MEDIOBANCA

# *Interim Report*

for the six months ended 31 December 2008

MEDIOBANCA

LIMITED COMPANY

SHARE CAPITAL € 410,027,832.50

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 2008

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

## BOARD OF DIRECTORS

| | | Term expires |
|---|---|---|
| CESARE GERONZI | Chairman | 2011 |
| DIETER RAMPL | Deputy Chairman | 2011 |
| MARCO TRONCHETTI PROVERA | Deputy Chairman | 2011 |
| ALBERTO NAGEL | Chief Executive Officer | 2011 |
| RENATO PAGLIARO | General Manager | 2011 |
| JEAN AZEMA | Director | 2011 |
| TARAK BEN AMMAR | » | 2011 |
| GILBERTO BENETTON | » | 2011 |
| MARINA BERLUSCONI | » | 2011 |
| ANTOINE BERNHEIM | » | 2011 |
| ROBERTO BERTAZZONI | » | 2011 |
| VINCENT BOLLORE’ | » | 2011 |
| ANGELO CASO’ | » | 2011 |
| MAURIZIO CEREDA | » | 2011 |
| MASSIMO DI CARLO | » | 2011 |
| ENNIO DORIS | » | 2011 |
| PIETRO FERRERO | » | 2011 |
| JONELLA LIGRESTI | » | 2011 |
| FABRIZIO PALENZONA | » | 2011 |
| MARCO PARLANGELI | » | 2011 |
| CARLO PESENTI | » | 2011 |
| ERIC STRUTZ | » | 2011 |
| FRANCESCO SAVERIO VINCI | » | 2011 |

## STATUTORY AUDIT COMMITTEE

| | | |
|---|---|---|
| MARCO REBOA | Chairman | 2011 |
| MAURIZIA ANGELO COMNENO | Standing auditor | 2011 |
| GABRIELE VILLA | » » | 2011 |
| GUIDO CROCI | Alternate auditor | 2011 |
| UMBERTO RANGONI | » » | 2011 |

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# REVIEW OF GROUP OPERATIONS

The Group's results for the six months are affected by two factors: first, the worsening international financial crisis, leading to a period of deep economic recession with consequent effects on stock markets; and second, an unfavourable comparison base, given the especially strong results posted in the corresponding period last year. Nonetheless, income from the Group's core banking activities (i.e. total income net of the contribution from equity-accounted companies) held up well, recording a reduction of just 13%, driven by a rise in net interest income plus higher fees and commissions earned from retail banking. The downturn impacted significantly on the Group's bottom-line results, with net profit for the six months falling from €639.9m to €100.3m, due to sizeable adjustments made to the Group's securities and investments portfolio (€281.2m) and the reduced contribution from equity-accounted companies, down €147m. The main revenue items performed as follows:

— net interest income rose by 3.2%, from €412.5m to €425.7m, boosted by the contribution from wholesale activity, up 18.5%, offsetting the reduction in the retail segment which is more exposed to the higher cost of funding;

— net trading income fell from €259.4m to €172.7m, reflecting reduced (but still positive) dealing profits, down from €77.8m to €7.2m, and lower income from gains on disposals of securities, down from €181.7m to €165.4m;

— net fee and commission income declined by 17.8%, from €274.7m to €225.8m, reflecting 24% growth on the retail side and a slowdown in corporate and investment banking and private banking activities, which decreased by 34% and 24% respectively;

— income from equity-accounted companies reduced from €262.1m to €115.1m, reflecting the sharp fall in profitability by Assicurazioni Generali.

Costs were up 15.1%, from €294.6m to €339.1m, shared equally between growth in the headcount (with 259 more staff) and the rise in operating costs (up from €146.7m to €170m). The increase includes costs associated with CheBanca! and Mediobanca's international expansion which together amounted to €58.6m, net of which this heading would have shown a 5% reduction.

Loan loss provisions reflect a deterioration in the risk profile, up from €129.3m to €207.1m, €140.2m of which in retail financial services (up 22.7%), €44.8m (31/12/07: €10.2m) in wholesale banking, and €22.1m (€4.9m) in leasing.

Of the €281.2m in provisions for financial assets, €144m involved the Group's investment in Telco/Telecom Italia and €63m was in respect of the stake held in RCS MediaGroup, while the other €74.1m refers to shares held as available for sale. In addition, the AFS portfolio took an adjustment of €450.3m, approx. €70m of which in respect of the fixed-income component, which was booked to the net equity reserve.

Tax shows a one-off gain of approx. €46m, linked to release of the amount of goodwill booked in connection with the Linea group acquisition, as permitted by Article 15, paragraph 10 of Italian Legislative Decree 185/08.

With the launch of the new three-year business plan, the Group's areas of operations have been segmented differently to form three new divisions: corporate and investment banking (CIB), consisting of wholesale banking and leasing; principal investing (PI), which brings together the Group's investments in Assicurazioni Generali, RCS MediaGroup, Telco/Telecom Italia, and those taken as part of merchant banking and private equity activities; and retail and private banking (RPB), which includes consumer credit, CheBanca! and private banking (with the pro-rata contribution of Banca Esperia, as is customary).

Looking at the results by business area, total income for the six months was resilient in CIB, at €468.8m (compared with €588.3m last year), largely due to a good performance in net interest income, up 12.7% from €157.8m to €177.8m, and in RPB, at €381.3m (€385.1m), as a result of a 5.4% increase in net fee and commission income, from €114.5m to €120.7m. Principal investing closed the six months with a loss of €97.7m, compared to a €250.7m profit this time last year, due to the writedowns to the Telco/Telecom Italia and RCS MediaGroup investments and the reduced contribution in profits from Assicurazioni Generali.

On the balance-sheet side, the Group's liquidity position continues to be strong on the back of a 5.9% increase in funding, from €45.6bn to €48.3bn, which financed the 5.8% increase in loans and advances to customers, from €34.6bn to €36.6bn. Treasury assets remained stable at

€10.2bn, while AFS securities declined from €3.8bn to €3bn, and equity investments from €2.8bn to €2.6bn, owing to the reduction in stock market prices (as to €450.3m) and to writedowns (as to €281.2m). The Group still has no "toxic" assets, i.e. positions in US subprime or Alt-A mortgages or in CDOs or CLOs, on its books.

The main capital ratios have remained at basically the same healthy levels recorded at the balance-sheet date, with the core Tier 1 ratio at 10.2% and the total capital ratio at 11.8%.

* * *

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

— approval of the new Articles of Association by shareholders in an extraordinary general meeting held on 28 October 2008, reflecting the return to a traditional model of corporate governance, with a Board of Directors and Statutory Audit Committee being appointed;

— completion of the merger of Linea and Equilon into Compass, in execution of the plans for integration; goodwill on the acquisition following purchase price allocation (i.e. €405m to other assets and liabilities) stands at €365.9m;

— trimming of the AFS portfolio, with net divestments of approx. €354.3m, and a gain of €158.4m linked to future sales contracts;

— reallocation of holdings in debt securities from the trading book and the AFS portfolio to loans and receivables (as reported in the quarterly report for the first three months), owing to the lack of a reliable fair value for these investments at 30 September 2008, due to the market being illiquid. This reallocation, which was made possible as a result of amendment to IAS 39, also reflects the changed time horizon of the investments. The transfer was made at fair value as at 1 July 2008, and involved bonds carried at €542.5m, €209.6m of which from the trading book and €332.9m from the AFS portfolio. These are mostly ABS securities or bonds subscribed for via private placements. Without this reallocation, based on market prices at the reporting date writedowns of €76.4m would have been charged, €37.3m of which to the profit and loss account;

— approval of the internal capital adequacy assessment process (ICAAP) required under Basel II regulations.

## CONSOLIDATED FINANCIAL STATEMENTS*

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

### RESTATED PROFIT AND LOSS ACCOUNT

| | 6 mths to 31/12/07 pro-forma | 12 mths to 30/6/08 pro-forma | 6 mths to 31/12/08 | Y.o.Y. chg. |
|---|---|---|---|---|
| | €m | €m | €m | % |
| Net interest income | 412.5 | 842.3 | 425.7 | +3.2 |
| Net trading income | 259.4 | 289.1 | 172.7 | –33.4 |
| Net fee and commission income | 274.7 | 488.3 | 225.8 | –17.8 |
| Share in profits earned by equity-accounted companies | 262.1 | 477.8 | 115.1 | –56.1 |
| **TOTAL INCOME** | **1,208.7** | **2,097.5** | **939.3** | **–22.3** |
| Labour costs | (147.9) | (320.8) | (169.1) | +14.3 |
| Administrative expenses | (146.7) | (319.0) | (170.0) | +15.9 |
| **OPERATING COSTS** | **(294.6)** | **(639.8)** | **(339.1)** | **+15.1** |
| Loan loss provisions | (129.3) | (273.7) | (207,1) | +60.2 |
| Provisions for financial assets | (4.2) | (7.5) | (281.2) | n.m. |
| Extraordinary provisions | — | (22.7) | — | n.m. |
| **PROFIT BEFORE TAX** | **780.6** | **1,153.8** | **111.9** | **–85.6** |
| Income tax for the period | (135.2) | (130.9) | (12.1) | –91.0 |
| Minority interest | (5.5) | (9.5) | 0.5 | n.m. |
| **NET PROFIT** | **639.9** | **1,013.4** | **100.3** | **–84.3** |

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

**RESTATED BALANCE SHEET**

| | 31/12/07[1] | 30/6/08 | 31/12/08 |
|---|---|---|---|
| | €m | €m | €m |
| **Assets** | | | |
| Treasury funds | 6,781.3 | 10,247.1 | 10,174.4 |
| AFS securities | 4,027.0 | 3,778.7 | 2,985.6 |
| *of which: fixed-income* | *1,593.3* | *1,725.6* | *1,770.8* |
| *equities* | *1,976.9* | *1,588.3* | *1,120.5* |
| Financial assets held to maturity | 585.7 | 578.1 | 582.7 |
| Loans and advances to customers | 29,718.2 | 34,590.8 | 36,604.5 |
| Equity investments | 3,165.3 | 2,845.7 | 2,642.3 |
| Tangible and intangible assets | 313.3 | 753.2 | 767.1 |
| Other assets | 527.5 | 1,021.4 | 1,562.1 |
| *of which: tax assets* | *288.3* | *548.0* | *696.4* |
| Total assets | 45,118.3 | 53,815.0 | 55,381.7 |
| **Liabilities** | | | |
| Funding | 36,414.5 | 45,553.5 | 48,254.6 |
| *of which: debt securities in issue* | *27,488.5* | *32,192.9* | *34,457.7* |
| Other liabilities | 1,117.6 | 1,187.6 | 1,198.1 |
| *of which: tax liabilities* | *703.2* | *720.9* | *527.9* |
| Provisions | 184.9 | 210.1 | 203.5 |
| Net equity | 6,760.8 | 5,849.0 | 5,562.2 |
| *of which: share capital* | *409.5* | *410.0* | *410.0* |
| *reserves* | *6,240.0* | *5,319.1* | *5,046.8* |
| *minority interest* | *111.3* | *119.9* | *105.4* |
| Profit for the period | 640.5 | 1,014.8 | 100.3 |
| Total liabilities | 45,118.3 | 53,815.0 | 55,318.7 |
| *Tier 1 capital* | *6,466.6* | *5,669.8* | *5,245.1* |
| *Regulatory capital* | *7,257.5* | *6,536.0* | *6,061.8* |
| *Tier 1 capital/risk-weighted assets* | *14.05%* | *10.29%* | *10.18%* |
| *Regulatory capital/risk-weighted assets* | *15.76%* | *11.87%* | *11.76%* |
| *No. of shares in issue (millions)* | *819.1* | *820.1* | *820.1* |

[1] Not including Linea.

## BALANCE-SHEET/PROFIT-AND-LOSS DATA BY DIVISION
## based on groupings and structure as per 2009-2011 business plan

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

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

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 S.p.A., Mediobanca International, MB Securities USA, Consortium, Prominvestment, SelmaBipiemme Leasing, Palladio Leasing and Teleleasing;

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

– *Retail and private banking*: this division focuses on developing business with clientèle in the affluent segment through private banking activities, and with mass-market clients through consumer credit products, mortgages and deposit accounts. The companies which form part of this division are Compass, CheBanca!, Cofactor, Futuro and Creditech (consumer credit); and Compagnie Monégasque de Banque, Spafid and Prudentia Fiduciaria, plus 48.5% of Banca Esperia pro-forma (private banking).

| 31 DECEMBER 2007 | Corporate & investment banking | Principal investing | Retail & private banking | Group |
|---|---|---|---|---|
| | €m | €m | €m | €m |
| **Profit-and-loss figures** | | | | |
| Net interest income (expense) | 157.8 | (5.7) | 261.2 | 412.5 |
| Net trading income | 249.9 | — | 9.4 | 259.4 |
| Net fee and commission income | 185.0 | — | 114.5 | 274.7 |
| Share in profits earned by equity-accounted companies | (4.4) | 261.4 | — | 262.1 |
| **TOTAL INCOME** | **588.3** | **255.7** | **385.1** | **1,208.7** |
| Labour costs | (79.0) | (2.9) | (72.3) | (147.9) |
| Administrative expenses | (50.4) | (1.3) | (102.8) | (146.7) |
| **OPERATING COSTS** | **(129.4)** | **(4.2)** | **(175.1)** | **(294.6)** |
| Loan loss provisions | (15.1) | — | (114.3) | (129.3) |
| Provisions for financial assets | (1.0) | (3.2) | — | (4.2) |
| **PROFIT BEFORE TAX** | **442.8** | **248.3** | **95.7** | **780.6** |
| Income tax for the period | (93.7) | 2.4 | (47.2) | (135.2) |
| Minority interest | (5.5) | — | — | (5.5) |
| **NET PROFIT** | **343.6** | **250.7** | **48.5** | **639.9** |
| **Balance-sheet data**[1] | | | | |
| Treasury funds | 5,914.3 | — | 923.7 | 6,781.3 |
| AFS securities | 3,867.2 | 44.0 | 735.1 | 4,549.4 |
| Equity investments | 137.4 | 2,973.9 | — | 3,165.3 |
| Loans and advances to customers | 25,947.8 | — | 7,173.9 | 29,718.2 |
| *of which: to Group companies* | *3,142.3* | — | — | — |
| Funding | (31,615.6) | (259.8) | (8,070.4) | (36,414.5) |
| Risk-weighted assets | 38,011.9 | 2,843.3 | 6,234.0 | 47,091.3 |
| No. of staff | 781 | — | 2,151 * | 2,836 |
| Cost/income ratio (%) | 29.3 | 1.6 | 45.5 | 24.4 |

[1] Not including Linea.

* Includes 96 staff employed by the Esperia group pro-forma, not included in the Group total.

## Balance sheet

The main balance-sheet items, to which Mediobanca contributes more than three-quarters, showed the following trends for the six months (comparative data as at 30 June 2008):

**Funding** — despite the unfavourable market conditions, this item rose by 5.9%, from €45,553.5m to €48,254.6m, due to a net increase of over €1.5bn in bond issues, from €31,615.1m to €33,161.1m, and of €718.8m in other short-term funding (Euro CDs and commercial paper), from €577.9m to €1,296.7m. During the six months there was new issuance of €3,705.1m, redemptions and market repurchases of €2,061.2m, and other adjustments (exchange rates, amortized cost and hedges) amounting to €97.9m. The other items, i.e. current accounts, borrowings and deposits, rose from €13,360.6m to €13,796.9m, and include payments of €2.2bn underwriting the UniCredit rights issue.

**Loans and advances to customers** — these rose by 5.8%, from €34,590.8m to €36,604.5m, chiefly due to the corporate segment which was up 9%, from €18bn to over €19.6bn. The mortgage portfolio of CheBanca! grew by 11.3% to over €3bn, while the other segments were stable, with consumer credit slowing, reflecting a planned slowdown in new loans.

| | 30/6/08 | 31/12/08 | Change |
|---|---|---|---|
| | €m | €m | % |
| Corporate and investment banking | 22,755.8 | 24,487.8 | +7.6 |
| – *of which: leasing* | *4,770.1* | *4,876.7* | *+2.2* |
| Retail and private banking | 11,835.0 | 12,116.7 | +2.4 |
| – *of which: consumer credit* | *8,373.0* | *8,317.0* | *–0.7* |
| *mortgage lending* | *2,706.6* | *3,011.8* | *+11.3* |
| *private banking* | *755.4* | *787.9* | *+4.3* |
| Total loans and advances to customers | 34,590.8 | 36,604.5 | +5.8 |

In terms of composition, over two-thirds of the portfolio is accounted for by corporate and investment banking (corporate lending, structured finance and leasing activities), while the remainder is due to retail and private banking.

In increasingly an increasingly tough scenario asset quality is still good, with an average impaired loans/total loans ratio of less than 0.5% in the large corporate segment, 1.75% in leasing, 2.89% in consumer credit, and 1.55% in mortgage lending.

At the reporting date there were a total of fifteen significant exposures to groups of customers (including market risk and equity investments), i.e. above 10% of regulatory capital, four more than at end-June 2008. These, when weighted, amount to €13,933m (€10,810.3m). The increase in these positions largely reflects the reduction in regulatory capital, from €6.5bn to €6.1bn.

**Equity investments** — this item fell from €2,845.7m to €2,642.3m, chiefly as a result of the adjustments to the Telco and RCS MediaGroup investments totalling €207.1m. Disregarding these, profits credited to earnings for the period amounted to €115.1m, but nonetheless were almost entirely absorbed by the €106.1m reduction in net equity. As for the individual items, the value of Assicurazioni Generali increased by €0.5m, representing the difference between pro-rata profit of €111.5m and a €111m reduction in the company's valuation reserve, while the value of the following investments fell: Telco, by €134.8m (the balance between €140.3m taken to the profit and loss account and a €5.5m increase in the valuation reserve); RCS MediaGroup, by €57.5m (after the €63m writedown swallowed up pro-rata profit for the period of €5.6m); Athena, reflecting a €5.3m loss; and Burgo Group, by €8.1m (as a result of a reduction in the company's valuation reserve). Based on share prices at 31 December 2008, the portfolio showed a reduced surplus of €1,908.5m (compared with €2,717m at the balance-sheet date), reflecting the sharp downturn in stock market prices which has continued in recent weeks (based on current prices the surplus would fall to €762.2m).

| | Percentage shareholding * | Book value | Market value as at 31/12/08 | Surplus |
|---|---|---|---|---|
| | | €m | €m | €m |
| LISTED INVESTMENTS | | | | |
| Assicurazioni Generali | 14.05 | 1,813.9 | 3,862.3 | 2,048.4 |
| RCS MediaGroup, *ordinary* | 14.36 | 246.2 | 106.3 | (139.9) |
| | | 2,060.1 | 3,968.6 | 1,908.5 |
| OTHER INVESTMENTS | | | | |
| Telco | 10.64 | 378.2 | | |
| Banca Esperia | 48.50 | 57.3 | | |
| Burgo Group | 22.13 | 111.3 | | |
| Athena Private Equity class A | 24.47 | 32.4 | | |
| Fidia | 25.00 | 1.5 | | |
| Other minor investments | | 1.5 | | |
| | | 582.2 | | |
| | | 2,642.3 | | |

* Percentage of entire share capital.

The Teleco and RCS MediaGroup investments have been adjusted for impairment: the former adjustment of €144m has been made to reflect the writedown booked by the company to its shareholding in Telecom Italia in its interim accounts, to a value of €2.2 per share (down from €2.62 per share); while the latter has been adjusted to reflect a value of usage of €2.25 per share (down from €2.83), resulting in a €63m charge being taken. Nonetheless, based on stock market prices as at end-December 2008 both these investments are recognized at values which are higher than their stock market prices, generating implicit losses of €366.5m and €139.9m respectively. The valuations carried out as part of the impairment test are illustrated in section 10 of Part B of the Notes to the Consolidated Accounts.

**Financial assets held to maturity** — these were virtually flat at €582.7m (€578.1m), following adjustments to reflect amortized cost amounting to €3.5m. The implicit loss on this portfolio based on prices and holdings as at end-December was €80.1m (€45.7m). There are currently no critical situations among issuers that would require impairment charges to be recognized.

**AFS securities** — this portfolio is made up of debt securities worth €1,770.8m (€1,725.6m), equities worth €1,120.5m (€1,588.3m), and other securities (fund units) worth €94.2m (€464.9m), the latter entirely attributable to Compagnie Monégasque de Banque which has substantially reduced its position in this asset class during the six months. The bond component increased by €45.3m, following purchases amounting to €660.8m, disposals of €208.3m, reallocations to loans and receivables in an amount of €332.9m, and downward adjustments to amortized cost and fair value as at the reporting date totalling €74.3m. On the equity side there were new investments of €155.6m – largely consisting of €94.9m in capital calls by Sintonia S.A., and €30.2m in investments in the mid-corporate segment as part of merchant banking activity –, disposals of €354.3m yielding gains of €158.4m (including use of the valuation reserves), and writedowns amounting to €74.1m. In particular, the negative reserves for investments in issuers undergoing restructuring and those whose shares have a fair value which is significantly below their original acquisition value, have been charged to the profit and loss account. After adjusting the rest of the portfolio (which shows no other situations of impairment) to fair value (€367.2m), the equity component reserve shows a balance of minus €424.8m (minus €16.6m).

| | Percentage shareholding* | Book value as at 31/12/08 | Adjustments to fair value | Impairment recognized in P&L | Total AFS reserve |
|---|---|---|---|---|---|
| Fiat | 1.02 – 0.87 | 51.2 | (64.9) | — | (12.6) |
| Gemina | 12.56 – 12.53 | 67.7 | (75.7) | — | (144.5) |
| Pirelli | 4.61 – 4.49 | 63.4 | (42.1) | — | (77.8) |
| Italmobiliare | 9.5 – 5.47 | 60.0 | (45.3) | — | 25.4 |
| Other listed securities | | 334.9 | (93.4) | (65.9) | (227.5) |
| Other unlisted securities | | 543.3 | (45.8) | (8.2) | 12.2 |
| TOTAL | | 1,120.5 | (367.2) | (74.1) | (424.8) |

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

Since the reporting date a further capital call has been made by Sintonia in an amount of €121.8m.

Further details on the policies adopted to value securities held in the AFS portfolio are provided on p. 54.

Hedges to the equity portfolio in the form of forward contracts show a surplus of €69.4m, which has been taken to the reserves.

**Treasury funds** — this item fell from €10,247.1m to €10,174.4m, and includes €835.1m (€579.2m) in cash and cash equivalents, €8,900.6m (€7,695.8m) in fixed-income securities, €993.5m (€625.5m) in equities, €157.3m (€296.8m) in upward adjustments to derivative contracts, and €712.1m in net treasury funds raised (repos, interbank deposits etc.), compared with applications totalling €1,049.8m. Movements during the period and marking the portfolio (including derivatives) to market as at 31 December 2008 led to a net gain of €7.2m. As mentioned previously, as of 30 September 2008, asset-backed securities worth €209.6m falling due in approximately five years were reclassified as loans and receivables. The ABS portfolio including the reclassified securities closed at €583.1m (€606.9m), reflecting adjustments amounting to €6.7m as well as an implicit loss of €54.1m on securities measured at amortized cost. All financial instruments recognized at fair value have been marked to market if quoted on an active market, or have been valued using models based exclusively on market-derived data. A total of six positions in bonds (equal to approximately 2% of the portfolio) have been valued using volatility in the valuation model estimated to have a €1m impact on the profit and loss account.

**Tangible and intangible assets** — this rose from €753.2m to €767.1m, following the purchase price allocation for the Linea acquisition and merger, which led to the following items being recorded: intangible assets with a limited useful life (commercial agreements and customer relationships) amounting to €44.2m (plus €12.2m in deferred taxes), brands worth €6.3m, and goodwill of €365.9m.

**Provisions** — this item consists of the provision for liabilities and charges, which following withdrawals during the period in connection with the Compass/Linea merger in particular, fell from €180.9m to €173.5m, and the staff severance indemnity provision, up from €29.2m to €29.9m on account of the valuation of the actuarial reserves which is linked to interest rate trends.

**Net equity** — this fell by €272.3m, from €5,729.1m to €5,456.8m, despite the transfer of €492.3m in retained earnings from the previous financial year, because of the €654.7m reduction in the valuation reserves and the €111.1m negative contribution from applying the equity method of accounting. The deficit on the AFS securities portfolio valuation reserve widened from minus €58.7m to minus €507.8m, following withdrawals of €44.6m – the balance between €91.4m in gains on disposals being removed and €46.7m in writebacks to losses on impairment to shareholdings – and a downward adjustment to fair value as at the reporting date totalling €404.5m (€69.4m in respect of debt securities and €380.9m on equities), net of the related tax effect (€45.8m). The cash flow hedge reserve also went from a positive balance of €157.5m to minus €47.6m, upon equity hedges being realized (€71.1m) and following the negative valuation of derivatives held (€134m). These changes in the valuation reserves led to regulatory capital declining from €6,536m to €6,061.8m

## PROFIT AND LOSS ACCOUNT

**Net interest income** — this item rose by 3.2%, from €412.5m to €425.7m, reflecting 12.7% growth in corporate and investment banking on the back of higher corporate lending volumes, which were up 9%. Meanwhile, the 2% reduction on the retail side reflects the higher cost of funding, which could not be passed on to interest receivable straight away, against volumes that were virtually unchanged in consumer credit and still increasing in mortgage lending, albeit at a slower rate (up 11.3%).

**Net trading income** — this heading comprises €7.2m (31/12/07: €77.8m) in dealing profits, €158.8m (€170m) in gains on disposals of AFS securities, and €6.6m (€11.7m) in income. Trading activity closed at a profit despite being affected by the market turmoil, and was boosted by a strong performance from the fixed-income side, which delivered gains of €8.6m, while the equity side held up well, reporting a loss of just €1.4m.

| | 6 mths to 31/12/07 | 6 mths to 31/12/08 |
|---|---|---|
| | €m | €m |
| Dealing profits (losses) | 102.3 | 48.1 |
| Mark-to-market as at reporting date | (57.4) | (42.9) |
| Dividends | 32.9 | 2.0 |
| TOTAL | 77.8 | 7.2 |

**Net fee and commission income** — this item fell from €274.7m to €225.8m, due to the lower contribution from the capital markets division (down from €60.9m to €15.3m), which reduced the corporate and investment banking division's results as a whole (€119m, compared with €182.9m one year previously, the highest amount recorded in a six-month period). The increase in consumer credit fees is also worth noting, from €65.6m to €80.7m, while the contribution from Compagnie Monégasque de Banque declined, from €20.8m to €18.1m.

**Operating costs** — these rose by 15.1%, from €294.6m to €339.1m, mostly in connection with the Group's operating and geographical expansion, and growth in the employee headcount (which increased from 2,836 to 3,095 staff). Net of CheBanca! and Mediobanca's international expansion this item would show a saving of 5%. The various components performed as follows:

— labour costs rose from €147.9m to €169.1m; this reflects the aforementioned increase in the Group's headcount, plus €5.4m (€5.6m) in emoluments paid to directors and €6.7m (€4.6m) in notional expenses due to stock option schemes;

— sundry costs and expenses amounting to €170m (€146.7m), including €15.7m (€8.6m) in ordinary depreciation charges, plus administrative expenses totalling €154.3m (€129.6m), made up as follows:

| | 6 mths to 31/12/07 pro-forma | 6 mths to 31/12/08 |
|---|---|---|
| | €m | €m |
| Advertising | 20.2 | 35.5 |
| EDP and financial information subscriptions | 21.1 | 22.1 |
| Outside services and consultancy fees | 20.2 | 21.9 |
| Rent, equipment leasing and maintenance charges | 13.3 | 15.8 |
| Stationery, publication costs and utilities | 11.1 | 12.1 |
| Bank charges | 8.5 | 11.2 |
| Travel, transport and entertainment | 9.1 | 10.7 |
| Outsourcing | 5.4 | 7.4 |
| Bad debts and legal fees recovered | 5.3 | 2.9 |
| Others | 15.4 | 14.7 |
| TOTAL | 129.6 | 154.3 |

The increase is almost entirely attributable to development costs for CheBanca! (€37.3m), €20.2m of which in respect of advertising, €5m in consultancy fees, €4.8m in EDP and financial susbscription expenses, and €3.7m in rent, equipment leasing and maintenance.

**Loan loss provisions** — the increase in this item from €129.3m to €207.1m reflects the general deterioration in the risk profile of households, with provisions in this segment rising from €114.3m to €140.2m, plus the collective provisions to the corporate loan book (€66.9m) which include adjustments to certain potential problem or restructured exposures (€43.1m).

**Provisions for financial assets** — this item only regards equity investments and shares owned as part of the AFS portfolio: the €281.2m provision has been set aside to cover the writedowns to the Telco (€144m) and RCS MediaGroup (€63m) mentioned above.

## Divisional results

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

## Corporate and investment banking

| | 6 mths to 31/12/07 | 12 mths to 30/6/08 | 6 mths to 31/12/08 | Y.o.Y. chg. |
|---|---|---|---|---|
| | €m | €m | €m | % |
| **Profit-and-loss figures** | | | | |
| Net interest income | 157.8 | 334.2 | 177.8 | +12.7 |
| Net trading income | 249.9 | 269.6 | 168.4 | –32.6 |
| Net fee and commission income | 185.0 | 292.1 | 122.6 | –33.7 |
| Share in profits (losses) earned by equity-accounted companies | (4.4) | (21.5) | — | n.m. |
| **TOTAL INCOME** | **588.3** | **874.4** | **468.8** | **–20.3** |
| Labour costs | (79.0) | (172.2) | (92.8) | +17.5 |
| Administrative expenses | (50.4) | (99.8) | (47.6) | –5.6 |
| **OPERATING COSTS** | **(129.4)** | **(272.0)** | **(140.4)** | **+8.5** |
| Loan loss provisions | (15.1) | (36.0) | (66.9) | n.m. |
| Provisions for financial assets | (1.0) | — | (73.6) | n.m. |
| **PROFIT BEFORE TAX** | **442.8** | **566.4** | **187.9** | **–57.6** |
| Income tax for the period | (93.7) | (92.7) | (47.2) | –49.6 |
| Minority interest | (5.5) | (9.5) | 0.5 | n.m. |
| **NET PROFIT** | **343.6** | **464.2** | **141.2** | **–58.9** |
| Cost/income ratio (%) | 22.0 | 31.1 | 29.9 | |

| | 31/12/07 | 30/6/08 | 31/12/08 |
|---|---|---|---|
| Treasury funds | 5,914.3 | 8,954.3 | 9,316.7 |
| AFS securities | 3,867.2 | 2,786.0 | 2,325.0 |
| Financial assets held to maturity | 585.8 | 577.4 | 581.0 |
| Equity investments | 137.4 | 119.2 | 111.3 |
| Loans and advances to customers | 25,947.8 | 26,936.0 | 29,589.4 |
| *of which to Group companies* | *3,142.3* | *4,180.2* | *5,101.6* |
| Funding | (31,615.6) | (36,180.0) | (40,323.1) |

| Corporate and investment banking 31/12/08 | Wholesale | Leasing | Total |
|---|---|---|---|
| | €m | €m | €m |
| Total income | 430.0 | 38.8 | 468.8 |
| Operating costs | (123.4) | (16.9) | (140.4) |
| Loan loss provisions | (44.8) | (22.1) | (66.9) |
| Provisions for financial assets | (73.6) | — | (73.6) |
| Income tax for the period | (44.9) | (2.3) | (47.2) |
| Minority interest | — | 0.5 | 0.5 |
| **NET PROFIT** | **143.2** | **(2.0)** | **141.2** |
| Other financial assets | 11,646.9 | 106.1 | 11,753.0 |
| Loans and advances to customers | 24,712.7 | 4,876.9 | 29,589.4 |
| *of which to Group companies* | *5,101.6* | — | *5,101.6* |
| Bad loans/total loans | 0.47 | 1.75 | 0.73 |

| Corporate and investment banking 31/12/07 | Wholesale | Leasing | Total |
|---|---|---|---|
| | €m | €m | €m |
| Total income | 548.2 | 40.1 | 588.3 |
| Operating costs | (113.5) | (15.9) | (129.4) |
| Loan loss provisions | (10.2) | (4.9) | (15.1) |
| Provisions for financial assets | (1.0) | — | (1.0) |
| Income tax for the period | (86.6) | (7.1) | (93.7) |
| Minority interest | 0.1 | (5.6) | (5.5) |
| **NET PROFIT** | **337.0** | **6.6** | **343.6** |
| Other financial assets | 10,387.3 | 116.7 | 10,504.0 |
| Loans and advances to customers | 21,410.7 | 4,537.1 | 25,947.8 |
| *of which to Group companies* | *3,142.3* | — | *3,142.3* |
| Bad loans/total loans | = | 0.66 | 0.13 |

Despite the ongoing market crisis which affected the whole six-month period, total income held up well, recording a decline of just approx. 20%. The main items performed as follows:

- net interest income rose by 12.7%, from €157.8m to €177.8m, driven by positive results from wholesale banking, up from €119.2m to €141.2m, offsetting the slowdown in leasing (€36.6m, versus €38.6m), more exposed to the increase in the cost of funding;
- net trading income fell from €249.9m to €168.4m, impacted by dealing activity which still managed to deliver a profit (€3.2m, compared with €68.7m); whereas gains on disposals from the AFS portfolio remained virtually stable, at €158.4m (€169.6m);
- net fee and commission income reflect the widespread slowdown in investment banking activity, which declined from €185m to €122.6m, the capital markets segment in particular.

