



MEDIOBANCA
Banca di Credito Finanziario S.p.A.

Basel II pillar 3 Disclosure to the public

Situation as at 30 June 2009



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Introduction

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

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

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

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

The document, which is structured into four sections (the “Sections”) in accordance with the provisions of Circular 263, provides qualitative and quantitative information where this is considered to be applicable to the Group, within the term set for the annual financial statements to be published; 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 of the Group 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 its own propensity to risk as laid down in the Internal Capital Adequacy Assessment Process or ICAAP (Circular 263 - Section III). In particular, in the course of the ICAAP the governing bodies assess the Group's exposure to the various significant risks, both present and future, taking into account both strategies and developments in the reference scenario.

Group risk control and management system

Risk management involves the governing and supervisory bodies and the various operating units of Mediobanca and the other Group companies, each with different roles and responsibilities.

In view of its role in terms of strategic supervision, the Board of Directors is responsible for approval of strategic guidelines and directions, business and financial plans, budgets, and risk management and internal control policies. The Board of Directors reviews the Bank's organizational, administrative and accounting structure annually, with particular reference to the internal control system and management of conflicts of interest.

The Executive Committee is responsible for the ordinary management of the Bank and for coordination and management of the Group companies, without prejudice to those duties which are the responsibility of the Board of Directors.

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

- ◆ performs monitoring, instruction and support activities to the Board of Directors with respect to the supervision of the 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 of Directors 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 major risks to which the Bank and the Group are exposed (ICAAP), reporting back to the Board of Directors on this issue.
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With reference to the structure of the Bank's IT and financial reporting organization, the Internal control committee assesses the compliance of decisions taken by the Head of Company Financial Reporting, the external auditors and the Board of Directors in respect of the correct application of accounting standards with primary and secondary regulations, their consistency for purposes of drawing up individual and consolidated financial statements, and generally serves in an advisory capacity to assist the Board of Directors in taking the decisions for which it has responsibility on matters of financial documents.

The Statutory Audit Committee monitors the risk management and control system and the internal control system, assessing the effectiveness of all units and departments involved and their co-ordination, and also monitors the ICAAP process.

The Head of Company Financial Reporting is responsible for putting in place adequate administrative and accounting procedures for the preparation of the individual and consolidated accounts, plus all other reporting which is financial in nature. The appointed bodies and the Head of Company Financial Reporting issue the statements on the company's capital, earnings and finances required by law.

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

- ◆ Risk management;
- ◆ Internal audit;
- ◆ Compliance.

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

The Risk management unit itself heads up two different units:

- ◆ the Market Risk unit, which is responsible for the system of monitoring market risks by developing and maintaining the appropriate models for measuring value-at-risk ("VaR"). The measurements recorded by the unit go to make up a regular control and analysis report of the sensitivity of the various exposures to different risk factors. The Market Risk unit is also responsible for monitoring liquidity risks and interest rate risk;
 - ◆ the Basel II unit, which is responsible for activities relating to the development of the "Basel II Project" (see section below on "Credit risk"). This unit heads up activities involving the
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validation and monitoring of the internal models used to estimate the regulatory risk parameters used in the Bank's lending procedures; it also heads up activities in connection with ICAAP reporting, co-ordinating the activities of the different internal units involved in the process.

The Compliance unit is responsible for checking and managing compliance risk, reputational risk and legal risk, in accordance with the relevant regulations; it is tasked with the following duties in particular:

- ◆ checking and managing the compliance of the Bank and Group's activities with legal and regulatory provisions in force, with particular reference to regulations on banking and the provision of investment services and on market abuse, handling operating relations with the relevant authorities;
- ◆ implementing the measures and instruments required for the risks linked to management of conflicts of interest to be handled;
- ◆ operating responsibilities, proposing organizational and procedural changes to ensure that the risk of non-compliance is adequately managed, and preparing information flows for the governing bodies and the units involved;
- ◆ providing assistance to the various units of the Bank and the Group companies on operating issues, including through explicatory circulars or reports on significant legal or regulatory issues, ensuring a constant 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 on all cases of failure to comply with regulations, and highlighting new compliance risk and possible corrective action.

The Internal audit unit performs independent and ongoing control of the Bank's day-to-day operations, and assesses the functioning of the Group's internal control system as a whole, drawing on the activities of the Internal audit units of the other Group companies as well in this connection.

In particular the Internal audit unit checks and controls:

- ◆ that the various areas operate within the limits established in respect of operating authorizations;
 - ◆ that the IT systems used are reliable, including the electronic data processing and accounting systems employed;
 - ◆ the Bank's core businesses (securities trading, lending, etc.);
 - ◆ the functioning of operating and internal control procedures;
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- ◆ the elimination of any irregularities detected in operations and in the functioning of controls.

