



MEDIOBANCA

**Basel III pillar 3
Disclosure to the public**

Situation as at 30 June 2014



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Introduction

The regulations governing banking supervision have been revised with the issue of Capital Requirements Directive IV and the Capital Requirements Regulation (CRD IV/CRR), which have been incorporated into Italian legislation under Bank of Italy circular no. 285 issued in December 2013. The body of regulations on prudential supervision and corporate governance of banks has incorporated the changes made by the Basel Committee with its “Global regulatory framework for more resilient banks and banking systems”.

The prudential regulatory structure remains based around three so-called “pillars”:

- ◆ *“Pillar 1” introduces a capital requirement to manage typical risks of banking and financial activity, which involves the use of alternative methodologies to calculate capital requirements;*
- ◆ *“Pillar 2” requires banks to equip themselves with a strategy and process for controlling current and future capital adequacy;*
- ◆ *“Pillar 3” introduces obligations of disclosure to the public aimed at allowing market operators to make a more accurate assessment of banks’ capital solidity and exposure to risks.*

With this document the Mediobanca Group (the “Group”) intends to provide the market with information regarding its own capital adequacy, exposure to risks, and the general characteristics of the systems put in place to identify, measure and manage such risks.

The document follows the articles contained in Part 8 of the CRR, to provide qualitative and quantitative information where this is considered to be applicable to the Group, within the term set for the annual financial statements to be published; unless otherwise stated, the figures shown are in thousands of Euros.

The Group updates the document on its website at www.mediobanca.it.



Section 1 - General disclosure requirement

Qualitative information

Introduction

The Group has equipped itself with a system for managing and controlling risks which is structured around the various organizational areas involved, to ensure the best possible coverage of significant risks to which the Group is or might be exposed, and at the same time to guarantee each unit's operations are consistent with their own propensity to risk as laid down in the Risk Appetite Framework ("RAF")¹ process and the Internal Capital Adequacy Assessment Process or ICAAP (Circular 263 - Section III). In particular, in the course of the ICAAP the governing bodies assess the Group's exposure to the various significant risks, both present and future, taking into account both strategies and developments in the reference scenario.

Group risk control and management system

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

The Board of Directors, in view in particular of its role of strategic supervision, approves strategic guidelines and directions, business and financial plans, budgets, and risk management and internal control policies. The Board of Directors also assesses the adequacy of the Bank's organizational, administrative and accounting structure annually, with particular attention being paid to the internal control system and management of conflicts of interest.

The Executive Committee is responsible for managing the ordinary activities of the bank and for coordinating and directing the Group companies without prejudice to those issues for which the Board of Directors has sole jurisdiction.

The Control and Risks Committee assists the Board of Directors, having duties of consultation and enquiry in particular with respect to the Bank's system of internal control and risk management, and the structure of its IT and financial reporting organization. With reference to risk management, the committee:

- ◆ performs monitoring, instruction and support activities to the Board of Directors with respect to the supervision of risk management policies, including compliance with applicable regulations, and ensuring these are consistent with the strategic guidance set;
- ◆ regularly reviews the functioning and efficiency of the system and procedures for controlling and managing risks, reporting back to the Board on these issues;
- ◆ reviews plans for calculating the adequacy of the Bank's aggregate capital, current and estimated, at the consolidated level in view of the large risks to which the Bank and Group are exposed (ICAAP) reporting back to the Board on this issue.

With reference to the structure of the Bank's IT and financial reporting organization, the Control and Risks Committee assesses the compliance of decisions taken by the Head of Company Financial Reporting, the external auditors and the Board of Directors in respect of the correct application of accounting standards with primary and secondary regulations, their consistency for purposes of drawing up individual and consolidated financial statements, and generally serves in an advisory

¹ The Risk Appetite Framework was approved by the Board of Directors on 4 July 2014. It identifies the risks which the Bank is prepared to take on and defines for each risk the objectives and limits in normal and stressed conditions, identifying the necessary action in operational terms to bring the risk taken on back within the set objective. The framework is based on assessment of the principal risk drivers to which the Bank's results are exposed, both macroeconomic and specific. The RAF is subject to continuous fine-tuning and adjustment, as the metrics and analysis methodologies adapt, the regulations and corporate processes with which it is integrated continue to develop.



capacity to assist the Board of Directors in taking the decisions for which it has responsibility on matters of financial documents.

The Chief Executive Officer implements the ICAAP process.

The Statutory Audit Committee monitors the system for managing and controlling risks and the internal controls system, assessing the effectiveness of all structures and units and also their co-ordination, and supervises the ICAAP process.

The following committees have specific powers in the processes of taking, managing, measuring and controlling risks, as part of the parent company's risk management system:

- ◆ Risks Committee and Delegated Risks Committee for credit, issuer and market risk;
- ◆ Investments Committee, for investments held and banking book equities;
- ◆ New Opportunities Committee, for advance assessment of new opportunities and the entrance in new sectors;
- ◆ Operational Risks Committee, for management of operational risks in terms of monitoring risk profile and defining mitigation actions;
- ◆ ALM Committee, for monitoring Group ALM risk taking and management policy (treasury and funding) and approving the methodologies for measuring exposure to liquidity and interest rate risk.

Even though risk management is the responsibility of all units, the **Risk Management** is responsible for identifying and implementing an effective risk management process across the board.

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

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

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



- ◆ monitoring the ALM position at the Group level;
- ◆ estimating net interest income and the sensitivity indicators for the banking (and non-banking) book;
- ◆ monitoring compliance with the liquidity policy and the contingency funding plan (in conjunction with the Risk Management unit);
- ◆ measuring the liquidity indicators and monitoring compliance with the relevant limits, by means of the established reporting flows.

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

- ◆ checking and ensuring that the Bank's and the Group's activities are compliant with legal and regulatory requirements, with reference specifically to regulations on banking activity and the provision of investment services and on market abuse, handling operating relations with the relevant authorities;
- ◆ implementing the requisite measures and instruments to ensure that risks associated with management of conflicts of interest are controlled effectively;
- ◆ operating duties, proposing organizational and procedural changes to ensure that the risks of non-compliance are adequately covered and preparing flows of information to the governing bodies and the units involved;
- ◆ providing assistance to the units of the Bank and Group companies in operating issues, including through explanatory circulars or reports on relevant regulatory aspects, ensuring a continuous and up-to-date flow of information on developments in the domestic and international regulatory framework;
- ◆ reporting duties, preparing regular reports for the governing bodies on the activities carried out and in all instances of failure to comply with regulations, and highlighting new compliance risks as well as possible corrective action.

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

The Group Audit Unit provides internal auditing services for the whole Mediobanca Group, in accordance with the provisions of the "New prudential supervisory instructions for banks",² "Supervisory instructions for registered financial intermediaries"³, and the "Joint Consob - Bank of Italy regulations".⁴ Its duties include in particular:

defining the audits to be carried out, in accordance with the audit methodology adopted, and preparing three-year and annual audit plans;

checking, among other things:

² Bank of Italy circular no. 263 issued on 27 December 2006 - 15th update issued on 2 July 2013, "New Prudential supervisory instructions on internal control systems, IT systems and business continuity".

³ Bank of Italy circular no. 216 issued on 5 August 1996 as amended - Part 1 Chapter 6 Section II - "2. Internal controls system".

⁴ Bank of Italy/Consob measure issued on 29 October 2007 - "Regulations on organization and procedures of intermediaries providing investment or collective savings management services".



- ◆ that the company's various activities are being performed correctly and that the related risk progression is regular, both at headquarters and the various branch offices;
- ◆ monitoring of compliance with the regulations to which the business is subject, at all company levels;
- ◆ compliance, in the various sectors of operation, with the limits instituted by the authorization mechanisms, and full and correct use of the information available in the various activities;
- ◆ the effectiveness of the powers of the units responsible for controlling risks to provide prior opinions on most significant transactions and their consistency with the RAF;
- ◆ the adequacy and correct functioning of the processes and methodologies for valuing company businesses;
- ◆ the adequacy, overall reliability and security of the information system;
- ◆ the removal of irregularities detected in operations and in the functioning of controls ("follow-up");

ascertaining that the conduct of individual Group companies is consistent with the guidelines issued by Mediobanca S.p.A.

carrying out audits in respect of specific irregularities if requested by the governing bodies and/or senior management;

regular reporting to management on the audit activities performed and their results, by sending specific reports;

preparing regular summary reports for the governing bodies, describing the principal results to emerge from the audits carried out, suggestions made and any corrective measures undertaken.

With reference to the internal control system in the area of corporate information, the **Head of company financial reporting** institutes adequate administrative and accounting procedures for the preparation of the financial statements, statutory and consolidated. The relevant bodies and the Head of company financial reporting issue the statements regarding the company's capital, earnings and financial situation required by law.

Strategies and procedures for managing significant risks

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

In particular, the types of risk requiring monitoring and management are credit risk, counterparty risk, credit value adjustment risk ("CVA"), market risks, operational risk, concentration risk, expected shortfall on loan portfolio risk, interest rate risk on the banking book, liquidity risk, residual risk, strategic risk, compliance risk, reputational risk, risks deriving from securitizations, basis risk, country risk, transfer risk and excessive financial leverage risk.

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

Credit risk

Credit risk refers to the risk of losses being incurred through defaults by borrowers in respect of cash and off-balance-sheet assets held in the banking book. The Group has implemented different



credit management processes to reflect the specific features of the businesses carried out by the various product companies.

While adopting the standardized methodology defined by the supervisory provisions in force for calculating regulatory capital, the Group has also internal rating models for operating purposes for the following customer segments: Banks, Insurances, Large corporates and Holding companies (customers mostly targeted by Mediobanca S.p.A.), Mid-corporate and Small businesses (customers targeted mostly by the leasing companies), and Private individuals (targeted by Compass for consumer credit and CheBanca! for mortgage lending).

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

Corporate lending (Mediobanca)

The Group's internal system for managing, evaluating and controlling credit risk reflects its traditional policy based on a prudent and highly selective approach. Lending decisions are based on individual analysis, which builds on adequate and often extensive knowledge of the borrower's business, assets and management, as well as the macro-economic framework in which it operates. At the analysis stage, all relevant documentation is obtained to be order to appraise the borrower's credit standing and define the appropriate remuneration for the risk being assumed. The analysis also includes an assessment of the duration and amount of the loans being applied for, the provision of appropriate guarantees, and the use of covenants in order to prevent deteriorations in the counterparty's credit rating.

With reference to the correct application of credit risk mitigation techniques, specific activities are implemented to define and meet all the requirements to ensure that the real and personal guarantees have the maximum mitigating effects on the exposures, *inter alia* to obtain a positive impact on the Bank's capital ratios.

For the assumption of credit risk, all counterparties must be analysed and where possible assigned an internal rating, which takes into account the specific quantitative and qualitative characteristics of the counterparty concerned.

Loans originated by the business divisions are assessed by the Risk Management unit and regulated in accordance with the powers deliberated through the different operating levels. If successful, the applications are submitted for approval to the relevant bodies, i.e. the Board of Directors, Executive Committee, Risks Committee and Delegated Risks Committee, depending on the nature of the counterparty, its credit standing based on internal ratings, and on the amount of finance required.

The Credit Risk Management unit carries out a review of the ratings assigned to the counterparties at least once a year. Approved loans must also be confirmed by the approving body at at least the same intervals, in accordance with the limits established by the Executive Committee's resolution in respect of operating powers.

Any deterioration in the risk profile of either the loan or the borrower's rating are brought swiftly to the management's attention.

In terms of monitoring the performance of individual credit exposures, Mediobanca adopts an early warning methodology to identify a list of counterparties (known as the "watchlist") requiring indepth analysis on account of their potential or manifest weaknesses. The exposures identified are then classified by level of alert (green, amber or red for performing accounts, black for non-performing items) and are reviewed in the course of meetings held regularly to identify the most appropriate mitigation actions to be taken.



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.

Applications for smaller amounts are approved using a credit scoring system developed on the basis of historical series of data, tailored to both asset type and the counterparty's legal status (type of applicant company).

Sub-standard accounts are managed in a variety of ways which prioritize either recovery of the amount owed or the asset under lease, according to the specific risk profile of the account concerned. All non-performing accounts are tested analytically to establish the relative estimated loss against the value of the security provided taken from the results of valuations updated regularly and revised downwards on a prudential basis, and/or any other form of real guarantees issued. Other performing accounts are measured individually on the basis of statistics according to internal ratings and distinguished by their degree of riskiness.

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 companies' Boards 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, or legal recovery action). After six rate overdue instalments (or four in particular cases, such as credit cards), accounts are held to be officially in default, and the client is deemed to have lapsed from the time benefit allowed under Article 1186 of the Italian Civil Code. As from the six months after such lapse has been ascertained, these accounts are sold to factoring companies (including Creditech), for a percentage of the value of the principal outstanding, which reflects their estimated realizable value.

Mortgage lending (CheBanca!)

Mortgage applications are processed and approved centrally at head office. Approval depends partly on the outcome of a credit scoring system, implemented on the basis *inter alia* of an internal rating model, 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.

Properties established as collateral are subject to a statistical revaluation process which is carried out once a quarter. If the review shows a significant reduction in the value of the property, a new valuation is carried out by an independent expert.

Irregular accounts are managed through monthly reports analysing the characteristics of the the accounts in order to flag up promptly any potential problem areas using advanced early warning systems linked to public and private databases.

Procedurally mortgage loans with four or more unpaid instalments are designated as sub-standard accounts, and generally after the eighth or ninth unpaid instalment become non-performing. Impaired accounts are managed, for out-of-court credit recovery procedures, by a dedicated



organizational structure with the help of external collectors (including Creditech). If further signs of deterioration are noted, property enforcement procedures are instigated through external lawyers.

* * *

The Group uses credit risk mitigation techniques, in accordance with the provisions of the CRR (Part 3 Title II Section IV) for banks which use the standardized calculation methodology.

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

Further information on the credit risk mitigation techniques used is provided in Section 7.

Credit Value Adjustment risk (“CVA”)

With reference to the capital requirement for CVA, defined as adjustment to the mid-market valuation of the portfolio of transactions with a counterparty, the Group has applied the standardized methodology provided for by Article 384 of the CRR, considering all counterparties with and without CSA.

Counterparty risk

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

This is measured in terms of expected potential market value, thus doing away with the need to set arbitrary weightings for each type of fund employed. As far as regards derivatives and loan collateralization products (repos and securities lending), the calculation is based on determining the maximum potential exposure (assuming a 95% confidence level) at various points on a time horizon that reaches up to 30 years. The scope of application regards all groups of counterparties which have relations with Mediobanca, taking into account the existence or otherwise of netting agreements (e.g. ISDA, GMSLA or GMRA) and collateralization (e.g. CSA), plus exposures deriving from interbank market transactions. For each type of operations there are different ceilings split by counterparty and/or group. Finally, for medium- or long-term collateralized loans or stocks with reduced liquidity and/or high correlation with the counterparty, the exposure is measured via an ad hoc metric, which estimates combined default scenarios (i.e. counterparty and collateral) and particularly stressed conditions for disposing of securities.

Market risk

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

The market risks facing the Group are concentrated almost entirely at the parent company level. Mediobanca’s exposure to price risk on the trading book is measured on a daily basis by calculating two main indicators:

- ◆ sensitivity (the so-called “Greeks”) to minor changes in risk factors (such as interest rates, share prices, exchange rates, credit spreads, inflation and volatility);
- ◆ value-at-risk,¹ calculated on the basis of expected volatilities and the correlations between the risk factors concerned, updated daily, assuming a disposal period of a single trading day and a confidence level of 99%.

Such analysis regards not just the trading book but the Bank’s entire asset structure, including the banking book but net of the equity investments. Analysis of VaR takes into consideration risks



deriving from changes in market interest rates and credit spreads for positions in bonds and hedge derivatives.

In addition to these metrics, *ad hoc* indicators are compiled to capture tail risks not measured by VaR, and stress tests carried out on the main risk factors, to show the impact which significant movements in the main market variables (such as share prices and interest or exchange rates) might have, calibrated on the basis of the most pronounced historical oscillations.

In order to monitor the various business units' operations, limits have been introduced on sensitivities to movements of different factors as well as the value-at-risk. In the latter case, the indicator used to check the limits is calculated by using Monte Carlo simulations, along with historical simulations for indicative purposes.² This measurement is also used to calculate the expected shortfall, which measures average loss in 1% of the most unfavourable scenarios.

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

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

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

Operational risk

Operational risk is the risk of incurring losses as a result of the inadequacy or malfunctioning of procedures, staff and IT systems, human error or external events.

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

The processes of identifying, assessing (including through self-risk assessment techniques), collecting and analysing loss data and mitigating operational risks are defined and implemented on the basis of the Operational risk management policy adopted at Group level and applied in accordance with the principle of proportionality in Mediobanca S.p.A. and the individual Group companies.

Based on the evidence obtained, action to mitigate the most relevant operational risks has been proposed, implemented and monitored on a constant basis.

In general, the operating losses recorded have been very low, accounting for less than 1% of the Group's total revenues.

Furthermore, with reference to the possibility of losses caused by interruptions in operations or systems being unavailable, the Group, anche in seguito alla costituzione di a centralized IT governance unit, is in the process of developing operating continuity and disaster recovery plans to ensure that activity can continue and to limit operating losses in the event of serious interruptions.

Interest rate risk on the banking book

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

The Mediobanca Group monitors and manages interest rate risk by analysing the sensitivity of net interest income, and the sensitivity of the economic value of the banking book. The first type of sensitivity analysis quantifies the impact of a parallel, instantaneous 100 basis point change in the interest rate curve, over a time horizon of twelve months on current profits. The second type of sensitivity is calculated by comparing the discounted value of estimated cash flows obtained with



the return curve at the current date and the value obtained using a return curve increased or reduced by 100 basis points (“parallel shock”).

Mediobanca also uses hedges to neutralize possible losses that may be incurred on a given asset or liability, due to the volatility of a certain financial risk factor (interest rate, exchange rate, credit or some other risk parameter), through the gains that may be realized on a hedge instrument which allow the changes in fair value or cash flows to be offset. For fair value hedges in particular, the Group seeks to minimize the financial risk on interest rates by bringing the entire interest-bearing exposure in line with Euribor (generally Euribor 3 months):⁵

Fair value hedges - these are used to neutralize exposure to interest rate, price or credit risk for particular asset or liability positions, via derivative contracts entered into with leading counterparties with high credit standings. All fixed-rate, zero coupon and structured bond issues are fair-value hedged. With regard to the structured bonds in particular, if they do not show risks related to the main risk, the interest-rate component (hedge) is stripped out from the other risks represented in the trading book, and usually hedged by trades of the opposite sign. Fair value hedges are also used in corporate finance for certain bilateral, fixed-rate transactions and to mitigate price risk on equity investments held as available for sale;

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

Further information on interest rate risk on the banking book is shown in Section 11.

Excessive leverage risk

Leverage is the ratio between the amount of own funds and the amount of overall exposure and is expressed in percentage form.

The risk of particularly high indebtedness levels relative to equity is monitored by the Group on a regular basis as part of the quarterly requirements stipulated by Circular 285 (COREP reporting).

The leverage ratio is one of the metrics which the Bank has identified in the RAF, with specific alert and limit levels, for the purpose of quantifying its propensity to risk.

Liquidity risk

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

The Mediobanca Group monitors and manages liquidity risk in accordance with the provisions of Bank of Italy circular no. 263/06 (and related updates), via the following documents: the Liquidity risk management policy (the “Policy”) and Contingency funding plan (“CFP”). The basic principles on which the Policy is based are as follows:

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

defining and monitoring the short-term risk limits (operating liquidity) within a time frame of up to twelve months;

⁵ This target is maintained even in the presence of hedging contracts with market counterparties with netting agreements and CSAs (collateralized standard agreements) have been entered into, the valuation of which is made on the basis of Eonia interest rates.



defining and monitoring medium-/long-term liquidity (structural liquidity), which considers events that could impact on the Bank's liquidity position over a time horizon of more than twelve months; defining a pricing system of internal fund transfers between the Group's various units and companies.

