	X	X	45,986	1,717,556	138,286 [1]	X
1.2 Linked to fair value options	X	—	—	—	X	X	—	—	—	X
1.3 Other	X	—	82,964	502,237 [2]	X	X	—	107,945	373,146 [2]	X
2. Credit derivatives	X	153,405	60,055	591	X	X	383,870	55,592	1,256	X
2.1 Trading	X	153,405	46,647	591	X	X	383,870	48,415	1,256	X
2.2 Linked to fair value options	X	—	—	—	X	X	—	—	—	X
2.3 Other	X	—	13,408	—	X	X	—	7,177	—	X
Total B	X	211,601	2,707,614	752,240	X	X	429,856	1,881,093	512,688	X
Total (A+B)	1,560,772	1,685,381	2,707,614	752,240	—	614,261	1,033,591	1,881,093	512,688	—

* Fair value does not reflect changes in valuation due to changes in issuers' credit standing versus the issue date.

[1] €131,434,000 and €137,230,000 respectively in respect of options traded, against equivalent amounts recorded as financial assets held to maturity.

[2] Options embedded in bonds issued by the Group and fully hedged by similar options, with the equivalent amounts being recorded as financial assets held for trading.

Section 6

Heading 60: Hedging derivatives

6.1 Hedging derivatives: by type of product/underlying asset

Voci/Valori	31/12/09 Fair value			Nominal Value	30/6/09 Fair value			Nominal Value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	1,049,062	—	30,388,227	—	1,332,162	—	32,254,157
1) Fair value	—	905,718	—	26,139,798	—	1,156,321	—	25,972,657
2) Cash flow	—	143,344	—	4,248,429	—	175,841	—	6,281,500
3) Non-Italian investments	—	—	—	—	—	—	—	—
B. Financial derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	1,049,062	—	30,388,227	—	1,332,162	—	32,254,157

6.2 Hedging derivatives: by portfolio hedged/hedge type

Transactions/Type of hedging	Fair value hedges						Cash flow hedges		Non-Italian investments
	Specific					General	Specific	General	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. AFS securities	—	—	—	976	—	X	—	X	X
2. Loans and advances	27,514	—	—	X	—	X	—	X	X
3. Financial assets held to maturity	X	—	—	X	—	X	—	X	X
4. Portfolio	—	—	—	—	—	—	—	—	X
5. Other transactions	X	X	X	X	X	X	X	X	—
Total assets	27,514	—	—	976	—	—	—	—	—
1. Financial liabilities	877,228	—	—	X	—	X	138,784	X	X
2. Portfolio	—	—	—	—	—	—	—	—	X
Total liabilities	877,228	—	—	—	—	—	138,784	—	X
1. Expected transactions	X	X	X	X	X	X	4,560	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	—	X	—	—

Section 10

Heading 100: Other liabilities

10.1 Other liabilities

	31/12/09	30/6/09
1. Payment agreements (IFRS 2)	36	38
2. Impaired endorsements	65,784	53,189
3. Working capital payables and invoices pending receipt	197,103	198,696
4. Prepaid expenses other than capitalized expenses on related financial assets	80	16
5. Amounts due to revenue authorities	70,649	36,764
6. Amounts due to staff	102,931	69,832
7. Other items:	119,088	146,565
- bills for collection	22	38
- coupons and dividends pending collection	2,181	2,210
- fees payable to banks	—	—
- underwriting syndicate commissions payable	6,142	2,413
- available sums payable to third parties	38,093	44,277
- premiums, grants and other items in respect of lending transactions	31,154	30,867
- credit notes to be issued	2,701	13,396
- other	38,796	53,364
8. Adjustments upon consolidation	—	7
Total	555,671	505,107

Section 11

Heading 110: Staff severance indemnity provision

11.1 Staff severance indemnity provision: changes during the period

	31/12/09	30/6/09
A. Balance at start of period	28,898	29,172
B. Additions	6,831	11,948
B.1 Transfers during period	6,269	10,561
B.2 Other additions	562	1,387
C. Reductions	8,490	12,222
C.1 Indemnities paid out	4,224	3,572
C.2 Other reductions[1]	4,266	8,650
D. Balance at end of period	27,239	28,898

[1] Includes €3,303,000 in transfers to external, defined contribution pension schemes.

Section 12

Heading 120: Provisions

12.1 Provisions: composition

Item/amounts	31/12/09	30/6/09
1. Company post-employment benefit provision	—	—
2. Other provisions	156,604	159,383
2.1 litigation	781	906
2.2 staff-related	—	—
2.3 other	155,823	158,477
Total	156,604	159,383

12.2 Provisions: movements during the period

	Post-employment benefit provision	Litigation	Other provisions	Total
A. Balance at start of period	—	906	158,477	159,383
B. Additions	—	—	681	681
B.1 Transfers during period	—	—	681	681
B.2 Changes due to passing of time	—	—	—	—
B.3 Additions due to changes in discount rate	—	—	—	—
B.4 Other additions	—	—	—	—
C. Reductions	—	125	3,335	3,460
C.1 Transfers during period	—	125	3,335	3,460
C.2 Reductions due to changes in discount rate	—	—	—	—
C.3 Other reductions	—	—	—	—
D. Balance at end of period	—	781	155,823	156,604

Section 15

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

15.1 Group capital: composition

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

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

Item/Type	Ordinary
A. Shares in issue at start of period	820,055,665
– entirely unrestricted	820,055,665
– with restrictions	—
A.1 Treasury shares	(16,200,000)
A.2 Shares in issue: balance at start of period	803,855,665
B. Additions	41,002,783
B.1 New share issuance as a result of:	41,002,783
– rights issues	—
- business combinations	—
- bond conversions	—
- exercise of warrants	—
- others	—
– bonus issues	41,002,783
- to staff members	—
- to Board members	—
- others	41,002,783
B.2 Treasury share disposals	—
B.3 Other additions	—
C. Reductions	810,000
C.1 Cancellations	—
C.2 Treasury share buybacks	810,000 [1]
C.3 Disposals of businesses	—
C.4 Other reductions	—
D. Shares in issue: balance at end of period	844,048,448
D.1 Add: treasury shares	(17,010,000)
D.2 Shares in issue at end of period	861,058,448
– entirely unrestricted	861,058,448
– with restrictions	—

[1] Following the scrip issue in September 2009.

15.5 *Profit reserves: other information*

Item	31/12/09	30/6/09
1. Legal reserve	86,106	82,006
2. Statutory reserves	992,771	976,063
3. Treasury shares	213,844	213,844
4. Others	2,436,690	2,221,343
Total	3,729,411	3,493,256

Section 16

Heading 210: Net equity attributable to minorities

16.1 *Net equity attributable to minorities: composition*

Item/amounts	31/12/09	30/6/09
1. Share capital	25,129	25,125
2. Share premium reserve	7,216	7,216
3. Reserves	78,114	79,235
4. Treasury shares	—	—
5. Valuation reserves[1]	(6,551)	(7,859)
6. Equity instruments	—	—
7. Profit (loss) for the period attributable to minorities	952	(457)
Total	104,860	103,260

[1] Relates to cash flow hedges.

Other information

1. Guarantees and commitments

Transactions	31/12/09	30/6/09
1. Financial guarantees given to:	387,939	397,516
a) Banks	2,727	2,727
b) Customers	385,212	394,789
2. Commercial guarantees given to:	171	1,863
a) Banks	—	—
b) Customers	171	1,863
3. Irrevocable commitments to lend funds to:	27,778,704	23,812,496
a) Banks	5,022,656	4,021,594
i) specific	233,698	1,213,997
ii) standby basis[1]	4,788,958	2,807,597
b) Customers	22,756,048	19,790,902
i) specific	12,998,578	10,443,393
ii) standby basis	9,757,470	9,347,509
4. Commitments underlying credit derivatives: hedge sales	8,578,117	8,281,573
5. Assets pledged as collateral for customer obligations	41,191	41,513
6. Other commitments	530,129	407,047
Total	37,316,251	32,942,008

[1] Including €4bn commitment to subscribe for Unicredit capital increase.

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

Transactions	31/12/09	30/6/09
1. Securities traded on behalf of customers	15,009,742	33,730,085
a) Purchases	8,226,178	18,287,389
1. settled	7,588,220	13,221,624
2. pending settlement	637,958	5,065,765
b) Disposals	6,783,564	15,442,696
1. settled	6,144,716	10,376,931
2. pending settlement	638,848	5,065,765
2. Asset management	2,724,000	2,945,000
a) individuals	783,000	834,000
b) groups	1,941,000	2,111,000
3. Securities under custody/managed on a non-discretionary basis	42,972,539	41,066,332
a) customers' securities held on deposit: in connection with the Bank's activity as deposit bank (not including asset management)	5,767,021	6,276,044
1. securities issued by bank drawing up consolidated financial statements	828,248	1,820,349
2. other securities	4,938,773	4,455,695
b) other customers' securities held on deposit (not including asset management): others	4,694,225	5,225,160
1. securities issued by bank drawing up consolidated financial statements	82	32
2. other securities	4,694,143	5,225,128
c) customers' securities held on deposit with customers	8,132,068	7,211,938
d) own securities held on deposit with customers	24,379,225	22,353,190
4. Other transactions	—	—

PART C - NOTES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT

Section 1

Headings 10 and 20: Net interest income

1.1 Interest and similar income: composition

Line items/Technical forms	Performing assets		Other assets	6 mths ended 31/12/09	6 mths ended 31/12/08
	Debt securities	Loans and advances			
1. Financial assets held for trading	171,769	—	—	171,769	208,201
2. Financial assets recognized at fair value	—	—	—	—	—
3. AFS securities	107,349	—	—	107,349	70,184
4. Financial assets held to maturity	12,631	—	—	12,631	13,188
5. Due from banks	23,373	7,904	4,396	35,673	73,368
6. Due from customers	12,469	772,131	9,456	794,056	1,285,561
7. Hedge derivatives	X	X	265,966	265,966	—
9. Other assets	X	X	1,812	1,812	949
Total	327,591	780,035	281,630	1,389,256	1,651,451

1.4 Interest expense and similar charges: composition

Line items/Technical forms	Accounts payable	Securities	Other liabilities	6 mths ended 31/12/09	6 mths ended 31/12/08
1. Due to central banks	—	—	—	—	—
2. Due to banks	(23,550)	—	(11,363)	(34,913)	(263,630)
3. Due to customers	(165,801)	—	(2,724)	(168,525)	(143,314)
4. Debt securities in issue	—	(689,672)	—	(689,672)	(752,685)
5. Trading liabilities	—	—	—	—	—
6. Financial liabilities recognized at fair value	—	—	—	—	—
7. Other liabilities	—	—	(32)	(32)	(37)
8. Hedging derivatives	—	—	—	—	(83,506)
Total	(189,351)	(689,672)	(14,119)	(893,142)	(1,243,172)

Section 2

Headings 40 and 50: Net fee and commission income

2.1 Net fee and commission income: composition

Type of service/Sectors	6 mths ended 31/12/09	6 mths ended 31/12/08
a) guarantees given	1,848	2,041
b) credit derivatives	—	—
c) management, trading and advisory services:	129,781	83,368
1. securities trading	9,396	8,618
2. foreign currency trading	56	79
3. asset management	3,442	3,809
3.1 individuals	3,442	3,809
3.2 groups	—	—
4. securities under custody and non-discretionary management	2,512	2,046
5. deposit bank services	200	—
6. securities placement	54,537	15,247
7. procurement of orders	4,856	2,036
8. advisory services	11	16
8.1 investment advisory services	11	16
8.2 structured finance advisory services	—	—
9. agency fees	54,771	51,517
9.1 asset management	7,774	5,183
9.1.1 individuals	7,774	5,183
9.1.2 groups	—	—
9.2 insurance products	46,997	46,334
9.3 other products	—	—
d) collection and payment services	536	357
e) securitization services	91	2,787
f) factoring services	—	—
g) tax collection and receipt services	—	—
h) multilateral trading systems activity	—	—
i) current account keeping and management	—	—
i) other services	137,678	123,876
Total	269,934	212,429

2.2 *Fee and commission expense*

Services/amounts	6 mths ended 31/12/09	6 mths ended 31/12/08
a) guarantees received	—	(123)
b) credit derivatives	—	—
c) management and trading services:	(3,813)	(2,643)
1. securities trading	(1,793)	(1,532)
2. foreign currency trading	—	—
3. asset management:	(1)	(1)
3.1 proprietary	—	—
3.2 on behalf of customers	(1)	(1)
4. securities under custody/held on a non-discretionary basis	(1,383)	(1,110)
5. securities placement	(636)	—
6. door-to-door sales of securities, products and services	—	—
d) collection and payment services	(1,251)	(1,911)
e) other services	(20,043)	(23,544)
Total	(25,107)	(28,221)

Section 3

Heading 70: Dividends and similar income

3.1 *Dividends and similar income: composition*

Line items/Income	6 mths ended 31/12/09		6 mths ended 31/12/08	
	Dividends	Income from OICR units	Dividends	Income from OICR units
A. Financial assets held for trading	1,104	—	2,012	—
B. AFS securities	8,551	—	6,604	—
C. Financial assets recognized at fair value	—	—	—	—
D. Equity investments	—	—	—	—
Total	9,655	—	8,616	—

Section 4

Heading 80: Net trading income

4.1 Net trading income: composition

Transactions/Income elements	Gains (A)	Dealing profits (B)	Value reductions (C)	Dealing losses (D)	Net trading income [(A+B)-(C+D)]
1. Trading assets	292,629	157,672	(99,174)	(123,383)	227,744
1.1 Debt securities	156,178	90,750	(55,162)	(44,178)	147,588
1.2 Equities	136,451	66,922	(44,012)	(79,016)	80,345
1.3 OICR units	—	—	—	—	—
1.4 Loans and advances	—	—	—	—	—
1.5 Others	—	—	—	(189)	(189)
2. Trading liabities	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—
2.2 Debts	—	—	—	—	—
2.3 Others	—	—	—	—	—
3. Other assets and liabilities: differences arising on exchange rates	151,840	—	(140,739)	—	11,101
4. Derivative products	1,993,147	436,037	(2,152,083)	(395,246)	(118,145)
4.1 Financial derivatives:	1,583,041	333,216	(1,738,530)	(288,404)	(110,677)
– debt securities and interest rates [1]	946,695	64,080	(1,012,478)	(71,671)	(73,374)
– equities and stock market indexes	500,293	256,416	(485,867)	(197,303)	73,539
– foreign currency and gold	99,550	12,720	(82,670)	(19,430)	10,170
– others	36,503	—	(157,515)	—	(121,012)
4.2 Credit derivatives	410,106	102,821	(413,553)	(106,842)	(7,468)
Total	2,437,616	593,709	(2,347,996)	(518,629)	120,700

[1] Of which €54,007 000 in margins on interest rate derivatives (31/12/08: €21,994,000).

