MEDIOBANCA

Interim Report

for the six months ended 31 December 2011

MEDIOBANCA

LIMITED COMPANY
SHARE CAPITAL € 430,564,606
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 2011

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

BOARD OF DIRECTORS

		Term expires
* Renato Pagliaro	Chairman	2014
Dieter Rampl	Deputy Chairman	2014
Marco Tronchetti Provera	»	2014
* Alberto Nagel	Chief Executive Officer	2014
* Francesco Saverio Vinci	General Manager	2014
Tarak Ben Ammar	Director	2014
Gilberto Benetton	»	2014
Marina Berlusconi	»	2014
Roberto Bertazzoni	»	2014
* Vincent Bolloré	»	2014
* Angelo Casó	»	2014
* Maurizio Cereda	»	2014
* Massimo Di Carlo	»	2014
Ennio Doris	»	2014
Anne Marie Idrac	»	2014
Pierre Lefèvre	»	2014
Jonella Ligresti	»	2014
Elisabetta Magistretti	»	2014
Fabrizio Palenzona	»	2014
Carlo Pesenti	»	2014
Fabio Roversi Monaco	»	2014
* Eric Strutz	»	2014

* Member of Executive Committee

STATUTORY AUDIT COMMITTEE

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

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

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REVIEW OF GROUP OPERATIONS

The six months under review were impacted by the deterioration in the Eurozone crisis, which led to price reductions in every asset class and accelerated the contraction in the various economies. This backdrop made for operating conditions which were exceptionally difficult for banks. But despite the adverse scenario, the increased diversification of the Group's income sources, each of which shows different correlations to market trends, allowed the reduction in the Mediobanca Group's core revenues to be kept to 4.5%, from €1,018.9m to €973.3m, helped by further growth in net interest income (up 4.3%, from €531.5m to €554.6m) with trading results resilient (€112.5m, compared with €111.3m last year), whereas net fee and commission income and the contribution from equity-accounted companies in particular both recorded significant reductions (from €265.9m to €234.4m in the case of the former, and from €110.2m to €71.8m in the case of the latter). With a reduction of 2% in operating costs and 3.2% in loan loss provisions, the decrease in the profit earned from ordinary activities remained low at 8% (from €392.3m to €361.8m). At the same time, the losses on the securities and equity investment portfolios increased substantially, from €4.8m to €268.9m: €174.3m in writedowns to the AFS securities portfolio, €37.8m on disposals, and €55.2m in downward adjustments to the value of the RCS MediaGroup investment. The other item worthy of note was the one-off, €43.9m gain on disposal of a property in the Principality of Monaco. Overall, the net profit of €63.4m for the six months shows a sharp reduction from the €262.9m reported at the same time last year. The main income items performed as follows:

– net interest income was up 4.3%, from €531.5m to €554.6m; the increase was attributable to the retail and private banking division (up from €315m to €361.5m), with the contribution from corporate and investment banking reducing, from €223.6m to €204.5m;

– net trading income remained at last year's levels, totalling €105m (31/12/10: €105.4m) reflecting the reduction in spreads on sovereign debt recorded in the last week of December;

– net fee and commission income fell from €265.9m to €234.4m, reflecting the reduction in fees earned from corporate and investment banking (down from €163.7m to €125.9m);

– the amount contributed by the equity-accounted companies fell from €110.2m to €71.8m, due to a reduced contribution from Assicurazioni Generali in the second quarter (€2.6m, against €63.3m).

Operating costs fell by 2%, from €407.2m to €399.2m, due primarily to the reduction in labour costs (down 4.8%).

Loan loss provisions, down 3.2% (from €219.4m to €212.3m), reflect an improvement in consumer finance (where the provisions declined from €154.5m to €149.2m) and retail banking (down from €15m to €7.1m), offset by a deterioration in wholesale operations (with provisions increasing from €36.9m to €40.1m) and leasing (up from €12.6 to €13.9m).

Provisions for other financial assets include a further adjustment for Greek government securities totalling €114.5m (with the assets now recognized at around 30% of their nominal value); €55.2m in impairment charges to the RCS MediaGroup investment (corresponding to a net present value of €1.23 per share); and €59.4m in writedowns to AFS equities, €34m in respect of the Delmi investment (in connection with the Edison stake being swapped for that in Edipower).

Turning to the individual business areas, total income in corporate and investment banking was resilient, declining by just 5.3% (from €473.4m to €448.2m), with costs reducing (also down 5.4%), profit from ordinary activities declining slightly (by 8%, down from €252.9m to €232.5m), and a net loss of €37.4m for the six months (compared with a €144.7m net profit this time last year), solely due to the higher adjustments made to the securities portfolio (up from €11.1m to €222.1m). Conversely, retail and private banking showed strong growth in profits (up from €38m to €95.8m), due to the gain from the CMB property disposal (€43.9m), improved profitability in consumer credit (with 6% growth in revenues driving an increase in net profit from €39.7m to €58.3m), and a resilient performance by CheBanca! (where the net loss was virtually unchanged year-on-year, at €14.6m). The contribution from principal investing fell to €2.5m (€105.3m), following the writedown to the RCS MediaGroup investment (€55.2m) and the reduced contribution from the Assicurazioni Generali group.

As for the balance-sheet aggregates, there were increases in funding (up from €51.7bn to €54bn, due to a €4bn, three-year financing from the European Central Bank), net applications of treasury funds (up from €8.6bn to €9.4bn), and loans and advances to customers (up from €36.2bn to €37.8bn). Conversely, both the AFS and the equity investment portfolios showed reductions, from €7.7bn to €6.9bn and from €3.2bn to €3bn respectively. CheBanca! retail deposits rose from €10bn to €10.7bn. Assets under management in private banking remained stable at €12.6bn (€12.7bn).

The Group's main capital ratios remain at high levels, with the core Tier 1 ratio 11.01%, and the total capital ratio at 13.48%.

* * *

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

– approval of changes to the company's Articles of Association by shareholders at a general meeting held on 28 October 2011, which include the increase in the minimum number of independent directors (from two to four), increased flexibility in the composition of the committees set up by the Board of Directors, the introduction of age limits for holding company office, and renewal of the Board's existing authorization to increase the company's share capital by an amount of up to €100m (nominal value);

– approval of a partial demerger by Compass to Mediobanca involving its investments in CheBanca! and SelmaBipiemme, its stake in Assicurazioni Generali (equal to 0.91% of the company's share capital), and the property located in Foro Buonaparte, Milan. The rationale for the demerger, which has received clearance from the Bank of Italy, is to streamline the Group structure, thus concentrating the consumer credit businesses within Compass (which include Group companies Futuro, Cofactor, Creditech and Compass RE);

– issuance of a €1.5bn covered bond with CheBanca! mortgage receivables as the underlying asset and two bonds worth €3.5bn guaranteed by the Republic of Italy, entirely subscribed for by Mediobanca S.p.A. and eligible for refinancing by the European Central Bank;

– early repayment of the €700m, lower tier II bond issued in October 2006, partly offset by the placement of a bond with similar features and subscribed as to approx. €400m;

– approval of the internal capital adequacy assessment procedure (ICAAP) required by regulations in force, and disclosure of the information required under Pillar 3 of the Basel II agreements, to provide a more accurate valuation of the Group's capital solidity and exposure to risks;

– the decision by Standard & Poor's, following the downgrade of the rating for the Republic of Italy, to revise Mediobanca's long-term credit rating from A+ to A and again on 10 February 2012 to BBB+ with negative outlook.

Consolidated financial statements *

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(€m)

	6 mths to 31/12/10	12 mths to 30/6/11	6 mths to 31/12/11	Y.o.Y. chg. (%)
Profit-and-loss data				
Net interest income	531.5	1,070.3	554.6	+4.3
Net trading income	111.3	189.2	112.5	+1.1
Net fee and commission income	265.9	520.3	234.4	-11.8
Equity-accounted companies	110.2	203.0	71.8	-34.8
Total income	**1,018.9**	**1,982.8**	**973.3**	**-4.5**
Labour costs	(211.4)	(418.8)	(201.3)	-4.8
Administrative expenses	(195.8)	(405.1)	(197.9)	+1.1
Operating costs	**(407.2)**	**(823.9)**	**(399.2)**	**-2.0**
Gains (losses) on AFS, HTM and L&R [1]	15.1	19.5	(37.8)	n.m.
Loan loss provisions	(219.4)	(349.1)	(212.3)	-3.2
Provisions for financial assets	(19.9)	(275.2)	(231.1)	n.m.
Other profits (losses)	0.1	0.1	43.7	n.m.
Profit before tax	**387.6**	**554.2**	**136.6**	**-64.8**
Income tax for the period	(122.2)	(180.6)	(71.4)	-41.6
Minority interest	(2.5)	(5.0)	(1.8)	-28.0
Net profit	**262.9**	**368.6**	**63.4**	**-75.9**

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

[1] Restated, having previously been accounted for as Net trading income.

RESTATED BALANCE SHEET

(€m)

	31/12/10	30/6/11	31/12/11
Assets			
Treasury funds	11,139.5	8,608.0	9,391.1
AFS securities	7,552.4	7,749.9	6,859.6
of which: fixed-income	*5,902.2*	*6,092.3*	*5,534.8*
equities	*1,634.5*	*1,643.6*	*1,312.6*
Fixed financial assets (HTM & LR)	1,984.4	2,308.1	2,412.6
Loans and advances to customers	35,102.0	36,225.6	37,833.5
Equity investments	3,445.8	3,156.1	2,976.9
Tangible and intangible assets	756.2	757.8	728.4
Other assets	1,125.0	1,376.7	1,270.6
of which: tax assets	830.3	967.0	1.003.0
Total assets	61,105.3	60,182.2	61,472.7
Liabilities and net equity			
Funding	52,905.7	51,712.9	54,028.8
of which: debt securities in issue	*34,584.9*	*34,460.5*	*32,422.8*
retail deposits	*9,950.8*	*9,960.3*	*10,671.3*
Other liabilities	1,061.1	1,258.9	1,036.1
of which: tax liabilities	*476.2*	*565.8*	*430.7*
Provisions	183.3	182.6	182.0
Net equity	6,692.3	6,659.2	6,162.4
of which: share capital	*430.6*	*430.6*	*430.6*
reserves	*6,152.7*	*6,113.9*	*5,619.3*
minority interest	*109.0*	*114.7*	*112.5*
Profit for the period	262.9	368.6	63.4
Total liabilities and net equity	61,105.3	60,182.2	61,472.7
Tier 1 capital	*6,109.4*	*6,156.1*	*6,127.3*
Regulatory capital	*7,851.5*	*7,899.1*	*7,499.8*
Tier 1 capital/risk-weighted assets	*11.10%*	*11.19%*	*11.01%*
Regulatory capital/risk-weighted assets	*14.26%*	*14.36%*	*13.48%*
No. of shares in issue (millions)	*861.1*	*861.1*	*861.1*

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

(€m)

31 December 2011	Corporate & Investment Banking	Principal Investing	Retail & Private Banking	Group
Profit-and-loss data				
Net interest income	204.5	(3.9)	361.5	554.6
Net trading income	107.5	—	4.0	112.5
Net fee and commission income	125.9	—	128.0	234.4
Equity-accounted companies	10.3	61.5	—	71.8
Total income	**448.2**	**57.6**	**493.5**	**973.3**
Labour costs	(107.5)	(2.8)	(97.9)	(201.3)
Administrative expenses	(54.3)	(1.4)	(157.2)	(197.9)
Operating costs	**(161.8)**	**(4.2)**	**(255.1)**	**(399.2)**
Gains (losses) on AFS, HTM and L&R [1]	(46.7)	—	0.5	(37.8)
Loan loss provisions	(54.0)	—	(157.5)	(212.3)
Provisions for financial assets	(175.4)	(55.3)	(0.5)	(231.1)
Other profits (losses)	—	—	45.5	43.7
Profit before tax	**10.3**	**(1.9)**	**126.4**	**136.6**
Income tax for the period	(45.9)	4.4	(30.6)	(71.4)
Minority interest	(1.8)	—	—	(1.8)
Net profit	**(37.4)**	**2.5**	**95.8**	**63.4**
Cost/income ratio (%)	36.1	7.3	51.7	41.0
Balance-sheet data				
Treasury funds	10,593.8	—	3,738.0	9,391.1
AFS securities	5,658.0	137.8	1,443.2	6,859.6
Fixed financial assets (HTM & LR)	4,101.1	—	3,671.1	2,412.6
Equity investments	384.2	2,511.2	—	2,976.9
Loans and advances to customers	29,182.8	—	14,606.9	37,833.5
of which: to Group companies	*5,606.5*	—	—	—
Funding	(47,851.9)	(259.8)	(22,354.5)	(54,028.8)
Risk-weighted assets	40,821.7	3,032.6	11,757.7	55,638.8
No. of staff	998	—	2.657 *	3.520

* Includes 135 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, Compass RE and Creditech (consumer credit); and Compagnie Monégasque de Banque, Spafid and Prudentia Fiduciaria, plus 50% of Banca Esperia pro-forma (private banking).

[2] Sum of divisional data differs from Group total due to:
- Banca Esperia being consolidated pro-rata (50%) rather than equity-accounted;
- adjustments/differences arising on consolidation between business areas (€21.9m and €2.4m as at 31 December 2010 and 31 December 2011 respectively).

				(€m)
31 December 2010	**Corporate & Investment Banking**	**Principal Investing**	**Retail & Private Banking**	**Group**
Profit-and-loss data				
Net interest income	223.6	(3.9)	315.0	531.5
Net trading income	93.3	—	8.9	111.3
Net fee and commission income	163.7	—	122.2	265.9
Equity-accounted companies	(7.2)	116.7	—	110.2
Total income	**473.4**	**112.8**	**446.1**	**1,018.9**
Labour costs	(121.4)	(2.8)	(95.1)	(211.4)
Administrative expenses	(49.6)	(1.2)	(154.1)	(195.8)
Operating costs	**(171.0)**	**(4.0)**	**(249.2)**	**(407.2)**
Gains (losses) on AFS, HTM and L&R [1]	3.9	—	40.0	15.1
Loan loss provisions	(49.5)	—	(169.9)	(219.4)
Provisions for financial assets	(15.0)	(4.5)	(0.3)	(19.9)
Other profits (losses)	0.1	—	—	0.1
Profit before tax	**241.9**	**104.3**	**66.7**	**387.6**
Income tax for the period	(94.7)	1.0	(28.7)	(122.2)
Minority interest	(2.5)	—	—	(2.5)
Net profit	**144.7**	**105.3**	**38.0**	**262.9**
Cost/income ratio (%)	36.1	3.5	55.9	40
Balance-sheet data				
Treasury funds	12,790.9	—	4,212.6	11,139.5
AFS securities	6,242.5	133.9	2,065.6	7,552.4
Fixed financial assets (HTM & LR)	1,983.6	—	2,555.5	1,984.4
Equity investments	377.4	3,010.3	—	3,445.8
Loans and advances to customers	26,515.1	—	12,894.7	35,102.0
of which: to Group companies	*4,293.8*	—	—	*4,293.8*
Funding	(44,963.7)	(259.8)	(21,183.2)	(52,905.7)
Risk-weighted assets	40,884.3	3,381.2	10,768.4	55,044.7
No. of staff	924	—	2.521 *	3,324

* Includes 121 staff employed by the Esperia group pro-forma not included in the Group total.

Balance sheet

The main balance-sheet items, of which Mediobanca contributes over one-half, performed as follows during the six months under review (comparative data as at 30 June 2011):

Funding – this item increased from €51,712.9m to €54,028.8m, boosted by the three-year, €4bn European Central Bank loan granted at end-December, which offset the reduction in debt securities in issue (from €34,460.5m to €32,422.8m) and bank debt (from €4,729.2 to €3,645.3m). The retail component from CheBanca! increased from €9,960.3m to €10,671.3m (up €656.6m in the second quarter), and other funds raised from customers also increased, from €2,562.9m to €3,289.7m.

Loans and advances to customers – the 4.4% increase in this item, from €36,225.6m to €37,833.5m, involved all segments apart from leasing, and reflects the business launched in the first part of the financial year.

(€m)

	30/6/11	31/12/11	Change
Corporate and investment banking	22,479.7	23,580.3	+4.9
– of which: leasing	*4,417.6*	*4,313.6*	*–2.4*
Retail and private banking	13,745.9	14,253.2	+3.7
– of which: consumer credit	*8,926.9*	*9,131.4*	*+2.3*
mortgage lending	*4,102.6*	*4,327.1*	*+5.5*
private banking	*716.4*	*794.7*	*+10.9*
TOTAL LOANS AND ADVANCES TO CUSTOMERS	36,225.6	37,833.5	+4.4

The contributions from the various business segments remained stable, with corporate and investment banking accounting for 62% and retail finance 38%; the downward trend in leasing continued, its share declining from 12% to 11%, to the advantage of corporate lending (up from 50% to 51%).

Impaired assets (non-performing, sub-standard, restructured and overdue items) fell by 2.14%, from €709.9m to €694.7m, while a high coverage rate was maintained (70% for consumer credit, 45% for mortgage lending and 36% for corporate finance). Asset quality continues to be satisfactory: impaired assets as a percentage of total assets declined in all business areas, from 1% to 0.93% in the large corporate segment, from 4.6% to 4.5% in leasing, and from 2% to 1.7% in consumer credit, and remained unchanged in mortgage lending at 2.4%. The slight increase in non-performing items (0.63% of total loans, as compared with 0.59%) is concentrated in the real estate segment (mortgage lending and leasing).

At the reporting date there were a total of nine significant exposures to groups of customers (including market risk and equity investments), i.e. above 10% of regulatory capital (one fewer than at 30 June 2011), corresponding to a gross exposure of €11,864.8m (€13,767.4m).

Equity investments – these declined from €3,156.1m to €2,976.9m, reflecting the writedown to the RCS MediaGroup stake (€55.2m) and the negative trend in the valuation reserves (€219.3m, €201.3m of which in respect of Assicurazioni Generali). During the six months gains on the following investments were recorded: Assicurazioni Generali (€65.9m, the contribution dropping sharply in the second quarter), Pirelli (€7.8m), Gemina (€1.4m) and Burgo (€1.1m). The net gain arising on listed equity investments fell to €174m (€680.9m) at the reporting date, but rises to over €220m based on current holdings and prices.

(€m)

	Percentage shareholding *	Book value	Market value as at 31/12/11	Surplus (shortfall)
LISTED EQUITY INVESTMENTS				
Assicurazioni Generali	13.24	2,106.1	2,396.9	290.8
RCS MediaGroup. ordinary	14.36	134.6	74.0	(60.6)
Pirelli & C. S.p.A.	4.49	111.3	142.6	31.3
Gemina	12.53	197.6	110.1	(87.5)
		2,549.6	2,723.6	174.0
OTHER EQUITY INVESTMENTS				
Telco	11.62	245.2		
Banca Esperia	50.0	81.4		
Burgo Group	22.13	75.4		
Athena Private Equity class A	24.27	24.2		
Fidia	25.0	1.1		
		427.3		
		2,976.9		

* Percentage of entire share capital.

During the six months the RCS MediaGroup investment was adjusted to reflect a net present value of €1.23 per share (previously €1.75). Meanwhile, given the other investee companies' earnings performances, which were in line with the assumptions used in the impairment tests carried out at 30 June 2011, the book value of these investments deriving from application of the equity method have not been subject to further impairment.

Fixed financial assets – this portfolio brings together the Group's holdings in securities held to maturity, worth €1,747.9m (€1,643.6m) and unlisted debt securities (recognized at cost), worth €664.7m (€664.5m). For the six months this portfolio reflects new investments worth €102m, redemptions totalling €2.8m, and €5.3m in net upward adjustments. The portfolio shows a concentration of Italian domestic issuers, and consists of €349.6m in sovereign debt securities, €685m in corporate bonds and €1,378m in bonds issued by banks, insurances and financial companies. Based on prices and holdings at the reporting date, the portfolio showed an implicit loss of €112.7m (30/6/11: €19.6m), reflecting the deterioration in country risk for Italy which had improved again by end-January 2012, to the extent that the loss had more than halved by this date, to €41.8m.

AFS securities – this portfolio is made up of debt securities totalling €5,534.8m (€6,092.3m) and equities worth €1,312.6m (€1,643.6m), while stock units in funds held by Compagnie Monégasque de Banque have been sharply reduced (€12.2m). Some 63% of the bond portfolio consists of sovereign debt securities, 9% of corporate bonds, and the remainder of bonds issued by banks, insurances and financial companies. Movements during the six months included purchases totalling €307.9m, disposals and redemptions amounting to €395.3m (generating gains of €6.2m), provisions taken through the profit and loss account totalling €114.5m (involving the holdings in Greek sovereign debt), upward adjustments to reflect amortized cost of €21m, and downward adjustments to reflect fair value totalling €382.8m (more than half of which involving sovereign debt securities). Movements on the equity side consisted of purchases totalling €45.8m, disposals of €120m (generating a loss of €25.9m), and downward adjustments to reflect fair value at the reporting date totalling €227.4m, €59.4m of which taken directly through the profit and loss account as a result of the impairment. This last item in particular consists of: the writedown to the Delmi investment (€34m) following the agreement reached in December 2011 to swap the holding company's stake in Edison for shares in Edipower; automatic accounting mechanisms triggered in respect of listed equities (€13.8m); and the writedown to the Ferretti shareholding (€10.8m), the value of which is now zero.

	Percentage shareholding *	Book value at 31/12/11	Adjustments to fair value	Impairment recognized in P&L	Total AFS reserve
Sintonia S.A	6.50	336.3	–	–	–
Unicredit CASHES		174.0	(77.6)	–	(106.4)
Delmi S.p.A.	6.0	60.2	–	(34.0)	–
Santé S.A.	9.99	82.4	–	(0.8)	–
Italmobiliare	9.5 – 5.47	30.7	(22.4)	–	(3.9)
Other listed shares		313.9	(66.7)	(13.8)	(41.6)
Other unlisted shares		315.2	(1.3)	(10.8)	58.9
TOTAL SHARES		1,312.6	(168.0)	(59.4)	(93.0)

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

The valuation reserve for the whole portfolio deteriorated, from minus €52.9m to minus €595.7m, with the contribution from both components negative: equity minus €93m (compared with a positive value of €53.5m) and bonds minus €503.5m (minus €105.7m). The latter in particular was impacted by the widening in the spread on

Italian government securities (minus €327.8m, compared with minus €64m) and Italian banks' paper (minus €164.6m, compared with minus €34.5m). As from end-January 2012, however, the country risk for Italy has improved significantly, hence the bond reserve has now more than halved to minus €211.8m.

Treasury funds – this item increased from €8,608m to €9,391.1m, and includes €1,598m (€469.6m) in cash and cash equivalents, €1,118m of which deposited with the European Central Bank, €3,498.9m (€4,599.5m) in fixed-income securities, €1,112.2m (€2,141.6m) in equities and fund stock units, €774.1m (€541m) in downward adjustments to derivative contracts, and €3,956.1m (€1,938.3m) in net applications of short-term funding instruments (repos, bank deposits etc.). Movements for the period and marking the portfolio (including derivatives) to market as at 31 December 2011 generated gains of €105m. Some 41% of the fixed-income securities consist of bonds issued by banks, insurances and financial companies, one-third of government securities, and the remainder of corporate bonds.

Tangible and intangible assets – these fell from €757.8m to €728.4m, chiefly as a result of the following transactions: disposal of a property located in the Principality of Monaco (carried at a book value of €65.1m); acquisition of an office block in Luxembourg (€4.1m); collection of a leased property in Lecce, after the leasing contract was converted (€29.6m); depreciation and amortization charges for the period totalling €21.6m; and costs incurred in refurbishing and expanding the Seteci property (€8.8m). The heading also includes goodwill worth €365.9m and brands totalling €6.3m, both of which in connection with consumer credit, a sector which has not shown signs of stress, hence no indicators of impairment have emerged.

Provisions – this item comprises the provision for liabilities and charges, which stands at €157.8m, compared with €156.5m, the increase being due to transfers to provisions during the period (€1.3m). The staff severance indemnity provision declined from €26.1m to €24.2m, due to withdrawals during the six months and as a financial effect of discounting future outlays at higher rates.

Net equity – net equity fell by €494.6m, from €6,544.5m to €6,049.9m, due to the reduction in the valuation reserves referred to above (totalling minus €725.1m, €505.8m of which in connection with the Mediobanca Group itself and €219.3m with the equity-accounted companies), partly offset by the provision of undistributed earnings from the previous financial year (€225.1m). In detail, the AFS securities valuation reserve deteriorated from €22m to €427.1m, and the cash flow hedge returned to negative territory at minus €90.5m (compared with a positive value of €9.8m), as did the share of the valuation reserves attributable to equity-accounted investments (down from €1.5m to minus €211.2m).

Profit and loss account

Net interest income – this item rose from €531.5m to €554.6m, reflecting the positive trend in retail and private banking, up 14.8% (from €315m to €361.5m) on the back in particular of an increased contribution from CheBanca! (€34.5m higher than last year). Net interest income earned from corporate banking operations was down 8.5%, as a result of the increase in the cost of funding.

Net trading income – from this quarter this heading includes only the net result of trading activity, which was €105m (31/12/10: €105.4m) and dividends on AFS equities, which totalled €7.5m (€5.9m). Trading activity was again comfortably positive, as a result of profits recorded by the fixed-income segment during the second quarter (with €108.2m earned in the quarter and €122.3m for the six months); while the equity segment continues to suffer from the market turmoil, showing a loss of €17.3m.

Net fee and commission income – this item fell by 11.8%, from €265.9m to €234.4m, chiefly due to the reduced contribution from corporate and investment banking, affected by the slowdown in M&A and capital markets activity. Commissions from consumer credit improved, from €83.3m to €91.6m, while the contribution from private banking operations declined from €18.8m to €17.3m.

Operating costs – these were down 2%, from €407.2m to €399.2m, and consist of:

– labour costs amounting to €201.3m (€211.4m); these include €4m (€3.9m) in emoluments paid to directors and €5m (€4.5m) in stock option costs; the reduction for the period, despite the headcount being strengthened (with staff numbers increasing from 3,324 to 3,520), is due to the decrease in the variable remuneration component for the corporate and investment banking division;

– sundry costs and expenses amounting to €197.9m (€195.8m), including €21.6m (€20.8m) in depreciation and amortization, and administrative expenses totalling €174.9m (€175m), made up as follows:

(€m)

	6 mths to 31/12/10	6 mths to 31/12/11
Legal, tax and other professional services	24.1	16.8
Bad debt recovery	13.1	14.4
Marketing and communication	37.1	33.5
Rent and property maintenance charges	18.7	20.0
EDP	15.9	17.1
Financial information subscriptions	11.3	12.9
Banking services, collection and payment charges	9.7	10.8
Operating expenses	25.5	26.2
Other labour costs	11.7	11.8
Others	3.8	3.9
Direct and indirect taxes (net of withholding tax)	4.1	7.5
TOTAL	175.0	174.9

Loan loss provisions – the six months under review showed a further reduction in the risk associated with retail financial services (down from €169.9m to €158.3m), partly offset by a slight increase in corporate lending (up from €49.5m to €54m).

Provisions for other financial assets – this item includes €114.5m in respect of bonds, €13.8m due to automatic accounting mechanisms triggered for listed equities, and €45.6m to cover the long-term losses of value of unlisted shares (chiefly Delmi and Ferretti).

* * *

In December 2011, the Lombard regional tax office issued notice of investigation to Mediobanca Group companies, disputing the following:

- Compass: having deducted part of the losses on non-recourse disposal of receivables; if confirmed, this would lead to higher tax for the 2006/07 financial year in an amount of €25.8m, plus interest and penalties;
- SelmaBipiemme: VAT receivables for 2005/6 and 2006/7 amounting to €22m (plus interest and penalties), and undue deduction of amortization (€1.6m more in taxes).

The companies are convinced that their actions were correct and intend to challenge the rulings.