The 8.5% increase in costs, from €129.4m to €140.4m, is entirely due to strengthening the headcount, outside Italy in particular; there were a total of 87 more staff on the books in wholesale banking than at the same time last year, at a cost which rises from €69.5m to €82.8m.

The economic crisis and the sharp deterioration in financial markets led to an increase in adjustments to the securities portfolio (from €1m to €73.6m), and to loans and receivables (from €15.1m to €66.9m). Accordingly, net profit came in at €141.2m, compared to €343.6m one year previously.

**Lending and structured finance** — growth in lending to corporates has continued over the period, which, excluding loans to Group companies, were up 9%, from €17,985.8m to €19,611.1m, over 30% of which from outside Italy, in particular France (9.3% of total lendings), Spain (8.2%) and Germany (5.8%). In loan syndication, where Mediobanca arranges club deals and acts as bookrunner, deals worth a total of €3.8bn (€6.9bn) were arranged during the period, in line with market trends. This area generated over 35% of the Group's wholesale banking revenues.

**Funding and treasury accounts** — funding rose from €36,180m to €40,323.1m, and comprises: €34,628.7m (€32,290m) in debt securities in issue, of which approx. €1bn in the form of subordinated notes and €1.3bn in short-term funding (CDs and commercial paper); €2,835.9m (€574.5m) in deposits and current accounts, and €2,858.5m (€3,315.5m) in other forms of funding, chiefly attributable to leasing activity. Treasury accounts consist of €356.8m (€180.4m) in cash and cash equivalents, €8,213.3m (€6,867.1m) in debt securities, €469.7m (€453.2m) in equities, €144.7m (€284.8m) in positive valuations on derivative contracts, and €132.1m (€1,168.8m) in net short-term applications. The area generated approximately 12% of the total income attributable to wholesale banking.

**Equity investments and AFS shares** — this portfolio brings together the Group's holdings in equities held as available for sale, plus its investment in Burgo Group. As at 31 December 2008, the portfolio was worth €1,095.5m (€1,624.3m), after downward adjustments of €365.5m to fair value as at the reporting date, writedowns of €73.6m to investments for impairment, and downward, pro-rata adjustments to net equity amounting to €8m. Purchases worth €100.3m were made during the period, and disposals of €354.2m yielding gains of €158m (including €32.3m in reserves accrued during previous years).

**Investment banking** — in a market which has seen volumes of activity reduce dramatically since this time last year, the Bank's operations were particularly effective in the advisory segment, both in Italy and through its other European branches, reporting healthy business trends and limiting the contraction in advisory revenues to 40%. Overall this area generated approx. 15% of the Group's revenues from wholesale banking.

**Leasing** — this activity showed a loss for the period of €2m, compared with a €6.6m profit one year previously, after adjustments to receivables totalling €22.1m (€4.9m), €14.3m of which in connection with one restructured exposure in particular. Total income remained stable at €38.8m, compared with €40.1m, despite the increase in the cost of funding. Amounts leased to clients rose from €4,770.1m to €4,876.7m, on new leases for the period under review totalling €794.4m (€886.5m), which reflects the pronounced contraction in the leasing market measured at approx. 20% for the twelve months ended 31 December 2008, and 30% in the last six months alone.

## Principal investing

In the six months under review the Group's investment in Telco was written down by €144m, and its holding in RCS MediaGroup by €63m. This was compounded by a widespread slowdown in other profits attributable to this area for the period, which declined from €261.4m to €115.5m. In particular the contribution from Assicurazioni Generali more than halved, from €240.7m to €111.5m, as did that of RCS MediaGroup, from €20.7m to €5.6m, while the other investments (in Athena, Telco, Fidia and Ape SGR) recorded an aggregate €1.7m loss. The remainder of the portfolio, which consists of investments made in connection with merchant banking and private equity activities, shows a balance of €113.5m (€60.7m), following acquisitions totalling €54.6m, adjustments to the profit and loss account in an amount of €0.5m, and downward adjustments to fair value of €1.3m.

## Retail and private banking

| | 6 mths to 31/12/07 pro-forma | 12 mths to 30/6/08 pro-forma | 6 mths to 31/12/08 | Y.o.Y. chg. |
|---|---|---|---|---|
| | €m | €m | €m | % |
| **Profit-and-loss figures** | | | | |
| Net interest income | 261.2 | 522.5 | 256.1 | –2.0 |
| Net trading income | 9.4 | 19.0 | 4.5 | –52.1 |
| Net fee and commission income | 114.5 | 240.2 | 120.7 | +5.4 |
| **TOTAL INCOME** | **385.1** | **781.7** | **381.3** | **–1.0** |
| Labour costs | (72.3) | (155.7) | (78.3) | +8.3 |
| Administrative expenses | (102.8) | (231.4) | (133.4) | +29.8 |
| **OPERATING COSTS** | **(175.1)** | **(387.1)** | **(211.7)** | **+20.8** |
| Loan loss provisions | (114.3) | (237.9) | (140.2) | +22.7 |
| Extraordinary provisions | — | (22.7) | — | n.m. |
| **PROFIT BEFORE TAX** | **95.7** | **134.0** | **29.4** | **–69.3** |
| Income tax for the period | (47.2) | (75.1) | 31.6 | n.m. |
| Minority interest | — | — | — | n.m. |
| **NET PROFIT** | **48.5** | **58.9** | **61.0** | **+25.8** |

| | 31/12/07 | 30/6/08 | 31/12/08 |
|---|---|---|---|
| Loans and advances to customers | 7,173.9 [1] | 11,937.4 | 12,196.8 |
| New loans | 3,032.0 | 5,981.2 | 2,373.0 |
| No. of branches | 196 | 206 | 189 |
| Cost/income ratio (%) | 45.5 | 49.5 | 55.5 |
| Impaired assets/total loans (%) | 1.0 | 1.23 | 2.53 |

[1] Not including Linea group.

This division recorded a pre-tax profit of €29.4m for the period (€95.7m). In an adverse scenario the division reported total income virtually flat versus the previous year, at €381.3m (compared with €385.1m). This was despite the reduced contribution from private banking, down from €70.9m to €58.6m, this segment being more affected by the financial market crisis. Net interest income was almost stable at €256.1m (€261.2m) despite the higher cost of funding, while net fee and commission income's contribution to consumer credit increased from €67.8m to €84.1m. Operating costs incurred in connection with CheBanca!, which grew from €21.2m to €67.1m as a result of launch of the new banking activity, and the widespread increase in the cost of risk (loan loss provisions rose from €114.3m to €140.2m) impacted strongly on profit before tax, which reduced from €95.7m to €29.4m. A net profit of €61m was earned, more than two-thirds of which was due to the €45.9m one-off effect of amounts which had been provided upon the merger of Linea and Equilon into Compass being released from taxation.

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

| Retail and private banking 31/12/08 | Consumer credit | Retail banking | Private banking | Total |
|---|---|---|---|---|
| | €m | €m | €m | €m |
| Total income | 297.5 | 25.2 | 58.6 | 381.2 |
| Operating costs | (106.7) | (67.1) | (37.9) | (211.7) |
| Loan loss provisions | (128.6) | (11.6) | — | (140.2) |
| Income tax for the period | 16.8 | 14.3 | 0.5 | 31.6 |
| **NET PROFIT** | **79.0** | **(39.2)** | **21.2** | **61.0** |
| Loans and advances to customers | 8,317.0 | 3,011.8 | 868.0 | 12,196.8 |
| New loans | 1,951.0 | 421.6 | — | 2,372.6 |
| No. of branches | 146 | 29 | — | 189 |
| No. of staff | 1,371 | 620 | 337 | 2,328 |

| Retail and private banking 31/12/07 pro-forma | Consumer credit | Retail banking | Private banking | Total |
|---|---|---|---|---|
| | €m | €m | €m | €m |
| Total income | 292.3 | 21.9 | 70.9 | 385.1 |
| Operating costs | (116.0) | (21.2) | (37.9) | (175.1) |
| Loan loss provisions | (110.4) | (3.9) | — | (114.3) |
| Income tax for the period | (44.4) | 0.9 | (3.7) | (47.2) |
| **NET PROFIT** | **21.5** | **(2.3)** | **29.3** | **48.5** |
| Loans and advances to customers[1] | 3,882.1 | 2,454.7 | 837.1 | 7,173.9 |
| New loans | 2,633.2 | 397.2 | — | 3,030.4 |
| No. of branches | 167 | 29 | 12 | 196 |
| No. of staff | 1,570 | 290 | 291 | 2,151 |

[1] Not including Linea group.

Turning now to the individual business segments, consumer credit shows total income up from €292.3m to €297.5m, with higher insurance fees more than offsetting the reduction in net interest income from €223.4m to €213.2m, which suffered from the higher cost of funding. Profit before tax was boosted by lower costs deriving from the initial synergies achieved from the Compass/Linea integration (€106.7m, versus €116m), but was also impacted by higher loan loss provisions amounting to €128.6m (€110.4m) linked to the deterioration in asset quality. Pre-tax profit fell from €65.9m to €62.2m, while net profit of €79m (€21.5m) was boosted by the one-off €45.9m tax effect referred to above. New loans disbursed in the period totalled €1,951m, down 25.9% on last year (€2,633m), due to the general slowdown in the market, and to more stringent selection criteria adopted towards applications. As at 31 December 2008 loans and advances to customers totalled €8,317m, virtually flat versus the figure recorded at the balance-sheet date.

Retail activity, which was launched in the final months of the last financial year through the CheBanca! platform, had €3bn in mortgage loans on its books at the reporting date (€2.7bn), and disbursed €421.6m (€397.2m) in new loans in the six months. This segment reported a loss for the half-year of €39.2m (€2.3m), after booking €14.3m in advance tax. The negative performance at the operating profit level reflects the cost involved in launching the new banking activity (which amounted to €54.3m for the period), and higher loan loss provisions (up from €3.9m to €11.6m) in connection with the deterioration in risk indicators.

The results posted by private banking reflect the current market turmoil, with lower net fee and commission income (€34.2m, versus €44.9m) and net trading income (€4.3m, versus €8.3m). Total income recorded by Compagnie Monégasque de Banque largely held up, at €44m, compared with €45.2m, but revenues posted by Banca Esperia fell by almost half, from €22.5m to €11.8m, on account of its being more exposed to variable components in the shape of performance fees. Costs remained more or less stable at €37.9m. Assets under management on a discretionary/non-discretionary basis in the period totalled €12.7bn, €8bn of which was attributable to CMB, again holding up well, and €4.7bn to Banca Esperia, showing a more marked reduction of 20.5%.

* * *

| Private banking 31/12/08 | CMB | Banca Esperia 48.5% | Others | Total PB |
|---|---|---|---|---|
| | €m | €m | €m | €m |
| Total income | 44.0 | 11.8 | 2.8 | 58.6 |
| *of which: net fee and commission income* | *18.1* | *13.1* | *3.0* | *34.2* |
| Operating costs | (22.8) | (12.9) | (2.2) | (37.9) |
| Income tax for the period | — | 0.6 | (0.1) | 0.5 |
| **NET PROFIT** | **21.2** | **(0.5)** | **0.5** | **21.2** |
| Discretionary/non-discretionary AUM | 8,037.0 | 4,654.1 | — | 12,691.1 |

| Private banking 31/12/07 | CMB | Banca Esperia 48.5% | Others | Total PB |
|---|---|---|---|---|
| | €m | €m | €m | €m |
| Total income | 45.2 | 22.5 | 3.2 | 70.9 |
| *of which: net fee and commission income* | *20.8* | *21.0* | *3.1* | *44.9* |
| Operating costs | (21.3) | (14.1) | (2.5) | (37.9) |
| Income tax for the period | — | (3.7) | — | (3.7) |
| **NET PROFIT** | **23.9** | **4.7** | **0.7** | **29.3** |
| Discretionary/non-discretionary AUM | 8,094.0 | 5,854.0 | — | 13,948.0 |

## REVIEW OF PERFORMANCES BY GROUP COMPANIES

### MEDIOBANCA

In the six months ended 31 December 2008, Mediobanca reported a €58.2m loss, compared with a €318.6m profit at the same time last year, following loan loss provisions of €44.8m (€10.2m), adjustments to AFS equities totalling €74.1m (€4.2m), and adjustments of €170.2m to equity investments (Telco and RCS MediaGroup) required by the prolonged stock market downturn.

Total income fell by more than one-quarter, from €538.7m to €396.4m, reflecting the difficult conditions. In particular:

— net interest income rose by 7.9%, from €109.4m to €118m, driven by higher volumes, up 12.7%, to €27,315.3m, despite the higher cost of funding;

— net trading income fell by one-third, from €252.8m to €169.2m, driven by gains on disposals of AFS equities (€158.4m, compared with €169.6m), but at the same time reflecting the results of trading activity, down sharply as a result of the difficult market conditions (at €4.2m, compared with €71.7m);

— net fee and commission income fell from €176.5m to €109.2m, reflecting the marked slowdown in investment banking.

Operating costs reflect the Bank's growth in size with reference to its non-Italian branches in the first half of 2008 especially, with 67 more staff on the books.

With regard to the main balance-sheet items:

— funding increased by €4,454.2m, from €33,740.9m to €38,195.1m, €1,462.9m of which in debt securities in issue, and €2,991.3m in other forms of funding; current accounts in particular increased from €242.9m to €2,522.2m, which includes €2.2bn in deposits received in connection with the UniCredit rights issue, while CDs declined from €197.6m to €101.5m;

— loans and advances to customers rose by 12.7%, from €24,235.2m to €27,315.3m; loans to Group companies amounted to €11,668.9m (€9,597.4m);

— equity investments reflect the €170.2m adjustment to the shareholding in Telco and RCS MediaGroup, as a result of which the value of the portfolio declined from €2,722.4m to €2,553m. Market prices as at 31 December 2008 reflect a surplus of fair value over book value amounting to €2,594.4m, or €1,531.8m based on current prices;

— financial assets held to maturity increased from €577.4m to €581m; the implicit loss on this item based on prices and holdings as at the reporting date totalled €94m (€83.4m);

— AFS securities fell from €2,846.7m to €2,438.5m, and comprise €1,340.8m (€1,280.8m) in debt securities, and €1,097.7m (€1,566m) in equities. In addition to downward value adjustments of €367m for the period, movements in equities reflect purchases of €154.9m (€94.9m in relation to a rights issue by Sintonia), disposals (at revenue) of €354.2m yielding gains of €158m (including €32.3m in reserves accrued during previous years), and writedowns for impairment to listed and unlisted investments amounting to €74.1m;

— treasury funds totalled €9,078.4m (€8,845.4m), and include €289.4m (€142.4m) in cash and bank deposits, €8,553.1m (€7,289.2m) in securities, €135.1m (€278.1m) in valuations of derivative contracts, and €100,6m (€1,135.7m) in short-term applications of funds;

— the Bank's net equity of €4,244.9m (30/6/08: €4,627.4m) includes: share capital amounting to €410m, valuation reserves of minus €431.5m, and other reserves and retained earnings amounting to €4,266.2m.

* * *

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

— the court of appeals in Milan has ruled in favour of Mediobanca on two claims, and both rulings have been challenged in the Court of Cassation;

— the court of Milan has ruled against Mediobanca on six claims, in respect of which five appeals have been submitted;

— the court of Florence has ruled in favour of Mediobanca on one claim, which ruling has been appealed by the plaintiff;

— three claims are still pending at the court of Milan.

* * *

All outstanding positions versus Lehman Brothers (largely derivative contracts hedging bond issuance by Mediobanca S.p.A.) have been closed and renegotiated with other counterparties, with no impact on the profit and loss account. All these positions involved Mediobanca as debtor, save for one which was backed by collateral worth approx. €11m more than the contract at the closing date. This creditor position for Mediobanca has been written off entirely, as it is fully covered by gains realized on the other closures. Full completion of our operations with Lehman will obviously depend on procedural timescales.

* * *

## RESTATED PROFIT AND LOSS ACCOUNT*

| | 6 mths to 31/12/07 | 12 mths to 30/6/08 | 6 mths to 31/12/08 | Y.o.Y. chg. |
|---|---|---|---|---|
| | €m | €m | €m | % |
| Net interest income | 109.4 | 246.7 | 118.8 | +7.9 |
| Net trading income | 252.8 | 457.3 | 169.2 | –33.1 |
| Net fee and commission income | 176.5 | 275.9 | 109.2 | –38.1 |
| **TOTAL INCOME** | **538.7** | **979.9** | **396.4** | **–26.4** |
| Labour costs | (73.4) | (160.0) | (86.5) | +17.8 |
| Administrative expenses | (49.1) | (94.9) | (42.0) | –14.5 |
| **OPERATING COSTS** | **(122.5)** | **(254.9)** | **(128.5)** | **+4.8** |
| Loan loss provisions | (10.2) | (22.8) | (44.8) | n.m. |
| Provisions for financial assets | (4.2) | (7.5) | (74.1) | n.m. |
| Value adjustments to equity investments | — | — | (170.2) | n.m. |
| **PROFIT BEFORE TAX** | **401.8** | **694.7** | **21.2** | **–105.3** |
| Income tax for the period | (83.2) | (72.1) | (37.0) | –55.5 |
| Minority interest | — | — | — | n.m. |
| **NET PROFIT** | **318.6** | **622.6** | **(58.2)** | **–118.3** |

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

## RESTATED BALANCE SHEET*

| | 31/12/07 | 30/6/08 | 31/12/08 |
|---|---|---|---|
| | €m | €m | €m |
| **Assets** | | | |
| Treasury funds | 5,813.7 | 8,845.4 | 9,078.4 |
| AFS securities | 3,388.8 | 2,846.7 | 2,438.5 |
| Financial assets held to maturity | 584.9 | 577.4 | 581.0 |
| Loans and advances to customers | 22,979.0 | 24,235.2 | 27,315.3 |
| Equity investments | 2,200.2 | 2,722.4 | 2,553.0 |
| Tangible and intangible assets | 121.0 | 121.6 | 122.2 |
| Other assets | 211.7 | 462.5 | 983.5 |
| Total assets | 35,299.3 | 39,811.2 | 43,098.1 |
| **Liabilities** | | | |
| Funding | 28,921.3 | 33,740.9 | 38,195.1 |
| Other liabilities | 679.6 | 658.8 | 528.2 |
| Provisions | 162.5 | 161.5 | 161.9 |
| Net equity | 5,217.3 | 4,627.4 | 4,244.2 |
| Profit for the period | 318.6 | 622.6 | (58.2) |
| Total liabilities | 35,299.3 | 39,811.2 | 43,071.9 |

* 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):* as part of plans to integrate the Linea group's activities, on 20 October 2008 Linea and Equilon were merged into Compass with effect from 1 July 2008. Futuro, whose business is salary-backed finance, and the Ducati Financial Services joint venture have remained as separate legal entities owing to their specific nature. The company's accounts for the six months ended 31 December 2008 reflect a pre-tax profit profit of €56.9m (31/12/07: €60.2m), after loan loss provisions of €128m (€109.4m). Net profit of €76.5m (€18.9m) reflects a one-off benefit of €45.9m linked to amounts provided upon the Linea and Equilon mergers being released from taxation. Loans and advances to customers were down approx. 3% compared with 30 June 2008, from €8,172.5m to €7,952.9m.

— *Futuro S.p.A.,* Milan *(salary-backed finance; 100%-owned by Compass):* Futuro recorded a net profit of €1.4m (€1.8m), after tax of €0.8m (€1.2m). Accounts outstanding as at year-end 2008 were up 6.7% on the balance-sheet date, from €439.9m (€468.9m.

— *Ducati Financial Services S.r.l.,* Milan *(50:50 joint venture between Compass and Ducati Motor Holding):* Ducati Financial Services recorded a loss of €160,000 (€3,000). Accounts outstanding as at year-end 2008 were up 29.2% on the balance-sheet date, from €43.3m to €56m.

— *CheBanca! S.p.A.,* Milan *(retail banking; 100%-owned by Compass):* CheBanca! Reported a net loss of €39.1m (€2.3m) for the period, after booking advance tax of €14.3m. The €53.4m loss incurred at the operating level reflects €54.3m in costs linked to the start-up of the new banking activity, and loan loss provisions up from €3.9m to €11.6m in view of the gradual deterioration in asset quality. Accounts outstanding at the reporting date were up 11.3%, from €2,706.6m to €3,012.4m.

— *SelmaBipiemme Leasing S.p.A.,* Milan *(leasing: 60%-owned by Compass)*: this company made a loss of €4.3m, compared with a

€6.5m profit last year, after dividends of €4.8m (unchanged) and €20m (€3.9m) in adjustments to receivables, €14.3m of which linked to the partial writeoff of a restructured exposure; as at 31 December 2008 amounts leased to clients had risen by 3.5% since the balance-sheet date, from €2,712.7m to €2,808.3m.

— Palladio Leasing S.p.A., Vicenza *(leasing: 95%-owned by SelmaBipiemme, the other shares being held by Palladio itself)*: Palladio Leasing's accounts for the six months under review reflect net profit of €2.9m (€6.2m); as at 31 December 2008 amounts were virtually flat versus the balance-sheet date, at €1,567.6m compared with €1,596.1m.

— *Teleleasing S.p.A.*, Milan *(leasing: 80%-owned by SelmaBipiemme)*: this company earned a net profit of €3.7m (€4.6m) during the period, after tax of €2.1m (€1.8m); amounts leased to clients had grown slightly since the balance-sheet date, from €569.1m to €576.1m.

— *Cofactor S.p.A.*, Milan *(non-recourse factoring: 100%-owned by Compass)*: Cofactor recorded a net profit of €47,000 (€8,000), and tax of €18,000 (€115,000); accounts outstanding as at year-end 2008 were booked at €76.1m (€62.1m).

— *Creditech S.p.A.*, Milan *(credit management: 100%-owned by Compass)*: this company reported a net profit of €1.7m (€1m), after tax of €0.9m (€0.7m). Receivables under management at 31 December 2008 totalled €345m (€386m), of which €259m (€272m) coming from parent company Compass.

— *Compagnie Monégasque de Banque*, Monaco *(100%-owned by Mediobanca)*: the draft consolidated accounts as at 31 December 2008 reflect a profit of €33.2m (€47.2m), after net fee and commission income of €38.8m (€43m). Lendings totalled €773m (€680m), and funding €2,491.2m (€1,723.6m). Assets managed on a discretionary and non-discretionary basis amounted to €8bn (€8.1bn), down 0.7% on last year despite the approx. €450m from the Capitalia branch.

— *Banca Esperia*, Milan *(48.5%-owned by Mediobanca)*: draft consolidated accounts as at 31 December 2008 reflect a profit of €4m (€28.6m), after management fees of €57.7m (€93.8m). The reduction reflects the difficulties in this sector as a result of the market crisis, which also impacted on assets under management, down from €12.4bn to €9.6bn.

— *Spafid - Società per Amministrazioni Fiduciarie S.p.A.*, Milan *(100%-owned by Mediobanca):* this company recorded a net profit of €201,000 (€602,000), after tax of €159,000 (€142,000). Securities under trust as at 31 December 2008 totalled €1,380.4 (€1,372.4m).

— *Prudentia Fiduciaria S.p.A.*, Milan *(100%-owned by Mediobanca):* Prudentia recorded a profit of €25,000 (€31,000) in the period, after tax of €39,000 (€53,000). Securities under trust as at 31 December amounted to €68.7m (€68.2m at the balance-sheet date).

— *Mediobanca International (Luxembourg) S.A.*, Luxembourg *(99%-owned by Mediobanca; 1%-owned by Compass)*: this company recorded a profit of €25.8m for the six months (€12.4m), after €23.8m (€8.1m) in net interest income, and €10.3m (€6.5m) in net fee and commission income. Loans and advances to customers increased from €3,074.5m to €3,689.7m, funds raised from debt securities rose from €1,321.9m to €1,444.8m, while short-term funding in the form of Euro CDs and commercial paper stood at €1,244.7m (€429.9m). The company's net worth totalled €102m (€87.6m).

— *Prominvestment in liquidation*, Rome *(100%-owned by Mediobanca):* Prominvestment made a loss of €19,000 (€289,000) for the period, on net fees of €533,000 (€306,000). Mediobanca became the sole shareholder in Prominvestment on 15 September 2008, after acquiring the 30% it did not already own from minority shareholder ICCREA. The company was placed in liquidation on 24 September 2008.

— *MB Securities USA LLC.*, New York *(100%-owned by Mediobanca)*: the company, which performs brokerage activity, made a loss of USD 484,000 (USD 73,000) in the six months, reflecting the difficult conditions on the markets it operates in.

— *R. & S. - Ricerche e Studi S.p.A.*, Milan *(100%-owned by Mediobanca)*: this company recorded an even balance for the first six months of the financial year, after charging Mediobanca €0.5m (31/12/07: €0.7m) for services and expenses. R&S produced the thirty-third edition of its Annual Directory, which includes analysis of leading Italian listed companies, and updated the reports available in digital format on the company's website. It also published an update to its survey of European banks based on interim data, and in co-operation with Italian daily newspaper *Il Sole 24 Ore* continued its publication of the quarterly survey of blue chip companies' results. Its partnership with the Research Department of Unioncamere also continued, based primarily on use of a scoring model and compilation of analyses for local areas.

* * *

## *Outlook*

Results for the second half of the financial year are likely to reflect the significant worsening in the economic crisis, especially in terms of adjustments to the securities portfolio and loan book. Beyond these items, total income is expected to be in line with the first six months, apart from income from trading activity, the results of which which will again be closely linked to the strong market volatility.

## *Reconciliation of shareholders' equity and net profit*

| | Shareholders' equity €m | Net profit €m |
|---|---|---|
| Balance at 31/12 as per Mediobanca S.p.A. accounts | 4,244,956 | (58,246) |
| Net surplus over book value for consolidated companies | 15,174 | 89,139 |
| Other adjustments and restatements on consolidation, including the effects of accounting for companies on an equity basis | 1,196,701 | 69,453 |
| Dividends received during the period | — | — |
| TOTAL | 5,456,831 | 100,346 |

Milan, 24 February 2009

THE BOARD OF DIRECTORS

# INTERIM CONDENSED
# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEET

| | Assets | 31/12/08 | | 30/6/08 | |
|---|---|---|---|---|---|
| | | €'000 | | €'000 | |
| 10. | Cash and cash equivalents | | 30,064 | | 22,110 |
| 20. | Financial assets held for trading | | 12,734,839 | | 11,774,390 |
| 40. | Financial assets available for sale | | 2,985,575 | | 3,778,727 |
| 50. | Financial assets held to maturity | | 582,738 | | 578,145 |
| 60. | Due from banks | | 6,494,063 | | 7,055,943 |
| 70. | Due from customers | | 39,478,593 | | 35,806,958 |
| 80. | Hedging derivatives | | 1,555,550 | | 1,234,269 |
| 100. | Equity investments | | 2,642,301 | | 2,845,706 |
| 120. | Property, plant and equipment | | 314,932 | | 312,660 |
| 130. | Intangible assets | | 452,129 | | 440,562 |
| | *of which:* | | | | |
| | *– goodwill* | 365,934 | | 404,277 | |
| 140. | Tax assets: | | 696,375 | | 547,967 |
| | *a) current* | *218,832* | | *244,144* | |
| | *b) advance* | *477,543* | | *303,823* | |
| 160. | Other assets | | 111,937 | | 70,648 |
| | **TOTAL ASSETS** | | **68,079,096** | | **64,468,085** |

| | Liabilities and net equity | 31/12/08 | | 30/6/08 | |
|---|---|---|---|---|---|
| | | | €'000 | | €'000 |
| 10. | Due to banks | | 13,889,146 | | 13,848,865 |
| 20. | Due to customers | | 8,528,584 | | 6,096,542 |
| 30. | Debt securities in issue | | 34,317,414 | | 30,427,380 |
| 40. | Trading liabilities | | 2,683,435 | | 3,156,209 |
| 60. | Hedging derivatives | | 1,799,366 | | 2,736,690 |
| 80. | Tax liabilities: | | 527,921 | | 720,900 |
| | *a) current* | *203,657* | | *316,914* | |
| | *b) deferred* | *324,264* | | *403,986* | |
| 100. | Other liabilities | | 467,240 | | 407,571 |
| 110. | Staff severance indemnity provision | | 29,949 | | 29,172 |
| 120. | Provisions: | | 173,508 | | 180,886 |
| | *a) post-employment and similar benefits* | — | | — | |
| | *b) other provisions* | *173,508* | | *180,886* | |
| 140. | Revaluation reserves | | (541,903) | | 112,795 |
| 170. | Reserves | | 3,662,507 | | 3,280,171 |
| 180. | Share premium reserve | | 2,140,043 | | 2,140,043 |
| 190. | Share capital | | 410,028 | | 410,028 |
| 200. | Treasury shares | | (213,844) | | (213,844) |
| 210. | Minority interest | | 105,356 | | 119,845 |
| 220. | Profit for the period | | 100,346 | | 1,014,832 |
| | **TOTAL LIABILITIES AND NET EQUITY** | | **68,079,096** | | **64,468,085** |

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | | 6 mths to 31/12/08 | | 12 mths to 30/6/08 | | 6 mths to 31/12/07 | |
|---|---|---|---|---|---|---|---|
| | | | €'000 | | €'000 | | €'000 |
| 10. | Interest and similar income | | 1,651,451 | | 2,615,209 | | 1,282,828 |
| 20. | Interest expense and similar charges | | (1,243,172) | | (1,940,095) | | (940,960) |
| **30.** | **Net interest income** | | **408,279** | | **675,114** | | **341,868** |
| 40. | Fee and commission income | | 212,429 | | 390,045 | | 230,682 |
| 50. | Fee and commission expense | | (28,221) | | (43,430) | | (23,553) |
| **60.** | **Net fee and commission income** | | **184,208** | | **346,615** | | **207,129** |
| 70. | Dividends and similar income | | 8,616 | | 123,094 | | 44,621 |
| 80. | Net trading income | | 19,015 | | 30,661 | | 73,377 |
| 90. | Net hedging income (expense) | | (5,060) | | 6,950 | | (8,686) |
| 100. | Gain (loss) on disposal/repurchase of: | | 167,628 | | 196,266 | | 171,046 |
| | *a) loans and advances* | *—* | | *555* | | *555* | |
| | *b) AFS securities* | *158,831* | | *172,594* | | *169,984* | |
| | *c) financial assets held to maturity* | *127* | | *(167)* | | *(98)* | |
| | *d) financial liabilities* | *8,670* | | *23,284* | | *605* | |
| 110. | Net result from assets/liabilities recognized at fair value | | — | | — | | — |
| **120.** | **Total income** | | **782,686** | | **1,378,700** | | **829,355** |
| 130. | Adjustments for impairment to: | | (281,203) | | (209,755) | | (99,621) |
| | *a) loans and advances* | *(187,070)* | | *(202,652)* | | *(95,632)* | |
| | *b) AFS securities* | *(74,133)* | | *(7,503)* | | *(4,211)* | |
| | *c) financial assets held to maturity* | *147* | | *400* | | *222* | |
| | *d) other financial transactions* | *(20,147)* | | *—* | | *—* | |
| **140.** | **Net income from financial operations** | | **501,483** | | **1,168,945** | | **729,734** |
| 180. | Administrative expenses: | | (348,699) | | (548,935) | | (246,435) |
| | *a) personnel costs* | *(169,153)* | | *(280,157)* | | *(127,613)* | |
| | *b) other administrative expenses* | *(179,546)* | | *(268,778)* | | *(118,822)* | |
| 190. | Net transfers to provisions | | (152) | | (27,474) | | (3,420) |
| 200. | Net adjustments to tangible assets | | (7,371) | | (10,813) | | (5,202) |
| 210. | Net adjustments to intangible assets | | (8,315) | | (6,072) | | (1,366) |
| 220. | Other operating income (expense) | | 66,982 | | 74,757 | | 32,330 |
| **230.** | **Operating costs** | | **(297,555)** | | **(518,537)** | | **(224,093)** |
| 240. | Gain (loss) on equity investments | | (92,020) | | 477,798 | | 262,072 |
| 270. | Gain (loss) on disposal of investments in: | | (12) | | (25) | | (10) |
| | *a) property* | *—* | | *—* | | *1* | |
| | *b) other assets* | *(12)* | | *(25)* | | *(11)* | |
| **280.** | **Profit (loss) on ordinary activities before tax** | | **111,896** | | **1,128,181** | | **767,703** |
| 290. | Income tax for the year on ordinary activities | | (12,084) | | (103,871) | | (121,680) |
| **300.** | **Profit (loss) on ordinary activities after tax** | | **99,812** | | **1,024,310** | | **646,023** |
| **320.** | **Net profit (loss) for the period** | | **99,812** | | **1,024,310** | | **646,023** |
| 330. | Net profit (loss) for the period attributable to minorities | | 534 | | (9,478) | | (5,494) |
| **340.** | **Net profit (loss) for the period attributable to Mediobanca** | | **100,346** | | **1,014,832** | | **640,529** |