Section 5

Heading 90: Net hedging income (expense)

5.1 Net hedging income (expense): composition

Income elements/amounts	6 mths ended 31/12/09	6 mths ended 31/12/08
A. Income from:		
A.1 Fair value hedge derivatives	343,658	1,765,058
A.2 Financial assets hedged (fair value)	—	2,478
A.3 Financial liabilities hedged (fair value)	66,443	41,115
A.4 Cash flow hedge derivatives	5	—
A.5 Assets and liabilities in foreign currencies	—	—
Total hedging income (A)	410,106	1,808,651
B. Expense related to:		
B.1 Fair value hedge derivatives	(79,653)	(221,714)
B.2 Financial assets hedged (fair value)	(4,957)	(6,124)
B.3 Financial liabilities hedged (fair value)	(338,432)	(1,585,864)
B.4 Cash flow hedge derivatives	—	(9)
B.5 Assets and liabilities in foreign currencies	—	—
Total hedging expense (B)	(423,042)	(1,813,711)
Net hedging income (A–B)	(12,936)	(5,060)

Section 6

Heading 100: Gains (losses) on disposals/repurchases

6.1 Gains (losses) on disposals/repurchases: composition

Line items/Income elements	6 mths ended 31/12/09			6 mths ended 31/12/08		
	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
Financial assets						
1. Due from banks	—	—	—	—	—	—
2. Due from customers	—	—	—	—	—	—
3. AFS securities	138,495	(7,417)	131,078	158,835	(4)	158,831
3.1 Debt securities	53,725	(4,111)	49,614	421	(4)	417
3.2 Equities	81,627	(231)	81,396	158,414	—	158,414
3.3 OICR units	3,143	(3,075)	68	—	—	—
3.4 Loans and advances	—	—	—	—	—	—
4. Financial assets held to maturity	22	(6)	16	210	(83)	127
Total assets	138,517	(7,423)	131,094	159,045	(87)	158,958
Financial liabilities						
1. Due to banks	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—
3. Debt securities in issue	10,563	(483)	10,080	8,606	64	8,670
Total liabilities	10,563	(483)	10,080	8,606	64	8,670

Section 8

Heading 130: Adjustments for impairment

8.1 Adjustments for impairment: composition

Transactions/Income elements	Value adjustments			Amounts recovered				6 mths ended 31/12/09	6 mths ended 31/12/08
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Due from banks	—	—	—	—	—	—	101	101	640
- Loans	—	—	—	—	—	—	101	101	640
- Debt securities	—	—	—	—	—	—	—	—	—
B. Due from costumers	(116,949)	(206,383)	(33,971)	723	123,778	2,042	1,955	(228,805)	(187,710)
- Loans	(116,949)	(206,383)	(33,971)	723	123,778	2,042	1,955	(228,805)	(187,710)
- Debt securities	—	—	—	—	—	—	—	—	—
C. Total	(116,949)	(206,383)	(33,971)	723	123,778	2,042	2,056	(228,704)	(187,070)

Legend
A = interest
B = other amounts recovered

8.2 Net value adjustments for impairment to AFS securities: composition

Transactions/Income elements	Value adjustments		Amounts recovered		6 mths ended 31/12/09	6 mths ended 31/12/08
	Specific		Specific			
	Writeoffs	Others	A	B		
A. Debt securities	—	—	—	—	—	—
B. Equities	—	(89,556)	—	—	(89,556)	(74,133)
C. OICR units	—	(886)	—	—	(886)	—
D. Loans and advances to banks	—	—	—	—	—	—
E. Loans and advances to customers	—	—	—	—	—	—
F. Total	—	(90,442)	—	—	(90,442)	(74,133)

Legend
A = interest
B = other amounts recovered

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

Transactions/Income elements	Value adjustments			Amounts recovered				6 mths ended 31/12/09	6 mths ended 31/12/08
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Debt securities	—	(279)	—	295	234	—	—	250	147
B. Loans and advances to banks	—	—	—	—	—	—	—	—	—
C. Loans and advances to customers	—	—	—	—	—	—	—	—	—
D. Total	—	(279)	—	295	234	—	—	250	147

Legend
A = interest
B = other amounts recovered

8.4 *Adjustments for impairment to other financial transactions: composition*

Transactions/Income-linked components	Value adjustments			Amounts recovered				6 mths ended 31/12/09	6 mths ended 31/12/08
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Guarantees given	—	(14,684)	(1,229)	—	—	—	—	(15,913)	(20,147)
B. Credit derivatives	—	—	—	—	—	—	—	—	—
C. Commitments	—	(10,350)	(15,692)	—	—	—	—	(26,042)	—
D. Other transactions	—	—	—	—	—	—	—	—	—
E. Total	—	(25,034)	(16,921)	—	—	—	—	(41,955)	(20,147)

Legend
A = interest
B = other amounts recovered

Section 11

Heading 180: Administrative expenses

11.1 Personnel costs: composition

Type of expense/Sectors	6 mths ended 31/12/09	6 mths ended 31/12/08
1. Employees	(188,775)	(159,713)
a) wages and salaries	(140,199)	(111,342)
b) social security contributions	(31,166)	(27,759)
c) severance indemnities	—	—
d) pension contributions	—	—
e) transfers to severance indemnity provisions	(8,043)	(7,126)
f) transfers to post-employment and similar benefits provisions:	—	—
– defined benefit	—	—
– defined contribution	—	—
g) amounts paid to external complementary pension schemes:	(5,775)	(5,398)
– defined benefit	(5,775)	(5,398)
– defined contribution	—	—
h) expenses incurred in connection with share payment schemes	(2,633)	(6,673)
i) other staff benefits	(959)	(1,415)
2. Other staff	(2,796)	(2,618)
3. Board members and statutory auditors	(5,482)	(5,354)
4. Staff on gardening leave	(2,631)	(1,468)
Total	(199,684)	(169,153)

11.2 Average number of staff by category

	6 mths ended 31/12/09	6 mths ended 31/12/08
Employees:		
a) Senior executives	171	176
b) Excutives	1,000	967
of which grade 3 and 4	*488*	*462*
c) Other employees	1,932	1,928
Other staff	164	166
Total	3,267	3,237

11.5 Other administrative expenses: composition

	6 mths ended 31/12/09	6 mths ended 31/12/08
OTHER ADMINISTRATIVE EXPENSES		
– legal, tax and professional services	(17,285)	(19,987)
– loan recovery activity	(24,709)	(16,847)
– marketing and communications	(34,219)	(38,598)
– property	(26,671)	(16,285)
– EDP	(15,869)	(13,490)
– bank charges, collection and payment fees	(8,487)	(12,179)
– info-provider	(10,050)	(9,222)
– operating expenses	(27,267)	(22,780)
– other staff expenses	(11,801)	(11,160)
– other costs	(4,420)	(3,810)
– indirect and other taxes	(14,816)	(15,191)
Total other administrative expenses	(195,594)	(179,549)

Section 12

Heading 190: Net transfers to provisions

12.1 Net transfers to provisions: composition

	6 mths ended 31/12/09	6 mths ended 31/12/08
TRANSFERS MADE TO COVER:		
– litigation	—	—
– advertising expenses	—	—
– certain or probable exposures or commitments[1]	(661)	(152)
Total net transfers to provisions	(661)	(152)

[1] Includes the effect of discounting such items.

Section 13

Heading 200: Net adjustments to tangible assets

13.1 Net adjustments to tangible assets: composition

Assets/Income elements	Depreciation	Value adjustments for impairment	Amounts recovered	Net result
A. Tangible assets				
A.1 Owned	(8,393)	—	—	(8,393)
– core	(8,186)	—	—	(8,186)
– for investment purposes	(207)	—	—	(207)
A.2 Acquired under finance leases	(8)	—	—	(8)
– core	(8)	—	—	(8)
– for investment purposes	—	—	—	—
Total	(8,401)	—	—	(8,401)

Section 14

Heading 210: Net adjustments to intangible assets

14.1 Net adjustments to intangible assets

Assets/Income elements	Amortization	Value adjustments for impairment	Amounts recovered	Net result
A. Intangible assets				
A.1 Owned	(10,479)	(1,000)	—	(10,479)
– software	(6,263)	—	—	(6,263)
– other	(4,216)	(1,000)	—	(4,216)
A.2 Acquired under finance leases	—	—	—	—
Total	(10,479)	(1,000)	—	(11,479)

Section 15

Heading 220: Other operating income (expense)

15.1 Other operating expense: composition

	6 mths ended 31/12/09	6 mths ended 31/12/08
a) Leasing activity	(11,180)	(11,355)
d) Sundry costs and expenses	(921)	(548)
Total	(12,101)	(11,903)

15.2 Other operating income: composition

	6 mths ended 31/12/09	6 mths ended 31/12/08
a) Amounts recovered from customers	22,313	24,770
b) Other income	56,225	54,115
Total	78,538	78,885

Section 16

Heading 240: Gains (losses) on equity investments

16.1 Gains (losses) on equity investments: composition

Income-based components/Values	6 mths ended 31/12/09	6 mths ended 31/12/08
1. Jointly-controlled companies		
A. Income	—	—
1. Revaluations	—	—
2. Gains on disposals	—	—
3. Amounts recovered	—	—
4. Other increases	—	—
B. Expenses	—	(80)
1. Writedowns	—	(80)
2. Adjustments for impairment	—	—
3. Losses from disposals	—	—
4. Other reductions	—	—
Net income	—	(80)
2. Companies subject to significant influence		
A. Income	117,926	121,304
1. Revaluations	—	—
2. Gains on disposals	—	—
3. Amounts recovered	—	—
4. Other increases	117,926	121,304
B. Expenses	(11,596)	(213,244)
1. Writedowns	—	(207,144)
2. Adjustments for impairment	—	—
3. Losses from disposals	—	—
4. Other reductions	(11,596)	(6,100)
Net income	106,330	(91,940)
Total	106,330	(92,020)

Section 19

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

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

Income elements/Sectors	6 mths ended 31/12/09	6 mths ended 31/12/08
A. Properties	—	—
– gains on disposals	—	—
– losses on disposals	—	—
B. Other assets	2	(12)
– gains on disposals	5	3
– losses on disposals	(3)	(15)
Net gain (loss)	2	(12)

Section 20

Heading 290: Income tax on ordinary activities

20.1 Income tax on ordinary activities: composition

Income elements/Sectors	6 mths ended 31/12/09	6 mths ended 31/12/08
1. Current taxes	(164,161)	(144,623)
2. Changes in current taxes for previous financial years	—	—
3. Reductions in current tax for the period	139	298
4. Changes in advance tax	36,336	86,037
5. Changes in deferred tax	3,087	46,204
Income tax for the year	(124,599)	(12,084)

Section 24

Earnings per share

24.1 Average number of ordinary shares on a diluted basis

	6 mths ended 31/12/09	6 mths ended 31/12/08
Net profit	270,081	100,346
Avg. no. of shares in issue	824,388,935	803,855,665
Avg. no. of potentially diluted shares	158,886,786	24,610,750
Avg. no. of diluted shares	983,275,721	828,466,415
Earnings per share	0.33	0.12
Earnings per share, diluted	0.27	0.12

PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Section 1

Banking Group risks

1.1 Credit risk

QUALITATIVE INFORMATION

Basel II project

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

A specific project has therefore been launched with a view to obtaining ratification by the Bank of Italy of the internal rating models to be used in calculating the capital requirements for credit risk.

The internal rating models regard the following customer segments: Banks, Insurances, Large corporate, Specialized lending (customers mostly targeted by Mediobanca S.p.A.), Mid corporate and Small businesses (customers targeted mostly by the leasing companies) and Private individuals (targeted by Compass for consumer credit and CheBanca! for mortgage lending). In addition, a plan is being implemented to comply with the experience requirement for the models to be ratified, which will involve the existing procedures for approving, monitoring and renewing loans (described in Section 1 hereunder) being gradually revised to incorporate the risk parameters calculated via the internal models that have been developed.

Given the above, considering the uncertainty over possible changes to the regulatory framework for the banking industry, 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.

Corporate banking (Mediobanca)

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

Leasing

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

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

Consumer credit (Compass)

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

From the first instance of non-payment, accounts are managed using the entire range of recovery procedures, including postal and telephone reminders, external recovery agents, etc. After five overdue instalments accounts are held to be officially in default, and the client is deemed to have lapsed from the time benefit allowed under Article 1186 of the Italian Civil Code. After nine overdue instalments such accounts are 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. Procedurally mortgage loans with four or more unpaid instalments are designated as potential problem accounts, and following the seventh/eighth unpaid instalment become non-performing and are handed over to the company's lawyers accordingly. Credit recovery is largely managed through property enforcement procedures.