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

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

CORPORATE AND INVESTMENT BANKING (WHOLESALE BANKING AND LEASING)

(€m)

	6 mths to 31/12/10	12 mths to 30/6/11	6 mths to 31/12/11	Y.o.Y. chg. (%)
Profit-and-loss data				
Net interest income	223.6	429.3	204.5	-8.5
Net trading income	93.3	169.2	107.5	+15.2
Net fee and commission income	163.7	315.1	125.9	-23.1
Equity-accounted companies	(7.2)	(1.2)	10.3	n.m.
Total income	**473.4**	**912.4**	**448.2**	**-5.3**
Labour costs	(121.4)	(234.4)	(107.5)	-11.4
Administrative expenses	(49.6)	(106.2)	(54.3)	+9.5
Operating costs	**(171.0)**	**(340.6)**	**(161.8)**	**-5.4**
Gains (losses) on AFS, HTM and L&R	3.9	0.2	(46.7)	n.m.
Loan loss provisions	(49.5)	(25.3)	(54.0)	+9.1
Provisions for financial assets	(15.0)	(150.4)	(175.4)	n.m.
Other profits (losses)	0.1	—	—	n.m.
Profit before tax	**241.9**	**396.3**	**10.3**	**n.m.**
Income tax for the period	(94.7)	(149.1)	(45.9)	-51.5
Minority interest	(2.5)	(5.0)	(1.8)	-28.0
Net profit	**144.7**	**242.2**	**(37.4)**	**n.m.**
Cost/income ratio (%)	36.1	37.3	36.1	

	31/12/10	30/6/11	31/12/11
Balance-sheet data			
Treasury funds	12,790.9	9,469.5	10,593.8
AFS securities	6,242.5	6,550.5	5,658.0
Fixed financial assets (HTM & LR)	1,983.6	4,001.1	4,101.1
Equity investments	377.4	385.6	384.2
Loans and advances to customers	26,515.1	27,623.9	29,182.8
of which: to Group companies	*4,293.8*	*5,144.2*	*5,606.5*
Funding	(44,963.7)	(44,908.2)	(47,851.9)

(€m)

Corporate and Investment Banking 31 December 2011	Wholesale	Leasing	Total
Net interest income	171.2	33.3	204.5
Net trading income	108.2	(0.7)	107.5
Net fee and commission income	123.0	2.9	125.9
Equity-accounted companies	10.3	—	10.3
Total income	**412.7**	**35.5**	**448.2**
Labour costs	(97.9)	(9.6)	(107.5)
Administrative expenses	(48.7)	(5.6)	(54.3)
Operating costs	**(146.6)**	**(15.2)**	**(161.8)**
Gains (losses) on AFS, HTM and L&R	(46.7)	—	(46.7)
Loan loss provisions	(40.1)	(13.9)	(54.0)
Provisions for financial assets	(175.4)	—	(175.4)
Profit before tax	**3.9**	**6.4**	**10.3**
Income tax for the period	(42.1)	(3.8)	(45.9)
Minority interest	—	(1.8)	(1.8)
Net profit	**(38.2)**	**0.8**	**(37.4)**
Cost/income ratio (%)	35.5	42.8	36.1
Other assets	20,665.6	71.5	20,737.1
Loans and advances to customers	24,869.2	4,313.6	29,182.8
of which: to Group companies	*5,606.5*	—	*5,606.5*
New loans	n.d.	494.9	—
No. of staff	794	204	998

(€m)

Corporate and Investment Banking 31 December 2010	Wholesale	Leasing	Total
Net interest income	187.5	36.1	223.6
Net trading income	93.3	—	93.3
Net fee and commission income	162.2	1.5	163.7
Equity-accounted companies	(7.2)	—	(7.2)
Total income	**435.8**	**37.6**	**473.4**
Labour costs	(112.2)	(9.2)	(121.4)
Administrative expenses	(43.9)	(5.7)	(49.6)
Operating costs	**(156.1)**	**(14.9)**	**(171.0)**
Gains (losses) on AFS, HTM and L&R	3.9	—	3.9
Loan loss provisions	(36.9)	(12.6)	(49.5)
Provisions for financial assets	(15.0)	—	(15.0)
Other profits (losses)	0.1	—	0.1
Profit before tax	**231.8**	**10.1**	**241.9**
Income tax for the period	(89.9)	(4.8)	(94.7)
Minority interest	—	(2.5)	(2.5)
Net profit	**141.9**	**2.8**	**144.7**
Cost/income ratio (%)	35.8	39.6	36.1
Other assets	21,329.3	65.1	21,394.4
Loans and advances to customers	22,035.5	4,479.6	26,515.1
of which to Group companies	*4,293.8*	—	*4,293.8*
New loans	n.d.	586.8	—
No. of staff	717	207	924

Despite the difficult operating scenario, the division showed only a slight reduction in revenues for the period, down 5.3%, from €473.4m to €448.2m, reflecting the following performances by individual items:

- net interest income fell 8.5%, from €223.6m to €204.5m, reflecting the increase in the cost of funding;
- net trading income rose from €87.5m to €100m, helped by the performance in fixed-income trading, in the second quarter particularly;
- net fee and commission income declined from €163.7m to €125.9m, chiefly due to the reduction in M&A fees.

At the same time costs were down 5.4%, from €171m to €161.8m, due to the reduction in the variable staff remuneration component (from €121.4m to €107.5m), which offset the increase in IT and financial information subscription expenses linked to the structural expansion.

Loan loss provisions rose from €49.5m last year to €54m: this increase regards both wholesale banking (up from €36.9m to €40.1m) and leasing (up from €12.6m to €13.9m), and reflects the deterioration in risk linked to the difficult economic conditions.

Provisions for other financial assets of €175.4m include the additional adjustment taken to holdings in Greek sovereign debt securities (€114.5m, now reflecting on average 30% of the nominal value), the automatic accounting mechanisms triggered in respect of listed shares (€13.8m), and the adjustments to the holdings in Ferretti (€10.8m) and Delmi (€34m).

A net loss for the six months of €37.4m was therefore recorded, compared with the €144.7m profit posted last year.

Lending and structured finance – lending to corporates, excluding Group companies, increased by 6.6% during the six months, from €18,062.1m to €19,262.7m, as a result of deals launched in the first months of the financial year. Growth during the second quarter was approx. 2%. Just over one-third of the Group's total exposure was to non-domestic customers, in particular those based in France (8.3% of total loans disbursed), Spain (8.1%) and Germany (7%). Overall this area generated 45% of the Group's revenues from wholesale banking.

Funding and treasury accounts – funding, which was up from €44,908.2m to €47,851.9m, consists of: €36,516.7m (€38,307m) in debt securities in issue; €3,860m (€3,946.1m) in deposits and current accounts, and €7,475.2m (€2,655.1m) in other forms of funding, including a €4bn long-term loan from the European Central Bank. Treasury accounts consist of €1,252m (€199.3m) in cash and cash equivalents, €1,118m of which deposited with the European Central Bank, €3,194.3m (€4,031.6m) in debt securities, €822.5m (€1,860.9m) in equities, €674.1m (€576.1m) in downward adjustments to derivatives contracts, and €5,999.1m (€3,953.8m) in net short-term applications of funds. Overall this area generated 35% of the Group's revenues from wholesale banking. Some 35% of the fixed-income portfolio consists of bonds issued by banks, insurances and financial companies, one-third of government securities and the remainder of corporate bonds.

Fixed financial assets and AFS bonds – these include financial assets held to maturity totalling €1,742.6m (€1,642.9m), unlisted debt securities (recognized at cost) worth €2,358.5m (€2,358.2m) and AFS bonds amounting to €4,495.6m

(€5,053.5m). During the period under review there were purchases totalling €258.6m (mostly in the AFS segment), disposals and redemptions worth €336.8m, impairment charges of €116.1m (€114.5m of which in respect of the Greek sovereign debt), upward adjustments of €21m to reflect amortized cost, and downward adjustments to reflect fair value totalling €287.5m. Overall the implicit loss on this portfolio at the reporting date came to €416.1m, €394.3m of which is recognized in the net equity valuation reserves.

Equity investments and AFS shares – for operating purposes this portfolio brings together the Group's holdings in equities and convertible bonds held as available for sale, plus its investments in Gemina, Pirelli & C. and Burgo Group. As at 31 December 2011, the portfolio was worth €1,546.6m (€1,882.6m), after purchases totalling €41.2m, disposals of €119.5m (generating losses of €26.1m), impairment charges on AFS shares in an amount of €59.3m (€34m of which for Delmi and €10.8m for Ferretti), downward adjustments to reflect fair value at the reporting date of €167.5m (€77.6m of which for the UniCredit CASHES and €22.4m for Italmobiliare), and pro-rata adjustments to net equity amounting to €1.4m (with a positive contribution of €10.3m being taken through the profit and loss account). The net equity reserve for AFS shares returned to negative territory, at minus €100.4m (compared with plus €45.6m as at 30 June 2011).

Investment banking – the results for the six months in this area were hit by the sharp contraction in activity affecting the European market, leading to a reduction in the value of the advisory mandates executed by Mediobanca from €9.2bn to €6.4bn; net fee and commission income decreased accordingly, from €56m to €19m. Capital market activity also slowed, in particular the equity area, both in terms of size of mandates (€0.9bn, compared with €4.2bn) and fee income (down from €32m to €23m); overall this area generated 15% of the Group's revenues from wholesale banking.

Leasing – a modest profit of €0.8m was made from this business during the six months under review, lower than the €2.8m reported last year; shrinking revenues, which were down from €37.6m to €35.5m, reflect the higher cost of funding (with net interest income down from €36.1m to €33.3m). Loan loss provisions were up, at €13.9m (from €12.6m), while operating costs were stable at €15.2m (€14.9m). Loans and advances to customers fell from €4,417.6m to €4,313.6m, with new loans for the period of €494.9m (€586.8m).

PRINCIPAL INVESTING

(€m)

	6 mths to 31/12/10	12 mths to 30/6/11	6 mths to 31/12/11	Y.o.Y. chg. (%)
Profit-and-loss data				
Net interest income	(3.9)	(7.5)	(3.9)	n.m.
Equity-accounted companies	116.7	203.6	61.5	-47.3
Total income	**112.8**	**196.1**	**57.6**	**-48.9**
Labour costs	(2.8)	(5.5)	(2.8)	n.m.
Administrative expenses	(1.2)	(2.5)	(1.4)	+16.7
Operating costs	**(4.0)**	**(8.0)**	**(4.2)**	**+5.0**
Provisions for financial assets	(4.5)	(124.6)	(55.3)	n.m.
Profit before tax	**104.3**	**63.5**	**(1.9)**	**n.m.**
Income tax for the period	1.0	5.8	4.4	n.m.
Net profit	**105.3**	**69.3**	**2.5**	**n.m.**

(€m)

	31/12/10	30/6/11	31/12/11
AFS securities	133.9	134.1	137.8
Equity investments	3,010.3	2,712.5	2,511.2

This division's results for the six months show a profit of €2.5m (31/12/10: €105.3m), down sharply as a result of the writedown to the Group's investment in RCS MediaGroup (€55.2m) and the reduced contribution from Assicurazioni Generali (down from €105.1m to €65.9m). The book value of the investments fell by €201.3m, chiefly as a result of the reduction in the valuation reserve (€206m, €201.3m of which in respect of Generali). The remainder of the portfolio, which consists of investments made as part of merchant banking activity and in private equity funds, increased from €134.1m to €137.8m, representing the balance between cash calls on private equity fund commitments (€5.3m) and downward adjustments to reflect fair value (€1.4m).

RETAIL AND PRIVATE BANKING

(€m)

	6 mths to 31/12/10	12 mths to 30/6/11	6 mths to 31/12/11	Y.o.Y. chg. (%)
Profit-and-loss data				
Net interest income	315.0	660.5	361.5	+14.8
Net trading income	8.9	13.5	4.0	-55.1
Net fee and commission income	122.2	245.5	128.0	+4.7
Total income	**446.1**	**919.5**	**493.5**	**+10.6**
Labour costs	(95.1)	(192.0)	(97.9)	+2.9
Administrative expenses	(154.1)	(324.1)	(157.2)	+2.0
Operating costs	**(249.2)**	**(516.1)**	**(255.1)**	**+2.4**
Gains (losses) on AFS, HTM and L&R	40.0	36.0	0.5	n.m.
Loan loss provisions	(169.9)	(323.5)	(157.5)	-7.3
Provisions for financial assets	(0.3)	(0.5)	(0.5)	+66.7
Other profits (losses)	—	—	45.5	n.m.
Profit before tax	**66.7**	**115.4**	**126.4**	**+89.5**
Income tax for the period	(28.7)	(37.6)	(30.6)	+6.6
Minority interest	—	—	—	n.m.
Net profit	**38.0**	**77.8**	**95.8**	**n.m.**

	31/12/10	30/6/11	31/12/11
Balance-sheet data			
Treasury funds	4,212.6	4,000.7	3,738.0
AFS securities	2,065.6	1,762.0	1,443.2
Fixed financial assets (HTM & LR)	2,555.5	3,191.7	3,671.1
Loans and advances to customers	12,894.7	13,751.9	14,606.9
Funding	(21,183.2)	(22,082.7)	(22,354.5)

This division reported a profit of €95.8m (€38m), partly as a result of the gain realized on disposal of the property owned by CMB mentioned above (€43.9m).

Net of this item, the result still showed a 36% improvement, which reflects the 10.6% increase in revenues, from €446.1m to €493.5m, driven by growth in net interest income (up 14.8%, from €315m to €361.5m) and net fee and commission income (up 4.7%, from €122.2m to €128m), offsetting the reduction in net trading income from CheBanca! (€0.1m, compared with €4.7m last year).

The 2.4% increase in operating costs, from €249.2m to €255.1m, reflects the strengthening in headcount (which rose from 2,521 to 2,657) and the higher business volumes (loans and advances to customers were up 6.2%, funding up 1.2%).

Loan loss provisions fell by 7.3%, from €169.9m to €157.5m, reflecting the ongoing trend in the cost of risk for households, which translates to a reduction from €154.5m to €149.2m for consumer credit and from €15m to €7.1m for mortgage lending.

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

(€m)

Retail & Private Banking 31 December 2011	Consumer credit	Retail banking	Private banking	Total
Net interest income	269.5	77.9	14.1	361.5
Net trading income	0.2	0.1	3.7	4.0
Net fee and commission income	91.6	3.6	32.8	128.0
Equity-accounted companies	—	—	—	—
TOTAL INCOME	**361.3**	**81.6**	**50.6**	**493.5**
Labour costs	(42.4)	(30.2)	(25.3)	(97.9)
Administrative expenses	(83.1)	(58.9)	(15.2)	(157.2)
OPERATING COSTS	**(125.5)**	**(89.1)**	**(40.5)**	**(255.1)**
Gains (losses) on AFS, HTM and L&R	—	0.6	(0.1)	0.5
Loan loss provisions	(149.2)	(7.1)	(1.2)	(157.5)
Provisions for financial assets	—	—	(0.5)	(0.5)
Other profits (losses)	—	—	45.5	45.5
PROFIT BEFORE TAX	**86.6**	**(14.0)**	**53.8**	**126.4**
Income tax for the period	(28.3)	(0.6)	(1.7)	(30.6)
Minority interest	—	—	—	—
NET PROFIT	**58.3**	**(14.6)**	**52.1**	**95.8**
Cost/income ratio (%)	34.7	n.m.	80.0	51.7
Other assets	437.8	7,005.5	1,409.0	8,852.3
Loans and advances to customers	9,131.4	4,327.1	1,148.4	14,606.9
New loans	2,467.5	411.2	—	2,878.7
No. of branches	150	44	—	194
No. of staff	1,364	938	355	2,657

(€m)

Retail & Private Banking 31 December 2010	Consumer credit	Retail banking	Private banking	Total
Net interest income	257.5	43.4	14.1	315.0
Net trading income	0.1	4.7	4.1	8.9
Net fee and commission income	83.3	3.5	35.4	122.2
Total income	**340.9**	**51.6**	**53.6**	**446.1**
Labour costs	(40.7)	(26.9)	(27.5)	(95.1)
Administrative expenses	(77.2)	(63.5)	(13.4)	(154.1)
Operating costs	**(117.9)**	**(90.4)**	**(40.9)**	**(249.2)**
Gains (losses) on AFS, HTM and L&R	—	38.5	1.5	40.0
Loan loss provisions	(154.5)	(15.0)	(0.4)	(169.9)
Provisions for financial assets	—	—	(0.3)	(0.3)
Profit before tax	**68.5**	**(15.3)**	**13.5**	**66.7**
Income tax for the period	(28.8)	0.6	(0.5)	(28.7)
Net profit	**39.7**	**(14.7)**	**13.0**	**38.0**
Cost/income ratio (%)	34.6	n.m.	76.3	55.9
Other assets	429.9	7,075.0	1,328.8	8,833.7
Loans and advances to customers	8,475.8	3,698.8	720.1	12,894.7
New loans	2,205.5	383.5	—	2,589.0
No. of branches	146	42	—	188
No. of staff	1,316	869	336	2,521

Turning now to the individual sectors, consumer credit showed an improvement in both the main revenue items: net interest income rose from €257.5m to €269.5m, including as a result of €4.8m in non-recurring items, and net fee and commission income climbed 10%, from €83.3m to €91.6m. Operating costs also increased, from €117.9m to €125.5m. Net profit came in at €58.3m, up from €39.7m last year, helped by lower loan loss provisions (which were down from €154.5m to €149.2m). Loans and advances to customers grew by 2.3% during the six months, from €8,926.9m to €9,131.4m, on new loans for the period of €2,467.5m, up 11.9% (€2,205.5m), while impaired assets decreased, from €174.5m to €154.2m, and account for just 1.7% of total lendings.

CheBanca! showed a net loss of €14.6m, virtually unchanged from last year despite the lack of gains on AFS securities (which totalled €38.5m last year). The six months' results were boosted by higher net interest income (up from €43.4m to €77.9m), with net fee and commission income resilient at €3.6m (€3.5m) and a slight reduction in operating costs (down from €90.4m to €89.1m); while loan loss provisions fell sharply, from €15m to €7.1m. As at end-December, funding raised from the retail channel totalled €10,671.3m, reflecting a substantial increase since the balance-sheet date (€9,960.3m) despite the crisis on funding markets. Loans and advances to customers also increased, from €4,102.6m to €4,327.1m, on a slight increase in new loans for the period (€411.2m, as compared with €383.5m); impaired assets rose from €98.6m to €102.7m, the growth trend slowing versus previous quarters with a net improvement in the portfolio's run-off rate.

Private banking showed a profit of €52.1m, helped by the gain on the real estate disposal by CMB (€43.9m) and the sale of the hedge fund business unit by Banca Esperia to Tages (€1.6m). The segment shows total income down slightly, from €53.6m to €50.6m, due to the reduction in net fee and commission income (from €35.4m to €32.8m, shared equally between CMB and Banca Esperia), in part offset by the trading profits earned by CMB (€4.1m, compared with €3.6m). Operating costs remained stable at €40.5m (€40.9m), provisions for loan losses and other financial assets were up (from €0.7m to €1.7m), while there were no gains on AFS securities (€1.5m last year). Assets under management on a discretionary/non-discretionary basis fell slightly during the six months, from €12.7bn to €12.6bn, with the increase by CMB (from €5.8bn to €6.2bn) offset by the reduction at Banca Esperia (from €6.9bn to €6.4bn, due exclusively to the market effect).

(€m)

Private Banking 31 December 2011	CMB	Esperia	Others	Total
Net interest income	12.3	1.6	0.2	14.1
Net trading income	4.1	(0.4)	—	3.7
Net fee and commission income	15.9	14.1	2.8	32.8
Equity-accounted companies	—	—	—	—
Total income	**32.3**	**15.3**	**3.0**	**50.6**
Labour costs	(13.4)	(10.3)	(1.6)	(25.3)
Administrative expenses	(9.1)	(5.6)	(0.5)	(15.2)
Operating costs	**(22.5)**	**(15.9)**	**(2.1)**	**(40.5)**
Gains (losses) on AFS, HTM and L&R	—	(0.3)	0.2	(0.1)
Loan loss provisions	(2.0)	0.8	—	(1.2)
Provisions for financial assets	(0.5)	—	—	(0.5)
Other profits (losses)	43.9	1.6	—	45.5
Profit before tax	**51.2**	**1.5**	**1.1**	**53.8**
Income tax for the period	—	(1.3)	(0.4)	(1.7)
Minority interest	—	—	—	—
Net profit	**51.2**	**0.2**	**0.7**	**52.1**
Assets under management	6,202.0	6,408.5	—	12,610.5
Securities held on a trustee basis	N/A	N/A	1,458.7	1,458.7

(€m)

Private Banking 31 December 2010	CMB	Esperia	Others	Total
Net interest income	12.9	1.1	0.1	14.1
Net trading income	3.6	0.4	0.1	4.1
Net fee and commission income	17.2	15.2	3.0	35.4
Total income	**33.7**	**16.7**	**3.2**	**53.6**
Labour costs	(15.0)	(11.0)	(1.5)	(27.5)
Administrative expenses	(8.7)	(4.3)	(0.4)	(13.4)
Operating costs	**(23.7)**	**(15.3)**	**(1.9)**	**(40.9)**
Gains (losses) on AFS, HTM and L&R	2.1	(0.6)	—	1.5
Loan loss provisions	(0.4)	—	—	(0.4)
Provisions for financial assets	(0.3)	—	—	(0.3)
Profit before tax	**11.4**	**0.8**	**1.3**	**13.5**
Income tax for the period	—	(0.2)	(0.3)	(0.5)
Net profit	**11.4**	**0.6**	**1.0**	**13.0**
Cost/income ratio (%)	70.3	n.m.	59.4	76.3
Assets under management	5,712.0	6,366.0	—	12,078.0
Securities held on a trustee basis	N/A	N/A	1,507.0	1,507.0

Review of Group Company performances

Mediobanca

For the six months ended 31 December 2011, Mediobanca made a net loss of €124.3m, compared with a €130.1m profit at the same stage last year, in a market scenario requiring significant adjustments to the values of AFS securities and equity investments. Total income fell from €426.8m to €374.9m, with the main items performing as follows:

- net interest income fell by 10.8%, from €169.1m to €150.9m, due to the widespread increase in the cost of funding;
- net trading income (trading profits and dividends) climbed 9.3%, from €95.2m to €104.1m;
- net fee and commission income decreased by 21.6% to €119.9m (€153m), as a result of the reduced contribution from M&A and capital market activity.

The 6.2% reduction in operating costs, from €160.9m to €150.9m, was driven by lower staff costs which were €14.2m lower, due to the reduction in the variable remuneration component. The increase in other administrative expenses was modest, up €4.2m.

Fixed financial assets and AFS securities generated losses of €38m (compared with a €5.7m profit last year).

Loan loss provisions came in at €39.7m, up slightly on the first half of 2010 (€37m).

Provisions for other financial assets grew from €19.5m to €175.4m, with €59.4m attributable to equities (€34m of which to Delmi and €10.8m to Ferretti) and €116m to bonds (€114.5m of which to Greek sovereign debt).

The €57.2m writedown taken to equity investments regards the impairment charges made to the RCS MediaGroup stake.

With regard to the main balance-sheet items:

- funding increased by €2,577.4m (from €41,843.9m to €44,421.3m) due to the financing received from the European Central Bank (€4bn), which takes borrowings from banks up from €5,060m to €9,541.3m; while debt securities in issue declined from €36,783.9 to €34,880m;

- loans and advances to customers increased 10.5%, from €22,891.8m to €25,287.6m, with loans to Group companies rising from €8,838m to €9,776.9m;
- equity investments declined from €2,671m to €2,637.3m, following the RCS MediaGroup impairment charge and subscription to a capital increase by Banca Esperia in an amount of €25m; market prices as at end-December 2011 reflect a surplus of fair value over book value of €1,259.4m (€1,450m based on current prices);
- fixed financial assets increased slightly, from €4,001.1m to €4,101.1m, as a result of purchases made over the market; the implicit loss on this item, based on prices and holdings as at the reporting date, increased from €34.7m to €128.6m;
- AFS securities fell from €6,684.7m to €5,795.7m, and comprise €4,495.6m (€5,053.5m) in debt securities, and €1,300.1m (€1,631.2m) in equities and convertible bonds. The decrease in debt securities is due to net disposals of €172.9m, and downward value adjustments to reflect fair value at the reporting date of €287.5m, plus €114.5m in writedowns to holdings in Greek debt securities. As for equities, these fell by €330m during the period, as a result of net disposals totalling €73.4m, downward value adjustments to reflect fair value of €171.8m, and writedowns amounting to €59.4m (in particular Delmi and Ferretti, for €34m and €10.8m respectively);
- treasury funds totalled €11,027.4m (€10,660.8m) and include €1,851.5m (€170.8m) in cash and bank deposits, €1,118m of which held directly with the European Central Bank, €4,050m (€5,785.5m) in securities, €739.6m (€1,147.8m) in negative valuations of derivatives contracts, and €5,865.5m (€5,852.3m) in short-term funding;
- the Bank's net equity of €4,453m (30/6/11: €4,811.3m) includes: share capital amounting to €430.6m, negative valuation reserves totalling minus €367.4m, and other reserves and retained earnings amounting to €4,389.8m.

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 of around €100m. The present status of these claims is as follows:

- the court of appeals in Milan has ruled in favour of Mediobanca on five claims, four of which rulings have been challenged in the Court of Cassation;
- the court of Milan has ruled against Mediobanca on six claims in the first instance, all of which have already been appealed;
- the court of Florence has ruled in favour of Mediobanca in the first instance on one claim, which has been appealed by the plaintiff.

RESTATED PROFIT AND LOSS ACCOUNT *

(€m)

	6 mths to 31/12/10	12 mths to 30/6/11	6 mths to 31/12/11	Y.o.Y. chg.
Net interest income	169.1	309.1	150.9	-10.8
Net trading income	95.2	171.5	104.1	9.3
Net fee and commission income	153.0	297.7	119.9	-21.6
Equity-accounted companies	9.5	98.9	—	n.m.
Total income	**426.8**	**877.2**	**374.9**	**-12.2**
Labour costs	(115.7)	(221.8)	(101.5)	-12.3
Administrative expenses	(45.2)	(96.0)	(49.4)	+9.3
Operating costs	**(160.9)**	**(317.8)**	**(150.9)**	**-6.2**
Gains (losses) on AFS, HTM and L&R	5.7	8.6	(38.0)	n.m.
Loan loss provisions	(37.0)	0.3	(39.7)	+7.3
Provisions for financial assets	(19.5)	(155.3)	(175.4)	n.m.
Other profits (losses)	—	(158.6)	(57.2)	n.m.
Income tax for the period	**215.1**	**254.4**	**(86.3)**	**n.m.**
Minority interest	(85.0)	(127.0)	(38.0)	-55.3
Net profit	**130.1**	**127.4**	**(124.3)**	**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 *

(€m)

	31/12/10	30/6/11	31/12/11
Assets			
Treasury funds	13,068.7	10,660.8	11,027.4
AFS securities	6,376.5	6,684.7	5,795.7
Fixed financial assets (HTM & LR)	1,983.6	4,001.1	4,101.1
Loans and advances to customers	21,926.0	22,891.8	25,287.6
Equity investments	2,828.4	2,671.0	2,637.3
Tangible and intangible assets	129.2	132.8	132.7
Other assets	366.5	660.9	470.9
Total assets	46,678.9	47,703.1	49,452.7
Liabilities and net equity			
Funding	41,078.2	41,843.9	44,421.3
Other liabilities	568.3	760.5	543.4
Provisions	160.5	160.0	159.3
Net equity	4,741.8	4,811.3	4,453.0
Profit for the period	130.1	127.4	(124.3)
Total liabilities and net equity	46,678.9	47,703.1	49,452.7

* 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 2011 reflect a profit of €44.8m (€30.4m), after loan loss provisions of €145.8m (€151.8m) and tax of €21m (€25.2m).

  Loans and advances to customers were up 0.9% since the balance-sheet date, from €8,409.4m to €8,481.8m.

  The company employs 1,181 staff between its headquarters and 150 branches.

- *Futuro S.p.A.,* Milan *(salary-backed finance; 100%-owned by Compass)*: Futuro recorded a net profit for the six months of €3.7m (€2.7m), after loan loss provisions of €0.8m (unchanged) and tax of €2m (€1.5m). Accounts outstanding at year-end 2011 were up 13.5% on the balance-sheet date, from €720.8m to €818.4m.
  The company employs 66 staff.

- *CheBanca! S.p.A.,* Milan *(retail banking; 100% Compass)*: CheBanca! reported a net loss of €14.6m for the period, slightly lower than the €15m posted last year due to growth in net interest income (from €43.2m to €77.8m), the reduction in costs (from €90.7m to €89.1m) and lower loan loss provisions (down from €15m to €7.1m).

  Retail deposits of €10,682.5m at the reporting date were up approx. 7.2% on the €9,966.4m recorded at 30 June 2011, despite the highly competitive market conditions. The bank also has €194m in indirect deposits on the customers' deposit accounts.

  A total of €411.2m (€383.6m) was disbursed in new mortgage finance during the period under review.

  As at 31 December 2011 the company had a total of 938 staff on its books, between headquarters and its 44 branches.