The Group's objective is to maintain a liquidity level which allows it to meet the payment obligations it has taken on, both ordinary and extraordinary, while at the same time keeping costs to a minimum.

Specifically, monitoring operating liquidity is intended to ensure that the mismatch between cash inflows and outflows remains sustainable at all times. In this connection the metric adopted is the ratio between counterbalancing capacity (defined principally as the availability post-haircut of bonds and receivables eligible for refinancing with the ECB) and the cumulative net cash outflows as calculated in both normal operating and stressed scenarios.

Monitoring structural liquidity, on the other hand, is intended to ensure that the structure has an adequate financial balance for maturities of more than twelve months. The operating methods adopted involve analysing the maturity profiles for both assets and liabilities over the medium and long term checking that inflows cover 100% of outflows for maturities of more than one year, reduced to 90% of outflows for maturities of more than five years.

In addition to the above, the Liquidity and ALM and Risk Management unit teams also carry out weekly stress tests assuming extraordinary factors such as a) drawdowns on committed lines granted to customers, b) reductions in the debt security funding or unsecured funding channels, c) renewal of only part of the retail funding expiring, and d) anticipation and full realization of lending volumes in the pipeline.

The need to meet the objectives and indicators described above is addressed by the Group's Funding Plan and Risk Appetite Framework.

The Funding Plan, developed in accordance with sustainable analysis of uses and sources of funding for operating and structural positions, plays a key role in the general liquidity and liquidity risk management process.

The RAF monitors the regulatory indicators (LCR and NSFR) and also the funding mix via the retail funding ratio.

In addition to the previous indicators, a Contingency Liquidity Policy has also been adopted for implementation in the event of a crisis occurring, by following a defined procedure which identifies parties, responsibilities, communications processes and criteria for reporting, in an attempt to ensure that the state of emergency is dealt with successfully.

The Group's Contingency Funding Plan has the objective of ensuring that effective action is taken promptly right from the outset of a liquidity crisis, through precise identification of parties, powers, responsibilities, communications procedures and related reporting criteria intended to ensure that the state of emergency is dealt with successfully. This aim is met largely through the activation of an extraordinary liquidity governance operating model, supported by consistent internal and external communications and a series of early warning indicators.

To this end a dashboard has been designed for reporting which, together with the stress test analyses, produces a system of early warning indicators (EWIs). The dashboard is a useful instrument for assisting the management in monitoring situations that could lead to a deterioration in the Group's liquidity position deriving from external factors (market or sector) or from situations which are peculiar to the Banking Group itself.



The ALM steering committee is responsible for monitoring the overall liquidity situation and sustainability of the business areas' development in view of the Bank's and the Group's asset structure.

Other risks considered in preparing ICAAP reporting

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

- ◆ concentration risk, i.e. risk deriving from a concentration of exposures to individual counterparties or groups of counterparties ("single name concentration risk") or to counterparties operating in the same economic sector or which operate in the same business or belong to the same geographical area (geographical/sector concentration risk);
- ◆ expected shortfall on credit portfolio risk - with reference to credit risk, the risk deriving from the failure to cover the positive difference between the total amount of the expected loss calculated with reference to credit exposures with performing counterparties, via the use of risk parameters (PD and LGD) estimated using internal models (not yet ratified for supervisory purposes) and the respective balance-sheet adjustments calculated according to the accounting standards in force;
- ◆ strategic risk - the Group has decided to distinguish strategic risk into two separate categories:
 - ◆ business risk, in the sense of risk deriving from current and future changes in profits/margins compared to estimated data, due to volatility in volumes or changes in customer behaviour;
 - ◆ pure strategic risk, in the sense of the current and future risk of reductions in profits or capital deriving from disruption to business as a result of adopting new strategic choices, wrong management decisions or inadequate execution of decisions taken;

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

- ◆ residual risk, i.e. the risk that the recognized techniques used by the Bank to mitigate credit risk should prove to be less effective than anticipated;
- ◆ basis risk - in the context of market risk, basis risk is the risk of losses caused by unaligned price changes in opposite directions from each other, which are similar but not identical;
- ◆ compliance risk, i.e. the risk of incurring legal or administrative penalties, significant financial losses or damages to the Bank's reputation as a result of breaches of external laws and regulations or self-imposed regulations;
- ◆ reputational risk, i.e. the current and future risk of reductions in profits or capital deriving from a negative perception of the Bank's image by customers, counterparties, shareholders, investors or regulatory authorities;
- ◆ risks deriving from securitizations - the risk that the economic substance of a securitization is not fully reflected in the valuation and risk management decisions taken. Further information on securitizations is provided in Section 8;



- ◆ country risk - the risk of losses being caused by events in a country other than Italy. The concept of country risk is broader than sovereign risk, in the sense that it refers to all exposures regardless of the type of counterparty, i.e. whether or not they are individuals, companies, banks or public administrations;
- ◆ transfer risk - the risk that a bank with exposure to a party which finances itself in a currency other than that in which it receives its main income flows, should incur losses due to the borrower's difficulties in converting its currency into the currency in which the exposure is denominated.



Section 2 - Scope of application

Qualitative information

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

Subsidiaries are consolidated on the line-by-line basis, whereas investments in associates and jointly-controlled operations are consolidated and accounted for using the equity method. For regulatory purposes, the investment in Banca Esperia which is subject to joint control is consolidated pro-rata; Group company Compass RE (a reinsurance company incorporated under Luxembourg law) and the investment in associate Fidia are among those which are deductible from own funds.

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

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

Creditech S.p.A. was merged into Cofactor S.p.A. during the twelve months under review, the combined entity taking on the name Creditech Sp.A., while Seteci S.c.p.A. changed its name to Mediobanca Innovation Services S.c.p.A. All the transactions were executed using like-for-like values, hence there was no impact on the consolidated accounts.



Quantitative information

Table 2 -Area of consolidation

Name	Registered office	Type of relationship ¹	Shareholding		% voting rights ²
			Investor company	% interest	
A. COMPANIES INCLUDED IN AREA OF CONSOLIDATION					
A.1 Line-by-line					
1. Mediobanca - Banca di Credito Finanziario S.p.A.	Milan	1	—	—	—
2. Prominvest S.p.A. - in liquidazione	Milan	1	A.1.1	100.—	100.—
3. Prudentia Fiduciaria S.p.A.	Milan	1	A.1.1	100.—	100.—
4. Mediobanca Innovation Services - S.c.p.A.	Milan	1	A.1.1	100.—	100.—
5. Spafid S.p.A.	Milan	1	A.1.1	100.—	100.—
6. Compagnie Monegasque de Banque - CMB S.A.M.	Montecarlo	1	A.1.1	100.—	100.—
7. C.M.G. Compagnie Monegasque de Gestion S.A.M.	Montecarlo	1	A.1.6	99.89	99.89
8. Smeff Societe Monegasque des Etudes Financiere S.A.M.	Montecarlo	1	A.1.6	99.96	99.96
9. CMB Asset Management S.A.M.	Montecarlo	1	A.1.6	99.3	99.30
10. Mediobanca International (Luxembourg) S.A.	Luxemburg	1	A.1.1	99.—	99.—
		1	A.1.11	1.—	1.—
11. Compass S.p.A.	Milan	1	A.1.1	100.—	100.—
12. Chebanca! S.p.A.	Milan	1	A.1.1	100.—	100.—
13. Creditech S.p.A.	Milan	1	A.1.11	100.—	100.—
14. SelmaBipiemme Leasing S.p.A.	Milan	1	A.1.1	60.—	60.—
15. Palladio Leasing S.p.A.	Vicenza	1	A.1.14	95.—	100.—
			A.1.15	5.—	
16. Teleleasing S.p.A. - in liquidazione	Milan	1	A.1.14	80.—	80.—
17. Ricerche e Studi S.p.A.	Milan	1	A.1.1	100.—	100.—
18. Mediobanca Securities USA LLC	New York	1	A.1.1	100.—	100.—
19. Consortium S.r.l.	Milan	1	A.1.1	100.—	100.—
20. Quarzo S.r.l.	Milan	1	A.1.11	90.—	90.—
21. Quarzo Lease S.r.l.	Milan	1	A.1.14	90.—	90.—
22. Futuro S.p.A.	Milan	1	A.1.11	100.—	100.—
23. Mediobanca Covered Bond S.r.l.	Milan	1	A.1.12	90.—	90.—
24. Compass Re (Luxembourg) S.A.	Luxemburg	1	A.1.11	100.—	100.—
25. Mediobanca International Immobilière S. a r.l.	Luxemburg	1	A.1.10	100.—	100.—
26. MB Advisory Kurumsal Danismanlik Hizmetleri Anonim Sirketi	Istanbul	1	A.1.1	100.—	100.—
27. Mediobanca Sicav	Luxemburg	1	A.1.1	100.—	100.—

¹ Type of relationship:

1 = majority of voting rights in ordinary AGMs;

2 = dominant influence in ordinary AGMs

3 = agreements with other shareholders;

4 = other forms of control;

5 = unity of direction as defined in Article 26, paragraph 1 of Italian Legislative Decree 87/92;

6 = unity of direction as defined in Article 26, paragraph 2 of Italian Legislative Decree 87/92;

7 = joint control.

² Effective and potential voting rights in ordinary AGMs.



Section 3 - Composition of regulatory capital

Qualitative information

Consolidated capital

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

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

Regulatory capital has been calculated for the first time on the basis of the new body of supervisory and corporate governance rules for banks, which consists of a directive ("Capital Requirements Directive IV - CRD IV") and a regulation ("Capital Requirements Regulation - CRR") issued by the European Parliament in June 2013 and incorporated into the Italian regulatory framework under Bank of Italy circular no. 285 issued in December 2013. The new regulations provide for a phase-in application period, whereby until 31 December 2022 certain investments in associated insurance companies may be weighted rather than deducted from capital, subject to authorization by the regulators.

The Mediobanca Group has received authorization from the Bank of Italy to weight its investment Assicurazioni Generali at 370%. The Group has also opted for the "full neutralization" permitted by the Bank of Italy, whereby the valuation reserves for sovereign debt issued by EU member states and held as AFS financial assets can be neutralized for the purpose of calculating regulatory capital.

Common Equity Tier 1 (CET1) capital consists of the share attributable to the Group and to minority shareholders of capital paid up, reserves and the profit for the period net of treasury shares (€199.2m), intangible assets (€52.2m), goodwill (€370.6m) and other prudential adjustments (€25.8m) in connection with the values of financial instruments (AVAs and DVAs). Deductions of €30.6m involve the investments in banking, financial and insurance companies, and have been calculated based on the phase-in and excess regimes.

No Additional Tier 1 (AT1) instruments have been issued. Tier 2 capital includes the liabilities issued (€1,694.4m) plus 50% of the positive reserves for AFS securities (€376.4m) which does not include the net gain of EU member states' government securities (€61.2m) which were subject to neutralization. Deductions of €494.6m regard the investments in Tier 2 instruments, in particular subordinated loans to Italian insurance companies.



Quantitative information

Table 3.1 - Bank equity

	30/06/2014	30/06/2013*
A. Common Equity Tier 1 (CET1) prior to application of prudential filters	7,770,303	6,820,841
of which CET1 instruments subject to phase-in provisions	—	—
B. CET1 prudential filters (+/-)	58,331	—
C. Gross CET1 including items to be deducted and effects of phase-in regime (A +/- B)	7,828,634	6,820,841
D. Items to be deducted from CET1	(492,092)	(60,230)
E. Phase-in regime - impact on CET1 (+/-), including minority interests subject to phase-in provisions	(829,810)	(607,426)
F. Total Common Equity Tier 1 (CET1) (C - D +/- E)	6,506,732	6,153,185
G. Gross additional Tier 1 equity (AT1), including items to be deducted and effects of phase-in regime	—	—
of which AT1 instruments subject to phase-in provisions	—	—
H. Items to be deducted from AT1	—	—
I. Phase-in regime - impact on AT1 (+/-), including instruments issued by branches and included in AT1 as a result of phase-in provisions	—	—
L. Total Additional Tier 1 equity (AT1) (G - H +/- I)	—	—
M. Gross Tier 2 equity (T2), including items to be deducted and effects of phase-in regime	1,694,423	1,854,073
of which T2 instruments subject to phase-in provisions	—	—
N. Items to be deducted from T2	(404,026)	(60,230)
O. Phase-in regime - impact on T2 (+/-), including instruments issued by branches and included in T2 as a result of phase-in provisions	285,795	208,354
P. Total Tier 2 equity (T2) (M - N +/- O)	1,576,192	2,002,197
Q. Total capital (F + L + P)	8,082,924	8,155,382

* Basel 2.5-compliant data restated in line with new classification (all adjustments have been included in sub-heading E).



Table 3.2 - Phase-in model for publication of information on own funds

Information on own funds	(A) Amount at disclosure date	(C) Amounts subject to pre-regulation (EU) No 575/2013 or prescribed residual amount of regulation (EU) No 575/ 2013
1 Capital instruments and the related share premium accounts	2,552,522	
of which: Instrument type 1	2,552,522	
2 Retained earnings	4,488,207	
3 Accumulated other comprehensive income and other reserves	963,019	
5 Minority Interests	99,319	40,326
6 Common Equity Tier 1 (CET1) capital before regula	8,103,068	
Common Equity Tier 1 (CET1) capital: regulatory adjustments	(1,596,336)	
7 Additional value adjustments	(18,922)	
8 Intangible assets (net of related tax liability)	(422,811)	
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(226)	
11 Fair value reserves related to gains or losses on cash flow hedges	84,168	
14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(6,915)	
16 Direct and indirect holdings by an institution of own CET1 instruments	(199,233)	
18 Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions)	(11,938)	(9,323)
26a Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	(1,001,748)	
Of which: ... filter for unrealised loss 1	—	
Of which: ... filter for unrealised loss 2	—	
Of which: ... filter for unrealised gain 1	(61,201)	
Of which: ... filter for unrealised gain 2	(940,547)	
27 Qualifying AT1 deductions that exceed the AT1 capital of the institution	(18,711)	
28 Total regulatory adjustments to Common equity	(1,596,336)	
29 Total Capital Tier 1 (CET1)	6,506,732	



Table 3.2 (Follows)

Information on own funds	(A) Amount at disclosure date	(C) Amounts subject to pre-regulation (EU) No 575/2013 or prescribed residual amount of regulation (EU) No 575/ 2013
30 Additional Tier 1 (AT1) capital: instruments Capital instruments and the related share premium accounts	—	
Additional Tier 1 (AT1) capital: regulatory adjustments	—	
45 Tier 1 capital (T1 = CET1 + AT1)	6,506,732	
Tier 2 (T2) capital: instruments and provisions		
46 Capital instruments and the related share	1,694,423	
Tier 2 (T2) capital: regulatory adjustments	(118,231)	
54 Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	(479,049)	(383,240)
56a Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No	(9,323)	
56b Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	(6,259)	
56c Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR		
Of which: ... possible filter for unrealised losses	376,400	
Of which: ... possible filter for unrealised gains	—	
58 Tier 2 (T2) capital	1,576,192	
59 Total capital (TC = T1 + T2)	8,082,924	
59a Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out	19,760	
Of which: ... items not deducted from CET1	19,760	
60 Total risk weighted assets	58,744,138	



Table 3.2 (Follows)

Information on own funds		(A) Amount at disclosure date	(C) Amounts subject to pre-regulation (EU) No 575/2013 or prescribed residual amount of regulation (EU) No 575/ 2013
Capital ratios and butlers			
61	Common Equity Tier 1	11.08%	
62	Tier 1	11.08%	
63	Total capital	13.76%	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	1,383,199	
65	of which: capital conservation buffer requirement	494,000	
66	of which: countercyclical buffer requirement	—	
67	of which: systemic risk buffer requirement	—	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	—	
68	Common Equity Tier 1 available to meet buffers	889,200	
Applicable caps on the inclusion of provisions in Tier 2			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	653,738	
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	345,256	
74	Empty Set in the EU		
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	124,545	



Table 3.3.1 - Reconciliation of accounting and regulatory balance sheet with phase-in own fund constituents

Equity constituents	Total
Share capital	455,651
Share premiums	2,129,035
Reserves	4,229,465
Equity instruments	—
(Treasury shares)	(199,233)
Valuation reserves:	866,384
- AFS securities	484,789
- Property, plant and equipment	—
- Intangible assets	—
- Foreign investment hedges	—
- Cash flow hedges	(54,293)
- Exchange rate differences	(110)
- Non-current assets being sold	—
- Actuarial profits (losses) on defined-benefit pension schemes	(5,525)
- Equity-accounted companies' share of valuation reserves	426,461
- Special revaluation laws	15,062
Profit (loss) for the period attributable to the Group and minorities	461,367
Net equity	7,942,669
Dividends	(126,834)
Share attributable to ineligible minorities	(45,532)
CET1 pre-application of prudential filters, phase-in adjustments and deductions	7,770,303
Prudential filters	58,331
Phase-in adjustments ¹	(868,216)
Deductions ²	(453,686)
CET1	6,506,732
Subordinated loans eligible as Tier 2 instruments	1,694,423
Phase-in adjustments ³	376,400
Deductions ²	(494,631)
Tier 2 equity	1,576,192
Own funds	8,082,924

¹ Includes effects of phase-in on: AFS reserves, IAS 19 reserve and minority interests

² Deductions on investments in financial sector incorporate phase-in effects

³ Includes effects of phase-in on AFS reserves



Table 3.3.2 - Reconciliation of accounting and regulatory balance sheet with phase-in own fund constituents

Other asset items	BV	of which deducted	
		CET1	T2
Heading 20 - Financial assets held for trading	12,432,017	(24,207)	(33,554)
Headings 40/50 - AFS and HTM financial assets	10,310,259	(6,442)	(136,715)
Headings 60/70 - Due to banks and customers	42,342,883	–	(324,362)
Heading 100 - Equity investments	2,834,649	–	–
Heading 130 - Intangible assets	422,811	(422,811)	–
Heading 140 - advance tax assets	713,095	(226)	–
Other assets	2,044,079	–	–
Total	71,099,793	(453,686)	(494,631)

Table 3.4 - Subordinated issues

Name	ISIN	Currency	30/06/2014		30/06/2013	
			Nominal Value	Book Value*	Nominal Value	Book Value*
MB Quarto Atto a Tasso Variabile 2021 Lower Tier 2	IT0004720436	EUR	490,265	484,697	491,285	484,032
MB CARATTERE 5,75% 2023 Lower Tier 2	IT0004917842	EUR	496,100	521,840	494,503	489,672
MB Secondo Atto 5% 2020 Lower Tier 2	IT0004645542	EUR	749,091	863,834	742,926	835,482
Total Subordinated Debt Securities			1,735,456	1,870,371	1,728,714	1,809,186

* Includes fair value component not considered for regulatory purposes.



Table 3.5 - Description of subordinated issues

Capital instruments main features template	Tier2 IT0004720436	Tier2 IT0004917842	Tier2 IT0004645542
1 Issuer	Mediobanca S.p.a.	Mediobanca S.p.a.	Mediobanca S.p.a.
2 Unique identifier	IT0004720436	IT0004917842	IT0004645542
3 Governing law(s) of the instrument	Whole instrument - Italian law	Whole instrument - Italian law	Whole instrument - Italian law
<i>Regulatory treatment</i>	-	-	-
4 Transitional CRR rules	Tier2	Tier2	Tier2
5 Post-transitional CRR rules	Tier2	Tier2	Tier2
6 Eligible at only (sub-)consolidated/ only (sub-) consolidated	Single entity and consolidated	Single entity and consolidated	Single entity and consolidated
7 Instrument type	Bond - Article 62 CRR	Bond - Article 62 CRR	Bond - Article 62 CRR
8 Amount recognised in regulatory capital	478	489	726
	Buybacks and repayment	Buybacks and repayment	Buybacks and repayment
9 Nominal amount of instrument	500	500	750
9a Issue price	100	100	100
9b Redemption price	100	100	100
10 Accounting classification	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost
11 Original date of issuance	13/06/2011	18/04/2013	15/11/2010
12 Perpetual or dated	At maturity	At maturity	At maturity
13 Original maturity date	13/06/2021	18/04/2023	15/11/2020
14 Issuer call subject to prior supervisory approval	NO	NO	NO
<i>Coupons / dividends</i>	-	-	-
17 Fixed or floating dividend/coupon	Floating	Fixed	Fixed
18 Coupon rate and any related index	Euribor 3M + 2% p.a., min. rate 4.5% and max. rate 7.5% p.a.	5.75% p.a.	5% p.a.
19 Existence of a dividend stopper	NO	NO	NO
20a Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory
20b Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory
21 Existence of step up or other incentive to redeem	NO	NO	NO
22 Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23 Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
30 Write-down features	NO	NO	NO
35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior	Senior	Senior
36 Non-compliant transitioned features	NO	NO	NO



Section 4 - Capital adequacy

Qualitative information

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

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

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

Capital adequacy in respect of Pillar 1 risks is also monitored Accounting and financial reporting unit through checking the capital ratios according to the rules established by the CRR/Circular 285.