## STATEMENT OF CHANGES TO NET EQUITY

### a) Group

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

## b) Minorities

| | Balance at 30/6/08 | Allocation of profit from previous period | Changes during the reference period | | | Balance at 31/12/08 |
|---|---|---|---|---|---|---|
| | | Reserves | Changes to reserves | Transactions involving net equity: New shares issued | Profit (loss) for the period | |
| Share capital: | 24,284 | — | (223) | — | — | 24,061 |
| a) ordinary shares | 24,284 | — | (223) | — | — | 24,061 |
| b) other shares | — | — | — | — | — | — |
| Share premium reserve | 7,355 | — | — | — | — | 7,355 |
| Reserves: | 73,509 | 4,446 | 1,071 | — | — | 79,026 |
| a) retained earnings | 73,509 | 4,446 | 1,071 | — | — | 79,026 |
| b) others | — | — | — | — | — | — |
| Valuation reserves: | 5,219 | — | (10,839) | — | — | (5,620) |
| a) AFS securities | — | — | — | — | — | — |
| b) cash flow hedges | 3,627 | — | (10,839) | — | — | (7,212) |
| c) special laws | 1,592 | — | — | — | — | 1,592 |
| d) others | — | — | — | — | — | — |
| Equity instruments | — | — | — | — | — | — |
| Treasury shares | — | — | — | — | — | — |
| Profit (loss) for the period | 9,478 | (9,478) | — | — | 534 | 534 |
| Net equity | 119,845 | (5,032) | (9,991) | — | 534 | 105,356 |

# STATEMENT OF CHANGES TO NET EQUITY FROM 1/7/07 TO 31/12/07

| | Balance at 30/6/07 | Allocation of profit for previous period | | Changes during the reference period | | | | | | | | Balance at 31/12/07 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Transactions involving net equity | | | | | | | |
| | | Reserves | Dividends and other fund applications | Changes to reserves | New shares issued | Treasury shares acquired | Extra-ordinary dividend payouts | Changes to equity instruments | Treasury share derivatives | Stock options | Profit (loss) for the period | |
| Share capital: | 408,781 | — | — | — | 768 | — | — | — | — | — | — | 409,549 |
| a) ordinary shares | 408,781 | — | — | — | 768 | — | — | — | — | — | — | 409,549 |
| b) other shares | — | — | — | — | — | — | — | — | — | — | — | — |
| Share premium reserve | 2,119,328 | — | — | — | 11,806 | — | — | — | — | — | — | 2,131,134 |
| Reserves: | 3,464,838 | 414,562 | — | (248,481) | — | — | — | — | — | 4,633 | — | 3,635,552 |
| a) retained earnings | 3,464,838 | 414,562 | — | (248,481) | — | — | — | — | — | 4,633 | — | 3,635,552 |
| b) others | — | — | — | — | — | — | — | — | — | — | — | — |
| Valuation reserves: | 837,130 | — | — | (348,578) | — | — | — | — | — | — | — | 488,552 |
| a) AFS securities | 818,509 | — | — | (382,469) | — | — | — | — | — | — | — | 436,040 |
| b) cash flow hedges | 5,151 | — | — | 33,891 | — | — | — | — | — | — | — | 39,042 |
| c) special laws | 13,470 | — | — | — | — | — | — | — | — | — | — | 13,470 |
| d) others | — | — | — | — | — | — | — | — | — | — | — | — |
| Equity instruments | — | — | — | — | — | — | — | — | — | — | — | — |
| Treasury shares | (434) | — | — | — | — | (14,846) | — | — | — | — | — | (15,280) |
| Profit (loss) for the period | 953,248 | (414,562) | (538,686) | — | — | — | — | — | — | — | 640,529 | 640,529 |
| Net equity | 7,782,891 | — | (538,686) | (597,059) | 12,574 | (14,846) | — | — | — | 4,633 | 640,529 | 7,290,036 |
| Net equity attributable to minorities | 108,257 | — | (4,419) | 55 | — | — | — | — | — | — | 7,410 | 111,303 |

# CONSOLIDATED CASH FLOW STATEMENT
## Direct method

| | | Amounts | |
|---|---|---|---|
| | | 31/12/08 | 31/12/07 |
| A | CASH FLOW FROM OPERATING ACTIVITIES | | |
| 1. | **Operating activities** | **473,999** | **836,716** |
| | – interest received | 2,699,673 | 1,958,295 |
| | – interest paid | (2,112,631) | (1,323,682) |
| | – dividends and similar income | 13,397 | 44,614 |
| | – net fees and commission income | 22,635 | 186,746 |
| | – cash payments to employees | (132,538) | (106,795) |
| | – net premium income | — | — |
| | – other income from insurance activities | (64,418) | 636 |
| | – other expenses paid | (488,454) | (646,331) |
| | – other income received | 628,926 | 786,188 |
| | – income taxes paid | (92,591) | (62,955) |
| | – net expense/income from groups of assets being sold | — | — |
| 2. | **Cash generated/absorbed by financial assets** | **(8,093,770)** | **(1,596,272)** |
| | – financial assets held for trading | (1,807,913) | 2,368,669 |
| | – financial assets recognized at fair value | — | — |
| | – AFS securities | (867,474) | (458,507) |
| | – due from customers | (3,730,006) | (1,077,496) |
| | – due from banks: on demand | (2,432,672) | 78,395 |
| | – due from banks: other | 712,191 | (2.497,638) |
| | – other assets | 32,104 | (9,695) |
| 3. | **Cash generated/absorbed by financial liabilities** | **8,175,402** | **1,243,784** |
| | – due to banks: on demand | (12,058) | (438,065) |
| | – due to banks: other | 3,687,880 | (899,981) |
| | – due to customers | 2,554,507 | 1,019,473 |
| | – debt securities | 2,223,156 | 1,469,265 |
| | – trading liabilities | 19,421 | 118,712 |
| | – financial liabilities assets recognized at fair value | — | — |
| | – other liabilities | (297,504) | (25,620) |
| | **Net cash flow (outflow) from operating activities** | **555,631** | **484,228** |
| B. | INVESTMENT ACTIVITIES | | |
| 1. | **Cash generated from** | **2,931** | **60,334** |
| | – disposals of shareholdings | — | 3,867 |
| | – dividends received in respect of equity investments | 2,330 | — |
| | – disposals/redemptions of financial assets held to maturity | 297 | 56,252 |
| | – disposals of tangible assets | 304 | 215 |
| | – disposals of intangible assets | — | — |
| | – disposals of subsidiaries or business units | — | — |
| 2. | **Cash absorbed by** | **(7,950)** | **(6,402)** |
| | – acquisitions of shareholdings | (392) | (8) |
| | – acquisitions of held-to-maturity investments | (920) | — |
| | – acquisitions of tangible assets | (1,478) | (2,796) |
| | – acquisitions of intangible assets | (5,160) | (3,598) |
| | – acquisitions of subsidiaries or business units | — | — |
| | **Net cash flow (outflow) from investment/servicing of finance** | **(5,019)** | **53,932** |
| C. | FUNDING ACTIVITIES | | |
| | – issuance/acquisition of treasury shares | — | (2.272) |
| | – issuance/acquisition of equity instruments | — | — |
| | – dividend payouts and other applications of funds | (542,658) | (534,917) |
| | **Net cash flow (outflow) from funding activities** | **(542,658)** | **(537,189)** |
| | NET CASH FLOW (OUTFLOW) DURING PERIOD | **7,954** | **971** |

## RECONCILIATION OF MOVEMENTS IN CASH FLOW DURING PERIOD

| | Amounts | |
|---|---|---|
| | 31/12/08 | 31/12/07 |
| Cash and cash equivalents: balance at start of period | 22,110 | 4,487 |
| Total cash flow (outflow) during period | 7,954 | 971 |
| Cash and cash equivalents: exchange rate effect | — | — |
| Cash and cash equivalents: balance at end of period | 30,064 | 5,458 |

# EXPLANATORY NOTES TO THE ACCOUNTS

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# PART A - ACCOUNTING POLICIES

## Section 1

## Statement of conformity with IAS/IFRS

The Mediobanca Group's interim financial statements for the six months ending 31 December 2008 have been drawn up, as required by Italian Legislative Decree 38/05, 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 Parliament and Council on 19 July 2002. Application of the new accounting standards to financial reporting by banks was governed by Bank of Italy circular no. 262 issued on 22 December 2005. This interim financial statement has been drawn up in conformity with IAS 34 concerning interim financial reporting.

## Section 2

## General principles

These consolidated financial statements comprise:

– balance sheet;

– 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 methods of consolidation

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

When a subsidiary is fully consolidated, the carrying amount of the parent's investment is eliminated against its share of the subsidiary's equity after minorities, 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 or loss made by the investee company is recorded pro-rata in the profit and loss account under a specific heading.

Linea and Equilon were merged into Compass in October 2008. The transaction took place as part of the process of integrating the Linea group following its acquisition at the end of the last financial data. Comparative data as at 31 December therefore do not include the contribution of these companies. The other 30% of Prominvestment not already owned by the Group was also acquired.

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

| | | Registered office | Type of relation-ship[1] | Shareholding | | % voting rights[2] |
|---|---|---|---|---|---|---|
| | | | | Investor company | % interest | |
| A. | COMPANIES INCLUDED IN AREA OF CONSOLIDATION | | | | | |
| A.1 | *Line-by-line* | | | | | |
| 1. | MEDIOBANCA - Banca di Credito Finanziario S.p.A. | Milan | 1 | — | — | — |
| 2. | PROMINVESTMENT S.p.A. - in liquidation | 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 per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.p.A. | Milan | 1 | A.1.1 | 99.99 | 99.99 |
| 5. | SPAFID S.p.A. | Milan | 1 | A.1.1 | 100.00 | 100.00 |
| 6. | TECHNOSTART S.p.A. | Milan | 1 | A.1.1 | 69.00 | 69.00 |
| 7. | COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A. | Monte Carlo | 1 | A.1.1 | 100.00 | 100.00 |
| 8. | C.M.I. COMPAGNIE MONEGASQUE IMMOBILIERE SCI | Monte Carlo | 1 | A.1.7 | 99.94 | 99.94 |
| | | | | A.1.8 | 0.06 | 0.06 |
| 9. | C.M.G. COMPAGNIE MONEGASQUE DE GESTION S.A.M. | Monte Carlo | 1 | A.1.7 | 99.70 | 99.70 |
| 10. | SMEF SOCIETE MONEGASQUE DES ETUDES FINANCIERE S.A.M. | Monte Carlo | 1 | A.1.7 | 99.92 | 99.92 |
| 11. | CMB ASSET MANAGEMENT | Monte Carlo | 1 | A.1.7 | 99.50 | 99.50 |
| 12. | MONOECI SOCIETE CIVILE IMMOBILIERE | Monte Carlo | 1 | A.1.7 | 99.00 | 99.00 |
| | | | | A.1.9 | 1.00 | 1.00 |
| 13. | MOULINS 700 S.A.M. | Monte Carlo | 1 | A.1.8 | 99.80 | 99.80 |
| 14. | COMOBA S.A. | Lugano | 1 | A.1.7 | 100.00 | 100 |
| 15. | MEDIOBANCA INTERNATIONAL (Luxembourg) S.A. | Luxembourg | 1 | A.1.1 | 99.00 | 99.00 |
| | | | 1 | A.1.16 | 1.00 | 1.00 |
| 16. | COMPASS S.p.A. | Milan | 1 | A.1.1 | 100.00 | 100.00 |
| 17. | CHEBANCA! S.p.A. | Milan | 1 | A.1.16 | 100.00 | 100.00 |
| 18. | COFACTOR S.p.A. | Milan | 1 | A.1.16 | 100.00 | 100.00 |
| 19. | SELMABIPIEMME LEASING S.p.A. | Milan | 1 | A.1.16 | 60.00 | 60.00 |
| 20. | PALLADIO LEASING S.p.A. | Vicenza | 1 | A.1.19 | 95.00 | 100.00 |
| | | | | A.1.20 | 5.00 | |
| 21. | TELELEASING S.p.A. | Milan | 1 | A.1.19 | 80.00 | 80.00 |
| 22. | SADE FINANZIARIA - INTERSOMER S.r.l. | Milan | 1 | A.1.1 | 100.00 | 100.00 |
| 23. | RICERCHE E STUDI S.p.A. | Milan | 1 | A.1.1 | 100.00 | 100.00 |
| 24. | CREDITECH S.p.A. | Milan | 1 | A.1.16 | 100.00 | 100.00 |
| 25. | MEDIOBANCA SECURITIES USA LLC | New York | 1 | A.1.1 | 100.00 | 100.00 |
| 26. | CONSORTIUM S.r.l. | Milan | 1 | A.1.1 | 100.00 | 100.00 |
| 27. | QUARZO S.r.l. | Milan | 1 | A.1.16 | 90.00 | 90.00 |
| 28. | QUARZO LEASE S.r.l. | Milan | 1 | A.1.19 | 90.00 | 90.00 |
| 29. | FUTURO S.P.A. | Milan | 1 | A.1.16 | 100.00 | 100.00 |
| 30. | DUCATI FINANCIAL SERVICES S.r.l. | Milan | 7 | A.1.16 | 50.00 | 50.00 |
| 31. | JUMP S.r.l. | Milan | 4 | A.1.16 | — | — |

***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 = unified management as defined in Article 26, paragraph 1 of Italian Legislative Decree 87/92.
6 = unified management as defined in Article 26, paragraph 2 of Italian Legislative Decree 87/92.
7 = joint control.

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

## Section 4

## Significant accounting policies

### Financial assets held for trading

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

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

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

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

### AFS securities

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

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

AFS assets are initially recognized at fair value as at the settlement date, 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 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. Debt securities included in this category are recognized at amortized cost, 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 effective interest rate in the case of unlisted securities. For equities in particular, the criteria used for recognizing impairment are a reduction of over one-third in fair value or which has continued for a period of more than 18 months compared to the value at which the investment was originally recorded. However, each investment is assessed individually before impairment is recognized in the profit and loss account, taking into account any unusually volatile or irregular market trends. If the reasons for which the loss was recorded subsequently cease to apply, the impairment is written back to the profit and loss account for debt securities and 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 therefore cannot be classified as available for sale. Repos and receivables due in respect of finance leasing transactions are also included.

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

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

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

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

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

Accounts for which there is objective evidence of impairment, including those involving counterparties in countries deemed to be at risk, are subject to collective tests. Loans are grouped on the basis of similar credit risk characteristics, and the related loss percentages are estimated at the impairment date on the basis of historical series of internal and external data. Collective value adjustments are credited or charged to the profit and loss account, as appropriate. At each annual and interim reporting date, any writedowns or writebacks are measured again 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 equity, while the gain or loss deriving from the ineffective portion is recognized through the profit and loss account only as and when, with reference to the hedged item, the change in cash flow to be offset crystallizes.

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

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

## Equity investments

This heading consists of investments in:

– associates, which are accounted for using the equity method. Associates are defined as companies in which at least 20% of the voting rights are held, and those in which the size of the investment (which may not be less than 10%) is sufficient to ensure an influence in the governance of the investee company;

– jointly-controlled companies, which are also recognized using the equity method;

– other investments of negligible value, which are stated at cost.

Where there is objective evidence that the value of an investment may be impaired, estimates are made of its current value using market prices where 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 finance leases), which are not core to the Group's main activities and/or are mostly 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 on the proviso that the amount credited may not exceed the value which the asset would have had net of depreciation, which is calculated assuming no impairment took place.

### Intangible assets

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

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

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

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

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

## Derecognition of assets

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

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

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

## Payables, debt securities in issue and subordinated liabilities

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

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

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

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

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

## Trading liabilities

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

## Staff severance indemnity provision

This is stated to reflect the actuarial value of the provision as calculated in line with regulations used for defined benefit schemes. Future obligations are estimated on the basis of historical statistical analysis (e.g. staff turnover, retirements, etc.) and demographic trends. These are then discounted to obtain their present value on the basis of market interest rates. The values thus obtained are booked under labour costs as the net amount of contributions paid, 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

This heading comprises amounts set aside to cover risks not necessarily associated with defaults on loans or advances that could lead to future expenses. 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 intended.

## Foreign currency transactions

Transactions in foreign currencies are recorded by applying the exchange rates ruling 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 reference date. 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 equity. Provisions for income tax are calculated on the basis of prudential estimates of current, advance and deferred obligations. Advance and deferred tax is calculated on the basis of temporary differences – without time limits – between the carrying amount of an asset or liability and its tax base.

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

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

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

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

## Stock options

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

## Treasury shares

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

## Dividends and commissions

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

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

# PART B - NOTES TO CONSOLIDATED BALANCE SHEET*

## Assets

## Section 1

## Heading 10: Cash and cash equivalents

*1.1 Cash and cash equivalents*

| | 31/12/08 | 30/6/08 |
|---|---|---|
| a) Cash | 30,064 | 22,110 |
| b) Demand deposits held at central banks | — | — |
| Total | 30,064 | 22,110 |

* 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*

| Item/Value | 31/12/08 | | 30/6/08 | |
|---|---|---|---|---|
| | Listed | Unlisted | Listed | Unlisted |
| A. Cash assets | | | | |
| 1. Debt securities | 6,985,676 | 1,207,340 | 7,118,104 | 686,624 |
| 1.1 Structured | 49,731 | 16,026 | 127,064 | 20,527 |
| 1.2 Other debt securities | 6,935,945 | 1,191,314 | 6,991,040 | 666,097 |
| 2. Equities | 567,668 | 970 | 587,297 | 656 |
| 3. OICR units | 523,847 | 14,297 | 170,758 | 42,015 |
| 4. Loans and advances | — | — | — | — |
| 4.1 Repos | — | — | — | — |
| 4.2 Others | — | — | — | — |
| 5. Impaired assets | — | — | — | — |
| 6. Assets sold but not derecognized[1] | 895,946 | — | 730,693 | — |
| Total A | 8,973,137 | 1,222,607 | 8,606,852 | 729,295 |
| B. Derivative products | | | | |
| 1. Financial derivatives | 19,593 | 1,829,005 | 12,898 | 2,162,980 |
| 1.1 trading | 19,593 | 1,470,534 | 12,898 | 1,257,938 |
| 1.2 linked to fair value options | — | — | — | — |
| 1.3 others | — | 358,471 | — | 905,042 |
| 2. Credit derivatives | — | 690,497 | — | 262,365 |
| 2.1 trading | — | 684,371 | — | 258,269 |
| 2.2 linked to fair value options | — | — | — | — |
| 2.3 others | — | 6,126 | — | 4,096 |
| Total B | 19,593 | 2,519,502 | 12,898 | 2,425,345 |
| Total (A+B) | 8,992,730 | 3,742,109 | 8,619,750 | 3,154,640 |

[1] Securities sold under repo agreements.

The fair value of financial instruments is equal to the price recorded on the active market, or is calculated using valuation techniques based on market-derived data. Six bond positions (equal to approx. 2% of this segment) have been valued using adjusted volatility in the valuation model, with a €1m positive impact on the profit and loss account.

## 2.3 Financial assets held for trading: derivative products

| Type of derivatives / Underlying assets | Interest rates | Foreign currency/gold | Equities | Loans and advances | Other assets | 31/12/08 | 30/6/08 |
|---|---|---|---|---|---|---|---|
| A) Listed derivative products | | | | | | | |
| 1) Financial derivatives: | 15,696 | — | 3,897 | — | — | 19,593 | 12,898 |
| – with exchange of principal | 3,718 | — | 1,140 | — | — | 4,858 | 7,313 |
| - options bought | 1,225 | — | 1,105 | — | — | 2,330 | — |
| - other derivatives | 2,493 | — | 35 | — | — | 2,528 | 7,313 |
| – without exchange of principal | 11,978 | — | 2,757 | — | — | 14,735 | 5,585 |
| - options bought | 10,426 | — | 532 | — | — | 10,958 | 482 |
| - other derivatives | 1,552 | — | 2,225 | — | — | 3,777 | 5,103 |
| 2) Credit derivatives: | — | — | — | — | — | — | — |
| – with exchange of principal | — | — | — | — | — | — | — |
| – without exchange of principal | — | — | — | — | — | — | — |
| Total A | 15,696 | — | 3,897 | — | — | 19,593 | 12,898 |
| B) Unlisted derivative products | | | | | | | |
| 1) Financial derivatives: | 1,032,005 | 64,878 | 595,325 | — | 136,797 | 1,829,005 | 2,162,980 |
| – with exchange of principal | 1,419 | 56,180 | 113,523 | — | — | 171,122 | 192,010 |
| - options bought | 1,048 | — | 57,670 | — | — | 58,718 | 60,231 |
| - other derivatives | 371 | 56,180 | 55,853 | — | — | 112,404 | 131,779 |
| – without exchange of principal | 1,030,586 | 8,698 | 481,802 | — | 136,797 | 1,657,883 | 1,970,970 |
| - options bought | 7,430 | 8,698 | 454,263 | — | — | 470,391 | 827,518 |
| - other derivatives | 1,023,156 | — | 27,539 | — | 136,797 | 1,187,492 | 1,143,452 |
| 2) Credit derivatives: | — | — | — | 690,497 | — | 690,497 | 262,365 |
| – with exchange of principal | — | — | — | 690,497 | — | 690,497 | 243,830 |
| – without exchange of principal | — | — | — | — | — | — | 18,535 |
| Total B | 1,032,005 | 64,878 | 595,325 | 690,497 | 136,797 | 2,519,502 | 2,425,345 |
| Total (A+B) | 1,047,701 | 64,878 | 599,222 | 690,497 | 136,797 | 2,539,095 | 2,438,243 |

## 2.4 *Cash assets held for trading (excluding assets sold but not derecognized/impaired assets): movements during the period*

| | Debt securities | Equities | OICR units | Loans and advances | Total |
|---|---|---|---|---|---|
| A. Balance at start of period | 7,804,728 | 587,953 | 212,773 | — | 8,605,454 |
| B. Additions | 19,477,343 | 1,276,709 | 1,625,421 | — | 22,379,473 |
| B.1 Acquisitions | 18,331,013 | 1,031,015 | 1,623,632 | — | 20,985,660 |
| B.2 Increases in fair value | 134,775 | 16,382 | — | — | 151,157 |
| B.3 Other additions | 1,011,555 | 229,312 | 1,789 | — | 1,242,656 |
| C. Reductions | 19,089,055 | 1,296,024 | 1,300,050 | — | 21,685,129 |
| C.1 Disposals | 15,552,700 | 965,543 | 1,297,198 | — | 17,815,441 |
| C.2 Redemptions | 1,178,988 | — | — | — | 1,178,988 |
| C.3 Reductions in fair value | 222,118 | 110,283 | 1,817 | — | 334,218 |
| C.4 Other reductions [1] | 2,135,249 | 220,198 | 1,035 | — | 2,356,482 |
| D. Balance at end of period | 8,193,016 | 568,638 | 538,144 | — | 9,299,798 |

[1] Of which €209.6m in debt securities reallocated as loans and receivables following amendments to IAS 39.

# Section 4

# Heading 40: Available for sale (AFS) securities

## *4.1 AFS securities: composition*

| Item/Value | 31/12/08 | | 30/6/08 | |
|---|---|---|---|---|
| | Listed | Unlisted | Listed | Unlisted |
| 1. Debt securities | 1,373,803 | 291,918 | 1,253,948 | 471,609 |
| 1.1 Structured | — | — | 114,995 | — |
| 1.2 Other debt securities | 1,373,803 | 291,918 | 1,138,953 | 471,609 |
| 2. Equities | 578,259 | 535,965 | 1,083,943 | 497,774 |
| 2.1 Recognized at fair value | 578,259 | 535,899 | 1,083,943 | 497,618 |
| 2.2 Recognized at cost | — | 66 | — | 156 |
| 3. OICR units | 94,193 | 6,311 | 464,882 | 6,572 |
| 4. Loans and advances | — | — | — | — |
| 5. Impaired assets | — | — | — | — |
| 6. Assets sold but not derecognized [1] | 25,689 | 79,437 | — | — |
| Total | 2,071,944 | 913,631 | 2,802,773 | 975,955 |

[1] Securities sold under repo agreements.

The fair value of financial instruments is equal to the price recorded on the active market, or alternatively to the value of recent comparable transactions or the recent results of valuation models based exclusively on market-derived data.

## *4.3 AFS securities: hedged assets*

| Assets/Type of hedging | Hedging activity | | | |
|---|---|---|---|---|
| | 31/12/08 | | 30/6/08 | |
| | Fair value | Cash flow | Fair value | Cash flow |
| 1. Debt securities | — | — | — | — |
| 2. Equities | — | 41,648 | 63,262 | 197,205 |
| 3. OICR units | — | — | — | — |
| 4. Loans and advances | — | — | — | — |
| 5. Portfolio | — | — | — | — |
| Total | — | 41,648 | 63,262 | 197,205 |

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

| | Debt securities | Equities | OICR units | Loans and advances | Total |
|---|---|---|---|---|---|
| A. Balance at start of period | 1,725,557 | 1,581,716 | 471,454 | — | 3,778,727 |
| B. Additions | 767,699 | 336,158 | 802,106 | — | 1,905,963 |
| B.1 Acquisitions | 691,890 | 155,515 | 793,980 | — | 1,641,385 |
| B.2 Increases in fair value | 30,233 | 7,799 | — | — | 38,032 |
| B.3 Writebacks | — | 45,234 | — | — | 45,234 |
| - taken to profit and loss account | — | — | — | — | — |
| - taken to net equity | — | 45,234 | — | — | 45,234 |
| B.4 Transfers from other asset classes | — | — | — | — | — |
| B.5 Other additions | 45,576 | 127,610 | 8,126 | — | 181,312 |
| C. Reductions | 827,535 | 803,650 | 1,173,056 | — | 2,804,241 |
| C.1 Disposals | 243,280 | 354,721 | 1,172,795 | — | 1,770,796 |
| C.2 Redemptions | 39,500 | — | — | — | 39,500 |
| C.3 Reductions in fair value | 101,482 | 374,796 | 261 | — | 476,539 |
| C.4 Writedowns due to impairment | — | 74,133 | — | — | 74,133 |
| - taken to profit and loss account | — | 74,133 | — | — | 74,133 |
| - taken to net equity | — | — | — | — | — |
| C.5 Transfers to other asset classes [1] | 332,939 | — | — | — | 332,939 |
| C.6 Other reductions | 110,334 | — | — | — | 110,334 |
| D. Balance at end of period | 1,665,721 | 1,114,224 | 100,504 | — | 2,880,449 |

[1] Transfers to loans and receivables following amendments to IAS 39.

## Section 5

## Heading 50: Financial assets held to maturity

### *5.1 Financial assets held to maturity*

| Type of transactions/Group components | 31/12/08 | | 30/6/08 | |
|---|---|---|---|---|
| | Book value | Fair value | Book value | Fair value |
| 1. Debt securities | 496,881 | 424,566 | 574,435 | 507,523 |
| 1.1 Structured | — | — | — | — |
| 1.2 Other debt securities | 496,881 | 424,566 | 574,435 | 507,523 |
| 2. Loans and advances | — | — | — | — |
| 3. Impaired assets | — | — | — | — |
| 4. Assets sold but not derecognized | 85,857 | 77,118 | 3,710 | 3,174 |
| Total | 582,738 | 501,684 | 578,145 | 510,697 |

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

| | Debt securities | Loans and advances | Total |
|---|---|---|---|
| A. Balance at start of period | 574,435 | — | 574,435 |
| B. Additions | 9,354 | — | 9,354 |
| B.1 Acquisitions | 920 | — | 920 |
| B.2 Writebacks | 458 | — | 458 |
| B.3 Transfers from other asset classes | — | — | — |
| B.4 Other additions | 7,976 | — | 7,976 |
| C. Reductions | 86,908 | — | 86,908 |
| C.1 Disposal | — | — | — |
| C.2 Redemptions | 459 | — | 459 |
| C.3 Value adjustments | 311 | — | 311 |
| C.4 Transfers to other asset classes | — | — | — |
| C.5 Other reductions[1] | 86,138 | — | 86,138 |
| D. Balance at end of period | 496,881 | — | 496,881 |

[1] Includes movements in repos.

# Section 6

# Heading 60 - Due from banks

## *6.1 Due from banks*

| Type of transactions/Value | 31/12/08 | 30/6/08 |
|---|---|---|
| A. Due from central banks | 193,007 | 89,681 |
| 1. Term deposits | — | — |
| 2. Compulsory reserves | 191,752 | 89,681 |
| 3. Amounts due under repo agreements | — | — |
| 4. Other amounts due | 1,255 | — |
| B. Due from banks | 6,301,056 | 6,966,262 |
| 1. Current accounts and demand deposits | 1,486,933 | 1,830,283 |
| 2. Term deposits | 762,054 | 525,661 |
| 3. Other receivables: | 2,228,399 | 2,869,315 |
| 3.1 amounts due under repo agreements | 1,091,820 | 1,628,491 |
| 3.2 amounts due under finance leases | 7,957 | 2,175 |
| 3.3 other amounts due | 1,128,622 | 1,238,649 |
| 4. Debt securities | 195,499 | — |
| 4.1 structured | — | — |
| 4.2 other debt securities | 195,499 | — |
| 5. Impaired assets | 127 | 127 |
| 6. Assets sold but not derecognized [1] | 1,628,044 | 1,740,876 |
| Total book value | 6,494,063 | 7,055,943 |
| Total fair value | 6,475,369 | 7,054,777 |

[1] Relates to securities lending transactions.

## Section 7

## Heading 70: Due from customers

### *7.1 Due from customers: composition*

| Type of transactions/amounts | 31/12/08 | 30/6/08 |
|---|---|---|
| 1. Current accounts | 33,867 | 43,787 |
| 2. Amounts due under repo agreements | 2,216,263 | 958,825 |
| 3. Mortgages | 21,535,086 | 19,437,500 |
| 4 Credit cards, personal loans and salary-guaranteed finance | 5,828,440 | 6,736,610 |
| 5. Amounts due under finance leasing | 4,281,330 | 4,164,079 |
| 6. Factoring | — | — |
| 7. Other transactions | 1,875,727 | 2,566,218 |
| 8. Debt securities | 394,668 | 41,795 |
| 8.1 structured | — | — |
| 8.2 other debt securities | 394,668 | 41,795 |
| 9. Impaired assets | 405,828 | 239,555 |
| 10. Assets sold but not derecognized [1] | 2,907,384 | 1,618,589 |
| Total book value | 39,478,593 | 35,806,958 |
| Total (fair value) | 39,616,983 | 36,056,354 |

[1] Assets forming part of securities lending transactions and securitized assets.