- *SelmaBipiemme Leasing S.p.A.,* Milan *(leasing; 60%-owned by Compass)*: this company made a net profit of €3.4m for the six months, compared with €2m last year. The result reflects a slight reduction in net interest income (down from €15.9m to €13.2m), the lack of dividends from Teleleasing (€2.7m last year) and a slight increase in operating costs (from €8.7m to €9.2m) and loan loss provisions (from €8m to €8.5m).

As at 31 December 2011 amounts leased to customers had fallen by 3.3% since the balance-sheet date, to €2,290.1m (€2,368,2m).

The company employs 116 staff.

– *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 €2.2m (€3.2m), after loan loss provisions totalling €4.3m and tax of €1.7m (€3.5m and €1.9m respectively last year).
As at 31 December 2011 amounts leased to customers were up 0.4% versus the balance-sheet date, from €1,659.8m to €1,665.7m.

  The company employs 58 staff.

– *Teleleasing S.p.A.,* Milan *(leasing; 80%-owned by SelmaBipiemme)*: this company earned a net profit of €4.3m (€2.9m) during the period, after loan loss provisions totalling €1m and tax of €2.3m (€1.1m and €1.7m respectively last year).
As at 31 December 2011 amounts leased to customers had fallen by 3.5% since the balance-sheet date, (from €452m to €436.1m).

  The company employs 33 staff.

  The other shareholder Telecom Italia has decided not to renew the commercial agreement, thus making it impossible for the company to continue with its business. Accordingly, the Board of Directors will propose to shareholders in a general meeting to be held shortly that the company be wound up.

– *Cofactor S.p.A.*, Milan *(non-recourse factoring; 100%-owned by Compass)*: Cofactor recorded a net profit for the six months of €315,000 (€748,000), after tax of €283,000 (€293,000). Accounts outstanding as at year-end 2011 were booked at €99.3m (compared with €98.1m at the balance-sheet date).

  The company employs 55 staff.

– *Creditech S.p.A.,* Milan *(credit management; 100%-owned by Compass)*: this company reported a net profit of €1.9m for the six months (unchanged), after tax of €1m.

  The company employs 66 staff.

– *Compass RE S.A.*, Luxemburg *(reinsurance; 100%-owned by Compass)*: this company recorded an even balance for the six months under review, after setting aside €4.7m to the technical reserves. Compass RE's reinsurance activities in this period generated €31.5m in gross premiums written (31/12/10: €21.2m), which, taking into account the movements in the technical reserve, come down to €5.8m (€2.1m).

– *Compagnie Monégasque de Banque*, Monaco *(100%-owned by Mediobanca)*: the draft consolidated accounts as at 31 December 2011 reflect a profit of €82.1m (€24,7m), after net fees and commissions of €34.5m (€34.1m). The result includes the €83m gain generated on the disposal of a non-core property, and €20m in transfers to provisions for general risks. Lendings totalled €795.3m (31/12/10: €706.6m) and deposits €1,519m (€1,211.7m). Assets managed on a discretionary and non-discretionary basis amounted to €6.2bn (€5.7bn), up approx. 5.5%.

– *Banca Esperia S.p.A.*, Milan *(50%-owned by Mediobanca)*: the draft consolidated accounts as at 31 December 2011 reflect a pre-tax profit of €4.9m, up on the €2.5m posted last year due to lower restructuring charges and non-recurring expenses (totalling €2.5m, as compared with €7.3m). Total income grew slightly, from €64.2m to €64.9m, driven by a rise in net fee and commission income from €57.7m to €58.9m (despite a reduction in performance fees) and net interest income (up from €4.1m to €5.3m). Assets under management were virtually stable, rising from €12.7bn to €12.8bn despite the €600m net inflows, which were entirely absorbed by the market effect.

– *Spafid - Società per Amministrazioni Fiduciarie S.p.A.*, Milan *(100%-owned by Mediobanca)*: this company recorded a profit of €367,000 (€337,000), after tax of €209,000 (€198,000). Securities under trust at 31 December 2011 totalled €2,038.9m (€2,014.1m at the balance-sheet date).

The company employs 20 staff.

– *Prudentia Fiduciaria S.p.A.*, Milan *(100%-owned by Mediobanca)*: Prudentia recorded a profit of €300,000 (€302,000), after tax of €165,000 (unchanged). Securities under trust as at 31 December 2011 amounted to €67.4m (€66.9m at the balance-sheet date).

The company employs 18 staff.

– *Mediobanca International (Luxembourg) S.A., Luxembourg (wholesale bank; 99%-owned by Mediobanca; 1%-owned by Compass)*: this company recorded a profit of €15.1m for the six months (€16.6m); while the result on the one hand was boosted by higher net interest income (up from €14.3m to €16.2m), on the other it was impacted by lower net fee and commission income (down from €9.4m to €6.3m) and a slight increase in operating costs (up from €4.1m to €4.9m). Loans and advances to customers increased from €4,080.9m to €4,724m, an increasing share of which was funded by debt securities (which rose from €1,354.8m to €1,751.9m) and borrowings from customers (up from €59.1m to €491.3m). Short-term funding, in the form of CDs and Euro commercial paper, decreased from €282.2m to €136.6m. Net equity stood at €202.6m (€166.5m).

The company employs nine staff at its head office in Luxembourg, three of whom are seconded from Mediobanca S.p.A.

During the six months under review a 100% stake was acquired in Mediobanca International Immobilière S.à.r.l. (formerly Jodewa S.à.r.l.), the company which owns the property to which the head office will be transferred.

– *Prominvestment in liquidation*, Rome *(100%-owned by Mediobanca)*: Prominvestment made a loss of €389,000 (€284,000), after net fee and commission income of €122,000 (€247,000).

  The company employs 6 staff.

– *MB Securities USA LLC.*, New York *(100%-owned by Mediobanca)*: this company, which performs order collection services, made a profit of $26,000 ($313,000) in the six months.

  The company employs four staff, one of whom is seconded part-time to Mediobanca S.p.A.

– *R. & S. – Ricerche and Studi S.p.A.*, Milan *(100%-owned by Mediobanca)*: this company recorded a profit of €43,000, for the six months, after charging Mediobanca €0.8m (€0.5m) for services and expenses. R&S produced the thirty-sixth edition of its Annual Directory, which includes analysis of leading Italian listed companies, the sixteenth edition of its survey of global multinationals, the fourth update to its survey of European banks based on interim data, and continued with its publication of the quarterly survey of blue chip companies' results in conjunction with Italian daily newspaper *Il Sole 24 Ore*. It also collaborated with the *Fondazione Ugo La Malfa* on a study of industrial companies in southern Italy.

Outlook

In the second half of the year, the Group's ordinary activities should continue to perform well, despite the difficult operating environment. As was the case in the first half-year, however, there are likely to be further writedowns to securities and investments, which could impact significantly on the Group's profits. Operating costs are expected to be stable.

Reconciliation of shareholders' equity and net profit

(€'000)

	Shareholders' equity	Net profit
Balance at 31/12 as per Mediobanca S.p.A. accounts	4,452,984	(124,312)
Net surplus over book value for consolidated companies	18,377	147,968
Other adjustments and restatements on consolidation, including the effects of accounting for companies on an equity basis	1,578,489	39,769
Dividends received during the period	–	–
TOTAL	6,049,850	63,425

Milan, 22 February 2012

THE BOARD OF DIRECTORS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet *

(€'000)

Assets		31/12/11		30/6/11
10. Cash and cash equivalents		1,154,687		31,492
20. Financial assets held for trading		14,157,202		13,716,728
40. Financial assets available for sale		6,859,646		7,749,883
50. Financial assets held to maturity		1,747,891		1,643,580
60. Due from banks		5,599,421		4,054,599
70. Due from customers		40,644,732		39,235,463
80. Hedging derivatives		1,402,093		1,368,114
100. Equity investments		2,976,915		3,156,142
120. Property, plant and equipment		297,354		320,423
130. Intangible assets		431,091		437,379
of which:				
goodwill	*365,934*		*365,934*	
140. Tax assets:		1,003,030		967,048
a) current	*243,026*		*375,597*	
b) advance	*760,004*		*591,451*	
160. Other assets		193,989		253,387
TOTAL ASSETS		**76,468,051**		**72,934,238**

* Securities lending transactions have been reallocated compared to the financial statements for the twelve months ended 30 June 2011; whereas previously these were accounted for under asset headings 60 and 70 and liability headings 10 and 20, here they are treated as off-balance-sheet transactions.

(€'000)

Liabilities and net equity		31/12/11		30/6/11
10. Due to banks		9,365,406		7,372,610
20. Due to customers		15,431,518		13,667,048
30. Debt securities in issue		33,516,617		35,270,692
40. Trading liabilities		10,320,227		7,516,595
60. Hedging derivatives		426,612		647,704
80. Tax liabilities:		430,661		565,834
a) current	*133,271*		*252,773*	
b) deferred	*297,390*		*313,061*	
100. Other liabilities		491,239		628,549
110. Staff severance indemnity provision		24,161		26,036
120. Provisions:		157,818		156,522
b) other provisions	*157,818*		*156,522*	
130. Insurance reserve		78,049		54,828
140. Revaluation reserves		(711,598)		6,676
170. Reserves		4,424,584		4,200,943
180. Share premium reserve		2,120,143		2,120,143
190. Share capital		430,565		430,565
200. Treasury shares		(213,844)		(213,844)
210. Minority interest		112,468		114,745
220. Profit for the period		63,425		368,592
TOTAL LIABILITIES AND NET EQUITY		**76,468,051**		**72,934,238**

Consolidated profit and loss account

(€'000)

Item			6 mths to 31/12/11		12 mths to 30/6/11		6 mths to 31/12/10
10.	Interest and similar income		1,552,298		2,787,546		1,374,285
20.	Interest expense and similar charges		(993,801)		(1,655,954)		(806,263)
30.	**Net interest income**		**558,497**		**1,131,592**		**568,022**
40.	Fee and commission income		207,017		485,635		248,335
50.	Fee and commission expense		(18,025)		(48,643)		(22,428)
60.	**Net fee and commission income**		**188,992**		**436,992**		**225,907**
70.	Dividends and similar income		35,868		115,977		43,376
80.	Net trading income		43,648		(32,748)		16,833
90.	Net hedging income (expense)		4,429		80		(2,868)
100.	Gain (loss) on disposal/repurchase of:		(13,188)		64,056		32,559
	a) loans and advances	*24*		*586*		*166*	
	b) AFS securities	*(38,019)*		*22,194*		*15,166*	
	c) financial assets held to maturity	*201*		*(3,320)*		*(157)*	
	d) financial liabilities	*24,606*		*44,596*		*17,384*	
120.	**Total income**		**818,246**		**1,715,949**		**883,829**
130.	Adjustments for impairment to:		(388,216)		(504,701)		(239,258)
	a) loans and advances	*(189,545)*		*(343,098)*		*(210,414)*	
	b) AFS securities	*(174,381)*		*(145,096)*		*(12,426)*	
	c) financial assets held to maturity	*(1,454)*		*(10,456)*		*(7,295)*	
	d) financial liabilities	*(22,836)*		*(6,051)*		*(9,123)*	
140.	**Net income from financial operations**		**430,030**		**1,211,248**		**644,571**
150.	Premiums earned (net)		9,434		9,488		3,413
160.	Other income (net) from insurance activities		(3,629)		(4,653)		(1,309)
170.	**Net profit from financial and insurance activities**		**435,835**		**1,216,083**		**646,675**
180.	Administrative expenses:		(399,121)		(833,196)		(412,345)
	*a) personnel costs **	*(201,329)*		*(418,778)*		*(211,418)*	
	*b) other administrative expenses **	*(197,792)*		*(414,418)*		*(200,927)*	
190.	Net transfers to provisions		(1,375)		(1,012)		(42)
200.	Net adjustments to tangible assets		(8,538)		(17,444)		(8,883)
210.	Net adjustments to intangible assets		(13,107)		(24,506)		(11,938)
220.	Other operating income (expense)		62,499		130,804		63,915
230.	**Operating costs**		**(359,642)**		**(745,354)**		**(369,293)**
240.	Gain (loss) on equity investments		16,600		83,383		110,165
270.	Gain (loss) on disposal of investments in:		43,750		87		73
	a) property	*43,875*		—		—	
	b) other assets	*(125)*		*87*		*73*	
280.	**Profit (loss) on ordinary activities before tax**		**136,543**		**554,199**		**387,620**
290.	Income tax for the year on ordinary activities		(71,360)		(180,632)		(122,185)
300.	**Profit (loss) on ordinary activities after tax**		**65,183**		**373,567**		**265,435**
320.	**Net profit (loss) for the period**		**65,183**		**373,567**		**265,435**
330.	Net profit (loss) for the period attributable to minorities		(1,758)		(4,975)		(2,511)
340.	**Net profit (loss) for the period attributable to Mediobanca**		**63,425**		**368,592**		**262,924**

* Restated from 31 December 2010 in accordance with Bank of Italy guidance as per their circular issued on 22 February 2011.

Consolidated comprehensive income

	Headings	31/12/11	31/12/10
10.	Gain (loss) for the period	65,183	265,435
	Other income items net of tax		
20.	AFS securities	(405,077)	(63,519)
30.	Property, plant and equipment	—	—
40.	Intangible assets	—	—
50.	Foreign investment hedges	—	—
60.	Cash flow hedges	(104,347)	59,515
70.	Exchange rate differences	(196)	1,327
80.	Non-current assets being sold	—	—
90.	Actuarial gains (losses) on defined-benefit pension schemes	—	—
100.	Share of valuation reserves for equity-accounted companies	(212,690)	(1,174)
110.	Total other income items net of tax	(722,310)	(3,851)
120.	Aggregate profit (Heading 10 + Heading 110)	(657,127)	261,584
130.	Overall consolidated profit attrubutable to minorities	(2,277)	6,467
140.	Overall consolidated profit attributable to Mediobanca	(654,850)	255,117

Statement of changes to net equity

	Net profit attributable to minorities at 30/6/11	Allocation of profit for previous period		Changes during the reference period							Overall consolidated profit	Balance at 31/12/11	Net profit attributable to minorities at 31/12/11
		Reserves	Dividends and other fund applications	Changes to reserves	Transactions involving net equity								
					New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury share derivatives	Stock options			
Share capital:	430,565	—	—	—	—	—	—	—	—	—	—	430,565	24,948
a) ordinary shares	430,565	—	—	—	—	—	—	—	—	—	—	430,565	24,948
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,120,143	—	—	—	—	—	—	—	—	—	—	2,120,143	7,216
Reserves:	4,200,943	230,067	—	(6,462)	—	—	—	—	—	5,011	—	4,424,584	83,878
a) retained earnings	4,144,837	230,067	—	(6,462)	—	—	—	—	—	—	—	4,363,467	83,878
b) others	56,106	—	—	—	—	—	—	—	—	5,011	—	61,117	—
Valuation reserves	6,676	—	—	—	—	—	—	—	—	—	(722,310)	(711,598)	(5,332)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(213,844)	—	—	—	—	—	—	—	—	—	—	(213,844)	—
Profit (loss) for the period	368,592	(230,067)	(143,500)	—	—	—	—	—	—	—	65,183	63,425	1,758
Net equity	6,913,075	—	(143,500)	(6,462)	—	—	—	—	—	5,011	(657,127)	6,113,275	—
Net profit attributable to minorities	114,745	—	—	—	—	—	—	—	—	—	(2,277)	—	112,468

Statement of changes to consolidated net equity from 1/7/10 to 31/12/10

	Previously reported balance at 30/06/10	Allocation of profit for previous period		Changes during the reference period							Overall consolidated profit	Balance at 31/12/10	Net profit attributable to minorities at 31/12/10
		Reserves	Dividends and other fund applications	Changes to reserves	Transactions involving net equity								
					New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury shares derivates	Stock options			
Share capital:	430,551	—	—	(181)	—	—	—	—	—	—	—	430,551	24,948
a) ordinary shares	430,551	—	—	(181)	—	—	—	—	—	—	—	430,551	24,948
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,119,913	—	—	—	7	—	—	—	—	—	—	2,119,920	7,216
Reserves:	3,938,440	257,941	—	(1,050)	—	—	—	—	—	4,521	—	4,199,102	78,883
a) retained earnings	3,895,830	257,941	—	(1,050)	—	—	—	—	—	—	—	4,151,971	78,883
b) others	42,610	—	—	—	—	—	—	—	—	4,521	—	47,131	—
Valuation reserves	55,311	—	—	—	—	—	—	—	—	—	(3,851)	47,505	(4,516)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(213,844)	—	—	—	—	—	—	—	—	—	—	(213,844)	—
Profit (loss) for the period	400,855	(257,941)	(144,180)	—	—	—	—	—	—	—	265,435	262,924	2,511
Net equity	6,731,226	—	(143,496)	(1,217)	7	—	—	—	—	4,521	255,117	6,846,158	—
Net profit attributable to minorities	—	—	(684)	(14)	—	—	—	—	—	—	6,467	—	109,042

Consolidated cash flow statement direct method

	Amounts	
	31/12/11	31/12/10
A. CASH FLOW FROM OPERATING ACTIVITIES		
1. Operating activities	**421,147**	**1,232,762**
- interest received	3,072,839	2,591,898
- interest paid	(2,594,651)	(1,542,323)
- dividends and similar income	56,462	43,351
- net fees and commission income	155,999	119,379
- cash payments to employees	(182,581)	(181,916)
- net premium income	30,870	16,861
- other premium from insurance activities	(50,956)	(51,109)
- other expenses paid	(943,404)	(970,198)
- other income received	937,387	1,253,868
- income taxes paid	(60,818)	(47,049)
- net expense/income from groups of assets being sold	—	—
2. Cash generated/absorbed by financial assets	**566,997**	**1,908,855**
- financial assets held for trading	2,316,455	2,413,066
- financial assets recognized at fair value	—	—
- AFS securities	(289,782)	(1,213,233)
- due from customers	(886,997)	(850,015)
- due from banks: on demand	3,173,899	739,201
- due from banks: other	(3,744,205)	854,790
- other assets	(2,373)	(34,954)
3. Cash generated/absorbed by financial liabilities	**331,089**	**(2,913,778)**
- due to banks: on demand	(738,017)	(104,064)
- due to banks: other	2,095,551	(1,513,469)
- due to customers	1,375,308	(281,895)
- debt securities	(2,570,158)	(983,245)
- trading liabilities	203,859	194,021
- financial liabilities assets recognized at fair value	—	—
- other liabilities	(35,454)	(225,126)
Net cash flow (outflow) from operating activities	**1,319,233**	**227,839**
B. INVESTMENT ACTIVITIES		
1. Cash generated from	**109,296**	**848**
- disposals of shareholdings	—	—
- dividends received in respect of equity investments	—	—
- disposals/redemptions of financial assets held to maturity	155	637
- disposals of tangible assets	109,141	192
- disposals of intangible assets	—	19
- disposals of subsidiaries or business units	—	—
2. Cash absorbed by	**(161,834)**	**(75,756)**
- acquisitions of shareholdings	(23,465)	(1,612)
- acquisitions of held-to-maturity investments	(101,982)	(60,910)
- acquisitions of tangible assets	(29,569)	(6,360)
- acquisitions of intangible assets	(6,818)	(6,874)
- acquisitions of subsidiaries or business units	—	—
- Net cash flow (outflow) from investment/servicing of finance	**(52,538)**	**(74,908)**
C. FUNDING ACTIVITIES		
- issuance/acquisition of treasury shares	—	17
- issuance/acquisitions of equity instruments	—	—
- dividends payout and other applications of funds	(143,500)	(144,180)
Net cash flow (outflow) from funding activities	**(143,500)**	**(144,163)**
NET CASH FLOW (OUTFLOW) DURING PERIOD	**1,123,195**	**8,768**

Reconciliation of movements in cash flow during period

	Amounts	
	31/12/11	**31/12/10**
Cash and cash equivalents: balance at start of period	31,492	26,802
Total cash flow (ouflow) during period	1,123,195	8,768
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at end of period	1,154,687	35,570

EXPLANATORY NOTES TO THE ACCOUNTS

EXPLANATORY 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 2011 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 (and its first update issued on 18 November 2009). The condensed 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;
- comprehensive profit and loss account;
- statement of changes in net equity;
- cash flow statement (direct method);
- notes to the accounts.

All the statements have been drawn up in conformity with the general principles provided for under IAS and the accounting policies illustrated in section 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 method 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.

During the six months under review, control was acquired of MI Immobilière, a company which owns a property located in Luxembourg, by Mediobanca International.

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 liquidazione	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.	COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A.M.	Monte Carlo	1	A.1.1	100.00	100.00
7.	C.M.I. COMPAGNIE MONEGASQUE IMMOBILIERE SCI	Monte Carlo	1	A.1.6	99.94	99.94
				A.1.7	0.006	0.006
8.	C.M.G. COMPAGNIE MONEGASQUE DE GESTION S.A.M.	Monte Carlo	1	A.1.6	99.89	99.89
9.	SMEF SOCIETE MONEGASQUE DES ETUDES FINANCIERE S.A.M.	Monte Carlo	1	A.1.6	99.96	99.96
10.	CMB ASSET MANANGEMENT S.A.M.	Monte Carlo	1	A.1.6	99.50	99.50
11.	MONOECI SOCIETE CIVILE IMMOBILIERE	Monte Carlo	1	A.1.6	99.00	99.00
				A.1.8	1.00	1.00
12.	MOULINS 700 S.A.M.	Monte Carlo	1	A.1.7	99.90	99.90
13.	CMB BANQUE PRIVÈE (Suisse) S.A.	Lugano	1	A.1.6	100.00	100.00
14.	MEDIOBANCA INTERNATIONAL (Luxembourg) S.A.	Luxembourg	1	A.1.1	99.00	99.00
			1	A.1.15	1.00	1.00
15.	COMPASS S.p.A.	Milan	1	A.1.1	100.00	100.00
16.	CHEBANCA! S.p.A.	Milan	1	A.1.15	100.00	100.00
17.	COFACTOR S.p.A.	Milan	1	A.1.15	100.00	100.00
18.	SELMABIPIEMME LEASING S.p.A.	Milan	1	A.1.15	60.00	60.00
19.	PALLADIO LEASING S.p.A.	Vicenza	1	A.1.18	95.00	100.00
				A.1.19	5.00	
20.	TELELEASING S.p.A.	Milan	1	A.1.18	80.00	80.00
21.	SADE FINANZIARIA - INTERSOMER S.r.l.	Milan	1	A.1.1	100.00	100.00
22.	RICERCHE E STUDI S.p.A.	Milan	1	A.1.1	100.00	100.00
23.	CREDITECH S.p.A.	Milan	1	A.1.15	100.00	100.00
24.	MEDIOBANCA SECURITIES USA LLC	New York	1	A.1.1	100.00	100.00
25.	CONSORTIUM S.r.l.	Milan	1	A.1.1	100.00	100.00
26.	QUARZO S.r.l.	Milan	1	A.1.15	90.00	90.00
27.	QUARZO LEASE S.r.l.	Milan	1	A.1.18	90.00	90.00
28.	FUTURO S.p.A.	Milan	1	A.1.15	100.00	100.00
29.	JUMP S.r.l.	Milan	4	A.1.15	—	—
30.	MEDIOBANCA COVERED BOND S.r.l.	Milan	1	A.1.16	90.00	90.00
31.	COMPASS RE (Luxembourg) S.A.	Luxembourg	1	A.1.15	100.00	100.00
32.	MEDIOBANCA INTERNATIONAL IMMOBILIERE s.a.r.l.	Luxembourg	1	A.1.14	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 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 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 twenty-four months, compared to the initial recognition value. If the reasons for which the loss was recorded subsequently cease to apply, the impairment is written back to the profit and loss account for debt securities to and net equity for shares.

Financial assets held to maturity

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

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

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

If the reasons which brought about the loss of value subsequently cease to apply, the impairment is written back to the profit and loss account up to the value of amortized cost.

Loans and receivables

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

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

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

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

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

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

Accounts for which there is no objective evidence of impairment, including those involving counterparties in countries deemed to be at risk, are subject to collective tests. Loans are grouped on the basis of similar credit risk characteristics, and the related loss percentages are estimated at the impairment date on the basis of historical series of internal and external data. Collective value adjustments are credited or charged to the profit and loss account, as appropriate. At each annual and interim reporting date, any writedowns or writebacks are remeasured on a differentiated basis with respect to the entire portfolio of loans deemed to be performing at that date.

Leasing

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

Hedges

There are two types of hedge:

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

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

Hedge derivatives are recognized at fair value as follows:

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

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

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

Equity investments

This heading consists of investments in:

– associates, equity accounted defined as companies in which at least 20% of the voting rights are held, and those in which the size of the investment is sufficient to ensure an influence in the governance of the investee company;

– jointly-controlled companies, also equity accounted;

– other investments of negligible value, stated at cost.

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

Property, plant and equipment

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

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

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

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

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

Intangible assets

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

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

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

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

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

Derecognition of assets

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

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

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

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

Payables, debt securities in issue and subordinated liabilities

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

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

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

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

The sale of treasury shares over the market following a buyback 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 is calculated on the basis of temporary differences – without time limits – between the carrying amount of an asset or liability and its tax base, according to statutory criteria and the corresponding values used for tax purposes.

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

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

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

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

Stock options and performance shares

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

Treasury shares

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

Dividends and commissions

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

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

Related parties (IAS 24)

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

a) individuals or entities which directly or indirectly:

   1. are subject to joint control by Mediobanca (including the parent company, subsidiaries and associates);

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

b) associate companies;

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

d) entities controlled or jointly controlled by one or more of the individuals listed under the foregoing letter c);

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

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

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 31/12/11	Fair value at 31/12/11	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	158,142	131,847	(15,882)	2,456	—	2,456
Debt securities (ABS)	AFS securities	Due from customers	62,920	57,126	(3,497)	999	—	999
Debt securities	AFS securities	Financial assets held to maturity	483,790	452,627	(18,175)	11,574		11,574

A.3.2 Fair value ranking

A.3.2.1 Asset portfolios by fair value ranking

	31/12/11			30/6/11		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	7,663,460	5,272,210	1,221,532 [1]	8,029,394	4,333,956	1,353,378 [1]
2. Financial assets recognized at fair value	—	—	—	—	—	—
3. AFS securities	5,062,250	818,859	978,537	5,932,006	717,718	1,100,159 [2]
4. Hedge derivatives	—	1,402,093	—	—	1,368,114	—
Total	12,725,710	7,493,162	2,200,069	13,961,400	6,419,788	2,453,537
1. Financial liabilities held for trading	(4,656,431)	(4,510,520)	(1,153,276) [1]	(3,177,725)	(3,061,992)	(1,276,878) [1]
2. Financial liabilities recognized at fair value	—	—	—	—	—	—
3. Hedge derivatives	—	(426,612)	—	—	(647,704)	—
Total	(4,656,431)	(4,937,132)	(1,153,276)	(3,177,725)	(3,709,696)	(1,276,878)

[1] Includes market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€243m at 31/12/11 and €394m at 30/6/11) as well as options traded (€705m and €670m respectively), the values of which are recorded as both assets and liabilities for the same amount.

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

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

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

	FINANCIAL ASSETS			
	Held for trading [1]	**Recognized at fair value**	**AFS** [2]	**Hedges**
1. Balance at start of period	288,518	—	1,100,159	—
2. Additions	24,039	—	11,822	—
2.1 Purchases	221	—	9,239	—
2.2 Profits recognized in:	22,178	—	2,460	—
2.2.1 profit and loss	22,178	—	468	—
- of which, gains	22,169	—	—	—
2.2.2 net equity	—	—	1,992	—
2.3 Transfers from other levels	—	—	—	—
2.4 Other additions	1,640	—	123	—
3. Reductions	(39,442)	—	(133,444)	—
3.1 Disposals	(3,453)	—	(2,208)	—
3.2 Redemptions	(9,115)	—	—	—
3.3 Losses recognized in:	(26,874)	—	(129,996)	—
3.3.1 profit and loss	(26,874)	—	(45,632)	—
- of which, losses	(26,872)	—	(45,629)	—
3.3.2 net equity	—	—	(84,364)	—
3.4 Transfers to other levels	—	—	—	—
3.5 Other reductions	—	—	(1,240)	—
4. Balance at end of period	273,115	—	978,537	—

[1] Includes market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€243m at 31/12/11 and €394m at 30/6/11) as well as options traded (€705m and €670m respectively), the values of which are recorded as both assets and liabilities for the same amount.