* * *

As at 30 June 2014, the Group's Common Equity Ratio, calculated as Tier 1 capital as a percentage of total risk-weighted assets, amounted to 11.08%, in line with the figure posted at 30 June 2013 (11.75%), despite the increase in risk-weighted assets from €52.4bn to €58.7bn, due to the increased weighting of the Assicurazioni Generali investment (from €2.5bn to €10bn). The total capital ratio, by contrast, fell from 15.57% to 13.76%, reflecting the increased deductions relating to the treatment of certain subordinated loans to insurance companies.



Quantitative information

Table 4.1 - Capital adequacy

Categories/Values	Unweighted amounts		Weighted amounts/requirements	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
A. RISK-WEIGHTED ASSETS				
A.1 Credit and counterparty risk	63,699,928	65,930,757	47,952,135	42,594,197
1. Standardized methodology	63,472,342	65,685,260	47,632,553	42,222,627
2. Methodology based on internal ratings	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitizations	227,586	245,497	319,582	371,570
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			3,836,171	3,407,536
B.2 Credit value adjustment risk			65,255	-
B.3 Settlement risk			-	-
B.4 Market risks			543,239	525,166
1. Standard methodology			524,445	503,482
2. Internal models			-	-
3. Concentration risk			18,794	21,684
B.5 Operational risks			254,866	257,064
1. Basic method			254,866	257,064
2. Standardized method			-	-
3. Advanced method			-	-
B.6 Other prudential requirements			-	-
B.7 Other items			-	-
B.8 Total prudential requirements			4,699,531	4,189,766
C. RISK-WEIGHTED ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			58,744,138	52,372,075
C.2 CET1/RWAs (CET1 capital ratio)			11.08%	11.75%
C.3 Total capital/RWAs (total capital ratio)			13.76%	15.57%



Table 4.2 - Credit risk: exposures by portfolio

Portfolios	Amounts as at 30/06/2014			
	Value of exposure gross of CRM	Exposure values net of CRM	Exposures guaranteed	
			Real guarantee	Personal guarantee
Exposures to or guaranteed by central administrations and central banks	6,905,008	7,061,377	—	156,369
Exposures to or guaranteed by regional entities	24,700	24,700	—	—
Exposures to or guaranteed by non-profit-making or public-sector entities	88,523	89,057	—	534
Exposures to or guaranteed by Banche multilateral development banks	45,286	45,592	—	306
Exposures to or guaranteed by international organizations	10,343	10,343	—	—
Exposures to or guaranteed by regulated intermediaries	23,373,570	8,714,756	15,173,930	112,189
Exposures to or guaranteed by companies	26,443,020	24,280,649	2,318,831	134,872
Retail exposures	12,045,991	11,982,497	63,494	—
Exposures guaranteed by properties	4,689,094	4,688,769	326	—
Overdue exposures	1,199,150	1,196,984	2,166	—
High-risk exposures	220,022	220,022	—	—
Exposures in the form of guaranteed bank debt securities	346,541	346,541	—	—
Exposures to OICRs	303,870	303,870	—	—
Exposures to equity instruments	3,040,277	3,040,277	—	—
Other exposures	1,430,699	1,466,909	—	36,210
Total cash risk assets	48,709,133	48,674,921	398,484	364,271
Total guarantees issued and commitments to disburse funds	15,281,563	10,915,282	—	76,209
Total derivatives contracts	2,525,150	1,849,080	16,668,172	—
Total SFTs and trades with long-term settlement	13,568,724	2,033,059	492,091	—
Grand Total	80,084,570	63,472,342	17,558,747	440,480

Table 4.3: Capital requirement for market risks

Capital requirement for market risk	30/06/2014
Position risk *	478,005
of which relating to positions in respect of securitizations	881
Concentration risk	18,794
Regulatory risk for DVP transactions	-
Exchange rate risk	46,440
Risk on positions in commodities	-
Total Market Risk	543,239

*Includes only assets held in the regulatory trading book.



Table 4.4 - Risk-weighted assets and requirements by strategic business area*

Business Line	30/06/2014										30/06/2013									
	Group Capital Requirements	CIB Requirements	%	RCB Requirements	%	PI Requirements	%	CC Requirements	%		Group Capital Requirements	CIB Requirements	%	RCB Requirements	%	PI Requirements	%	CC Requirements	%	
Credit and Counterparty Risk	3,901,426	2,030,698	52.05%	780,312	20.00%	907,745	23.27%	182,671	4.68%		3,407,535	2,100,367	61.64%	732,069	21.48%	329,480	9.67%	245,619	7.21%	
Market Risk	543,239	543,176	99.99%	63	0.01%	—	—	—	—		525,167	525,114	99.99%	53	0.01%	—	—	—	—	
Operational Risk	254,866	127,226	49.92%	112,637	44.19%	—	—	15,004	5.89%		257,064	134,804	52.44%	113,532	44.16%	—	—	8,728	3.40%	
Regulatory Capital	4,699,531	2,701,100	57.48%	893,012	19.00%	907,745	19.32%	197,675	4.21%		4,189,766	2,760,285	65.88%	845,654	20.18%	329,480	7.86%	254,347	6.07%	

* Divisions comprise:

- ◆ CIB (Corporate and investment banking): comprises wholesale banking (WSB), which includes lending, structured finance and investment banking activity, and private banking (PB), which includes Compagnie Monégasque de Banque, Spafid and Prudentia, plus 50% of Banca Esperia pro-forma;
- ◆ Principal Investing: brings together all equity investments in associates (IAS 28) and AFS assets;
- ◆ Retail and Consumer Banking: consumer credit and retail banking activities; the division includes Compass, Futuro, Compass RE, Cofactor, Creditech and CheBanca!;
- ◆ Corporate Centre: brings together the other Group companies (including leasing) and certain centralized Group costs (including in respect of the Board of Directors).



Section 5 - Credit risk

5.1 Credit Risk: general information for all banks

Qualitative information

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

The classification of impaired exposures may be summarized as follows:

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

Description of methodologies adopted to determine loan loss provisions

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

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

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



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

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

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

With respect to financial leasing IAS 17 stipulates that for finance leases, interest income should be recorded based on methods which reflect a constant, regular return on the lessor's net investment. In accordance with this principle, in the event of changes to contracts one these have become effective, any difference arising from comparison between the outstanding principal amount prior to renegotiation and the value of the new future flows discounted at the original interest rate have been taken through the profit and loss account for the period.

Exposure to sovereign debt risk

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

The securities portfolio chiefly consists of financial instruments with Italy country risk (87% of the total, with an average maturity of just over three years, with a book value of €5,843, corresponding to a nominal value of €5,534). The exposure to German bonds remains substantial (at 8% of the total - the total book value is equal to €523m corresponding to a notional value of €515m).



Quantitative information

Table 5.1.1 - Exposures to sovereign debt securities by state, counterparty and portfolio *

Asset portfolio/quality	In bonis			Total (Net exposure) ¹
	Gross exposure	Specific adjustments	Collective adjustments	
1. Financial assets held for trading	X	X	1,191,298	1,191,298
Germany	X	X	516,897	516,897
Italy	X	X	463,949	463,949
Spain	X	X	200,679	200,679
Others	X	X	9,773	9,773
2. AFS securities	5,196,383	-	5,196,383	5,196,383
Italy	5,017,751	-	5,017,751	5,017,751
Spain	103,144	-	103,144	103,144
US	43,956	-	43,956	43,956
Germany	5,882	-	5,882	5,882
Others	25,650	-	25,650	25,650
3. Financial assets held to maturity	362,190	-	362,190	362,190
Italy	361,398	-	361,398	361,398
Others	792	-	792	792
Total	5,558,573	-	6,749,871	6,749,871

* Does not include financial and credit derivatives.

¹ The net exposure includes positions in securities (long and short) recognized at fair value (including the outstanding accrual) except for assets held to maturity which are stated at amortized cost, the implied fair value of which is €1.3m.

Table 5.1.2 - Exposures to sovereign debt securities by portfolio

Asset Portfolio / quality	Trading book ¹			Banking book ²			
	Nominal Value	Book value	Duration	Nominal Value	Book value	Fair value	Duration
Italy	411,528	463,949	8.87	5,122,799	5,379,149	5,412,293	2.85
Germany	509,240	516,897	1.93	5,500	5,882	5,882	1.52
Spain	200,000	200,679	0.39	100,000	103,144	103,144	0.34
US	-	-	-	43,930	43,956	43,956	4.51
Others	31,164	9,773	-	33,418	26,442	38,885	-
Total	1,151,932	1,191,298		5,305,647	5,558,573	5,604,160	

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

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



Quantitative information

Table 5.2 - Counterparty Credit risk

Counterparty credit risk	Amounts as at 30/06/2014				Amounts as at 30/06/2013				
	Gross amount of CRM	Unweighted amounts	Weighted amounts	Requirements	Gross amount of CRM	Unweighted amounts	Weighted amounts	Requirements	
A. CREDIT RISK AND COUNTERPARTY RISK									
A.1 Standardized methodology - RISK ASSETS									
A.1.1. Exposures to or guaranteed by central administrations and central banks	6,905,008	7,061,377	45,040	3,603	9,634,835	9,634,835	40,283	3,223	
A.1.2. Exposures to or guaranteed by regional entities	24,700	24,700	4,940	395	37,500	37,500	7,499	600	
A.1.3. Exposures to or guaranteed by non-profit-making and public sector entities	88,523	89,057	19,044	1,524	218,701	234,993	223,932	17,915	
A.1.4. Exposures to or guaranteed by multilateral development banks	45,286	45,592	-	-	59,693	59,693	4	0.32	
A.1.5. Exposures to or guaranteed by international organizations	10,343	10,343	-	-	10,496	10,496	-	-	
A.1.6. Exposures to or guaranteed by regulated intermediaries	23,373,570	8,714,756	3,290,024	263,202	10,542,013	7,773,433	4,385,712	350,857	
A.1.7. Exposures to or guaranteed by companies	26,361,496	24,280,649	18,844,552	1,507,564	24,592,492	23,795,645	20,047,502	1,603,800	
A.1.8. Retail exposures	12,045,991	11,982,497	7,931,687	634,535	11,382,824	11,223,000	7,674,866	613,989	
A.1.9. Exposures guaranteed by properties	4,689,094	4,688,769	1,684,254	134,740	4,673,390	4,672,889	1,763,053	141,044	
A.1.10. Overdue exposures	1,199,150	1,196,984	1,423,309	113,865	989,419	991,710	1,135,128	90,810	
A.1.11. High-risk exposures	220,022	220,022	330,032	26,403	137,979	137,979	261,485	20,919	
A.1.12. Exposures in the form of guaranteed bank obligations	346,541	346,541	70,423	5,634	382,372	382,372	178,700	14,296	
A.1.14. Exposures to collective investment and savings organizations (OICRs)	303,870	303,870	280,743	22,459	196,548	196,565	167,339	13,387	
A.1.15. Exposures to equity instruments	3,040,277	3,040,277	12,435,011	994,801	3,964,122	3,964,122	3,964,122	317,130	
A.1.16. Other exposures	1,430,699	1,466,909	1,273,496	101,880	2,570,060	2,570,028	2,373,002	189,840	
Total	80,084,570	63,472,342	47,632,553	3,810,604	69,392,444	65,685,260	42,222,627	3,377,810	



Table 5.3 - Credit risk: cash and off-balance-sheet exposures to banks

Type of exposure/counterparty area	Amounts as at 30/06/2014						
	Gross cash exposures						Off-balance-sheet exposures
	Financial assets held for trading	AFS securities	AFS securities	Financial assets held to maturity	Due from customers	Non-current assets and groups of assets being sold	
A. Cash exposures							
a) Non-performing	-	-	-	-	-	-	-
b) Sub-standard	-	-	-	-	-	-	-
c) Restructured	-	-	-	-	-	-	-
d) Overdue	-	-	-	-	-	-	-
e) Country risk	-	-	-	-	-	-	-
f) Other exposures	481,081	-	1,210,246	503,576	5,311,941	-	-
Total A	481,081	-	1,210,246	503,576	5,311,941	-	-
B. Off-balance-sheet exposures							
a) Impaired	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	54,183,968
Total B	-	-	-	-	-	-	54,183,968
Total A+B	481,081	-	1,210,246	503,576	5,311,941	-	54,183,968



Table 5.4 - Credit risk: cash and off-balance-sheet exposures to customers

Type of exposure/counterparty area	Amounts as at 30/06/2014						
	Gross cash exposures						Off-balance-sheet exposures
	Financial assets held for trading	AFS securities	AFS securities	Financial assets held to maturity	Due from customers	Non-current assets and groups of assets being sold	
A. Cash exposures							
a) Non-performing	-	-	-	-	651,735	-	-
b) Sub-standard	-	-	-	-	1,276,241	-	-
c) Restructured	-	-	-	-	120,838	-	-
d) Overdue	-	-	-	-	515,981	-	-
e) Country risk	-	-	-	-	-	-	-
f) Other exposures	4,735,134	-	6,235,054	2,424,111	34,370,441	-	-
Total A	4,735,134	-	6,235,054	2,424,111	36,935,236	-	-
B. Off-balance-sheet exposures							
a) Impaired	-	-	-	-	-	-	8,749
b) Other	-	-	-	-	-	-	22,838,571
Total B	-	-	-	-	-	-	22,847,320
Total A+B	4,735,134	-	6,235,054	2,424,111	36,935,236	-	22,847,320



Table 5.5 - Cash and off-balance-sheet exposures to customers by geographical region

Type of exposure/Counterparty area	Amount as at 30/06/2014									
	Italy		Other European countries		U.S.		Asia		Rest of world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
a) Non-performing	–	–	–	–	–	–	–	–	–	–
b) Sub-standard	–	–	–	–	–	–	–	–	–	–
c) Restructured	–	–	–	–	–	–	–	–	–	–
d) Overdue	–	–	–	–	–	–	–	–	–	–
e) Other exposures	2,986,548	2,985,462	4,269,165	4,268,592	92,363	92,349	8,938	8,465	39,379	39,379
Total A	2,986,548	2,985,462	4,269,165	4,268,592	92,363	92,349	8,938	8,465	39,379	39,379
B. Off-balance-sheet exposures										
a) Non-performing	–	–	–	–	–	–	–	–	–	–
b) Sub-standard	–	–	–	–	–	–	–	–	–	–
c) Other impaired assets	–	–	–	–	–	–	–	–	–	–
d) Other exposures	1,906,846	1,906,846	51,635,874	51,635,874	641,248	641,248	–	–	–	–
Total B	1,906,846	1,906,846	51,635,874	51,635,874	641,248	641,248	–	–	–	–
Total A + B	4,893,394	4,892,308	55,905,039	55,904,466	733,611	733,597	8,938	8,465	39,379	39,379



Table 5.6 - Cash and off-balance-sheet exposures to customers by geographical region

Type of exposure/Counterparty area	Amount as at 30/06/2014									
	Italy		Other European countries		U.S.		Asia		Rest of world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
a) Non-performing	625,975	262,059	23,201	8,722	179	54	–	–	2,380	121
b) Sub-standard	1,262,936	687,550	12,558	4,638	747	23	–	–	–	–
c) Restructured	69,808	52,269	51,030	15,046	–	–	–	–	–	–
d) Overdue	193,700	118,576	1,371	1,163	2,117	2,117	–	–	6,834	6,834
e) Other exposures	27,970,104	27,773,682	9,508,097	9,476,600	1,146,078	1,144,236	8,493	8,484	139,853	139,723
Total A	30,122,523	28,894,136	9,596,257	9,506,169	1,149,121	1,146,430	8,493	8,484	149,067	146,678
B. Off-balance-sheet exposures										
a) Non-performing	–	–	–	–	–	–	–	–	–	–
b) Sub-standard	6,045	5,301	–	–	–	–	–	–	–	–
c) Other impaired assets	37	37	2,667	2,331	–	–	–	–	–	–
d) Other exposures	12,200,517	12,191,731	10,283,327	10,274,831	299,593	298,826	46,208	46,208	8,926	8,926
Total B	12,206,599	12,197,069	10,285,994	10,277,162	299,593	298,826	46,208	46,208	8,926	8,926
Total A + B	42,329,122	41,091,205	19,882,251	19,783,331	1,448,714	1,445,256	54,701	54,692	157,993	155,604



Table 5.7 - Cash and off-balance-sheet exposures to customers by sector

Type of exposure/counterparty area	Amounts as at 30/06/2014																	
	Governments			Other public entities			Financial companies			Insurances			Non-financial undertakings			Other entities		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
A. Cash exposures																		
a) Non-performing	-	-	-	-	-	-	(4,546)	(4,558)	12	11	-	11	5,509	(62,138)	67,647	(110,797)	(314,083)	203,286
b) Sub-standard	-	-	-	10	-	10	20,248	(3,252)	23,500	(1)	(1)	-	108,132	(370,355)	478,487	(20,209)	(210,423)	190,214
c) Restructured	-	-	-	-	-	-	6,292	(3,826)	10,118	-	-	-	(15,253)	(44,154)	28,901	22,753	(5,543)	28,296
d) Overdue	-	-	-	-	-	-	7	(3)	10	(1)	(5)	4	41,197	(5,118)	46,315	12,155	(70,206)	82,361
e) Other exposures	8,919,626	(3,323)	8,922,949	328,064	(3,419)	331,483	9,537,316	(23,924)	9,561,240	1,393,053	(2,239)	1,395,292	12,845,477	(100,003)	12,945,480	14,797,386	(96,992)	14,894,378
Total A	8,919,626	(3,323)	8,922,949	328,074	(3,419)	331,493	9,559,317	(35,563)	9,594,880	1,393,062	(2,245)	1,395,307	12,985,062	(581,768)	13,566,830	14,701,288	(697,247)	15,398,535
B. Off-balance-sheet exposures																		
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Sub-standard	-	-	-	-	-	-	-	-	-	-	-	-	4,451	(744)	5,195	106	-	106
c) Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	1,995	(336)	2,331	37	-	37
d) Other exposures	5,001,521	-	5,001,521	12,412	(1)	12,413	6,688,627	(2,441)	6,691,068	80,939	(22)	80,961	10,854,644	(15,585)	10,870,229	164,330	-	164,330
Total B	5,001,521	-	5,001,521	12,412	(1)	12,413	6,688,627	(2,441)	6,691,068	80,939	(22)	80,961	10,861,090	(16,665)	10,877,755	164,473	-	164,473
Total A+B	13,921,147	(3,323)	13,924,470	340,486	(3,420)	343,906	16,247,944	(38,004)	16,285,948	1,474,001	(2,267)	1,476,268	23,846,152	(598,433)	24,444,585	14,865,761	(697,247)	15,563,008