## Section 8

## Heading 80: Hedging derivatives

### *8.1 Hedging derivatives: by type of contract and underlying asset*

| Type of derivatives / Underlying assets | Interest rates | Foreign currency/ gold | Equities | Loans and advances | Others | Total |
|---|---|---|---|---|---|---|
| A) Listed derivative products | | | | | | |
| 1) Financial derivatives: | — | — | — | — | — | — |
| – with exchange of principal | — | — | — | — | — | — |
| - options bought | — | — | — | — | — | — |
| - other derivative products | — | — | — | — | — | — |
| – without exchange of principal | — | — | — | — | — | — |
| - options bought | — | — | — | — | — | — |
| - other derivative products | — | — | — | — | — | — |
| 2) Credit derivatives: | — | — | — | — | — | — |
| – with exchange of principal | — | — | — | — | — | — |
| – without exchange of principal | — | — | — | — | — | — |
| Total A | — | — | — | — | — | — |
| B) Unlisted derivative products | | | | | | |
| 1) Financial derivatives: | 1,485,123 | 1,043 | 69,384 | — | — | 1,555,550 |
| – with exchange of principal | — | 1,043 | 69,384 | — | — | 70,427 |
| - options bought | — | — | — | — | — | — |
| - other derivative products | — | 1,043 | 69,384 | — | — | 70,427 |
| – without exchange of principal | 1,485,123 | — | — | — | — | 1,485,123 |
| - options bought | — | — | — | — | — | — |
| - other derivative products | 1,485,123 | — | — | — | — | 1,485,123 |
| 2) Credit derivatives: | — | — | — | — | — | — |
| – with exchange of principal | — | — | — | — | — | — |
| – without exchange of principal | — | — | — | — | — | — |
| Total B | 1,485,123 | 1,043 | 69,384 | — | — | 1,555,550 |
| Total 31/12/08 | 1,485,123 | 1,043 | 69,384 | — | — | 1,555,550 |
| Total 30/6/08 | 1,062,196 | 704 | 171,369 | — | — | 1,234,269 |

## *8.2 Hedging derivatives: by portfolio hedged and hedge type*

| Operations/Type of hedging | Fair value hedges | | | | | | Cash flow hedges | |
|---|---|---|---|---|---|---|---|---|
| | Specific | | | | | General | Specific | General |
| | Interest rate risk | Exchange rate risk | Credit risk | Price risk | More than one risk | | | |
| 1. AFS securities | — | — | — | — | — | — | — | — |
| 2. Loans and advances | 20,528 | — | — | — | — | — | — | — |
| 3. Financial assets held to maturity | — | — | — | — | — | — | — | — |
| 4. Portfolio | — | — | — | — | — | — | — | — |
| 5.Foreign investments | X | X | X | X | X | X | — | X |
| Total assets | 20,528 | — | — | — | — | — | — | — |
| 1. Financial liabilities | 1,441,303 | — | — | — | — | — | 24,335 | — |
| 2. Portfolio | — | — | — | — | — | — | — | — |
| Total liabilities | 1,441,303 | — | — | — | — | — | 24,335 | — |
| 1. Expected transactions | X | X | X | X | X | X | 69,384 | X |

# Section 10

# Heading 100: Equity investments

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

| Name | Registered office | Type of relation ship | Shareholding | | % of voting rights |
|---|---|---|---|---|---|
| | | | Investor company | % interest | |
| 1. Burgo Group S.p.A. | Altavilla Vicentina, near Vicenza | 2 | Mediobanca | 22.13 | 22.13 |
| 2. Assicurazioni Generali S.p.A. | Trieste | 2 | Mediobanca | 12.99 | 12.99 |
| | | | Spafid | 0.09 | 0.09 |
| | | | Compass | 0.97 | 0.97 |
| 3. RCS MediaGroup S.p.A. | Milan | 2 | Mediobanca | 14.36 | 14.94 |
| 4. Banca Esperia S.p.A. | Milan | 2 | Mediobanca | 48.50 | 48.50 |
| 5. APE SGR S.p.A. | Milan | 2 | Mediobanca | 40.00 | 40.00 |
| 6. Fidia SGR S.p.A. | Milan | 2 | Mediobanca | 25.00 | 25.00 |
| 7. Ducati Financial Services S.r.l. | Milan | 1 | Linea | 50.00 | 50.00 |
| 8. Telco S.p.A. | Milan | 2 | Mediobanca | 10.64 | 10.64 |

***Legend:***

1 Joint control.

2 Subject to significant influence.

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

| Name | Book value | Fair value |
|---|---|---|
| B. JOINTLY-CONTROLLED COMPANIES (IAS 31) | | |
| 1. Ducati Financial Services S.r.l. | 878 | — |
| C. COMPANIES SUBJECT T O SIGNIFICANT INFLUENCE (IAS 28) | | |
| 1. Burgo Group S.p.A. | 111,307 | — |
| 2. Assicurazioni Generali S.p.A. | 1,813,920 | 3,862,302 |
| 3. RCS MediaGroup S.p.A. [1] | 246,221 | 106,307 |
| 4. Banca Esperia S.p.A. | 57,348 | — |
| 5. Fidia SGR S.p.A. | 1,517 | — |
| 6. Athena Private Equity S.A. | 32,364 | — |
| 7. APE SGR S.p.A. | 436 | — |
| 8. Telco S.p.A. | 378,246 | — |
| Other minor investments | 64 | — |
| Totale | 2,642,301 | |

[1] Includes goodwill amounting to €81,791,000.

In consolidating the Telco investment on an equity basis, account has been taken of the writedown booked by the company in its interim accounts drawn up on a IAS-compliant basis to the shareholding owned by it in Telecom Italia, reflecting a value of €2.2 per share for this investment. As a result of this €144m adjustment, the carrying value of the Telco investment has reduced from €513.1m to €378.2m, generating an implicit loss of €366.5m based on market prices at the reporting-date. The pro-rata share of net equity attributable to the Group is not considered to be higher than its value of usage as defined under IAS 28, paragraph 33, based on the following considerations:

— with a 24.5% share in Telecom Italia, Telco is the Group's largest shareholder, and appointed the majority of its Board of Directors at its general meeting held on 14 April 2008;

— the time horizon of the investment is medium-/long-term;

— the value recognized for the Telecom Italia shares is consistent with the results of applying a discounted cash flow model based on the most recent business plan presented by the company's management, in December 2008, with estimated growth rates and return on capital which take into account the current negative market scenarios.

As far as the RCS MediaGroup investment is concerned, this has been written down to reflect its value of usage, i.e. €2.25 per share, which led to an adjustment of €63m. Value of usage is calculated by using a discounted cash flow model, which takes into account the widespread decline in profitability in the media sector and the downward trend on financial markets generally. The fact that the book value is higher than the market value for the investment based on prices as at end-December 2008 (generating in implicit loss of €139.9m) is justified by the unique nature of some of the assets owned by the company, and the relative majority interest represented by the investment, syndicated to a shareholders' agreement which controls the group.

For all the other investments, the pro-rata share in net equity has been recorded without recognizing any goodwill in the book value.

## Section 12

## Heading 120: Property, plant and equipment

### *12.1 Tangible assets stated at cost*

| Assets/ Value | 31/12/08 | 30/6/08 |
|---|---|---|
| A. Core assets | | |
| 1.1 owned by the Group | 286,056 | 283,573 |
| a) land | 83,636 | 83,636 |
| b) buildings | 162,841 | 164,435 |
| c) furniture | 20,659 | 17,862 |
| d) electronic equipment | 13,291 | 12,619 |
| e) other assets | 5,629 | 5,021 |
| 1.2 acquired under finance leases: | 55 | 59 |
| a) land | — | — |
| b) buildings | — | — |
| c) furniture | — | — |
| d) electronic equipment | — | — |
| e) other assets | 55 | 59 |
| Total A | 286,111 | 283,632 |
| B. Assets held for investment purposes | | |
| 2.1 owned by the Group: | 28,821 | 29,028 |
| a) land | 20,350 | 20,350 |
| b) buildings | 8,471 | 8,678 |
| 2.2 acquired under finance leases: | — | — |
| a) land | — | — |
| b) buildings | — | — |
| Total B | 28,821 | 29,028 |
| Total (A+B) | 314,932 | 312,660 |

## *12.3 Core tangible assets: movements during the period*

| | Land | Buildings | Furniture | Electronic equipment | Other assets | Total |
|---|---|---|---|---|---|---|
| A. Gross opening balance | 83,636 | 185,263 | 30,898 | 33,350 | 17,205 | 350,352 |
| A.1 Total net value reductions | — | (20,828) | (13,036) | (20,731) | (12,125) | (66,720) |
| A.2 Net opening balance | 83,636 | 164,435 | 17,862 | 12,619 | 5,080 | 283,632 |
| B. Additions: | — | — | 5,240 | 4,246 | 2,117 | 11,603 |
| B.1 Purchases | — | — | 5,239 | 4,246 | 645 | 10,130 |
| B.2 Improvement expenses, capitalized | — | — | — | — | — | — |
| B.3 Writebacks | — | — | — | — | — | — |
| B.4 Increases in fair value recognized in: | — | — | — | — | — | — |
| a) net equity | — | — | — | — | — | — |
| b) profit and loss account | — | — | — | — | — | — |
| B.5 Increases arising due to exchange rates | — | — | — | — | — | — |
| B.6 Transfers from properties held for investment purposes | — | — | — | — | — | — |
| B.7 Other additions | — | — | 1 | — | 1,472 | 1,473 |
| C. Reductions: | — | 1,594 | 2,443 | 3,574 | 1,513 | 9,124 |
| C.1 Disposals | — | — | 3 | 3 | 265 | 271 |
| C.2 Depreciation charges | — | 1,594 | 2,440 | 2,334 | 1,128 | 7,496 |
| C.3 Value adjustments for impairment taken to: | — | — | — | — | — | — |
| a) net equity | — | — | — | — | — | — |
| b) profit and loss account | — | — | — | — | — | — |
| C.4 Reductions in fair value charged to: | — | — | — | — | — | — |
| a) net equity | — | — | — | — | — | — |
| b) profit and loss account | — | — | — | — | — | — |
| C.5 Reductions due to exchange rates | — | — | — | — | — | — |
| C.6 Transfers to: | — | — | — | — | — | — |
| a) assets held for investment purposes | — | — | — | — | — | — |
| b) assets being sold | — | — | — | — | — | — |
| C.7 Other reductions | — | — | — | 1,237 | 120 | 1,357 |
| D. Net closing balance | 83,636 | 162,841 | 20,659 | 13,291 | 5,684 | 286,111 |
| D.1 Total net value reductions | — | (22,642) | (16,827) | (23,312) | (18,002) | (80,783) |
| D.2 Gross closing balance | 83,636 | 185,483 | 37,486 | 36,603 | 23,686 | 366,894 |
| E. Stated at cost | — | — | — | — | — | — |

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

| | Total | |
|---|---|---|
| | Land | Buildings |
| A. Gross opening balance | 20,350 | 8,678 |
| B. Additions | — | — |
| B.1 Purchases | — | — |
| B.2 Improvement expenses, capitalized | — | — |
| B.3 Net increases in fair value | — | — |
| B.4 Writebacks | — | — |
| B.5 Increases arising due to exchange rates | — | — |
| B.6 Transfers from core assets | — | — |
| B.7 Other additions | — | — |
| C. Reductions | — | 207 |
| C.1 Disposals | — | — |
| C.2 Depreciation charges | — | 207 |
| C.3 Reductions in fair value | — | — |
| C.4 Value adjustments for impairment | — | — |
| C.5 Reductions arising due to exchange rates | — | — |
| C.6 Transfers to other asset portfolios | — | — |
| a) core assets | — | — |
| b) non-current assets being sold | — | — |
| C.7 Other reductions | — | — |
| D. Closing balance | 20,350 | 8,471 |

## Section 13

## Heading 130: Intangible assets

### *13.1 Intangible assets*

| Assets/ Amounts | 31/12/08 | | 30/6/08 | |
|---|---|---|---|---|
| | Limited useful life | Unlimited useful life | Limited useful life | Unlimited useful life |
| A.1 Goodwill | — | 365,934 | — | 404,277 |
| A.1.1 attributable to the Group [1] | — | 365,934 | — | 404,277 |
| A.1.2 attributable to third parties | — | — | — | — |
| A.2 Other intangible assets | 79,895 | 6,300 | 36,285 | — |
| A.2.1 Recognized at cost: | 79,895 | 6,300 | 36,285 | — |
| a) intangible assets generated internally | — | — | — | — |
| b) other assets | 79,895 | 6,300 | 36,285 | — |
| A.2.2 Recognized at fair value: | — | — | — | — |
| a) intangible assets generated internally | — | — | — | — |
| b) other assets | — | — | — | — |
| Total | 79,895 | 372,234 | 36,285 | 404,277 |

[1] Relates to acquisition of 100% of Linea pending purchase price allocation.

Upon conclusion of the purchase price allocation process for the Linea group, which was acquired on 27 June 2008, intangible assets with a limited useful life were recognized in an amount of €44,200,000, consisting of commercial agreements worth €19,300,000 and customer relationships of €24,900,000, plus brands worth €6,300,000 and residual goodwill amounting to €365,934,000. For further details, see Part G of the notes to the accounts.

### *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 | 404,277 | — | — | 43,021 | — | 447,298 |
| A.1 Total net value reductions | — | — | — | (6,736) | — | (6,736) |
| A.2 Net opening balance | 404,277 | — | — | 36,285 | — | 440,562 |
| B. Additions | — | — | — | 52,772 | 6,300 | 59,072 |
| B.1 Purchases | — | — | — | 19,059 | — | 19,059 |
| 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 | — | — | — | 33,713 | 6,300 | 40,013 |
| C. Reductions | 38,343 | — | — | 9,162 | — | 47,505 |
| C.1 Disposals | — | — | — | 534 | — | 534 |
| C.2 Value adjustments | — | — | — | 8,089 | — | 8,089 |
| – amortization | — | — | — | 8,089 | — | 8,089 |
| – writedowns | — | — | — | — | — | — |
| + net equity | — | — | — | — | — | — |
| + profit and loss account | — | — | — | — | — | — |
| C.3 Reductions in fair value charged to: | — | — | — | — | — | — |
| – net equity | — | — | — | — | — | — |
| – profit and loss account | — | — | — | — | — | — |
| C.4 Transfers to non-current assets being sold | — | — | — | — | — | — |
| C.5 Reductions due to exchange rate differences | — | — | — | — | — | — |
| C.6 Other reductions | 38,343 | — | — | 539 | — | 38,882 |
| D. Balance at end of period | 365,934 | — | — | 79,895 | 6,300 | 452,129 |
| D.1 Total net value adjustments | — | — | — | (11,405) | — | (11,405) |
| E. Gross closing balance | 365,934 | — | — | 91,300 | 6,300 | 463,534 |
| F. Stated at cost | — | — | — | — | — | — |

## Section 14

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

### *14.1 Advance tax assets*

| | 31/12/08 | 30/6/08 |
|---|---|---|
| Corporate income tax (IRES) | 433,130 | 284,193 |
| Regional production tax (IRAP) | 44,413 | 19,630 |
| Total | 477,543 | 303,823 |

### *14.2 Deferred tax liabilities*

| | 31/12/08 | 30/6/08 |
|---|---|---|
| Corporate income tax (IRES) | 316,309 | 378,878 |
| Regional production tax (IRAP) | 7,955 | 25,108 |
| Total | 324,264 | 403,986 |

### *14.3 Changes in advance tax during the period*

| | 31/12/08 | 30/6/08 |
|---|---|---|
| 1. Opening balance | 266,387 | 143,342 |
| 2. Additions | 155,149 | 201,132 |
| 2.1 Advance tax originating during the period | 154,959 | 95,973 |
| a) for previous years | 17 | 1,105 |
| b) due to changes in accounting policies | — | — |
| c) amounts written back | 30 | 69 |
| d) other additions | 154,912 | 94,799 |
| 2.2 New taxes or increases in tax rates | — | — |
| 2.3 Other additions | 190 | 105,159 |
| 3. Reductions | 69,019 | 78,087 |
| 3.1 Advance tax reversed during the period | 67,379 | 61,471 |
| a) reclassifications | 67,379 | 47,246 |
| b) amounts written off as unrecoverable | — | 166 |
| c) due to changes in accounting policies | — | 14,059 |
| 3.2 Reductions in tax rates | — | 16,106 |
| 3.3 Other reductions | 1,640 | 510 |
| 4. Balance at end of period | 352,517 | 266,387 |

## 14.4 *Changes in deferred tax during the period*

| | 31/12/08 | 30/6/08 |
|---|---|---|
| 1. Opening balance | 344,681 | 443,665 |
| 2. Additions | 3,243 | 74,693 |
| 2.1 Deferred tax originating during period | 3,237 | 73,906 |
| a) relating to previous years | 374 | — |
| b) due to changes in accounting policies | — | — |
| c) others | 2,863 | 73,906 |
| 2.2 New taxes or increases in tax rates | — | — |
| 2.3 Other additions | 6 | 787 |
| 3. Reductions | 46,489 | 173,677 |
| 3.1 Deferred tax reversed during period | 45,879 | 125,411 |
| a) reclassifications | 45,762 | 72,207 |
| b) due to changes in accounting policies | — | 23,372 |
| c) others | 117 | 29,832 |
| 3.2 Reductions in tax rates | — | 47,414 |
| 3.3 Other reductions | 610 | 852 |
| 4. Balance at end of period | 301,435 | 344,681 |

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

| | 31/12/08 | 30/6/08 |
|---|---|---|
| 1. Opening balance | 37,436 | — |
| 2. Additions | 87,590 | 37,436 |
| 2.1 Advance tax originating during period | 84,582 | 37,436 |
| a) for previous years | 3,269 | — |
| b) due to changes in accounting policies | — | — |
| c) others | 81,313 | 37,436 |
| 2.2 New taxes or increases in tax rates | — | — |
| 2.3 Other additions | 3,008 | — |
| 3. Reductions | — | — |
| 3.1 Advance tax reversed during period | — | — |
| a) reclassifications | — | — |
| b) due to changes in accounting policies | — | — |
| c) others | — | — |
| 3.2 Reductions in tax rates | — | — |
| 3.3 Other reductions | — | — |
| 4. Balance at end of period | 125,026 | 37,436 |

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

## *14.6 Changes in deferred tax during the period*[1]

| | 31/12/08 | 30/6/08 |
|---|---|---|
| 1. Opening balance | 59,305 | 97,089 |
| 2. Additions | 10,615 | 57,323 |
| 2.1 Deferred tax originating during period | 10,615 | 43,154 |
| a) for previous years | — | — |
| b) due to changes in accounting policies | — | — |
| c) others | 10,615 | 43,154 |
| 2.2 New taxes or increases in tax rates | — | — |
| 2.3 Other additions | — | 14,169 |
| 3. Reductions | 47,091 | 95,107 |
| 3.1 Advance tax reversed during the period | 45,135 | 94,120 |
| a) reclassifications | 43,163 | 94,115 |
| b) due to changes in accounting policies | — | — |
| c) others | 1,972 | 5 |
| 3.2 Reductions in tax rates | — | 361 |
| 3.3 Other reductions | 1,956 | 626 |
| 4. Balance at end of period | 22,829 | 59,305 |

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

## Section 16

## Heading 160: Other assets

### *16.1 Other assets*

| | 31/12/08 | 30/6/08 |
|---|---|---|
| 1. Bills for collection | 26 | 61 |
| 2. Amounts due from customers in respect of: | 58,984 | 37,803 |
| – premiums, grants, indemnities and other items in respect of lending transactions | 17,450 | 6,311 |
| – futures and other securities transactions | 395 | 497 |
| – advance payments on deposit commissions | 6,499 | 5,139 |
| – other items in transit | 28,579 | 18,414 |
| – invoices to be collected or issued | 6,061 | 7,442 |
| 3. Accrued income | 428 | 177 |
| 4. Other items | 52,497 | 32,604 |
| 5. Sums paid by way of collateral on derivative products | — | — |
| 6. Adjustments upon consolidation | 2 | 3 |
| Total | 111,937 | 70,648 |

## Liabilities

## Section 1

## Heading 10: Due to banks

*1.1 Due to banks: composition*

| Type of transaction/amounts | 31/12/08 | 30/6/08 |
|---|---|---|
| 1. Due to central banks | 2,313,186 | 101,137 |
| 2. Due to banks | 11,575,960 | 13,747,728 |
| 2.1 Current accounts and demand deposits | 2,719,372 | 2,546,681 |
| 2.2 Term deposits | 576,470 | 252,847 |
| 2.3 Borrowings | 6,033,584 | 8,320,364 |
| 2.4 Amounts due under commitments to buy back own shares | — | — |
| 2.5 Liabilities in respect of assets sold but not derecognized | 1,704,886 | 1,936,753 |
| 2.5.1 Amounts due under reverse repo agreements | 1,704,886 | 1,936,753 |
| 2.5.2 Others | — | — |
| 2.6 Other amounts due | 541,648 | 691,083 |
| Total book value | 13,889,146 | 13,848,865 |
| Total fair value | 13,928,788 | 13,848,865 |

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

Subordinated liabilities included under the heading *Due to banks* amount to €66,154,000 and refer to amounts payable to former Linea shareholders.

## Section 2

## Heading 20: Due to customers

### *2.1 Due to customers: composition*

| Type of transaction/amounts | 31/12/08 | 30/6/08 |
|---|---|---|
| 1. Current accounts and demand deposits | 2,493,292 | 938,986 |
| 2. Term deposits | 3,021,047 | 1,985,109 |
| 3. Customers' funds managed on a non-discretionary basis | — | — |
| 4. Borrowings | 98,678 | 153,532 |
| 5. Amounts due under commitments to buy back own shares | — | — |
| 6. Liabilities in respect of assets sold but not derecognized | 2,127,831 | 2,258,333 |
| 6.1 Amounts due under reverse repo agreements | 579,951 | 755,137 |
| 6.2 Others | 1,547,880 | 1,503,196 |
| 7. Other amounts due | 787,736 | 760,582 |
| Total book value | 8,528,584 | 6,096,542 |
| Total fair value | 8,517,559 | 6,096,540 |

**Section 3**

## Heading 30: Debt securities in issue

### *3.1 Debt securities in issue: composition*

| Type of transaction/amounts | 31/12/08 | | 30/6/08 | |
|---|---|---|---|---|
| | Book value | Fair Value | Book value | Fair Value |
| A. Listed securities | 21,860,289 | 20,907,347 | 19,845,888 | 19,785,117 |
| 1. bonds | 21,860,289 | 20,907,347 | 19,845,888 | 19,785,117 |
| 1.1 structured | 7,305,214 | 6,951,570 | 6,986,928 | 6,988,706 |
| 1.2 others | 14,555,075 | 13,955,777 | 12,858,960 | 12,796,411 |
| 2. other securities | — | — | — | — |
| 2.1 structured | — | — | — | — |
| 2.2 others | — | — | — | — |
| B. Unlisted securities | 12,457,125 | 12,048,805 | 10,581,492 | 10,572,708 |
| 1. bonds | 11,156,770 | 10,752,086 | 10,433,308 | 10,424,524 |
| 1.1 structured | 2,734,735 | 2,607,618 | 2,547,994 | 2,547,994 |
| 1.2 others | 8,422,035 | 8,144,468 | 7,885,314 | 7,876,530 |
| 2. other securities | 1,300,355 | 1,296,719 | 148,184 | 148,184 |
| 2.1 structured | — | — | — | — |
| 2.2 others | 1,300,355 | 1,296,719 | 148,184 | 148,184 |
| Total | 34,317,414 | 32,956,152 | 30,427,380 | 30,357,825 |

Subordinated liabilities included under the heading *Debt securities in issue* total €902,620,000.

## Section 4

## Heading 40: Trading liabilities

### *4.1 Trading liabilities: composition*

| Type of transaction/amounts | 31/12/08 | | | 30/6/08 | | |
|---|---|---|---|---|---|---|
| | Nominal value | Fair Value | | Nominal value | Fair Value | |
| | | Listed | Unlisted | | Listed | Unlisted |
| A. Cash liabilities | | | | | | |
| 1. Due to banks | 145,069 | 101,921 | — | 187,917 | 166,266 | — |
| 2. Due to customers | 205,860 | 199,640 | — | 862,662 | 847,666 | — |
| 3. Debt securities | — | — | — | 1,223 | 2,228 | — |
| 3.1 Bonds | — | — | — | — | — | — |
| 3.1.1 Structured | — | — | — | — | — | — |
| 3.1.2 Other | — | — | — | — | — | — |
| 3.2 Other securities | — | — | — | 1,223 | 2,228 | — |
| 3.2.1 Structured | — | — | — | — | — | — |
| 3.2.2 Other | — | — | — | 1,223 | 2,228 | — |
| Total A | 350,929 | 301,561 | — | 1,051,802 | 1,016,160 | — |
| B. Derivative products | X | | | X | | |
| 1. Financial derivatives | | 28,240 | 1,744,790 | | 11,338 | 1,882,656 |
| 1.1 Trading | X | 28,240 | 1,386,979 | X | 11,338 | 978,869 |
| 1.2 Linked to fair value options | X | — | — | X | — | — |
| 1.3 Other | X | — | 357,811 | X | — | 903,787 |
| 2. Credit derivatives | | — | 608,744 | | — | 246,055 |
| 2.1 Trading | X | — | 608,744 | X | — | 246,055 |
| 2.2 Linked to fair value options | X | — | — | X | — | — |
| 2.3 Other | X | — | — | X | — | — |
| Total B | X | 28,240 | 2,353,534 | X | 11,338 | 2,128,711 |
| Total (A+B) | 350,929 | 329,801 | 2,353,534 | 1,051,802 | 1,027,498 | 2,128,711 |

## 4.4 *Trading liabilities: derivative products*

| Type of derivatives/underlying assets | Interest rates | Foreign currency/gold | Equities | Loans and advances | Others | 31/12/08 | 30/6/08 |
|---|---|---|---|---|---|---|---|
| A) Listed derivative products | | | | | | | |
| 1. Financial derivatives: | 25,452 | — | 2,788 | — | — | 28,240 | 11,337 |
| – With exchange of principal | 14,881 | — | 1,658 | — | — | 16,539 | 6,611 |
| - options issued | 1,150 | — | 1,518 | — | — | 2,668 | — |
| - other derivatives | 13,731 | — | 140 | — | — | 13,871 | 6,611 |
| – Without exchange of principal | 10,571 | — | 1,130 | — | — | 11,701 | 4,726 |
| - options issued | 10,488 | — | 545 | — | — | 11,033 | 153 |
| - other derivatives | 83 | — | 585 | — | — | 668 | 4,573 |
| 2. Credit derivatives: | — | — | — | — | — | — | — |
| – With exchange of principal | — | — | — | — | — | — | — |
| – Without exchange of principal | — | — | — | — | — | — | — |
| Total A | 25,452 | — | 2,788 | — | — | 28,240 | 11,337 |
| B) Unlisted derivative products | | | | | | | |
| 1. Financial derivatives: | 990,495 | 208,562 | 525,274 | — | 20,459 | 1,744,790 | 1,882,657 |
| – With exchange of principal | 27 | 199,990 | 44,703 | — | — | 244,720 | 117,279 |
| - options issued | — | — | 44,703 | — | — | 44,703 | 40,033 |
| - other derivatives | 27 | 199,990 | — | — | — | 200,017 | 77,246 |
| – Without exchange of principal | 990,468 | 8,572 | 480,571 | — | 20,459 | 1,500,070 | 1,765,378 |
| - options issued | 5,064 | 8,572 | 480,571 | — | — | 494,207 | 932,126 |
| - other derivatives | 985,404 | — | — | — | 20,459 | 1,005,863 | 833,252 |
| 2. Credit derivatives: | — | — | — | 608,744 | — | 608,744 | 246,055 |
| – With exchange of principal | — | — | — | 608,216 | — | 608,216 | 245,527 |
| – Without exchange of principal | — | — | — | 528 | — | 528 | 528 |
| Total B | 990,495 | 208,562 | 525,274 | 608,744 | 20,459 | 2,353,534 | 2,128,712 |
| Total (A+B) | 1,015,947 | 208,562 | 528,062 | 608,744 | 20,459 | 2,381,774 | 2,140,049 |

## Section 6

# Heading 60: Hedging derivatives

### *6.1 Hedging derivatives: by type of product/underlying asset*

| Type of derivatives/underlying assets | Interest rates | Foreign currency/gold | Equities | Loans and advances | Other | Total |
|---|---|---|---|---|---|---|
| A) Listed derivative products | | | | | | |
| 1. Financial derivatives: | — | — | — | — | — | — |
| – With exchange of principal | — | — | — | — | — | — |
| - options issued | — | — | — | — | — | — |
| - other derivatives | — | — | — | — | — | — |
| – Without exchange of principal | — | — | — | — | — | — |
| - options issued | — | — | — | — | — | — |
| - other derivatives | — | — | — | — | — | — |
| 2. Credit derivatives: | — | — | — | — | — | — |
| – With exchange of principal | — | — | — | — | — | — |
| – Without exchange of principal | — | — | — | — | — | — |
| Total A | — | — | — | — | — | — |
| B) Unlisted derivative products | | | | | | |
| 1. Financial derivatives: | 1,782,798 | 16,568 | — | — | — | 1,799,366 |
| – With exchange of principal | 137,187 | 16,568 | — | — | — | 153,755 |
| - options issued | — | — | — | — | — | — |
| - other derivatives | 137,187 | 16,568 | — | — | — | 153,755 |
| – Without exchange of principal | 1,645,611 | — | — | — | — | 1,645,611 |
| - options issued | — | — | — | — | — | — |
| - other derivatives | 1,645,611 | — | — | — | — | 1,645,611 |
| 2. Credit derivatives: | — | — | — | — | — | — |
| – With exchange of principal | — | — | — | — | — | — |
| – Without exchange of principal | — | — | — | — | — | — |
| Total B | 1,782,798 | 16,568 | — | — | — | 1,799,366 |
| Total 31/12/08 | 1,782,798 | 16,568 | — | — | — | 1,799,366 |
| Total 30/6/08 | 2,712,148 | 24,542 | — | — | — | 2,736,690 |

## 6.2 *Hedging derivatives: by portfolio hedged/hedge type*

| Transactions/Type of hedging | Fair value hedges | | | | | | Cash flow hedges | |
|---|---|---|---|---|---|---|---|---|
| | Specific | | | | | General | Specific | General |
| | Interest rate risk | Exchange rate risk | Credit risk | Price risk | More than one risk | | | |
| 1. AFS securities | — | — | — | — | — | X | — | X |
| 2. Loans and advances | 15,886 | — | — | — | — | X | — | X |
| 3. Financial assets held to maturity | — | — | — | — | — | X | — | X |
| 4. Portfolio | — | — | — | — | — | — | — | — |
| 5. Foreign investments | X | X | X | X | X | X | — | X |
| Total assets | 15,886 | — | — | — | — | — | — | — |
| 1. Financial liabilities | 1,581,875 | 1 | — | — | — | X | 201,604 | X |
| 2. Portfolio | X | X | X | X | X | — | X | — |
| Total liabilities | 1,581,875 | 1 | — | — | — | — | 201,604 | — |
| 1. Expected transactions | X | X | X | X | X | X | X | X |

## Section 10

## Heading 100: Other liabilities

### *10.1 Other liabilities*

| | 31/12/08 | 30/6/08 |
|---|---|---|
| 1. Bills for collection | 38 | — |
| 2. Amounts payable in respect of: | | |
| – coupons and dividends pending collection | 4,095 | 2,136 |
| – commissions payable to participants in underwriting syndicates | 2,413 | 2,404 |
| – sums available for payments to customers | 70,299 | 53,319 |
| – invoices pending settlement or receipt | 191,852 | 176,718 |
| – premiums, grants, and other items relating to lending transactions | 21,291 | 11,824 |
| 3. Wages accrued, contributions and amounts payable withhed from staff and customers | 81,068 | 59,321 |
| 4. Impaired endorsements | 33,093 | 15,533 |
| 5. Sums received by way of collateral on exposures to derivative products | — | — |
| 6. Other items | 63,091 | 86,316 |
| Total | 467,240 | 407,571 |

## Section 11

## Heading 110: Staff severance indemnity provision

### *11.1 Staff severance indemnity provision: changes during the period*

| | 31/12/08 | 30/6/08 |
|---|---|---|
| A. Balance at start of period | 29,172 | 29,644 |
| B. Additions | 6,066 | 14,617 |
| B.1 Transfers during period | 4,268 | 10,059 |
| B.2 Other additions | 1,798 | 4,558 |
| C. Reductions | 5,289 | 15,089 |
| C.1 Indemnities paid out | 1,939 | 6,496 |
| C.2 Other reductions [1] | 3,350 | 8,593 |
| D. Balance at end of period | 29,949 | 29,172 |

[1] Includes € 2,783,000 in transfers to external, defined contribution pension schemes.