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

For more complex Level 3 instruments, the valuation models reflect a fine-tuning in the parameters used (“model reserve”) which allows the initial mark-to-market to be reduced to zero and released pro rata for the duration of the contract. This technique has only been applied to three contracts, with an aggregate residual impact of €4.4m, including €1.6m already charged to the profit and loss account.

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

	FINANCIAL LIABILITIES		
	Held for trading [1]	**Recognized at fair value**	**Hedges**
1. Balance at start of period	(212,018)	—	—
2. Additions	(89,631)	—	—
2.1 Issues	(20,975)	—	—
2.2 Losses recognized in:	(68,656)	—	—
2.2.1 profit and loss	(68,656)	—	—
- of which, losses	(68,656)	—	—
2.2.2 net equity	—	—	—
2.3 Transfers from other levels	—	—	—
2.4 Other additions	—	—	—
3. Reductions	96,789	—	—
3.1 Redemptions	42,984	—	—
3.2 Buybacks	—	—	—
3.3 Profits recognized in:	53,805	—	—
3.3.1 profit and loss	53,805	—	—
- of which, gains	53,805	—	—
3.3.2 net equity	—	—	—
3.4 Transfers to other levels	—	—	—
3.5 Other reductions	—	—	—
4. Balance at end of period	(204,860)	—	—

[1] Net of the market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€243m at 31/12/11 and €394m at 30/6/11) as well as options traded (€705m and €670m respectively), the values of which are recorded as both assets and liabilities for the same amount.

Part B - Notes to consolidated balance sheet *

Assets

SECTION 1

Heading 10: Cash and cash equivalents

1.1 Cash and cash equivalents

	31/12/11	30/6/11
a) Cash	35,576	29,285
b) Demand deposits held at central banks	1,119,111	2,207
Total	1,154,687	31,492

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

SECTION 2

Heading 20: Financial assets held for trading

2.1 Financial assets held for trading: composition

	31/12/11			30/6/11		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
A. Cash assets						
1. Debt securities	3,807,075	1,106,925	1	4,052,746	1,421,919	1
1.1 Structured	201,890	80,160	—	238,502	176,581	—
1.2 Other debt securities	3,605,185	1,026,765	1	3,814,244	1,245,338	1
2. Equities	842,840	1	138,996	1,557,899	—	164,296
3. UCITS units	196,011	288,554	32,844	332,870	287,597	36,018
4. Loans and advances	—	1,607	—	—	—	—
4.1 Repos	—	—	—	—	—	—
4.2 Others	—	1,607	—	—	—	—
Total A	4,845,926	1,397,087	171,841	5,943,515	1,709,516	200,315
B. Derivative products						
1. Financial derivatives	854,863	3,507,371	1,049,691	564,179	2,387,536	1,153,063
1.1 Trading	854,863	3,340,197	806,307 [1]	564,179	2,323,469	758,642 [1]
1.2 Linked to fair value options	—	—	—	—	—	—
1.3 Others	—	167,174	243,384 [2]	—	64,067	394,421 [2]
2. Credit derivatives	1,962,671	367,752	—	1,521,700	236,904	—
2.1 Trading	1,962,671	367,752	—	1,521,700	236,904	—
2.2 Linked to fair value options	—	—	—	—	—	—
2.3 Others	—	—	—	—	—	—
Total B	2,817,534	3,875,123	1,049,691	2,085,879	2,624,440	1,153,063
Total (A+B)	7,663,460	5,272,210	1,221,532	8,029,394	4,333,956	1,353,378

[1] Respectively €705,456,000 and €670,439,000 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	UCITS units	Loans and advances	Total
A. Balance at start of period	5,474,666	1,722,195	656,485	—	7,853,346
B. Additions	14,873,342	3,629,185	306,472	8,607	18,817,606
B.1 Acquisitions	14,015,512	3,386,953	285,691	8,600	17,696,756
B.2 Increases in fair value	117,192	34,601	19,107	—	170,900
B.3 Other additions	740,638	207,631	1,674	7	949,950
C. Reductions	15,434,007	4,369,543	445,548	7,000	20,256,098
C.1 Disposals	14,370,167	4,086,602	442,833	6,600	18,906,202
C.2 Redemptions	816,790	—	—	—	816,790
C.3 Reductions in fair value	177,152	138,378	2,225	400	318,155
C.4 Transfers to other portfolios	—	—	—	—	—
C.5 Other reductions	69,898	144,563	490	—	214,951
D. Balance at end of period	4,914,001	981,837	517,409	1,607	6,414,854

SECTION 4

Heading 40: Available for sale (AFS) securities

4.1 AFS securities: composition

	31/12/11			30/6/11		
	Level 1	Level 2	Level 3 *	Level 1	Level 2	Level 3 *
1. Debt securities	4,717,294	809,300	8,226	5,373,466	707,456	11,383
1.1 Structured	—	—	—	—	—	—
1.2 Other debt securities	4,717,294	809,300	8,226	5,373,466	707,456	11,383
2. Equities	344,608	643	885,420	558,185	643	994,889
2.1 Recognised at fair value	344,608	643	885,368	558,185	643	994,837
2.2 Recognised at cost	—	—	52	—	—	52
3. UCITS units	348	8,916	84,891	355	9,619	93,887
4. Loans and advances	—	—	—	—	—	—
Total	5,062,250	818,859	978,537	5,932,006	717,718	1,100,159

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

4.4 AFS securities: movements during the period

	Debt securities	Equities	UCITS units	Loans and advances	Total
A. Balance at start of period	6,092,305	1,553,717	103,861	—	7,749,883
B. Additions	387,804	57,623	9,041	—	454,468
B.1 Acquisitions	307,873	42,070	7,940	—	357,883
B.2 Increases in fair value	50,827	3,465	1,101	—	55,393
B.3 Writebacks	—	—	—	—	—
- recognized in profit and loss account	—	X	—	—	—
- recognized in net equity	—	—	—	—	—
B.4 Transfers from other asset classes	—	—	—	—	—
B.5 Other additions	29,104	12,088	—	—	41,192
C. Reductions	945,289	380,669	18,747	—	1,344,705
C.1 Disposals	353,228	122,416	1,709	—	477,353
C.2 Redemptions	42,083	—	—	—	42,083
C.3 Reductions in fair value	433,678	168,480	4,049	—	606,207
C.4 Writedowns due to impairment	114,490	63,613	58	—	178,161
- taken to profit and loss account	114,490	59,340	58	—	173,888
- taken to net equity	—	4,273	—	—	4,273
C.5 Transfers to other asset classes	—	—	—	—	—
C.6 Other reductions	1,810	26,160	12,931	—	40,901
D. Balance at end of period	5,534,820	1,230,671	94,155	—	6,859,646

SECTION 5

Heading 50: Financial assets held to maturity

5.1 Financial assets held to maturity: composition

Type of transactions/group components	31/12/11				30/6/11			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	1,747,891	1,437,632	208,802	22,232	1,643,580	1,412,652	202,471	22,203
1.1 Structured	—	—	—	—	—	—	—	—
1.2 Other debt securities	1,747,891	1,437,632	208,802	22,232	1,643,580	1,412,652	202,471	22,203
2. Loans and advances	—	—	—	—	—	—	—	—
Total	1,747,891	1,437,632	208,802	22,232	1,643,580	1,412,652	202,471	22,203

5.4 Financial assets held to maturity: movements during the period

	Debt securities	Loans and advances	Total
A. Balance at start of period	1,643,580	—	1,643,580
B. Additions	106,552	—	106,552
B.1 Acquisitions	101,982	—	101,982
B.2 Writebacks	381	—	381
B.3 Transfers from other asset classes	—	—	—
B.4 Other additions	4,189	—	4,189
C. Reductions	2,241	—	2,241
C.1 Disposal	—	—	—
C.2 Redemptions	155	—	155
C.3 Value adjustments	1,835	—	1,835
C.4 Transfers to other asset classes	—	—	—
C.5 Other reductions	251	—	251
D. Balance at end of period	1,747,891	—	1,747,891

SECTION 6

Heading 60 - Due from banks

6.1 Due from banks: composition

Type of transactions/value	31/12/11	30/6/11
A. Due from central banks	1,805,775	46,191
1. Term deposits	1,750,070	—
2. Compulsory reserves	55,705	46,191
3. Amounts due under repo agreements	—	—
4. Other amounts due	—	—
B. Due from banks	3,793,646	4,008,408
1. Current accounts and demand deposits	1,619,416	1,537,698
2. Term deposits	106,933	76,191
3. Other receivables:	2,067,297	2,394,516
3.1 amounts due under repo agreements	85,582	1,039,707
3.2 amounts due under finance leases	9,395	9,281
3.3 other amounts due	1,972,320	1,345,528
4. Debt securities	—	3
4.1 structured	—	—
4.2 other debt securities	—	3
Total book value	5,599,421	4,054,599
Total fair value	5,599,421	4,050,842

SECTION 7

Heading 70: Due from customers

7.1 Due from customers: composition

Type of transactions/amounts	31/12/11		30/6/11	
	Performing	Non-performing	Performing	Non-performing
1. Current accounts	33,738	—	34,807	—
2. Amounts due under repo agreements	2,683,107	—	1,812,430	—
3. Mortgages	21,434,027	281,889	20,764,900	281,519
4. Credit cards, personal loans and salary-guaranteed finance	8,946,183	187,585	8,718,365	208,145
5. Amounts due under finance leasing	4,108,420	192,500	4,204,672	200,234
6. Factoring	—	—	—	—
7. Other transactions	2,079,952	32,604	2,325,921	19,905
8. Debt securities	664,727	—	664,565	—
8.1 structured	—	—	—	—
8.2 other debt securities	664,727	—	664,565	—
Total book value	39,950,154	694,578	38,525,660	709,803
Total (fair value)		39,660,776		39,844,139

SECTION 8

Heading 80: Hedging derivatives

8.1 Hedging derivatives: by type and ranking

	31/12/11 Fair value			Notional value	30/6/11 Fair value			Notional value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivates	—	1,402,093	—	12,483,692	—	1,368,114	—	17,827,652
1) Fair value	—	1,402,093	—	12,483,692	—	1,366,854	—	17,522,652
2) Cash flow	—	—	—	—	—	1,260	—	305,000
3) Non-Italian investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	1,402,093	—	12,483,692	—	1,368,114	—	17,827,652

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

Operations/type of hedging	Fair value					General	Cash flow hedges		Non-Italian investments
	Specific						Specific	General	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. AFS securities	2,290	—	—	—	—	X	—	X	X
2. Loans and advances	—	—	—	X	—	X	—	X	X
3. Financial assets held to maturity	X	—	—	X	—	X	—	X	X
4. Portfolio	X	X	X	X	X	—	X	—	X
5. Non-Italian investments	—	—	—	—	—	X	—	X	—
Total assets	2,290	—	—	—	—	—	—	—	—
1. Financial liabilities	1,399,803	—	—	—	—	X	—	X	X
2. Portfolio	X	X	X	X	X	—	X	—	X
Total liabilities	1,399,803	—	—	—	—	X	—	X	X
1. Estimated transactions	X	X	X	X	X	X	—	—	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	—	X	—	—

SECTION 10

Heading 100: Equity investments

10.1 Investments in jointly-controlled companies (equity-accounted) and companies subject to significant influence: disclosures on shareholdings

Name	Registered office	Type of relation ship	Shareholding		% of votino rights
			Investor company	% interest	
COMPANIES					
1. Banca Esperia S.p.A.	Milan	1	Mediobanca	50.00	50.00
2. Fidia SGR S.p.A.	Milan	2	Mediobanca	25.00	25.00
3. Athena Private Equity S.A.	Luxembourg	2	Mediobanca	24,27	24,27
4. Burgo Group S.p.A.	Altavilla Vicentina (VI)	2	Mediobanca	22,13	22,13
5. RCS MediaGroup S.p.A.	Milan	2	Mediobanca	14.36	14.94
6. Assicurazioni Generali S.p.A.	Trieste	2	Mediobanca	12.24	12.24
			Spafid	0.09	0.09
			Compass	0.91	0.91
7. Gemina S.p.A.	Milan	2	Mediobanca	12.53	12.56
8. Telco S.p.A.	Milan	2	Mediobanca	11.62	11.62
9. Pirelli & C. S.p.A.	Milan	2	Mediobanca	4.49	4.61

Legend:

1 Joint control.
2 Subject to significant influence.
3 Subsidiaries owned 100% and not consolidated.

10.2 Investments in jointly-controlled companies and companies subject to significant influence: accounting information

Name	Book value	Fair value
B. Jointly-controlled companies (IAS 31)		
1. Banca Esperia S.p.A.	81,456 [1]	—
C. Companies subject to significant influence (IAS 28)		
1. Burgo Group S.p.A.	75,378	—
2. Assicurazioni Generali S.p.A.	2,106,063	2,396,886
3. RCS MediaGroup S.p.A.	134,600	73,976
4. Fidia SGR S.p.A.	1,058	—
5. Athena Private Equity S.A.	24,235	—
6. Telco S.p.A.	245,217	— [2]
7. Pirelli & C. S.p.A.	111,258 [3]	142,604
8. Gemina S.p.A.	197,597	110,073
Other minor investments	53	—
Total	2,976,915	—

[1] Includes goodwill amounting to €1,833,000.

[2] Based on current Telecom Italia stock market prices, the net asset value of Telco would be nil.

[3] Includes goodwill amounting to €24,272,000.

The RCS MediaGroup investment has been adjusted to reflect a net asset value of €1.23 per share, which resulted in a €55.2m writedown being booked. The net asset value has been calculated by using a discounted cash flow model which factors in the negative earnings prospects for the publishing industry (in the Spanish market in particular) and the trend on financial markets. There continues to be an implicit shortfall based on stock market prices as at end-December, albeit lower (€60.6 m), but this is entirely justified by the unique nature of some of the group's assets, as well as the nature of the investment (relative majority).

The earnings performance of the other investee companies was in line with the assumptions on which the impairment test carried out on 30 June 2011 was based, notwithstanding the downward trend in stock market prices, and in line with the partial recovery by the markets in the early months of 2012. Therefore no other investee company was subject to further impairment at end-December.

SECTION 12

Heading 120: Property, plant and equipment

12.1 Tangible assets stated at cost

Assets/value	31/12/11	30/6/11
A. Core assets		
1.1 owned by the Group	240,536	292,973
a) land	84,881	83,636
b) buildings	108,892	169,433
c) furniture	18,940	20,377
d) electronic equipment	11,194	5,764
e) other assets	16,629	13,763
1.2 acquired under finance leases:	—	—
a) land	—	—
b) buildings	—	—
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	—	—
Total A	240,536	292,973
B. Assets held for investment purposes		
2.1 owned by the Group:	56,818	27,450
a) land	23,038	20,350
b) buildings	33,780	7,100
2.2 acquired under finance leases:	—	—
a) land	—	—
b) buildings	—	—
Total B	56,818	27,450
Total (A+B)	297,354	320,423

12.3 Core tangible assets: movements during the period

	Land	Buildings	Furniture	Electronic equipment	Other assets	Total
A. Gross opening balance	83,636	197,987	48,767	27,178	56,651	414,219
A.1 Total net value reductions	—	(28,554)	(28,390)	(21,414)	(42,888)	(121,246)
A.2 Net opening balance	83,636	169,433	20,377	5,764	13,763	292,973
B. Additions:	1,245	53,970	777	7,090	5,859	68,941
B.1 Purchases	1,245	9,222	776	3,251	5,598	20,092
B.2 Improvement expenses, capitalized	—	856	—	—	—	856
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	—	—	—	1	—	1
B.6 Transfers from properties held for investment purposes	—	—	—	—	—	—
B.7 Other additions	—	43,892	1	3,838	261	47,992
C. Reductions:	—	114,511	2,214	1,660	2,993	121,378
C.1 Disposals	—	109,000	1	75	65	109,141
C.2 Depreciation charges	—	1,667	2,203	1,585	2,882	8,337
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	—	—	9	—	—	9
C.6 Transfers to:	—	6	—	—	—	6
a) assets held for investment purposes	—	6	—	—	—	6
b) assets being sold	—	—	—	—	—	—
C.7 Other reductions	—	3,838	1	—	45	3,884
D. Net closing balance	84,881	108,892	18,940	11,194	16,629	240,536
D.1 Total net value reductions	—	(29,970)	(30,622)	(22,799)	(44,063)	(127,454)
D.2 Gross closing balance	84,881	138,845	49,562	33,993	60,692	367,973
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	7,100
B. Additions	2,688	26,881
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 [1]	2,688	26,881
C. Reductions	—	201
C.1 Disposals	—	—
C.2 Depreciation charges	—	201
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	23,038	33,780
E. Stated at fair value	—	—

[1] Collection of a leased property in Lecce, after the property lease was terminated.

SECTION 13

Heading 130: Intangible assets

13.1 Intangible assets

Assets/ amounts	31/12/11		30/6/11	
	Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life
A.1 Goodwill	X	365,934	X	365,934
A.1.1 attributable to the Group	X	365,934	X	365,934
A.1.2 attributable to third parties	X	—	X	—
A.2 Other intangible assets	58,857	6,300	65,145	6,300
A.2.1 Recognized at cost:	58,857	6,300	65,145	6,300
a) intangible assets generated internally	—	—	—	—
b) other assets	58,857	6,300	65,145	6,300
A.2.2 Recognized at fair value:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
Total	58,857	372,234	65,145	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	—	—	126,676	6,300	498,910
A.1 Total net value reductions	—	—	—	(61,531)	—	(61,531)
A.2 Net opening balance	365,934	—	—	65,145	6,300	437,379
B. Additions	—	—	—	6,819	—	6,819
B.1 Purchases	—	—	—	6,818	—	6,818
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	—	—	—	1	—	1
C. Reductions	—	—	—	13,107	—	13,107
C.1 Disposals	—	—	—	—	—	—
C.2 Value adjustments	—	—	—	13,099	—	13,099
– amortization	—	—	—	13,099	—	13,099
– writedowns	—	—	—	—	—	—
+ net equity	—	—	—	—	—	—
+ profit and loss account	—	—	—	—	—	—
C.3 Reductions in fair value charged to:	—	—	—	—	—	—
– net equity	—	—	—	—	—	—
– profit and loss account	—	—	—	—	—	—
C.4 Transfers to non-current assets being sold	—	—	—	—	—	—
C.5 Reductions due to exchange rate differences	—	—	—	8	—	8
C.6 Other reductions	—	—	—	—	—	—
D. Balance at end of period	365,934	—	—	58,857	6,300	431,091
D.1 Total net value adjustments	—	—	—	(71,002)	—	(71,002)
E. Gross closing balance	365,934	—	—	129,859	6,300	502,093
F. Stated at cost	—	—	—	—	—	—

SECTION 14

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

14.1 Advance tax assets: composition

	31/12/11	30/6/11
Corporate income tax (IRES)	671,814	546,500
Regional production tax (IRAP)	88,190	44,951
Total	760,004	591,451

14.2 Deferred tax liabilities: composition

	31/12/11	30/6/11
Corporate income tax (IRES)	288,601	298,343
Regional production tax (IRAP)	8,789	14,718
Total	297,390	313,061

14.3 Changes in advance tax during the period

	31/12/11	30/6/11
1. Opening balance	522,367	512,720
2. Additions	37,186	59,245
2.1 Advance tax originating during the period	37,184	54,657
a) for previous years	5	—
b) due to changes in accounting policies	—	—
c) amounts written back	27	51
d) other additions	37,152	54,606
2.2 New taxes or increases in tax rates	2	3,822
2.3 Other additions	—	766
3. Reductions	56,513	49,598
3.1 Advance tax reversed during the period	42,893	41,750
a) reclassifications	41,620	40,534
b) amounts written off as unrecoverable	—	—
c) due to changes in accounting policies	—	—
d) other	1,273	1,216
3.2 Reductions in tax rates	—	—
3.3 Other reductions	13,620	7,848
4. Balance at end of period	503,040	522,367

14.4 Changes in deferred tax during the period

	31/12/11	30/6/11
1. Opening balance	270,701	282,662
2. Additions	416	2,571
2.1 Deferred tax originating during period	416	2,571
a) relating to previous years	—	864
b) due to changes in accounting policies	—	—
c) others	416	1,707
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	154	14,532
3.1 Deferred tax reversed during period	154	5,377
a) reclassifications	147	5,274
b) due to changes in accounting policies	—	—
c) others	7	103
3.2 Reductions in tax rates	—	—
3.3 Other reductions	—	9,155
4. Balance at end of period	270,963	270,701

14.5 Changes in advance tax during the period [1]

	31/12/11	30/6/11
1. Opening balance	69,084	110,650
2. Additions	242,691	64,658
2.1 Advance tax originating during period	242,691	61,943
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	242,691	61,943
2.2 New taxes or increases in tax rates	—	2,473
2.3 Other additions	—	242
3. Reductions	54,811	106,224
3.1 Advance tax reversed during period	54,690	106,224
a) reclassifications	54,690	91,526
b) writedowns of non-recoverable items	—	—
c) due to changes in accounting policies	—	—
d) others	—	14,698
3.2 Reductions in tax rates	121	—
3.3 Other reductions	—	—
4. Balance at end of period	256,964	69,084

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

14.6 Changes in deferred tax during the period [1]

	31/12/11	30/6/11
1. Opening balance	42,360	32,098
2. Additions	26,374	41,430
2.1 Deferred tax originating during period	26,374	39,662
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	26,374	39,662
2.2 New taxes or increases in tax rates	—	1,750
2.3 Other additions	—	18
3. Reductions	42,307	31,168
3.1 Advance tax reversed during the period	42,304	30,311
a) reclassifications	41,109	28,332
b) due to changes in accounting policies	—	—
c) others	1,195	1,979
3.2 Reductions in tax rates	3	—
3.3 Other reductions	—	857
4. Balance at end of period	26,427	42,360

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

SECTION 16

Heading 160: Other assets

16.1 Other assets: composition

	31/12/11	30/6/11
1. Gold, silver and precious metals	695	695
2. Accrued income other than capitalized income from financial assets	6,781	9,620
3. Trade receivables or invoices to be issued	48,698	84,979
4. Amounts due from tax revenue authorities (not recorded under Heading 140)	35,268	72,213
5. Other items	102,547	85,880
- bills for collection	20,488	15,218
- amounts due in respect of premiums, grants, indemnities and other items in respect of lending transactions	52,702	46,615
- futures and other securities transactions	1,256	1,720
- advance payments on deposit commissions	6,880	6,603
- other items in transit	13,550	6,779
- sundry other items	7,671	8,945
6. Adjustment arising on consolidation	—	—
Total	193,989	253,387

Liabilities

SECTION 1

Heading 10: Due to banks

1.1 Due to banks: composition

Type of transaction/amounts	31/12/11	30/6/11
1. Due to central banks	4,502,313	200,007
2. Due to banks	4,863,093	7,172,603
2.1 Current accounts and demand deposits	1,339,260	2,210,014
2.2 Term deposits	67,347	469,523
2.3 Borrowings	3,420,396	4,336,233
2.3.1 Reverse repos	135,658	321,608
2.3.2 Others	3,284,738	4,014,625
2.4 Liabilities in respect of assets sold but not derecognized	—	—
2.5 Other amounts due	36,090	156,833
Total book value	9,365,406	7,372,610
Total fair value	9,365,406	7,372,610

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

Subordinated liabilities included under the heading *Due to banks* amount to €43,649,000, 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	31/12/11	30/6/11
1. Current accounts and demand deposits	2,871,526	2,552,079
2. Term deposits	9,509,975	7,359,144
3. Borrowings	3,049,930	3,755,825
3.1 Reverse repos	1,329,865	2,544,227
3.2 others	1,720,065	1,211,598
4. Liabilities in respect of assets sold but not derecognized	—	—
5. Other amounts due	87	—
Total book value	15,431,518	13,667,048
Total fair value	15,431,518	13,667,048

SECTION 3

Heading 30: Debt securities in issue

3.1 Debt securities in issue: composition

Type of transaction/ amounts	31/12/11				30/6/11			
	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	33,486,468	3,090,300	30,856,612	—	34,952,193	4,968,645	30,487,084	—
1.1 structured	14,639,711	411,927	14,391,145	—	14,660,847	1,996,268	12,746,718	—
1.2 others	18,846,757	2,678,373	16,465,467	—	20,291,346	2,972,377	17,740,366	—
2. other securities	30,149	—	—	30,149	318,499	—	282,169	36,330
2.1 structured	—	—	—	—	—	—	—	—
2.2 others	30,149	—	—	30,149	318,499	—	282,169	36,330
Total	33,516,617	3,090,300	30,856,612	30,149	35,270,692	4,968,645	30,769,253	36,330

Subordinated liabilities included under the heading *Debt securities in issue* total €1,448,511,000 and are attributable to Mediobanca S.p.A.

SECTION 4

Heading 40: Trading liabilities

4.1 Trading liabilities: composition

Type of transaction/ amounts	31/12/11					30/6/11				
	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	52,018	38,522	—	—	38,522	89,271	85,058	264	—	85,322
2. Due to customers	1,819,774	1,765,216	—	—	1,765,216	1,025,850	1,025,593	1,296	—	1,026,889
3. Debt securities	—	—	—	—	X	—	—	—	—	X
3.1 Bonds	—	—	—	—	X	—	—	—	—	X
3.1.1 Structured	—	—	—	—	X	—	—	—	—	X
3.1.2 Other	—	—	—	—	X	—	—	—	—	X
3.2 Other securities	—	—	—	—	X	—	—	—	—	X
3.2.1 Structured	—	—	—	—	X	—	—	—	—	X
3.2.2 Other	—	—	—	—	X	—	—	—	—	X
Total A	1,871,792	1,803,738	—	—	1,803,738	1,115,121	1,110,651	1,560	—	1,112,211
B. Derivative products										
1. Financial derivatives	X	826,784	3,923,656	1,152,286	X	X	527,127	2,563,041	1,276,578	X
1.1 Trading	X	826,784	3,757,631	904,755 [1]	X	X	527,127	2,499,198	879,216 [1]	X
1.2 Linked to fair value options	X	—	—	—	X	X	—	—	—	X
1.3 Other	X	—	166,025	247,531 [2]	X	X	—	63,843	397,362 [2]	X
2. Credit derivatives	X	2,025,909	586,864	990	X	X	1,539,947	497,391	300	X
2.1 Trading	X	2,025,909	586,864	990	X	X	1,539,947	497,391	300	X
2.2 Linked to fair value options	X	—	—	—	X	X	—	—	—	X
2.3 Other	X	—	—	—	X	X	—	—	—	X
Total B	X	2,852,693	4,510,520	1,153,276	X	X	2,067,074	3,060,432	1,276,878	X
Total (A+B)	X	4,656,431	4,510,520	1,153,276	1,803,738	X	3,177,725	3,061,992	1,276,878	1,112,211

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

[1] €705,456,000 and €670,439,000 respectively in respect of options traded, against equivalent amounts recorded as financial assets held for trading.

[2] Market value of options embedded in bonds issued by the Mediobanca S.p.A. and Mediobanca International, 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

Items/amounts	31/12/11 Fair value			Nominal value	30/6/11 Fair value			Nominal value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	426,612	—	25,166,034	—	647,704	—	16,701,674
1) Fair value	—	379,878	—	23,745,034	—	614,981	—	15,371,174
2) Cash flow	—	46,734	—	1,421,000	—	32,723	—	1,330,500
3) Non-Italian investments	—	—	—	—	—	—	—	—
B. Financial derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	426,612	—	25,166,034	—	647,704	—	16,701,674

6.2 Hedging derivatives: by portfolio hedged/hedge type

Operations/type of hedging	Fair value hedges						Cash flow hedges		Non-Italian investments
	Specific					General	Specific	General	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. AFS securities	9,735	—	—	—	—	X	—	X	X
2. Loans and advances	—	—	—	X	—	X	—	X	X
3. Financial assets held to maturity	X	—	—	X	—	X	—	X	X
4. Portfolio	—	—	—	—	—	—	—	—	X
5. Other operations	X	X	X	X	X	X	X	X	—
Total assets	9,735	—	—	—	—	—	—	—	—
1. Financial liabilities	366,552	3,591	—	X	—	X	46,734	X	X
2. Portfolio	—	—	—	—	—	—	—	—	X
Total liabilities	366,552	3,591	—	—	—	—	46,734	—	X
1. Expected transactions	X	X	X	X	X	X	—	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	—	X	—	—

SECTION 8

Heading 80: Tax liabilities

See Assets, Section 14.