Table 5.8 - Financial assets by outstanding maturity

Type	Amounts as at 30/06/2014										Total
	On demand	From 1 day to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	More than 5 years	Unspecified duration	
Cash assets	8266308	690481	850869	3371349	4105198	3497800	5837138	20567233	10946552	42,332	58,175,260
A.1 Government securities	155,479	210,326	205,140	406,118	749,250	350,791	931,442	4,120,954	1,849,564	–	8,979,064
A.2 Other debt securities	1	41,030	191,608	98,452	151,620	419,722	604,349	2,022,964	2,003,627	–	5,533,373
A.3 OICR units	–	–	–	–	–	–	–	–	–	33,931	33,931
A.4 Loans and advances	8,110,828	439,125	454,121	2,866,779	3,204,328	2,727,287	4,301,347	14,423,315	7,093,361	8,401	43,628,892
- to banks	2,475,857	177,097	4,407	265,115	1,394,299	395,417	60,280	422,813	126,096	5,300	5,326,681
- to customers	5,634,971	262,028	449,714	2,601,664	1,810,029	2,331,870	4,241,067	14,000,502	6,967,265	3,101	38,302,211
Off-balance-sheet assets	7,929,173	2,509,860	705,163	2,022,374	4,194,553	5,050,928	13,080,831	12,716,732	5,545,766	6,926	53,762,306
B.1 Financial derivatives with exchange of principal	7,905,617	865,080	630,223	1,494,406	2,511,942	2,480,894	10,605,795	1,591,769	367,181	6,926	28,459,833
- to banks	2,391,702	378,565	209,536	963,465	959,129	16,346	5,765,422	484,820	317,102	–	11,486,087
- to customers	5,513,915	486,515	420,687	530,941	1,552,813	2,464,548	4,840,373	1,106,949	50,079	6,926	16,973,746
B.2 Deposits and loans	23,556	83,820	38,847	292,108	1,186,930	2,459,269	2,475,036	11,124,963	5,178,585	–	22,863,114
B.3 Other liabilities	–	1,560,960	36,093	235,860	495,681	110,765	–	–	–	–	2,439,359
Operazioni fuori bilancio	19,760,255	8,114,163	473,543	2,816,167	6,056,470	6,208,315	5,246,777	15,693,499	11,860,037	47,731	76,276,957
C.1 Financial derivatives with exchange of principal	98,222	637,966	253,933	671,521	2,423,471	2,904,199	3,151,883	3,279,303	1,123,317	–	14,543,815
- long positions	97,860	399,603	194,132	170,573	1,424,877	1,411,896	1,308,237	708,913	129,198	–	5,845,289
- short positions	362	238,363	59,801	500,948	998,594	1,492,303	1,843,646	2,570,390	994,119	–	8,698,526
C.2 Financial derivatives without exchange of principal	9,100,187	11,486	3,424	54,459	151,250	187,842	366,594	–	–	–	9,875,242
- long positions	4,566,011	9,913	834	38,479	104,501	103,445	223,746	–	–	–	5,046,929
- short positions	4,534,176	1,573	2,590	15,980	46,749	84,397	142,848	–	–	–	4,828,313
C.3 Deposits and financing receivables	4,107,636	4,933,248	84,957	1,430,629	2,021,944	1,668,053	690,711	5,652,984	4,719,378	–	25,309,540
- long positions	4,107,636	4,933,248	84,957	1,259,639	1,787,800	481,491	–	–	–	–	12,654,771
- short positions	–	–	–	170,990	234,144	1,186,562	690,711	5,652,984	4,719,378	–	12,654,769
C.4 Irrevocable commitment to disburse funds	5,471,528	2,531,240	131,229	619,658	1,045,391	880,699	332,844	4,184,500	3,708,465	7,731	18,913,285
- long positions	85,610	–	8,720	524,459	113,845	490,469	332,844	4,184,500	3,708,465	7,731	9,456,643
- short positions	5,385,918	2,531,240	122,509	95,199	931,546	390,230	–	–	–	–	9,456,642
C.5 Financial guarantees issued	40,382	–	–	–	–	850	582	8,398	1,848	40,000	92,060
C.6 Financial guarantees received	–	–	–	–	–	–	–	–	–	–	–
C.7 Credit derivatives with exchange of principal	700	–	–	39,900	414,414	566,672	704,163	2,568,017	2,306,757	–	6,600,623
- long positions	700	–	–	–	173,933	238,435	334,574	1,267,527	1,285,142	–	3,300,311
- short positions	–	–	–	39,900	240,481	328,237	369,589	1,300,490	1,021,615	–	3,300,312
C.8 Credit derivatives without exchange of principal	941,600	223	–	–	–	–	–	297	272	–	942,392
- long positions	473,076	223	–	–	–	–	–	297	272	–	473,868
- short positions	468,524	–	–	–	–	–	–	–	–	–	468,524



Table 5.9 - Cash exposures: trends in overall value adjustments

Description/category	Amounts as at 30/06/2014									
	Exposures to banks					Exposures to customers				
	Non-performing	Sub-standard	Restructured	Overdue exposures	Total	Non-performing	Sub-standard	Restructured	Overdue exposures	Total
A. Adjustments at start of period	—	—	—	—	—	(338,296)	(233,777)	(83,822)	(73,886)	(729,781)
B. Additions	—	—	—	—	—	(276,768)	(552,638)	(10,304)	(70,173)	(909,883)
B.1 value adjustments	—	—	—	—	—	(145,553)	(511,951)	(2,063)	(68,259)	(727,826)
B.1.bis losses on disposals	—	—	—	—	—	(43,335)	(17,507)	—	(184)	(61,026)
B.2 transfers from other categories of impaired assets	—	—	—	—	—	(87,311)	(22,625)	(8,233)	(1,730)	(119,899)
B.3 other additions	—	—	—	—	—	(569)	(555)	(8)	—	(1,132)
C. Reductions	—	—	—	—	—	234,285	202,385	40,603	68,727	545,984
C.1 writebacks based on valuations	—	—	—	—	—	13,493	5,777	40,495	5,055	64,820
C.2 writebacks due to amounts collected	—	—	—	—	—	28,242	7,070	73	4,986	40,371
C.2.bis gains realized on disposals	—	—	—	—	—	—	—	—	—	—
C.3 amounts written off	—	—	—	—	—	110,831	90,537	—	23,638	225,006
C.4 transfers to other categories of impaired assets	—	—	—	—	—	3,245	81,243	35	34,424	118,947
C.5 other reductions	—	—	—	—	—	78,474	17,758	—	624	96,840
D. Total adjustments at end of period	—	—	—	—	—	(380,779)	(584,030)	(53,523)	(75,332)	(1,093,680)
of which:										
- specific adjustments	—	—	—	—	—	(380,779)	(584,030)	(53,523)	(75,332)	(1,093,664)
- collective adjustments	—	—	—	—	—	—	—	—	—	—
E. Value adjustments taken to P/L	—	—	—	—	—	—	—	—	—	—



5.2 ECAI

Qualitative information

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

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

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

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

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



Quantitative information

Table 5.10 - Standardized methodology: risk assets

Portfolios	Amounts as at 30/06/2014		
	Value of exposure	Exposures guaranteed	
		Real guarantee	Personal guarantee
Exposures to or guaranteed by central administrations and central banks	6,905,008	–	156,369
credit rating class 1	6,868,407	–	–
credit rating class 2	–	–	–
credit rating class 3	8,588	–	–
credit rating classes 4 and 5	20,245	–	–
credit rating class 6	7,768	–	–
Exposures to or guaranteed by regional entities	24,700	–	–
credit rating class 1	24,700	–	–
credit rating class 2	–	–	–
credit rating class 3	–	–	–
credit rating classes 4 and 5	–	–	–
credit rating class 6	–	–	–
Exposures to or guaranteed by non-profit-making or public-sector entities	88,523	–	534
credit rating class 1	80,621	–	–
credit rating class 2	7,902	–	–
credit rating class 3	–	–	–
credit rating classes 4 and 5	–	–	–
credit rating class 6	–	–	–
Exposures to or guaranteed by Banche multilateral development banks	45,286	–	306
credit rating class 1	45,286	–	–
credit rating class 2	–	–	–
credit rating class 3	–	–	–
credit rating classes 4 and 5	–	–	–
credit rating class 6	–	–	–
Exposures to or guaranteed by international organizations	10,343	–	–
Exposures to or guaranteed by regulated intermediaries	23,373,570	15,173,930	112,189
credit rating class 1	17,996,173	–	–
credit rating class 2	3,443,750	–	–
credit rating class 3	–	–	–
credit rating classes 4 and 5	1,933,647	–	–
credit rating class 6	–	–	–
Exposures to or guaranteed by companies	26,443,020	2,318,831	134,872
credit rating class 1	124,535	–	–
credit rating class 2	1,135,109	–	–
credit rating classes 3 and 4	24,699,282	–	–
credit rating classes 5 and 6	484,094	–	–
Retail exposures	12,045,991	63,494	–
Exposures guaranteed by properties	4,689,094	326	–
Overdue exposures	1,199,150	2,166	–
High-risk exposures	220,022	–	–
Exposures in the form of guaranteed bank debt securities	346,541	–	–
Short-term exposures to companies	–	–	–
Exposures to OICRs	303,870	–	–
credit rating class 1	–	–	–
credit rating class 2	–	–	–
credit rating classes 3 and 4	303,870	–	–
credit rating classes 5 and 6	–	–	–
Exposures to equity instruments	3,040,277	–	–
Other exposures	1,430,699	–	36,210
Total cash risk assets	48,709,133	398,484	364,271
Total guarantees issued and commitments to disburse funds	15,281,563	–	76,209
Total derivatives contracts	2,525,150	16,668,172	–
Total SFTs and trades with long-term settlement	13,568,724	492,091	–
Netting arrangements between various products	–	–	–
Grand total	80,084,570	17,558,747	440,480



5.3 Unencumbered assets

Table 5.11 - Information on committed assets recognized in the balance sheet

Form	Committed		Uncommitted		Total as at 30/06/14
	Book value	Fair value	Book value	Fair value	
1. Cash and cash equivalents	-	X	508	X	508
2. Debt securities*	6,414,940	6,491,478	9,060,919	9,118,483	15,475,859
3. Equities	556,639	556,639	1,914,850	1,914,850	2,471,489
4. Loans and advances	2,257,221	X	30,239,669	X	32,496,890
5. Other financial assets	-	X	9,718,169	X	9,718,169
6. Non-financial assets	-	X	597,576	X	597,576
Total	9,228,800	7,048,117	51,531,691	11,033,333	60,760,491

* Of which 5,684M given to guarantee the ECB.

Table 5.12 - Information on proprietary committed assets derecognized from the balance sheet

Form	Committed	Uncommitted	Total as at 30/06/14
1. Financial assets	6,953,181	9,432,274	16,385,455
- Securities*	6,953,181	9,432,274	16,385,455
- Others			-
2. Non-financial assets			-
Total	6,953,181	9,432,274	16,385,455

* Of which 2,724m given to guarantee the ECB.



Section 6 - Counterparty risk

Qualitative information

This is measured in terms of expected potential market value, thus doing away with the need to set arbitrary weightings for each type of fund employed. As far as regards derivatives and loan collateralization products (repos and securities lending), the calculation is based on determining the maximum potential exposure (assuming a 95% confidence level) at various points on a time horizon that reaches up to 30 years. The scope of application regards all groups of counterparties which have relations with Mediobanca, taking into account the existence or otherwise of netting agreements (e.g. ISDA, GMSLA or GMRA) and collateralization (e.g. CSA), plus exposures deriving from interbank market transactions. For each type of operations there are different ceilings split by counterparty and/or group. Finally, for medium- or long-term collateralized loans or stocks with reduced liquidity and/or high correlation with the counterparty, the exposure is measured via an ad hoc metric, which estimates combined default scenarios (i.e. counterparty and collateral) and particularly stressed conditions for disposing of securities.

As from 1 January 2014, with the application of the CRR rules, a capital charge is calculated in respect of credit value adjustments, i.e. the risk of change in the mark-to-market of derivatives traded OTC in the event of a change in the counterparty's credit standing (Part 3 Title II). This requirement falls within the scope of market risks.

* * *

For regulatory purposes, counterparty and CVA risk (see Part 3 Title VI) is calculated by applying the methodologies stipulated in Section 6. The following methodologies in particular have been used to calculate the exposure:

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

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

the standardized methodology for calculating the capital requirement in respect of credit value adjustment, considering all counterparties, with or without CSA.



Quantitative information

Counterparty risk

Table 6.1 - Counterparty risk - real guarantees held

Counterparty risk - Real guarantees held	Amounts as at 30/06/2014	Amounts as at 30/06/2013
Standardized approach		
- derivatives contracts	492,091	786,892
- SFTs and trades with long-term settlement	16,668,172	5,194,459
IRB approaches		
- derivatives contracts	–	–
- SFTs and trades with long-term settlement	–	–

Table 6.2 - Counterparty risk - risk assets

Counterparty risk	Amounts as at 30/06/2014	Amounts as at 30/06/2013
Standardized approach		
- derivatives contracts	2,033,059	2.192.927
- SFTs and trades with long-term settlement	1,849,080	1.281.079
IRB approaches		
- derivatives contracts	–	–
- SFTs and trades with long-term settlement	–	–

Table 6.3 - Regulatory trading book: average and reporting-date notional values

Type of transaction	30/06/2014		30/06/2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	107,668,064	57,001,046	111,360,707	68,684,370
a) Options	–	54,769,947	5,887	56,849,325
b) Swaps	91,433,064	–	97,089,820	–
c) Forwards	–	–	–	–
d) Futures	–	2,231,099	–	11,835,045
e) Others	16,235,000	–	14,265,000	–
2. Equities and share indexes	11,175,472	15,089,394	27,901,604	29,840,092
a) Options	10,468,337	14,792,475	26,525,407	29,694,729
b) Swaps	707,135	–	1,376,197	–
c) Forwards	–	–	–	–
d) Futures	–	296,919	–	145,363
e) Others	–	–	–	–
3. Exchange rates and gold	11,866,711	–	8,993,545	–
a) Options	911,480	–	1,271,886	–
b) Swaps	4,299,466	–	1,881,230	–
c) Forwards	6,655,765	–	5,840,429	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
4. Commodities	–	–	–	–
5. Other assets	–	–	–	–
Total	130,710,247	72,090,440	148,255,856	98,524,462
Average values	139,848,343	85,307,451	158,568,866	71,921,750



Table 6.4 - Banking book: average and reporting-date notional values- Hedge derivatives

Type of transaction	30/06/2014		30/06/2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	23,654,293	–	27,511,264	–
a) Options	–	–	–	–
b) Swaps	23,395,895	–	27,252,867	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Others	258,398	–	258,397	–
2. Equities and share indexes	27	–	2,436	–
a) Options	27	–	59	–
b) Swaps	–	–	–	–
c) Forwards	–	–	2,377	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
3. Exchange rates and gold	2,798	–	15,289	–
a) Options	–	–	–	–
b) Swaps	2,798	–	15,289	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
4. Commodities	–	–	–	–
5. Other assets	–	–	–	–
Total	23,657,118	–	27,528,989	–
Average values	25,665,506	–	29,702,791	–

Table 6.5 - Banking book: average and reporting-date notional values - Other derivative

Type of transaction	30/06/2014		30/06/2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	507,251	–	537,251	–
a) Options	–	–	–	–
b) Swaps	507,251	–	537,251	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
2. Equities and share indexes	4,650,601	–	6,723,608	–
a) Options	4,650,601	–	6,723,608	–
b) Swaps	–	–	–	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
3. Exchange rates and gold	2,205	–	2,302	–
a) Options	–	–	–	–
b) Swaps	2,205	–	2,302	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Others	–	–	–	–
4. Commodities	–	–	–	–
5. Other assets	–	–	–	–
Total	5,160,057	–	7,263,161	–
Average values	6,114,314	–	7,631,974	–



Table 6.6 - Financial derivatives: gross positive fair value, by product

Type of transaction	Positive Fair Value			
	30/06/2014		30/06/2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	4,621,321	537,400	4,320,377	867,425
a) Options	1,422,408	530,800	1,315,270	853,684
b) Interest rate swaps	2,981,272	—	2,778,379	—
c) Cross currency swaps	94,625	—	59,329	—
d) Equity swaps	14,255	—	63,358	—
e) Forwards	108,761	—	104,041	—
f) Futures	—	6,600	—	13,741
g) Others	—	—	—	—
B. Banking book: hedge derivatives	1,232,101	—	1,298,768	—
a) Options	—	—	—	—
b) Interest rate swaps	1,031,455	—	1,129,576	—
c) Cross currency swaps	41	—	1,373	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	200,605	—	167,819	—
C. Banking book: other derivatives	105,522	—	144,996	—
a) Options	93,037	—	130,763	—
b) Interest rate swaps	12,485	—	14,233	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	5,958,944	537,400	5,764,141	867,425



Table 6.7 - Financial derivatives: gross negative fair value, by product

Type of transaction	Negative Fair Value			
	30/06/2014		30/06/2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	(4,738,803)	(722,356)	(4,414,620)	(968,447)
a) Options	(1,187,818)	(718,230)	(1,150,278)	(958,955)
b) Interest rate swaps	(3,252,296)	–	(2,955,097)	–
c) Cross currency swaps	(103,754)	–	(57,235)	–
d) Equity swaps	(82,142)	–	(147,017)	–
e) Forwards	(112,793)	–	(104,993)	–
f) Futures	–	(4,126)	–	(9,492)
g) Others	–	–	–	–
B. Banking book: hedge derivatives	(554,938)	–	(503,207)	(1)
a) Options	(200,610)	–	(167,843)	–
b) Interest rate swaps	(354,196)	–	(335,211)	–
c) Cross currency swaps	(132)	–	(150)	–
d) Equity swaps	–	–	–	–
e) Forwards	–	–	(3)	(1)
f) Futures	–	–	–	–
g) Others	–	–	–	–
C. Banking book: other derivatives	(267,753)	–	(177,176)	–
a) Options	(265,747)	–	(171,230)	–
b) Interest rate swaps	(1,981)	–	(5,946)	–
c) Cross currency swaps	(25)	–	–	–
d) Equity swaps	–	–	–	–
e) Forwards	–	–	–	–
f) Futures	–	–	–	–
g) Others	–	–	–	–
Total	(5,561,494)	(722,356)	(5,095,003)	(968,448)



Table 6.8 - OTC financial derivatives: regulatory trading book - notional values, gross positive and negative fair values by counterparty, contracts forming part of netting arrangements

Contracts forming part of netting arrangements	30/06/2014						
	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	-	-	73,948,757	24,283,983	592,194	520,000	-
- positive fair value	-	-	1,990,474	760,124	68,917	84,536	-
- negative fair value	-	-	(2,220,464)	(689,083)	-	-	-
2. Equities and share indexes							
- notional value	-	-	8,055,375	1,868,655	58,309	125	-
- positive fair value	-	-	481,605	698,614	-	-	-
- negative fair value	-	-	(329,981)	(719,328)	(535)	(3,583)	-
3. Exchange rates and gold							
- notional value	-	-	9,324,515	1,274,222	-	146,434	-
- positive fair value	-	-	133,667	37,112	-	-	-
- negative fair value	-	-	(181,174)	(9,141)	-	(14,786)	-
4. Other assets							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

Table 6.9 - OTC financial derivatives: regulatory trading book - notional values, gross positive and negative fair values by counterparty, contracts not forming part of netting arrangements

Contracts not forming part of netting arrangements	30/06/2014						
	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	-	-	644,084	1,618,383	6,000	6,054,663	-
- positive fair value	-	-	17,059	80,264	88	213,490	-
- negative fair value	-	-	(7,428)	(21,422)	-	(432,200)	-
- future exposure	-	-	3,317	5,542	-	56,408	-
2. Equities and share indexes							
- notional value	-	-	10,300	601,211	59,277	522,220	-
- positive fair value	-	-	186	21,454	-	-	-
- negative fair value	-	-	-	(328)	(50)	(96,577)	-
- future exposure	-	-	618	36,111	5,928	34,834	-
3. Exchange rates and gold							
- notional value	-	-	2,277	181,016	-	938,247	-
- positive fair value	-	-	8	110	-	33,617	-
- negative fair value	-	-	(22)	(2,330)	-	(10,372)	-
- future exposure	-	-	23	7,212	-	50,601	-
4. Other assets							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-