.

QUANTITATIVE INFORMATION

CREDIT QUALITY

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

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

Portfolio/Quality	Banking Group					Others		Total
	Non-performing	Potential problem	Restructured	Overdue	Other assets	Overdue	Other assets	
1. Financial assets held for trading	—	—	—	—	14,640,583	—	—	14,640,583
2. AFS securities	—	—	—	—	6,052,678	—	—	6,052,678
3. Financial assets held to maturity	—	—	—	—	577,831	—	—	577,831
4. Due from banks	127	—	—	—	4,775,983	—	12,292	4,788,402
5. Due from customers	169,644	327,993	160,042	117,795	38,837,286	—	4,770	39,617,530
6. Financial assets recognized at fair value	—	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	1,840,482	—	—	1,840,482
Total at 31/12/09	169,771	327,993	160,042	117,795	66,724,843	—	17,062	67,517,506
Total at 30/6/09	140,600	430,740	19,082	97,817	68,798,166	—	7,685	69,494,090

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

Portfolio/Quality	Impaired assets				Other assets			Total
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
A. Banking Group								
1. Financial assets held for trading	—	—	—	—	X	X	14,640,583	14,640,583
2. AFS securities	—	—	—	—	6,052,678	—	6,052,678	6,052,678
3. Financial assets held to maturity	—	—	—	—	582,104	(4,273)	577,831	577,831
4. Due from banks	127	—	—	127	4,778,850	(2,867)	4,775,983	4,776,110
5. Due from customers	1,498,648	(723,174)	—	775,474	39,073,559	(236,273)	38,837,286	39,612,760
6. Financial assets recognized at fair value	—	—	—	—	X	X	—	—
7. Financial assets being sold	—	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	X	X	1,840,482	1,840,482
Total A	1,498,775	(723,174)	—	775,601	50,487,191	(243,413)	66,724,843	67,500,444
B. Others								
1. Financial assets held for trading	—	—	—	—	X	X	—	—
2. AFS securities	—	—	—	—	—	—	—	—
3. Financial assets held to maturity	—	—	—	—	—	—	—	—
4. Due from banks	—	—	—	—	12,292	—	12,292	12,292
5. Due from customers	—	—	—	—	4,770	—	4,770	4,770
6. Financial assets recognized at fair value	—	—	—	—	X	X	—	—
7. Financial assets being sold	—	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	X	X	—	—
Total B	—	—	—	—	17,062	—	17,062	17,062
Total at 31/12/09	1,498,775	(723,174)	—	775,601	50,504,253	(243,315)	66,741,905	67,517,506
Total at 30/6/09	1,333,798	(645,559)	—	688,239	54,132,007	(208,412)	68,805,851	69,494,090

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

Type of exposure/Amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing	127	—	X	127
b) Potential problem	—	—	X	—
c) Restructured	—	—	X	—
d) Overdue	—	—	X	—
ef) Other assets	8,676,021	X	(2,867)	8,673,154
Total A	8,676,148	—	(2,867)	8,673,281
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	—	—	X	—
b) Other assets	135,542,797	X	—	135,542,797
Total B	135,542,797	—	—	135,542,797

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

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

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

Type of exposure/Amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing	722,626	(554,602)	X	168,024
b) Potential problem	476,218	(148,225)	X	327,993
c) Restructured	177,281	(17,239)	X	160,042
d) Overdue	122,526	(3,111)	X	119,415
e) Other assets	52,477,043	X	(240,546)	52,236,497
Total A	53,975,694	(723,177)	(240,546)	53,011,971
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	118,050	(14,924)	X	103,126
b) Other assets	66,694,557	X	(22)	66,694,535
Total B	66,812,607	(14,924)	(22)	66,797,661

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

Description/Category	Non-performing	Potential problem	Restructured	Overdue
A. Gross exposure at start of period	539,170	638,666	27,013	129,586
of which: accounts sold but not derecognized	*18,748*	*18,932*	*18*	*5,844*
B. Additions	322,025	344,962	220,416	154,152
B.1 transfers from performing loans	66,279	248,797	2,096	136,469
B.2 transfers from other categories of impaired assets	235,662	81,058	171,995	3,760
B.3 other additions	20,084	15,107	46,325	13,923
C. Reductions	(138,569)	(507,410)	(70,148)	(161,212)
C.1 transfers to performing loans	(2,484)	(25,879)	(2)	(35,152)
C.2 amounts written off	(80,996)	(30,546)	(37)	(3,799)
C.3 amounts collected	(35,020)	(53,815)	(21,884)	(11,479)
C.4 gains realized on disposals	(6,459)	(2,903)	—	(332)
C.5 transfers to other categories of impaired assets	(5,993)	(355,134)	(25,446)	(105,911)
C.6 other reductions	(7,617)	(39,133)	(22,779)	(4,539)
D. Gross exposure at end of period	722,626	476,218	177,281	122,526
of which: accounts sold but not derecognized	*32,012*	*15,803*	—	*1,800*

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

Description/Category	Non-performing	Potential problem	Restructured	Overdue
A. Adjustments at start of period	(398,694)	(207,918)	(7,931)	(31,645)
of which: accounts sold but not derecognized	*(17,574)*	*(9,681)*	—	*(1,942)*
B. Additions	(266,418)	(91,729)	(20,392)	(12,642)
B.1 value adjustments	(139,068)	(62,124)	(2,121)	(3,551)
B.2 transfers from other categories of impaired assets	(112,408)	(19,822)	(13,998)	(2,016)
B.3 other additions	(14,942)	(9,783)	(4,273)	(7,075)
C. Reductions	110,510	151,422	11,084	41,176
C.1 writebacks based on valuations	1,408	867	5,595	308
C.2 writebacks due to amounts collected	2,567	393	11	161
C.3 amounts written off	80,841	30,545	9	3,798
C.4 transfers to other categories of impaired assets	5,313	110,311	2,480	28,695
C.5 other reductions	20,381	9,306	2,989	8,214
D. Adjustments at end of period	(554,602)	(148,225)	(17,239)	(3,111)
of which: accounts sold but not derecognized	*(31,412)*	*(5,922)*	—	—

B. EXPOSURES: DISTRIBUTION AND CONCENTRATION

B.5a Credit risk indicators

	31/12/09	30/6/09
a) Gross NPLs/total loans	2.16%	1.53%
b) Irregular items/total loans	4.47%	3.79%
c) Net NPLs/regulatory capital	2.49%	2.26%

B.5b Large risks

	31/12/09	30/6/09
a) Total weighted amount	11,435,205	12,032,200
b) No. of exposures	12	13
c) Large risks/regulatory capital	1.7	1.9

Leveraged finance transactions

As part of its corporate lending activity, the Mediobanca Group takes an active part in buyout transactions promoted or sponsored almost entirely by private equity funds in order to take over companies with promising growth prospects, low debt levels and stable cash flow over time. Such transactions have a sub-investment grade rating, a non-recourse contractual structure, and borrowing is commensurate with future cash flow levels. The purpose of such transactions is never for Mediobanca to acquire target companies, as the majority stakes are held directly by the private equity funds.

As at 31 December 2009, deals of this nature amounted to €2,615.1m, down slightly on the figure of €2,658m reported at 30 June 2009, approx. 15.3% of the corporate loan book, slightly under half of which in relation to domestic transactions, with the remainder for deals within the confines of the Eurozone. The recent economic downturn has virtually wiped out this business segment.

The portfolio no longer contains any positions with companies in financial difficulties, after restructuring agreements in respect of two accounts worth approx. €214.7m were reached.

C. Securitizations and asset disposals

C.1 Securitizations

Qualitative information

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

In addition to its traditional activity as sponsor and lead manager, Mediobanca also invests in securities originating from securitizations by other issuers. As at the reporting date these totalled €464.5m (30/6/09: €524.6m). The main movements during the period involved repayments – all at face value – totalling €73.6m (€35m of which in respect of the Alpha Sires synthetic securitization), purchases and disposals worth €6m, gains on disposal amounting to €5.1m, and upward adjustments as at the reporting date amounting to €3.7m.

Holdings in junior and mezzanine tranches reduced, to €11.4m, and chiefly involve one securitization of mortgage receivables (Bpm Securitisation Srl), plus one exposure to a leading leasing group (Locat) which incidentally was sold in the first months of 2010.

Mediobanca does not have on its books, and indeed never has had, any credit exposures backed by US subprime or Alt-A (Alternative – A, i.e. positions with underlying mortgages featuring incomplete documentation that does not allow them to be classified). Neither does it have any exposures to monoline insurers, i.e. insurance companies specializing in covering default risk on public and corporate bond issues with the exception of one credit default swap worth a nominal USD 30m entered into with MBIA (Municipal Bond Insurance Association), with a negative fair value of €4.4m (minus €2.3m as at 30 June 2009). The credit quality of the securities owned by the Mediobanca Group has shown no signs of deterioration. Moreover, the majority of the securities (over 60%) is eligible for financing transactions with the European Central Bank. At the reporting date, writebacks of €3.7m were made to the portfolio, €3.5m of which was taken directly to the profit and loss account, and €0.2m to the net equity reserves (to which should be added the implicit losses of €27.9m on securities transferred to the equity investment portfolio (compared with €66m at the balance-sheet date). These valuations have been made based on prices supplied by the leading financial information providers, i.e. Reuters, Bloomberg and Mark-it, giving priority to marked-to-market data rather than fair value models (which have been used only for certain unlisted positions), and for the most part made using a pricing model supplied by the main rating agencies.

Virtually the entire portfolio involves securities with domestic underlying assets, and is concentrated chiefly on three main sectors: mortgage lending (approx. 45%), state-owned properties (over 20%), and leasing receivables (approx. 10%). The other deals involve securitizations of corporate receivables (Entasi - Capitalia), synthetic securities (ELM and Alpha Sires), and one securitization involving UK mortgages fully backed by Lloyds (Permanent Master).

Over 70% of the portfolio has a rating consistent with securities of high credit standing attributed by at least one of the main credit rating agencies (Standard & Poors, Moody's and Fitch). During the period under review no particular action was taken by any of the rating agencies, reflecting the solidity and the conservative nature of these transactions which have always been a feature of the Italian domestic market.

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

Prices have continued to improve during the six months under review, due to the general economic conditions easing and the favourable market scenario (with returns on the new bond issues and buyback schemes implemented by the main issuers narrowing).

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

— mortgage loans: despite delinquency levels improving in the short term (due to lower interest rates), the increase in unemployment, the reduction in household incomes and the removal of temporary benefits granted by banks have led to a deterioration in the percentage rates of default and delinquency over the long term, which has meant reserves being drawn on increasingly and a slowdown in the rate of prepayments; these effects, however, are less pronounced for the positions in Mediobanca's portfolio, which has higher asset quality, with all deadlines for repayment of capital and payment of interest having been met;

— state-owned properties: this sector too was helped by the resilience of the Italian domestic property market, with payment schedules being respected; in particular, the Fip1A1 issue repaid approximately half the principal amount in January 2010, benefiting the Fip1A2 class (subordinate to it) which recently had its A+ rating confirmed;

— leasing receivables: this sector is impacted by the same developments as the mortgage sector, exacerbated by the "moratorium on SME loans" effect which has triggered downgrades by rating agencies on some deals (e.g. Locat).

Quantitative information

C.1.1 Banking Group: Exposures deriving from securitizations by underlying asset

Type of underlying asset/Exposures	Cash exposure[1]					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Using own underlying assets	—	—	—	—	—	—
a) Impaired	—	—	—	—	—	—
b) Other	—	—	—	—	—	—
B) Using customers' underlying assets	453,109	453,109	6,136	6,136	5,223	5,223
a) Impaired	193,838	193,838	—	—	—	—
b) Other	259,271	259,271	6,136	6,136	5,223	5,223
Total at 31/12/09	453,109	453,109	6,136	6,136	5,223	5,223

[1] Includes a commitment of €123.2m to subscribe for Zeus F07-25 A FRN, and a refinancing credit line to Island in an amount of €22.7m.

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

	Cash exposures[1]					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Fully derecognized	—	—	—	—	—	—
B) Partly derecognized	—	—	—	—	—	—
C) Not derecognized						
C.1 Quarzo-13 CLI FRN IT0003487011	14,981	14,981	—	—	—	—
Total at 31/12/09	14,981	14,981	—	—	—	—

[1] No off-balance-sheet exposures.