SECTION 10

Heading 100: Other liabilities

10.1 Other liabilities: composition

	31/12/11	30/6/11
1. Payment agreements (IFRS 2)	16	75
2. Impaired endorsements	26,552	45,012
3. Working capital payables and invoices pending receipt	202,539	226,908
4. Amounts due to revenue authorities	55,123	71,130
5. Amounts due to staff	96,652	168,798
6. Other items:	110,357	116,626
- bills for collection	30,629	29,561
- coupons and dividends pending collection	2,212	2,196
- available sums payable to third parties	38,442	42,232
- premiums, grants and other items in respect of lending transactions	23,996	26,158
- credit notes to be issued	11,124	13,146
- other	3,954	3,333
7. Adjustments upon consolidation	—	—
Total	491,239	628,549

SECTION 11

Heading 110: Staff severance indemnity provision

11.1 Staff severance indemnity provision: changes during the period

	31/12/11	30/6/11
A. Balance at start of period	26,036	27,282
B. Additions	7,627	12,098
B.1 Transfers during period	7,196	11,565
B.2 Other additions	431	533
C. Reductions	9,502	13,344
C.1 Indemnities paid out	1,176	1,833
C.2 Other reductions [1]	8,326	11,511
D. Balance at end of period	24,161	26,036

[1] Includes €5,982,000 in transfers to external, defined contribution pension schemes (€8,833,000 at 30/6/11).

SECTION 12

Heading 120: Provisions

12.1 Provisions: composition

Item/amounts	31/12/11	30/6/11
1. Company post-employment benefit provision	—	—
2. Other provisions	157,818	156,522
2.1 litigation	2,160	1,015
2.2 staff-related	—	—
2.3 other	155,658	155,507
Total	157,818	156,522

12.2 Provisions: movements during the perioed

	Post-employment benefit provision	Litigation	Other provisions	Total
A. Balance at start of period	—	1,015	155,507	156,522
B. Additions	—	1,169	206	1,375
B.1 Transfers during period	—	1,169	206	1,375
B.2 Changes due to passing of time	—	—	—	—
B.3 Additions due to changes in discount rate	—	—	—	—
B.4 Other additions	—	—	—	—
C. Reductions	—	24	55	79
C.1 Transfers during period	—	24	55	79
C.2 Reductions due to changes in discount rate	—	—	—	—
C.3 Other reductions	—	—	—	—
D. Balance at end of period	—	2,160	155,658	157,818

SECTION 13

Heading 130: Technical reserves

13.1 Technical reserves: composition

	Direct business	Indirect business	31/12/11	30/6/11
A. Non-life business				
A1. Reserves for premiums	—	74,240	74,240	38,838
A2. Reserves for claims	—	3,809	3,809	1,771
A3. Other reserves	—	—	—	—
B. Life business				
B.1 Mathematical reserves	—	—	—	14,219
B.2 Reserves for sums to be paid out	—	—	—	—
B.3 Other reserves	—	—	—	—
C. Technical reserves where risk of investment is borne by insured parties				
C1. Reserves for contracts in which performance is related to investment funds and market indexes	—	—	—	—
C2. Reserves deriving from pension fund management	—	—	—	—
D. Total technical reserves	—	78,049	78,049	54,828

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 Mediobanca S.p.A. shares in issue during period

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

15.4 Profit reserves: other information

Item	31/12/11	30/6/11
1. Legal reserve	86,113	86,110
2. Statutory reserves	1,077,282	1,093,409
3. Treasury shares	213,844	213,844
4. Others	3,047,345	2,807,580
Total	4,424,584	4,200,943

SECTION 16

Heading 210: Net equity attributable to minorities

16.1 Net equity attributable to minorities: composition

Item/amounts	31/12/11	30/6/11
1. Share capital	24,948	24,948
2. Share premium reserve	7,216	7,216
3. Reserves	83,878	78,903
4. Treasury shares	—	—
5. Valuation reserves [1]	(5,332)	(1,297)
6. Equity instruments	—	—
7. Profit (loss) for the period attributable to minorities	1,758	4,975
Total	112,468	114,745

[1] Refers to cash flow hedges.

Other information

1. Guarantees and commitments

Transactions	31/12/11	30/6/11
1. Financial guarantees given to:	415,108	371,461
a) Banks	25,595	39,364
b) Customers	389,513	332,097
2. Commercial guarantees given to:	—	—
a) Banks	—	—
b) Customers	—	—
3. Irrevocable commitments to lend funds to:	11,652,678	16,259,270
a) Banks	144,114	2,883,245
i) specific	144,114	589,448
ii) standby basis	—	2,293,797
b) Customers	11,508,564	13,376,025
i) specific	8,078,417	8,682,848
ii) standby basis	3,430,147	4,693,177
4. Commitments underlying credit derivatives: hedge sales [1]	83,670,604	77,105,255
5. Assets pledged as collateral for customer obligations	—	—
6. Other commitments	4,526,009	4,142,757
Total	100,264,399	97,878,743

[1] The balance as at 31/12/11 includes €73,292,658,000 in transactions fully matched by hedge buys.

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

Transactions	**31/12/11**	**30/6/11**
1. Securities traded on behalf of customers	7,554,186	27,712,307
a) Purchases	3,521,813	12,167,261
1. settled	3,513,946	12,058,180
2. pending settlement	7,867	109,081
b) Disposals	4,032,373	15,545,046
1. settled	4,024,506	15,435,965
2. pending settlement	7,867	109,081
2. Asset management [1]	2,855,000	2,978,000
a) individuals	864,000	924,000
b) groups	1,991,000	2,054,000
3. Securities under custody/managed on a non-discretionary basis	42,806,682	39,942,756
a) customers' securities held on deposit: in connection with the Bank's activity as deposit bank (not including asset management) [2]	5,945,097	5,014,839
1. securities issued by bank drawing up consolidated financial statements	535,149	352,750
2. other securities	5,409,948	4,662,089
b) other customers' securities held on deposit (not including asset management): others	5,433,105	4,926,601
1. securities issued by bank drawing up consolidated financial statements	34	34
2. other securities	5,433,071	4,926,567
c) customers' securities held on deposit with customers	8,222,570	7,288,472
d) own securities held on deposit with customers	23,205,910	22,712,844
4. Other transactions	—	—

[1] The Esperia group has assets under management worth €6,977m (€7,832m at 30/6/11).

[2] The Esperia group manages assets on a non-discretionary basis worth €5,432m (€5,475m at 30/6/11).

Parte C - Notes to consolidated profit and loss account

SECTION 1

Headings 10 and 20: Net interest income

1.1 Interest and similar income: composition

Line items/technical forms	Debt securities	Loans and advances	Other transactions	6 mths ended 31/12/11	6 mths ended 31/12/10
1. Financial assets held for trading	96,819	—	—	96,819	131,803
2. Financial assets recognized at fair value	—	—	—	—	—
3. AFS securities	125,998	—	—	125,998	111,825
4. Financial assets held to maturity	38,395	—	—	38,395	21,296
5. Due from banks	58,852	39,710	—	98,562	46,458
6. Due from customers	12,473	904,947	—	917,420	790,614
7. Hedge derivatives	X	X	272,645	272,645	270,347
8. Other assets	X	X	2,459	2,459	1,942
Total	332,537	944,657	275,104	1,552,298	1,374,285

1.4 Interest expense and similar charges: composition

Line items/technical forms	Accounts payable	Securities	Other liabilities	6 mths ended 31/12/11	6 mths ended 31/12/10
1. Due to central banks	(4,436)	X	—	(4,436)	(24)
2. Due to banks	(60,887)	X	—	(60,887)	(42,971)
3. Due to customers	(151,290)	X	—	(151,290)	(121,279)
4. Debt securities in issue	—	(777,185)	—	(777,185)	(641,976)
5. Trading liabilities	X	—	—	—	—
6. Financial liabilities recognized at fair value	—	—	—	—	—
7. Other liabilities	X	X	(3)	(3)	(13)
8. Hedging derivatives	X	X	—	—	—
Total	(216,613)	(777,185)	(3)	(993,801)	(806,263)

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 31/12/11	6 mths ended 31/12/10
a) guarantees given	1,230	1,220
b) credit derivatives	—	—
c) management, trading and advisory services:	90,620	105,465
1. securities trading	3,533	5,276
2. foreign currency trading	—	23
3. asset management	2,531	4,490
3.1 individuals	2,531	4,490
3.2 groups	—	—
4. securities under custody and non-discretionary management	2,850	2,494
5. deposit bank services	600	665
6. securities placement	23,494	30,966
7. procurement of orders	3,453	4,569
8. advisory services	—	—
8.1 investment advisory services	—	—
8.2 structured finance advisory services	—	—
9. agency fees	54,159	56,982
9.1 asset management	8,591	8,447
9.1.1 individuals	8,591	8,447
9.1.2 groups	—	—
9.2 insurance products	45,555	48,535
9.3 other products	13	—
d) collection and payment services	2,449	1,542
e) securitization services	—	84
f) factoring services	—	—
g) tax collection and receipt services	—	—
h) multilateral trading systems activity	—	—
i) current account keeping and management	311	170
j) other services	112,407	139,854
Total	207,017	248,335

2.2 Fee and commission expense: composition

Services/amounts	6 mths ended 31/12/11	6 mths ended 31/12/10
a) guarantees received	—	—
b) credit derivatives	—	—
c) management and trading services:	(4,875)	(4,686)
1. securities trading	(1,423)	(1,312)
2. foreign currency trading	—	—
3. asset management:	—	—
3.1 proprietary	—	—
3.2 on behalf of customers	—	—
4. securities under custody/held on a non-discretionary basis	(1,391)	(1,353)
5. securities placement	(2,061)	(2,021)
6. door-to-door sales of securities, products and services	—	—
d) collection and payment services	(2,452)	(4,155)
e) other services	(10,698)	(13,587)
Total	(18,025)	(22,428)

SECTION 3

Heading 70: Dividends and similar income

3.1 Dividends and similar income: composition

Line items/income	6 mths ended 31/12/11		6 mths ended 31/12/10	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	28,363	—	38,098	—
B. AFS securities	7,505	—	5,278	—
C. Financial assets recognized at fair value	—	—	—	—
D. Equity investments	—	—	—	—
Total	35,868	—	43,376	—

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	135,156	186,176	(170,356)	(221,584)	(70,608)
1.1 Debt securities	100,562	120,496	(55,263)	(71,768)	94,027
1.2 Equities	33,466	65,343	(112,867)	(149,592)	(163,650)
1.3 UCITS units	1,118	159	(2,226)	(111)	(1,060)
1.4 Loans and advances	10	178	—	(113)	75
1.5 Others	—	—	—	—	—
2. Trading liabities	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—
2.2 Debts	—	—	—	—	—
2.3 Others	—	—	—	—	—
3. Other assets and liabilities: differences arising on exchange rates	X	X	X	X	87,681
4. Derivative products	5,238,251	2,102,128	(5,181,048)	(2,020,668)	26,575
4.1 Financial derivatives:	3,171,637	1,202,297	(3,240,681)	(1,133,745)	(112,580)
– debt securities and interest rates [1]	2,013,963	447,460	(2,166,616)	(461,218)	(166,411)
– equities and stock market indexes	1,075,688	748,955	(1,039,176)	(672,261)	113,206
– foreign currency and gold	X	X	X	X	(112,088)
– others	81,986	5,882	(34,889)	(266)	52,713
4.2 Credit derivatives	2,066,614	899,831	(1,940,367)	(886,923)	139,155
Total	5,373,407	2,288,304	(5,351,404)	(2,242,252)	43,648

[1] Of which €8,072,000 in margins on interest rate derivatives (31/12/10: €33,200,000).

SECTION 5

Heading 90: Net hedging income (expense)

5.1 Net hedging income (expense): composition

Income elements/amounts	6 mths ended 31/12/11	6 mths ended 31/12/10
A. Income from:		
A.1 Fair value hedge derivatives	997,744	55,796
A.2 Financial assets hedged (fair value)	62,694	5,945
A.3 Financial liabilities hedged (fair value)	70,974	335,067
A.4 Cash flow hedge derivatives	11	17
A.5 Assets and liabilities in foreign currencies	—	—
Total hedging income (A)	1,131,423	396,825
B. Expense related to:		
B.1 Fair value hedge derivatives	(79,534)	(339,249)
B.2 Financial assets hedged (fair value)	(140)	(18,869)
B.3 Financial liabilities hedged (fair value)	(1,047,282)	(41,573)
B.4 Cash flow hedge derivatives	(38)	(2)
B.5 Assets and liabilities in foreign currencies	—	—
Total hedging expense (B)	(1,126,994)	(399,693)
Net hedging income (A–B)	4,429	(2,868)

SECTION 6

Heading 100: Gains (losses) on disposals/repurchases

6.1 Gains (losses) on disposals/repurchases: composition

Line items/income elements	6 mths ended 31/12/11			6 mths ended 31/12/10		
	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
Financial assets						
1. Due from banks	—	—	—	166	—	166
2. Due from customers	24	—	24	—	—	—
3. AFS securities	27,701	(65,720)	(38,019)	20,311	(5,145)	15,166
3.1 Debt securities	13,334	(446)	12,888	11,444	(4,280)	7,164
3.2 Equities	14,108	(65,012)	(50,904)	8,044	(33)	8,011
3.3 UCITS units	259	(262)	(3)	823	(832)	(9)
3.4 Loans and advances	—	—	—	—	—	—
4. Financial assets held to maturity	201	—	201	—	(157)	(157)
Total assets	27,926	(65,720)	(37,794)	20,477	(5,302)	15,175
Financial liabilities						
1. Due to banks	3,875	—	3,875	—	—	—
2. Due to customers	124	—	124	298	—	298
3. Debt securities in issue	21,401	(794)	20,607	17,939	(853)	17,086
Total liabilities	25,400	(794)	24,606	18,237	(853)	17,384

SECTION 8

Heading 130: Adjustments for impairment

8.1 Adjustments for impairment: composition

Transactions/income elements	Value adjustments			Amounts recovered				6 mths ended 31/12/11	6 mths ended 31/12/10
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Due from banks	—	—	(3,333)	—	—	—	—	(3,333)	912
- Loans	—	—	(3,333)	—	—	—	—	(3,333)	912
- Debt securities	—	—	—	—	—	—	—	—	—
B. Due from customers	(251,748)	(158,933)	(2,322)	2,588	217,523	—	6,680	(186,212)	(211,326)
- Loans	(251,748)	(158,933)	(2,322)	2,588	217,523	—	6,680	(186,212)	(211,326)
- Debt securities	—	—	—	—	—	—	—	—	—
C. Total	(251,748)	(158,933)	(5,655)	2,588	217,523	—	6,680	(189,545)	(210,414)

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 31/12/11	6 mths ended 31/12/10
	Specific		Specific			
	Writeoffs	Others	A	B		
A. Debt securities	—	(114,490)	—	—	(114,490)	—
B. Equities	—	(59,339)	—	—	(59,339)	(12,089)
C. UCITS units	—	(552)	—	—	(552)	(337)
D. Loans and advances to banks	—	—	—	—	—	—
E. Loans and advances to customers	—	—	—	—	—	—
F. Total	—	(174,381)	—	—	(174,381)	(12,426)

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 31/12/11	6 mths ended 31/12/10
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Debt securities	—	(1,835)	—	251	130	—	—	(1,454)	(7,295)
B. Loans and advances to banks	—	—	—	—	—	—	—	—	—
C. Loans and advances to customers	—	—	—	—	—	—	—	—	—
D. Total	—	(1,835)	—	251	130	—	—	(1,454)	(7,295)

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 31/12/11	6 mths ended 31/12/10
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Guarantees given	—	(27,221)	(6,533)	—	10,313	—	1	(23,440)	(9,248)
B. Credit derivatives	—	—	—	—	—	—	—	—	—
C. Commitments	—	(127)	(202)	—	—	—	933	604	125
D. Other transactions	—	—	—	—	—	—	—	—	—
E. Total	—	(27,348)	(6,735)	—	10,313	—	934	(22,836)	(9,123)

Legend
A = interest
B = other amounts recovered

SECTION 9

Heading 150: Net premium income

9.1 Net premium income: composition

Premium income from insurance operations	**Direct business**	**Indirect business**	**6 mths ended 31/12/11**	**6 mths ended 31/12/10**
A. Life business				
A1. Gross premiums written (+)	—	—	—	1,319
A.2 Premiums ceded to reinsurers (-)	—	—	—	(18)
A.3 Total	—	—	—	1,301
B. Non-life business				
B.1 Gross premiums written (+)	—	31,463	31,463	11,696
B.2 Premiums ceded to reinsurers (-)	—	(226)	(226)	(56)
B.3 Changes in gross amount of reserve for premiums (+/-)	—	(21,803)	(21,803)	(9,528)
B.4 Changes in reserve for premiums payable by reinsurers (- /+)	—	—	—	—
B.5 Total	—	9,434	9,434	2,112
D. Total net premium income	—	9,434	9,434	3,413

SECTION 10

Heading 160: Income less expense from insurance operations

10.1 Income less expense from insurance operations: composition

Items	6 mths ended 31/12/11	6 mths ended 31/12/10
1. Net change in technical reserves	—	(306)
2. Claims paid out during the year	(2,147)	(374)
3. Other income (expenses) from insurance operations	(1,482)	(629)
Total	(3,629)	(1,309)

10.2 Breakdown of sub-heading "Changes to technical reserves"

Net changes in technical reserves	6 mths ended 31/12/11	6 mths ended 31/12/10
1. Life business		
A. Mathematical reserves	—	(306)
A.1 Gross annual amount	—	(306)
A.2 (-) Share payable by reinsurers	—	—
B. Other technical reserves	—	—
B.1 Gross annual amount	—	—
B.2 (-) Share payable by reinsurers	—	—
C. Technical reserves where the insurance risk is borne by the insured parties	—	—
C.1 Gross annual amount	—	—
C.2 (-) Share payable by reinsurers	—	—
Total life business reserves	—	(306)
2. Non-life business Changes in technical reserves in non-life business other than reserves for claims net of accounts ceded to reinsurers	—	—

10.3 Breakdown of sub-heading "Claims for the period"

Claims expenses	**6 mths ended 31/12/11**	**6 mths ended 31/12/10**
Life business: expenses for claims net of amounts ceded to reinsurers		
A. Amounts paid	—	—
A.1 Gross annual amount	—	—
A.2 (-) Share payable by reinsurers	—	—
B. Changes to reserve due to sums to be paid	—	—
B.1 Gross annual amount	—	—
B.2 (-) Share payable by reinsurers	—	—
Total claims life business	—	—
Non-life business: expenses for claims net of amounts recovered and ceded to reinsurers		
C. Amounts paid	(730)	(88)
C.1 Gross annual amount	(730)	(88)
C.2 (-) Share payable by reinsurers	—	—
D. Changes to amounts recovered net of shares payable by reinsurers	—	—
E. Changes to reserve for claims	(1,417)	(286)
E.1 Gross annual amount	(1,417)	(286)
E.2 Share payable by reinsurers	—	—
Total claims non-life business	(2,147)	(374)

SECTION 11

Heading 180: Administrative expenses

11.1 Personnel costs: composition

Type of expense/sectors	**6 mths ended 31/12/11**	**6 mths ended 31/12/10**
1. Employees	(190,137)	(203,129)
a) wages and salaries	(137,016)	(148,818)
b) social security contributions	(31,526)	(31,331)
c) severance indemnities	—	—
d) pension contributions	—	—
e) transfers to severance indemnity provisions	(5,083)	(5,773)
f) transfers to post-employment and similar benefits provisions:	—	—
– defined benefit	—	—
– defined contribution	—	—
g) amounts paid to external complementary pension schemes:	(6,348)	(6,256)
– defined benefit	(6,348)	(6,256)
– defined contribution	—	—
h) expenses incurred in connection with share payment schemes	(5,029)	(4,505)
– stock options	(2,849)	(4,505)
– performance shares	(2,180)	—
i) other staff benefits	(5,135)	(6,446)
2. Other staff	(4,017)	(2,943)
3. Board members	(4,586)	(3,945)
4. Expenses incurred in connection with staff retiring	(2,589)	(1,401)
Total	(201,329)	(211,418)

11.2 Average number of staff by category

	6 mths ended 31/12/11	**6 mths ended 31/12/10**
Employees:		
a) Senior executives	189	176
b) Excutives	1,165	1,069
c) Other employees	2,133	2,046
Other staff	205	205
Total	3,692	3,496

11.5 Other administrative expenses: composition

	6 mths ended 31/12/11	6 mths ended 31/12/10
OTHER ADMINISTRATIVE EXPENSES		
– legal, tax and professional services	(17,059)	(25,942)
– loan recovery activity	(22,102)	(24,242)
– marketing and communications	(33,514)	(37,052)
– property	(20,028)	(18,684)
– EDP	(17,052)	(15,862)
– info-providers	(12,919)	(11,285)
– bank charges, collection and payment fees	(10,805)	(9,747)
– operating expenses	(26,243)	(25,528)
– other staff expenses	(11,798)	(11,680)
– other costs	(3,905)	(4,034)
– indirect and other taxes	(22,367)	(16,871)
Total other administrative expenses	(197,792)	(200,927)

SECTION 12

Heading 190: Net transfers to provisions

12.1 Net transfers to provisions: composition

	6 mths ended 31/12/11	6 mths ended 31/12/10
TRANSFERS MADE TO COVER:		
– litigation	—	—
– advertising expenses	—	—
– certain or probable exposures or commitments [1]	(1,375)	(42)
Total net transfers to provisions	(1,375)	(42)

[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	(8,538)	—	—	(8,538)
– core	(8,337)	—	—	(8,337)
– for investment purposes	(201)	—	—	(201)
A.2 Acquired under finance leases	—	—	—	—
– core	—	—	—	—
– for investment purposes	—	—	—	—
Total	(8,538)	—	—	(8,538)

SECTION 14

Heading 210: Net adjustments to intangible assets

14.1 Net adjustments to intangible assets: composition

Assets/income elements	Amortization	Value adjustments for impairment	Amounts recovered	Net result
A. Intangible assets				
A.1 Owned	(13,107)	—	—	(13,107)
– software	(8,891)	—	—	(8,891)
– other	(4,216)	—	—	(4,216)
A.2 Goodwill	—	—	—	—
Total	(13,107)	—	—	(13,107)

SECTION 15

Heading 220: Other operating income (expense)

15.1 Other operating expense: composition

Income-based components/values	**6 mths ended 31/12/11**	**6 mths ended 31/12/10**
a) Leasing activity	(11,408)	2,192
d) Sundry costs and expenses	(1,194)	(287)
Total	(12,602)	1,905

15.2 Other operating income: composition

Income-based components/values	**6 mths ended 31/12/11**	**6 mths ended 31/12/10**
a) Amounts recovered from customers	23,481	26,341
b) Other income	51,620	35,669
Total	75,101	62,010

SECTION 16

Heading 240: Gains (losses) on equity investments

16.1 Gains (losses) on equity investments: composition

Income-based components/values	6 mths ended 31/12/11	6 mths ended 31/12/10
1. Jointly-controlled companies		
A. Income	—	—
1. Revaluations	—	—
2. Gains on disposals	—	—
3. Amounts recovered	—	—
4. Other increases	—	—
B. Expenses	—	—
1. Writedowns	—	—
2. Adjustments for impairment	—	—
3. Losses from disposals	—	—
4. Other reductions	—	—
Net income	—	—
2. Companies subject to significant influence		
A. Income	76,483	117,788
1. Revaluations	76,483	117,788
2. Gains on disposals	—	—
3. Amounts recovered	—	—
4. Other increases	—	—
B. Expenses	(59,883)	(7,623)
1. Writedowns	(4,637)	(7,623)
2. Adjustments for impairment	(55,246)	—
3. Losses from disposals	—	—
4. Other reductions	—	—
Net income	16,600	110,165
Total	16,600	110,165

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 31/12/11	6 mths ended 31/12/10
A. Properties	43,875	—
– gains on disposals	43,875	—
– losses on disposals	—	—
B. Other assets	(125)	73
– gains on disposals	—	75
– losses on disposals	(125)	(2)
Net gain (loss)	43,750	73

SECTION 20

Heading 290: Income tax on ordinary activities

20.1 Income tax on ordinary activities: composition

Income elements/sectors	6 mths ended 31/12/11	6 mths ended 31/12/10
1. Current taxes	(62,110)	(112,141)
2. Changes in current taxes for previous financial years	(723)	46
3. Reductions in current tax for the period	163	96
4. Changes in advance tax	(6,365)	(138,166)
5. Changes in deferred tax	(2,325)	127,980
Income tax for the year	(71,360)	(122,185)

SECTION 24

Earnings per share

24.1 Average number of ordinary shares on a diluted basis

	6 mths ended 31/12/11	6 mths ended 31/12/10
Net profit	63,425	262,924
Avg. no. of shares in issue	844,119,212	844,092,620
Avg. no. of potentially diluted shares	43,467,447	155,562,613
Avg. no. of diluted shares	887,586,659	999,655,233
Earnings per share	0.07	0.31
Earnings per share, diluted	0.07	0.26

Part E - Information on risks and related hedging policies

SECTION 1

Banking Group risks

1.1 CREDIT RISK

QUALITATIVE INFORMATION

Basel II project

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

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

Given the above, discussions have begun with the Bank of Italy regarding the timeframe for submitting the application for the IRB system to be validated; 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 standing 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, potential problem and restructured accounts and others considered to be "high risk" are tested analytically to establish the relative estimated loss against the value of the security provided and/or any other form of real or personal guarantees issued. Other doubtful accounts are measured individually on the basis of statistics.

Consumer credit (Compass)

Applications for finance are approved on the basis of a credit scoring system tailored to individual products. The scoring grids have been developed from internal historical series, enhanced by data provided by central credit bureaux. Points of sale are linked electronically to the company's headquarters, in order to ensure that applications and credit scoring results are processed and transmitted swiftly. Applications for finance above a certain limit are approved by the relevant bodies at headquarters, in accordance with the authorization levels established by the 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. Between the ninth and the twelfth overdue instalments, such accounts are usually sold to Cofactor or to other factoring companies for a percentage of the value of the principal outstanding, which reflects their estimated realizable value.

Mortgage lending (CheBanca!)

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

During the period under review a project has been launched to implement advanced early warning systems (linked to public and private databases), to allow irregular customer behaviour to be assessed early.

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 eighth/ninth unpaid instalment become non-performing and are handed over to the company's lawyers accordingly. Credit recovery is largely managed through property enforcement procedures.

QUANTITATIVE INFORMATION

Credit quality

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

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

Portfolio/quality	Banking Group [1]					Others [2]		Total
	Non-performing	Potential problem	Restructured	Overdue	Other assets	Overdue	Other assets	
1. Financial assets held for trading	—	—	—	—	12,706,821	—	—	12,706,821
2. AFS securities	—	—	113,627	—	5,408,020	—	43,960	5,565,607
3. Financial assets held to maturity	—	—	450	—	1,747,441	—	—	1,747,891
4. Due from banks	127	—	—	—	5,578,387	—	19,383	5,597,897
5. Due from customers	237,927	209,343	192,744	54,578	40,282,214	—	21,016	40,997,822
6. Financial assets recognized at fair value	—	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	1,402,093	—	—	1,402,093
Total 31/12/11	238,054	209,343	306,821	54,578	67,124,976	—	84,359	68,018,131
Total 30/6/11	214,684	233,083	425,650	73,108	65,665,828	—	68,382	66,680,735

[1] Includes Banca Esperia, consolidated pro rata.

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

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

Portfolio/quality	Impaired assets			Performing			Total
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
A. Banking group							
1. Financial assets held for trading	—	—	—	X	X	12,706,821	12,706,821
2. AFS securities	337,020	(223,393)	113,627	5,408,020	—	5,408,020	5,521,647
3. Financial assets held to maturity	5,330	(4,880)	450	1,758,946	(11,505)	1,747,441	1,747,891
4. Due from banks	127	—	127	5,585,589	(7,202)	5,578,387	5,578,514
5. Due from customers *	1,171,515	(476,923)	694,592	40,529,617	(247,403)	40,282,214	40,976,806
6. Financial assets recognized at fair value	—	—	—	X	X	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	X	X	1,402,093	1,402,093
Total A	1,513,992	(705,196)	808,796	53,282,172	(266,110)	67,124,976	67,933,772
B. Others							
1. Financial assets held for trading	—	—	—	X	X	—	—
2. AFS securities	—	—	—	43,960	—	43,960	43,960
3. Financial assets held to maturity	—	—	—	—	—	—	—
4. Due from banks	—	—	—	19,383	—	19,383	19,383
5. Due from customers	—	—	—	21,016	—	21,016	21,016
6. Financial assets recognized at fair value	—	—	—	X	X	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	X	X	—	—
Total B	—	—	—	84,359	—	84,359	84,359
Total at 31/12/11	1,513,992	(705,196)	808,796	53,366,531	(266,110)	67,209,335	68,018,131
Total 30/6/11	1,622,397	(675,872)	946,525	53,210,317	(256,677)	65,734,210	66,680,735

* The performing assets include €98.9m in unpaid instalments (58% of which fewer than three months), translating to a gross exposure (including the share which has not yet expired) of €755.4m (equivalent to 2% of the performing assets), €363.9m of which attributable to consumer credit (or 4% of this segment's performing assets), €266.8m to leasing (6%), and €108.4m to CheBanca! mortgage receivables (3%). The gross exposures being renegotiated in view of collective agreements amount to €10m, all of which concern mortgages disbursed by CheBanca!.