## Section 12

## Heading 120: Provisions

### *12.1 Provisions: composition*

| Item/amounts | 31/12/08 | 30/6/08 |
|---|---|---|
| 1. Company post-employment benefit provision | — | — |
| 2. Other provisions | 173,508 | 180,886 |
| 2.1 litigation | 351 | 340 |
| 2.2 staff-related | — | — |
| 2.3 other | 173,157 | 180,546 |
| Total | 173,508 | 180,886 |

### *12.2 Provisions: movements during the period*

| | Post-employment benefit provision | Litigation | Other provisions | Total |
|---|---|---|---|---|
| A. Balance at start of period | — | 340 | 180,546 | 180,886 |
| B. Additions | — | 100 | 53 | 153 |
| B.1 Transfers during period | — | 100 | 52 | 152 |
| B.2 Changes due to passing of time | — | — | — | — |
| B.3 Additions due to changes in discount rate | — | — | — | — |
| B.4 Other additions | — | — | 1 | 1 |
| C. Reductions | — | 89 | 7,442 | 7,531 |
| C.1 Transfers during period | — | 89 | 7,442 | 7,531 |
| C.2 Reductions due to changes in discount rate | — | — | — | — |
| C.3 Other reductions | — | — | — | — |
| D. Balance at end of period | — | 351 | 173,157 | 173,508 |

## Section 15

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

### *15.1 Net equity*

| Item/amounts | 31/12/08 | 30/6/08 |
|---|---|---|
| 1. Share capital | 410,028 | 410,028 |
| 2. Share premium reserve | 2,140,043 | 2,140,043 |
| 3. Reserves | 3,662,507 | 3,280,171 |
| 4. Treasury shares | (213,844) | (213,844) |
| a. Mediobanca | (213,410) | (213,410) |
| b. other Group companies | (434) | (434) |
| 5. Valuation reserves | (541,903) | 112,795 |
| 6 Equity instruments | — | — |
| 7. Profit (loss) for the period | 100,346 | 1,014,832 |
| Total | 5,557,177 | 6,744,025 |

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

| Item/Type | Ordinary |
|---|---|
| A. Shares in issue at start of period | 803,855,665 |
| – entirely unrestricted | 820,055,665 |
| – with restrictions | — |
| A.1 Treasury shares | 16,200,000 |
| A.2 Shares in issue: balance at start of period | 803,855,665 |
| B. Additions | — |
| 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 | 803,855,665 |
| D.1 Add: treasury shares | 16,200,000 |
| D.2 Shares in issue at end of period | 820,055,665 |
| – entirely unrestricted | 820,055,665 |
| – with restrictions | — |

## 15.5 *Profit reserves: other information*

| Item | 31/12/08 | 30/6/08 |
|---|---|---|
| 1. Legal reserve | 82,006 | 81,910 |
| 2. Statutory reserves | 976,063 | 876,087 |
| 3. Treasury shares | 213,410 | 213,410 |
| 4. Others | 2,391,028 | 2,108,744 |
| Total | 3,662,507 | 3,280,151 |

## 15.6 *Valuation reserves: composition*

| Items/Components | 31/12/08 | 30/6/08 |
|---|---|---|
| 1. AFS securities | (507,784) | (58,661) |
| 2. Property, plant and equipment | — | — |
| 3. Intangible assets | — | — |
| 4. Foreign investment hedges | — | — |
| 5. Cash flow hedges | (47,589) | 157,537 |
| 6. Exchange rate differences | — | — |
| 7. Non-current assets being sold | — | — |
| 8. Special revaluation laws | 13,470 | 13,919 |
| Total | (541,903) | 112,795 |

## 15.7 *Valuation reserves: movements during the period*

| | AFS securities | Cash flow hedges | Special laws |
|---|---|---|---|
| A. Balance at start of period | (58,661) | 157,537 | 13,919 |
| B. Additions | 138,458 | 22,194 | — |
| B.1 Increases in fair value | 35,637 | 18,103 | — |
| B.2 Other additions | 102,821 | 4,091 | — |
| C. Reductions | 587,581 | 227,320 | 449 |
| C.1 Reductions in fair value | 470,018 | 129,510 | — |
| C.2 Other reductions | 117,563 | 97,810 | 449 |
| D. Balance at end of period | (507,784) | (47,589) | 13,470 |

## *15.8 AFS securities valuation reserve: composition*

| Assets/Amounts | 31/12/08 | | 30/6/08 | |
|---|---|---|---|---|
| | Positive reserve | Negative reserve | Positive reserve | Negative reserve |
| 1. Debt securities | 10,867 | (101,191) | 4,396 | (48,215) |
| 2. Equities | 102,128 | (508,816) | 293,299 | (313,399) |
| 3. OICR units | 2,232 | (13,004) | 5,258 | — |
| 4. Loans and advances | — | — | — | — |
| Total | 115,227 | (623,011) | 302,953 | (361,614) |

## *15.9 AFS valuation reserve: movements during the period*

| | Debt securities | Equities | OICR units | Total |
|---|---|---|---|---|
| 1. Opening balance | (43,819) | (20,100) | 5,258 | (58,661) |
| 2. Additions | 53,488 | 86,812 | — | 140,300 |
| 2.1 Increases in fair value | 28,632 | 7,006 | — | 35,638 |
| 2.2 Negative reserves charged back to profit and loss as a result of | — | 57,023 | — | 57,023 |
| – impairment | — | 46,735 | — | 46,735 |
| – disposals | — | 10,288 | — | 10,288 |
| 2.3 Other additions | 24,856 | 22,783 | — | 47,639 |
| 3. Reductions | 99,993 | 471,827 | 17,602 | 589,422 |
| 3.1 Reductions in fair value | 99,993 | 370,165 | 17,602 | 487,760 |
| 3.2 Adjustments for impairment | — | — | — | — |
| 3.3 Positive reserves credited back to profit and loss as a result of: disposals | — | 101,662 | — | 101,662 |
| 3.4 Other reductions | — | — | — | — |
| 4. Balance at end of period | (90,324) | (405,115) | (12,344) | (507,783) |

## Section 16

## Heading 210: Net equity attributable to minorities

### *16.1 Net equity attributable to minorities: composition*

| Item/amounts | 31/12/08 | 30/6/08 |
|---|---|---|
| 1. Share capital | 24,061 | 24,284 |
| 2. Share premium reserve | 7,355 | 7,355 |
| 3. Reserves | 79,026 | 73,509 |
| 4. Treasury shares | — | — |
| 5. Valuation reserves [1] | (5,620) | 5,219 |
| 6. Equity instruments | — | — |
| 7. Profit (loss) for the period attributable to minorities | 534 | 9,478 |
| Total | 105,356 | 119,845 |

[1] Relates to cash flow hedges.

## Other information

### *1. Guarantees and commitments*

| Transactions | 31/12/08 | 30/6/08 |
|---|---|---|
| 1. Financial guarantees given to: | 693,089 | 1,025,761 |
| a) Banks | 100,048 | 100,049 |
| b) Customers | 593,041 | 925,712 |
| 2. Commercial guarantees given to: | 2,085 | 36,094 |
| a) Banks | — | — |
| b) Customers | 2,085 | 36,094 |
| 3. Irrevocable commitments to lend funds to: | 22,839,672 | 18,665,911 |
| a) Banks | 8,399,478 | 2,405,983 |
| i) specific | 2,078,304 | 930,938 |
| ii) standby basis [1] | 6,321,174 | 1,475,045 |
| b) Customers | 14,440,194 | 16,259,928 |
| i) specific | 8,967,971 | 7,722,489 |
| ii) standby basis | 5,472,223 | 8,537,439 |
| 4. Commitments underlying credit derivatives: hedge sales | 8,491,653 | 7,272,405 |
| 5. Assets pledged as collateral for customer obligations | 40,728 | 43,098 |
| 6. Other commitments | 242,719 | 313,292 |
| Total | 32,309,946 | 27,356,561 |

[1] Includes commitment in respect of UniCredit rights issue.

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

| Portfolios | 31/12/08 | 30/6/08 |
|---|---|---|
| 1. Financial assets held for trading | 895,946 | 730,693 |
| 2. Financial assets recognized at fair value | — | — |
| 3. AFS securities | 105,127 | — |
| 4. Financial assets held to maturity | 85,857 | 3,710 |
| 5. Due from banks | — | — |
| 6. Due from customers | 1,337,406 | 722,968 |
| 7. Property, plant and equipment | — | — |

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

| Transactions | 31/12/08 | 30/6/08 |
|---|---|---|
| 1. Securities traded on behalf of customers | 8,675,021 | 29,915,610 |
| a) Purchases | 4,570,131 | 16,161,329 |
| 1. settled | 3,814,691 | 15,602,178 |
| 2. pending settlement | 755,440 | 559,151 |
| b) Disposals | 4,104,890 | 13,754,281 |
| 1. settled | 3,349,450 | 13,205,971 |
| 2. pending settlement | 755,440 | 548,310 |
| 2. Asset management[1] | 2,918,000 | 2,954,000 |
| a) individuals | 815,000 | 1,038,000 |
| b) groups | 2,103,000 | 1,916,000 |
| 3. Securities under custody/managed on a non-discretionary basis | 31,244,217 | 27,258,315 |
| a) customers' securities held on deposit: in connection with the Bank's activity as deposit bank (not including asset management)[2] | 4,892,845 | 4,198,659 |
| 1. securities issued by bank drawing up consolidated financial statements | 548,747 | 636,617 |
| 2. other securities | 4,344,098 | 3,562,042 |
| b) other customers' securities held on deposit (not including asset management): others | 5,283,788 | 5,420,112 |
| 1. securities issued by bank drawing up consolidated financial statements | 32 | 32 |
| 2. other securities | 5,283,756 | 5,420,080 |
| c) customers' securities held on deposit with customers | 5,877,991 | 5,196,253 |
| d) own securities held on deposit with customers | 15,189,593 | 12,443,291 |
| 4. Other transactions | — | — |

[1] The Esperia group has assets under management worth €7,123m (8,960m at 30/6/08).

[2] The Esperia group manages assets on a non-discretionary basis worth €1,822m (1,570m at 30/6/08).

# PART C - NOTES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT

## Section 1

## Headings 10 and 20: Net interest income

### *1.1 Interest and similar income: composition*

| Line items/Technical forms | Performing assets | | Impaired assets | Other assets | 6 mths to 31/12/08 | 6 mths to 31/12/07 |
|---|---|---|---|---|---|---|
| | Debt securities | Loans and advances | | | | |
| 1. Financial assets held for trading | 207,347 | — | — | — | 207,347 | 138,685 |
| 2. Financial assets recognized at fair value | — | — | — | — | — | — |
| 3. AFS securities | 70,184 | — | — | — | 70,184 | 59,241 |
| 4. Financial assets held to maturity | 13,188 | — | — | — | 13,188 | 13,984 |
| 5. Due from banks | — | 23,845 | — | 45,954 | 69,799 | 128,017 |
| 6. Due from customers | 10,408 | 1,195,880 | 5,689 | 49,237 | 1,261,214 | 928,182 |
| 7. Hedge derivatives | — | — | — | — | — | — |
| 8. Financial assets sold but not derecognized | 854 | 22,055 | — | 5,861 | 28,770 | 13,773 |
| 9. Other assets | — | — | — | 949 | 949 | 946 |
| Total | 301,981 | 1,241,780 | 5,689 | 102,001 | 1,651,451 | 1,282,828 |

## 1.4 *Interest expense and similar charges: composition*

| Line items/Technical forms | Accounts payable | Securities | Other liabilities | 6 mths to 31/12/08 | 6 mths to 31/12/07 |
|---|---|---|---|---|---|
| 1. Due to banks | (199,103) | — | (48,662) | (247,765) | (221,111) |
| 2. Due to customers | (61,580) | — | (14,034) | (75,614) | (57,134) |
| 3. Debt securities in issue | — | (752,685) | — | (752,685) | (594,567) |
| 4. Trading liabilities | — | — | — | — | — |
| 5. Financial liabilities recognized at fair value | — | — | — | — | — |
| 6. Financial liabilities in respect of assets sold but not derecognized | (56,252) | — | (27,314) | (83,566) | (64,363) |
| 6.1 Relating to assets shown in full | (56,252) | — | (27,314) | (83,566) | (64,363) |
| 6.2 Relating to assets shown in part | — | — | — | — | — |
| 7. Other liabilities | — | — | (37) | (37) | (206) |
| 8. Hedging derivatives | — | — | (83,505) | (83,505) | (3,579) |
| Total | (316,935) | (752,685) | (173,552) | (1,243,172) | (940,960) |

## 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 to 31/12/08 | 6 mths to 31/12/07 |
|---|---|---|
| a) guarantees given | 2,041 | 2,817 |
| b) credit derivatives | — | 263 |
| c) management, trading and advisory services: | 130,921 | 208,168 |
| 1. securities trading | 8,618 | 13,935 |
| 2. foreign currency trading | 79 | 51 |
| 3. asset management[1] | 3,809 | 5,443 |
| 3.1 individuals | 3,809 | 5,443 |
| 3.2 groups | — | — |
| 4. securities under custody and non-discretionary management | 2,046 | 2,086 |
| 5. deposit bank services | — | — |
| 6. securities placement | 15,247 | 72,993 |
| 7. procurement of orders | 2,036 | 1,829 |
| 8. advisory services | 93,903 | 103,886 |
| 9. agency fees | 5,183 | 7,945 |
| 9.1 asset management | 5,183 | 7,945 |
| 9.1.1 individuals | 5,183 | 7,945 |
| 9.1.2 groups | — | — |
| 9.2 insurance products | — | — |
| 9.3 other products | — | — |
| d) collection and payment services | 357 | 253 |
| e) securitization services | 2,787 | 208 |
| f) factoring services | — | — |
| g) tax collection and receipt services | — | — |
| h) other services | 76,323 | 18,973 |
| Total | 212,429 | 230,682 |

[1] Banca Esperia recorded net fee and commission income of €27,090,000 (30/6/08: €43,804,000).

## 2.2 *Fee and commission income: by product/service distribution channel*

| Channels/Sectors | 6 mths to 31/12/08 | 6 mths to 31/12/07 |
| --- | --- | --- |
| a) on the Bank's own premises: | 24,239 | 86,381 |
| 1. asset management[1] | 3,809 | 5,443 |
| 2. securities placement | 15,247 | 72,993 |
| 3. agency fees | 5,183 | 7,945 |
| b) elsewhere: | — | — |
| 1. asset management | — | — |
| 2. securities placement | — | — |
| 3. agency fees | — | — |
| c) other distribution channels: | — | — |
| 1. asset management | — | — |
| 2. securities placement | — | — |
| 3. agency fees | — | — |
| Total | 24,239 | 86,381 |

[1] Banca Esperia recorded net fee and commission income of €27,090,000 (30/6/08: €43,804,000).

## 2.3 *Fee and commission expense*

| Services/amounts | 6 mths to 31/12/08 | 6 mths to 31/12/07 |
| --- | --- | --- |
| a) guarantees received | (123) | — |
| b) credit derivatives | — | (426) |
| c) management and trading services: | (2,643) | (11,206) |
| 1. securities trading | (1,532) | (2,802) |
| 2. foreign currency trading | — | — |
| 3. asset management: | (1) | (1) |
| 3.1 proprietary | — | — |
| 3.2 on behalf of customers | (1) | (1) |
| 4. securities under custody/held on a non-discretionary basis | (1,110) | (1,177) |
| 5. securities placement | — | (7,226) |
| 6. door-to-door sales of securities, products and services | — | — |
| d) collection and payment services | (1,911) | (4,531) |
| e) other services | (23,544) | (7,390) |
| Total | (28,221) | (23,553) |

## Section 3

## Heading 70: Dividends and similar income

### *3.1 Dividends and similar income: composition*

| Line items/Income | 6 mths to 31/12/08 | | 6 mths to 31/12/07 | |
|---|---|---|---|---|
| | Dividends | Income from OICR units | Dividends | Income from OICR units |
| A. Financial assets held for trading | 2,012 | — | 32,947 | — |
| B. AFS securities | 6,604 | — | 11,674 | — |
| C. Financial assets recognized at fair value | — | — | — | — |
| D. Equity investments | — | — | — | — |
| Total | 8,616 | — | 44,621 | — |

## 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 | 212,955 | 150,488 | (343,833) | (116,037) | (96,427) |
| 1.1 Debt securities | 143,710 | 85,490 | (231,733) | (70,306) | (72,839) |
| 1.2 Equities | 69,245 | 63,777 | (112,100) | (44,584) | (23,662) |
| 1.3 OICR units | — | 1,221 | — | (67) | 1,154 |
| 1.4 Loans and advances | — | — | — | — | — |
| 1.5 Others | — | — | — | (1,080) | (1,080) |
| 2. Trading liabities | — | — | — | — | — |
| 2.1 Debt securities | — | — | — | — | — |
| 2.2 Debts | — | — | — | — | — |
| 2.3 Others | — | — | — | — | — |
| 3. Other assets and liabilities: differences arising on exchange rates | 502,516 | — | (440,413) | — | 62,103 |
| 4. Derivative products | 2,924,492 | 659,825 | (3,025,269) | (505,709) | 53,339 |
| 4.1 Financial derivatives: | 2,328,449 | 659,299 | (2,501,897) | (380,813) | 105,038 |
| – debt securities and interest rates [1] | 1,104,698 | 150,445 | (1,109,278) | (200,692) | (54,827) |
| – equities and stock market indexes | 1,091,506 | 420,278 | (1,078,764) | (179,569) | 253,451 |
| – foreign currency and gold | 76,284 | 88,576 | (252,696) | (459) | (88,295) |
| – others | 55,961 | — | (61,159) | (93) | (5,291) |
| 4.2 Credit derivatives | 596,043 | 526 | (523,372) | (124,896) | (51,699) |
| Total | 3,639,963 | 810,313 | (3,809,515) | (621,746) | 19,015 |
| Total 31/12/07 | 1,479,282 | 592,598 | (1,472,232) | (526,271) | 73,377 |

[1] Of which €21,994,000,000 in margins on interest rate derivatives (31/12/07: €28,738,000,000).

## Section 5

## Heading 90: Net hedging income (expense)

### *5.1 Net hedging income (expense): composition*

| Income elements/amounts | 6 mths to 31/12/08 | 6 mths to 31/12/07 |
|---|---|---|
| A. Income from: | | |
| A.1 Fair value hedge derivatives | 1,765,058 | 311,795 |
| A.2 Financial assets hedged (fair value) | 2,478 | 3,384 |
| A.3 Financial liabilities hedged (fair value) | 41,115 | 129,759 |
| A.4 Cash flow hedge derivatives | — | 6 |
| A.5 Assets and liabilities in foreign currencies | — | — |
| Total hedging income (A) | 1,808,651 | 444,944 |
| B. Expense related to: | | |
| B.1 Fair value hedge derivatives | (221,714) | (119,074) |
| B.2 Financial assets hedged (fair value) | (6,124) | (7,558) |
| B.3 Financial liabilities hedged (fair value) | (1,585,864) | (326,998) |
| B.4 Cash flow hedge derivatives | (9) | — |
| B.5 Assets and liabilities in foreign currencies | — | — |
| Total hedging expense (B) | (1,813,711) | (453,630) |
| Net hedging income (A–B) | (5,060) | (8,686) |

## Section 6

## Heading 100: Gains (losses) on disposals/repurchases

### *6.1 Gains (losses) on disposals/repurchases: composition*

| Line items/Income elements | 6 mths to 31/12/08 | | | 6 mths to 31/12/07 | | |
|---|---|---|---|---|---|---|
| | Gains | Losses | Net profit (loss) | Gains | Losses | Net profit (loss) |
| Financial assets | | | | | | |
| 1. Due from banks | — | — | — | — | — | — |
| 2. Due from customers | — | — | — | 555 | — | 555 |
| 3. AFS securities | 158,835 | (4) | 158,831 | 348,145 | (178,161) | 169,984 |
| 3.1 Debt securities | 421 | (4) | 417 | 1,133 | (1,638) | (505) |
| 3.2 Equities | 158,414 | — | 158,414 | 347,012 | (176,523) | 170,489 |
| 3.3 OICR units | — | — | — | — | — | — |
| 3.4 Loans and advances | — | — | — | — | — | — |
| 4. Financial assets held to maturity | 210 | (83) | 127 | 21 | (119) | (98) |
| Total assets | 159,045 | (87) | 158,958 | 348,721 | (178,280) | 170,441 |
| Financial liabilities | | | | | | |
| 1. Due to banks | — | — | — | — | — | — |
| 2. Due to customers | — | — | — | — | — | — |
| 3. Debt securities in issue | 8,606 | 64 | 8,670 | 606 | (1) | 605 |
| Total liabilities | 8,606 | 64 | 8,670 | 606 | (1) | 605 |

## Section 8

## Heading 130: Adjustments for impairment

### *8.1 Adjustments for impairment: composition*

| Transactions/Income elements | Value adjustments | | | Amounts recovered | | | | 6 mths to 31/12/08 | 6 mths to 31/12/07 |
|---|---|---|---|---|---|---|---|---|---|
| | Specific | | Portfolio | Specific | | Portfolio | | | |
| | Writeoffs | Others | | A | B | A | B | | |
| A. Due from banks | — | — | — | — | — | — | 640 | 640 | 1,027 |
| B. Due from customers | (10,136) | (212,770) | (26,942) | 463 | 60,469 | 2 | 1,204 | (187,710) | (96,659) |
| C. Total | (10,136) | (212,770) | (26,942) | 463 | 60,469 | 2 | 1,844 | (187,070) | (95,632) |

*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 to 31/12/08 | 6 mths to 31/12/07 |
|---|---|---|---|---|---|---|
| | Specific | | Specific | | | |
| | Writeoffs | Others | A | B | | |
| A. Debt securities | — | — | — | — | — | — |
| B. Equities | — | (74,133) | — | — | (74,133) | (4,211) |
| C. OICR units | — | — | — | — | — | — |
| D. Loans and advances to banks | — | — | — | — | — | — |
| E. Loans and advances to customers | — | — | — | — | — | — |
| F. Total | — | (74,133) | — | — | (74,133) | (4,211) |

*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 to 31/12/08 | 6 mths to 31/12/07 |
|---|---|---|---|---|---|---|---|---|---|
| | Specific | | Portfolio | Specific | | Portfolio | | | |
| | Writeoffs | Others | | A | B | A | B | | |
| A. Debt securities | — | (311) | — | 281 | 177 | — | — | 147 | 222 |
| B. Loans and advances to banks | — | — | — | — | — | — | — | — | — |
| C. Loans and advances to customers | — | — | — | — | — | — | — | — | — |
| D. Total | — | (311) | — | 281 | 177 | — | — | 147 | 222 |

*Legend*

A = interest

B = other amounts recovered

## 8.4 *Net value adjustments for impairment to other financial transactions: composition*

| Transactions/Income-linked components | Value adjustments | | | Amounts recovered | | | | 6 mths to 31/12/08 | 6 mths to 31/12/07 |
|---|---|---|---|---|---|---|---|---|---|
| | Specific | | Portfolio | Specific | | Portfolio | | | |
| | Writeoffs | Others | | A | B | A | B | | |
| A. Guarantees given | — | (20,147) | — | — | — | — | — | (20,147) | — |
| B. Credit derivatives | — | — | — | — | — | — | — | — | — |
| C. Commitments | — | — | — | — | — | — | — | — | — |
| D. Other transactions | — | — | — | — | — | — | — | — | — |
| E. Total | — | (20,147) | — | — | — | — | — | (20,147) | — |

*Legend*

A = interest

B = other amounts recovered

## Section 11

## Heading 180: Administrative expenses

### *11.1 Personnel costs: composition*

| Type of expense/Sectors | 6 mths to 31/12/08 | 6 mths to 31/12/07 |
|---|---|---|
| 1. Employees | (161,181) | (120,443) |
| a) wages and salaries | (111,342) | (81,560) |
| b) social security contributions | (27,759) | (20,885) |
| c) severance indemnities | — | — |
| d) pension contributions | — | — |
| e) transfers to severance indemnity provisions | (7,126) | (5,080) |
| f) transfers to post-employment and similar benefits provisions: | — | — |
| – defined contribution | — | — |
| – defined benefit | — | — |
| g) amounts paid to external complementary pension schemes: | (5,398) | (4,765) |
| – defined contribution | (5,398) | (4,765) |
| – defined benefit | — | — |
| h) expenses incurred in connection with share payment schemes | (6,673) | (4,590) |
| i) other staff benefits | (1,415) | (2,131) |
| l) expenses incurred in connection with staff retiring | (1,468) | (1,432) |
| 2. Other staff | (2,618) | (1,852) |
| 3. Board members | (5,354) | (5,318) |
| Total | (169,153) | (127,613) |

### *11.2 Average number of staff by category*

| | 6 mths to 31/12/08 | 6 mths to 31/12/07 |
|---|---|---|
| Employees: | | |
| a) Senior executives | 176 | 131 |
| b) Excutives | 967 | 754 |
| *of which grade 3 and 4* | *462* | *387* |
| c) Other employees | 1,928 | 993 |
| Other staff | 166 | 129 |
| Total | 3,237 | 2,007 |

### *11.5 Other administrative expenses: composition*

| | 6 mths to 31/12/08 | 6 mths to 31/12/07 |
|---|---|---|
| OTHER ADMINISTRATIVE EXPENSES | | |
| – outside consultants' fees | (21,891) | (19,225) |
| – legal fees due in respect of credit recovery | (16,859) | (11,577) |
| – share and bond servicing | (880) | (1,164) |
| – sundry insurances | (1,141) | (761) |
| – advertising | (35,472) | (11,722) |
| – rent and maintenance | (15,826) | (9,304) |
| – EDP costs and financial information subscriptions | (22,072) | (17,889) |
| – publications, stationery and utilities | (12,054) | (8,065) |
| – travel and entertainment | (6,132) | (5,648) |
| – other staff-related expenses | (5,377) | (4,872) |
| – bank charges | (11,248) | (8,502) |
| – transport costs | (4,523) | (1,176) |
| – outsourced activities | (7,383) | (3,324) |
| – assets expensed | (146) | (59) |
| – substitutive and registration taxes and franking of reserves | (192) | (56) |
| – substitutive and various other taxes | (14,980) | (11,765) |
| – other expenses | (3,370) | (3,713) |
| Total other administrative expenses | (179,546) | (118,822) |

## Section 12

## Heading 190: Net transfers to provisions

### *12.1 Net transfers to provisions: composition*

| | 6 mths to 31/12//08 | 6 mths to 31//07 |
|---|---|---|
| TRANSFERS MADE TO COVER: | | |
| – litigation | — | — |
| – advertising expenses | — | — |
| – certain or probable exposures or commitments[1] | (152) | (3,420) |
| Total net transfers to provisions | (152) | (3,420) |

[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 | (7,371) | — | — | (7,371) |
| – core | (7,164) | — | — | (7,164) |
| – for investment purposes | (207) | — | — | (207) |
| A.2 Acquired under finance leases | — | — | — | — |
| – core | — | — | — | — |
| – for investment purposes | — | — | — | — |
| Total | (7,371) | — | — | (7,371) |

## Section 14

## Heading 210: Net adjustments to intangible assets

### *14.1 Net adjustments to intangible assets*

| Assets/Income elements | Amortization | Value adjustments for impairment | Amounts recovered | Net result |
|---|---|---|---|---|
| A. Intangible assets | | | | |
| A.1 Owned | (8,315) | — | — | (8,315) |
| – software | (8,315) | — | — | (8,315) |
| – other | — | — | — | — |
| A.2 Goodwill | — | — | — | — |
| Total | (8,315) | — | — | (8,315) |

## Section 15

## Heading 220: Other operating income (expense)

### *15.1 Other operating expense: composition*

| Income-based components/Values | 6 mths to 31/12/08 | 6 mths to 31/12/07 |
|---|---|---|
| a) Leasing activity | (11,355) | (10,905) |
| d) Sundry costs and expenses [1] | (548) | (4,830) |
| Total | (11,903) | (15,735) |

[1] Includes costs of €187,000,000 (31/12/07: €3,704,000) in commitments under stock option schemes operated by Banca Esperia.

### *15.2 Other operating income: composition*

| Income-based components/Values | 6 mths to 31/12/08 | 6 mths to 31/12/07 |
|---|---|---|
| a) Amounts recovered from customers | 24,770 | 12,941 |
| b) Other income | 54,115 | 35,124 |
| Total | 78,885 | 48,065 |

## Section 16

## Heading 240: Gains (losses) on equity investments

### *16.1 Gains (losses) on equity investments: composition*

| Income-based components/Values | 6 mths to 31/12/08 | 6 mths to 31/12/07 |
|---|---|---|
| 1. Jointly-controlled companies | | |
| A. Income | — | — |
| 1. Revaluations | — | — |
| 2. Gains on disposals | — | — |
| 3. Amounts recovered | — | — |
| 4. Other increases | — | — |
| B. Expenses | (80) | — |
| 1. Writedowns | — | — |
| 2. Adjustments for impairment | — | — |
| 3. Losses from disposals | — | — |
| 4. Other reductions | (80) | — |
| Net income | (80) | — |
| 2. Companies subject to significant influence | | |
| A. Income | 121,304 | 266,994 |
| 1. Revaluations | — | — |
| 2. Gains on disposals | — | — |
| 3. Amounts recovered | — | — |
| 4. Other increases | 121,304 | 266,994 |
| B. Expenses | (213,244) | (4,922) |
| 1. Writedowns | (207,064) | — |
| 2. Adjustments for impairment | — | — |
| 3. Losses from disposals | — | — |
| 4. Other reductions | (6,100) | (4,922) |
| Net income | (91,940) | 262,072 |
| Total | (92,020) | 262,072 |

## 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 to 31/12/08 | 6 mths to 31/12/07 |
|---|---|---|
| A. Properties | — | 1 |
| – gains on disposals | — | 1 |
| – losses on disposals | — | — |
| B. Other assets | (12) | (11) |
| – gains on disposals | 3 | 1 |
| – losses on disposals | (15) | (12) |
| Net gain (loss) | (12) | (10) |

## Section 20

## Heading 290: Income tax on ordinary activities

### *20.1 Income tax on ordinary activities: composition*

| Income elements/Sectors | 6 mths to 31/12/08 | 6 mths to 31/12/07 |
|---|---|---|
| 1. Current taxes | (144,623) | (211,008) |
| 2. Changes in current taxes for previous financial years | — | — |
| 3. Reductions in current tax for the period | 298 | — |
| 4. Changes in advance tax | 86,037 | (8,178) |
| 5. Changes in deferred tax | 46,204 | 97,506 |
| Income tax for the year | (12,084) | (121,680) |

## Section 24

## Earnings per share

### *24.1 Average number of ordinary shares on a diluted basis*

| | 6 mths to 31/12/08 | 6 mths to 31/12/07 |
|---|---|---|
| Net profit | 100,346 | 640,529 |
| Avg. no. of shares in issue | 803,855,665 | 818,713,313 |
| Avg. no. of potentially diluted shares | 24,610,750 | 15,242,102 |
| Avg. no. of diluted shares | 828,466,415 | 833,955,415 |
| Earnings per share | 0.12 | 0.78 |
| Earnings per share, diluted | 0.12 | 0.77 |

# 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 an advanced internal ratings-based (IRB) method.

A specific project has therefore been launched with a view to obtaining ratification by the Bank of Italy of the internal models for calculating risk parameters, i.e. probability of default ("PD"), loss-given default ("LGD"), and exposure at default ("EAD"), to be used in calculating the capital requirements for credit risk starting from the 2010/11 financial year. The Group has used standardized methodology since 1 January 2008 and will continue to do so until ratification is obtained.

The internal models for estimating the PD, LDG and EAD risk parameters are now at an advanced stage of development for the following customer segments: Banks, Large corporate, Specialized lending (customers mostly targeted by Mediobanca S.p.A.), Mid corporate and Small businesses (customers targeted mostly by the leasing companies) and Private individuals (targeted by Compass for consumer credit and CheBanca! for mortgage lending). In addition, a plan is being implemented to comply with the experience requirement for the models to be ratified, which will also involve the existing procedures for approving, monitoring and renewing loans being gradually revised to incorporate the risk parameters calculated via the internal models that have been developed.

### *Corporate banking (Mediobanca)*

The Bank's internal system for managing, evaluating and controlling credit risk reflects its traditional policy based on a prudent and highly selective approach. Lending decisions are based on individual analysis, which builds on adequate and often extensive knowledge of the borrower's business, assets and management, as well as the macro-economic framework in which it operates. Where possible, covenants are incorporated into the terms and conditions of the loan (having regard *inter alia* to the maturity and average size of the facilities concerned) in order to provide for protection against impairment. Applications for finance are processed through the different operating levels, and, if successful, are submitted for approval to the relevant bodies, i.e. the Risks Committee and Management Board, depending on the amount required and the credit rating of the counterparty involved, including both internal and external ratings. Once the finance has been disbursed the account is monitored on an ongoing basis, via analysis of published financial statements and a series of other controls to ensure that the covenants have not been breached. Any deterioration in the risk profile of a loan is brought swiftly to the attention of head of the operating unit and the Bank's 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, applications for assets worth less than €50,000 are approved using a credit scoring system developed on the basis of historical series of data, tailored to both asset type and the individual applicant's sector of operation.

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

### *Consumer credit (Compass)*

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

From the first instance of non-payment, accounts are managed using the entire range of recovery procedures, including postal and telephone reminders, external recovery agents, etc. After four overdue instalments accounts are held to be officially in default, and the client is deemed to have lapsed from the time benefit allowed under Article 1186 of the Italian Civil Code. After nine overdue instalments such accounts are sold to Cofactor for a fraction 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.