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

	Cash exposures[1]					
	Senior		Mezzanine		Junior	
	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks
A. Mortgage loans on property						
A.1 Velah 4 A2 Immob.res IT0004102007	26,536	—	—	—	—	—
A.2 Island Ref-25 AFR IT0004293558 (NPL)	40,841	—	—	—	—	—
A.3 Cassa 2001-1 A1 07-43 IT0004247687	8,622	(68)	—	—	—	—
A.4 Tower Fin. Float-27 IT0004386683 (NPL)	34,872	—	—	—	—	—
A.5 Zeus F07-25 AFRN IT0004306186 (NPL)	77,563	—	—	—	—	—
A.6 Bcc Mrtg-38 A FRN XS0256813048	7,101	7	—	—	—	—
A.7 Bpm Securitisation SRL IT0004083033	—	—	6,136	1,589	—	—
A.8 Bcc Mrtg-38 1B XS0256815688	—	—	—	—	1,244	614
A.9 Others	4,516	194	—	—	—	—
TOTAL Mortgage loans on property	200,051	133	6,136	1,589	1,244	614
B. State-owned properties						
B.1 Fip Fund-23 A2 FRN IT0003872774	99,979	—	—	—	—	—
TOTAL State-owned properties	99,979	—	—	—	—	—
C. Leasing receivables						
C.1 Locat 12/12/2028 A2 IT0004153679	1,061	75	—	—	—	—
C.2 Locat MTGE 04-24 FLT IT0003733083	8,316	320	—	—	—	—
C.3 Agri 2006-1 A2 IT0004137417	20,806	130	—	—	—	—
C.4 Split 2-18 A FRN IT0003763882	3,425	152	—	—	—	—
C.5 Abest 2 A 1/10/2015 XS0232767631	17,164	(30)				
C.6 Locat 2 CLASS B FRN IT0003733091	—	—	—	—	3,979	305
C.7 Others	1,025	38	—	—	—	—
TOTAL Leasing receivables	51,797	685	—	—	3,979	305
D. Other credits						
D.1 Entasi Srl 17/01/2013 IT0003142996	40,562	—	—	—	—	—
D.2 Elm BB.V. FL XS0247902587	29,673	—	—	—	—	—
D.3 Permanent Master-42 XS0454744458	30,617	424	—	—	—	—
D.4 Others	430	8	—	—	—	—
TOTAL Other receivables	101,282	432	—	—	—	—
Total at 31/12/09	453,109	1,250	6,136	1,589	5,223	919
Total at 30/6/09	515,713	(1,531)	4,557	483	4,306	(2,089)

[1] Includes a commitment of €123.2m to subscribe for Zeus F07-25 A FRN, and a refinancing credit line to Island in an amount of €22.7m.

C.1.4 Banking Group: Exposures to securitizations by asset/portfolio type

Exposure/Portfolio	Held for trading	Recognized at fair value	Available for sale	Held to maturity	Loans and advances	31/12/09	30/6/09
1. Cash exposures	63,198	—	51,244	29,673	320,353	464,468	587,561
- Senior	51,839	—	51,244	29,673	320,353	453,109	578,698
- Mezzanine	6,136	—	—	—	—	6,136	4,557
- Junior	5,223	—	—	—	—	5,223	4,306
2. Off-balance-sheet exposures	—	—	—	—	145,907	145,907	153,475
- Senior	—	—	—	—	145,907	145,907	153,475
- Mezzanine	—	—	—	—	—	—	—
- Junior	—	—	—	—	—	—	—
Total at 31/12/09	63,198	—	51,244	29,673	466,260	610,375	741,036

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

Servicer	Vehicle company	Securitized assets 31/12/09		Receivables collected during the year		Percentage share of securities repaid 31/12/09					
						Senior		Mezzanine		Junior	
		Impaired	Performing	Impaired	Performing	Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
Compass S.p.A.	Jump S.r.l.	12,281	902,610	(580)	231,498	—	25%	—	—	—	—
Compass S.p.A.	Quarzo S.r.l.	21,833	2,200,444	825	296,136	—	—	—	—	—	—

1.2 MARKET RISK

1.2.1 INTEREST RATE RISK – TRADING BOOK

QUALITATIVE INFORMATION

Mediobanca uses a risk management system that monitors interest rate risk on the trading book daily. The system calculates sensitivity to movements in the interest rate curve as part of its measurement of market risk as a whole, and value at risk (VaR).[1] VaR is measured for the Bank's entire asset structure, i.e. banking as well as trading book, in order to reflect the fact that all risks, including those relating to lending and funding activities, at the Bank's Financial Markets division.

VaR is calculated based on expected volatility and the correlation between risk factors concerned, assuming a disposal period of a single trading day and based on a 99% confidence level. VaR is calculated using the Monte Carlo and historical simulation methods, as well as the parametric method.[2] Historical simulation is also used to calculate the expected shortfall, which measures average loss in 1% of the most unfavourable scenarios. The main risk factors on which the analysis is based are exchange rates, share prices and interest rates, with the general market component separated from issuer-specific credit risk. Inflation and volatility trends are also factored into to calculations of VaR.

In addition to these indicators, stress tests are also carried out weekly on the main risk factors, to show the impact of historical crisis scenarios being repeated (including that of Autumn 2008, which culminated with the bankruptcy of Lehman Brothers) and of significant movements in the main market data on the Bank's risk positions.

---

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

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

QUANTITATIVE INFORMATION

Following the increase recorded during the 2008/2009 financial year due to the fluctuations which affected all financial markets, the Bank's main risk indicators have reduced considerably.

The VaR for the largest aggregate, which includes equities and debt securities classified as available for sale as well as the trading book, more than halved from over €34m at end-June 2009 to just under €16m. The highest contributor in percentage terms was the interest rate component (€5m), the average figure for which fell by more than 50% compared to the €12.2m recorded for the last financial year, due largely to mitigation of specific risk, which had been strongly affected by the worsening credit risk of corporate and financial securities.

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

Risk factors	6 mths to 31/12/09				12 mths to 30/6/09
(€'000)	31/12	Min.	Max.	Avg.	Avg.
Interest rates	4,958	4,095	11,736	7,928	12,282
- of which: specific risk	*2,998*	*2,998*	*7,585*	*4,969*	*8,567*
Share prices	13,910	13,910	23,644	18,246	26,269
Exchange rates	2,978	930	4,733	2,267	2,416
*Diversification effect**	(6,254)	(4,067)	(15,207)	(8,064)	(6,215)
TOTAL	15,592	15,592	26,399	20,378	34,752
Expected shortfall	*64,449*	*46,075*	*68,531*	*58,629*	*37,865*

* Due to mismatches between risk factors.

It should also be noted that the reduced contribution from specific risk was achieved despite continuing growth in the debt security portfolio, driven by the stronger fund-raising activities at the consolidated level (chiefly due to CheBanca!) and a prudential attitude aimed at establishing a liquidity buffer given the scenario which continues to be tense as a result of the recent financial crisis.

The only indicator to show growth either overall or at the trading book level was the expected shortfall, which, as it is calculated using the historical simulation method, still shows signs of stress as a result of the record volatility levels witnessed in Autumn 2008.

The other VaR indicators for the trading book (cf. Table 2 below) confirm the reduction in risk, including at the level of the individual operating desks, with an average reading which has returned to 2007-08 levels, declining from €12.4m to €8.5m.

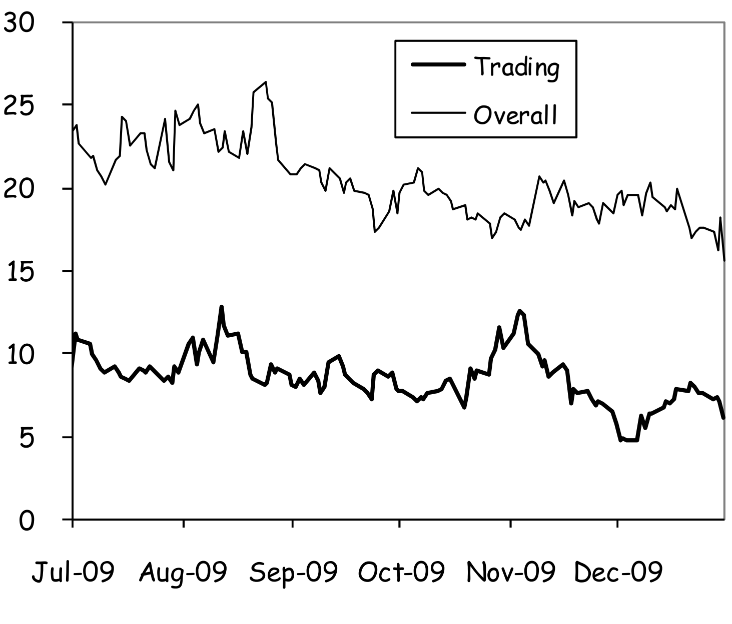
Table 2 - Value at risk and expected shortfall: trading book

Risk factors	6 mths to 31/12/09				12 mths to 30/6/09
(€'000)	31/12	Min.	Max.	Avg.	Avg.
Interest rates	4,800	4,378	12,979	8,269	9,909
- of which: specific risk	*2,200*	*2,113*	*4,953*	*3,432*	*6,304*
Share prices	3,771	1,020	4,909	1,957	4,412
Exchange rates	2,764	776	4,415	1,998	2,326
*Diversification effect**	(5,281)	(2,033)	(6,879)	(3,695)	(4,207)
TOTAL	6,054	4,746	12,783	8,529	12,441
Expected shortfall	*26,591*	*15,641*	*31,337*	*23,193*	*13,510*

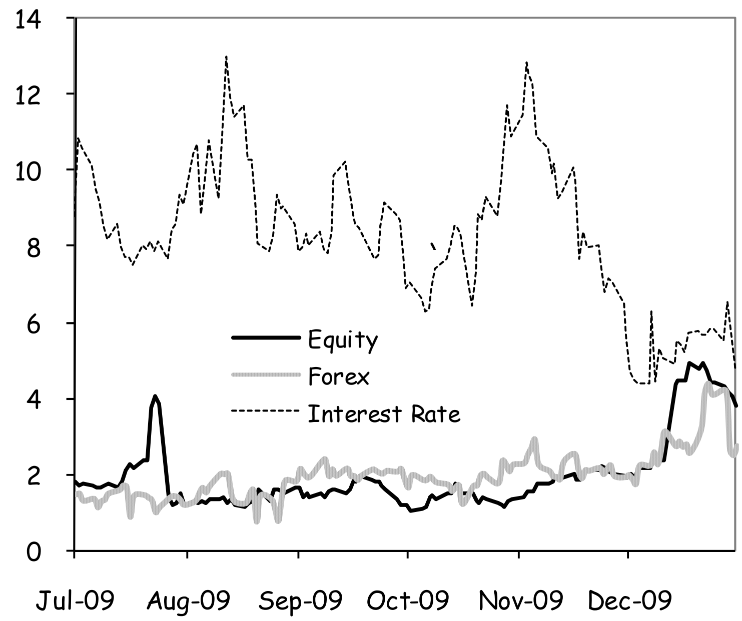
* Due to mismatches between risk factors.

Here too there was a sharp fall in specific risk, from €6.3m to €3.4m, while average market risk rate levels continue to be high due to the presence of long positions at the start of the six months. Conversely, the upturn in the share price component was caused by the resumption in trading activity on equity markets.

Trends in VaR



Trends in VaR constituents



The market risks faced by the other Group companies are negligible. The most significant is that of Compagnie Monégasque de Banque, whose average VaR for the period based on a 99% confidence level was just €141,000m, with a high of slightly over €250,000m.

The effectiveness of VaR as a tool for managing risk is measured by means of daily back-testing, which is based on the calculation of implied profit and loss.[3] Like in previous years, the limit was breached twice, substantially in line with the theoretical level implied by a VaR of 99%.

[3] Based on repricing the previous day's positions using data from the following business day, in order to eliminate intraday trading items.

1.2.2 INTEREST RATE RISK – BANKING BOOK

QUALITATIVE INFORMATION

The size of the trading book was strengthened further during the six months, with bonds eligible for refinancing with the monetary authorities being given priority, because their role as a liquidity buffer appears to be increasingly important in view *inter alia* of the likelihood of regulatory requirements becoming more stringent in the future. One side effect of this trend is the increased mismatch between assets and liabilities on the banking book, which accentuates the gap between an increase/decrease in interest rates on the book.

Thus a 100 basis point increase in interest rates would generate a reduction of €28.5m in estimated net interest income in the next six months (€56m on the banking book). Furthermore, the extremely low level of short-term interest rates, often below 1%, increases the mismatch in the event of there being a shock in the opposite direction. An equivalent reduction in interest rates leads to a gain of €23.7m on the asset base as a whole, and of €49m on the banking book alone.

As for the other Group companies, the most significant exposures are concentrated at Compass and CheBanca!, albeit in opposite directions. For Compass, the impact is similar to that for Mediobanca S.p.A. due to the presence of variable-rate funding: a 100 basis point rise in interest rates would generate a reduction of over €14m in net interest income, while the gain would be just under €13m in the opposite case. For CheBanca!, meanwhile, the fact that much of its funding is fixed-rate means the exposure is reversed: a 100 basis point increase in interest rates would lead to a gain of €4.7m, while an equivalent reduction would generate a loss of around €6.5m.

In addition to the sensitivity of net interest income to interest rates, the impact which a 100 basis point shock would have on the discounted value of future cash flows from the banking book has also been estimated. The fact that assets are below the level of liabilities is offset by their longer duration, and also by the presence of significant holdings in AFS and held-to-maturity assets. Hence the loss in the event of a rise in interest rates would be just under €59m for Mediobanca S.p.A., virtually identical to the gain that would be generated in the opposite scenario.

The sensitivity of CheBanca!'s banking book is equally significant, owing to its containing a sizeable portfolio of medium-term securities. This preponderance of longer average durations means that the impact of the shocks measured is virtually symmetrical. A 100 bps increase in the interest rate curve generates a loss of €53.6m on this portfolio, compared to a gain of €54m in the opposite scenario.

Hedging

Fair value hedges

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

Cash flow hedges

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

Counterparty risk

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

1.2.3 PRICE RISK – REGULATORY TRADING BOOK

For qualitative information, see section 1.2.1 INTEREST RATE RISK – TRADING BOOK

1.2.4 PRICE RISK – BANKING BOOK

For qualitative information, see section 1.2.2 INTEREST RATE RISK – BANKING BOOK

1.2.5 EXCHANGE RATE RISK

Risks deriving from movements in exchange rates for all the Bank's positions are managed by the Financial Markets division, whether they are originated by the banking or trading book. The VaR measurements shown on page 141 thus reflect the extent of the aggregate exposures entered into on the foreign exchange market.