Information on sovereign debt exposures

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

Asset portfolio/quality	Impaired assets [1]				Performing assets			Total (net exposure) [2]
	Gross exposure	Specific adjustments	Collective adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	—	—	—	1,153,067	1,153,067
Italy	—	—	—	—	—	—	317,218	317,218
Greece	—	—	—	—	—	—	16,051	16,051
Germany	—	—	—	—	—	—	646,768	646,768
Hungary	—	—	—	—	—	—	55,451	55,451
Brazil	—	—	—	—	—	—	74,400	74,400
Others	—	—	—	—	—	—	43,179	43,179
2. AFS securities	337,050	(223,423)	—	113,627	3,385,942	—	3,385,942	3,499,569
Italy	—	—	—	—	2,781,881	—	2,781,881	2,781,881
Greece	337,050	(223,423)	—	113,627	—	—	—	113,627
Germany	—	—	—	—	530,937	—	530,937	530,937
France	—	—	—	—	22,906	—	22,906	22,906
Ireland	—	—	—	—	42,527	—	42,527	42,527
Others	—	—	—	—	7,691	—	7,691	7,691
3. Financial assets held to maturity	—	—	—	—	349,647	—	349,647	349,647
Italy	—	—	—	—	348,899	—	348,899	348,899
Others	—	—	—	—	748	—	748	748
Total at 31/12/11	337,050	(223,423)	—	113,627	3,735,589	—	4,888,656	5,002,283

* Does not include financial and credit derivatives.

1 The impaired assets only include securities subject to restructuring, namely the bonds issued by Greece held in the AFS portfolio.

2 The net exposure includes positions in securities (long and short) recognized at fair value (including the outstanding accrual) except for assets held to maturity which are stated at amortized cost, the implied fair value of which is minus €42.2m.

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

Asset portfolio/quality	Trading book [1]			Banking book			
	Nominal value	Book value	Duration	Nominal value	Book value	Fair value	Duration
Italy	396,454	317,218	(1.52)	3,420,634	3,130,780	3,072,645	4.76
Greece	50,139	16,051	9.40	350,000	113,627	113,627	3.08
Germany	611,038	646,768	2.08	468,720	530,937	530,937	4.03
France	52,985	55,451	0.12	23,095	22,906	22,906	2.24
Brazil	69,982	74,400	0.44	—	—	—	—
Ireland	—	—	—	52,500	42,527	42,527	10.87
Others	51,520	43,179	—	17,138	8,439	24,420	—
Total at 31/12/11	1,232,118	1,153,067		4,332,087	3,849,216	3,807,062	

[1] This item includes net purchases of €18m in BTP futures and €120m in US T-note futures, and net sales of German sovereign debt futures *(Bund/Schatz/Bobl)* totalling €1.2bn.

A.1.3 Banking Group: cash and off-balance-sheet exposure to banks – 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	—
e) Other assets	5,638,192	X	(7,202)	5,630,990
Total A	5,638,319	—	(7,202)	5,631,117
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	—	—	X	—
b) Other assets [1]	97,359,013	X	—	97,359,013
Total B	97,359,013	—	—	97,359,013
Total (A + B)	102,997,332	—	(7,202)	102,990,130

[1] Balance at 31/12/11 includes €73,292,658 in transactions fully matched by hedge buys.

A.1.4 Banking Group: cash and off-balance-sheet exposure to banks – trends in gross impaired positions

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 Banking Group: cash and off-balance-sheet exposures to customers – gross/net values

Type of exposure/amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing [1]	456,548	(218,621)	X	237,927
b) Potential problem	395,530	(186,187)	X	209,343
c) Restructured	597,207	(290,386)	X	306,821
d) Overdue	64,581	(10,003)	X	54,578
e) Other assets	50,361,361	X	(258,909)	50,102,452
Total A	51,875,227	(705,197)	(258,909)	50,911,121
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	32,306	(460)	X	31,846
b) Other assets	13,819,097	X	(4,709)	13,814,388
Total B	13,851,403	(460)	(4,709)	13,846,234
Total (A + B)	65,726,630	(705,657)	(263,618)	64,757,355

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

A.1.7 Banking Group: cash exposures to customers – trends in gross impaired positions

Description/category	Non-performing	Potential problem	Restructured	Overdue
A. Gross exposure at start of period	540,480	407,271	585,773	88,747
of which: accounts sold but not derecognized	*22,891*	*17,570*	*2,120*	*3,511*
B. Additions	218,829	204,697	30,259	46,904
B.1 transfers from performing loans	66,127	174,993	2,339	42,234
B.2 transfers from other categories of impaired assets	132,700	20,938	13,120	2,997
B.3 other additions	20,002	8,766	14,800	1,673
C. Reductions	(302,761)	(216,438)	(18,825)	(71,070)
C.1 transfers to performing loans	(4,734)	(34,738)	(32)	(14,348)
C.2 amounts written off	(251,585)	(4,772)	(5)	(6,940)
C.3 amounts collected	(25,581)	(28,287)	(461)	(3,237)
C.4 gains realized on disposals	(11,418)	(10,662)	—	—
C.5 transfers to other categories of impaired assets	(5,371)	(132,384)	(3,456)	(17,725)
C.6 other reductions	(4,072)	(5,595)	(14,871)	(28,820)
D. Gross exposure at end of period	456,548	395,530	597,207	64,581
of which: accounts sold but not derecognized	*12,510*	*15,765*	*2,308*	*7,053*

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

Description/category	Non-performing	Potential problem	Restructured	Overdue
A. Adjustments at start of period	(325,923)	(174,188)	(160,123)	(15,639)
of which: accounts sold but not derecognized	*(20,022)*	*(5,417)*	—	*(391)*
B. Additions	(107,002)	(96,230)	(130,692)	(7,741)
B.1 value adjustments	(42,246)	(87,541)	(119,682)	(4,413)
B.2 transfers from other categories of impaired assets	(63,943)	(8,419)	(11,003)	(866)
B.3 other additions	(813)	(270)	(7)	(2,462)
C. Reductions	214,304	84,231	429	13,377
C.1 writebacks based on valuations	7,557	13,470	405	4,084
C.2 writebacks due to amounts collected	9,735	3,048	—	209
C.3 amounts written off	186,665	4,089	16	6,295
C.4 transfers to other categories of impaired assets	7,871	63,500	8	2,665
C.5 other reductions	2,476	124	—	124
D. Adjustments at end of period	(218,621)	(186,187)	(290,386)	(10,003)
of which: accounts sold but not derecognized	*(8,477)*	*(4,761)*	*(29)*	*(374)*

B. Exposures: distribution and concentration

B.4a Credit risk indicators

	31/12/11	30/6/11
a) Gross NPLs/total loans	1.0%	1.21%
b) Irregular items/total loans	2.77%	3.03%
c) Net NPLs/regulatory capital	3.17%	2.72%

B.4b Large risks

	31/12/11	30/6/11
a) Book value	11,864,807	13,767,406
b) Total weighted amount	11,787,220	12,816,243
c) No. of exposures	9	10
d) Large risks/regulatory capital	1.6	1.6

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 2011, deals of this nature amounted to €2,138.4m (30/6/11: €2,421.2m), after repayments of €303.8m and drawdowns and capitalization of interest totalling €21m. The balance accounts for 11% of the corporate loan book, and over half of the total consists of Italian domestic transactions.

C. Securitizations and asset disposals

C.1 Securitizations

Qualitative information

During the six months under review, the Group issued a covered bond in an amount of €1.5bn with CheBanca! mortgage receivables as the underlying asset, entirely subscribed for by Mediobanca S.p.A. and which is eligible for refinancing with the European Central Bank.

The Group has a portfolio of securities originating from securitizations by other issuers worth €348.8m (30/6/11: €360.3m). The main movements during the period involved purchases of €20.3m, disposals and redemptions amounting to €28.6m (generating gains of €0.4m), €1.3m in increases in amortized cost, and €4.9m in downward adjustments to reflect fair value at the reporting date (€3.8m of which was taken through net equity, and €1.1m through the profit and loss account); the implicit loss on this portfolio stands at €33.2m. The purchases involved almost exclusively investment-grade collateralized loan obligations (CLOs) accounted for as part of the trading portfolio, which were subject to scrupulous analysis pre-investment and for which the portfolio of underlying assets is monitored on a daily basis.

The valuations reflected in the financial statements 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.

The portfolio is still concentrated on securities with domestic underlying assets (mortgage receivables, state-owned properties or leasing receivables). The other deals involve CLOs, a synthetic security (ELM), and European mortgage receivables (UK and German). Junior and mezzanine tranches account for just over 10% of the portfolio. Some 85% of the portfolio has a rating consistent with securities of high credit standing attributed by at least one of the main credit rating agencies (Standard & Poor's, Moody's and Fitch) and is eligible for refinancing with the European Central Bank. The only positions which are unrated are in deals where Mediobanca played an active role in the securitization, e.g. as sponsor, manager, etc.

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 $10m entered into with MBIA (Municipal Bond Insurance Association), with a positive fair value of €0.4m (30/6/11: €0.7m).

Looking at the main individual areas of activity underlying the securities held by the Group, there has been a widespread deterioration in market conditions, due to revision of the valuation criteria used by the ratings agencies, in part mitigated by the European Central Bank's measures to support liquidity at the year-end:

– Italian mortgage loans: the performance of the collateral did not show significant changes, with delinquency and default rates virtually stable over the six months; interest rates remaining at extremely low levels continued to sustain borrower reliability, although macro-economic estimates are pointing to an increase in failures to pay. Further downgrades may take place in the future as a result of the ratings of the banks acting as servicers and/or counterparties for interest rate hedges being revised downwards;

– Italian state-owned and commercial properties: these continue to reflect the trend in sovereign risk for the Republic of Italy and individual issuers' risks; during the period the FIP issue was partially repaid (€5m) after a trigger was activated linked to postponement of the disposal plan.

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	310,449	310,449	33,561	33,561	4,782	4,782
a) Impaired	92,763	92,763	—	—	—	—
b) Other	217,686	217,686	33,561	33,561	4,782	4,782

[1] No off-balance-sheet exposure.

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 Zeus F07-25 A FRN IT0004306186	35,810	—	—	—	—	—
A.2 Velah 4 A2 IT0004102007	26,747	—	—	—	—	—
A.3 Island Ref-25 A FRN IT0004293558	15,774	—	—	—	—	—
A.4 BP MORTG-43 A2 ind IT0004215320	8,085	—	—	—	—	—
A.5 E-MAC XS0475282322	7,033	(440)	—	—	—	—
A.6 BCC Mrtg-38 A FRN XS0256813048	4,663	(188)	—	—	—	—
A.7 IMSER-2A2B MTG IT0004082746	2,998	(151)	—	—	—	—
A.8 Mantegna-37 A2 ind IT0003443527	298	(6)	—	—	—	—
A.9 DOMOS 2001-1 A 31/1 FR0000487589	195	1	—	—	—	—
A.10 Argo Mortgage srl 1 A IT0003246276	138	(1)	—	—	—	—
A.11 Cordusio 3 A2 06-42 TV IT0004144892	91	(14)	—	—	—	—
A.12 IMSER21(ST18) 5.830 IT0003382972	—	—	18,137	—	—	—
A.13 RMAC PLC 12/12/2043 XS0235778106	—	—	4,226	—	—	—
A.14 BPM Securitisation Srl 06-43 IT0004083033	—	—	3,654	(567)	—	—
A.15 CASAFORTE srl 30/06 IT0004644677	—	—	—	—	2,403	219
A.16 LOGGI 2001-1 SUB FR0000488470	—	—	—	—	1,283	—
A.17 BCCM1B 0 Mar38 XS0256815688	—	—	—	—	1,096	(437)
TOTAL A MORTGAGE LOANS ON PROPERTY	101,832	(799)	26,017	(567)	4,782	(218)
B. State-owned properties						
B.1 Fip Fund-23 A2 FRN IT0003872774	101,552	—	—	—	—	—
TOTAL B STATE-OWNED PROPERTIES	101,552	—	—	—	—	—
C. Leasing receivables						
C.1 Quarzo-13 CL1 FRN IT0003487011	14,997	4	—	—	—	—
C.2 Agri 2006-1 A2 IT0004137417	4,139	(41)	—	—	—	—
C.3 Locat MTGE 04-24 FLT IT0003733083	2,047	(19)	—	—	—	—
C.4 Locat 12/12/2028 A2 IT0004153679	435	(19)	—	—	—	—
C.5 Split 2-18 A FRN IT0003763882	222	1	—	—	—	—
TOTAL C LEASING RECEIVABLES	21,840	(74)	—	—	—	—
D. Other receivables						
D.1 ENTASI 16/08/2016 IT0003142996	49,290	(3,383)	—	—	—	—
D.2 ELM BB.V. FL XS0247902587	22,232	—	—	—	—	—
D.3 DUCHESS JUN17 MTG US264102AB06	5,775	(164)	—	—	—	—
D.4 CADOGAN AUG22 MTG USN17580AA40	5,399	—	—	—	—	—
D.5 EELF MAY22 MTG XS0244739537	1,061	—	—	—	—	—
D.6 ROMULUS 20/02/2013 XS0161620439	975	—	—	—	—	—
D.7 WODSTII-XB 03/2021 XS0246683550	393	(17)	—	—	—	—
D.8 ASTREA SRL 17/01/2013 IT0003331292	100	—	—	—	—	—
D.9 CADOGAN JUL23 MTG XS0299873868	—	—	5,912	(8)	—	—
D.10 JUBILEE II JUL15 MTG XS0150204740	—	—	1,632	—	—	—
TOTAL D OTHER RECEIVABLES	85,225	(3,564)	7,544	(8)	—	—
Total at 31/12/11	310,449	(4,437)	33,561	(575)	4,782	(218)
Total at 30/6/11	328,249	(2,093)	26,716	535	5,343	230

[1] No off-balance-sheet exposure.

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	31/12/11	30/6/11
1. Cash exposures	57,990	—	28,396	41,344	221,062	348,792	360,308
- Senior	40,187	—	25,993	23,207	221,062	310,449	328,249
- Mezzanine	15,424	—	—	18,137	—	33,561	26,716
- Junior	2,379	—	2,403	—	—	4,782	5,343
2. Off-balance-sheet exposures	—	—	—	—	—	—	—
- Senior	—	—	—	—	—	—	—
- Mezzanine	—	—	—	—	—	—	—
- Junior	—	—	—	—	—	—	—

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

Servicer	Vehicle company	Securitized assets 31/12/11		Receivables collected during the year		Percentage share of securities repaid 31/12/11					
						Senior		Mezzanine		Junior	
		Impaired	Performing	Impaired	Performing	Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
SelmaBipiemme S.p.A.	Quarzo Lease S.r.l.	—	377,633	1,354	57,516	—	—	—	—	—	—
SelmaBipiemme S.p.A.	Quarzo Lease S.r.l.	—	436,522	1,951	70,849	—	—	—	—	—	—
SelmaBipiemme S.p.A.	Quarzo Lease S.r.l.	—	315,541	60	37,271	—	—	—	—	—	—
Compass S.p.A.	Jump S.r.l.	2,081	326,584	1,324	105,642	—	36.0%	—	—	—	—
Compass S.p.A.	Quarzo S.r.l.	16,479	2,199,029	3,912	513,081	—	—	—	—	—	—
CheBanca! S.p.A.	MB Covered Bond S.r.l.	—	1,657,005	—	45,163	—	—	—	—	—	—

1.2 BANKING GROUP MARKET RISK

1.2.1 INTEREST RATE AND PRICE RISK – TRADING BOOK

QUALITATIVE INFORMATION

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

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

Such analysis regards not just the trading book but the Bank's entire asset structure, i.e. banking book as well, and is not limited to the measurement of risks deriving from changes in market interest rates but factors in exposures to loan spreads as well.

In order to regulate the various business units' operations, the traditional limit structure based on the value-at-risk readings for those units has been complemented, since the end of the six months under review, by limits on sensitivities to movements of different factors (1 basis point for interest rates and loan spreads, 1 percentage points for shares, exchange rates and volatility).

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 method, along with historical simulations for indicative purposes.[2] Historical simulation is also used to calculate the expected shortfall, which measures average loss in 1% of the most unfavourable scenarios.

In addition to these indicators, stress tests on the main risk factors are carried out, to show the impact which sharp movements in the main market variables (such as share prices and interest or exchange rates) and the recurrence of historical crisis scenarios might have.

[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

The six months under review saw ongoing speculation over the peripheral EU member states, with a particular focus on Italy and Spain. Contagion meant that countries such as Austria and France were also affected, to the point where the very future of the single currency appeared to be in doubt.

In a scenario where the spread between Italian and German 10-year government securities went from above 200 basis points at the start of July (historically a very high level in any case) to a record of almost 600 basis points at the start of November, financial markets recorded unprecedented levels of volatility both on sovereign debt and for equities, causing the value at risk to soar, at both the aggregate and trading book levels.

The six months under review started with VaR levels near to €50m; then, at the start of August when the 10-year Italian bond yields reached 6% (400 basis-point spread) and the Italian stock market shed 25% in the space of just over one month, a first peak of €104.9m was recorded, before the level gradually fell to €73m at end-August. The overall high of €112.9m was recorded on 9 December, after the new record BTP yields were reported (more than 7%). Bond prices then recovered towards the year-end, allowing the VaR to reduce to €83m and then just over €60m towards the end of January.

The market trend, along with the substantial weight of Italian government securities held by the Bank in the available-for-sale portfolio in particular, meant that the contribution from interest rate risk virtually trebled in the six months, from €18.9m to €61.2m, while the average VaR reading for this period was more than twice the levels seen in the equivalent period last year, up from €34.7m to €86.3m.

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

Risk factors	6 mths to 31/12/11				12 mths to 30/6/11
(€'000)	31/12	Min	Max	Avg.	Avg.
Interest rates	68,982	28,956	91,492	61,190	18,926
- of which: issuer specific risk	*28,377*	*20,218*	*59,218*	*42,110*	*14,335*
Equity	18,973	17,714	40,409	28,597	22,176
Forex	2,339	2,102	7,046	3,494	3,366
Inflation	1,167	226	1,426	823	436
Volatility	4,267	3,709	8,029	5,479	2,528
Diversification effect *	(12,276)	(6,402)	(19,813)	(13,299)	(12,306)
TOTAL	83,452	48,063	114,150	86,285	34,691
Expected shortfall	*110,122*	*78,432*	*115,535*	*93,591*	*78,270*

* Due to mismatches between risk factors.

Meanwhile, the increase in the equity component was much smaller, albeit not insignificant, with the average climbing from €22.2m to €28.6m, and the figure at the reporting date €19m. The contributions from volatility, inflation and exchange rates were lower, at €4.3m, €1.2m and €2.3m respectively; hence these continue to represent secondary risk factors.

With such marked oscillations on financial markets, the gap between the VaR and the expected shortfall[3] reduced again, the latter being less than 10% higher than the former (€93.6m, versus €78.3m).

Despite reflecting the aggregate VaR trend overall, the figures for the trading book (cf. table 2) show a strong mitigation of the peaks mentioned above, confirming the substantial contribution made by the available-for-sale bond holdings and a relatively prudent operating approach.

Indeed, the average value-at-risk figure for the six months was virtually unchanged from last year: the increase from €20m to €21.1m is accounted for by the higher contribution from interest rates (up from €15.6m to €18.4m) linked to the increase in specific risk (related to corporate and financial securities), and volatility (up from €2.5m to €5.5m) as a result of larger trading positions in equity and interest rate options.

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

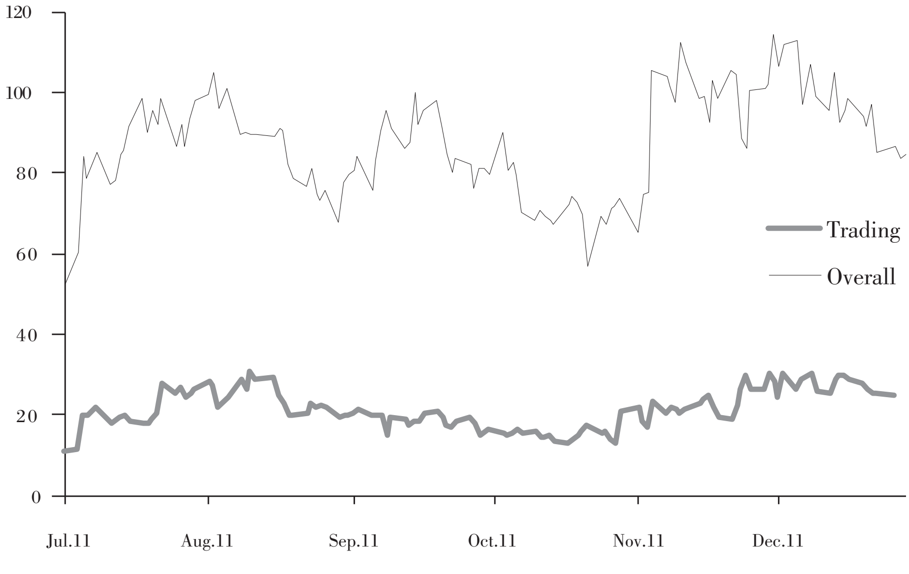
Table 2: Value at risk and expected shortfall: trading book

Risk factors	6 mths to 31/12/11				6 mths to 31/12/10
(€'000)	31/12	Min	Max	Avg.	Avg.
Interest rates	23,957	10,680	29,568	18,450	15,588
- of which: issuer specific risk	*17,358*	*9,904*	*27,048*	*17,289*	*10,653*
Equity	2,677	2,677	9,117	4,547	9,114
Forex	2,686	2,190	5,794	3,378	2,494
Inflation	1,167	600	1,817	1,166	436
Volatility	4,172	4,104	8,414	5,458	2,528
Diversification effect *	(9,377)	(7,509)	(19,284)	(11,923)	(9,637)
TOTAL	25,282	10,906	30,883	21,143	20,088
Expected shortfall	*26,999*	*17,852*	*42,235*	*26,443*	*45,941*

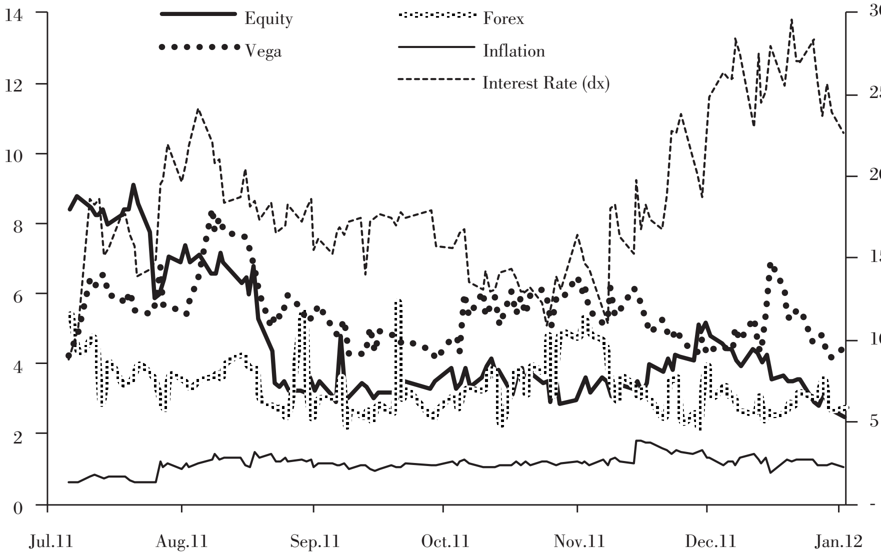
* Due to mismatches between risk factors.

Meanwhile the equity component bucked this trend, its average reading for the six months just half the figure recorded last year (€4.5m, compared with €9.1m) due the absence of significant arbitrage structures, which along with the available-for-sale positions, usually constitute the main source of risk.

Trends in VaR



Trends in VaR constituents



The scope of this analysis is limited to Mediobanca S.p.A., as it is at the parent company level that market risk is concentrated. The only other Group company subject to market risk of any note is Compagnie Monégasque de Banque, whose average VaR reading for the year, again based on a 99% confidence level, was €176,000, with a high of €289,000; these figures are significantly higher than those last year (by approx. 50%), but still very low in absolute terms.

1.2.2 INTEREST RATE AND PRICE RISK - BANKING BOOK

QUALITATIVE INFORMATION

The Bank's holding of bonds eligible for refinancing with the monetary authorities meant that a de-leveraging of the banking book was avoided, accentuating the gap between an increase/decrease in interest rates on the banking book alone and the asset base as a whole.

An increase in interest rates would generate a reduction of €80.5m in estimated net interest income for the six months, an impact that would be more than offset by the €111.9m gain that would derive from the trading book, which proved to be more closely correlated to variable interest rates than it was last year. Overall such a change would have a €31.4m positive effect on net interest income, slightly higher than the negative impact that would be produced by a reduction in interest rates. The fact that interest rates are near zero on very short-term maturities limits the losses on the trading book to €108.5m; this, when added to the €81m improvement in the banking book that would be generated, gives a net negative impact of €27.4m.

As for the other Group companies, the most significant exposures are those of Compass and CheBanca!, albeit in opposite directions. For Compass, a 100 basis-point increase in the curves generates a €21.5m reduction in net interest income, while the gain in the opposite scenario amounts to approximately €20.8m. For CheBanca!, on the other hand, a 100 basis-point increase generates a €13.3m loss, while a 100 basis-point reduction translates to a €15.4m increase in net interest income.

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 were lower than the level of liabilities is more than offset not just by their longer duration, but also by the presence of significant holdings in fixed-income securities in AFS and held-to-maturity portfolios. Hence the loss on Mediobanca's banking book in the event of a rise in interest rates would be €97.2m, while the existence of short-term rates of below zero limits the negative impact on funding in the event of a reduction in interest rates, generating a much higher gain overall at €122.3m.

The sensitivity of CheBanca!'s banking book is equally significant, given its substantial portfolio of medium-term securities and the fact that its funding is subject to repricing more frequently: the effect of a 100 basis-point rise in interest rates would generate a €134.2m loss, while an equivalent reduction would result in a gain of €113.9m (slightly lower than the gain).

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 also implements cash flow hedges of future transaction flows (AFS securities disposals hedged through forward contracts).

Counterparty risk

This is measured in terms of expected potential market value, thus doing away with the need to set arbitrary weightings for each type of fund employed, and identifies a maximum potential exposure to groups of the Bank's counterparties based on a given confidence level and over a specific time horizon. Starting from this year, an overall review of the powers assigned to the Bank's various bodies has been approved, with limits in terms of exposures being divided into three areas based on the product traded: 1) money market, which includes deals made on the interbank market and short-term financing in general; 2) repos and securities lending, including loans guaranteed by both bonds and equities; and 3) derivatives, which includes all exposures deriving from derivative contracts reflecting the various netting agreements and any collateral provided in the case of credit support annexes.

1.2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

A. General aspects, operating processes and measurement techniques

B. Exchange rate risk hedging activity

Risks deriving from movements in exchange rates for all the Bank's positions are managed by the Financial Markets division. The VaR measurements shown on page 137 thus reflect the extent of the aggregate exposures entered into on the foreign exchange market for both the banking and trading books. The trend for the first six months shows a significant increase in the value at risk: from €2.3m last year to €3.5m, with a high of over €7m linked to the peaks in volatility recorded on the Euro/dollar exchange rate in connection with certain directional positions used with a view to the overall diversification of risks.