All mortgage loans with four or more unpaid instalments are designated as potential problem accounts, and following the sixth 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 | Non-performing | Potential problem | Restructured | Overdue | Other assets | Total |
|---|---|---|---|---|---|---|
| 1. Financial assets held for trading | — | — | — | — | 12,734,839 | 12,734,839 |
| 2. AFS securities | — | — | — | — | 2,985,575 | 2,985,575 |
| 3. Financial assets held to maturity | — | — | — | — | 582,738 | 582,738 |
| 4. Due from banks | 127 | — | — | — | 6,493,937 | 6,494,064 |
| 5. Due from customers | 117,617 | 154,410 | 27,067 | 206,846 | 38,972,653 | 39,478,593 |
| 6. Financial assets recognized at fair value | — | — | — | — | — | — |
| 7. Financial assets being sold | — | — | — | — | — | — |
| 8. Hedging derivatives | — | — | — | — | 1,555,550 | 1,555,550 |
| Total 31/12/08 | 117,744 | 154,410 | 27,067 | 206,846 | 63,325,292 | 63,831,359 |
| Total 30/6/08 | 121,950 | 41,369 | 2,759 | 76,548 | 59,975,611 | 60,218,237 |

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

| Portfolio/Quality | Impaired assets | | | | Other assets | | | Total |
|---|---|---|---|---|---|---|---|---|
| | Gross exposure | Specific adjustments | Portfolio adjustments | Net exposure | Gross exposure | Portfolio adjustments | Net exposure | |
| 1. Financial assets held for trading | — | — | — | — | X | X | 12,734,839 | 12,734,839 |
| 2. AFS securities | — | — | — | — | 2,985,575 | — | 2,985,575 | 2,985,575 |
| 3. Financial assets held to maturity | — | — | — | — | 587,675 | (4,937) | 582,738 | 582,738 |
| 4. Due from banks | 127 | — | — | 127 | 6,497,144 | (3,208) | 6,493,936 | 6,494,064 |
| 5. Due from customers | 1,070,233 | (110,228) | (454,065) | 505,940 | 39,107,166 | (134,513) | 38,972,653 | 39,478,593 |
| 6. Financial assets recognized at fair value | — | — | — | — | X | X | — | — |
| 7. Financial assets being sold | — | — | — | — | — | — | — | — |
| 8. Hedging derivatives | — | — | — | — | X | X | 1,555,550 | 1,555,550 |
| Total 31/12/08 | 1,070,360 | (110,228) | (454,065) | 506,067 | 49,177,560 | (142,658) | 63,325,291 | 63,831,359 |
| Total 30/6/08 | 725,385 | (77,818) | (404,941) | 242,626 | 47,181,784 | (214,832) | 59,975,611 | 60,218,237 |

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

| Type of exposure/Amounts | Gross exposure | Specific value adjustments | Portfolio value adjustments | Net exposure |
|---|---|---|---|---|
| A. CASH EXPOSURES | | | | |
| a) Non-performing | 127 | — | — | 127 |
| b) Potential problem | — | — | — | — |
| c) Restructured | — | — | — | — |
| d) Overdue | — | — | — | — |
| ef) Other assets | 10,202,943 | — | (3,210) | 10,199,733 |
| Total A | 10,203,070 | — | (3,210) | 10,199,860 |
| B. OFF-BALANCE-SHEET EXPOSURES | | | | |
| a) Impaired | — | — | — | — |
| b) Other assets | 20,503,756 | — | — | 20,503,756 |
| Total B | 20,503,756 | — | — | 20,503,756 |

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

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

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

| Type of exposure/Amounts | Gross exposure | Specific value adjustments | Portfolio value adjustments | Net exposure |
|---|---|---|---|---|
| A. CASH EXPOSURES | | | | |
| a) Non-performing | 548,713 | (429,490) | (1,606) | 117,617 |
| b) Potential problem | 277,124 | (122,621) | (93) | 154,410 |
| c) Restructured | 29,498 | (15) | (2,416) | 27,067 |
| d) Overdue | 214,896 | (7,787) | (264) | 206,845 |
| e) Other assets | 48,646,517 | — | (139,450) | 48,507,067 |
| Total A | 49,716,748 | (559,913) | (143,829) | 49,013,006 |
| B. OFF-BALANCE-SHEET EXPOSURES | | | | |
| a) Impaired | 73,554 | (20,147) | — | 53,407 |
| b) Other assets | 17,973,854 | — | — | 17,973,854 |
| Total B | 18,047,408 | (20,147) | — | 18,027,261 |

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

| Description/Category | Non-performing | Potential problem | Restructured | Overdue |
|---|---|---|---|---|
| A. Gross exposure at start of period | 493,522 | 109,904 | 5,360 | 116,474 |
| *of which: accounts sold but not derecognized* | *2,713* | *1,013* | *48* | *1,507* |
| B. Additions | 212,649 | 301,760 | 46,733 | 234,866 |
| B.1 transfers from performing loans | 115,795 | 179,790 | 41,196 | 86,788 |
| B.2 transfers from other categories of impaired assets | 49,400 | 46,135 | — | 1,409 |
| B.3 other additions | 47,454 | 75,835 | 5,537 | 146,669 |
| C. Reductions | (157,458) | (134,540) | (22,595) | (136,444) |
| C.1 transfers to performing loans | (344) | (55,752) | (1,319) | (28,311) |
| C.2 amounts written off | (122,558) | (39,778) | (13,593) | (18,581) |
| C.3 amounts collected | (21,367) | (6,353) | (819) | (9,033) |
| C.4 gains realized on disposals | (10,540) | (4,117) | — | (1,885) |
| C.5 transfers to other categories of impaired assets | (482) | (18,985) | (5,234) | (72,245) |
| C.6 other reductions | (2,167) | (9,555) | (1,630) | (6,389) |
| D. Gross exposure at end of period | 548,713 | 277,124 | 29,498 | 214,896 |
| *of which: accounts sold but not derecognized* | *45,669* | *3,694* | *113* | *6,955* |

Impaired exposures as at 31 December 2008 reflect changes to the Bank of Italy's criteria for classifying such accounts, which involve all registered specialist intermediaries starting from the present reporting season.

Impaired exposures recorded in the interim financial statements include risks up €172m on the balance-sheet date, all in respect of consumer credit activities. The new classification criteria has not affected the Group's writedown policy, which continues to be linked to estimated losses in accordance with our customary prudential approach.

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

| Description/Category | Non-performing | Potential problem | Restructured | Overdue |
|---|---|---|---|---|
| A. Adjustments at start of period | (371,699) | (68,535) | (2,601) | (39,926) |
| *of which: accounts sold but not derecognized* | *(2,703)* | *(661)* | *(12)* | *(591)* |
| B. Additions | (222,327) | (105,757) | (2,735) | (21,655) |
| B.1 value adjustments | (119,449) | (91,851) | (8) | (7,126) |
| B.2 transfers from other categories of impaired assets | (18,122) | (4,020) | (30) | (1,845) |
| B.3 other additions | (84,756) | (9,886) | (2,697) | (12,684) |
| C. Reductions | 162,930 | 51,578 | 2,905 | 53,530 |
| C.1 writebacks based on valuations | 1,017 | 160 | 15 | 95 |
| C.2 writebacks due to amounts collected | 20,303 | 533 | (9) | 2,186 |
| C.3 amounts written off | 122,737 | 40,024 | 18 | 17,305 |
| C.4 transfers to other categories of impaired assets | 436 | 2,888 | 2,510 | 18,184 |
| C.5 other reductions | 18,437 | 7,973 | 371 | 15,760 |
| D. Adjustments at end of period | (431,096) | (122,714) | (2,431) | (8,051) |
| *of which: accounts sold but not derecognized* | *(2,697)* | *(801)* | — | *(1,013)* |

## *B.5a Credit risk indicators*

| | 31/12/08 | 30/6/08 |
|---|---|---|
| a) Gross NPLs/total loans | 1.50% | 1.43% |
| b) Irregular items/total loans | 2.92% | 2.10% |
| c) Net NPLs/regulatory capital | 1.94% | 1.87% |

## *B.5b Large risks*

| | 31/12/08 | 30/6/08 |
|---|---|---|
| a) Total weighted amount | 13,933,027 | 10,810,306 |
| b) No. of exposures | 15 | 11 |
| c) Large risks/regulatory capital | 2.3 | 1.7 |

### *Leveraged finance transactions*

This term is used to describe lending transactions by the Mediobanca Group to special purpose vehicle companies set up by private equity funds to acquire target companies with promising growth prospects, low levels of debt 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 2008, commitments in respect of such transactions amounted to €2,740.2m (30/6/08: €2,727m), or approx. 13.6% of the corporate portfolio, slightly under half of which in relation to domestic transactions, with the remainder for deals within the confines of the Eurozone. The aggregate includes €430.6m (€335.1m) to companies who are holders of medium-/long-term public concessions.

## C. Securitizations and asset disposals

*C.1 Securitizations*

### *Qualitative information*

The Group makes limited use of securitizations, and such use as it does make regards only performing accounts in the leasing portfolio (through vehicle company Quarzo Lease) and the consumer credit loan book (through Quarzo and Jump). During the six months under review Compass completed a €1.25bn securitization subscribed for entirely within the Group, with a view to equipping itself with instruments that could be used for refinancing at the European Central Bank.

In addition to its traditional activity as sponsor and lead manager, Mediobanca S.p.A. also invests in securities originating from securitizations by other issuers. As at the reporting date these totalled €583.1m (30/6/08: €606.9m). The main movements during the period involved repayments totalling €80.4m (€23.4m of which in relation to the entire Kimono transaction, with healthcare receivables for the Lazio region as its underlying assets), disposals for a total of €42.9m, and purchases of securities on the secondary market amounting to €78.5m, made mostly in order to manage the price of positions already taken.

Holdings in junior and mezzanine tranches involve the Group's own securitizations through Quarzo Lease and Jump, and also one securitization of state-owned properties (Scip2 B2), plus two exposures to leading leasing groups (Locat and Agrisecurities).

Mediobanca does not have on its books, and indeed never has had, any credit exposures backed by US subprime or Alt-A mortgages (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 a *credit default swap* versus MBIA (*Municipal Bond Insurance Association*) worth a nominal USD 30m and an aggregate fair value of minus €1.5m (minus €3.4m at 30 June 2008). The recent market turbulence has affected the entire ABS bonds sector, leading to a sharp reduction in prices owing to the lack of underlying liquidity. Nonetheless, the credit quality of the securities owned by the Mediobanca Group has shown no signs of deterioration. Moreover, the majority of the securities (around 70%) may be used for refinancing transactions with the European Central Bank. At 31 December 2008 the portfolio was written down as to €6.7m, representing the difference between €7.4m taken directly to profit and loss account and a €0.7m increase in the equity reserves. Valuations for the accounts 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). Following changes to the accounting policies, securities worth €332.7m originally booked in the trading and AFS portfolios (€211m and €111.7m respectively) were reallocated among securities recognized at amortized cost. During the six months interest receivable of €0.4m was credited to profit and loss account, while implicit losses based on current market prices (albeit unreliable) total €54.1m.

Virtually the entire portfolio includes securities with domestic underlying assets, and is concentrated chiefly on three main sectors: mortgage lending (47.8%), state properties (22.6%), and leasing receivables (11.9%). The other deals involve securitizations of corporate receivables (Entasi – Capitalia) and synthetic securities (ELM and Alpha Sires).

Around three-quarters of the portfolio has a rating which is consistent with securities of high credit standing attributed by at least one of the three leading credit rating agencies (Standard & Poors, Moody's and Fitch). During the period under review no particular action was taken by any of the rating agencies, reflecting the solidity and the conservative nature of these transactions which have always been a part of the Italian domestic market. The restructuring of the Scip deal should be noted, on which Mediobanca is acting as advisor.

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

The collapse of Lehman brothers has had a limited impact on the portfolio: the only transaction involved was with FIP Fund in which Lehman was acting swap counterparty, but was promptly replaced in this by another leading market counterparty with no variation on the rating as a result.

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

— mortgage loans on properties: despite the slowdown in the global economy showing its effects among other things in the increase in default and delinquency rates, the Italian market's performance remained stable and continues to be line with the estimates made by the rating agencies. Some of the factors which have helped the domestic property market hold up well compared to other European countries such as Spain and the United Kingdom are unchanged: a slightly declining market; the relatively low levels of indebtedness for Italian households; the defensive nature of the underlying collateral, with loan-to-value ratios of below 80%, the high percentage of first-ranking mortgages, and seasoning in excess of 24 months. Conversely, other scenarios have changed as a result of the deterioration in financial conditions, but these have tended to offset each other at least in part: for instance, the higher unemployment levels clearly impact on borrowers' ability to repay mortgages, but at the same time the reduction in interest rates lowers the amount of the monthly instalments to be repaid.

— state-owned properties: this sector too was helped by the resilience of the Italian domestic property market, which, along with the high standing of the Italian Ministry for the Economy and Finance, have enabled the value of the underlying assets to remain virtually unchanged despite the widespread slowdown in programmes of disposals, which was offset in part by the step-up effect in cash flows from coupons;

— leasing receivables: this sector is the most exposed of all to the market turbulence; however, the property segment, which constitutes the Group's most significant exposure, has been protected by the resilience of the value of the underlying assets.

## *Quantitative information*

### *C.1.1 Exposures deriving from securitizations by underlying asset*

| Type of underlying asset/Exposures | Cash exposure [1] | | | | | |
|---|---|---|---|---|---|---|
| | Senior | | Mezzanine | | Junior | |
| | Gross exposure | Net exposure | Gross exposure | Net exposure | Gross exposure | Net exposure |
| A) Using own underlying assets | 78,231 | 78,231 | — | — | 51,872 | 51,872 |
| a) Impaired | 78,231 | 78,231 | — | — | — | — |
| b) Other | — | — | — | — | 51,872 | 51,872 |
| B) Using customers' underlying assets | 552,590 | 552,590 | 7,216 | 7,216 | 23,245 | 23,245 |
| a) Impaired | 183,441 | 183,441 | — | — | — | — |
| b) Other | 369,149 | 369,149 | 7,216 | 7,216 | 23,245 | 23,245 |
| Total at 31/12/08 | 630,821 | 630,821 | 7,216 | 7,216 | 75,117 | 75,117 |

[1] Includes a commitment of €123.2m to subscribe for Zeus F07-25 A FRN, and a refinancing credit line to Island in an amount of €30.3m.

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

| | Cash exposures[1] | | | | | |
|---|---|---|---|---|---|---|
| | Senior | | Mezzanine | | Junior | |
| | Gross exposure | Net exposure | Gross exposure | Net exposure | Gross exposure | Net exposure |
| A) Fully derecognized | — | — | — | — | — | — |
| B) Partly derecognized | — | — | — | — | — | — |
| C) Not derecognized | | | | | | |
| C.1 Quarzo Lease Srl 2015 Lease instalments | 14,487 | 14,487 | — | — | 8,410 | 8,410 |
| C.2 Quarzo Lease Srl 2034 Lease instalments | — | — | — | — | 36,920 | 36,920 |
| C.3 Jump1-2005 Consumer credit | 15,044 | 15,044 | — | — | 5,742 | 5,742 |
| C.4 Jump2-2006 Consumer credit | 39,594 | 39,594 | — | — | 800 | 800 |
| Total at 31/12/08 | 78,231 | 78,231 | — | — | 51,872 | 51,872 |

[1] No off-balance-sheet exposures.

## *C.1.3 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 Italian properties | | | | | | |
| A.1 Velah 4 A2 Immob.res IT0004102007 | 26,637 | — | — | — | — | — |
| A.2 Cordusio -33 A2 FRN IT0003844948 | 4,235 | (466) | — | — | — | — |
| A.3 Cordusio 3 06-42 TV A2 IT0004144892 | 13,311 | (2,074) | — | — | — | — |
| A.4 Intesa Sec 07-33 A1 IT0004180250 | 2,046 | 67 | — | — | — | — |
| A.5 Intesa Sec 07-33 A2 IT0004180268 | 5,488 | (485) | — | — | — | — |
| A.6 ISLAND REF-25 A FRN IT0004293558 (NPL) | 70,273 | — | — | — | — | — |
| A.7 Cassa 2001-1 A1 07-43 IT0004247687 | 25,032 | (1,344) | — | — | — | — |
| A.8 Tower Fin. float Nov27 IT0004386683 (NPL) | 34,996 | — | — | — | — | — |
| A.9 Zeus F07-25 A FRN IT0004306186 (NPL) | 78,172 | — | — | — | — | — |
| A.10 BCC MRTG-38 A FRN XS0256813048 | 8,447 | (335) | — | — | — | — |
| A.11 BPM SECURITISATION SRL IT0004083033 | — | — | 5,303 | 1,173 | — | — |
| A.12 Others | 4,991 | (391) | — | — | — | — |
| TOTAL A MORTGAGE LOANS ON PROPERTIES | 273,628 | (5,028) | 5,303 | 1,173 | — | — |
| B. State-owned properties | | | | | | |
| B.1 Fip Fund-23 A2 FRN IT0003872774 | 101,435 | — | — | — | — | — |
| B.2 SCIP 2 A5 26/4/25 IT0003837074 | 10,676 | 53 | — | — | — | — |
| B.3 SCIP 2 B2 26/4/25 IT0003837082 | — | — | — | — | 19,409 | — |
| TOTAL B STATE-OWNED PROPERTIES | 112,111 | 53 | — | — | 19,409 | — |
| C. Leasing receivables | | | | | | |
| C.1 LOCAT 12/12/2028 A2 IT0004153679 | 20,622 | (159) | — | — | — | — |
| C.2 Locat MTGE 04-24 FLT IT0003733083 | 13,647 | (517) | — | — | — | — |
| C.3 Locat 12/12/2028 IT0004153661 | 7,912 | 58 | — | — | — | — |
| C.4 SPLIT 2-18 A FRN IT0003763882 | 7,600 | (338) | — | — | — | — |
| C.5 ITALFINANCE 07-26 TV IT0004197254 | 7,910 | (893) | — | — | — | — |
| C.6 LOCAT 2 CLASS B FRN IT0003733091 | — | — | — | — | 3,836 | (1,255) |
| C.7 OTHERS | 5,668 | 45 | 1,913 | (571) | — | — |
| TOTAL C LEASING RECEIVABLES | 63,359 | (1,804) | 1,913 | (571) | 3,836 | (1,255) |
| D. Other receivables | | | | | | |
| D.1 Entasi Srl 17/01/2013 IT0003142996 | 40,244 | — | — | — | — | — |
| D.2 Alpha Sires 18/12/2009 XS0140068189 | 33,052 | 693 | — | — | — | — |
| D.3 ELM BB.V. FL XS0247902587 | 29,448 | — | — | — | — | — |
| D.4 Others | 748 | (14) | — | — | — | — |
| TOTAL D OTHER RECEIVABLES | 103,492 | 679 | — | — | — | — |
| Total, 31/12/08 | 552,590 | (6,100) | 7,216 | 602 | 23,245 | (1,255) |
| Total, 30/6/08 | 579,969 | (23,949) | 2,485 | (529) | 24,494 | (749) |

[1] Includes a commitment of €123.2m to subscribe for Zeus F07-25 A FRN, and a refinancing credit line to Island in an amount of €30.3m.

## C.1.4 Exposures to securitizations by asset/portfolio type

| Exposure/Portfolio | Held for trading | Recognized at fair value | Available for sale | Held to maturity | Loans and advances | 31/12/08 | 30/6/08 |
|---|---|---|---|---|---|---|---|
| 1. Cash exposures | 284,578 | — | 47,370 | 29,448 | 351,758 | 713,154 | 729,338 |
| - Senior | 202,245 | — | 47,370 | 29,448 | 351,758 | 630,821 | 650,487 |
| - Mezzanine | 7,216 | — | — | — | — | 7,216 | 2,485 |
| - Junior | 75,117 | — | — | — | — | 75,117 | 76,366 |
| 2. Off-balance-sheet exposures | — | — | — | — | 153,475 | 153,475 | — |
| - Senior | — | — | — | — | 153,475 | 153,475 | — |
| - Mezzanine | — | — | — | — | — | — | — |
| - Junior | — | — | — | — | — | — | — |
| Total | 284,578 | — | 47,370 | 29,448 | 505,233 | 866,629 | 729,338 |

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

| Servicer | Vehicle company | Securitized assets 31/12/08 | | Receivables collected during the year | | Percentage share of securities repaid 31/12/08 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Senior | | Mezzanine | | Junior | |
| | | Impaired | Performing | Impaired | Performing | Impaired assets | Performing assets | Impaired assets | Performing assets | Impaired assets | Performing assets |
| Compass S.p.A. | Quarzo S.r.l. | 1,528 | 1,287,593 | — | 242,240 | — | — | — | — | — | — |
| Compass S.p.A. | Jump S.r.l. | 507 | 1,069,712 | 2,052 | 254,572 | — | — | — | — | — | — |
| SelmaBipiemme S.p.A. | Quarzo Lease S.r.l. | 1,678 | 117,552 | 716 | 29,809 | — | 84.0% | — | — | — | — |
| SelmaBipiemme S.p.A. | Quarzo Lease S.r.l. | 3,435 | 374,237 | 194 | 69,604 | — | — | — | — | — | — |

## 1.2 MARKET RISK

Mediobanca uses a risk management system that monitors market risk on a daily basis. The system calculates value at risk (VaR)[1] for the Bank's entire asset structure, i.e. both trading and banking books. Such global measurement is made possible by concentrating all financial risks (i.e. share price fluctuations plus interest and exchange rate movements), including those relating to lending and funding activities, at the Bank's markets division. Interest rate risk covers risks deriving from movements in market curves and those linked to credit ratings of individual borrowers. VaR readings constitute the main information on which the operating limit structure adopted pursuant to resolutions approved by the Board of Directors is based.

VaR is based on expected volatility and the correlation between risk factors concerned, and determines possible negative movements that may be expected as a result of market movements within a single trading day based on a 99% confidence level. VaR is calculated using the Monte Carlo and historical simulation[2] as well as the parametric method. 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 are also carried out on the main risk factors each week, to show the impact of historical crisis scenarios being repeated and of significant movements in the main market data on the Bank's risk positions.

The broadest measurement of VaR is applied to an aggregate including the equities and debt securities held as available for sale as well as the trading book, hence any changes in their value impact only on the balance-sheet aggregates and do not affect the profit and loss account. This measurement showed an increase of almost 50% in the first half of the year, chiefly due to the instability affecting government securities and corporate bonds in particular.

Compared with an average value of almost €24m at the same time last year, VaR for the six months under review here nearly reached €35m (cf. table 1 below), due to the interest rate component almost doubling from €5.8m to over €11m, which in turn was driven by specific risks. After the first tensions emerged in spring 2008, volatility exploded during the autumn with a pronounced re-pricing of credit risk, the average readings for which tripled. The increases on the exchange rate and equity components were less marked, although the maximum VaR readings recorded were very high.

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

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

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

| Risk factor | 6 mths to 31/12/08 | | | | 12 mths to 30/6/08 |
|---|---|---|---|---|---|
| (€'000) | 31/12 | Min. | Max. | Avg. | Avg. |
| Interest rates | 12,988 | 2,877 | 21,898 | 11,024 | 5,769 |
| *- of which: specific risk* | *6,719* | *2,167* | *15,991* | *7,624* | *2,429* |
| Share prices | 21,485 | 15,453 | 52,863 | 27,312 | 24,004 |
| Exchange rates | 2,660 | 1,101 | 5,926 | 3,089 | 2,445 |
| Diversification effect* | (6,241) | (2,246) | (12,426) | (6,583) | (8,231) |
| TOTAL | 30,892 | 20,243 | 59,878 | 34,842 | 23,987 |
| ***Expected shortfall*** | *36,680* | *19,803* | *39,694* | *29,161* | *30,044* |

* Due to mismatch between risk factors.

A similar picture emerges from analysis of the trading book alone (cf. table 2 below), which measures the risk profile of the individual trading desks. The increase in average VaR was more pronounced here, from €7.9m to €13.3m, with all risk categories contributing but the interest rate and share price components in particular, both of which rose by around 50%.

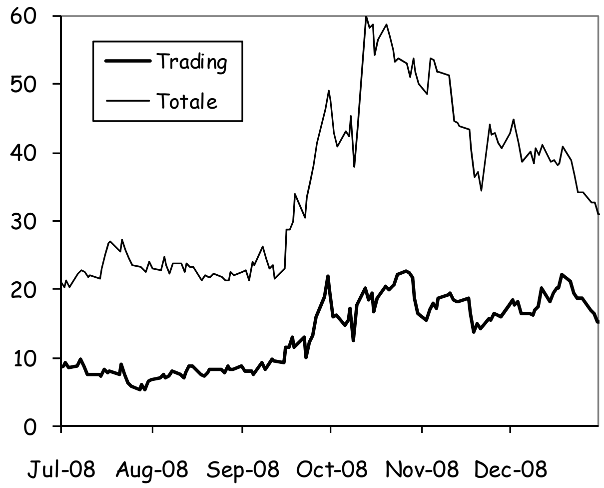
The rise in the exchange rate component was less marked, up from €2.2m to €2.9m, despite the increased volatility in the EUR/USD exchange rate.

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

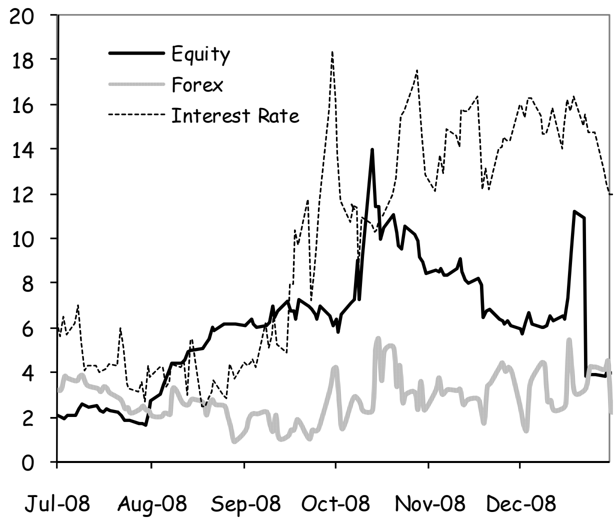
| Risk factor | 6 mths to 31/12/08 | | | | 12 mths to 30/6/08 |
|---|---|---|---|---|---|
| (€'000) | 31/12 | Min. | Max. | Avg. | Avg. |
| Interest rates | 11,931 | 2,437 | 18,389 | 9,703 | 6,347 |
| *- of which: specific risk* | *5,991* | *1,693* | *14,675* | *6,739* | *2,459* |
| Share prices | 3,993 | 1,623 | 13,956 | 6,071 | 4,092 |
| Exchange rates | 2,291 | 957 | 5,556 | 2,892 | 2,206 |
| Diversification effect* | (3,202) | (1,549) | (9,921) | (5,346) | (4,761) |
| TOTAL | 15,012 | 5,092 | 16,206 | 13,319 | 7,885 |
| ***Expected shortfall*** | *18,054* | *5,308* | *25,282* | *12,224* | *10,702* |

* Due to mismatch between risk factors.

## Trends in VaR




## Trends in VaR constituents



The market risks faced by the other Group companies are much more limited than those of Mediobanca S.p.A. The most significant is that of Compagnie Monégasque de Banque, whose average VaR for the period based on a 99% confidence level was just €0.25m for the six months under review, with a maximum reading of €0.7m during the period, down slightly from the €0.3m recorded for the twelve months ended 30 June 2008.

The effectiveness of VaR as a tool for managing risk is measured by means of daily back-testing, which is based on the calculation of notional profit and loss.[3] After the limit was breached on a total of four occasions in the last financial year, the leap in volatility recorded during the six months and the subsequent rise in VaR levels saw the limit breached only once.

## INTEREST RATE RISK – BANKING BOOK

Interest rate risk management for the banking book is also focused on the Bank's Capital Markets division. The high percentage of total funding accounted for by debt securities means that in order for liquidity to be managed effectively, a sizeable securities trading book is required, which generates a mismatch between the assets and liabilities on the banking book.

This explains why a 100 basis point increase in interest rates would generate a €42.2m reduction in estimated net interest income from the banking book for the present financial year. Contrary to the situation at the balance-sheet date, if the trading securities are included the impact remains negative, reducing to €22.4m on account of the reduction in floating-rate bonds in the proprietary portfolio. The substantial linearity of Mediobanca's exposure to interest rates is borne out by the effects of the opposite scenario, where a 100 basis point reduction in interest rates would lead to a gain of €42.5m in the first instance, against a €22.9m loss if all assets are included.

As for Compass, the only other Group company with a banking book which has a significant exposure to interest rate movements, a 100 basis point rise in interest rates would result in a €25.2m fall in net interest income, while in the event of a similar reduction in interest rates, the lack of positions with options means the exact opposite result would be produced, with an increase of the same amount in net interest income.

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

Estimate of net interest income's sensitivity to interest rates is completed by analysis of the impact which a 100 basis point shock would have on the discounted value of future cash flows from the banking book (in this case VaR itself measures the risk for the trading book). Despite the growth in assets during the period, the reduction in their duration which is still longer for the assets than it is for the liabilities, led to a reduction in exposure. Compared to the balance-sheet date, when a 100 basis-point increase in interest rates generated a loss of over €55m, the negative impact as at the reporting date fell to €34.8m. The opposite scenario produces a more marked effect, with a 100 basis-point reduction causing a gain of €36.1m, compared with almost €72m as at 30 June 2008.

## 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 treated 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 raising floating-rate funding for large amounts. The hedge is made to transform the fixed rate positions by correlating the relevant cash flows. Mediobanca S.p.A. has made cash flow hedges of some 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.

## LIQUIDITY RISK

Liquidity risk is measured through indicators based on definite cash inflows and outflows for balance-sheet items to take place in the months to come, and also on estimates of:

— new loans/repayments/renewals for the lending division, including drawdowns on back-up or committed lines;

— new issues/early redemptions for funding (debt securities);

— any significant non-recurring items (e.g. purchase/sale of equity investments, payment of dividends, etc.).

These are used to generate a time profile for future cash requirements, which is produced daily for measurements based on definite cash flows, and is supplemented weekly with readings incorporating the estimate component which include information from the other Group companies.

This analysis is then used as the basis for comparison with the amount of cash actually available, defined:

— narrowly, as the aggregate of securities that may be assigned to refinancing transactions with the monetary authorities, and

— more broadly, to include non-deliverable securities, shares in listed companies and assignable loans (the market values of which are reduced accordingly to reflect the change in their degree of liquidity).

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

The Group's liquidity position at the reporting date was strong, helped by the structure of Mediobanca's balance sheet, where the average maturity is shorter for the assets than it is for the liabilities. For the second half of the financial year, amounts falling due in the six months on the interbank market (at Group level) plus redemptions due on debt securities amount to around €6bn, just over 75% of the Group's available liquidity as defined narrowly above, i.e. only securities that may be assigned to refinancing with the ECB.