Table 6.10 - Credit derivatives: average and reporting-date notional values

Transaction categories	Regulatory trading book		Other transactions	
	Individual assets	Baskets	Individual assets	Baskets
1. Hedge buys				
a) Credit default	1,758,973	32,870,769	413,264	18,000
b) Credit spread products	–	–	–	–
c) Total rate of return swaps	–	–	–	–
d) Others	–	–	–	–
Total A at 30/06/2014	1,758,973	32,870,769	413,264	18,000
Average values	1,870,358	37,669,893	364,330	22,450
Total A at 30/06/2013	1,901,362	42,469,017	346,386	74,735
2. Hedge sales				
a) Credit default	1,041,435	32,613,322	114,627	1,382,786
b) Credit spread products	–	–	–	–
c) Total rate of return swaps	–	–	–	–
d) Others	–	–	–	–
Total B at 30/06/2014	1,041,435	32,613,322	114,627	1,382,786
Average values	1,164,775	36,490,319	105,697	1,393,375
Total B at 30/06/2013	1,325,915	41,767,315	124,987	1,403,963



Table 6.11 - OTC credit derivatives: gross positive fair value, by product

Portfolio/derivative instrument type	Positive fair value	
	30/06/2014	30/06/2013
A. Regulatory trading book	515,962	754,633
a) Credit default products	515,962	754,633
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
B. Banking book	21,181	28,349
a) Credit default products	21,181	28,349
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
Total	537,143	782,982

Table 6.12 - OTC credit derivatives: gross negative fair value, by product

Portfolio/derivative instrument type	Negative fair value	
	30/06/2014	30/06/2013
A. Regulatory trading book	(480,281)	(699,513)
a) Credit default products	(480,281)	(699,513)
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
B. Banking book	(19,183)	(18,354)
a) Credit default products	(19,183)	(18,354)
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
Total	(499,464)	(717,867)



Table 6.13 - OTC credit derivatives: gross positive and negative fair values by counterparty - contracts not forming part of netting arrangements

Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
Regulatory trading book							
1. Hedge buys							
- notional value	-	-	-	50,000	-	50,000	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	(5,388)	-	(3,194)	-
- future exposure	-	-	-	2,500	-	2,500	-
2. Hedge sales							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
Banking book							
1. Hedge buys							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2. Hedge sales							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

Table 6.14 - OTC financial and credit derivatives: net fair values and future exposure by counterparty

	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1) Financial derivatives bilateral agreements							
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
2) Credit derivatives bilateral agreements							
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
3) "Cross product" agreements							
- positive fair value	-	-	542,558	267,461	68,917	69,749	-
- negative fair value	-	-	(234,502)	(132,835)	(535)	(3,583)	-
- future exposure	-	-	619,954	158,421	8,433	12,413	-
- net counterparty risk	-	-	751,089	341,722	60,980	78,602	-



Section 7 - Risk mitigation techniques

Qualitative information

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

With reference to Mediobanca in particular, specific policies and procedures have been developed in order to accurately calculate the indicators for eligibility of collateral in connection with securities financing transactions.

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

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

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

Policies and processes for valuing and managing real guarantees

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

- ◆ mortgage guarantees - the initial value of the property at the disbursement stage is based on a valuation made by independent experts. In order to ensure that the value of the collateral thus acquired is in line with the value of the underlying asset, a specific procedure has been drawn up which involves the fair value of the property being calculated and monitored on a regular basis based on market data supplied by an external information provider;
- ◆ pledge guarantees - pledge guarantees are valued on the basis of their real value, in the sense of market value for financial instruments listed on a regulated market, or presumed realization value in other cases. This value is then revised to reflect prudential margins, which vary according to the financial instrument used as the collateral in accordance with the provisions of regulatory requirements.

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

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

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

As at 30 June 2014, 95% of the guarantees received (€16.7bn) involve securities and cash in connection with securities financing transactions which are recorded among real financial guarantees; there is also €492m (approx. 3% of the total) in cash collateral, chiefly in respect of derivatives trading and the remainder for structured finance transactions.



Quantitative information

Table 7.1 - Risk mitigation techniques

Exposures to	Amounts as at 30/06/2014			Amounts as at 30/06/2013		
	Real financial guarantees	Other guarantees	Personal guarantees and credit derivatives	Real financial guarantees	Other guarantees	Personal guarantees and credit derivatives
Central administrations and central banks	–	–	156,369	7,176	–	89,902
Regulatory intermediaries	15,173,930	–	112,189	5,104,840	6,507	120,575
Regional entities	–	–	–	–	–	–
Non-profit-making and public sector entities	–	–	534	250	–	–
Multilateral development banks	–	–	306	786	–	–
International bodies	–	–	–	–	–	–
Companies	2,318,831	–	134,872	1,695,652	–	142,475
Retail exposures	63,494	–	–	165,045	–	–
Short-term exposures to companies	–	–	–	–	–	–
OICRs	–	–	–	–	–	–
Exposures guaranteed by properties	326	–	–	502	–	–
Exposures in the form of guaranteed bank debt securities	–	–	–	–	–	–
Overdue exposures	2,166	–	–	324	–	–
High-risk exposures	–	–	–	–	–	–
Exposures to equity instruments	–	–	–	–	–	–
Other exposures	–	–	36,210	134	80,756	–
Total	17,558,747	–	440,480	6,974,709	87,263	352,952



Section 8 - Securitizations

Qualitative information

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

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

- ◆ **Quarzo Lease S.r.l. (originated from SelmaBipiemme Leasing receivables)** - This special purpose vehicle company currently has three securitizations outstanding, all with SelmaBipiemme receivables as the underlying instruments, with the junior tranches underwritten by SelmaBipiemme itself and the senior tranches by the EIB. The deals are all in the amortization stages and hence this year only the final sales were booked, totalling €6.3m, in respect of the third securitization.

The main features of the deals are as follows:

Tranche	Date	Outstanding at issue date			Amortiz. Date	Outstanding at 30/6/14	
		Junior	Senior	Loans		Senior	Loans
I	01/07/2007	36.9	350.0	386.9	01/04/2013	192.7	243.5
II	01/05/2009	100.0	350.0	450.0	01/07/2012	89.6	202.1
III	01/07/2011	123.1	202.0	325.0	01/10/2013	98.2	216.8

Tranche	Amounts collected	Servicing fee	Interest on junior notes
I	83.7	0.05	8.21
II	80.9	0.05	4.06
III	109.5	0.07	8.39

- ◆ **Quarzo s.r.l. (originated from Compass receivables)** - Quarzo S.r.l. currently has one securitization outstanding subscribed for directly by Group companies, with the purpose of expanding the Group's sources of funding, by taking advantage of the possibility of refinancing senior bonds with the European Central Bank. The transaction consists of a senior issue in an amount of €2,960m plus a junior tranche worth €540m. The monthly revolving periods began in July 2013 and will continue until December 2015. During the twelve months receivables worth €1,459.2m were ceded.

The Group's portfolio of securities deriving from securitizations by other issuers totalled €281.8m (30/6/13: €272.8m), over 80% of which is attributable to the banking book (AFS and HTM). During the period under review, the banking book showed acquisitions of €16m and repayments totalling €32.8m. The trading book increased by €22.6m, following net acquisitions of €39.2m and repayments totalling €19.9m. Trading involving a total of €117.9m was recorded during the period under review.

The portfolio is valued on the basis of prices supplied by financial information providers and also, in the case of some banking book holdings, via internal fair value models. Overall during the year the portfolio's value increased by €2m, along with €4.6m in unrealized gains (as against €27.6m losses



last year). The portfolio as a whole has a rating commensurate with securities of high credit standing issued by at least one of the leading agencies (Standard & Poors, Moody’s and Fitch). Some 89% consists of senior-ranking securities, 10% mezzanine (four issues) and 1% junior (two issues). Over half of the portfolio is eligible for refinancing transactions with the European Central Bank.

The exposure to securities deriving from securitizations is monitored by the Market Risk Management unit as part of its checks to ensure that the issuer risk limits are complied with and its measurement of market risks through calculation of the simplified value-at-risk (products are treated as equivalent to bonds with a maturity equal to the weighted average life and a credit spread specific to the issue).

For the purpose of calculating the exposure for the investments held as part of the banking and trading books, a rating-based approach is used,⁶ or alternatively an internal valuation is made using the “look-through” method for unrated positions; these involve only deals where Mediobanca has played an active role in the securitization, e.g. as sponsor, manager.

Quantitative information

Standardized methodology: positions in securitizations

Table 8.1 - Banking book securitizations (AFS, HTM and LR portfolios)

Risk weighting classes	Amounts as at 30/06/2014									
	Cash risk assets				Off-balance-sheet risk assets				Early repayment clauses	
	Own securitizations		Third-party securitizations †		Own securitizations		Third-party securitizations †		Own securitizations	
	Traditional	Synthetic	Traditional	Synthetic	Traditional	Synthetic	Traditional	Synthetic	Traditional	Synthetic
Weighting 20%	–	–	12,818	–	–	–	–	–	–	–
Weighting 50%	–	–	49,249	–	–	–	–	–	–	–
Weighting 100%	–	–	146,162	–	–	–	–	–	–	–
Weighting 350%	–	–	–	–	–	–	–	–	–	–
Weighting 1250% - with rating	–	–	–	–	–	–	–	–	–	–
Weighting 1250% - without rating	–	–	–	–	–	–	–	–	–	–
Look-through - second loss in ABCP	–	–	–	–	–	–	–	–	–	–
Look-through - other	–	–	22,626	–	–	–	–	–	–	–
Total	–	–	230,855	–	–	–	–	–	–	–

† No off-balance-sheet risk assets and trading book securitizations included.

Table 8.2 - Trading book securitizations

Risk weighting classes	Amounts as at 30/06/2014			
	Cash risk assets *			
	Own securitizations		Third-party securitizations	
	Traditional	Synthetic	Traditional	Synthetic
Weighting 20%	–	–	30,797	–
Weighting 50%	–	–	17,477	–
Weighting 100%	–	–	2,656	–
Weighting 350%	–	–	–	–
Weighting 1250% - with rating	–	–	–	–
Weighting 1250% - without rating	–	–	–	–
Look-through - second loss in ABCP	–	–	–	–
Look-through - other	–	–	–	–
Weighting 650%	–	–	–	–
Total	–	–	50,930	–

* No off-balance-sheet risk assets included

⁶ A list of the ECAIs used is provided in section 6.



Section 9 - Operational risk

Qualitative information

Mediobanca has decided to adopt the Basic Indicator Approach (“BIA”) in order to calculate the capital requirement for covering operating risk, applying a margin of 15% to the average of the last three readings of total income. Based on this method of calculation, the capital requirement as at 30 June 2014 was equal to €255m (30/6/13: €257m).



Section 10 - Exposures to equities: information on banking book positions

Qualitative information

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

Equity investments

This heading consists of investments in:

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

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

AFS securities

AFS assets are initially recognized at fair value, which includes transaction costs and income directly attributable to them. Thereafter they continue to be measured at fair value. Changes in fair value are recognized in a separate net equity reserve, which is then eliminated against the corresponding item in the profit and loss account as and when an asset is disposed of or impairment is recognized.

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, the loss is recognized in the profit and loss account. The criteria used to determine impairment are a reduction in fair value of over 30% or for longer than twenty-four months, compared to the initial recognition value.



Quantitative information

Table 10.1 - Banking book: cash exposures in equities and UCITS

Items	Amounts as at 30/06/2014									
	Book value		Fair value		Impairment	Gains/losses realized		Gain/loss not realized		Gain/loss not realized/Tier 1
	Listed	Unlisted	Listed	Unlisted		Gains	Losses	Gains	Losses	Gains
A. Equities										
A.1 Shares	3,168,140	731,431	3,299,583	731,431	(24,799)	455,710	(8,886)	807,595	(2,015)	108,141
A.2 Innovative equity instruments	–	–	–	–	–	–	–	–	–	–
A.3 Other equity instruments	–	113,348	–	113,348	–	58,816	–	69,680	–	26,445
B. OICR units										
B.1 Incorporated under Italian law	–	–	–	–	–	–	–	–	–	–
harmonized, open	–	–	–	–	–	–	–	–	–	–
not harmonized, open	–	–	–	–	–	–	–	–	–	–
closed	–	92,199	–	92,199	(20)	–	–	7,084	(427)	3,216
reserved	–	6,400	–	6,400	(2,518)	–	–	–	–	–
speculative	–	6,706	–	6,706	–	–	–	904	–	460
B.2 Other EU states	–	–	–	–	–	–	–	–	–	–
harmonized	–	383	–	383	–	373	–	17	–	13
not harmonized, open	–	–	–	–	–	–	–	–	–	–
not harmonized, closed	–	8,033	–	8,033	–	–	–	717	–	964
B.3 Non-EU states	–	–	–	–	–	–	–	–	–	–
open	–	10,343	–	10,343	–	1	–	677	–	1,320
closed	–	–	–	–	–	–	–	–	–	–
Total	3,168,140	968,843	3,299,583	968,843	(27,337)	514,900	(8,886)	886,674	(2,442)	140,560



Table 10.2 -Banking book: equity instruments

Category	Book value as at 30/06/2014
Private equity instruments held in a sufficiently diversified form	124,064
Equity instruments listed on regulated markets	3,168,140
Other equity instruments	844,779
Total equity instruments	4,136,983
Balance-sheet values, listed and unlisted	4,136,983
Difference	—



Section 11 - Interest rate risk on banking book positions

Qualitative information

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

Quantitative information

The Group’s exposure to interest rate risk has been quantified in accordance with the simplified methodology described by the Bank of Italy in Circular 285. The regulatory approach is based on quantifying the variation in the economic value of the supervisory banking book following a change in interest rates.

In determining internal capital under ordinary conditions, reference has been made to the annual changes in interest rates recorded during an observation period of 6 years, considering alternately the first percentile (reduction) and the 99th percentile (increase).⁷

The calculation of the interest rate risk on interest on the banking book is shown below, following a shift in the interest rate considering the 99th percentile (increase) in the annual changes in interest rates recorded in the last 6 years.⁸

(€ mln)	Amounts at 30/06/2014
Interest rate risk on the banking book	192
◆ Euro	189
◆ Other currencies	3

In addition, stress tests have been carried out on the interest rate on the banking book at the consolidated level, with the aim of quantifying the effect of a parallel shift of + 200 basis points in the interest rate curve as required by Circular 285, in order to calculate the risk indicator.

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

(€ mln)	Amounts at 30/06/2014	
	Negative shifts	Positive shifts
Interest rate risk on the banking book	191	(524)
◆ Euro	187	(523)
◆ Other currencies	4	(1)
Own Funds	8,083	8,083
Risk Index	-	6.48%

The riskiness index is approx. 6.48%, far below the 20% attention threshold set by the Bank of Italy.

⁷ The calculation methods are in line with the simplified methodology provided for in Circular 285.

⁸ In the event of interest rates falling, there would be an overall increase in the value of the banking book which does not represent a source of risk. On prudential grounds, no offset between exposures in different currencies is offset included in the calculation.



Section 12 - Remuneration and incentivization systems and practices

Qualitative information

Introduction

During the year under review, the governing bodies of Mediobanca have continued to devote particular attention to the issue of staff and remuneration policies, including in the light of the new documents published by the supervisory authorities on this subject. In particular:

- ◆ the European Capital Requirements Directive (CRD IV), which came into force on 1 January 2014, and is currently being phased into the regulatory frameworks of the individual European nations;
- ◆ Commission Delegated Regulation (EU) 481/2014, issued on 4 March 2014 (and published in the *Official Journal of the European Union* on 6 June 2014), which establishes the methods by which staff with a significant impact on an institution's risk profile are to be identified ("Identified Staff"), based on a combination of qualitative and quantitative criteria;
- ◆ the consultation document on remuneration circulated by the Bank of Italy in December 2013 but not yet issued, which will incorporate the provisions of CRD IV and replace the document currently in force which was issued on 30 March 2011

Staff remuneration policies

The financial year ended 30 June 2014 is the first of the three years covered by the new strategic plan approved by the Mediobanca Group in June 2013, centred on growth, profitability and disciplined allocation of capital, via:

- gradual reduction of the Bank's exposure to equity, optimizing its capital allocation;
- well-balanced business model between cyclical/stable high/low-capital absorption, domestic/international, and proprietary/client-based activities;
- development of high fee-generating and low capital absorption activities;
- retaining close control of risks and asset quality.

Reaching these objectives is focused on expanding the client base to include segments not fully covered (mid-corporate and institutional investors), enhancing the Group's international dimension, and extending the product range to include more "customized" products for clients. In organizational terms these changes require investments in human resources and technology, and more efficient definition of Mediobanca's organizational structure.

From a governance perspective, during the twelve months under review, among other things the Risk Appetite Framework has been finalized, the measures required by the Bank of Italy's circular no. 263 in respect of prudential supervision implemented, and a new Business conduct and related risks policy adopted.

The decisions regarding staff remuneration have been taken in view of the above business and organizational scenario, which increasingly is requiring the contribution of high-quality professional skills.



Governance

The governing bodies and company units have governed the entire process of applying and revising the Remunerations policies.

In particular, as described in the Annual statement on corporate governance and ownership structure, the Remunerations committee has met on five occasions in the course of the year. The Committee is made up of five non-executive members, a majority of whom qualify as independent under the Code of conduct for listed companies operated by Borsa Italiana. The Statutory Audit Committee also participates in Committee meetings, as do the Chief Executive Officer and the General Manager, the Chief Risk Officer and the head of Human Resources on invitation.

The main items on the agenda in Committee meetings are: analysis of developments in the regulatory framework; formulation of proposals to the Board of Directors regarding the variable remuneration of those directors who are members of the Group's management (which includes deciding and assessing their scorecards), and that of other staff at the proposal of the Chief Executive Officer; monitoring the solutions adopted by competitors and analysing market compensation benchmarks; and reviewing the new Remunerations policies to be submitted to the approval of both the Board of Directors and shareholders gathered in general meeting.

The Group Human Resources department has supported the above governance activities, and co-ordinated the process of formulating the proposals and resolutions. The services of leading external consultants have also been used in the course of various activities, in particular market benchmark analysis and structuring new policies.

The Group Audit and Compliance units have issued reports stating that the Remunerations policies conform to the Bank of Italy regulations. The Risk Management, too, has been involved in the activities which have led to the determination of the variable remuneration awarded. The Accounting and Financial Reporting and Planning and Control units, finally, have provided the data for ascertaining that the gateways have been met and for determining the business areas' performances.

“Identified staff” and application of new scope of reference

The new criteria for identifying staff whose activities have a significant impact on banks' risk profiles (“Identified Staff”) were published in the Official Journal of the European Union on 6 June 2014 with the proviso that they were to be applied immediately. This development in the regulatory framework thus meant that for the financial year ending 30 June 2014, using the powers delegated by the shareholders in general meeting, the scope of the Mediobanca staff to whom the more stringent remuneration criteria were to be applied had to be amended versus those contained in the Policies approved by the shareholders on 28 October 2013.

Based on the new criteria, the Group's identified staff consist of 62 employees (if non-executive directors are included in this definition, the number rises to 77) as at 30 June 2014, 58 of whom working for Mediobanca S.p.A. and therefore recipients of the Mediobanca bonus pool. The number includes the directors who are members of the Group's management (5 staff), the parent company's senior management and heads of relevant business units (10 staff), other staff with managerial responsibilities in relevant business units or with total remuneration in excess of €500,000 (25 staff). Alongside these 40 staff members employed in business activities, other identified staff include those employed in the control units and staff and support areas (18 staff). The Group had a total of 51 identified staff as at 30 June 2013.⁹

⁹ The most relevant staff previously identified comprised 51 employees (cf. annual general meeting held on 28 October 2013), identified in accordance with the criteria set in the Bank of Italy regulations on 30 March 2011 and excluding other staff identified by Mediobanca on a



Calculation of bonus pool and allocation using risk-adjusted metrics based on sustainable results over time

The variable component remuneration component to be assigned to the “identified staff” referred to above constitutes the so-called “bonus pool”. Payment is conditional upon a series of conditions, or “gateways”, which consist of the following indicators approved by shareholders at the last general meeting:

- positive economic profit earned by the WB division;¹⁰
- consolidated financial statements reflecting a profit;
- Common Equity Tier 1 Ratio ratio above regulatory threshold;
- compliance with adequate liquidity coverage ratio level.