1.2.4 FINANCIAL DERIVATIVE PRODUCTS

A. FINANCIAL DERIVATIVES

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

Type of transaction	31/12/11		30/6/11	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	125,758,067	7,431,230	116,053,317	44,342,682
a) Options	—	17,951	—	33,748,302
b) Swaps	115,335,011	—	105,797,667	—
c) Forwards	—	—	—	—
d) Futures	—	7,413,279	—	10,594,380
e) Others	10,423,056	—	10,255,650	—
2. Equities and share indexes	45,183,563	20,985,919	40,936,388	16,526,519
a) Options	42,627,388	20,734,329	39,179,172	16,296,837
b) Swaps	2,556,175	—	1,757,216	—
c) Forwards	—	—	—	—
d) Futures	—	251,590	—	229,682
e) Others	—	—	—	—
3. Exchange rates and gold	6,953,412	533	7,084,716	—
a) Options	2,213,189	—	2,225,356	—
b) Swaps	1,508,934	—	1,844,250	—
c) Forwards	3,231,289	—	3,015,110	—
d) Futures	—	533	—	—
e) Others	—	—	—	—
4. Commodities	—	34,815	—	—
5. Other assets	—	—	—	—
Total	177,895,042	28,452,497	164,074,421	60,869,201
Average values	170,578,247	44,660,849	150,765,265	64,833,458

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

A.2.1 Hedge derivatives

Type of transaction	**31/12/11**		**30/6/11**	
	Over the counter	**Central counterparties**	**Over the counter**	**Central counterparties**
1. Debt securities and interest rates	33,608,822	—	34,665,139	—
a) Options	—	—	—	—
b) Swaps	33,428,822	—	34,465,139	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	180,000	—	200,000	—
2. Equities and share indexes	2,523	—	28,868	—
a) Options	146	—	20	—
b) Swaps	—	—	26,471	—
c) Forwards	2,377	—	2,377	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and gold	32,488	—	29,684	—
a) Options	—	—	—	—
b) Swaps	32,488	—	29,684	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	33,643,833	—	34,723,691	—
Average values	34,057,040	—	34,201,138	2,198

A.2.2 Other derivatives

Type of transaction	31/12/11		30/6/11	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	12,251	—	12,251	—
a) Options	—	—	—	—
b) Swaps	12,251	—	12,251	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equities and share indexes	8,960,207	—	9,255,369	—
a) Options	8,960,207	—	9,255,369	—
b) Swaps	—	—	—	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and gold	43,489	—	43,489	—
a) Options	43,489	—	43,489	—
b) Swaps	—	—	—	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	9,015,947	—	9,311,109	—
Average values	9,160,863	—	9,630,028	—

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

Type of transactions	Positive fair value			
	31/12/11		30/6/11	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	4,137,948	853,676	3,341,307	557,639
a) Options	1,321,934	846,644	1,312,267	544,815
b) Interest rate swaps	2,586,582	—	1,768,448	—
c) Cross currency swaps	51,858	—	76,720	—
d) Equity swaps	153,056	—	91,032	—
e) Forwards	24,518	—	92,839	—
f) Futures	—	7,032	—	12,824
g) Others	—	—	1	—
B. Banking book: hedge derivatives	1,556,351	—	1,481,246	—
a) Options	—	—	—	—
b) Interest rate swaps	1,423,002	—	1,418,580	—
c) Cross currency swaps	1,026	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	132,323	—	62,666	—
C. Banking book: other derivatives	156,225	—	117,586	—
a) Options	144,853	—	113,565	—
b) Interest rate swaps	11,372	—	4,021	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	5,850,524	853,676	4,940,139	557,639

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

Type of transaction	Negative fair value			
	31/12/11		30/6/11	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	(4,670,119)	(821,633)	(3,484,830)	(518,937)
a) Options	(1,385,982)	(808,135)	(1,230,067)	(511,173)
b) Interest rate swaps	(2,908,077)	—	(1,916,078)	—
c) Cross currency swaps	(106,158)	—	(62,475)	—
d) Equity swaps	(234,843)	—	(218,086)	—
e) Forwards	(35,059)	—	(58,123)	—
f) Futures	—	(13,498)	—	(7,764)
g) Others	—	—	(1)	—
B. Banking book: hedge derivatives	(552,446)	—	(707,717)	—
a) Options	(132,399)	—	(62,669)	—
b) Interest rate swaps	(416,457)	—	(639,630)	—
c) Cross currency swaps	(3,590)	—	(5,296)	—
d) Equity swaps	—	—	(122)	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
C. Banking book: other derivatives	(149,958)	—	(291,137)	—
a) Options	(149,958)	—	(291,137)	—
b) Interest rate swaps	—	—	—	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	(5,372,523)	(821,633)	(4,483,684)	(518,937)

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

Contracts not forming part of netting arrangements	**Governments and central banks**	**Other public agencies**	**Banks**	**Financial companies**	**Insurances**	**Non-financial companies**	**Other counterparties**
1. Debt securities and interest rates							
- notional value	—	—	4,658,553	7,591,961	1,339,841	7,284,722	—
- positive fair value	—	—	30,508	65,682	103,275	291,558	—
- negative fair value	—	—	(26,241)	(21,150)	(20,835)	(39,302)	—
- future exposure	—	—	5,301	12,020	19,867	52,682	—
2. Equities and share indexes							
- notional value	—	—	278,891	327,270	7,370	733,847	33
- positive fair value	—	—	1,377	102,194	—	56,330	—
- negative fair value	—	—	(1,801)	(3,254)	—	(10,312)	(19)
- future exposure	—	—	16,924	24,077	634	44,031	3
3. Exchange rates and gold							
- notional value	—	—	149,809	61,295	—	570,771	12
- positive fair value	—	—	78	1,979	—	26,412	—
- negative fair value	—	—	(196)	—	—	(41,749)	—
- future exposure	—	—	1,498	614	—	28,179	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

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

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	85,189,209	19,193,657	500,000	125	—
- positive fair value	—	—	2,013,625	270,225	21,917	—	—
- negative fair value	—	—	(2,551,307)	(321,287)	—	(628)	—
2. Equities and share indexes							
- notional value	—	—	13,231,703	30,106,775	497,674	—	—
- positive fair value	—	—	257,863	831,084	13,483	—	—
- negative fair value	—	—	(415,136)	(1,098,283)	(16,904)	—	—
3. Exchange rates and gold							
- notional value	—	—	5,898,588	272,937	—	—	—
- positive fair value	—	—	22,515	27,845	—	—	—
- negative fair value	—	—	(96,040)	(5,675)	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

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

Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	896,850	5,085	—	—	—
- positive fair value	—	—	139,041	—	—	—	—
- negative fair value	—	—	(16,638)	(49)	—	—	—
- future exposure	—	—	4,640	—	—	—	—
2. Equities and share indexes							
- notional value	—	—	—	—	—	2,377	146
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	(76)
- future exposure	—	—	—	—	—	—	11
3. Exchange rates and gold							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

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

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	30,405,286	2,301,601	—	—	—
- positive fair value	—	—	1,361,212	55,073	—	—	—
- negative fair value	—	—	(492,708)	(39,385)	—	—	—
2. Equities and share indexes							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
3. Exchange rates and gold							
- notional value	—	—	32,488	—	—	—	—
- positive fair value	—	—	1,027	—	—	—	—
- negative fair value	—	—	(3,590)	—	—	—	—
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	1,727,795	79,643,057	419,308	20,400
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total A at 31/12/11	1,727,795	79,643,057	419,308	20,400
Average values	1,781,538	76,535,080	394,633	15,950
Total A at 30/6/11	1,876,220	73,177,102	401,904	11,500
2. Hedge sales				
a) Credit default	1,571,598	80,045,542	330,964	1,722,500
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total B at 31/12/11	1,571,598	80,045,542	330,964	1,722,500
Average values	1,377,461	73,027,535	408,114	1,752,559
Total B at 30/6/11	1,360,305	73,527,535	438,114	1,779,300

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

Portfolio/derivative instrument type	Positive fair value	
	31/12/11	**30/6/11**
A. Regulatory trading book	2,175,614	1,631,291
a) Credit default products	2,175,614	1,631,291
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
B. Banking book	155,983	126,905
a) Credit default products	155,983	126,905
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
Total	2,331,597	1,758,196

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

Portfolios/derivative instruments type	Negative fair value	
	31/12/11	30/6/11
A. Regulatory trading book	(2,232,974)	(1,678,680)
a) Credit default products	(2,232,974)	(1,678,680)
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
B. Banking book	(92,654)	(125,277)
a) Credit default products	(92,654)	(125,277)
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
Total	(2,325,628)	(1,803,957)

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

Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
Regulatory trading book							
1. Hedge buys							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
2. Hedge sales							
- notional value	—	—	—	18,250	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	(3,477)	—	—	—
- future exposure	—	—	—	913	—	—	—
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 in bonds issued.

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

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
Regulatory trading book							
1. Hedge buys							
- notional value	—	—	80,084,863	1,285,989	—	—	—
- positive fair value	—	—	1,709,967	31,552	—	—	—
- negative fair value	—	—	(443,694)	(2,087)	—	—	—
2. Hedge sales							
- notional value	—	—	80,414,522	1,184,368	—	—	—
- positive fair value	—	—	432,825	1,269	—	—	—
- negative fair value	—	—	(1,748,714)	(35,001)	—	—	—
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 in bonds issued.

C. CREDIT AND FINANCIAL DERIVATIVES

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

	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1) Financial derivatives bilateral agreements							
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
- net counterparty risk	—	—	—	—	—	—	—
2) Credit derivatives bilateral agreeements							
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
- net counterparty risk	—	—	—	—	—	—	—
3) "Cross product" agreements *							
- positive fair value	—	—	1,064,686	134,868	21,286	—	—
- negative fair value	—	—	(594,062)	(313,148)	(2,791)	(628)	—
- future exposure	—	—	1,127,768	576,437	12,001	4	—
- net counterparty risk	—	—	1,279,487	708,095	33,287	4	—

* Net of €514,847,000 in cash collateral.

1.3 BANKING GROUP LIQUIDITY RISK

QUALITATIVE INFORMATION

In December 2011, the Board of Directors of Mediobanca S.p.A. approved two documents entitled Regulations governing liquidity risk management policies and Contingency funding plan (CFP). The purpose of these documents is to equip the Group with a methodological system which is able to improve liquidity risk monitoring and management, and at the same time set down the procedures for implementing an action plan in the event of specific tensions in the Group and/or the system.

The Group's objective in accordance with the regulatory instructions provided by the central and national authorities, is to maintain a level of liquidity that allows it to meet the payment commitments it has entered into.

With regard to liquidity indicators specifically, these involve monitoring cumulative liquidity mismatches. For short-term maturities, the restriction takes the form of a counterbalance capacity which must always be higher than net outflows, including in stress situations. For structural liquidity, after mapping the various balance-sheet items on the temporal axis based on the speed with which they may effectively be cashed, the restriction is that inflows must cover 100% of outflows on maturities of more than one year and at least 90% of maturities of more than five years.

In addition to the indicators, a governance model has also been established, to be activated effectively in the event of a crisis, by following an approved procedure which identifies individuals, responsibilities, communications processes and the related criteria for reporting, in an attempt to increase the probabilities of successfully overcoming the emergency situation (CFP). Indications are provided through the early warning indicators (EWIs), which in conjunction with the stress tests, constitute a useful instrument for identifying and assessing in advance what the most appropriate action would be to deal with a specific crisis scenario.

This model complements the operations monitoring, which has been active since July 2011, in which a timeline of future cash requirements is produced daily for measures based on certain cash flows (which do not include assumptions of renewals/early redemptions. The liquidity balances thus obtained are compared with the amount of the counterbalance capacity, defined narrowly as cash and cash equivalents plus the aggregate of securities held which are eligible for refinancing with the monetary authorities, and more broadly with the inclusion of less liquid assets (undeliverable bonds, deliverable shares, deliverable receivables) to which major haircuts are applied.

Stress testing carried out once a week, assuming:

– extension of maturities on all the main corporate customer loans and extraordinary drawdowns on committed lines;
– major reductions in renewals of interbank funds raised by Group companies;
– significant failure to renew CheBanca! funding when term deposits expire.

During the six months under review, the presence of substantial holdings in securities ensured that the balance of estimated net outflows was well below the counterbalance capacity, even in stress situations.

A steering committee also analyses the Bank's liquidity situation, the sustainability of business development on the Bank's asset structure, and the sensitivity of earnings to movements in interest rates on a fortnightly basis.

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

Items/maturities	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	2,882,553	5,058,591	660,370	1,230,115	2,696,216	4,208,288	4,136,906	23,285,928	13,386,593	26,850
A.1 Government securities	7,501	—	—	—	165,115	335,351	233,803	2,705,940	1,489,627	—
A.2 Other debt securities	—	22,987	8,297	34,719	136,102	574,950	371,515	3,804,340	2,447,168	—
A.3 UCITS units	—	—	—	—	—	—	—	—	—	—
A.4 Loans and advances	2,875,052	5,035,604	652,073	1,195,396	2,394,999	3,297,987	3,531,588	16,775,648	9,449,798	26,850
– to banks	1,490,899	3,028,889	31,090	50,453	402,926	586,353	78,586	694,384	192,596	11,250
– to customers	1,384,153	2,006,715	620,983	1,144,943	1,992,073	2,711,634	3,453,002	16,081,264	9,257,202	15,600
Cash liabilities	3,593,685	772,813	380,352	2,837,340	4,333,186	4,138,105	7,488,547	27,219,282	7,377,890	38,468
B.1 Deposits and current accounts	3,591,517	770,867	356,625	1,684,104	3,926,141	2,933,041	4,742,700	5,564,545	1,264,652	38,415
– to banks	1,285,214	323,492	19,575	1,037,915	657,972	913,711	170,267	4,632,361	617,301	28,236
– to customers	2,306,303	447,375	337,050	646,189	3,268,169	2,019,330	4,572,433	932,184	647,351	10,179
B.2 Debt securities	1,430	564	23,077	1,153,236	394,524	1,193,477	2,684,068	20,861,996	5,497,879	53
B.3 Other liabilities	738	1,382	650	—	12,521	11,587	61,779	792,741	615,359	—
Off-balance-sheet transactions	7,999,374	2,690,100	674,707	1,962,222	2,694,891	3,501,301	13,132,985	39,049,701	9,530,006	—
C.1 Financial derivatives with exchange of principal	—	2,680,991	668,682	662,774	2,186,915	444,998	1,154,682	2,299,162	3,480,038	—
– long positions	—	2,252,821	660,525	637,332	852,311	204,293	279,888	477,868	935,742	—
– short positions	—	428,170	8,157	25,442	1,334,604	240,705	874,794	1,821,294	2,544,296	—
C.2 Financial derivatives without principal exchange of	7,944,805	9,109	6,025	109,448	374,356	365,272	699,634	26,412	—	—
– long positions	3,937,402	5,235	1,766	56,886	239,553	185,751	318,937	12,823	—	—
– short positions	4,007,403	3,874	4,259	52,562	134,803	179,521	380,697	13,589	—	—
C.3 Deposits and loans for collection	—	—	—	—	—	—	—	—	120,000	—
– long positions	—	—	—	—	—	—	—	—	120,000	—
– short positions	—	—	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds [1]	31,701	—	—	1,190,000	133,500	2,690,950	11,277,000	36,719,962	5,926,907	—
– long positions	—	—	—	620,000	35,000	1,352,150	5,548,500	18,210,283	3,219,077	—
– short positions	31,701	—	—	570,000	98,500	1,338,800	5,728,500	18,509,679	2,707,830	—
C.5 Financed guarantees issued	22,868	—	—	—	120	81	1,669	4,165	3,061	—

[1] This item includes hedge sales, fully matched by purchases for the same amount.

Currency of denomination: US DOLLAR

Items/maturities	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	54,357	21,891	53,791	443,275	32,230	72,127	167,312	721,271	154,284	1
A.1 Government securities	—	—	—	—	27	—	27	215	479	—
A.2 Other debt securities	—	—	53,640	15,035	16,569	52,030	57,792	248,420	113,821	—
A.3 UCITS units	—	—	—	—	—	—	—	—	—	—
A.4 Loans and advances	54,357	21,891	151	428,240	15,634	20,097	109,493	472,636	39,984	1
– to banks	38,734	21,891	—	273	54	569	827	2,709	273	—
– to customers	15,623	—	151	427,967	15,580	19,528	108,666	469,927	39,711	1
Cash liabilities	647,091	81,735	45,237	9,424	123,617	57,160	16,885	209,826	—	3
B.1 Deposits and current accounts	647,087	81,616	45,237	9,399	114,517	55,451	12,443	—	—	3
– to banks	69,403	—	20,612	—	23,198	—	—	—	—	—
– to customers	577,684	81,616	24,625	9,399	91,319	55,451	12,443	—	—	3
B.2 Debt securities	4	119	—	25	9,100	1,709	4,442	209,826	—	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	438,753	341,965	250,569	2,368,404	306,418	9,161,035	16,173,619	62,746,504	13,927,963	—
C.1 Financial derivatives with exchange of principal	—	190,485	170,965	182,809	275,248	8,895	398,029	199,513	275,827	—
– long positions	—	131,587	155,508	82,952	216,422	7,716	11,268	12,675	—	—
– short positions	—	58,898	15,457	99,857	58,826	1,179	386,761	186,838	275,827	—
C.2 Financial derivatives without exchange of principal	438,753	—	—	573	256	336	1,656	—	—	—
– long positions	133,202	—	—	499	28	288	590	—	—	—
– short positions	305,551	—	—	74	228	48	1,066	—	—	—
C.3 Deposits and loans for collection	—	—	—	—	—	—	—	—	—	—
– long positions	—	—	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds [1]	—	151,480	79,604	2,185,022	30,914	9,151,804	15,773,934	62,546,991	13,652,136	—
– long positions	—	75,740	79,604	1,072,030	15,457	4,575,902	7,873,442	31,263,835	6,829,932	—
– short positions	—	75,740	—	1,112,992	15,457	4,575,902	7,900,492	31,283,156	6,822,204	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—

[1] This item includes hedge sales, fully matched by purchases for the same amount.

Currency of denomination: other

Items/maturities	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	70,504	22,479	10,379	116,465	44,358	133,538	171,716	301,347	26,835	—
A.1 Government securities	—	—	—	—	—	—	—	—	—	—
A.2 Other debt securities	—	—	9,120	11,325	24	129,420	122,798	—	4,221	—
A.3 UCITS units	—	—	—	—	—	—	—	—	—	—
A.4 Loans and advances	70,504	22,479	1,259	105,140	44,334	4,118	48,918	301,347	22,614	—
– to banks	66,781	15,176	—	—	—	—	—	—	—	—
– to customers	3,723	7,303	1,259	105,140	44,334	4,118	48,918	301,347	22,614	—
Cash liabilities	93,456	4,535	30,127	18,649	6,967	8,285	12,495	37,058	233,570	—
B.1 Deposits and current accounts	93,456	4,535	30,127	18,649	6,967	8,285	1,745	—	—	—
– to banks	6,615	116	21,597	5,212	—	—	—	—	—	—
– to customers	86,841	4,419	8,530	13,437	6,967	8,285	1,745	—	—	—
B.2 Debt securities	—	—	—	—	—	—	10,750	37,058	233,570	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	604,591	290,785	251,935	155,702	913,960	324,722	148,575	4,469,231	184,915	—
C.1 Financial derivatives with exchange of principal	—	290,785	251,451	155,702	913,960	324,178	137,438	906,357	184,915	—
– long positions	—	217,494	61,612	75,494	457,818	30,400	59,260	277,860	—	—
– short positions	—	73,291	189,839	80,208	456,142	293,778	78,178	628,497	184,915	—
C.2 Financial derivatives without exchange of principal	604,591	—	484	—	—	544	11,137	—	—	—
– long positions	270,625	—	—	—	—	—	10,046	—	—	—
– short positions	333,966	—	484	—	—	544	1,091	—	—	—
C.3 Deposits and loans for collection	—	—	—	—	—	—	—	—	—	—
– long positions	—	—	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds [1]	—	—	—	—	—	—	—	3,562,874	—	—
– long positions	—	—	—	—	—	—	—	1,781,437	—	—
– short positions	—	—	—	—	—	—	—	1,781,437	—	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—

[1] This item includes hedge sales, fully matched by purchases for the same amount.

1.4 BANKING GROUP - OPERATING RISK

QUALITATIVE INFORMATION

Definition

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

Capital requirements for operating risk

Mediobanca has decided to adopt the Basic Indicator Approach (BIA) in order to calculate the capital requirement for covering operating risk, applying a margin of 15% to the average of the last three years' readings of total income. Based on this method of calculation, the capital requirement at the reporting date is unchanged from the figure as at 30 June 2011, namely €262.7m.

Risk mitigation

In October 2011 an operating risk management team was established as part of the Risk management unit, with the aim of ensuring regular risk monitoring and reporting to the company's management.

The Bank is geared towards an essentially operational and pragmatic approach to operating risk, aimed at enhancing covering in order to make processes more effective, reduce losses and over the medium term optimize the use of the company's capital.

A project has therefore been launched to identify and assess the most important risks and measures for controlling and mitigating them (risk self-assessment). The objective is to identify the major sources of possible risks and evaluate and then take the relevant measures in order to control and mitigate them.

In order to mitigate operating risk, the following activities are implemented:

- the Group has drawn up operating continuity and disaster recovery plans to ensure that activity can continue and to limit operating losses in the event of prolonged interruptions;
- the Group regularly reviews its operating continuity and emergency procedures, to ensure that these are consistent with its activities and current operating strategies;
- access to computer systems is also monitored, in particular attacks from outside, using the appropriate IT and recording instruments;
- insurance policies have been taken out to cover the most valuable staff members and assets and as protection for management of cash;
- the Group has implemented a continuous monitoring and regular review system to assess the continuity and level of the service provided by suppliers (outsourcing risks).

Litigation risk: risks deriving from litigation pending

Apart from the claim pending against Mediobanca for the alleged failure to launch a full takeover bid for La Fondiaria in 2002 (cf. p. 36), the Group faces no litigation risk worthy of note.

1.5 BANKING GROUP – OTHER RISKS

QUALITATIVE INFORMATION

As part of the Internal Capital Adequacy Assessment Process (ICAAP) required by the regulations in force to assess the adequacy of the company's capital, both present and future, in order to perform its business, the Group has identified the following types of risk as relevant (in addition to those discussed previously, i.e. credit risk, market risk, liquidity and operating risk):

– interest rate risk on the banking book, deriving from possible changes in interest rates;

– concentration risk, i.e. risk deriving from a concentration of exposures to individual counterparties or groups of counterparties ("single name concentration risk") or to counterparties operating in the same economic sector or which operate in the same business or belong to the same geographical area (geographical/sector concentration risk);

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

– compliance risk, i.e. the risk of incurring legal or administrative penalties, significant financial losses or damages to the Bank's reputation as a result of breaches of external laws and regulations or self-imposed regulations;

– reputational risk, i.e. the current and future risk of reductions in profits or capital deriving from a negative perception of the Bank's image by customers, counterparties, shareholders, investors or regulatory authorities;

– residual risk, i.e. the risk that the recognized techniques used by the Bank to mitigate credit risk should prove to be less effective than anticipated;

– securitization risk, i.e. the risk that the economic substance of a securitization might not be fully reflected in the risk assessment and management decisions taken.

The Group publishes information regarding its exposure to risks, and the general characteristics of the systems put in place to identify, measure and manage such risks, in the disclosure document required under pillar III of the Basel II regulations.

Part F - Information on consolidated capital

SECTION 1

Consolidated capital

B. Quantitative information

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

Net equity constituents	Banking group [1]	Insurance companies	Other companies	Elisions/ adjustments upon-consolidation	Total
Share capital	430,565	—	—	—	430,565
Share premium	2,120,143	—	—	—	2,120,143
Reserves	4,424,584	—	—	—	4,424,584
Equity instruments	—	—	—	—	—
Treasury shares	(213,844)	—	—	—	(213,844)
Valaution reserves:	(711,598)	—	—	—	(711,598)
- AFS securities	(423,580)	—	—	(3,479)	(427,059)
- Property, plant and equipment	—	—	—	—	—
- Intangible assets	—	—	—	—	—
- Foreign investment hedges	—	—	—	—	—
- Cash flow hedges	(90,524)	—	—	—	(90,524)
- Exchange rate differences	3,713	—	—	—	3,713
- Non-current assets being sold	—	—	—	—	—
- Actuarial gains (losses) on defined-benefit pension	—	—	—	—	—
- Share of valuation reserves represented by equity-accounted companies	(214,677)	—	—	3,479	(211,198)
- Special valuation laws	13,470	—	—	—	13,470
Gain (loss) for the period attributable to the Group/minorities	63,425	—	—	—	63,425
Total	6,113,275	—	—	—	6,113,275

[1] Includes Banca Esperia, consolidated pro rata.

B.2 AFS valuation reserves: composition

Assets/amounts	Banking group		Insurance companies		Other companies		Elisions/ adjustments upon consolidation		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	28,898	(368,716)	—	—	—	—	—	609	28,898	(368,107)
2. Equities	72,174	(167,083)	—	—	—	—	—	—	72,174	(167,083)
3. UCITS units	13,865	(9,676)	—	—	—	—	—	2,870	13,865	(6,806)
4. Loans and advances	—	—	—	—	—	—	—	—	—	—
Total at 31/12/11	114,937	(545,475)	—	—	—	—	—	3,479	114,937	(541,996)
Total at 30/6/11	178,496	(202,371)	—	—	—	—	—	1,893	178,496	(200,478)

B.3 AFS valuation reserves: movements during the period

	Debt securities	Equities	UCITS units	Loans	Total
1. Opening balance	(71,380)	39,907	9,491	—	(21,982)
2. Additions	34,440	40,059	1,575	—	76,074
2.1 Increases in fair value	34,331	3,342	391	—	38,064
2.2 Negative reserves charged back to profit and loss as a result of	109	36,717	1,184	—	38,010
- impairment	—	—	494	—	494
- disposals	109	36,717	690	—	37,516
2.3 Other additions	—	—	—	—	—
3. Reductions	302,269	174,875	4,007	—	481,151
3.1 Reductions in fair value	297,802	158,080	3,859	—	459,741
3.2 Adjustments for impairment	—	4,009	—	—	4,009
3.3 Positive reserves credited back to profit and loss as a result of: disposals	4,467	12,786	—	—	17,253
3.4 Other reductions	—	—	148	—	148
4. Balance at end of period	(339,209)	(94,909)	7,059	—	(427,059)

SECTION 2

Regulatory and supervisory capital requirements for banks

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

Since its inception one of the distinguishing features of Mediobanca has been the solidity of its financial structure, with capital ratios that have been consistently and significantly higher than those required by the regulatory guidelines, as shown by the results of the internal capital adequacy assessment process (ICAAP) and the relevant information disclosed to the public in accordance with Basel II, pillar 3; the latter document may be found on the Bank's website at www.mediobanca.it.

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 (tenth update issued on 21 December 2011) and no. 155 – fourteenth update issued on 21 December 2011), which transpose the new prudential guidelines for banks and banking groups introduced by the New Basel Capital Accord (Basel II) into the Italian regulatory framework.

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

In July 2011 the draft regulations on banks' capital and corporate governance known as the Capital Requirements Directive ("CRD IV") was published. This document represents the European Commission's transposition of the new prudential guidelines for banks known as Basel III, which involve a general strengthening of the quality of regulatory capital. The new regulations should be ready by end-2012 and applied gradually starting from January 2013, becoming fully operative as from 2019.

2.2 Regulatory capital requirements for banks

A. Qualitative information

1. Tier 1 and Tier 2 capital

Tier 1 capital consists of the share attributable to the Group and to minority shareholders of capital paid up, reserves, and profit for the period net of treasury shares (€213.8m), intangible assets (€56.9m), goodwill (€392m), the negative share of the valuation reserves (€293.5m including the associated companies pro rata net of the prudential filter for EU government securities), and 50% of the book value of the Bank's investments in banks and financial services companies (equal to €73m).

Tier 2 capital includes the property valuation reserves (€15.1m), Tier 2 subordinated liabilities (€1,421m, down slightly following the early repayment of the 2006 issue, which was only partly replaced by a new ten-year issue), positive exchange rate differences (€77.7m) less unrealized losses on investments (€68.3m) and the remaining share of the book value of investments in banks and financial companies deducted (€73m).