## 1. *Financial assets and liabilities by outstanding maturity.*

| | On demand | From 1days to 7 days | From 7 days to 15 days | From 15 days to 1month | From 1month to 3 months | From 3 months to 6 months | From 6 months to 1 year | From 1year to 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|---|
| Cash assets | 3,065,195 | 2,086,391 | 1,006,043 | 1,997,699 | 2,842,716 | 2,864,479 | 4,711,220 | 21,281,112 | 13,508,626 |
| A.1 Government securities | 3,664 | 28,791 | 3,032 | — | 72,307 | 117,725 | 769,517 | 2,555,199 | 1,356,987 |
| A.2 Listed debt securities | 96 | 876 | 5,015 | 33,901 | 211,859 | 179,128 | 338,570 | 1,484,961 | 1,629,188 |
| A.3 Other debt securities | 1 | — | 834 | 6,009 | 841,272 | 499,994 | 88,938 | 628,098 | 549,664 |
| A.4 OICR units | — | — | — | — | — | — | — | — | — |
| A.5 Loans and advances | 3,061,434 | 2,056,724 | 997,162 | 1,957,789 | 1,717,278 | 2,067,632 | 3,514,195 | 16,612,854 | 9,972,787 |
| – to banks | 1,712,304 | 597,675 | 588,822 | 166,506 | 109,361 | 161,921 | 293,961 | 590,699 | 27,403 |
| – to customers | 1,349,130 | 1,459,049 | 408,340 | 1,791,283 | 1,607,917 | 1,905,711 | 3,220,234 | 16,022,155 | 9,945,384 |
| Cash liabilities | 5,259,055 | 921,499 | 2,589,396 | 2,021,241 | 5,152,798 | 2,920,225 | 3,460,456 | 16,267,332 | 16,459,437 |
| B.1 Deposits | 5,249,699 | 866,825 | 2,027,587 | 1,787,416 | 4,050,091 | 1,033,502 | 1,265,305 | 1,637,348 | 1,529,508 |
| – to banks | 2,740,555 | 823,141 | 1,924,863 | 1,101,939 | 1,401,876 | 736,903 | 863,819 | 1,613,054 | 514,288 |
| – to customers | 2,509,144 | 43,684 | 102,724 | 685,477 | 2,648,215 | 296,599 | 401,486 | 24,294 | 1,015,220 |
| B.2 Debt securities | 4,222 | 53,894 | 561,458 | 233,825 | 1,101,107 | 1,886,015 | 2,194,805 | 14,558,455 | 14,816,869 |
| B.3 Other liabilities | 5,134 | 780 | 351 | — | 1,600 | 708 | 346 | 71,529 | 113,060 |
| Off-balance-sheet transactions | — | 5,155,598 | 1,790,116 | 1,679,442 | 3,041,089 | 1,588,236 | 802,221 | 16,641,627 | 1,670,553 |
| C.1 Financial derivatives with exchange of principal | — | 2,246,580 | 1,782,931 | 1,362,942 | 2,356,657 | 700,409 | 325,072 | 672,071 | 337,879 |
| – long positions | — | 551,230 | 1,205,025 | 742,109 | 913,939 | 140,311 | 180,961 | 426,015 | 41,740 |
| – short positions | — | 1,695,350 | 577,906 | 620,833 | 1,442,718 | 560,098 | 144,111 | 246,056 | 296,139 |
| C.2 Deposits and loans for collection | — | 323,346 | — | — | 323,346 | — | — | — | — |
| – long positions | — | 323,346 | — | — | — | — | — | — | — |
| – short positions | — | — | — | — | 323,346 | — | — | — | — |
| C.3 Irrevocable commitments to disburse funds | — | 2,585,672 | 7,185 | 316,500 | 361,086 | 887,827 | 477,149 | 15,969,556 | 1,332,674 |
| – long positions | — | — | — | 6,000 | 278,586 | 802,827 | 417,149 | 8,406,589 | 1,057,674 |
| – short positions | — | 2,585,672 | 7,185 | 310,500 | 82,500 | 85,000 | 60,000 | 7,562,967 | 275,000 |

## 1.2.6 FINANCIAL DERIVATIVE PRODUCTS

### A. FINANCIAL DERIVATIVES

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

| Type of transaction/Unerlyings | Debt securities/interest rates | | Equities/share indexes | | Exchange rates/gold | | Other assets | | 31/12/08 | | 30/6/08 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Listed | Unlisted | Listed | Unlisted | Listed | Unlisted | Listed | Unlisted | Listed | Unlisted | Listed | Unlisted |
| 1. Forward rate agreements | — | 3,450,000 | — | — | — | — | — | — | — | 3,450,000 | — | 2,550,000 |
| 2. Interest rate swaps | — | 34,241,467 | — | — | — | — | — | 907,402 | — | 35,148,869 | — | 29,798,878 |
| 3. Domestic currency swaps | — | — | — | — | — | 1,687,431 | — | — | — | 1,687,431 | — | 2,789,944 |
| 4. Currency interest rate swap | — | — | — | — | — | 501,960 | — | — | — | 501,960 | — | 619,851 |
| 5. Basis swaps | — | 4,787,875 | — | — | — | — | — | — | — | 4,787,875 | — | 2,466,786 |
| 6. Share index swaps | — | — | — | 150,493 | — | — | — | — | — | 150,493 | — | 156,887 |
| 7. Inflation rate swaps | — | — | — | — | — | — | — | — | — | — | — | — |
| 8. Futures | 4,125,517 | — | 40,491 | — | — | — | — | — | 4,166,008 | — | 9,828,628 | — |
| 9. Cap options | — | — | — | — | — | — | — | — | — | — | — | — |
| - bought | — | — | — | — | — | — | — | — | — | — | — | — |
| - written | — | — | — | — | — | — | — | — | — | — | — | — |
| 10. Floor options | — | — | — | — | — | — | — | — | — | — | — | — |
| - bought | — | — | — | — | — | — | — | — | — | — | — | — |
| - written | — | — | — | — | — | — | — | — | — | — | — | — |
| 11. Other options | 4,195,500 | — | 89,663 | 7,339,345 | — | 10,000 | — | — | 4,285,163 | 7,349,345 | 943,057 | 8,449,072 |
| - bought | 2,034,250 | — | 34,256 | 3,787,235 | — | 10,000 | — | — | 2,068,506 | 3,797,235 | 329,896 | 4,330,360 |
| - plain vanilla | 2,034,250 | — | 34,256 | 3,737,235 | — | 10,000 | — | — | 2,068,506 | 3,747,235 | 329,896 | 4,230,360 |
| - exotic | — | — | — | 50,000 | — | — | — | — | — | 50,000 | — | 100,000 |
| - written | 2,161,250 | — | 55,407 | 3,552,110 | — | — | — | — | 2,216,657 | 3,552,110 | 613,161 | 4,118,712 |
| - plain vanilla | 2,161,250 | — | 55,407 | 3,502,110 | — | — | — | — | 2,216,657 | 3,502,110 | 613,161 | 4,018,712 |
| - exotic | — | — | — | 50,000 | — | — | — | — | — | 50,000 | — | 100,000 |
| 12. Repo agreements | 1,502,644 | 2,536,812 | 13,995 | 99,260 | — | 797,558 | — | — | 1,516,639 | 3,433,630 | 1,105,164 | 1,633,530 |
| - bought | 104,104 | 1,778,676 | 702 | 3,033 | — | 256,808 | — | — | 104,806 | 2,038,517 | 658,975 | 401,637 |
| - sold | 1,398,540 | 758,136 | 13,293 | 96,227 | — | 540,750 | — | — | 1,411,833 | 1,395,113 | 446,189 | 1,229,364 |
| - currency bought/sold for currency | — | — | — | — | — | — | — | — | — | — | — | 2,529 |
| 13. Other derivative products | — | 1,150,000 | — | — | — | — | — | — | — | 1,150,000 | — | 963,203 |
| Total | 9,823,661 | 46,166,154 | 144,149 | 7,589,098 | — | 2,996,949 | — | 907,402 | 9,967,810 | 57,659,603 | 11,876,849 | 49,428,151 |
| Average values | 12,341,555 | 47,465,863 | 148,738 | 8,758,403 | — | 3,873,265 | — | 988,425 | 12,490,293 | 61,085,956 | 21,593,131 | 43,730,482 |

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

### A.2.1 Hedge derivatives

| Type of transaction/Unerlyings | Debt securities/interest rates | | Equities/share indexes | | Exchange rates/gold | | Other assets | | 31/12/08 | | 30/6/08 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Listed | Unlisted | Listed | Unlisted | Listed | Unlisted | Listed | Unlisted | Listed | Unlisted | Listed | Unlisted |
| 1. Forward rate agreements | — | 110,000 | — | — | — | — | — | — | — | 110,000 | — | 240,000 |
| 2. Interest rate swaps | — | 25,978,267 | — | — | — | — | — | — | — | 25,978,267 | — | 27,067,414 |
| 3. Domestic currency swaps | — | — | — | — | — | — | — | — | — | — | — | — |
| 4. Currency interest rate swap | — | — | — | — | — | 58,897 | — | — | — | 58,897 | — | 57,305 |
| 5. Basis swaps | — | 5,900,758 | — | — | — | — | — | — | — | 5,900,758 | — | 4,564,501 |
| 6. Share index swaps | — | — | — | — | — | — | — | — | — | — | — | — |
| 7. Inflation rate swaps | — | — | — | — | — | — | — | — | — | — | — | — |
| 8. Futures | — | — | — | — | — | — | — | — | — | — | — | — |
| 9. Cap options | — | — | — | — | — | — | — | — | — | — | — | — |
| - bought | — | — | — | — | — | — | — | — | — | — | — | — |
| - written | — | — | — | — | — | — | — | — | — | — | — | — |
| 10. Floor options | — | — | — | — | — | — | — | — | — | — | — | — |
| - bought | — | — | — | — | — | — | — | — | — | — | — | — |
| - written | — | — | — | — | — | — | — | — | — | — | — | — |
| 11. Other options | — | — | — | — | — | — | — | — | — | — | — | 391,167 |
| - bought | — | — | — | — | — | — | — | — | — | — | — | 131,922 |
| - plain vanilla | — | — | — | — | — | — | — | — | — | — | — | 131,922 |
| - exotic | — | — | — | — | — | — | — | — | — | — | — | — |
| - written | — | — | — | — | — | — | — | — | — | — | — | 259,245 |
| - plain vanilla | — | — | — | — | — | — | — | — | — | — | — | 259,245 |
| - exotic | — | — | — | — | — | — | — | — | — | — | — | — |
| 12. Repo agreements | — | — | — | 87,436 | — | — | — | — | — | 87,436 | — | 312,500 |
| - bought | — | — | — | — | — | — | — | — | — | — | — | — |
| - sold | — | — | — | 87,436 | — | — | — | — | — | 87,436 | — | 312,500 |
| - currency bought/sold for currency | — | — | — | — | — | — | — | — | — | — | — | — |
| 13. Other derivative products | — | 143,089 | — | — | — | — | — | — | — | 143,089 | — | — |
| Total | — | 32,132,114 | — | 87,436 | — | 58,897 | — | — | — | 32,278,447 | — | 32,632,887 |
| Average values | — | 34,046,821 | — | 225,325 | — | 80,071 | — | — | — | 34,352,217 | — | 23,896,285 |

## *A.2.2 Other derivatives*

| Type of transaction/Unerlyings | Debt securities/interest rates | | Equities/share indexes | | Exchange rates/gold | | Other assets | | 31/12/08 | | 30/6/08 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Listed | Unlisted | Listed | Unlisted | Listed | Unlisted | Listed | Unlisted | Listed | Unlisted | Listed | Unlisted |
| 1. Forward rate agreements | — | — | — | — | — | — | — | — | — | — | — | — |
| 2. Interest rate swaps | — | — | — | — | — | — | — | — | — | — | — | — |
| 3. Domestic currency swaps | — | — | — | — | — | — | — | — | — | — | — | — |
| 4. Currency interest rate swap | — | — | — | — | — | — | — | — | — | — | — | — |
| 5. Basis swaps | — | — | — | — | — | — | — | — | — | — | — | — |
| 6. Share index swaps | — | — | — | — | — | — | — | — | — | — | — | — |
| 7. Inflation rate swaps | — | — | — | — | — | — | — | — | — | — | — | — |
| 8. Futures | — | — | — | — | — | — | — | — | — | — | — | — |
| 9. Cap options | — | — | — | — | — | — | — | — | — | — | — | — |
| - bought | — | — | — | — | — | — | — | — | — | — | — | — |
| - written | — | — | — | — | — | — | — | — | — | — | — | — |
| 10. Floor options | — | — | — | — | — | — | — | — | — | — | — | — |
| - bought | — | — | — | — | — | — | — | — | — | — | — | — |
| - written | — | — | — | — | — | — | — | — | — | — | — | — |
| 11. Other options | — | — | — | 21,761,645 | — | 224,455 | — | — | — | 21,986,100 | — | 22,411,193 |
| - bought | — | — | — | 10,671,932 | — | 122,544 | — | — | — | 10,794,476 | — | 10,950,768 |
| - plain vanilla | — | — | — | 922,086 | — | — | — | — | — | 922,086 | — | 805,627 |
| - exotic | — | — | — | 9,749,846 | — | 122,544 | — | — | — | 9,872,390 | — | 10,145,141 |
| - written | — | — | — | 11,089,713 | — | 101,911 | — | — | — | 11,191,624 | — | 11,460,425 |
| - plain vanilla | — | — | — | 1,027,832 | — | — | — | — | — | 1,027,832 | — | 914,598 |
| - exotic | — | — | — | 10,061,881 | — | 101,911 | — | — | — | 10,163,792 | — | 10,545,827 |
| 12. Repo agreements | — | — | — | — | — | — | — | — | — | — | — | — |
| - bought | — | — | — | — | — | — | — | — | — | — | — | — |
| - sold | — | — | — | — | — | — | — | — | — | — | — | — |
| - currency bought/sold for currency | — | — | — | — | — | — | — | — | — | — | — | — |
| 13. Other derivative products | — | — | — | — | — | — | — | — | — | — | — | — |
| Total | — | — | — | 21,761,645 | — | 224,455 | — | — | — | 21,986,100 | — | 22,411,193 |
| Average values | — | — | — | 21,931,656 | — | 237,138 | — | — | — | 22,168,794 | — | 18,356,116 |

## A.3 *Financial derivatives: underlying assets bought and sold*

| Type of transactions/Underlyings | Debt securities/interest rates | | Equities/share indexes | | Exchange rates/gold | | Other assets | | 31/12/08 | | 30/6/08 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Listed | Unlisted | Listed | Unlisted | Listed | Unlisted | Listed | Unlisted | Listed | Unlisted | Listed | Unlisted |
| A. Regulatory trading book: | 9,823,663 | 41,378,277 | 144,148 | 7,438,604 | — | 2,996,949 | — | 907,402 | 9,967,811 | 52,721,232 | 11,876,849 | 46,882,939 |
| 1. With exchange of principal | 3,020,757 | 2,616,811 | 64,411 | 806,083 | — | 2,986,949 | — | — | 3,085,168 | 6,409,843 | 3,084,681 | 5,713,765 |
| - bought | 233,325 | 1,858,675 | 14,604 | 328,323 | — | 1,668,958 | — | — | 247,929 | 3,855,956 | 734,950 | 2,466,223 |
| - sold | 2,787,432 | 758,136 | 49,807 | 477,760 | — | 1,119,799 | — | — | 2,837,239 | 2,355,695 | 2,349,731 | 3,105,622 |
| - currency bought/sold for currency | — | — | — | — | — | 198,192 | — | — | — | 198,192 | — | 141,920 |
| 2. Without exchange of principal | 6,802,906 | 38,761,466 | 79,737 | 6,632,521 | — | 10,000 | — | 907,402 | 6,882,643 | 46,311,389 | 8,792,168 | 41,169,174 |
| - bought | 4,494,324 | 18,408,816 | 25,528 | 3,468,559 | — | — | — | 265,440 | 4,519,852 | 22,142,815 | 6,958,528 | 20,048,460 |
| - sold | 2,308,582 | 20,352,650 | 54,209 | 3,163,962 | — | 10,000 | — | 641,962 | 2,362,791 | 24,168,574 | 1,833,640 | 21,120,714 |
| - currency bought/sold for currency | — | — | — | — | — | — | — | — | — | — | — | — |
| B. Banking book | — | 26,231,355 | — | 21,849,080 | — | 283,352 | — | — | — | 48,363,787 | — | 50,479,580 |
| B.1 Hedges | — | 26,231,355 | — | 87,436 | — | 58,897 | — | — | — | 26,377,688 | — | 28,068,386 |
| 1. With exchange of principal | — | 143,089 | — | 87,436 | — | 58,897 | — | — | — | 289,422 | — | 760,973 |
| - bought | — | — | — | — | — | 58,897 | — | — | — | 58,897 | — | 57,306 |
| - sold | — | 143,089 | — | 87,436 | — | — | — | — | — | 230,525 | — | 703,667 |
| - currency bought/sold for currency | — | — | — | — | — | — | — | — | — | — | — | — |
| 2. Without exchange of principal | — | 26,088,266 | — | — | — | — | — | — | — | 26,088,266 | — | 27,307,413 |
| - bought | — | 18,447,462 | — | — | — | — | — | — | — | 18,447,462 | — | 19,772,509 |
| - sold | — | 7,640,804 | — | — | — | — | — | — | — | 7,640,804 | — | 7,534,904 |
| - currency bought/sold for currency | — | — | — | — | — | — | — | — | — | — | — | — |
| B.2 Other derivatives | — | — | — | 21,761,644 | — | 224,455 | — | — | — | 21,986,099 | — | 22,411,194 |
| 1. With exchange of principal | — | — | — | 109 | — | — | — | — | — | 109 | — | 109 |
| - bought | — | — | — | 29 | — | — | — | — | — | 29 | — | 29 |
| - sold | — | — | — | 80 | — | — | — | — | — | 80 | — | 80 |
| - currency bought/sold for currency | — | — | — | — | — | — | — | — | — | — | — | — |
| 2. Without exchange of principal | — | — | — | 21,761,535 | — | 224,455 | — | — | — | 21,985,990 | — | 22,411,085 |
| - bought | — | — | — | 10,631,777 | — | 97,711 | — | — | — | 10,729,488 | — | 10,912,047 |
| - sold | — | — | — | 11,129,758 | — | 126,744 | — | — | — | 11,256,502 | — | 11,499,038 |
| - currency bought/sold for currency | — | — | — | — | — | — | — | — | — | — | — | — |

## *A.4 OTC financial derivatives: positive fair value - counterparty risk*

| Counterparties/Underlyings | Debt securities/interest rates | | | Equities/share indexes | | | Exchange rates/gold | | | Other assets | | | Other underlying assets | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gross not netted | Gross netted | Future exposure | Gross not netted | Gross netted | Future exposure | Gross not netted | Gross netted | Future exposure | Gross not netted | Gross netted | Future exposure | Netted [1] | Future exposure |
| A. Regulatory trading book | | | | | | | | | | | | | | |
| A.1 Governments and central banks | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| A.2 Other public agencies | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| A.3 Banks | 98,783 | 273,766 | 24,325 | 96,021 | 536,088 | 76,804 | 30,263 | 9,259 | 4,809 | — | — | — | 86,957 | 108,484 |
| A.4 Financial companies | 46,347 | 53,983 | 7,049 | 101,556 | 35,059 | 43,449 | — | 15,588 | — | — | — | — | 4,470 | 11,186 |
| A.5 Insurances | 14,000 | — | 4,750 | — | — | 5,177 | — | — | — | — | — | — | — | — |
| A.6 Non-financial undertakings | 161,230 | — | 34,470 | 140,774 | — | 33,068 | 195 | — | 428 | — | — | — | — | — |
| A.7 Other counterparties | 216 | — | — | 731 | — | 110 | — | — | — | — | — | — | — | — |
| Total 31/12/08 | 320,576 | 327,749 | 70,594 | 339,082 | 571,147 | 158,608 | 30,458 | 24,847 | 5,237 | — | — | — | 91,427 | 119,670 |
| Total 30/6/08 | 162,373 | 369,740 | 35,988 | 491,614 | 1,073,082 | 209,072 | 75,436 | 28,622 | 21,568 | — | — | — | 55,285 | 112,063 |
| B. Banking book | | | | | | | | | | | | | | |
| B.1 Governments and central banks | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| B.2 Other public agencies | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| B.3 Banks | 114,786 | 1,132,481 | 7,194 | — | 69,408 | 5 | — | — | — | — | — | — | 86,206 | 264,762 |
| B.4 Financial companies | 836 | 9,088 | 75 | — | — | — | — | — | — | — | — | — | 7,293 | 8,799 |
| B.5 Insurances | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| B.6 Non-financial undertakings | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| B.7 Other counterparties | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Total 31/12/08 | 115,622 | 1,141,569 | 7,269 | — | 69,408 | 5 | — | — | — | — | — | — | 93,499 | 273,561 |
| Total 30/6/08 | 106,975 | 592,444 | 23,361 | 113,977 | 57,392 | 18,757 | — | — | — | — | — | — | 107,758 | 237,742 |

[1] Includes offset agreement with main counterparties.

## A.5 OTC financial derivatives: negative fair value - financial risk

| Counterparties/Underlyings | Debt securities/interest rates | | | Equities/share indexes | | | Exchange rates/gold | | | Other assets | | | Other underlying assets | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gross not netted | Gross netted | Future exposure | Gross not netted | Gross netted | Future exposure | Gross not netted | Gross netted | Future exposure | Gross not netted | Gross netted | Future exposure | Netted [1] | Future exposure |
| A. Regulatory trading book | | | | | | | | | | | | | | |
| A.1 Governments and central banks | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| A.2 Other public agencies | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| A.3 Banks | (90,701) | (508,963) | 25,817 | (5,500) | (344,801) | 14,000 | (41,298) | (120,138) | 7,038 | — | — | — | (90,373) | 70,272 |
| A.4 Financial companies | (111) | (34,854) | 263 | (11,894) | (59,722) | 8,623 | (30,864) | (1,470) | 10,778 | — | — | — | (2,447) | 235 |
| A.5 Insurances | (4,069) | — | 4,616 | (50,056) | — | 4,996 | — | — | — | — | — | — | — | — |
| A.6 Non-financial undertakings | (6,694) | — | 4,804 | (2,808) | — | 12,660 | — | — | — | — | — | — | — | — |
| A.7 Other counterparties | — | — | — | — | — | — | (13) | — | — | — | — | — | — | — |
| Total 31/12/08 | (101,575) | (543,817) | 35,500 | (70,258) | (404,523) | 40,279 | (72,175) | (121,608) | 17,816 | — | — | — | (92,820) | 70,507 |
| Total 30/6/08 | (243,417) | (169,558) | 64,604 | (98,930) | (349,465) | 80,151 | (25,811) | (45,398) | 12,546 | — | — | — | (103,674) | 325,395 |
| B. Banking book | | | | | | | | | | | | | | |
| B.1 Governments and central banks | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| B.2 Other public agencies | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| B.3 Banks | (300,004) | (1,013,107) | 29,323 | — | — | — | (5,018) | (6,297) | 475 | — | — | — | (227,457) | 405,193 |
| B.4 Financial companies | (1,111) | (108,095) | 166 | — | — | — | — | (4,211) | — | — | — | — | (32,200) | 23,940 |
| B.5 Insurances | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| B.6 Non-financial undertakings | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| B.7 Other counterparties | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Total 31/12/08 | (301,115) | (1,121,202) | 29,489 | — | — | — | (5,018) | (10,508) | 475 | — | — | — | (259,657) | 429,133 |
| Total 30/6/08 | (687,855) | (1,696,997) | 51,397 | — | — | — | (10,958) | (12,883) | 1,459 | — | — | — | (142,976) | 61,170 |

[1] Includes offset agreement with main counterparties.

## 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 | | | | |
| 1.1 With exchange of principal | 2,134,890 | 6,195,000 | — | — |
| *– credit default* | 2,134,890 | 6,195,000 | — | — |
| *– credit linked notes* | — | — | — | — |
| *– credit spread option* | — | — | — | — |
| *– total rate of return swap* | — | — | — | — |
| 1.2 Without exchange of principal | — | — | — | — |
| *– credit default* | — | — | — | — |
| *– credit linked notes* | — | — | — | — |
| *– credit spread option* | — | — | — | — |
| *– total rate of return swap* | — | — | — | — |
| Total 31/12/08 | 2,134,890 | 6,195,000 | — | — |
| Total 30/6/08 | 1,952,230 | 5,814,030 | — | — |
| Average values | 2,149,818 | 6,151,478 | — | — |
| 2. Hedge sales | | | | |
| 2.1 With exchange of principal | 1,513,153 | 6,870,000 | — | — |
| *– credit default* | 1,513,153 | 6,870,000 | — | — |
| *– credit linked notes* | — | — | — | — |
| *– credit spread option* | — | — | — | — |
| *– total rate of return swap* | — | — | — | — |
| 2.2 Without exchange of principal | — | — | — | — |
| *– credit default* | — | — | — | — |
| *– credit linked notes* | — | — | — | — |
| *– credit spread option* | — | — | — | — |
| *– total rate of return swap* | — | — | — | — |
| Total 31/12/08 | 1,513,153 | 6,870,000 | — | — |
| Total 30/6/08 | 997,405 | 6,275,000 | — | — |
| Average values | 1,394,126 | 6,682,214 | — | — |

## B.2 *Credit derivatives: positive fair value – counterparty risk*

| Type of transaction/Amounts | Notional value | Positive fair value | Future exposure |
|---|---|---|---|
| A. REGULATORY TRADING BOOK | 8,504,913 | 661,481 | 835,519 |
| A.1 Hedge buys with counterparties | | | |
| 1. Governments and central banks | — | — | — |
| 2. Other public agencies | — | — | — |
| 3. Banks | 6,510,965 | 554,837 | 354,140 |
| 4. Financial companies | 1,215,778 | 74,460 | 67,007 |
| 5. Insurances | — | — | — |
| 6. Non-financial undertakings | — | — | — |
| 7. Other counterparties | — | — | — |
| A.2 Hedge sales with counterparties | | | |
| 1. Governments and central banks | — | — | — |
| 2. Other public agencies | — | — | — |
| 3. Banks | 723,170 | 30,553 | 337,697 |
| 4. Financial companies | 55,000 | 1,631 | 76,675 |
| 5. Insurances | — | — | — |
| 6. Non-financial undertakings | — | — | — |
| 7. Other counterparties | — | — | — |
| B. Banking book | — | — | — |
| B.1 Hedge buys with counterparties | | | |
| 1. Governments and central banks | — | — | — |
| 2. Other public agencies | — | — | — |
| 3. Banks | — | — | — |
| 4. Financial companies | — | — | — |
| 5. Insurances | — | — | — |
| 6. Non-financial undertakings | — | — | — |
| 7. Other counterparties | — | — | — |
| B.2 Hedge sales with counterparties | | | |
| 1. Governments and central banks | — | — | — |
| 2. Other public agencies | — | — | — |
| 3. Banks | — | — | — |
| 4. Financial companies | — | — | — |
| 5. Insurances | — | — | — |
| 6. Non-financial undertakings | — | — | — |
| 7. Other counterparties | — | — | — |
| Total 31/12/08 | 8,504,913 | 661,481 | 835,519 |
| Total 30/6/08 | 12,662,432 | 239,367 | 90,800 |

## *B.3 Credit derivatives: negative fair value - financial risk*

| Type of transaction/Amounts | Notional value | Negative fair value |
|---|---|---|
| A. Regulatory trading book | | |
| 1. Hedge buys with counterparties: | | |
| 1.1 Governments and central banks | — | — |
| 1.2 Other public agencies | — | — |
| 1.3 Banks | 443,776 | (8,727) |
| 1.4 Financial companies | 94,371 | (1,441) |
| 1.5 Insurances | — | — |
| 1.6 Non-financial undertakings | — | — |
| 1.7 Other counterparties | — | — |
| Total 31/12/08 | 538,147 | (10,168) |
| Total 30/6/08 | 2,056,233 | (72,570) |

# PART F - INFORMATION ON CONSOLIDATED CAPITAL

## Section 1

## Consolidated capital

### A. Qualitative information

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

Since its inception one of the distinguishing features of Mediobanca has been the solidity of its financial structure, with capital ratios that have been consistently and significantly higher than those required by the regulatory guidelines. During the six months the process of implementing the internal capital adequacy assessment process (ICAAP) continued, which is intended to further refine the techniques used to measure risk, and the contents of the document drawn up in respect of the first definitive report on data as at 30 June 2009 were approved, to be presented by 30 October 2009.

Regarding information to be disclosed to the public at least once a year in accordance with the third Basel II pillar, Mediobanca will publish this information in respect of the accounts as at 30 June 2009 within the terms and according to the methods required by the regulations.

### B. Quantitative information

See section 15 "Consolidated capital – Headings 140, 160, 170, 180, 190, 200, and 220".

## Section 2

## Regulatory and supervisory capital requirements for banks

*2.1 Scope of application of regulations*

Regulatory capital has been calculated on the basis of Bank of Italy circulars no. 263 issued on 27 December 2006 (second update issued on 17 March 2008) and no. 155 (12th update issued on 5 February 2008), which transpose the new prudential guidelines for banks and banking groups introduced by the New Basel Capital Accord (Basel II) into the Italian regulatory framework.

*2.2 Regulatory capital requirements for banks*

### A. Qualitative information

Tier 1 capital consists of the share attributable to the Group and to minority shareholders of capital paid up, reserves, and profit for the period net of treasury shares (€213.8m), intangible assets (€86.2m, up as a result of the purchase price allocation process), goodwill (€447.7m, down following the impairment charge to RCS MediaGroup and completion of the PPA), and the negative reserves on AFS securities (€357.8m, linked to market trends), plus 50% of the book value of the Bank's investments in banks and financial services companies (equal to €49.5m); a 50% adjustment was also applied to the one-off gain resulting from the amount released pursuant to Article 15, paragraph 10 of Italian Legislative Decree 185/08 (equal to €22.9m).

Tier 2 capital includes the positive valuation reserves (€15.1m), Tier 2 subordinated liabilities (€921.2m) less unrealized losses on investments (€69.9m) and the remaining share of the book value of investments in banks and financial companies (€49.5m).

## B. Quantitative information

| | 31/12/08 | 30/6/08 |
|---|---|---|
| A. Tier 1 capital prior to application of prudential filters | 5,675,304 | 5.903.393 |
| B. Tier 1 prudential filters: | | |
| B.1 IAS/IFRS positive filters | — | — |
| B.2 IAS/IFRS negative filters | (380,738) | (182,108) |
| C. Tier 1 capital gross of items to be deducted | 5,294,566 | 5,721,285 |
| D. Items for deduction from Tier 1 capital | (49,511) | (51,502) |
| E. Total Tier 1 capital | 5,245,055 | 5,669,783 |
| F. Tier 2 capital prior to application of prudential filters | 866,289 | 917,673 |
| G. Tier 2 prudential filters: | | |
| G.1 IAS/IFRS positive filters | — | — |
| G.2 IAS/IFRS negative filters | — | — |
| H. Tier 2 capital gross of items to be deducted | 866,289 | 917,673 |
| I. Items for deduction from Tier 2 capital | (49,511) | (51,502) |
| L. Total Tier 2 capital | 816,778 | 866,171 |
| M. Items for deduction from total Tier 1 and Tier 2 capital | — | — |
| N. Regulatory capital | 6,061,833 | 6,535,954 |
| O. Total Tier 3 capital | — | — |
| P. Total regulatory capital including Tier 3 | 6,061,833 | 6,535,954 |

### *2.3 Capital adequacy*

## A. Qualitative information

As at 31 December 2008, the Bank's total core ratio, calculated as regulatory capital as a percentage of risk-weighted assets, stood at 11.8%, while the core Tier 1 ratio, calculated as Tier 1 capital as a percentage of risk-weighted assets, amounted to 10.2%, substantially in line with the figures reported at the balance-sheet date (11.9% and 10.3% respectively). The reduction in regulatory capital due to the performance of the valuation reserves was offset by the reduction in risk-weighted assets from €55.1bn to €51.5bn, reflecting the decrease in market risks (from €4.8bn to €4.1bn) ), and in guarantees and commitments (up from €11.2bn to €6.5bn). The requirement for meeting operating risks is unchanged, as per the regulations, at €196m.

## B. Quantitative information

| | Weighted amounts/requirements | |
|---|---|---|
| | 30/6/08 | 31/12/08 |
| B. Regulatory capital requirements | | |
| B.1 Credit risk and counterparty risk | 3,823,577 | 3,575,210 |
| B.2 Market risks | 386,478 | 350,569 |
| 1. Standard methodology | 384,966 | 329,989 |
| 2. Internal models | — | — |
| 3. Concentration risk | 1.512 | 20,580 |
| B.3 Operating risk | 196,436 | 196,436 |
| 1. Base method | 196,436 | 196,436 |
| 2. Standardized method | — | — |
| 3. Advanced method | — | — |
| B.4 Other prudential requirements | — | — |
| B.5 Total prudential requirements | 4,406,491 | 4,122,215 |
| C. Risk assets and regulatory ratios | | |
| C.1 Risk-weighted assets | 55,081,138 | 51,527,683 |
| C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio) | 10.29% | 10.18% |
| C.3 Regulatory capital including Tier 3/risk-weighted assets (Total capital ratio) | 11.87% | 11.76% |

# PART G - COMBINATIONS INVOLVING GROUP COMPANIES OR BUSINESS UNITS

## Section 1

## Transactions completed during the year

On 27 June 2008, Compass acquired 100% of the share capital of Linea, for a consideration of €405m. Linea, a leading operator in consumer credit, has the following, fully-owned subsidiaries: Futuro, whose business is salary-backed finance, and Equilon, which operates in internet banking. It also has a 50:50 joint venture with Ducati to provide finance for purchasing motorcycles; and exercises *de facto* control over securitization vehicle company Jump.

The aggregate net equity of the companies acquired amounts to €22.5m, €19.8m of which from the cash flow hedge reserve linked to derivative contracts. Given that Compass booked the investment at a value of €407m including acquisition costs (legal and consultancy expenses of €2m), goodwill of €404.3m was originally recorded. During the six months under review, the purchase price allocation procedure was completed in application of IFRS 3, which left goodwill of €365.9m after having calculated the fair value of specific intangible assets which can be recorded separately and which are not booked in the acquired companies' accounts. The results of the process were as follows:

| | (€'000) | |
|---|---|---|
| Intangible assets with limited useful life | | 44,200 |
| *of which: – commercial agreements* | *19,300* | |
| *– customer relationships* | *24,900* | |
| Brands | | 6,300 |
| Balance between other assets/liabilities | | 2,729 |
| Tax effects | | (12,155) |
| Goodwill | | 365,934 |
| Consideration paid | | 407,008 |
| *of which: ancillary charges* | *2,008* | |

The assets with limited useful life-spans have an average duration of 7.8 years (up to a maximum of 10 years), with an estimated impact on the profit and loss account of €5.8m per annum. The brands are considered to have unlimited useful lives. Goodwill has been allocated to the following cash-generating units:

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

All three segments pass the impairment test based on the most up-to-date cash flows projected over a five-year time-span and based on assumptions which are consistent with expected business trends.

In application of Article 15, paragraph 10 of Italian Legislative Decree 185/08, withholding tax has been provided in an amount equal to 16% of the higher values emerging upon the merger of Linea and Equilon into Compass (€398.9m), i.e. €63.8m. At the same time advance tax of €109.7m has been recorded against the corresponding item in the profit and loss account in respect solely of IRES. The net gain booked to the profit and loss account is therefore €45.9m.

# PART H - RELATED PARTY DISCLOSURE

## 1. *Related party disclosure*

Accounts with related parties fall within the ordinary operations of the Group companies, are maintained on an arm's length basis, and are entered into in the interests of the individual companies concerned. No atypical or unusual transactions have been entered into with these counterparties. Related parties for the purposes hereof include directors and any companies owned by them, and strategic management, data in respect of whose payment is provided in the relevant table. Comparison with the situation at the balance-sheet date, net of the commitment to underwrite the UniCredit rights issue (equal to €3bn, almost 90% of which is counter-guaranteed by third-party investors), shows a reduction in the aggregate exposure to such parties (assets plus guarantees and commitments), down from €7.8bn to €7.3bn. Overall, accounts with related parties account for approx. 8% of the total balance-sheet aggregates, and approx. 11% of net interest and net fee/commission income.