The extent of such risk, which was not affected by last year's increase in volatility, was virtually unchanged at last year's levels (the average VaR reading was €2.3m, compared with €2.4m last year); a trend which confirms the prudent approach adopted by Mediobanca in taking positions on the foreign exchange market.

1.2.6 FINANCIAL DERIVATIVE PRODUCTS

A. FINANCIAL DERIVATIVES

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

Type of transactions	31/12/09		30/6/09	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	100,911,486	24,460,300	73,510,813	9,271,315
a) Options	452,625	19,052,750	—	17,775
b) Swap	86,506,257	—	69,588,926	—
c) Forward	716,426	2,773,924	1,785,709	5,772,136
d) Futures	—	2,633,626	—	3,481,404
e) Others	13,236,178	—	2,136,178	—
2. Equities and share indexes	10,171,998	1,408,231	8,569,581	1,081,401
a) Options	9,074,515	1,340,894	7,133,491	894,291
b) Swap	1,055,017	—	1,281,441	—
c) Forward	42,466	38,864	154,649	20,433
d) Futures	—	28,473	—	166,677
e) Others	—	—	—	—
3. Exchange rates and Gold	3,103,888	—	4,244,478	—
a) Options	—	—	1,330,662	—
b) Swap	656,781	—	591,118	—
c) Forward	2,447,107	—	2,322,698	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	114,187,372	25,868,531	86,324,872	10,352,716
Average values	85,336,017	37,651,468	64,450,718	15,068,305

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

A.2.1 *Hedge derivatives*

Type of transactions	31/12/09		30/6/09	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	33,089,316	—	34,166,937	19,914
a) Options	—	—	—	—
b) Swap	32,889,316	—	33,960,573	—
c) Forward	—	—	6,364	19,914
d) Futures	—	—	—	—
e) Others	200,000	—	200,000	—
2. Equities and share indexes	121,885	—	203,865	—
a) Options	105,000	—	102,000	—
b) Swap	—	—	—	—
c) Forward	16,885	—	101,865	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and Gold	35,875	—	36,994	—
a) Options	—	—	—	—
b) Swap	35,875	—	36,994	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	33,247,076	—	34,407,796	19,914
Average values	30,945,267	—	34,786,866	1,660

A.2.2 Other derivatives

Type of transactions	31/12/09		30/6/09	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	—	—	—	—
a) Options	—	—	—	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equities and share indexes	23,485,395	—	24,257,568	—
a) Options	23,485,395	—	24,257,568	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and Gold	102,978	—	141,202	—
a) Options	102,978	—	141,202	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	23,588,373	—	24,398,770	—
Average values	21,681,896	—	22,286,428	—

A.3 *Financial derivatives: positive fair value – breakdown by product*

	Positive fair value			
	31/12/09		30/6/09	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	2,934,273	79,153	2,061,407	31,685
a) Options	857,844	54,404	640,927	28,712
b) Interest Rate Swap	1,816,629	—	1,055,513	—
c) Cross Currency Swap	13,020	—	1,595	—
d) Equity Swap	139,328	—	276,301	—
e) Forward	107,452	11,153	87,071	—
f) Futures	—	13,596	—	2,973
g) Others	—	—	—	—
B. Banking book: Hedge derivatives	1,609,318	—	1,550,369	—
a) Options	—	—	11,768	—
b) Interest Rate Swap	1,609,318	—	1,478,717	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	59,884	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
B. Banking book: Others derivatives	241,508	—	244,652	—
a) Options	241,508	—	244,652	—
b) Interest Rate Swap	—	—	—	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	4,785,099	79,153	3,856,428	31,685

A.4 Financial derivatives: negative fair value – breakdown by product

	Negative fair value			
	31/12/09		30/6/09	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	(2,671,749)	(60,373)	(1,591,165)	(45,083)
a) Options	(567,662)	(56,512)	(359,951)	(40,103)
b) Interest Rate Swap	(1,954,424)	—	(1,082,044)	—
c) Cross Currency Swap	(88,830)	—	(80,214)	—
d) Equity Swap	(4,839)	—	(25,732)	—
e) Forward	(55,994)	(3,604)	(43,224)	—
f) Futures	—	(257)	—	(4,980)
g) Others	—	—	—	—
B. Banking book: Hedge derivatives	(869,195)	(6,060)	(1,210,559)	—
a) Options	(60,240)	—	(79,314)	—
b) Interest Rate Swap	(798,411)	—	(1,121,189)	—
c) Cross Currency Swap	(10,544)	—	(10,056)	—
d) Equity Swap	—	—	—	—
e) Forward	—	(6,060)	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
B. Banking book: Others derivatives	(517,821)	—	(404,376)	—
a) Options	(517,821)	—	(404,376)	—
b) Interest Rate Swap	—	—	—	—
c) Cross Currency Swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	(4,058,765)	(66,433)	(3,206,100)	(45,083)

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

	31/12/09						
	Governments and central bank	Other public agencies	Banks	Financial companies	Insurances	Non-Financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	339,168	70,000	2,805,403	1,228,640	1,175,725	6,526,280	—
- positive fair value	17,336	3,624	28,547	122,110	42,414	211,262	—
- negative fair value	(5,602)	—	(59,591)	(464)	(4,045)	(35,472)	—
- future exposure	—	350	16,569	6,764	8,116	53,855	—
2. Equities and share indexes							
- notional value	—	—	1,032,413	1,190,270	43,950	225,162	20
- positive fair value	—	—	24,406	144,062	50	56,222	—
- negative fair value	—	—	(1,629)	(5,087)	(4,917)	(393)	(4)
- future exposure	—	—	49,407	78,445	2,637	14,019	2
3. Exchange rates and Gold							
- notional value	—	—	1,127,939	102,538	—	377,535	—
- positive fair value	—	—	52,442	2,309	—	172	—
- negative fair value	—	—	(1,491)	(139)	—	(21,831)	—
- future exposure	—	—	11,599	1,025	—	12,423	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

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

	31/12/09						
	Governments and central bank	Other public agencies	Banks	Financial companies	Insurances	Non-Financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	72,611,199	11,026,235	—	—	—
- positive fair value	—	—	1,298,912	131,699	—	—	—
- negative fair value	—	—	(1,738,393)	(166,237)	—	—	—
2. Equities and share indexes							
- notional value	—	—	15,362,805	4,013,615	—	—	—
- positive fair value	—	—	612,331	139,560	—	—	—
- negative fair value	—	—	(253,455)	(272,881)	—	—	—
3. Exchange rates and Gold							
- notional value	—	—	1,312,613	234,753	—	—	—
- positive fair value	—	—	36,795	10,017	—	—	—
- negative fair value	—	—	(95,562)	(4,561)	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

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

	31/12/09						
	Governments and central bank	Other public agencies	Banks	Financial companies	Insurances	Non-Financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	4,797,843	29,556	—	—	—
- positive fair value	—	—	17,478	699	—	—	—
- negative fair value	—	—	(120,410)	(316)	—	—	—
- future exposure	—	—	7,021,798	40	—	—	—
2. Equities and share indexes							
- notional value	—	—	26,100	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	(272)	—	—	—	—
- future exposure	—	—	1,566	—	—	—	—
3. Exchange rates and Gold							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

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

	31/12/09						
	Governments and central bank	Other public agencies	Banks	Financial companies	Insurances	Non-Financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	25,692,909	1,469,009	—	—	—
- positive fair value	—	—	1,568,682	22,459	—	—	—
- negative fair value	—	—	(693,540)	(43,406)	—	—	—
2. Equities and share indexes							
- notional value	—	—	—	78,900	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	(704)	—	—	—
3. Exchange rates and Gold							
- notional value	—	—	35,841	35	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	(10,534)	(10)	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

B. CREDIT DERIVATIVES

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

Transaction categories	Regulatory trading book		Other transactions	
	Individual assets	Baskets	Individual assets	Baskets
1. Hedge buys				
a) Credit default	2,369,014	6,183,567	301,050	87,408
b) Credit spread products	—	—	—	—
c) Total rate of return swap	—	—	—	—
d) Others	—	—	—	—
Total A at 31/12/09	2,369,014	6,183,567	301,050	87,408
Average values	2,364,132	5,846,346	273,947	61,058
Total A at 30/ 6/ 09	2,159,237	6,673,421	311,425	—
2. Hedge sales				
a) Credit default	1,120,674	6,392,029	229,464	807,150
b) Credit spread products	—	—	—	—
c) Total rate of return swap	—	—	—	—
d) Others	—	—	—	—
Total B at 31/12/09	1,120,674	6,392,029	229,464	807,150
Average values	1,225,057	6,496,356	142,558	293,837
Total B at 30/6/09	1,127,537	7,034,422	119,615	—

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

	Positive fair value	
	31/12/09	30/6/09
A. Regulatory trading book	184,377	442,875
a) *Credit default products*	184,377	442,875
b) *Credit spread products*	—	—
c) *Total rate of returns swap*	—	—
d) Others	—	—
B. Banking book	41,623	3,967
a) *Credit default products*	41,623	3,967
b) *Credit spread products*	—	—
c) *Total rate of returns swap*	—	—
d) Others	—	—
Total	226,000	446,842

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

	Negative fair value	
	31/12/09	30/6/09
A. Regulatory trading book	(197,788)	(431,207)
a) Credit default products	(197,788)	(431,207)
b) Credit spread products	—	—
c) Total rate of returns swap	—	—
d) Others	—	—
B. Banking book	(19,762)	(1,256)
a) Credit default products	(19,762)	(1,256)
b) Credit spread products	—	—
c) Total rate of returns swap	—	—
d) Others	—	—
Total	(217,550)	(432,463)

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

	31/12/09						
	Governments and central bank	Other public agencies	Banks	Financial companies	Insurances	Non-Financial companies	Other counterparties
Regulatory trading book							
1. Hedge buys							
- notional value	—	—	30,000	—	—	—	—
- positive fair value	—	—	107	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	1,500	—	—	—	—
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	—	—	—	—	—	—	—

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

	31/12/09						
	Governments and central bank	Other public agencies	Banks	Financial companies	Insurances	Non-Financial companies	Other counterparties
Regulatory trading book							
1. Hedge buys							
- notional value	—	—	7,040,660	1,431,192	—	—	—
- positive fair value	—	—	65,980	9,345	—	—	—
- negative fair value	—	—	(103,495)	(25,515)	—	—	—
2. Hedge sales							
- notional value	—	—	6,152,996	1,198,857	—	—	—
- positive fair value	—	—	96,194	12,751	—	—	—
- negative fair value	—	—	(56,781)	(11,996)	—	—	—
Banking book*							
1. Hedge buys	—	—	—	—	—	—	—
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
2. Hedge sales							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

* Does not include implicit derivatives of bonds issued.

C. FINANCIAL AND CREDIT DERIVATIVES

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

	31/12/09						
	Governments and central bank	Other public agencies	Banks	Financial companies	Insurances	Non-Financial companies	Other counterparties
1) Financial derivatives bilateral agreements	—	—	—	—	—	—	—
2) Credit derivatives bilateral agreements	—	—	—	—	—	—	—
3) Accordi "*Cross product* "*							
- positive fair value	—	—	86,465	416	—	—	—
- negative fair value	—	—	(103,858)	(81,236)	—	—	—
- future exposure	—	—	158,812	69,500	—	—	—
- net counterparty risk	—	—	248,597	9,051	—	—	—

* Cash collateral received amounts to €625,869,000.

1.3 BANKING GROUP: LIQUIDITY RISK

QUALITATIVE INFORMATION

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

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

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

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

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

In addition, a steering committee analyses the Bank's asset structure and portfolio sensitivity, plus any mismatches between the maturities implied in future volume trends, on a fortnightly basis, to help management in taking strategic decisions for the Group's operations by providing indications of trends in profitability.