B. Quantitative information

	31/12/11	30/6/11
A. Tier 1 capital prior to application of prudential filters	5,987,668	6,372,846
B. Tier 1 prudential filters:		
B.1 IAS/IFRS positive filters	212,590	—
B.2 IAS/IFRS negative filters	—	(165,075)
C. Tier 1 capital gross of items to be deducted	6,200,258	6,207,771
D. Items for deduction from Tier 1 capital	(72,947)	(51,683)
E. Total Tier 1 capital	6,127,313	6,156,088
F. Tier 2 capital prior to application of prudential filters	1,445,403	1,853,808
G. Tier 2 prudential filters:		
G.1 IAS/IFRS positive filters	—	60,590
G.2 IAS/IFRS negative filters	—	(119,722)
H. Tier 2 capital gross of items to be deducted	1,445,403	1,794,676
I. Items for deduction from Tier 2 capital	(72,947)	(51,683)
L. Total Tier 2 capital	1,372,456	1,742,993
M. Items for deduction from Total Tier 1 and Tier 2 capital	—	—
N. Regulatory capital	7,499,767	7,899,081
O. Total Tier 3 capital	—	—
P. Total regulatory capital including Tier 3	7,499,767	7,899,081

2.3 Capital adequacy

A. Qualitative information

As at 31 December 2011, the Bank's Tier 1 ratio, calculated as Tier 1 capital as a percentage of risk-weighted assets, amounted to 11.01%, down slightly on the figures reported at the balance-sheet date, that is, 11.19%, chiefly due to the increase in risk-weighted assets, up from €55bn to €55.6bn as a result of harsher weightings being applied to exposures to Italian banks and on trading investments. The reduction in the total capital ratio was more pronounced, from 14.36% to 13.48%, being due to the reduction in regulatory capital following the early redemption of a subordinated bond in October 2011 (€634m), which was only partly replaced by a new ten-year issue in an amount of €400m.

B. Quantitative information

Categories/amounts	Unweighted amounts		Weighted amounts/ requirements	
	31/12/11	30/6/11	31/12/11	30/6/11
A. RISK ASSETS				
A.1 Credit and counterpart risk	70,472,874	70,797,922	44,493,313	44,406,949
1. Standard methodology	70,209,997	70,485,596	44,197,156	44,194,534
2. Internal rating methodology	—	—	—	—
2.1 Basic	—	—	—	—
2.2 Advanced	—	—	—	—
3. Securitization	262,877	312,326	296,157	212,415
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterpart risk			3,559,464	3,552,555
B.2 Market risk			628,955	586,797
1. Standard methodology			628,705	567,082
2. Internal models			—	—
3. Concentration risk			250	19,715
B.3 Operational risk			262,685	262,685
1. Basic Indicator Approach (BIA)			262,685	262,685
2. Standard methodology			—	—
3. Advanced methodology			—	—
B.4 Other prudential requirements			—	—
B.5 Other calculation elements			—	—
B.6 Total prudential requirements			4,451,104	4,402,037
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			55,638,806	55,025,457
C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			11.01%	11.19%
C.3 Regulatory capital/risk-weighted assets (total capital ratio)			13.48%	14.36%

Part H - Related party disclosure

1. Related party disclosure

The Group has adopted a procedure in respect of transactions involving related parties, in pursuance of Consob resolution no. 17221 issued on 12 March 2010, and intended to ensure that transactions with related parties executed directly by Mediobanca or via subsidiaries are managed transparently and fairly. The full document is published on the Bank's website at www.mediobanca.it. The procedure came into force on 1 January 2011.

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. Details of Directors' and strategic management's compensation are indicated in a footnote to the tables. The exposure to related parties (defined as the sum of assets plus guarantees and commitments) increased from €3.9bn to €5.1bn, as a result of the scope of the definition being expanded (under the new IAS 24 the subsidiaries of associate companies are also considered to be related parties) and the increase in treasury operations (up €680m). Overall, accounts with related parties represent approx. 7% of the total balance-sheet aggregates, and approx. 6.4% of net interest income.

1. Regular financial reporting: most significant transactions

The following significant transaction was reported to Consob on 16 November 2011, which under the regulations in force, was exempt from inclusion in the related parties procedure on the grounds of its characteristics as an ordinary transaction carried out on an arm's length basis; there were no other transactions with related parties that could impact significantly on the Group's capital or results.

Type of relationship	Counterparty	No. of transactions	Transaction type	Amount	Exempt
Significant influence over Mediobanca (>5%, with right to appoint director)	UNICREDIT	1	Underwriting capital increase	€850m [1]	✓

[1] Maximum risk taken on by Mediobanca as part of an underwriting syndicate set up with the participation of other banks in connection with the capital increase implemented by UniCredit S.p.A. The transaction was completed in January 2012 for a total amount of €752.8m, and the syndication process was completed with no amounts being taken on by Mediobanca.

Situation at 31 December 2011

(€m)

	Directors, statutory auditors and strategic management	Associates	Other related parties	Total
Assets	0.4	2,566.7	1,756.1	4,323.2
of which: other assets	—	*986.5*	*212.8*	*1,199.3*
loans and advances	*0.4*	*1,580.2*	*1,543.3*	*3,123.9*
Liabilities	16.5	77.3	505.0	598.8
Guarantees and commitments	—	304.8	441.5	746.3
Interest income	—	64.0	34.9	98.9
Interest expense	(0.2)	(1.3)	(4.6)	(6.1)
Net fee income	—	3.2	3.4	6.6
Other income (costs)	(20.4) [1]	(57.7)	(0.6)	(78.7)

[1] Of which: short-term benefits amounting to €19.7m, stock options worth €0.4m and performance shares worth €0.2m. The figure includes staff included as management with strategic responsibilities during the course of the year.

Situation at 30 June 2011

(€m)

	Directors, statutory auditors and strategic management	Associates	Other related parties	Total
Assets	0.4	1,594.5	1,564.9	3,159.8
of which: other assets	—	*236.8*	*227.2*	*464.0*
loans and advances	*0.4*	*1,357.7*	*1,337.7*	*2,695.8*
Liabilities	17.9	102.9	911.8	1,032.6
Guarantees and commitments	—	106.2	669.6	775.8
Interest income	—	82.0	69.5	151.5
Interest expense	(0.5)	(0.3)	(13.0)	(13.8)
Net fee and commission income	—	(2.7)	23.0	20.3
Other income (costs)	(41.2) [1]	(47.7)	(31.1)	(120,0)

[1] Of which: short-term benefits amounting to €38.5m, stock options worth €1.8m and performance shares worth €0.4m. The figure includes staff included as management with strategic responsibilities during the course of the year.

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	13,960,000
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	17,171,000
TOTAL	108,130,000			83,895,000

[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.

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.

A total of 650,000 stock options were awarded during the six months, as part of variable staff remuneration for 2011 (all of which from the amount approved by shareholders at a general meeting held on 27 June 2007) at a price of €6.430, vesting for three years (based on certain performance conditions being met in each of those three years) and exercisable in 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.

2. Description of performance share scheme

As part of its use of equity instruments for staff remuneration purposes, Mediobanca has chosen to adopt a performance share scheme, which was approved by the Bank's shareholders at the annual general meeting held on 28 October 2010. Under the terms of the scheme, in certain conditions Mediobanca shares may be awarded to staff free of charge at the end of a vesting period. The rationale for the scheme is to:

– bring the Bank's remuneration structure into line with guidance issued by regulatory authorities requiring that significant percentages of the variable remuneration component annually assigned be paid in the form of equity instruments, making it consistent with results sustainable over time;

– encourage the involvement of key staff in a mechanism for co-investing in the share capital of Mediobanca;

– introduce a new instrument alongside the stock options, with a limited number of newly-issued shares and by using the treasury shares owned by the Bank, in order to limit the dilutive impact on the ownership structure.

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

On 27 July 2011, as part of the variable remuneration paid in respect of the 2011 financial year, a total of 2,521,697 performance shares were awarded. The shares, which are conditional upon performance targets being met over a three-year time horizon, will be made available in tranches in November 2013 (up to 1,194,889), November 2014 (up to 663,404) and November 2015 (up to 663,404), with also an additional holding period of one year. The total notional cost of these shares is €15.7m, €2.2m of which has been expensed to the accounts for the six months.

B. QUANTITATIVE INFORMATION

1. Changes during the period

	30/6/11			31/12/11		
	No. of options	**Avg. price**	**Avg. expiry**	**No. of options**	**Avg. price**	**Avg. expiry**
A. Balance at start of period	24,365,750	12.21	June 2015	40,355,750	9.90	September 2016
B. Additions						
B.1 New issues	16,330,000	6.54	August 2018	650,000	6.43	August 2019
B.2 Other additions	—	—	—	—	—	—
C. Reductions						
C.1 Options cancelled	340,000	6.67	November 2015	50,000	10.31	July 2016
C.2 Options exercised	—	—	—	—	—	—
C.3 Options expired	—	—	—	—	—	—
C.4 Other reductions	—	—	—	10,000	6.53	August 2018
D. Balance at end of period	40,355,750	9.90	September 2016	40,945,750	9.85	October 2016
E. Options exercisable as at reporting date	13,569,750	13.69	August 2014	23,695,750	12.25	June 2015

Part L - Segment reporting

A. PRIMARY SEGMENT REPORTING

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

(€m)

31/12/11 **Profit-and-loss figures**	**Corporate & Investment Banking**	**Principal Investing**	**Retail & Private banking**	**Others**	**Writeoffs [1]**	**Group**
Net interest income	204.5	(3.9)	361.5	(0.1)	(7.4)	554.6
Net trading income	107.5	—	4.0	—	1.0	112.5
Net fee and commission income	125.9	—	128.0	8.8	(28.3)	234.4
Share in profits earned by equity-accounted companies	10.3	61.5	—	—	—	71.8
Total income	**448.2**	**57.6**	**493.5**	**8.7**	**(34.7)**	**973.3**
Personnel costs	(107.5)	(2.8)	(97.9)	(2.5)	9.4	(201.3)
Administrative expenses	(54.3)	(1.4)	(157.2)	(5.9)	20.9	(197.9)
Operating costs	**(161.8)**	**(4.2)**	**(255.1)**	**(8.4)**	**30.3**	**(399.2)**
Gains (losses) on AFS, HTM and L&R	(46.7)	—	0.5	—	8.4	(37.8)
Gain (loss) on disposal of AFS securities	(54.0)	—	(157.5)	—	(0.8)	(212.3)
Gain (loss) on disposal of other securities	(175.4)	(55.3)	(0.5)	—	0.1	(231.1)
Others	—	—	45.5	(0.1)	(1.7)	43.7
Profit before tax	**10.3**	**(1.9)**	**126.4**	**0.2**	**1.6**	**136.6**
Income tax for the period	(45.9)	4.4	(30.6)	(0.1)	0.8	(71.4)
Minority interest	(1.8)	—	—	—	—	(1.8)
Net profit	**(37.4)**	**2.5**	**95.8**	**0.1**	**2.4**	**63.4**
Cost/income ratio (%)	*36.1*	*7.3*	*51.7*	*n.s.*	*n.s.*	*41.0*

Business divisions comprise:

– *CIB (Corporate and investment banking)*: comprises corporate and investment banking activities, including leasing, plus the Group's AFS portfolio, The companies which contribute to this line of business are: Mediobanca, Mediobanca International,, MI Immobilière, MB Securities USA, Consortium, Prominvestment, SelmaBipiemme Leasing, Palladio Leasing and Teleleasing;

– *Principal Investing:* this comprises the Group's shareholdings in Assicurazioni Generali, RCS MediaGroup and Telco, plus stakes acquired as part of merchant banking activity and investments in private equity funds;

– *Retail and private banking:* this division comprises activities targeting retail customers through consumer credit products, mortgages, deposit accounts, private banking and fiduciary business, The companies which form part of this division are Compass, CheBanca!, Cofactor, Futuro and Creditech and Compass RE (consumer finance), Compagnie Monégasque de Banque, Spafid and Prudentia Fiduciaria plus 50% of Banca Esperia (private banking).

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

(€m)

31/12/11 **Balance-sheet data**	**Corporate & Investment Banking**	**Principal Investing**	**Retail & Private banking**	**Others**	**Writeoffs** [1]	**Group**
Treasury funds	10,593.8	—	3,738.0	0.6	(4,884.0)	9,448.4
AFS securities	5,658.0	137.8	1,443.2	—	(379.4)	6,859.6
Equity investments	4,101.1	—	3,671.1	—	(5,359.6)	2,412.6
Funding	384.2	2,511.2	—	—	81.5	2,976.9
Loans and advances to customers	29,182.8	—	14,606.9	—	(5,956.2)	37,834.5
Funding	(47,851.9)	(259.8)	(22,354.5)	(30.2)	16,410.2	(54,086.2)

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

INDEPENDENT
AUDITORS' REVIEW REPORT

Reconta Ernst & Young S.p.A.
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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 2011, comprising the balance sheet, the profit and loss account, the comprehensive income statement, the statement of changes to 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 Standard 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 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 2011 and for the six months ended 31 December 2010, reference should be made to our reports issued on 30 September 2011 and on 28 February 2011, 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 2011 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, 23 February 2012

Reconta Ernst & Young S.p.A.

Signed by: Davide Lisi, Partner

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

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ANNEXES

Consolidated balance sheet (IAS/IFRS-compliant) *

(€m)

	Assets	IAS-compliant 31/12/11	IAS-compliant 30/6/11	IAS-compliant 31/12/10
10.	Cash and cash equivalents	1,154.7	31.5	35.6
20.	Financial assets held for trading	14,157.2	13,716.7	15,941.0
30.	Financial assets recognized at fair value	—	—	—
40.	AFS securities	6,859.6	7,749.9	7,552.4
50.	Financial assets held to maturity	1,747.9	1,643.6	1,253.3
60.	Due from banks	5,599.4	4,054.6	3,750.3
	of which:			
	other trading items	*3,621.3*	*2,714.6*	*2,941.9*
	securities	—	—	—
	other items	*1.0*	*115.2*	*15.6*
70.	Due from customers	40,644.7	39,235.4	40,270.1
	of which:			
	other trading items	*3,943.4*	*3,386.3*	*5,006.6*
	securities	*664.7*	*664.6*	*731.1*
	other items	*80.4*	*80.2*	*114.7*
80.	Hedging derivatives	1,402.1	1,368.1	1,758.9
	of which:			
	funding hedge derivatives	*1,402.1*	*1,367.1*	*1,758.5*
	lending hedge derivatives		*1.0*	—
90.	Value adjustments to financial assets subject to general hedging	—	—	—
100.	Equity investments	2,976.9	3,156.1	3,445.8
110.	Total reinsurers' share of technical reserves	—	—	—
120.	Property, plant and equipment	297.4	320.4	318.1
130.	Intangible assets	431.1	437.4	438.1
	of which:			
	goodwill	*365.9*	*365.9*	*365.9*
140.	Tax assets	1.003,1	967.1	830.3
	a) current	*243.1*	*375.6*	*224.0*
	b) advance	*760.0*	*591.5*	*606.3*
150.	Other non-current and Group assets being sold	—	—	—
160.	Other assets	194.0	253.4	171.9
	of which:			
	other trading items	*9.0*	*40.1*	*7.9*
	Total assets	**76,468.1**	**72,934.2**	**75,765.8**

* Figures in €m

The balance sheet provided on p. 13 reflects the following restatements:
– Treasury funds comprise asset headings 10 and 20 and liability heading 40, plus the "other trading items" shown under asset headings 60, 70 and 160 and liability headings 10 and 20, 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.

(€m)

	Liabilities and net equity	IAS-compliant 31/12/11	IAS-compliant 30/6/11	IAS-compliant 31/12/10
10.	Due to banks	9,365.4	7,372.6	7,991.6
	of which:			
	other trading items	*1,210.8*	*2,630.2*	*2,467.6*
	other liabilities	*7.1*	*13.2*	*0.4*
20.	Due to customers	15,431.5	13,667.0	14,800.2
	of which:			
	other trading items	*1,460.6*	*1,133.6*	*1,993.3*
	other liabilities	*9.9*	*10.2*	*9.9*
30.	Debt securities	33,516.6	35,270.7	35,870.1
40.	Trading liabilities	10,320.2	7,516.6	8,332.0
50.	Liabilities recognized at fair value	—	—	—
60.	Hedging derivatives	426.6	647.7	607.0
	of which:			
	funding hedge derivatives	*308.3*	*557.0*	*473.4*
	lending hedge derivatives	*72.3*	*58.9*	*69.6*
70.	Value adjustments to financial liabilities subject to general hedging	—	—	—
80.	Tax liabilities	430.7	565.9	476.2
	a) current	133.3	252.8	162.7
	b) deferred	297.4	313.1	313.5
90.	Liabilities in respect of Group assets being sold	—	—	—
100.	Other liabilities	491.3	628.6	518.0
	of which:			
	other trading items	*0.1*	*0.9*	*38.8*
	loan loss provisions	*26.6*	*45.0*	*0.6*
110.	Staff severance indemnity provision	24.2	26.0	26.8
120.	Provisions	157.8	156.5	156.5
	a) post-employment and similar benefits	—	—	—
	b) other provisions	*157.8*	*156.5*	*156.5*
130.	Technical reserves	78.0	54.8	32.2
140.	Valuation reserves	(711.6)	6.7	47.5
150.	Shares with right of withdrawal	—	—	—
160.	Equity instruments	—	—	—
170.	Reserves	4,424.6	4,200.9	4,199.1
180.	Share premium reserve	2,120.1	2,120.1	2,119.9
190.	Share capital	430.6	430.6	430.6
200.	Treasury shares	(213.8)	(213.8)	(213.8)
210.	Net equity attributable to minorities	112.5	114.7	109.0
220.	Profit (loss) for the year	63.4	368.6	262.9
	Total liabilities and net equity	**76,468.1**	**72,934.2**	**75,765.8**

Consolidated profit and loss accounts (IAS/IFRS-compliant) *

(€m)

Profit and loss account	6 mths to 31/12/11	12 mths to 30/6/11	6 mths to 31/12/10
10. Interest and similar income	1,552.3	2,787.5	1,374.3
20. Interest expense and similar charges	(993.8)	(1,655.9)	(806.3)
30. Net interest income	**558.5**	**1,131.6**	**568.0**
40. Fee and commission income	207.0	485.6	248.3
50. Fee and commission expense	(18.0)	(48.6)	(22.4)
60. Net fee and commission income	**189.0**	**437.0**	**225.9**
70. Dividends and similar income	35.9	116.0	43.4
80. Net trading income	43.6	(32.8)	16.8
90. Net hedging income (expense)	4.4	0.1	(2.9)
100. Gain (loss) on disposal of:	(13.2)	64.1	32.6
a) loans and receivables	—	*0.6*	*0.2*
b) AFS securities	*(38.0)*	*22.2*	*15.2*
c) financial assets held to maturity	*0.2*	*(3.3)*	*(0.2)*
d) other financial liabilities	24.6	44.6	17.4
120. Total income	**818.2**	**1,716.0**	**883.8**
130. Adjustments for impairment to:	(388.2)	(504.7)	(239.2)
a) loans and receivables	*(189.5)*	*(343.1)*	*(210.4)*
b) AFS securities	*(174.4)*	*(145.1)*	*(12.4)*
c) financial assets held to maturity	*(1.5)*	*(10.5)*	*(7.3)*
d) other financial liabilities	(22.8)	(6.0)	(9.1)
140. Net income from financial operations	**430.0**	**1,211.3**	**644.6**
150. Net premium income	9.4	9.5	3.4
160. Income less expense from insurance operations	(3.6)	(4.7)	(1.3)
170. Net income from financial and insurance operations	435.8	1,216.1	646.7
180. Administrative expenses:	(399.1)	(833.2)	(412.3)
a) personnel costs	*(201.3)*	*(418.8)*	*(216.4)*
b) other administrative expenses	*(197.8)*	*(414.4)*	*(195.9)*
190. Net transfers to provisions for liabilities and charges	(1.4)	(1.0)	(0.1)
200. Net adjustments to property, plant and equipment	(8.5)	(17.4)	(8.9)
210. Net adjustments to intangible assets	(13.1)	(24.5)	(11.9)
of which: goodwill	—	—	—
220. Other operating income (expenses)	62.5	130.8	63.9
230. Operating costs	**(359.6)**	**(745.3)**	**(369.3)**
240. Profit (loss) from equity-accounted companies	16.6	83.4	110.2
270. Gain (loss) on disposal of investments	43.8	—	—
280. Profit (loss) before tax on ordinary activities	**136.6**	**554.2**	**387.6**
290. Income tax on ordinary activities for the year	(71.4)	(180.6)	(122.2)
300. Profit (loss) after tax on ordinary activities	**65.2**	**373.6**	**265.4**
310. Net gain (loss) on non-current assets being sold	—	—	—
320. Profit (loss) for the year	**65.2**	**373.6**	**265.4**
330. Profit (loss) for the year attributable to minorities	(1.8)	(5.0)	(2.5)
340. Net profit (loss) for the year attributable to Mediobanca	**63.4**	**368.6**	**262.9**

* Figures in €m

The profit and loss account reported on p. 12 reflects the following restatements:
- Net interest income includes the results of funding and lending hedge activity (€4.4m, minus €1.5m and minus €3m respectively) plus margins on swaps reported under Heading 80 amounting to €8.1m, €60.4m and €33.2m, net of interest on securities lending totalling €0.3m, minus €0.6m and €0.4m respectively, 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 €22.9m, €52.3m and €2.6m respectively which net operating costs; Heading 150 and Heading 160 have also been accounted for as Net fee and commission income.
- Net trading income includes Headings 70 and 80, plus the gains (losses) on financial liabilities reported under Heading 100, net of or in addition to the items already stated.
- Provisions for other financial assets comprise the AFS and HTM assets represented under Heading 130, along with the net provisions for the RCS MediaGroup investment (€55.2m) under Heading 240.

Mediobanca S.p.A. balance sheet *

(€m)

	Assets	IAS-compliant 31/12/11	IAS-compliant 30/6/11	IAS-compliant 31/12/10
10.	Cash and cash equivalents	1,118.1	0.6	2.0
20.	Financial assets held for trading	13,677.6	12,725.8	15,243.2
40.	AFS securities	5,795.7	6,684.7	6,376.5
50.	Financial assets held to maturity	1,742.6	1,642.9	1,252.6
60.	Due from banks	8,857.9	8,299.0	6,415.7
	of which:			
	other trading items	*4,675.9*	*5,170.3*	*3,654.3*
	securities		—	—
	other items	*10.3*	*140.4*	*26.2*
70.	Due from customers	28,552.7	26,571.3	27,044.7
	of which:			
	other trading items	*4,896.1*	*4,078.8*	*6,910.0*
	securities	*2,358.5*	*2,358.2*	*731.1*
	other items	*33.4*	*65.6*	*47.8*
80.	Hedging derivatives	1,485.4	1,386.4	1,789.6
	of which:			
	funding hedge derivatives	*1,470.5*	*1,382.8*	*1,789.6*
	lending hedge derivatives	*14.9*	*3.6*	—
100.	Equity investments	2,637.3	2,671.0	2,828.4
120.	Property, plant and equipment	120.0	119.0	118.0
130.	Intangible assets	12.7	13.8	11.2
140.	Tax assets	400.0	428.4	272.2
	a) current	*133.0*	*277.2*	*115.6*
	b) advance	*267.1*	*151.2*	*156.6*
150.	Other assets	27.0	26.5	20.1
	of which:			
	other trading items	—	—	—
	Total assets	**64,427.0**	**60,569.4**	**61,374.2**

* Figures in €m

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

– Treasury funds comprise asset headings 10 and 20 and liability heading 40, plus the "other trading items" shown under asset headings 60, 70 and 160 and liability headings 10 and 20, 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.

(€m)

	Liabilities and net equity	IAS-compliant 31/12/11	IAS-compliant 30/6/11	IAS-compliant 31/12/10
10.	Due to banks	11,479.0	7,438.1	6,849.3
	of which:			
	other trading items	*1,554.8*	*2,562.7*	*2,322.9*
	other liabilities		*16.6*	*0.3*
20.	Due to customers	1,118.5	972.5	1,910.9
	of which:			
	other trading items	*915.5*	*663.1*	*1,551.1*
	other liabilities	*71.8*	*108.3*	*49.2*
30.	Debt securities	35,841.4	37,514.3	37,421.3
40.	Trading liabilities	10,367.2	8.088.0	8,866.3
60.	Hedging derivatives	611.0	725.4	703.2
	of which:			
	funding hedge derivatives	*509.1*	*652.4*	*609.9*
	lending hedge derivatives	*72.3*	*58.6*	*69.6*
80.	Tax liabilities	341.3	453.7	374.2
	a) current	*82.8*	*195.5*	*109.9*
	b) deferred	*258.5*	*258.2*	*264.3*
100.	Other liabilities	180.7	278.6	216.5
	of which:			
	Adjustments to L & R	*0.1*	*1.0*	*95.0*
	other trading items	*91.3*	*110.1*	*0.6*
110.	Staff severance indemnity provision	8.5	9.2	9.8
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	—	—	—
140.	Valuation reserves	(359.8)	(12.6)	(72.9)
170.	Reserves	2.475.4	2.486.6	2.477.6
180.	Share premium reserve	2.120.1	2.120.1	2.119.9
190.	Share capital	430.6	430.6	430.6
200.	Treasury shares (–)	(213.4)	(213.4)	(213.4)
200.	Profit (loss) for the period	(124.3)	127.4	130.1
	Total liabilities and net equity	**64,427.0**	**60,569.0**	**61,374.2**

Mediobanca S.p.A. profit and loss account *

(€m)

Profit and loss account	6 mths to 31/12/11	12 mths to 30/6/11	6 mths to 31/12/10
10. Interest and similar income	1,023.8	1,765.4	855.7
20. Interest expense and similar charges	(874.7)	(1,453.7)	(688.9)
30. Net interest income	**149.1**	**311.7**	**166.8**
40. Fee and commission income	117.3	300.3	154.6
50. Fee and commission expense	(5.1)	(16.1)	(7.3)
60. Net fee and commission income	**112.2**	**284.2**	**147.3**
70. Dividends and similar income	35.9	214.8	52.9
80. Net trading income	41.6	33.3	46.3
90. Net hedging income (expense)	3.6	(1.0)	(0.6)
100. Gain (loss) on disposal of:	(13.2)	29.3	14.1
a) loans and receivables	—	*0.6*	*0.2*
b) AFS securities	*(37.9)*	*11.3*	*5.7*
c) financial assets held to maturity	—	*(3.3)*	*(0.2)*
d) other financial liabilities	*24.7*	*20.7*	*8.4*
120. Total income	**329.2**	**872.3**	**426.8**
130. Adjustments for impairment to:	(215.1)	(155.0)	(56.5)
a) loans and receivables	*(16.9)*	*6.4*	*(28.0)*
b) AFS securities	*(173.9)*	*(144.5)*	*(12.1)*
c) financial assets held to maturity	*(1.6)*	*(10.8)*	*(7.4)*
d) other financial liabilities	*(22.7)*	*(6.1)*	*(9.0)*
140. Net income from financial operations	**114.1**	**717.3**	**370.3**
180. Administrative expenses:	(144.4)	(309.8)	(156.4)
a) personnel costs	*(101.5)*	*(221.8)*	*(117.3)*
b) other administrative expenses	*(42.9)*	*(88.0)*	*(39.1)*
190. Net transfers to provisions for liabilities and charges	—	—	—
200. Net adjustments to property, plant and equipment	(1.7)	(3.0)	(1.5)
210. Net adjustments to intangible assets	(6.0)	(10.1)	(4.9)
of which: goodwill	—	—	—
220. Other operating income (expenses)	8.9	18.6	7.6
230. Operating costs	**(143.2)**	**(304.3)**	**(155.2)**
240. Profit (loss) from equity investments	(57.2)	(158.6)	—
270. Gain (loss) on disposal of investments	—	—	—
280. Profit (loss) before tax on ordinary activities	**(86.3)**	**254.4**	**215.1**
290. Income tax on ordinary activities for the year	(38.0)	(127.0)	(85.0)
300. Profit (loss) after tax on ordinary activities	**(124.3)**	**127.4**	**130.1**
330. Net profit (loss) for the period	**(124.3)**	**127.4**	**130.1**

* Figures in €m

The profit and loss account reported on p. 37 reflects the following restatements:
- Net interest income includes the results of funding and lending hedge activity (€3.6m, minus €1.1m and minus €0.7m respectively), plus margins on swaps reported under Heading 80 amounting to €1.9m, €2.6m and €3.1m), net of interest on securities lending totalling €0, minus €1.1 and €0.1m 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 €1.1m, €5.1m and €1.9m respectively which net operating costs; Heading 150 and Heading 160 have also been accounted for as Net fee and commission income.
- Net trading income includes Headings 70 and 80, plus the gains (losses) on financial liabilities reported under Heading 100, net of or in addition to the items already stated.

Declaration in respect of condensed 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 administrative and accounting procedures used in the preparation of the interim financial statements:

   – were adequate in view of the company's characteristics; and that

   – were effectively applied during the six months ended 31 December 2011.

2. Assessment of the adequacy of said administrative and accounting procedures for the financial statements for the six months ended 31 December 2011 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 condensed 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 condensed 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, 22 February 2012

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

Mercurio GP - Milan