Situation at 31 December 2008

| | Directors and strategic management | Associates | Other related parties | Total | 6 mths to 31/12/08 |
|---|---|---|---|---|---|
| | €m | €m | €m | €m | €m |
| Assets | 665.7 | 510.5 | 4,037.1 | 5,213.3 | 6,216.9 |
| *of which: loans and advances* | *520.4* | *593.8* | *3,988.6* | *5,102.8* | *4,826.3* |
| Liabilities | 71.4 | 16.4 | 733.2 | 821.0 | 650.5 |
| Guarantees and commitments | 475.8 | 83.0 | 4,514.8 | 5,073.6 | 1,627.5 |
| Interest income | 16.6 | 18.9 | 149.1 | 184.6 | 426.6 |
| Interest expense | (0.1) | (1.3) | (38.2) | (39.6) | (224.0) |
| Net fee income | 0.3 | 0.9 | 16.5 | 17.7 | 44.8 |
| Sundry other costs | (14.7)[1] | — | (56.9) | — | (404.9) |

1 Of which: short-term benefits amounting to €8m and stock options worth €0.9m.

# PART I - SHARE-BASED PAYMENT SCHEMES

## A. QUALITATIVE INFORMATION

### *1. Description*

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

| Extraordinary general meeting held on | No. of shares approved | Awards expire on | Deadline for exercising options | No. of shares awarded |
|---|---|---|---|---|
| 29 March 1999 | 3,130,000 | Expired | 31 December 2011 | 3,130,000 |
| 30 July 2001 | 50,000,000 | Expired | 1 July 2015 | 49,634,000 |
| 28 October 2004 | 15,000,000 | 28 October 2009 | 1 July 2020 | 14,296,000 |
| *of which to directors*[1] | *4,000,000* | *28 October 2009* | *1 July 2020* | *3,375,000*[2] |
| 27 June 2007 | 40,000,000 | 27 June 2012 | 1 July 2022 | — |
| **TOTAL** | **108,130,000** | | | **67,060,000** |

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

The schemes were launched with the dual purpose of encouraging loyalty retention among key staff members, i.e. persuading employees with essential and/or critical roles within the Group to stay, 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.

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

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

2 Granted to one former director.

## B. QUANTITATIVE INFORMATION

### *1. Changes during the period*

| | 30/6/08 | | | 31/12/08 | | |
|---|---|---|---|---|---|---|
| | No. of options | Avg. price | Avg. expiry | No. of options | Avg. price | Avg. expiry |
| A. Balance at start of period | 15,022,500 | 13.52 | December 2013 | 14,299,750 | 14.55 | June 2014 |
| B. Additions | | | | | | |
| B.1 New issues | 1,770,000 | 15.14 | November 2015 | 10,311,000 | 11.04 | June 2016 |
| B.2 Other additions | — | — | — | — | — | — |
| C. Reductions | | | | | | |
| C.1Options cancelled | — | — | — | — | — | — |
| C.2 Options exercised | 2,492,750 | 8.81 | — | — | — | — |
| C.3 Options expired | — | — | — | — | — | — |
| C.4 Other reductions | — | — | — | — | — | — |
| D. Balance at end of period | 14,299,750 | 14.55 | June 2014 | 24,610,750 | 13.08 | April 2015 |
| E. Options exercisable as at reporting date | 1,234,750 | 9.90 | May 2012 | 1,934,750 | 9.83 | February 2013 |

# INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG

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Independent auditors' 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 subsidiaries ("Mediobanca Group") as of 31 December 2008, comprising the balance sheet, the profit and loss account, 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 and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

2. Our review was conducted in accordance with auditing standards governing the review of interim financial statements recommended by Consob (the Italian Stock Exchange Regulatory Commission) in its Resolution No. 10867 of 31 July 1997. The review consisted mainly of obtaining information with respect to the accounts included in the financial statements and the consistency of the accounting principles applied through discussions with appropriate members of management, and analytical procedures applied to the financial data presented in such Statements. The review did not include performing auditing procedures such as tests of compliance of internal controls and substantive procedures on assets and liabilities. Consequently, the scope of the review was significantly less than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements of Mediobanca S.p.A. as we do in connection with the audit of the annual consolidated financial statements.

   With respect to the comparative figures as of and for the year ended 30 June 2008 and for the six months ended 31 December 2007, reference should be made to our reports issued respectively on 19 September 2008 and 17 March 2008.

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 S.p.A. as of 31 December 2008 are not prepared, in all material respects, in accordance with IAS 34.

4. The methodology used to determine the reduction in value of investments designated as available for sale is described in the explanatory notes; in particular, in a situation in which the markets are characterised by extremely volatile tendencies, for the quoted equity investments included in this category reference parameters were established and analyses performed based on the information available in order to identify impairment situations and to determine the effective loss in value. Based on this objective evidence impairment losses amounting to Euro 66 million have been accounted for.

Milan, 26 February 2009

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

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

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Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A
Capitale Sociale € 1.402.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CC.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U.
Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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# Annexes

# CONSOLIDATED BALANCE SHEET (IAS/IFRS-compliant)

| | Assets | IAS-compliant 31/12/08 | IAS-compliant 30/6/08 | IAS-compliant 31/12/07 |
|---|---|---|---|---|
| 10. | Cash and cash equivalents | 30.1 | 22.1 | 5.5 |
| 20. | Financial assets held for trading | 12,734.8 | 11,774.4 | 10,342.7 |
| 30. | Financial assets recognized at fair value | — | — | — |
| 40. | AFS securities | 2,985.6 | 3,778.7 | 4,549.4 |
| 50. | Financial assets held to maturity | 582.7 | 578.1 | 585.7 |
| 60. | Due from banks | 6,494.1 | 7,055.9 | 8,682.0 |
| | *of which:* | | | |
| | *other trading items* | *5,221.4* | *5,820.8* | *6,111.9* |
| | *other items* | *200.7* | *6.2* | *0.8* |
| 70. | Due from customers | 39,478.6 | 35,807.0 | 29,936.0 |
| | *of which:* | | | |
| | *other trading items* | *3,457.9* | *2,306.1* | *2,715.7* |
| | *other items* | *457.6* | *124.9* | *29.3* |
| 80. | Hedging derivatives | 1.555.6 | 1,234.3 | 927.0 |
| | *of which:* | | | |
| | *funding hedge derivatives* | *1,441.5* | *947.4* | *854.2* |
| | *lending hedge derivatives* | *20.5* | *15.0* | *6.3* |
| 90. | Value adjustments to financial assets subject to general hedging | — | — | — |
| 100. | Equity investments | 2,642.3 | 2,845.7 | 2,642.9 |
| 110. | Total reinsurers' share of technical reserves | — | — | — |
| 120. | Property, plant and equipment | 314.9 | 312.7 | 299.5 |
| 130. | Intangible assets | 452.1 | 440.6 | 13.8 |
| | *of which:* | | | |
| | *goodwill* | *365.9* | *404.3* | — |
| 140. | Tax assets | 696.4 | 548.0 | 288.3 |
| | *a) current* | *218.8* | *244.1* | *143.4* |
| | *b) advance* | *477.6* | *303.9* | *144.9* |
| 150. | Other non-current and Group assets being sold | — | — | — |
| 160. | Other assets | 111.9 | 70.6 | 332.8 |
| | *of which:* | | | |
| | *other trading items* | *0.1* | *0.2* | *190.0* |
| | **TOTAL ASSETS** | **68,079.1** | **64,468.1** | **58,605.6** |

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

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

| | **Liabilities and net equity** | IAS-compliant 31/12/08 | IAS-compliant 30/6/08 | IAS-compliant 31/12/07 |
|---|---|---|---|---|
| 10. | Due to banks | 13,889.1 | 13,848.9 | 12,248.9 |
| | *of which:* | | | |
| | *other trading items* | *6,698.8* | *4,591.2* | *6,028.4* |
| | *other liabilities* | *12,8* | *49.3* | — |
| 20. | Due to customers | 8,528.6 | 6,096.5 | 5,453.1 |
| | *of which:* | | | |
| | *other trading items* | *1,887.7* | *1,929.1* | *2,740.2* |
| | *other liabilities* | *21.6* | *15.4* | 7.0 |
| 30. | Debt securities | 34,317.4 | 30,427.4 | 26,348.0 |
| 40. | Trading liabilities | 2,683.4 | 3,156.2 | 2,934.5 |
| 50. | Liabilities recognized at fair value | — | — | — |
| 60. | Hedging derivatives | 1,799.4 | 2,736.7 | 2,021.6 |
| | *of which:* | | | |
| | *funding hedge derivatives* | *1,581.9* | *2,713.1* | *1,994.8* |
| | *lending hedge derivatives* | *15.9* | *13.6* | *19.3* |
| 70. | Value adjustments to financial liabilities subject to general hedging | — | — | — |
| 80. | Tax liabilities | 527.9 | 720.9 | 703.2 |
| | *a) current* | *203.7* | *316.9* | *283.5* |
| | *b) deferred* | *324.2* | *404.*0 | *419.7* |
| 90. | Liabilities in respect of Group assets being sold | — | — | — |
| 100. | Other liabilities | 467.3 | 407.6 | 1.310.1 |
| | *of which:* | | | |
| | *other trading items* | — | — | *881.5* |
| | *lendings* | *434.1* | *15.5* | — |
| 110. | Staff severance indemnity provision | 30.0 | 29.2 | 26.1 |
| 120. | Provisions | 173.5 | 180.9 | 158.8 |
| | *a) post-employment and similar benefits* | — | — | — |
| | *b) other provisions* | *173.5* | *180.9* | *158.8* |
| 130. | Technical reserves | — | — | — |
| 140. | Valuation reserves | (541.9) | 112.8 | 488.6 |
| 150. | Shares with right of withdrawal | — | — | — |
| 160. | Equity instruments | — | — | — |
| 170. | Reserves | 3,662.5 | 3,280.2 | 3,635.6 |
| 180. | Share premium reserve | 2,140.0 | 2,140.0 | 2,131.1 |
| 190. | Share capital | 410.0 | 410.0 | 409.5 |
| 200. | Treasury shares | (213.8) | (213.8) | (15.3) |
| 210. | Net equity attributable to minorities | 105.4 | 119.8 | 111.3 |
| 220. | Profit (loss) for the year | 100.3 | 1,014.8 | 640.5 |
| | **TOTAL LIABILITIES AND NET EQUITY** | **68,079.1** | **64,468.1** | **58,605.6** |

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

| | | 6 mths to 31/12/08 | 12 mths to 30/6/08 | 6 mths to 31/12/07 |
|---|---|---|---|---|
| 10. | Interest and similar income | 1,651.5 | 2,615.2 | 1,282.8 |
| 20. | Interest expense and similar charges | (1,243.2) | (1,940.1) | (940.9) |
| **30.** | **Net interest income** | **408.3** | **675.1** | **341.9** |
| 40. | Fee and commission income | 212.4 | 390.0 | 230.7 |
| 50. | Fee and commission expense | (28.2) | (43.4) | (23.6) |
| **60.** | **Net fee and commission income** | **184.2** | **346.6** | **207.1** |
| 70. | Dividends and similar income | 8.6 | 123.1 | 44.6 |
| 80. | Net trading income | 19.0 | 30.7 | 73.4 |
| 90. | Net hedging income (expense) | (5.0) | 7.0 | (8.7) |
| 100. | Gain (loss) on disposal of: | 167.6 | 196.3 | 171.1 |
| | *a) loans and receivables* | — | *0.6* | *0.6* |
| | *b) AFS securities* | *158.8* | *172.6* | *170.0* |
| | *c) financial assets held to maturity* | *0.1* | *(0.2)* | *(0.1)* |
| | *d) other financial liabilities* | *8.7* | *23.3* | *0.6* |
| **120.** | **Total income** | **782.7** | **1,378.8** | **829.4** |
| 130. | Adjustments for impairment to: | (281.2) | (209.8) | (99.7) |
| | *a) loans and receivables* | *(187.1)* | *(202.7)* | *(95.6)* |
| | *b) AFS securities* | *(74.1)* | *(7.5)* | *(4.2)* |
| | *c) financial assets held to maturity* | *0.1* | *0.4* | *0.1* |
| | *d) other financial liabilities* | *(20.1)* | — | — |
| **140.** | **Net income from financial operations** | **501.5** | **1,169.0** | **729.7** |
| 150. | Net premium income | — | — | — |
| 160. | Income less expense from insurance operations | — | — | — |
| **170.** | **Net income from financial and insurance operations** | **501.5** | **1,169.0** | **729.7** |
| 180. | Administrative expenses: | (348.7) | (549.–) | (246.4) |
| | *a) personnel costs* | *(169.2)* | *(280.2)* | *(127.6)* |
| | *b) other administrative expenses* | *(179.5)* | *(268.8)* | *(118.8)* |
| 190. | Net transfers to provisions for liabilities and charges | (0.2) | (27.5) | (3.4) |
| 200. | Net adjustments to property, plant and equipment | (7.4) | (10.8) | (5.2) |
| 210. | Net adjustments to intangible assets | (8.3) | (6.1) | (1.4) |
| | *of which: goodwill* | — | — | — |
| 220. | Other operating income (expenses) | 67.0 | 74.8 | 32.3 |
| **230.** | **Operating costs** | **(297.6)** | **(518.6)** | **(224.1)** |
| 240. | Profit (loss) from equity-accounted companies | (92.0) | 477.8 | 262.1 |
| 270. | Gain (loss) on disposal of investments | — | — | — |
| **280.** | **Profit (loss) before tax on ordinary activities** | **111.9** | **1,128.2** | **767.7** |
| 290. | Income tax on ordinary activities for the year | (12.1) | (103.9) | (121.7) |
| **300.** | **Profit (loss) after tax on ordinary activities** | **99.8** | **1,024.3** | **646.0** |
| 310. | Net gain (loss) on non-current assets being sold | — | — | — |
| **320.** | **Profit (loss) for the year** | **99.8** | **1,024.3** | **646.0** |
| 330. | Profit (loss) for the year attributable to minorities | 0.5 | (9,5) | (5,5) |
| **340.** | **Net profit (loss) for the year attributable to Mediobanca** | **100.3** | **1,014.8** | **640.5** |

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

– *Net interest income* includes the total reported under Heading 90, plus margins on swaps reported under Heading 80 amounting to €22m, €61.3m and €28.7m respectively, net of interest expense on securities lending operations of €0.5m, €1.9m and €1.5m 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 €25.4m, €23.5m and €8.1m respectively which net operating costs; net transfers to provisions for liabilities and charges include €22.7m accounted for at the balance-sheet date as *Extraordinary provisions*.

– In addition to the items already stated, *Net trading income* also includes the amounts reported under Headings 70, 80 and 100.

– *Provisions for financial assets* include the amount reported under the AFS heading plus writedowns of €207.1m to equity investments as at 31 December 2008.

# MEDIOBANCA S.p.A. BALANCE SHEET

| | Assets | IAS-compliant 31/12/08 | IAS-compliant 30/6/08 | IAS-compliant 31/12/07 |
|---|---|---|---|---|
| 10. | Cash and cash equivalents | 0.1 | — | *0.1* |
| 20. | Financial assets held for trading | 11,415.6 | 10,656.9 | 9,710.3 |
| 40. | AFS securities | *2,438.5* | 2,846.7 | 3,911.1 |
| 50. | Financial assets held to maturity | 581.0 | 577.4 | 584.9 |
| 60. | Due from banks | 11,347.7 | 11,676.3 | 13,062.5 |
| | *of which:* | | | |
| | *other trading items* | *4,806.6* | *5,557.6* | *5,890.8* |
| | *other items* | *205.6* | *13.5* | *3.8* |
| 70. | Due from customers | 25,682.1 | 20,460.8 | 18,483.5 |
| | *of which:* | | | |
| | *other trading items* | *4,181.3* | *2,232.6* | *2,614.1* |
| | *other items* | *464.9* | *72.4* | *16.2* |
| 80. | Hedging derivatives | 1.663.1 | 1,188.3 | 937.9 |
| | *of which:* | | | |
| | *funding hedge derivatives* | *1.572.7* | *988.9* | *881.4* |
| | *lending hedge derivatives* | *20.5* | *15.0* | *6.4* |
| 100. | Equity investments | 2,553.0 | 2,722.4 | 1,677.9 |
| 120. | Property, plant and equipment | 118.4 | 119.0 | 118.8 |
| 130. | Intangible assets | 3.8 | 2.6 | 2.2 |
| | *of which:* | | | |
| | *goodwill* | — | | |
| 140. | Tax assets | 222.4 | 183.3 | 126.8 |
| | *a) current* | *100*.0 | *45.5* | *21.5* |
| | *b) advance* | *122.4* | *137.8* | *105.3* |
| 160. | Other assets | 20.6 | 9.0 | 204.8 |
| | *of which:* | | | |
| | *other trading items* | — | — | *190*.0 |
| | **TOTAL ASSETS** | **56,046.3** | **50,442.7** | **48,820.8** |

The balance sheet provided on p. 34 reflects the following restatements:

- *Treasury funds* comprises asset headings 10 and 20 and liability heading 40, plus the "other trading items" shown under asset headings 60, 70 and 150 and liability headings 10, 20 and 100, which chiefly consist of repos, interbank accounts and margins on derivatives;
- *Funding* comprises the balances shown under liability headings 10 and 20 (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) and the relevant amounts of asset heading 80 and liability heading 60 in respect of hedging derivatives.

| | **Liabilities and net equity** | IAS-compliant 31/12/08 | IAS-compliant 30/6/08 | IAS-compliant 31/12/07 |
|---|---|---|---|---|
| 10. | Due to banks | 11,093.3 | 7,620.5 | 10,032.7 |
| | *of which:* | | | |
| | *other trading items* | *6,712.1* | *4,591.1* | *6,028.4* |
| | *other liabilities* | *22.9* | *49.2* | *0.3* |
| 20. | Due to customers | 3,768.6 | 2,148.4 | 3,003.0 |
| | *of which:* | | | |
| | *other trading items* | *1,885.7* | *1,921.0* | *2,740.2* |
| | *other liabilities* | *50.5* | *8.1* | *7.0* |
| 30. | Debt securities | 31,859.7 | 28,790.3 | 23,544.2 |
| | *other liabilities* | — | — | *0.2* |
| 40. | Trading liabilities | 2,727.3 | 3,089.6 | 2,941.4 |
| 60. | Hedging derivatives | 1,747.5 | 2,754.4 | 2,025.8 |
| | *of which:* | | | |
| | *funding hedge derivatives* | *1,717.4* | *2,740.2* | *1,999.0* |
| | *lending hedge derivatives* | *15.9* | *13.6* | *19.3* |
| 80. | Tax liabilities | 354.9 | 525.4 | 531.3 |
| | a) current | *109.3* | *217.0* | *185.1* |
| | b) deferred | *245.6* | *308.4* | *346.2* |
| 100. | Other liabilities | 146.4 | 102.6 | 1,043.9 |
| | *of which:* | | | |
| | *other trading items* | — | — | *881.5* |
| | *other items* | *85.7* | — | *133.2* |
| 110. | Staff severance indemnity provision | 11.1 | 10.7 | 11.7 |
| 120. | Provisions | 150.8 | 150.8 | 150.8 |
| | a) *post-employment and similar benefits* | — | — | — |
| | b) *other provisions* | *150.8* | *150.8* | *150.8* |
| 140. | Valuation reserves | (431.5) | 57.7 | 463.3 |
| 170. | Reserves | 2,339.8 | 2,233.1 | 2,228.3 |
| 180. | Share premium reserve | 2,140.0 | 2,140.0 | 2,131.1 |
| 190. | Share capital | 410.0 | 410.0 | 409.5 |
| 200 | Treasury shares (–) | *(213.4)* | (213.4) | (14.8) |
| 220. | Profit (loss) for the period | (58.2) | 622.6 | 318.6 |
| | **TOTAL LIABILITIES AND NET EQUITY** | **56,046.3** | **50,442.7** | **48,820.8** |

## MEDIOBANCA S.p.A. PROFIT AND LOSS ACCOUNT

| | Profit and loss account | 6 mths to 31/12/08 | 12 mths to 30/6/08 | 6 mths to 31/12/07 |
|---|---|---|---|---|
| 10. | Interest and similar income | 1,107.9 | 1,804.6 | 874.0 |
| 20. | Interest expense and similar charges | (1,003.0) | (1,624.4) | (783,2) |
| **30.** | **Net interest income** | **104.9** | **180.2** | **90.8** |
| 40. | Fee and commission income | 104.9 | 281.8 | 182.3 |
| 50. | Fee and commission expense | (3.1) | (18.8) | (11.8) |
| **60.** | **Net fee and commission income** | **101.8** | **263.0** | **170.5** |
| 70. | Dividends and similar income | 8.6 | 310.0 | 44.6 |
| 80. | Net trading income | 11.2 | 12.5 | 67.1 |
| 90. | Net hedging income (expense) | (4.3) | 7.2 | (10.4) |
| 100. | Gain (loss) on disposal of: | 166.9 | 194.0 | 170.0 |
| | *a) loans and receivables* | — | — | — |
| | *b) AFS securities* | *158.5* | *171.8* | *169.6* |
| | *c) financial assets held to maturity* | *(0.1)* | *(0.2)* | *(0.1)* |
| | *d) other financial liabilities* | *8.3* | *22.4* | *0.5* |
| **120.** | **Total income** | **389.1** | **966.9** | **532.6** |
| 130. | Adjustments for impairment to: | (118.9) | (30.3) | (14.4) |
| | *a) loans and receivables* | *(24.7)* | *(22.8)* | *(10.2)* |
| | *b) AFS securities* | *(74.1)* | *(7.5)* | *(4.2)* |
| | *c) financial assets held to maturity* | — | — | — |
| | *d) other financial liabilities* | *(20.1)* | — | — |
| **140.** | **Net income from financial operations** | **270.2** | **936.6** | **518.2** |
| 150. | Administrative expenses: | (125.5) | (246.6) | (116.1) |
| | *a) personnel costs* | *(86.5)* | *(160.0)* | *(73.4)* |
| | *b) other administrative expenses* | *(39.0)* | *(86.6)* | *(42.7)* |
| 160. | Net transfers to provisions for liabilities and charges | — | — | — |
| 170. | Net adjustments to property, plant and equipment | (1.5) | (3.0) | (1.5) |
| 180. | Net adjustments to intangible assets | (1.1) | (1.9) | (0.4) |
| | *of which: goodwill* | — | — | — |
| 190. | Other operating income (expenses) | 7.0 | 9.6 | 1.6 |
| **200.** | **Operating costs** | **(121.1)** | **(241.9)** | **(116.4)** |
| 210. | Profit (loss) from equity investments | (170.3) | — | — |
| 240. | Gain (loss) on disposal of investments | — | — | — |
| **250.** | **Profit (loss) before tax on ordinary activities** | **(21,.2)** | **694.7** | **401.8** |
| 260. | Income tax on ordinary activities for the year | (37.0) | (72.1) | (83.2) |
| **270.** | **Profit (loss) after tax on ordinary activities** | **58.2** | **622.6** | **318.6** |
| **290.** | **Net profit (loss) for the period** | **58.2** | **622.6** | **318.6** |

The profit and loss account reported on p. 33 reflects the following restatements:

– *Net interest income* includes the total reported under Heading 90, plus margins on swaps reported under Heading 80 amounting to €16.8m, €57.8m and €27.5m respectively, net of interest expense on securities lending operations of €0.5m, €1.9m and €1.5m respectively accounted for as *Net trading income*;

– Amounts under Heading 190 have been restated as *Net fee and commission income*, save for amounts refunded/recovered amounting to €0.3m, €3.4m and €4.4m respectively which net operating costs;

– In addition to the items already stated, *Net trading income* also includes the amounts reported under Headings 70, 80 and 100.

– Amounts reported under Heading 210 have been restated as *Provisions for financial assets*.

TABLE

## SIGNIFICANT INVESTMENTS AS DEFINED IN ARTICLE 120, PARAGRAPH 3 OF ITALIAN LEGISLATIVE DECREE 58/98 AND ARTICLE 126 OF CONSOB REGULATION 11971/99

| Name, registered office and share capital | Shareholding | | | | |
|---|---|---|---|---|---|
| | Shares held directly* | | Shares held indirectly* | | Shares held via: |
| | No. of shares/units | % | No. of shares/units | % | |
| *Directly-controlled subsidiaries* | | | | | |
| COMPASS S.p.A. - Milan<br>Share capital: €587.5m, par value €5 per share | 117,500,000 | 100.00 | — | — | — |
| COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A. - Monte Carlo<br>Share capital: €111.1m, par value €200 per share | 555,536 | 100.00 | — | — | — |
| CONSORTIUM S.R.L. - MILAN<br>Share capital: €8.6m | 1 | 100.00 | — | — | — |
| MEDIOBANCA INTERNATIONAL (Luxembourg) S.A. - Luxembourg<br>Share capital: €10m, par value €10 per share | 990,000 | 99.00 | 10,000 | 1.00 | Compass |
| MEDIOBANCA SECURITIES USA LLC. - NEW YORK<br>Share capital: $ 250,000 | 1 | 100.00 | — | — | — |
| PROMINVESTMENT S.p.A. - Rome (in liquidation)<br>Share capital: €743,000, par value €0.52 per share | 1,428,571 | 100.00 | — | — | — |
| PRUDENTIA FIDUCIARIA S.p.A. - Milan<br>Share capital: €100,000, par value €5 per share | 20,000 | 100.00 | — | — | — |
| RICERCHE E STUDI S.p.A. - Milan<br>Share capital: €100,000, par value €5 per share | 20,000 | 100.00 | — | — | — |
| SADE FINANZIARIA - INTERSOMER S.r.l. - Milan<br>Share capital: €25,000 | 1 | 100.00 | — | — | — |
| SETECI - Società per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.c.p.A. - Milan<br>Share capital: €500,000, par value €5 per share | 99,996 | 99.99 | 1<br>1<br>1 | n.m.<br>n.m.<br>n.m. | CheBanca!<br>Compass<br>Cofactor |
| SPAFID S.p.A. - Milan<br>Share capital: €100,000, par value €10 per share | 10,000 | 100.00 | — | — | — |
| TECHNOSTART S.p.A. - Milan<br>Share capital: €600,000, par value €0.50 per share | 828,000 | 69.00 | — | — | — |
| *Indirectly-controlled subsidiaries* | | | | | |
| CHEBANCA! S.p.A. - Milan<br>Share capital: €170m, par value €0.50 per share | — | — | 340,000,000 | 100.00 | Compass |
| COFACTOR S.p.A. - Milan<br>Share capital: €32.5m, par value €0.50 per share | — | — | 65,000,000 | 100.00 | Compass |
| CREDITECH S.p.A. - Milan<br>Share capital: €250,000, par value €1 per share | — | — | 250,000 | 100.00 | Compass |

* Securities owned.

| Name, registered office and share capital | Shareholding | | | | |
|---|---|---|---|---|---|
| | Shares held directly* | | Shares held indirectly* | | Shares held via: |
| | No. of shares/units | % | No. of shares/units | % | |
| DUCATI FINANCIAL SERVICES - Milan<br>Share capital: €600,000 | — | — | 1 | 50.00 | Compass |
| QUARZO S.R.L. - Milan<br>Share capital: €10,000, par value per stock unit €1 | — | — | 9,000 | 90.00 | Compass |
| FUTURO S.p.A. - Milan<br>Share capital: €4.8m, par value per share €0.60 | — | — | 8,000,000 | 100.00 | Compass |
| SELMABIPIEMME LEASING S.p.A. - Milan<br>Share capital: €41.3m, par value per share €0.50 | — | — | 49,564.777 | 60.00 | Compass |
| PALLADIO LEASING S.p.A. - Vicenza<br>Share capital: €8.7m, par value per share €0.50 | —<br>— | —<br>— | 16,482,500<br>867,500 | 95.00<br>5.00 | SelmaBipiemme<br>Palladio Leasing |
| QUARZO LEASE S.R.L. - Milan<br>Share capital: €10,000, par value per stock unit €1 | — | — | 9,000 | 90.00 | SelmaBipiemme |
| TELELEASING S.p.A. - Milan<br>Share capital: €9.5m, par value per share €1 | — | — | 7,600,000 | 80.00 | SelmaBipiemme |
| C.M.B. Asset Management - Monte Carlo<br>Share capital: €150,000, par value per share €150 | — | — | 994 | 99.40 | CMB S.A. |
| C.M.I. Compagnie Monégasque Immobilière - SCI<br>Monte Carlo<br>Share capital: €2.4m, par value per share €1,525 | — | — | 1,599<br>1 | 99.94<br>0.06 | CMB S.A.<br>C.M.G.S.A.M. |
| C.M.G. Compagnie Monégasque de Gestion S.A.M. -<br>Monte Carlo<br>Share capital: €600,000, par value per share €160 | — | — | 997 | 99.70 | CMB S.A. |
| COMOBA S.A. - Lugano<br>Share capital: CHF 5m, par value per share CHF 1,000 | | | 5,000 | 100.00 | CMB S.A. |
| SMEF Soc. Monégasque des Etudes Financière S.A.M. -<br>Monte Carlo<br>Share capital: €775,000, par value per share €155 | — | — | 4,996 | 99,92 | CMB S.A. |
| MONOECI Soc. Civile Immobilière - Monte Carlo<br>Share capital: €1,600, par value per share €15.5 | — | — | 99<br>1 | 99.00<br>1.00 | CMB S.A.<br>C.M.G.S.A.M. |
| MOULINS 700 S.A. - Monte Carlo<br>Share capital: €1,600, par value per share €160 | — | — | 999 | 99.90 | C.M.I. SCI |

* Securities owned.

| Name, registered office and share capital | Shareholding | | | | |
|---|---|---|---|---|---|
| | Shares held directly* | | Shares held indirectly* | | Shares held via:: |
| | No. of shares/units | % | No. of shares/units | % | |
| *Other significant shareholdings* | | | | | |
| APE SGR S.P.A. - Milan<br>Share capital: €1.1m, par value per share €1 | 440,000 | 40.00 | — | — | — |
| ATHENA PRIVATE EQUITY S.A. - Luxembourg<br>Share capital: €51.2m, par value per share €2 | 6,114,460 | 23.88 | — | — | — |
| BANCA ESPERIA S.p.A. - Milan<br>Share capital: €13m, par value per share €0.52 | 12,125,000 | 48.50 | — | — | — |
| BURGO GROUP S.p.A. - Altavilla Vicentina<br>Share capital: €205.4m, par value per share €0.52 | 87,442,365 | 22.13 | — | — | — |
| TELCO S.P.A. – Milan<br>Share capital: €4,849m, par value per share €2.5 | 206,464,495 | 10.64 | — | — | — |
| FIDIA - Fondo Interbancario d'Investimento Azionario SGR S.p.A. - Milan<br>Share capital: €11.4m, par value per share €520 | 5,500 | 25.00 | — | — | — |
| GB Holding S.r.l. – Montecchio Maggiore (VI)<br>Share capital: €97,000 | 48,394 | 49.90 | | | |
| LU-VE S.p.A. - Varese<br>Share capital: €9m, par value per share €360 | 5,000 | 20.00 | | | |
| ISTITUTO EUROPEO DI ONCOLOGIA S.r.l. - Milan<br>Share capital: €79.1m | 1 | 15.06 | — | — | — |
| MB VENTURE CAPITAL FUND I PART. CO. A N.V. - Amsterdam<br>Share capital: €50,000, par value per share €1 | 22,500 | 45.00 | — | — | — |
| SINTERAMA S.p.A. – Sandigliano<br>Share capital: €45.2m, par value per share €0.51 | 9,324,456 | 10.51 | — | — | — |
| ZAMBIA TANZANIA ROAD SERVICES Ltd - Lusaka (in liquidation)<br>Share capital: Kwacha 4 million, par value per share Kwacha 200 | 4,667 | 23.33 | — | — | — |
| MB VENTURE CAPITAL S.A. - Luxembourg<br>Share capital: €40,000, par value per share €10 | — | — | 1,400 | 35.00 | Technostart |

* Securities owned.

[1] Sold in July 2008.

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

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1. The undersigned Alberto Nagel and Massimo Bertolini, in their respective capacities as Chief Executive Officer and Head of Financial Reporting of Mediobanca, hereby declare, and in view *inter alia* of the provisions contained in Article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree 58/98, that:

   — the company's characteristics are adequate; and that

   — the administrative and accounting procedures required for the financial statements to be drawn up were effectively applied during the six months ended on 31 December 2008.

2. Assessment of the adequacy of said administrative and accounting procedures for the financial statements for the six months ended 31 December 2008 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 consolidated 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;

   — corresponds to the data recorded in the company's books and account ledgers;

   — have been drawn up in accordance with the *International Financial Reporting Standards* adopted by the European Union and the implementation measures contained in Article 9 of Italian Legislative Decree 38/05, and 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 review of operations contains reliable analysis of the Group's operating performance and results, and of the situation of Mediobanca S.p.A. and the group of companies comprised within its area of consolidation, along with a description of the main risks and uncertainties to which it is exposed.

Milan, 24 February 2009.

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