QUANTITATIVE INFORMATION

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

Type	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	3,329,288	2,984,580	1,088,977	1,797,994	3,878,575	3,590,315	4,005,196	21,080,373	16,634,318	297,784
A.1 Government securities	3,220	24,606	—	32,651	1,680,233	1,562,411	976,902	1,244,968	3,953,536	—
A.2 Listed debt securities	43,826	84	6,326	142,356	117,015	169,715	298,475	4,786,621	1,512,819	—
A.3 Other debt securities	7,669	—	971	393	6,757	211,433	17,150	278,581	873,650	—
A.4 OICR units	41,788	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	3,232,785	2,959,890	1,081,680	1,622,594	2,074,570	1,646,756	2,712,669	14,770,203	10,294,313	297,784
– to banks	1,648,214	255,008	524,588	491,493	106,457	14,444	277,936	256,524	8,413	17,747
– to customers	1,584,571	2,704,882	557,092	1,131,101	1,968,113	1,632,312	2,434,733	14,513,679	10,285,900	280,037
Cash liabilities	4,968,412	1,289,355	641,031	2,382,259	5,373,564	3,814,923	5,271,258	29,933,554	7,612,536	69,755
B.1 Deposits	4,965,018	1,263,132	565,986	2,144,167	4,507,435	2,306,874	3,514,245	1,220,639	867,925	69,681
– to banks	2,714,783	222,561	400,330	1,317,249	737,515	351,809	1,620,333	811,460	493,467	5,485
– to customers	2,250,235	1,040,571	165,656	826,918	3,769,920	1,955,065	1,893,912	409,179	374,458	64,196
B.2 Debt securities	3,394	968	105	3,839	572,163	1,508,028	1,365,609	28,712,915	6,744,611	74
B.3 Other liabilities	—	25,255	74,940	234,253	293,966	21	391,404	—	—	—
Off-balance-sheet transactions	3,613,464	5,903,243	309,500	706,668	6,986,881	835,272	1,565,451	15,893,505	1,190,749	320,873
C.1 Financial derivatives with exchange of principal	—	4,584,292	279,436	662,603	6,042,094	252,800	792,162	1,356,702	188,555	—
– long positions	—	1,584,070	44,904	225,416	1,088,769	98,225	451,131	789,815	45,466	—
– short positions	—	3,000,222	234,532	437,187	4,953,325	154,575	341,031	566,887	143,089	—
C.2 Financial derivatives without exchange of principal	3,588,962	6,525	30,064	44,065	378,116	300,892	592,419	—	—	—
– long positions	2,007,623	4,750	20,179	23,409	304,427	195,362	285,978	—	—	—
– short positions	1,581,339	1,775	9,885	20,656	73,689	105,530	306,441	—	—	—
C.3 Deposits and loans for collection	—	1,291,191	—	—	494,463	13,850	140,963	418,518	223,397	—
– long positions	—	1,291,191	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	494,463	13,850	140,963	418,518	223,397	—
C.4 Irrevocable commitments to disburse funds	24,502	21,235	—	—	72,208	267,730	39,907	14,118,285	778,797	320,873
– long positions	351	21,235	—	—	42,208	77,730	39,907	6,904,863	512,297	300,823
– short positions	24,151	—	—	—	30,000	190,000	—	7,213,422	266,500	20,050
C.5 Financed guaranties issued	—	—	—	—	—	—	—	—	—	—

Currency of denomination: US DOLLAR

Type	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	117,868	467	4,347	20,661	17,142	38,354	72,045	1,114,166	497,072	453
A.1 Government securities	—	162	1,339	—	16	23,011	1,359	193	152,732	—
A.2 Listed debt securities	—	—	1,097	—	8,953	8,764	45,792	461,673	151,641	—
A.3 Other debt securities	—	—	893	675	3,873	829	1,917	25,120	110,587	—
A.4 OICR units	5,936	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	111,932	305	1,018	19,986	4,300	5,750	22,977	627,180	82,112	453
– to banks	27,451	—	—	195	373	518	960	56,181	1,300	447
– to customers	84,481	305	1,018	19,791	3,927	5,232	22,017	570,999	80,812	6
Cash liabilities	3,933	1,753	24,300	66,459	22,245	24,759	21,711	333,986	35	8
B.1 Deposits	3,930	1,753	21,211	66,412	26	14	—	—	—	8
– to banks	—	—	14,398	64,553	—	—	—	—	—	5
– to customers	3,930	1,753	6,813	1,859	26	14	—	—	—	3
B.2 Debt securities	3	—	3,089	47	22,219	24,745	21,711	333,986	35	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	378,404	143,695	9,920	255,480	848,701	389,180	142,234	551,171	183,986	31,237
C.1 Financial derivatives with exchange of principal	—	143,695	9,886	255,480	848,701	389,180	138,763	185,351	138,866	—
– long positions	—	143,695	3,140	127,740	385,381	79,843	20,513	10,264	35	—
– short positions	—	—	6,746	127,740	463,320	309,337	118,250	175,087	138,831	—
C.2 Financial derivatives without exchange of principal	378,404	—	34	—	—	—	—	—	—	—
– long positions	9,939	—	18	—	—	—	—	—	—	—
– short positions	368,465	—	16	—	—	—	—	—	—	—
C.3 Deposits and loans for collection	—	—	—	—	—	—	—	—	—	—
– long positions	—	—	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds	—	—	—	—	—	—	3,471	365,820	45,120	31,237
– long positions	—	—	—	—	—	—	—	146,467	45,120	31,237
– short positions	—	—	—	—	—	—	3,471	219,353	—	—
C.5 Financed guaranties issued	—	—	—	—	—	—	—	—	—	—

Currency of denomination: OTHER

Type	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	45,777	18	289	12,932	10,175	9,951	75,692	582,872	55,022	26
A.1 Government securities	—	—	—	—	—	—	—	—	—	—
A.2 Listed debt securities	—	—	—	19	2,561	8,146	65,387	250,415	14,979	—
A.3 Other debt securities	—	—	—	—	114	—	2,759	—	—	—
A.4 OICR units	—	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	45,777	18	289	12,913	7,500	1,805	7,546	332,457	40,043	26
– to banks	33,544	—	—	—	901	—	—	—	—	26
– to customers	12,233	18	289	12,913	6,599	1,805	7,546	332,457	40,043	—
Cash liabilities	693	—	23,592	26,961	82,538	478	12,886	298,784	238,944	1
B.1 Deposits	693	—	—	—	82,060	—	—	—	—	1
– to banks	1	—	—	—	82,060	—	—	—	—	1
– to customers	692	—	—	—	—	—	—	—	—	—
B.2 Debt securities	—	—	23,592	26,961	478	478	12,886	298,784	238,944	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	434,641	44,944	207,519	160,047	52,613	13,058	68,295	755,563	32,018	—
C.1 Financial derivatives with exchange of principal	—	44,944	207,206	160,047	52,613	12,714	56,300	755,563	32,018	—
– long positions	—	44,944	37,150	11,967	—	—	—	495,944	16,998	—
– short positions	—	—	170,056	148,080	52,613	12,714	56,300	259,619	15,020	—
C.2 Financial derivatives without exchange of principal	434,641	—	313	—	—	344	11,995	—	—	—
– long positions	107,900	—	—	—	—	—	11,308	—	—	—
– short positions	326,741	—	313	—	—	344	687	—	—	—
C.3 Deposits and loans for collection	—	—	—	—	—	—	—	—	—	—
– long positions	—	—	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds	—	—	—	—	—	—	—	—	—	—
– long positions	—	—	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	—	—
C.5 Financed guaranties issued	—	—	—	—	—	—	—	—	—	—

PART F - INFORMATION ON CONSOLIDATED CAPITAL

Section 1

Consolidated capital

A. Qualitative information

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

Since its inception one of the distinguishing features of Mediobanca has been the solidity of its financial structure, with capital ratios that have been consistently and significantly higher than those required by the regulatory guidelines.

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

B. Quantitative information

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

Net equity constituents	Banking Group	Other companies	Elisions/ adjustments upon consolidation	Total
Share capital	430,529	—	—	430,529
Share premium	2,119,542	—	—	2,119,542
Reserves	3,769,513	—	—	3,769,513
Equity instruments	—	—	—	—
Treasury shares	(213,844)	—	—	(213,844)
Valuation reserves:	95,769	—	—	95,769
- AFS securities	132,104	—	—	132,104
- Property, plant and equipment	—	—	—	—
- intangible assets	—	—	—	—
- Foreign investment hedges	—	—	—	—
- Cash flow hedges	(109,066)	—	—	(109,066)
- Exchange rate differences	511	—	—	511
- Non-current assets being sold	—	—	—	—
- Actuarial gains (losses) on defined-benefit pension schemes	—	—	—	—
- Share of valuation reserves represented by equity-accounted companies	58,750	—	—	58,750
- Special valuation laws	13,470	—	—	13,470
Gain (loss) for the period attributable to the Group/minorities	270,081	—	—	270,081
Total	6,471,590	—	—	6,471,590

B.2 AFS valuation reserves: composition

Asset/value item	Banking Group		Elisions/ adjustments upon Consolidation		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	75,262	(24,745)	—	—	75,262	(24,745)
2. Equities	122,212	(39,030)	—	—	122,212	(39,030)
3. OICR units	2,154	(3,749)	—	—	2,154	(3,749)
4. Loans and advances	—	—	—	—	—	—
Total at 31/12/09	199,628	(67,524)	—	—	199,628	(67,524)
Total at 30/6/09	193,880	(288,628)	—	—	193,880	(288,628)

B.3 AFS valuation reserves: movements during the period

	Debt securities	Equities	OICR units	Loans	Total
1. Balance at start of period	(23,997)	(67,260)	(3,491)	—	(94,748)
2. Additions	95,761	166,790	5,801	—	268,352
2.1 Increases in fair value	88,278	70,424	2,026	—	160,728
2.2 Negative reserves taken to the profit and loss account:	7,483	96,366	3,775	—	107,624
- due to impairment	—	95,406	—	—	95,406
- due to disposals	7,483	960	3,775	—	12,218
2.3 Other additions	—	—	—	—	—
3. Reductions	21,247	16,348	3,905	—	41,500
3.1 Reductions in fair value	4,641	6,479	3,107	—	14,227
3.2 Adjustments for impairment	—	—	—	—	—
3.3 Positive reserves taken to the profit and loss account: due to disposals	16,606	9,869	798	—	27,273
3.4 Other reductions	—	—	—	—	—
4. Balance at end of period	50,517	83,182	(1,595)	—	132,104

Section 2

Regulatory and supervisory capital requirements for banks

2.1 Scope of application of regulations

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

2.2 Regulatory capital requirements for banks

A. Qualitative information

Tier 1 capital consists of the share attributable to the Group and to minority shareholders of capital paid up, reserves, and profit for the period net of treasury shares (€213.8m), intangible assets (€66.8m), goodwill (€466.7m), and 50% of the book value of the Bank's investments in banks and financial services companies (equal to €17.2m).

Tier 2 capital includes 50% of the positive reserves for AFS securities (€139m), the positive valuation reserves (€15.1m), Tier 2 subordinated liabilities (€949.9m) less unrealized losses on investments (€94.3m) and the remaining share of the book value of investments in banks and financial companies (€17.2m).

B. Quantitative information

	31/12/09	30/6/09
A. Tier 1 capital prior to application of prudential filters	5,802,701	5,647,796
B. Tier 1 prudential filters:		
B.1 IAS/IFRS positive filters	—	—
B.2 IAS/IFRS negative filters	(23,704)	(200,014)
C. Tier 1 capital gross of items to be deducted	5,778,997	5,447,782
D. Items for deduction from Tier 1 capital	(17,161)	(16,336)
E. Total Tier 1 capital	5,761,836	5,431,445
F. Tier 2 capital prior to application of prudential filters	1,131,192	816,816
G. Tier 2 prudential filters:	—	—
G.1 IAS/IFRS positive filters		
G.2 IAS/IFRS negative filters	(138,978)	—
H. Tier 2 capital gross of items to be deducted	992,214	816,816
I. Items for deduction from Tier 2 capital	(17,161)	(16,336)
L. Total Tier 2 capital	975,053	800,480
M. Items for deduction from Total Tier 1 and Tier 2 capital	—	—
N. Regulatory capital	6,736,889	6,231,925
O. Total Tier 3 capital	—	—
P. Total regulatory capital including Tier 3	6,736,889	6,231,925

2.3 Capital adequacy

A. Qualitative information

As at 31 December 2009, the Bank's total core ratio, calculated as regulatory capital as a percentage of risk-weighted assets, stood at 12.86%, while the core Tier 1 ratio, calculated as Tier 1 capital as a percentage of risk-weighted assets, amounted to 10.98%, up on the figures reported at the balance-sheet date, that is, 11.82% and 10.30%, driven by an increase in regulatory capital, reflecting the trend in the valuation reserves of Mediobanca and the equity-accounted companies, and the stability of risk-weighted assets, worth €52.4bn (compared with €52.7bn).

B. Quantitative information

	Unweighted amounts		Weighted amounts/ requirements	
	31/12/09	30/6/08	31/12/09	30/6/08
A. RISK ASSETS				
A.1 Credit and counterpart risk	74,678,779	90,661,074	43,193,838	44,462,612
1. Standard methodology	74,307,182	90,267,695	43,017,402	44,281,221
2. Internal rating methodology	—	—	—	—
2.1 Basic	—	—	—	—
2.2 Advanced	—	—	—	—
3. Securitization	371,597	393,379	176,436	181,391
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterpart risk			3,455,507	3,557,009
B.2 Market risk			513,334	439,679
1. Standard methodology			513,334	437,007
3. Concentration risk			—	2,672
B.3 Operational risk			222,310	222,310
1. Basic Indicator Approach (BIA)			222,310	222,310
B.5 Total prudential requirements			4,191,151	4,218,998
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			52,389,393	52,737,482
C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			11. 0%	10.30%
C.3 Regulatory capital/risk-weighted assets (total capital ratio)			12.86%	11.82%

PART H - RELATED PARTY DISCLOSURE

1. *Related party disclosure*

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

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

For the definition of related parties adopted, please see Part A of the Notes to the Accounts, "Significant accounting policies".

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

The increase in exposure to related parties, from €3.7bn to €4.3bn, is chiefly linked to temporary commitments vis-à-vis Telco, which have subsequently reduced by €0.3bn.

Overall, accounts with related parties represent approx. 5% of the total balance-sheet aggregates, and approx. 5% of net interest income.

Situation at 31 December 2009

	Directors, statutory auditors and strategic management	Associates	Other related parties	Total
	€m	€m	€m	€m
Assets	15.0	1,659.8	1,372.8	3,047.6
of which: other assets	*0.8*	*138.2*	*178.8*	*317.8*
loans and advances	*14.2*	*1,521.6*	*1,194.0*	*2,729.8*
Liabilities	0.2	9.2	118.9	128.3
Guarantees and commitments	—	784.4	463.4	1,247.8
Interest income	0.8	44.0	33.7	78.5
Interest expense	—	(0.1)	(0.2)	(0.3)
Net fee income	0.1	23.3	6.9	30.3
Other income (costs)	(10.1)[1]	(33.8)	5.5	(38.4)

[1] Of which: short-term benefits amounting to €10.3m, and stock options worth €0.4m.