The variable component assigned to each staff member is decided on the basis also of other quantitative and qualitative aspects.

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

The Group’s performance in the twelve months ended 30 June 2014 reflects:

- a return to profit at Group level, despite some €730m in loan loss adjustments, due to good results posted by the Principal Investing division;
- weak banking operations, in WB in particular even though the 4H results showed an upturn in fee income and client activity;
- cost/income compensation/income ratios at 2012 levels.

The performance of the Wholesale Banking division in the twelve months ended 30 June 2014 reflects:

- a pre-tax loss, due chiefly to the reduction in net interest and treasury income (proprietary trading) as well as the higher loan loss provisions;
- 14% growth in net fee and commission income, due to a good performance in capital markets activity.

Investment banking, lending and proprietary trading activities reflected differing contributions to WB profitability:

investment banking was up 25%, driven by fees generated from equity capital market/sales activities doubling and by increases of 40% in debt capital markets and 20% in capital market solutions;

discretionary bases under the “criterion of proporzionalità”. As at 30 June 2014 the Identified Staff represent 1.75% of the Group’s total headcount and 9% of the headcount of Mediobanca S.p.A., compared with 1.4% and 7.7% one year earlier.

¹⁰ Economic profit (EP) is a risk-adjusted indicator which measures the higher profit produced once the cost of the capital (regulatory) required to carry out the activity has been rewarded. The EP metric was chosen in order to take into account current and potential risks and sustainability of results over time.



revenues generated by lending slowed marginally, by 3%, but the result as a whole was impacted by loan loss provisions doubling (from €120m to €245m);

proprietary trading, having benefited from €150m gains last year, this year showed the impact of the negative market conditions.

For the financial year ended 30 June 2014, the following conditions were thus met:

- ◆ Group net profit;
- ◆ Common Equity Tier 1 Ratio 11.08% (calculated in accordance with the CRR/CRD IV prudential regulations);
- ◆ liquidity ratio 229%.¹¹

Conversely, the condition of the WB division delivering an Economic Profit has not been met, despite the very strong contribution from the Investment Banking area.

Accordingly, no variable remuneration has therefore been paid to the directors who are members of the Group's management¹² or to the other ten staff who are members of the relevant business units' senior management.

The Board of Directors, subject to a positive opinion being expressed by the Remunerations committee, at the Chief Executive Officer's proposal, has nonetheless decided that a bonus should be paid to 22 bankers in the Investment Banking division qualifying as Identified Staff (equal to approx. 50% of the Identified Staff employed in business activities) for retention purposes, electing to exercise the right provided for under the Remunerations policies in force in the event of the conditions or gates not being met. This decision reflects the advisability of safeguarding some of the Bank's professional resources, the sustainability of future results, and rewarding outstanding individual performances.

The same assessment was made for some staff employed in the control units and staff and support areas, considering the centrality of the role performed by them during the year under review, with reference in particular to the European Central Bank's Comprehensive Assessment process. Account has also been taken of the principle of keeping assessment of such staff's performance separate from business results delivered.

The Board of Directors has therefore established an overall bonus pool for retention purposes equal to €14m, compared to €17.6m in 2013 and €25.2m in 2012, a reduction of approx. 20% and 44% respectively.¹³

In addition to the retention bonus pool, i.e. not included in the above amount, three staff have also been paid a variable component on the basis of contractual agreements entered into upon recruitment, in connection with their first year of employment with Mediobanca.

¹¹ Including the LTRO.

¹² The performance objectives assigned for the financial year ended on 30 June 2014 chiefly referred: for the Chief Executive Officer, to risk-adjusted Group profitability indicators, Group revenues, reduction of the equity exposure in line with the three-year strategic plan approved, and improvement in the capital solidity ratios; for the General Manager, to risk-adjusted Group profitability indicators, profitability in the retail and consumer finance businesses, Economic Profit earned by the Financial Markets division, retail cost of funding, and monitoring of projects to improve Group processes. Final assessment showed that these objectives had been met partially and to different degrees, although the final result was affected by the failure to meet all the gateways.

¹³ The comparison has been made by comparing the retention bonus awarded to the scope of staff qualifying as "identified staff" as at 30 June 2014 under the new European regulations (58 staff employed by Mediobanca S.p.A.) with the scope of staff identified as "most relevant" in the employment of Mediobanca S.p.A. as at 30 June 2012 (38) and 2013 (51) under the provisions contained in the Bank of Italy instructions issued on 30 March 2011, and not including those identified by Mediobanca at its own discretion based on the "criterion of proportionality".



The methods by which the variable remuneration will be distributed are as stated in the Remunerations policies. The overall amounts include the share paid in equity form (i.e. performance shares) equal to approx. €7m (some 50% of the bonus), which will be booked in part over the next three financial years based on the accounting standards currently in force. Accordingly, the Board of Directors has approved a resolution to award Group staff members 1,082,789 performance shares (with the value based on the average Mediobanca shares' stock market price in the month prior to the award being made, namely €6.78 per share).¹⁴ Of the cash component, a total of €4.5m has been paid, with the remainder to be distributed over the coming years.

At the Chief Executive Officer's proposal, the Board of Directors, subject to a positive opinion being expressed by the Remunerations committee, as established by the policies in force, has also approved payment of the deferred bonus components from previous financial years despite the presence of a negative "gateway", to staff employed in business units which delivered positive results, as the events which impacted on the Bank's ordinary banking operations were not attributable to them. For identified staff employed in areas which delivered negative results, the deferred component from previous years, payment of which is subject to malus conditions in respect of the financial year ended 30 June 2013, will not be paid, whereas it will be paid, selectively in part to identified staff employed in business units which delivered negative results due to extraordinary items which were the result of strategic decisions.

Management with strategic responsibilities other than the executive directors and referred to in the Consob resolution issued in 2011, consisted of eleven persons as at 30 June 2014: the heads of the control units plus the principal staff and support areas, the head of financial reporting, and other staff in charge of important business areas considered strategic for the Bank's functioning. Their remuneration package reflects the provisions of the Remuneration policies, based on the individual category of identified staff to which they belong.

New staff remuneration policies

Introduction

As in the past, the new Remunerations policies:

- comply with the supranational and national regulations currently in force;
- allow areas of the Bank which create value to be awarded, using objective measurement and internal allocation criteria;
- enable the Group to attract and retain staff with the professional skills and capabilities required to meet its needs;
- are in line with the policies adopted by other national and international operators.

The main changes compared to the previous versions involve:

- i. with reference to performance assessment:
 - new definition of the gateways required for the bonus pool to be disbursed;
 - revised criteria for measuring and quantifying the bonus pool earmarked for the Mediobanca Wholesale Banking area, the individual divisions and business units, and the other units providing service and support activities;

¹⁴ A further 634,113 performance shares were awarded in February 2014, under agreements entered into when staff were recruited, in accordance with the provisions of the strategic plan.



- fine-tuning of structure of area scorecards and of business unit performance measurement system;
- ii. with reference to definition of identified staff and methods of remuneration:
 - new scope of “identified staff” (already adopted last year);
 - institution of cap on variable remuneration set at two times the fixed remuneration allowed by the European regulations.

Governance

The governance process for the Group remuneration policy is structured across two levels: corporate and organizational.

a) Corporate governance

Under the current Articles of Association:

- shareholders in general meeting determine the fixed annual remuneration payable to members of the Board of Directors, upon their appointment for the entire duration of their term of office, to be divided among the individual Board members according to the decisions of the Board of Directors itself (Article 13).
- shareholders in general meeting also approve remunerations policies and share-based compensation schemes for directors and Group staff (Article 13).
- under Article 18, the Board of Directors determines the Chairman’s, the Chief Executive Officer’s and General Manager’s remuneration.
- the Remunerations Committee (Article 19) is made up of between five and seven non-executive members, at least a majority of whom must qualify as independent under the definition provided in the Code of Conduct. The Remunerations Committee has powers of consultation and enquiry to determine the remuneration of directors vested with particular duties and the General Manager, and gives its opinion on the proposals made by the Chief Executive Officer regarding the guidelines for the remuneration system to be adopted for senior management and the Group’s staff remuneration, retention and incentivization policies. The Committee also reviews, at regular intervals, the adequacy, overall coherence and application in practice of the remunerations policy for directors and management with strategic responsibilities, formulates proposals and/or opinions regarding the compensation of directors who are members of the Group’s management, and checks whether the performance objectives have been reached. It proposes how to allocate the fixed compensation payable to the Board of Directors as a whole set by shareholders in general meeting, and expresses its opinion on the Remunerations policies to be submitted to the approval of the Board of Directors and of shareholders in general meeting. A quorum is established with a majority of Committee members in office in attendance, and resolutions are adopted with a majority of those in attendance voting in favour. The Committee Chairman reports to the Board of Directors on the Committee’s activity and the proposals to be submitted to the Board’s approval. Minutes of Committee meetings are kept in specific registers.
- the Chief Executive Officer presents the proposed Group staff remuneration and retention policies to the governing bodies (Article 19), is responsible for staff management (Article 25), and having sought the opinions of the General Manager, determines the bonus pool based on the criteria established by the Board of Directors and then distributes it.



b) Organizational governance

- Human Resources directs and guides the entire process, involving the governing bodies, control units and other teams responsible for verifying the Group's earnings and financial data.
- The Accounting and Financial Reporting and Planning and Control units provide the data for ascertaining that the gateways have been met and for determining the business areas' performances based on the results achieved.
- The Risk Management unit helps in defining the metrics to be used to calculate the risk-adjusted company performance, in validating the results, and in checking that these are consistent with the provisions of the Risk Appetite Framework.
- The Compliance unit carries out an annual assessment of the remuneration policies' compliance with the reference regulatory framework with a view to containing any legal or reputational risks. Along with the other control units, it is also responsible for checking whether or not any compliance breaches have been committed with relevance for purposes of assessing the performance and award of the variable remuneration component. The Compliance unit is involved in the processes of revising, adapting and managing the remuneration systems to ensure these are in line with the regulations in force at the time.
- The Group Audit unit makes a statement declaring that the staff remuneration and incentivization policy adopted by the Bank complies with the Instructions. It also carries out annual controls on the data and process, and brings any irregularities to the attention of the relevant bodies for the appropriate corrective action to be taken.

All activities are documented to ensure that they may be fully tracked.

Identified staff

The criteria adopted to identify staff with a substantial impact on the Mediobanca Group's risk profile are those published in the in the *Official Journal of the European Union* on 6 June 2014:

- qualitative, linked to the role covered within the company organization (including non-executive directors), relevant business units, control and staff units;
- quantitative, based on total overall remuneration received in the previous financial year.

Mediobanca regularly carries out analysis of its own organizational structure via a documented process. At 30 June 2014 the Groups "identified staff" (including non-executive directors) broke down as follows:



Table 12.1 - “Identified staff” by cluster

Cluster	Definition	EBA regulations	No.
1) Non-executive directors (non-executive members of BoD, including Chairman)		Art. 3.1	1 (+15)
2) Directors with executive duties (management who are members of Executive Committee)		Art. 3.2	4
3) Senior management and heads of relevant BUs (principle business lines, geographical areas and other senior business figures)		Art. 3.3	13
		Art. 3.6	
		Art. 3.4	
4) Heads and senior staff of Internal control units (Compliance, Risk Management, Group Audit)		Art. 3.5	10
		Art. 3.7	
		Art. 3.15	
5) Staff with managerial responsibilities in relevant business units	◆Heads of trading desks, liquidity, trading origination and other senior staff employed in the Financial Markets division	Art. 3.8	18
	◆Staff with significant responsibility in the Lending and Structured Finance and Corporate Finance areas	Art. 3.15	
6) Heads and senior staff in Staff and support units (Head of company financial reporting, HR, Operations)		Art. 3.9	8
		Art. 3.15	
7) Quantitative criteria	Role with total compensation ≥ €500,000 in previous financial year not included in categories listed above	Art. 4	8
		Total	62 (77)
		% of total Mediobanca S.p.A. staff as at 30 June 2014	9.34%
		% of total Mediobanca Group staff as at 30 June 2014	1.75%



Management with strategic responsibilities as defined in the Consob resolution issued in 2011 other than directors (i.e. heads of control and the main staff and support units, Head of company financial reporting, and heads of the relevant business areas) are all included in the scope of identified staff.

Pay mix

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

a) Remuneration structure for non-executive directors

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

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

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

- 1) a fixed salary;
- 2) a variable annual component which only accrues if the gateways stipulated in the Remunerations policy are complied with (see below the section entitled "Determination of bonus pool and correlation between risks and performance"), commensurate with the quantitative and qualitative performance indicators contained in an individual scorecard approved annually by the Board of Directors at the Remunerations Committee's proposal being reached.

The scorecards contain performance objectives identified within each individual manager's sphere of responsibility (for example these may regard risk-adjusted profitability or revenues, Group-wide or for particular divisions, Economic Profit of individual areas for which responsible, other objectives consistent with the guidelines of the strategic plan with respect to capitalization, liquidity or new business initiatives) and weighted according to the relevance assigned to them by the Board of Directors and the actual margin of autonomy in terms of decision-making. If the objectives are met, this triggers the payment of a variable bonus between 50% or less of the gross annual salary on certain minimum objectives being reached (usually related to the budget objectives) up to a maximum of 200% in the event of outstanding performances (tendentially between 115% and 150% of the minimum value). Of the variable component, 50% is paid in cash and 50% in equity, and 60% is deferred over a four-year time horizon. All the deferred items are subject to the performance and malus conditions stipulated in these Policies (see below the section entitled "Performance conditions, malus condition and clawback").



- 3) upon the approval of the three-year Group plan, the Board of Directors may choose to award an extraordinary bonus, or long-term incentive, conditional upon the objectives set forth in the plan itself being reached. Actual payment will take place in accordance with the terms, conditions and methods provided for the variable remuneration component referred to above.

The Chairman receives only a fixed salary. However, the Board of Directors may, having consulted with the Remunerations Committee, and at its own discretion, to be distributed in accordance with the regulations set forth in this policy.

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

c) Compensation structure for staff employed in control units and staff and support areas

The remuneration package for the heads of the control units (Group Audit, Compliance, Risk Management), the Head of company financial reporting, the head of Human Resources and the most senior staff employed in such areas is based on a majority fixed component and a smaller variable component paid annually on the basis of qualitative and efficiency criteria. The remuneration of the above managerial staff, with the fixed component representing at least 75% of the total remuneration, is approved annually by the Board of Directors, subject to a favourable opinion being expressed by the Remunerations committee.

The remuneration of staff employed in the staff and support areas is normally determined on the basis of positioning vis-à-vis the reference market (which varies according to the value of the individual employee, their role and the retention strategies in place). For such staff the variable component, usually modest, is not related to the Group's earnings results but to the quality of the individual's performance.

d) Remuneration structure for other "identified staff"

- fixed salary: this reflects technical, professional and managerial capabilities, and the related responsibilities. Mediobanca devotes continuous attention to the value of the fixed salaries it pays, which are monitored in relation to its competitors and adapted to changes in the market scenario from time to time, avoiding excessive reliance on annual bonuses but at the same time being careful not to make the overall package unduly inflexible.
- variable remuneration (annual bonus): this functions as recognition and reward for targets set and results achieved, and is calculated based on risk-adjusted indicators. It constitutes an important motivational factor, and for some business figures may form the majority of their annual pay, in line with market practice (Corporate and Investment Banking), without prejudice to the upper limit and to the other conditions established by the regulations in force.

The variable component is paid in cash and equity instruments, in part upfront and in part in subsequent years, subject to performance conditions being met. Any shares awarded are subject, after the respective rights have vested, to an additional holding period for retention purposes. The section entitled "Variable component structure" describes the criteria and means of deferral in more detail.

For a restricted number of staff with high potential and generally low seniority, a long-term incentive is applied in the form of deferred cash (a bonus which accrues over three years and is paid in the following two years) in addition to the annual bonus.



- **Benefits:** in line with the market, compensation package is completed by a series of fringe benefits which are evidence of the ongoing attention paid by Mediobanca to the personal needs and welfare of its own staff, even after retirement. The benefits chiefly consist of pension, insurance and healthcare schemes. The benefit schemes are sometimes distinguished by families of professionals and geographical areas, but do not make provision for individual discretionary systems. The Bank's supplementary pension scheme was established in December 1998 for all staff, with contribution rates distinguished by category and length of time employed by the company. Company cars are provided only for the most senior figures.

e) Other information on remuneration structure

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

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

Remuneration cannot be paid in forms, instruments or means that seek to avoid the regulatory provisions.

Cap on variable remuneration

In accordance with the national and supranational regulations, the upper limit on the variable remuneration component for all staff belonging to the Mediobanca Group¹⁵ has been set at twice the amount of their fixed remuneration (without prejudice to the provisions in place for staff employed in the control units).

The reasons behind this decision are primarily:

- a desire to maintain adequate operating flexibility, minimizing the economic and organizational risks linked to the possibility of undue rigidity at high levels of labour cost;
- adoption of a remuneration policy which incentivizes virtuous behaviour in achieving the business objectives and creating value;
- the presence of competitors in different sectors (non-banking financial institutions, asset managers, hedge funds etc.) or geographies (Far East, the Americas) with a less stringent regulatory framework which could jeopardize the retention of the Bank's most talented staff;
- a desire to reward merit, in following an approach which recognizes and distinguishes between individuals' and business units' contributions to the Bank's overall results.

The sustainability of this policy is guaranteed by the institution of a cap on the aggregate variable component that may be assigned to the various business areas (the "area bonus pool") even in the event of exceptional results, as well as the individual cap on variable remuneration.

Determination of bonus pool and correlation between risks and performance

Determination of the bonus pool and the correlation between risks and performance is achieved via a process which has the objective of rewarding staff based on the Bank's and the Group's risk-adjusted performances, with the restriction of maintaining adequate capital stability, liquidity profile and the Group's future risks. The Group's target risk profile in fact involves maintaining a

¹⁵ With the exception of staff not included in the definition of Identified Staff belonging to business areas governed by sector regulations which do not make provision for caps on variable remuneration in the absence of specific indications from the supervisory authorities.



solid capital base and strong liquidity position, preserving profitability over the long term in line with its own business profile, and safeguarding its reputational capital, with a view to business continuity and sustainable results over the long term. In particular:

- Distribution of the bonus pool (which constitutes the variable component earmarked for the remuneration of “identified staff”) only takes place if the following indicators or “gateways” are complied with:
 - capital and liquidity adequacy ratios¹⁶ indicated by the risk metrics adopted in the Risk Appetite Framework¹⁷ approved by the Board of Directors, namely the main indicators considered in the ICAAP;
 - an operating profit recorded at Group level.¹⁸

The Board of Directors, having received a favourable opinion from the Remunerations Committee, at the Chief Executive Officer’s proposal, may in any case authorize payment of a variable component for retention purposes, even in the event of the gateways failing to be met. In particular, payment of the retention bonus pool is conditional upon the reasons why the individual gateways were not met and the relevance of the single indicator to the Group’s capital solidity, liquidity and long-term results. Extension of the population involved and its amount are based on the following criteria: each individual beneficiary’s contribution to the overall results of the division and Group, importance of the profile for the sustainability of future results, analysis of market benchmark and competitive scenario, need to guarantee continuity of operations, and consistency with succession planning.