Situation at 30 June 2009

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

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

PART I - SHARE-BASED PAYMENT SCHEMES

A. QUALITATIVE INFORMATION

1. Description

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

Extraordinary general meeting held on	No. of shares approved	Awards expire on	Deadline for exercising options	No. of shares awarded
29 March 1999	3,130,000	Expired	31 December 2011	3,130,000
30 July 2001	50,000,000	Expired	1 July 2015	49,634,000
28 October 2004	15,000,000	Expired	1 July 2020	14,375,000
of which to directors[1]	*4,000,000*	*Expired*	*1 July 2020*	*3,375,000*[2]
27 June 2007	40,000,000	27 June 2012	1 July 2022	201,000
TOTAL	**108,130,000**			**67,340,000**

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

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

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

On 15 July 2009 a total of 310,000 stock options were awarded at a price of €8.401 per share, vesting in three years and exercisable within eight years.

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

---

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

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

B. QUANTITATIVE INFORMATION

1. Changes during the period

	31/12/09			30/6/09		
	No. of options	Avg. Price*	Avg. expiry	No. of options	Avg. price	Avg. expiry
A. Balance at start of period	24,610,750	12.23	May 2015	14,299,750	14.55	June 2014
B. Additions						
B.1 New issues	310,000	7.84	July 2017	10,311,000	11.04	June 2016
B.2 Other additions	—	—	—	—	—	—
C. Reductions						
C.1 Options cancelled	—	—	—	—	—	—
C.2 Options exercised	—	—	—	—	—	—
C.3 Options expired	500,000	10.87	—	—	—	—
C.4 Other reductions	30,000	7.84	—	—	—	—
D. Balance at end of period	24,390,750	12.20	June 2015	24,610,750	13.08	April 2015
E. Options exercisable as at reporting date	11,914,750	13.62	October 2018	12,154,750	9.83	February 2013

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

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG

Reconta Ernst & Young S.p.A.
Via della Chiusa, 2
20123 Milano

Tel. (+39) 02 722121
Fax (+39) 02 72212037
www.ey.com

Independent auditors' review report
on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Mediobanca S.p.A.

1. We have reviewed the interim condensed consolidated financial statements of Mediobanca S.p.A. and its subsidiaries ("Mediobanca Group"), as of 31 December 2009, comprising the balance sheet, the profit and loss account, the comprehensive income statement, the statement of changes to the net equity, the cash flow statement and the related explanatory notes. The Board of Directors of Mediobanca S.p.A. is responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this report based on our review.

2. We conducted our review in accordance with the review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we expressed on the annual consolidated financial statements.

   With respect to the comparative figures for the year ended 30 June 2009 and for the six months ended 31 December 2009, the latter restated in accordance with IAS 1 (2007), reference should be made to our reports issued on 29 September 2009 and on 26 February 2009, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Mediobanca Group as of 31 December 2009 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, 26 February 2010

Reconta Ernst & Young S.p.A.
Signed by: Riccardo Schioppo, Partner

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

Reconta Ernst & Young S.p.A.
Sede Legale: 00198 Roma - Via Po, 32
Capitale Sociale € 1.402.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CC.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

Annexes

CONSOLIDATED BALANCE SHEET (IAS/IFRS-compliant)

Assets	IAS-compliant 31/12/09	IAS-compliant 30/6/09	IAS-compliant 31/12/08
10. Cash and cash equivalents	28.9	20.7	30.1
20. Financial assets held for trading	15,692.0	13,137.6	12,734.8
30. Financial assets recognized at fair value	—	—	—
40. AFS securities	7,807.1	6,653.4	2,985.6
50. Financial assets held to maturity	577.8	574.4	582.7
60. Due from banks	4,690.7	5,001.7	6,494.1
of which:			
other trading items	*3,927.1*	*3,936.1*	*5,221.4*
securities	—	*198.1*	*195.5*
other items	*3.4*	*1.6*	*7.2*
70. Due from customers	39,385.2	42,390.0	39,478.6
of which:			
other trading items	*5,571.5*	*7,072.2*	*3,457.9*
securities	*756.2*	*785.0*	*394.7*
other items	*76.3*	*82.2*	*62.9*
80. Hedging derivatives	1,840.5	1,744.6	1,555.6
of which:			
funding hedge derivatives	*1.837.6*	*1,669.6*	*1,441.5*
lending hedge derivatives	*1.2*	*2.6*	*20.5*
90. Value adjustments to financial assets subject to general hedging	—	—	—
100. Equity investments	3,037.7	2,638.5	2,642.3
110. Total reinsurers' share of technical reserves	—	—	—
120. Property, plant and equipment	318.7	317.5	314.9
130. Intangible assets	444.2	446.7	452.1
of which:			
goodwill	*365.9*	*365.9*	*365.9*
140. Tax assets	700.3	830.1	696.4
a) current	*177.7*	*291.4*	*218.8*
b) advance	*522.5*	*538.7*	*477.6*
150. Other non-current and Group assets being sold	—	—	—
160. Other assets	158.6	135.3	111.9
of which:			
other trading items	*5.9*	*20.1*	*0.1*
TOTAL ASSETS	**74,681.7**	**73,890.5**	**68,079.1**

The balance sheet provided on p. 11 reflects the following restatements:

- *Treasury funds* comprises asset headings 10 and 20 and liability heading 40, plus the "other trading items" shown under asset headings 60, 70 and 160 and liability headings 10 and 20, which chiefly consist of repos, interbank accounts and margins on derivatives;
- *Funding* comprises the balances shown under liability headings 10, 20 and 30 (excluding amounts restated as trading items in respect of repos and interbank accounts), plus the relevant amounts in respect of hedging derivatives;
- *Loans and advances to customers* comprise asset headings 60 and 70 (excluding amounts restated as *Treasury funds*), the relevant amounts of asset heading 80 and liability heading 60 in respect of hedging derivatives, plus the relevant share of liability heading 100.

Liabilities and net equity	IAS-compliant 31/12/09	IAS-compliant 30/6/09	IAS-compliant 31/12/08
10. Due to banks	10,317.2	11,410.2	13,889.1
of which:			
other trading items	*4,544.6*	*5,170.9*	*6,698.8*
other liabilities	*0.4*	*0.6*	*12.8*
20. Due to customers	13,368.4	13,148.2	8,528.6
of which:			
other trading items	*2,212.9*	*2,834.9*	*1,887.7*
other liabilities	*7.1*	*8.0*	*21.6*
30. Debt securities	36,944.5	37,416.2	34,317.4
40. Trading liabilities	5,145.2	3,427.4	2,683.4
50. Liabilities recognized at fair value	—	—	—
60. Hedging derivatives	1,049.1	1,332.2	1,799.4
of which:			
funding hedge derivatives	*876.8*	*1,121.2*	*1,581.9*
lending hedge derivatives	*27.5*	*32.7*	*15.9*
70. Value adjustments to financial liabilities subject to general hedging	—	—	—
80. Tax liabilities	541.4	653.7	527.9
a) current	*189.6*	*306.4*	*203.7*
b) deferred	*351.8*	*347.3*	*324.2*
90. Liabilities in respect of Group assets being sold	—	—	—
100. Other liabilities	555.6	505.0	467.3
of which:			
other trading items	—	—	—
loan loss provisions	*66.0*	*53.2*	*33.1*
110. Staff severance indemnity provision	27,2	28.9	30.0
120. Provisions	156.6	159.4	173.5
a) post-employment and similar benefits	—	—	—
b) other provisions	*156.6*	*159.4*	*173.5*
130. Technical reserves	—	—	—
140. Valuation reserves	95.8	(163.3)	(541.9)
150. Shares with right of withdrawal	—	—	—
160. Equity instruments	—	—	—
170. Reserves	3,769.5	3,530.7	3,662.5
180. Share premium reserve	2,119.5	2,140.0	2,140.0
190. Share capital	430.5	410.0	410.0
200. Treasury shares	(213.8)	(213.8)	(213.8)
210. Net equity attributable to minorities	104.9	103.3	105.4
220. Profit (loss) for the year	270.1	2.4	100.3
TOTAL LIABILITIES AND NET EQUITY	**74,681.7**	**73,890.5**	**68,079.1**

CONSOLIDATED PROFIT AND LOSS ACCOUNTS (IAS/IFRS-compliant)

	6 mths to 31/12/09	12 mths to 30/6/09	6 mths to 31/12/08
10. Interest and similar income	1,389.2	3,051.1	1,651.5
20. Interest expense and similar charges	(893.1)	(2,194.1)	(1,243.2)
30. Net interest income	**496.1**	**857.0**	**408.3**
40. Fee and commission income	269.9	483.6	212.4
50. Fee and commission expense	(25.1)	(50.5)	(28.2)
60. Net fee and commission income	**244.8**	**433.1**	**184.2**
70. Dividends and similar income	9.6	41.0	8.6
80. Net trading income	120.7	196.7	19.0
90. Net hedging income (expense)	(12.9)	2.0	(5.0)
100. Gain (loss) on disposal of:	141.2	186.1	167.6
a) loans and receivables	—	—	—
b) AFS securities	*131.1*	*175.0*	*158.8*
c) financial assets held to maturity	—	*0.1*	*0.1*
d) other financial liabilities	*10.1*	*11.0*	*8.7*
120. Total income	**999.5**	**1,715.9**	**782.7**
130. Adjustments for impairment to:	(360.8)	(690.4)	(281.2)
a) loans and receivables	*(228.7)*	*(476.3)*	*(187.1)*
b) AFS securities	*(90.4)*	*(186.6)*	*(74.1)*
c) financial assets held to maturity	*0.3*	*0.4*	*0.1*
d) other financial liabilities	*(42.0)*	*(27.9)*	*(20.1)*
140. Net income from financial operations	**638.7**	**1,025.5**	**501.5**
150. Net premium income	—	—	—
160. Income less expense from insurance operations	—	—	—
170. Net income from financial and insurance operations	**638.7**	**1,025.5**	**501.5**
180. Administrative expenses:	(395.3)	(748.5)	(348.7)
a) personnel costs	*(199.7)*	*(360.1)*	*(169.2)*
b) other administrative expenses	*(195.6)*	*(388.4)*	*(179.5)*
190. Net transfers to provisions for liabilities and charges	(0.7)	(0.7)	(0.2)
200. Net adjustments to property, plant and equipment	(8.4)	(15.4)	(7.4)
210. Net adjustments to intangible assets	(11.5)	(19.4)	(8.3)
of which: goodwill	—	—	—
220. Other operating income (expenses)	66.5	132.7	67.0
230. Operating costs	**(349.4)**	**(651.3)**	**(297.6)**
240. Profit (loss) from equity-accounted companies	106.3	(283.5)	(92.0)
270. Gain (loss) on disposal of investments	—	—	—
280. Profit (loss) before tax on ordinary activities	**395.6**	**90.7**	**111.9**
290. Income tax on ordinary activities for the year	(124.6)	(88.8)	(12.1)
300. Profit (loss) after tax on ordinary activities	**271.0**	**1.9**	**99.8**
310. Net gain (loss) on non-current assets being sold	—	—	—
320. Profit (loss) for the year	**271.0**	**1.9**	**99.8**
330. Profit (loss) for the year attributable to minorities	(0.9)	0.5	0.5
340. Net profit (loss) for the year attributable to Mediobanca	**270.1**	**2.4**	**100.3**

The profit and loss account reported on p. 10 reflects the following restatements:

- *Net interest income* includes the total reported under Heading 90, plus margins on swaps reported under Heading 80 amounting to €54.1m, €0.9m and €22m respectively, net of €0.4m, €0.9m and €0.5m respectively in interest expense on securities lending accounted for as *Net trading income*;
- Amounts under Heading 220 have been restated as *Net fee and commission income*, save for amounts refunded/recovered amounting to €21.4m, €78.4m and €25.4m respectively which net operating costs;
- In addition to the items already stated, *Net trading income* also includes dividends from trading and the gains (losses) on financial liabilities reported under Heading 100.

MEDIOBANCA S.p.A. BALANCE SHEET

Assets	IAS-compliant 31/12/09	IAS-compliant 30/6/09	IAS-compliant 31/12/08
10. Cash and cash equivalents	0.1	—	0.1
20. Financial assets held for trading	14,622.7	11,597.0	11,415.6
40. AFS securities	5,306.0	4,330.9	2,438.5
50. Financial assets held to maturity	577.1	573.6	581.0
60. Due from banks	6,929.9	8,470.2	11,347.7
of which:			
other trading items	*3,978.1*	*4,020.9*	*4,806.6*
securities	—	*198.1*	*195.5*
other items	*15.3*	*28.2*	*10.1*
70. Due from customers	26,797.1	28,397.1	25,682.1
of which:			
other trading items	*7,849.4*	*8,324.1*	*4,181.3*
securities	*756.2*	*785.0*	*394.7*
other items	*74.9*	*103.4*	*70.2*
80. Hedging derivatives	1,859.0	1,762.4	1,663.1
of which:			
funding hedge derivatives	*1,857.3*	*1,687.9*	*1,572.7*
lending hedge derivatives	*1.2*	*2.6*	*20.5*
100. Equity investments	2,828.1	2,845.2	2,553.0
110. Property, plant and equipment	119.0	118.0	118.4
120. Intangible assets	9.0	4.5	3.8
130. Tax assets	174.4	323.5	222.4
a) current	*70.1*	*178.6*	*100.0*
b) advance	*104.3*	*144.9*	*122.4*
150. Other assets	36.9	28.5	20.6
TOTAL ASSETS	**59,259.3**	**58,450.9**	**56,046.3**

The balance sheet provided on p. 38 reflects the following restatements:

— *Treasury funds* comprises asset headings 10 and 20 and liability heading 40, plus the "other trading items" shown under asset headings 60, 70 and 160 and liability headings 10 and 20, which chiefly consist of repos, interbank accounts and margins on derivatives;

— *Funding* comprises the balances shown under liability headings 10, 20 and 30 (excluding trading items in respect of repos and interbank accounts), plus the relevant amounts in respect of hedging derivatives;

— *Loans and advances to customers* comprise asset headings 60 and 70 (excluding amounts restated as *Treasury funds* and other items), the relevant amounts of asset heading 80 and liability heading 60 in respect of hedging derivatives, plus the relevant share of liability heading 100.

	Liabilities and net equity	IAS-compliant 31/12/09	IAS-compliant 30/6/09	IAS-compliant 31/12/08
10.	Due to banks	7,892.6	8,800.6	11,093.3
	of which:			
	other trading items	*4,771.1*	*4,695.8*	*6,712.1*
	other liabilities	*12.4*	*27.0*	*22.9*
20.	Due to customers	2,246.4	3,214.8	3,768.6
	of which:			
	other trading items	*1,978.8*	*2,833.4*	*1,885.7*
	other liabilities	*34.2*	*70.8*	*50.5*
30.	Debt securities	36,721.7	36,349.9	31,859.7
40.	Trading liabilities	5,586.3	3,353.4	2,727.3
60.	Hedging derivatives	1,020.6	1,247.3	1,747.5
	of which:			
	funding hedge derivatives	*966.5*	*1,198.4*	*1,717.4*
	lending hedge derivatives	*27.5*	*32.7*	*15.9*
80.	Tax liabilities	435.5	476.1	354.9
	a) current	*170.6*	*217.0*	*109.3*
	b) deferred	*264.9*	*259.1*	*245.6*
100.	Other liabilities	221.9	207.0	146.4
	of which:			
	loan loss provisions	*107.8*	*95.0*	*33.1*
110.	Staff severance indemnity provision	10.1	9.8	11.1
120.	Provisions	150.8	150.8	150.8
	a) *post-employment and similar benefits*	—	—	—
	b) *other provisions*	*150.8*	*150.8*	*150.8*
130.	Valuation reserves	99.8	(62.7)	(431.5)
160.	Reserves	2,369.9	2,346.5	2,339.8
170.	Share premium reserve	2,119.5	2,140.0	2,140.0
180.	Share capital	430.5	410.0	410.0
190.	Treasury shares (–)	(213.4)	(213.4)	(213.4)
200.	Profit (loss) for the period	167.1	20.8	(58.2)
	TOTAL LIABILITIES AND NET EQUITY	**59,259.3**	**58,450.9**	**56,046.3**

MEDIOBANCA S.p.A. PROFIT AND LOSS ACCOUNT

	Profit and loss account	6 mths to 31/12/09	12 mths to 30/6/09	6 mths to 31/12/08
10.	Interest and similar income	898.9	1,972.3	1,107.9
20.	Interest expense and similar charges	(727.0)	(1,725.6)	(1,003.0)
30.	**Net interest income**	**171.9**	**246.7**	**104.9**
40.	Fee and commission income	168.3	281.2	104.9
50.	Fee and commission expense	(3.6)	(9.1)	(3.1)
60.	**Net fee and commission income**	**164.7**	**272.1**	**101.8**
70.	Dividends and similar income	9.6	68.5	8.6
80.	Net trading income	158.1	204.6	11.2
90.	Net hedging income (expense)	(14.0)	1.3	(4.3)
100.	Gain (loss) on disposal of:	108.6	175.6	166.9
	a) loans and receivables	—	—	—
	b) AFS securities	*98.4*	*157.1*	*158.5*
	c) financial assets held to maturity	—	*0.1*	*0.1*
	d) other financial liabilities	*10.2*	*18.4*	*8.3*
120.	**Total income**	**598.9**	**968.8**	**389.1**
130.	Adjustments for impairment to:	(159.4)	(314.0)	(118.9)
	a) loans and receivables	*(28.5)*	*(77.0)*	*(24.7)*
	b) AFS securities	*(89.2)*	*(179.1)*	*(74.1)*
	c) financial assets held to maturity	—	—	—
	d) other financial liabilities	*(41.7)*	*(57.9)*	*(20.1)*
140.	**Net income from financial operations**	**439.5**	**654.8**	**270.2**
150.	Administrative expenses:	(142.4)	(270.7)	(125.5)
	a) personnel costs	*(106.2)*	*(186.2)*	*(86.5)*
	b) other administrative expenses	*(36.2)*	*(84.5)*	*(39.0)*
160.	Net transfers to provisions for liabilities and charges	—	—	—
170.	Net adjustments to property, plant and equipment	(1.6)	(3.0)	(1.5)
180.	Net adjustments to intangible assets	(2.5)	(2.7)	(1.1)
	of which: goodwill	—	—	—
190.	Other operating income (expenses)	4.5	13.3	7.0
200.	**Operating costs**	**(142.0)**	**(263.1)**	**(121.1)**
210.	Profit (loss) from equity investments	(17.4)	(236.9)	(170.3)
240.	Gain (loss) on disposal of investments	—	—	—
250.	**Profit (loss) before tax on ordinary activities**	**280.1**	**154.8**	**(21.2)**
260.	Income tax on ordinary activities for the year	(113.0)	(134.0)	(37.0)
270.	**Profit (loss) after tax on ordinary activities**	**167.1**	**20.8**	**(58.2)**
290.	**Net profit (loss) for the period**	**167.1**	**20.8**	**(58.2)**

The profit and loss account reported on p. 37 reflects the following restatements:

- *Net interest income* includes the total reported under Heading 90, plus margins on swaps reported under Heading 80 amounting to €15.1m, €18.3m and €16.8m respectively, net of €0.4m, €0.9m and € 0.5m in interest expense on securities lending accounted for as *Net trading income*;
- Amounts under Heading 190 have been restated as *Net fee and commission income*, save for amounts refunded/recovered amounting to €0.5m, €11.2m and €0.3m respectively which net operating costs;
- In addition to the items already stated, *Net trading income* also includes the net amounts stated under Headings 70, 80 and 100.

SIGNIFICANT EQUITY INVESTMENTS AS DEFINED IN ARTICLE 120/3 OF DECREE LAW 58/98 AND ARTICLE 126 OF CONSOB REGULATION 11971/99

	Share capital €m	Par value per share €	No. of shares held directly	Direct interest* %	No. of shares held indirectly	Indirect interest* %	Shares held by
DIRECTLY CONTROLLED SUBSIDIARIES							
COMPASS S.p.A. - Milan	587.5	5	117,500,000	100.00	—	—	—
COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A. - Monte Carlo	111.1	200	555,539	100.00	—	—	—
CONSORTIUM S.R.L. - Milan	8.6	—	1	100.00	—	—	—
MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A. - Luxembourg	10.0	10	990,000	99.00	10,000	1.00	Compass
MEDIOBANCA SECURITIES USA LLC. - New York	USD 2.25	—	1	100.00	—	—	—
PROMINVESTMENT S.p.A., in liquidation - Rome	0.7	0.52	1,428,571	100.00	—	—	—
PRUDENTIA FIDUCIARIA S.p.A. - Milan	0.1	5	20,000	100.00	—	—	—
RICERCHE E STUDI S.p.A. - Milan	0.1	5	20,000	100.00	—	—	—
SADE FINANZIARIA - INTERSOMER S.r.l. - Milan[1]	0.2	—	1	100.00	—	—	—
SETECI - Società Consortile per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.c.p.A. - Milan	0.5	5	99,995	100.00	1	n.m.	CheBanca!
					1	n.m.	Compass
					1	n.m.	Cofactor
					1	n.m.	Futuro
SPAFID S.p.A. - Milan	0.1	10	10,000	100.00	—	—	—
TECHNOSTART S.p.A. - Milan, in liquidation	0.6	0.50	828,000	69.00	—	—	—
INDIRECTLY CONTROLLED SUBSIDIARIES							
CHEBANCA! S.p.A. - Milan	200.0	0.50	—	—	400,000,000	100.00	Compass
COFACTOR S.p.A. - Milan	32.5	0.50	—	—	65,000,000	100.00	Compass
COMPASS RE S.A. - Luxembourg	3.2	10	—	—	320,000	100.00	Compass
CREDITECH S.p.A. - Milan	0.25	1	—	—	250,000	100.00	Compass

* Shares owned.

1 Figures €'000.

(*cont.*)

	Share capital €m	Par value per share €	No. of shares held directly	Direct interest* %	No. of shares held indirectly	Indirect interest* %	Shares held by
DUCATI FINANCIAL SERVICES - Milan	2.6	—	—	—	1	50.00	Compass
QUARZO S.r.l. - Milan[1]	0.1	1	—	—	9,000	90.00	Compass
FUTURO S.p.A. - Milan	4.8	0.60	—	—	8,000,000	100.00	Compass
SELMABIPIEMME LEASING S.p.A. – Milan	41.3	0.50	—	—	49,564,777	60.00	Compass
PALLADIO LEASING S.p.A. - Vicenza	8.7	0.50	—	—	16,482,500	95.00	SelmaBipiemme
	—	—	—	—	867,500	5.00	Palladio Leasing
MEDIOBANCA COVERED BOND S.r.l. - Milan[1]	50	1	—	—	45,000	90.00	CheBanca!
QUARZO LEASE S.r.l. - Milan[1]	10	1	—	—	9,000	90.00	SelmaBipiemme
TELELEASING S.p.A. - Milan	9.5	1	—	—	7,600,000	80.00	SelmaBipiemme
C.M.B. Asset Management S.A.M. - Monte Carlo	0.2	150	—	—	995	99.50	CMB S.A.M.
C.M.I. Compagnie Monégasque Immobilière - SCI - Monte Carlo	2.4	1,525	—	—	1,599	99.94	CMB S.A.M.
			—	—	1	0.06	CMG S.A.M.
C.M.G. Compagnie Monégasque de Gestion S.A.M. - Monte Carlo	0.6	160	—	—	3,748	99.95	CMB S.A.M.
CMB Banque Privée (Suisse) S.A. – Lugano	Fr.Sv. 25,000	Fr. Sv. 1,000			25,000	100.00	CMB S.A.M.
SMEF - Soc. Monégasque des Etudes Financières S.A.M. - Monte Carlo	0.8	155	—	—	4,998	99.96	CMB S.A.M.
MONOECI Soc. Civile Immobilière - Monte Carlo[1]	1.6	15,5	—	—	99,00	99.00	CMB S.A.M.
			—	—	1,00	1.00	C.M.G.S.A.M.
MOULINS 700 S.A.M. - Monte Carlo	0.2	160	—	—	999	99.90	C.M.I. SCI

* Shares owned.

1 Figures €'000.

(cont.)

	Share capital €m	Par value per share €	No. of shares held directly	Direct interest* %	No. of shares held indirectly	Indirect interest* %	Shares held by
OTHER SIGNIFICANT EQUITY INVESTMENTS							
ATHENA PRIVATE EQUITY S.A. - Luxembourg	151.1	2	18,343,380	24.27	—	—	—
BANCA ESPERIA S.p.A. - Milan	13.0	0.52	12,500,000	50.00	—	—	—
BURGO GROUP S.p.A. - Altavilla Vicentina	205.4	0.52	87,442,365	22.13	—	—	—
TELCO S.P.A. - Milan	3.3		206,464,495	11.62	—	—	—
FERRETTI HOLDING S.p.A., Milan	0.2	1	38,200	19.10	—	—	—
FIDIA - Fondo Interbancario d'Investimento Azionario SGR S.p.A. - Milan	6.8	520	3,266	25.00	—	—	—
GB HOLDING S.R.L. – MONTECCHIO MAGGIORE (VI)	1.0	—	48,394	49.90	—	—	—
ISTITUTO EUROPEO DI ONCOLOGIA S.r.l. - Milan	79.1	—	1	14.78	—	—	—
LU-VE S.P.A. - VARESE	9.0	360	5,000	20.00	—	—	—
MB VENTURE CAPITAL FUND I PARTICIPATING CO. A N.V. - Amsterdam	0.5	1	22,500	45.00	—	—	—
SINTERAMA S.p.A. - Sandigliano	45.2	0.51	9,324,456	10.51	—	—	—
MB VENTURE CAPITAL S.A. - Luxembourg	0.9		—	—	1,400	35.00	Technostart (in liquidation)

* Shares owned.

_Declaration in respect of abbreviated interim financial statements as required by Article 81-_ter _of Consob resolution no. 11971 issued on 14 May 1999 as amended_

---

1. The undersigned Alberto Nagel and Massimo Bertolini, in their respective capacities as Chief Executive Officer and Head of Financial Reporting of Mediobanca, hereby declare, and in view *inter alia* of the provisions contained in Article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree 58/98, that:
   - the company's characteristics are adequate; and that
   - the administrative and accounting procedures required for the abbreviated interim financial statements to be drawn up were effectively applied during the six months ended on 31 December 2009.

2. Assessment of the adequacy of said administrative and accounting procedures for the financial statements for the six months ended 31 December 2009 was based on a model defined by Mediobanca in accordance with benchmark standards for internal control systems generally accepted at international level (i.e. the CoSO and CobiT frameworks).

3. It is further hereby declared that:

   3.1 the abbreviated interim financial statements:
   - have been drawn up in accordance with the international accounting standards recognized in the European Community adopted pursuant to CE regulation no. 1606/02 issued by the European Council and Parliament on 19 July 2002;
   - correspond to the data recorded in the company's books and account ledgers;
   - are such as to provide a truthful and accurate representation of the capital, earnings and financial situation of the issuer and the group of companies included within its area of consolidation.

   3.2 the interim review of operations contains reliable analysis of the most important events to take place in the first six months of the financial year and their impact on the abbreviated interim financial statements, along with a description of the main risks and uncertainties for the remaining six months. The interim review of operations also contains reliable analysis of information on major transactions involving related parties.

Milan, 24 February 2010

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