- Under the process for determining the bonus pool, in preparing the budget the Board of Directors approves the cost of labour for the financial year to come, including the amount of variable remuneration and the bonus pool payable to identified staff, in view of Mediobanca’s and the individual business units’ estimated performance targets, the market scenario and historical pay trends. Once the final results have been closed, the bonus pool payable to Mediobanca’s identified staff is calculated on the basis of the results actually delivered. The CEO establishes the bonus pool to be assigned on the basis of the Economic Profit earned by the individual business activities belonging to the Wholesale banking division¹⁹ (the area to which most staff who have a substantial impact on Mediobanca’s risk profile belong) based on quantitative parameters (satisfactory Group results in terms of risk/return, consistency with Risk Appetite Framework profiles other than those already included among the gateways, comparison of performances delivered versus annual budget objectives and the three-year business plan, comparison versus historical performances, and cost/income and compensation/income ratios) and qualitative parameters (market positioning and market share, proper conduct and reliability of staff members with reference in particular to reputational and compliance issues, retention of key staff, need for new professional talent). The bonus pool proposal formulated by the CEO is then shared with the governing bodies (see section above entitled “Governance”).
- The bonus pool for the individual business activities is calculated on the basis of scorecards which generally use Economic Profit as the primary metric and other secondary

¹⁶ CET 1 ratio, leverage ratio, AFR/ECAP, Liquidity Coverage Ratio, Net Stable Funding Ratio, Retail funding ratio.

¹⁷ The Risk Appetite Framework was approved by the Board of Directors on 4 July 2014. It identifies the risks which the Bank is willing to assume, and for each risk defines the objectives and limits in both normal and stressed conditions, identifying the measures required in operational terms to bring the risk back within the target objective. The framework is based on assessment of the individual risk drivers to which the Bank is exposed, both macro-economic and specific. The RAF is subject to continuous fine-tuning and revision, as the metrics, analysis methodologies, regulatory developments and corporate processes with which it is integrated are refined.

¹⁸ Total income less operating costs and net loan loss provisions as per the restated accounts.

¹⁹ Economic Profit (EP) is a risk-adjusted metric which measures the higher profit produced once the (regulatory) capital required to perform the activity concerned has been rewarded. EP has been chosen in order to take account of both current and potential risks and the sustainability of results over time.



quantitative and qualitative metrics with the institution of a cap. The scorecards are structured in such a way as to incentivize internal co-operation, in particular between heads of business unit. The bonus pool to be earmarked for identified staff in the control units and staff and support areas is determined on the basis of qualitative considerations, in order to limit the degree of correlation with the Bank's results, thus safeguarding the independence of their role (see section above entitled "Compensation structure for staff employed in control units and staff and support areas").

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

Annual bonuses are awarded to the individual beneficiaries by the Chief Executive Officer and senior management, from the bonus pool determined as described above in the section entitled "Determination of bonus pool and correlation between risks and performance", through a shared annual performance assessment process which emphasizes professional merit and quality, with particular attention paid to reputational issues (the bonus either cannot be paid or is reduced for any staff guilty of committing a compliance breach of either the internal or external regulations in the course of the year).

Mediobanca valorizes its staff on a meritocratic basis, developing their professional capabilities in accordance with the principle of equal opportunities and in line with its own strategic choices and organizational and productive requirements. Career development is facilitated through the provision of adequate training, practical work experience under the leadership of line managers, in some cases mobility across different positions, assessment of performance, and ultimately the career advancement and promotion process.

At the start of the year the professional, personal and company objectives for each staff member are assigned and discussed with the respective line manager. Such objectives are clearly weighted and established, and both achievable and challenging, and if possible with a definite timescale. Particular attention is paid to proper individual conduct in accordance with the provisions of the Code of ethics, Organizational model and Business conduct policy, and in general terms with the principles established by regulations, operational procedures and processes, with reference in particular to those considered to be most relevant in terms of reputational risk.

At the end of each year, the line managers make their assessment of the individual staff members based on the objectives set. Ongoing feedback throughout the year also allows the line manager and staff to agree on the expected performance, ensuring that each team member has the right characteristics to ensure the objectives are met, with objective discussion of individual performances. In this way the organization is able to reach its objectives while respecting its corporate values, and transparency is ensured with reference to training opportunities, professional development and assessment criteria.

For staff belonging to the business units, the assessment reflects:

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



For all the other units, the main aspects of assessment are based on qualitative objectives and a broader appraisal regarding compliance with regulations, control of costs and efficient management of areas. In particular, for staff employed in the accounting, planning and control areas the following aspects are considered: all obligatory, supervisory and market disclosure requirements being complied with, all the accounting processes and related electronic procedures being managed efficiently and accurately, and compliance with tax requirements. For staff employed in the internal control units (Group Audit, Compliance and Risk Management), continuous monitoring and control of the Bank's processes and operations, carried out independently and autonomously to prevent risk situations developing and ensure irregular behaviour is picked up swiftly; continuous assessment of compliance with the regulations in the form of appropriate audit plans, updates to internal guidance, training of internal units, business and non-business; correct development of models, methodologies and metrics with which to measure market, credit and operational risks, producing adequate reporting for monitoring processes and accurate analysis of new products and their risk profiles.

In close correlation with the valuation process, staff may also be involved in a career advancement process involving covering new organizational roles, promotion to a new contractual level or being assigned a new corporate title based on the experience acquired and results achieved. Promotions are proposed by the head of the business unit concerned, agreed with Human Resources and approved by the General Manager and/or the Chief Executive Officer (for middle management). For higher levels (senior management or equivalent), the process involves specific appraisal of the candidate concerned, including by other senior Bank staff from a variety of different professional backgrounds, experiences and roles. The process is closely linked to that of succession planning which involves researching, identifying and managing individual candidates for senior positions (specifically executive directors, including in cases where such figures have to be replaced ahead of the scheduled expiry of their term of office, taking into account that under Mediobanca's current Articles of Association five directors must be chosen from among staff with at least three years' experience as senior management at companies forming part of the Mediobanca Banking Group), and identifying a pool of possible replacements with high potential (the "senior talent pool" for key positions, including the business areas, control units, and staff and support roles) in view also of likely future requirements in terms of strategic leadership and/or professional and managerial capabilities through a global organizational approach.

The Remunerations policies are therefore co-ordinated in close conjunction with the Succession planning and Staff management policies, both of which are approved by the Board of Directors.

Variable component structure: timescale for distribution and instruments

A substantial proportion of the variable component is deferred in time and distributed in the form of equity instruments, in order to link incentives to the objective of value creation in the long term and to ascertain the continuity of the company's results.

The variable component payable to directors with executive duties, to senior management (i.e. groups 2 and 3 of the table shown in the section entitled "Identified staff") and to staff employed in areas operating on financial markets, included in groups 5 and 7 of the same table, is deferred as to 60%. For the remaining identified staff the deferred share is 40%. The time horizon for deferral is three years, save for directors with executive duties for whom it is four years, with annual distributions made pro rata. Deferral applies to any amount of variable remuneration.

For line managers and senior staff in the control units and staff and support areas (groups 4 and 6), deferral is applied to variable remuneration which is equal to or exceeds €80,000.

The upfront component and the deferred variable remuneration are distributed as to 50% in cash and as to 50% in equity instruments, for both the upfront component (i.e. paid in the same year as the award is made) and the deferred component.



After the vesting period, the equity instruments are subject to a further retention holding period, of two years for the upfront component and one year for the deferred component.

Given the full time horizon over which the variable remuneration is distributed, in cash and shares, the final tranche of the equity component is thus received in the fourth year following the award, with the economic benefit for the recipient spread across five financial years.

Mediobanca also applies a 30% deferral over a three-year time horizon, all in cash and subject to malus conditions, to all staff not included in the definition of identified staff who receive variable remuneration equal to or higher than €100,000.

Performance conditions, malus condition and clawback

The deferred variable remuneration component is paid, provided the beneficiary is still a Group employee, if the performance conditions, which are the same as the “gateways” described in the section entitled “Determination of bonus pool and correlation between risks and performance”, have been met in each year. In this way staff are required, in accordance with their role and business activity, to work at all times to ensure that Mediobanca retains a solid capital base, a strong liquidity position and close control of all risks as well as profitable results, thus guaranteeing that the remuneration systems remain sustainable over the long term.

A further prerequisite to payment of the deferred component is that the beneficiary must not have committed any compliance breaches (i.e. must not have been subject to disciplinary measures under the terms, *inter alia*, of Mediobanca’s Code of ethics, Organizational model, Business conduct policy and other internal regulations²⁰) and no losses must have been incurred which were attributable to their actions.

The Board of Directors may also identify further performance indicators upon the occasion of each individual award cycle. For staff employed at other Group companies who may be included in the scheme, the Chief Executive Officer may choose to identify one or more specific economic indicators to replace those referred to above.

The Board of Directors, if the Remunerations committee is in favour, at the Chief Executive Officer’s proposal may authorize payment of the deferred component, including in part, even if the gateways are not achieved, either to business divisions or single individuals who during the year have delivered particularly outstanding performances or who are expected to be decisive with regard to the sustainability of results over time, for retention purposes.

Mediobanca reserves the right to take all measures necessary to claim back variable remuneration already paid (the “clawback” mechanism) in the event of damages emerging to the integrity of its capital, profitability and earnings/financial or reputational situation, which are attributable to the conduct of individual staff members whether or not fraud and/or wilful misconduct are established.

Performance share scheme

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

The scheme involves the award of shares to employees at the end of a three-year vesting period

²⁰ The relevant cases for application of compliance breaches are assessed internally, through an appraisal of the regulatory areas which are most relevant to the Bank’s reputational risk and the gravity of the breach, as well as the process for evaluating them correctly and potentially taking action, involving the control units and governing bodies as well. Relevant factors for applying the malus and/or clawback mechanisms include not only the application of penalties as provided by the various disciplinary codes, but also warnings or reminders sent by the control units regarding the most relevant instances, or the outcomes of audits conducted again by the control units. The Compliance unit, after consulting with the other control units, once a year prepares a summary report of the relevant events that have taken place, at both the individual and business unit level.



provided that the beneficiary is still employed by the Group and that the performance conditions stipulated in the section entitled “Performance conditions, malus condition and clawback” with respect to the sustainability of the results achieved while preserving the company’s capital solidity and liquidity and proper individual conduct are met at the time of the award.

The performance shares allocated are subject to a further holding period (the beneficiary continuing to be an employee of Mediobanca) of at least one year prior to their actual assignment. The performance shares allocated as upfront equity are subject to a two-year holding period prior to their actual award. Shares available for performance share awards are taken from the number approved by shareholders in general meeting on 28 October 2010 (a maximum of 20 million), or from the Bank’s holdings of treasury shares (up to 17,010,000, provided that the use of these remains uncertain because the resolution adopted by shareholders in the general meeting held on 27 October 2007 in respect of them specified other possible uses as well (consideration to acquire investments, possible assignment to shareholders). To date a total of 1,164,586 shares have been awarded from the holdings of treasury shares (hence 15,845,414 remaining outstanding), and 9,916,611 from the limit approved by shareholders in general meeting.

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

Performance stock option scheme

At an extraordinary general meeting held on 27 June 2007, the shareholders of Mediobanca approved a capital increase involving the issue of 40,000,000 shares for use as part of a stock option scheme (to be exercised by 1 July 2022). A total of 24,464,000 are outstanding, and at present their use in the scheme is not anticipated.²¹ At an ordinary general meeting held on 27 October 2007, in accordance with the provisions of the regulatory instructions, the shareholders of Mediobanca approved a resolution to adopt the scheme and its methods of implementation. At a Board meeting held on 24 June 2011, in exercise of the powers granted to them, the directors of Mediobanca revised the stock option scheme to bring it in line with the Instructions, including provision for performance conditions for exercise in addition to those of a purely temporal nature, thereby effectively transforming the scheme into a performance stock option scheme.

The essential characteristics of the scheme, which is for staff with roles key to the achievement of the Group’s objectives, are: a vesting period of three years from the award date, subject to the performance conditions being met as defined in the section entitled “Performance conditions, malus condition and clawback”; an exercise period of up to the end of year 8 (three years’ vesting plus five years’ exercise); a holding period of at least 18 months for Mediobanca shares corresponding to at least half of the capital gain achieved, irrespective of tax issues, for certain participants in the scheme who perform significant roles. In each year the performance conditions must be met for one-third of the stock options awarded. Failure to meet the performance conditions in any one year will result in the relevant share being cancelled.

Remuneration policies for staff employed at Group companies

Mediobanca is constantly aligned with its Group companies to ensure that the remuneration systems operating within the Banking Group are consistent, while respecting the specific nature of their sectors of operation, organizational structures, regulations applicable according to type of business and geographical location. In particular the parent company co-ordinates the process of defining

²¹As at 17 September 2014, a total of 26,131,000 stock options and/or performance stock options, as yet unexercised, had been assigned to Mediobanca Group staff, at an average price of €8.383 per share, from the schemes approved by the shareholders in general meetings held on 28 October 2004 and 27 June 2007. As mentioned earlier, a total of 9,916,611 performance shares have been allocated but not yet awarded on the grounds that they are still subject to either vesting or holding periods. The fully-diluted percentage of the company’s share capital represented by equity instruments issued to Group staff therefore amounts to 3.86%. The impact on the shares’ market value and the possible dilution of the share capital is not material, given the fact that several schemes and several instruments are in operation across different years and vesting and holding periods spread across a medium-/long-term time horizon.



identified staff, issues guidance to be adopted and takes part in drafting documents relating to the Remunerations policies to be compiled by the subsidiaries.

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

Beneficiaries are identified by the Chief Executive Officer of Mediobanca, having sought the opinion of the General Manager, based on the proposal of the CEO of the company concerned, are included in the incentive scheme subject to approval from the head of the Retail and Consumer Banking and Private Banking division and the head of Human Resources of Mediobanca. Each beneficiary is notified of their inclusion in the incentives scheme, with a defined individual annual bonus target and calculation method. The bonus is determined annually on an individual basis in view of the risk-adjusted earnings performance delivered by the company (the indicator used for the Group companies is the economic profit earned by the business area in which they operate) and other secondary, quantitative objectives. Other assessment criteria are also adopted linked to quality of performance, for example indicators of customer satisfaction, and to the achievement of individual qualitative and project-based objectives.

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

In line with the provisions in place for Mediobanca, the incentivization schemes in operation at the Group companies too place particular emphasis on the issue of proper individual conduct (i.e. compliance with regulations and internal procedures, and transparency versus clients) by adopting the concept of compliance breaches, both at the stage of award of the variable component, and in assessment of whether or not to pay any deferred components.

Policies in the event of employment being terminated or otherwise ended

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

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



Table 12.2 - Compensation paid to members of the Bank's governing and control bodies, general managers and other managerial staff with strategic responsibilities.

(A) Name and surname	(B) Post	(C) Period for which post has been held		Term of office expires	(1) Fixed compensation			(2) Fees payable for participation in committees	(3) Variable compensation (non-Bonus and other / Interest in earnings)		(4) Non-cash benefits	(5) Other forms of compensati	(6) Total	(7) Fair value of equity compensation	(8) Indemnity payable on leaving
		Emolu-ments	Fixed salary		Total	Bonus and other	Interest in earnings								
Renato Pagliaro	Chairman of Board of Directors	01/07/2013	30/06/2014	30/06/2014	100,000	1,800,000	1,900,000				351,797		2,251,797	10,250	
											of which complementary pension				
											346,449				
	(I) Compensation in company preparing the accounts					100,000	1,800,000	1,900,000				351,797		2,251,797	10,250
													0		
					100,000	1,800,000	1,900,000	0	0	0	351,797	0	2,251,797	10,250	0
Dieter Rampf	Deputy Chairman of Board of Directors	01/07/2013	30/06/2014	30/06/2014	135,000		135,000						135,000		
	(I) Compensation in company preparing the accounts				135,000	0	135,000	0					135,000	0	0
	(II) Compensation from subsidiaries/associates at 30/06/2014														
	(III) Total				135,000	0	135,000	0	0	0	0	0	135,000	0	0
Marco Tronchetti Provera	Deputy Chairman of Board of Directors	01/07/2013	30/06/2014	30/06/2014	135,000		135,000						135,000		
	(I) Compensation in company preparing the accounts (1)				135,000	0	135,000						135,000	0	0
	(II) Compensation from subsidiaries/associates at 30/06/2014												0		
	(III) Total				135,000		135,000	0	0	0	0	0	135,000	0	0
Alberto Nagel	CEO	01/07/2013	30/06/2014	30/06/2014	100,000	1,800,000	1,900,000				352,430		2,252,430	10,250	
											of which complementary pension				
											346,552				
	(I) Compensation in company preparing the accounts				100,000	1,800,000	1,900,000	0	0	0	352,430	0	2,252,430	10,250	0
(II) Compensation from subsidiaries/associates at 30/06/2014												0			
(III) Total				100,000	1,800,000	1,900,000	0	0	0	352,430	0	2,252,430	10,250	0	
Francesco Saverio Vinci	General Manager	01/07/2013	30/06/2014	30/06/2014	100,000	1,500,000	1,600,000				294,232		1,894,232	7,321	
											of which complementary pension				
											288,102				
	(I) Compensation in company preparing the accounts				100,000	1,500,000	1,600,000	0	0	0	294,232		1,894,232	7,321	0
(II) Compensation from subsidiaries/associates at 30/06/2014				10,000		10,000	10,000					20,000			
(III) Total				110,000	1,500,000	1,610,000	10,000	0	0	294,232	0	1,914,232	7,321	0	
Tarak Ben Ammar	Director	01/07/2013	30/06/2014	30/06/2014	100,000		100,000						100,000		
	(I) Compensation in company preparing the accounts				100,000	0	100,000						100,000	0	0
	(II) Compensation from subsidiaries/associates at 30/06/2014														
	(III) Total				100,000	0	100,000	0	0	0	0	0	100,000	0	0
Gilberto Benetton	Director	01/07/2013	30/06/2014	30/06/2014	100,000		100,000						100,000		
	(I) Compensation in company preparing the accounts				100,000	0	100,000	0					100,000		
	(II) Compensation from subsidiaries/associates at 30/06/2014												0		
	(III) Total				100,000	0	100,000	0	0	0	0	0	100,000	0	0
Pier Silvio Berlusconi	Director	01/07/2013	26/06/2014	--	98,904		98,904						98,904		
	(I) Compensation in company preparing the accounts				98,904	0	98,904	0					98,904		
	(II) Compensi da controllate e collegate al 26/06/2014														
	(III) Total				98,904	0	98,904	0	0	0	0	0	98,904	0	0



Table 12.2 (Follows)

(A) Name and surname	(B) Post	(C) Period for which post has been held		Term of office expires	(1) Fixed compensation			(2) Fees payable for participation in committees	(3) Variable compensation (non-)		(4) Non-cash benefits	(5) Other forms of compensation	(6) Total	(7) Fair value of equity compensation	(8) Indemnity payable on leaving office/severa
					Emolu-ments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Roberto Bertazzoni	Director	01/07/2013	30/06/2014	30/06/2014	100,000		100,000					100,000			
	Member of Control and risks committee and Related parties committee	01/07/2013	20/11/2013	--	29,384		29,384					29,384			
	Member of Remunerations committee	01/07/2013	30/06/2014	30/06/2014	20,000		20,000					20,000			
	Member of Appointments committee (3)	01/07/2013	30/06/2014	30/06/2014	20,000		20,000					20,000			
	(I) Compensation in company preparing the accounts					169,384	0	169,384					169,384	0	0
	(II) Compensation from subsidiaries/associates at 30/06/2014							0					0		
(III) Total					169,384	0	169,384	0	0	0	0	169,384	0	0	
Angelo Casò	Director	01/07/2013	30/06/2014	30/06/2014	100,000		100,000					100,000			
	Chairman of Control and risks committee and Related parties committee	01/07/2013	30/06/2014	30/06/2014	75,000		75,000					75,000			
	Member of Executive committee	01/07/2013	30/06/2014	30/06/2014	60,000		60,000					60,000			
	Chairman of Remunerations committee	01/07/2013	30/06/2014	30/06/2014	20,000		20,000					20,000			
	Member of Appointments committee	01/07/2013	30/06/2014	30/06/2014	20,000		20,000					20,000			
	(I) Compensation in company preparing the accounts					275,000	0	275,000					275,000	0	0
(II) Compensation from subsidiaries/associates at 30/06/2014															
(III) Total					275,000	0	275,000	0	0	0	0	275,000	0	0	
Maurizio Cereda	Director	01/07/2013	30/06/2014	30/06/2014	100,000	1,170,000	1,270,000				194,188	1,464,188			
											of which complementary pension scheme				
											188,466				
(I) Compensation in company preparing the accounts					100,000	1,170,000	1,270,000	0			194,188	1,464,188			
(II) Compensation from subsidiaries/associates at 30/06/2014															
(III) Total					100,000	1,170,000	1,270,000	0	0	0	194,188	1,464,188	0	0	
Christian Collin	Director	01/07/2013	17/04/2014	--	79,726		79,726					79,726			
	(I) Compensation in company preparing the accounts (1)					79,726	0	79,726	0		0	79,726			
	(II) Compensi da controllate e collegate al 17/04/2014														
(III) Total					79,726	0	79,726	0	0	0	0	79,726	0	0	
Alessandro Decio	Director	01/07/2013	30/06/2014	30/06/2014	100,000		100,000					100,000			
	(I) Compensation in company preparing the accounts (1)					100,000	0	100,000	0		0	100,000			
	(II) Compensation from subsidiaries/associates at 30/06/2014														
(III) Total					100,000	0	100,000	0	0	0	0	100,000	0	0	



Table 12.2 (Follows)

(A) Name and surname	(B) Post	(C) Period for which post has been held		Term of office expires	(1) Fixed compensation			(2) Fees payable for participation in committees	(3) Variable compensation (non-)		(4) Non-cash benefits	(5) Other forms of compensation	(6) Total	(7) Fair value of equity compensation	(8) Indemnity payable on leaving office/severa
					Emolu-ments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Massimo Di Carlo	Director	01/07/2013	30/06/2014	30/06/2014	100,000	1,260,000	1,360,000			208,561		1,568,561			
										203,249					
	(I) Compensation in company preparing the accounts				100,000	1,260,000	1,360,000			208,561		1,568,561			
	(II) Compensation from subsidiaries/associates at 30/06/2014														
	(III) Total				100,000	1,260,000	1,360,000	0	0	0	208,561	0	1,568,561	0	0
Bruno Ermolli	Director	01/07/2013	30/06/2014	30/06/2014	100,000		100,000					100,000			
	Member of Remunerations committee	21/11/2013	30/06/2014	30/06/2014	12,164		12,164					12,164			
	(I) Compensation in company preparing the accounts				112,164	0	112,164	0		0		112,164			
	(II) Compensation from subsidiaries/associates at 30/06/2014														
	(III) Total				112,164	0	112,164	0	0	0	0	0	112,164	0	0
Giorgio Guazzaloca	Director	17/09/2013	30/06/2014	30/06/2014	78,630		78,630					78,630			
	(I) Compensation in company preparing the accounts				78,630		78,630	0		0		78,630			
	(II) Compensation from subsidiaries/associates at 30/06/2014														
	(III) Total				78,630	0	78,630	0	0	0	0	0	78,630	0	0
Anne Marie Idrac	Director	01/07/2013	30/06/2014	30/06/2014	100,000		100,000					100,000			
	Member of Remunerations committee	01/07/2013	30/06/2014	30/06/2014	20,000		20,000					20,000			
	Member of Appointments committee (3)	01/07/2013	30/06/2014	30/06/2014	20,000		20,000					20,000			
	(I) Compensation in company preparing the accounts				140,000	0	140,000					140,000	0	0	
	(II) Compensation from subsidiaries/associates at 30/06/2014														
	(III) Total				140,000	0	140,000	0	0	0	0	0	140,000	0	0
Vanessa Labérenne	Director	01/07/2013	30/06/2014	30/06/2014	100,000		100,000					100,000			
	Member of Executive committee	01/07/2013	30/06/2014	30/06/2014	60,000		60,000					60,000			
	Member of Remunerations committee	01/07/2013	30/06/2014	30/06/2014	20,000		20,000					20,000			
	Member of Control and risks committee and Related parties committee	01/07/2013	30/06/2014	30/06/2014	75,000		75,000					75,000			
	(I) Compensation in company preparing the accounts				255,000	0	255,000					255,000	0	0	
	(II) Compensation from subsidiaries/associates at 30/06/2014														
	(III) Total				255,000	0	255,000	0	0	0	0	0	255,000	0	0
Elisabetta Magistretti	Director	01/07/2013	30/06/2014	30/06/2014	100,000		100,000					100,000			
	Member of Control and risks committee and Related parties committee	01/07/2013	30/06/2014	30/06/2014	75,000		75,000					75,000			
	Member of Appointments committee	01/07/2013	30/06/2014	30/06/2014	20,000		20,000					20,000			
	(I) Compensation in company preparing the accounts				195,000	0	195,000					195,000	0	0	
	(II) Compensation from subsidiaries/associates at 30/06/2014										0				
	(III) Total				195,000	0	195,000	0	0	0	0	0	195,000	0	0



Table 12.2 (Follows)

(A) Name and surname	(B) Post	(C) Period for which post has been held Term of office expires			(1)			(2) Fees payable for participation in committees	(3)		(4) Non-cash benefits	(5) Other forms of compensation	(6) Total	(7) Fair value of equity compensation	(8) Indemnity payable on leaving office/severance
					Fixed compensation				Variable compensation (non-)						
					Emoluments	Fixed salary	Total		Bonus and other incentives	Interest in earnings					
Alberto Pecci	Director	01/07/2013	30/06/2014	30/06/2014	100,000		100,000					100,000			
	(I) Compensation in company preparing the accounts				100,000	0	100,000	0			0	100,000			
	(II) Compensi da controllate e collegiate al 30/06/2014						0					0			
(III) Total				100,000	0	100,000	0	0	0	0	0	100,000	0	0	
Carlo Pesenti	Director	01/07/2013	30/06/2014	30/06/2014	100,000		100,000					100,000			
	Member of Remunerations committee	01/07/2013	30/06/2014	30/06/2014	20,000		20,000					20,000			
	(I) Compensation in company preparing the accounts (1)				120,000	0	120,000					120,000	0	0	
(II) Compensation from subsidiaries/associates at 30/06/2014						0					0				
(III) Total				120,000	0	120,000	0	0	0	0	0	120,000	0	0	
Eric Strutz	Director	01/07/2013	30/06/2014	30/06/2014	100,000		100,000					100,000			
	Member of Executive Committee	01/07/2013	30/06/2014	30/06/2014	60,000		60,000					60,000			
	(I) Compensation in company preparing the accounts				160,000	0	160,000					160,000	0	0	
(II) Compensation from subsidiaries/associates at 30/06/2014						0					0				
(III) Total				160,000	0	160,000	0	0	0	0	0	160,000	0	0	
Management with strategic responsibilities (10 staff)						3,445,998	3,445,998		1,260,000		526,268	40,000	5,272,266	646,674	
											of which complementary pension				
											482,134				
(I) Compensation in company preparing the accounts					3,445,998	3,445,998		1,260,000			40,000	4,745,998	646,674		
(II) Compensation from subsidiaries/associates at 30/06/2014					144,000	144,000		104,000		7,948		255,948			
(III) Total					144,000	3,589,998		104,000	1,260,000	7,948	0	40,000	5,001,946	646,674	0
Stefano Marsaglia						508,333	508,333				40,667	1,499,043	2,048,043	658,428	
											of which complementary pension				
											40,667				
(I) Compensation in company preparing the accounts				0	508,333	508,333		0			40,667	1,499,043	2,048,043	658,428	
(II) Compensation from subsidiaries/associates at 30/06/2014						0					0				
(III) Total				0	508,333	508,333	0	0	0	0	40,667	1,499,043	2,048,043	658,428	0
Natale Freddi	Chairman of Statutory Audit Committee	01/07/2013	30/06/2014	30/06/2014	120,000		120,000					120,000			
	(I) Compensation in company preparing the accounts				120,000	0	120,000				0	120,000	0		
	(II) Compensation from subsidiaries/associates at 30/06/2014						0				0				
(III) Total				120,000	0	120,000	0	0	0	0	0	120,000	0	0	
Maurizia Angelo Comeno	Member of Statutory Audit Committee	01/07/2013	30/06/2014	30/06/2014	90,000		90,000					90,000			
	(I) Compensation in company preparing the accounts				90,000	0	90,000				0	90,000	0		
	(II) Compensation from subsidiaries/associates at 30/06/2014						0				0				
(III) Total				90,000	0	90,000	0	0	0	0	0	90,000	0	0	
Gabriele Villa	Member of Statutory Audit Committee	01/07/2013	30/06/2014	30/06/2014	90,000		90,000					90,000			
	(I) Compensation in company preparing the accounts				90,000	0	90,000				0	90,000	0		
	(II) Compensation from subsidiaries/associates at 30/06/2014						0				0				
(III) Total				90,000	0	90,000	0	0	0	0	0	90,000	0	0	

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



Table 12.3: Stock options granted to members of the governing bodies, general managers and managerial staff with strategic responsibilities

A	B	(1)	Options held at start of financial year			Options awarded during the year						Options exercised during the year			Options expired during the year	Options held at year-end	Options attributable to the year
			(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = (2)+(5)-(11)-(14)	(16)
Name and surname	Post	Scheme	No. of options	Strike price	Possible exercise period (from-to)	No. of options	Strike price	Possible exercise period (from-to)	Fair value at award date	Award date	Market price of shares underlying award	No. of options	Strike price	Market price of underlying shares at exercise date	No. of options	No. of options	Fair value
R. Pagliaro	Chairman																
Compensation in company preparing the accounts		30/7/01	300,000	€4.25	From 29 June 2009 to 28 June 2014										300,000		-
		28/10/04	275,000	€0.31	From 1 July 2011 to 30 June 2016											275,000	-
		27/10/07	350,000	€6.54	From 2 August 2013 to 1 August 2018											350,000	10,250
A. Nagel	CEO																
Compensation in company preparing the accounts		30/7/01	300,000	€4.25	From 29 June 2009 to 28 June 2014										300,000		
		28/10/04	275,000	€0.31	From 1 July 2011 to 30 June 2016											275,000	
		27/10/07	350,000	€6.54	From 2 August 2013 to 1 August 2018											350,000	10,250
F. S. Vinci	GM																
Compensation in company preparing the accounts		30/7/01	300,000	€4.25	From 29 June 2009 to 28 June 2014										300,000		-
		28/10/04	275,000	€0.31	From 1 July 2011 to 30 June 2016											275,000	-
		27/10/07	250,000	€6.54	From 2 August 2013 to 1 August 2018											250,000	7,321



Table 12.3 (Follows)

A	B	Options held at start of financial year				Options awarded during the year						Options exercised during the year			Options expired during the year	Options held at year-end	Options attributable to the year	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = (2)+(5)-(11)-(14)	(16)	
Name and surname	Post	Scheme	No. of options	Strike price	Possible exercise period (from-to)	No. of options	Strike price	Possible exercise period (from-to)	Fair value at award date	Award date	Market price of shares underlying award	No. of options	Strike price	Market price of underlying shares at exercise date	No. of options	No. of options	Fair value	
M. Cereda	Director																	
(I) Compensation in company preparing the accounts		30/7/01	300,000	€4.25	From 29 June 2009 to 28 June 2014										300,000		-	
		28/10/04	275,000	€0.31	From 1 July 2011 to 30 June 2016											275,000		-
M. Di Carlo	Director																	
Compensation in company preparing the accounts		30/7/01	300,000	€4.25	From 29 June 2009 to 28 June 2014										300,000		-	
		28/10/04	275,000	€0.31	From 1 July 2011 to 30 June 2016											275,000		-
Managerial staff with strategic responsibilities																		
Compensation in company preparing the accounts (1)		30/7/01	1,150,000	€4.25	From 29 June 2009 to 28 June 2014										1,150,000		-	
		28/10/04	895,000	€0.31	From 1 July 2011 to 30 June 2016											895,000		-
		27/10/07	1,575,000	€6.54	From 2 August 2013 to 1 August 2016											1,575,000		46,123
(III) Total			7,445,000											2,650,000	4,795,000		73,927	

1 No. of options held at start of year restated as per definition of strategic management identified as at 30 June 2014.



Table 12.4.1 - Incentivization schemes based on financial instruments other than stock options in favour of members of the governing bodies, general managers and managerial staff with strategic responsibilities

A	B	Financial instruments awarded in previous years which have not vested during the course of the year			Financial instruments awarded during the year					Financial instruments vested during the year and not allocated	Financial instruments vested during the year and not allocated	(11)	Financial instruments attributable to the year
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)				
Name and surname	Post	Scheme	No. and type of instrument	Vesting period	No. and type of financial instrument	Fair value at award date	Vesting period	Award date	Market price at award	No. and type	No. and type	Value upon vesting	Fair value
Stefano Marsaglia													
Compensation paid in company preparing the accounts		28/10/2010			634,113 performance shares	4,050,462	Nov. 2015 – Nov. 2018	41673	7				658,428
Managerial staff with strategic responsibilities													
Compensation paid in company preparing the accounts		28/10/2010	120,152 performance shares	Nov. 2014 – Nov. 2015							120,152	760,586	166,427
Compensation paid in company preparing the accounts		28/10/2010	335,075 performance shares	Nov. 2014 – Nov. 2018									305,566
Compensation paid in company preparing the accounts		28/10/2010			101,724 performance shares	468,637	Nov. 2015 – Nov. 2017	41544	5				128,558
Total			455,227		735,837	4,519,098					120,152	760,586	1,258,979

Table 12.4.2 - Cash incentivization schemes based on financial instruments other than stock options in favour of members of the governing bodies, general managers and managerial staff with strategic responsibilities

A	B	(1)	(2)			(3)			(4)	
			Bonus for the year			Previous years' bonuses				
			(A)	(B)	(C)	(A)	(B)	(C)		
Name and surname	Post	Scheme	Payable/paid	Deferred	Deferral period	No longer payable	Payable/paid	Still deferred	Other bonuses	
Stefano Marsaglia		FY 2013/2014								1,499,043
Management with strategic responsibilities		FY 2013/2014	661,000	495,000	Nov. 2015-Nov. 2017					40,000
		FY 2012/2013							375,000	
		FY 2011/2012						534,000	318,000	
		FY 2010/2011						65,000	65,000	
Total compensation in company preparing the accounts			661,000	495,000			599,000	758,000		1,539,043



Table 12.5 - Investments held by members of the governing and control bodies and by general managers

Name and surname	Post	Investee company	No. of shares held at end of previous year	No. of shares acquired	No. of shares sold	No. of shares owned at end of present year
RENATO PAGLIARO	Chairman	MEDIOBANCA	2,730,000	==	==	2,730,000
ALBERTO NAGEL	CEO	MEDIOBANCA	2,626,050	==	==	2,626,050
FRANCESCO SAVERIO VINCI	General Manager	MEDIOBANCA	945,000	==	==	945,000
GILBERTO BENETTON*	Director	MEDIOBANCA	562,800	==	==	562,800
ROBERTO BERTAZZONI*	Director	MEDIOBANCA	1,050,000	==	==	1,050,000
MAURIZIO CEREDA	Director	MEDIOBANCA	619,500	==	==	619,500
MASSIMO DI CARLO	Director	MEDIOBANCA	556,500	==	==	556,500
ALBERTO PECCI*	Director	MEDIOBANCA	4,757,500	==	==	4,757,500

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

* Investment owned through subsidiaries.

Table 12.6 - Investments held by other managerial staff with strategic responsibilities

No. of managerial staff with strategic responsibilities	Investee company	No. of shares owned at end of previous year	No. of shares acquired	No. of shares sold	No. of shares owned at end of present year
10	MEDIOBANCA	263,132	120,152 *	20,000	363,284

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

* Shares awarded in execution of performance share scheme.



Table 12.7 - Aggregate quantitative information by division as required by Bank of Italy instructions

Mediobanca area of activity	Fixed Salary	Variable	% variable on fixed salary	Cash Upfront	Equity Upfront	Deferred Cash	Deferred equity
1) Financial markets	20,746	22,242	107%	11,300	2,223	5,667	3,052
2) Advisory	14,933	9,239	62%	5,842	841	1,680	877
3) Lending and Structured Finance	5,031	2,253	45%	1,824	90	279	60
4) Staff, support and control functions	21,973	5,144	23%	5,021	-	123	-
Total	62,683	38,878	62%	23,987	3,154	7,749	3,989

Gross amounts in €'000

Does not include directors with executive responsibilities as members of the Group's senior management.

Includes guaranteed compensation for 1st year in Mediobanca

Table 12.8 - Aggregate quantitative information by the various categories of "most relevant staff" as required by the Bank of Italy instructions

Mediobanca Group	#	Fixed Salary	Variable	% variable on fixed salary	Cash Upfront	Equity Upfront	Deferred Cash	Deferred equity
1) Non-executive directors (non-executive members of BoD, including Chairman)	1	1,800	-	-	-	-	-	-
2) Directors with executive duties (management who are members of Executive Committee)	4	5,730	-	-	-	-	-	-
3) Senior management and heads of relevant BUs (principle business lines, geographical areas and other senior business figures)	12	8,377	6,050	72%	1,210	1,210	1,815	1,815
4) Heads and senior staff of Internal control units (Compliance, Risk Management, Group Audit)	10	1,430	430	30%	430	-	-	-
5) Staff with managerial responsibilities in relevant business units	18	4,922	6,420	130%	1,397	1,397	1,813	1,813
6) Heads and senior staff in Staff and support units (Head of company financial reporting, HR, Operations and IT, Legal)	8	1,918	558	29%	558	-	-	-
7) Quantitative criteria	7	1,956	2,215	113%	626.5	626.5	481	481
Total	60	26,133	15,673	60%	4,222	3,234	4,109	4,109

Gross amounts in €'000

For 2014, Group 3 includes the remuneration paid to the CEOs of Compass and CheBanca! and to the MB Turkey Head, non-Mediobanca staff, not included in the Mediobanca bonus pool for the variable component. The "most relevant staff" employed by Group companies with year-ending June 30 are excluded.



Group	#	Deferred from previous years and paid during the year in cash ¹	#	Deferred from previous years and paid during the year in number of MB shares	#	Deferred from previous years due for cash payment during the year being cancelled ¹
1) Non-executive directors (non-executive members of BoD, including Chairman)	-	-	-	-	-	-
2) Directors with executive duties (management who are members of Executive Committee)	-	-	-	-	-	-
3) Senior management and heads of relevant BUs (principle business lines, geographical areas and other senior business figures)	6	2,735	5	406,102	-	-
4) Heads and senior staff of Internal control units (Compliance, Risk Management, Group Audit)	-	-	-	-	-	-
5) Staff with managerial responsibilities in relevant business units	15	2,579	10	416,666	2	224
6) Heads and senior staff in Staff and support units (Head of company financial reporting, HR, Operations and IT, Legal)	-	-	-	-	-	-
7) Quantitative criteria	5	331	4	75,758	1	63
Total	26	5,645	19	898,526	3	287

¹ Gross amounts in €'000

² Number of Mediobanca shares

Group	#	Treatment at start of relationship	#	Treatment at end of relationship ¹
1) Non-executive directors (non-executive members of BoD, including Chairman)	-	-	-	-
2) Directors with executive duties (management who are members of Executive Committee)	-	-	-	-
3) Senior management and heads of relevant BUs (principle business lines, geographical areas)	2	2,500	-	-
4) Heads and senior staff of Internal control units (Compliance, Risk Management, Group)	-	-	-	-
5) Staff with managerial responsibilities in relevant business units	-	-	-	-
6) Heads and senior staff in Staff and support units (Head of company financial reporting, HR,	-	-	-	-
7) Quantitative criteria	-	-	-	-
Total	2	2,500	-	-

¹ With reference to the most relevant personnel identified as of June 30 2013



MEDIOBANCA

Declaration by Head of Company Financial Reporting

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

Head of Company Financial Reporting

Massimo Bertolini