The Internal audit unit regularly informs the governing bodies and senior management of the activities it has carried out and prepares the reports required under regulations in force.

Strategies and procedures for managing significant risks

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

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

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

Credit risk

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

As part of the “Basel II New Capital Accord II”, the Group has set itself the objective of measuring credit risk using internal ratings. A specific project (the “Basel II Project”) has therefore been launched with a view to obtaining ratification by the Bank of Italy of the internal rating models to be used in calculating the capital requirements for credit risk starting from the 2010/11 financial year. The Group has used standardized methodology since 1 January 2008 and will continue to do so until ratification is obtained. The internal rating models regard the following customer segments: Banks, Large corporate, Specialized lending (customers mostly targeted by Mediobanca S.p.A.), Mid corporate and Small businesses (customers targeted mostly by the leasing companies) and Private individuals (targeted by Compass for consumer credit and CheBanca! for mortgage lending). In addition, a plan is being implemented to comply with the experience requirement for the models to be ratified, which will involve the existing procedures for approving, monitoring and renewing loans being gradually revised to incorporate the risk parameters calculated via the internal models that have been developed.

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



Mediobanca

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

Leasing (SelmaBipiemme Leasing, Palladio Leasing and Teleleasing)

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

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

Consumer credit (Compass)

Applications for finance are approved on the basis of a credit scoring system tailored to individual products. The scoring grids have been developed from internal historical series, enhanced by data provided by central credit *bureaux*. Points of sale are linked electronically to the company's headquarters, in order to ensure that applications and credit scoring results are processed and



transmitted swiftly. Applications for finance above a certain limit are approved by the relevant bodies at headquarters, in accordance with the authorization levels established by the company's Board of Directors.

From the first instance of non-payment, accounts are managed using the entire range of recovery procedures, including postal and telephone reminders, external recovery agents, etc. After five overdue instalments accounts are held to be officially in default, and the customer is deemed to have lapsed from the time benefit allowed under Article 1186 of the Italian Civil Code. After nine overdue instalments such accounts are sold to Cofactor or to other factoring companies for a percentage of the value of the principal outstanding, which reflects their estimated realizable value.

Mortgage Lending (CheBanca!)

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

Irregular accounts are managed through monthly reports analysing the commercial, personal and financial aspects of the accounts in order to flag up promptly any potential problem areas. Procedurally mortgage loans with four or more unpaid instalments are designated as potential problem accounts, and following the seventh/eighth unpaid instalment become non-performing and are handed over to the company's lawyers accordingly. Credit recovery is largely managed through property enforcement procedures.

* * *

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

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

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

Counterparty risk

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

In accordance with regulatory provisions, counterparty risk is calculated for the following categories of transaction, irrespective of the book on which the positions are held:



- ◆ financial and credit derivatives traded OTC;
- ◆ repos and reverse repos involving securities and commodities, trading or acquisition of securities and commodities, and securities financing transactions (SFT);
- ◆ trades with medium-/long-term settlement.

Counterparty risk is monitored via a system which limits exposures based on rating and on the counterparty's/issuer's sector of operation.

Market risk

Market risks are generated as a result of operating on markets using the financial instruments held as part of the regulatory trading book, foreign exchange currencies and commodities.

Mediobanca uses a risk management system that monitors market risk in general, and interest rate risk on the trading book in particular, on a daily basis. The system calculates sensitivity to movements in the interest rate curve, and value at risk (VaR). VaR is measured for the Bank's entire asset structure, i.e. both trading and banking books. Such global measurement is made possible by concentrating all financial risks, including those relating to lending and funding activities, at the Bank's Financial Markets division. Interest rate risk for the trading book includes risks deriving from movements in market curves and those linked to the credit ratings of individual borrowers.

The authorization structure governing the Bank's operations is based on the VaR values for the various organizational units. VaR is based on expected volatility and the correlation between risk factors concerned, and determines possible negative movements that may be expected as a result of market movements within a single trading day based on a 99% confidence level. VaR is calculated using the Monte Carlo and historical simulation methods, as well as the parametric method.¹ Historical simulation is also used to calculate the expected shortfall, which measures average loss in 1% of the most unfavourable scenarios. The main risk factors on which the analysis is based are exchange rates, share prices and interest rates, with the general market component separated from specific issuer risk. Inflation and volatility trends are also factored into to calculations of VaR.

In addition to these indicators, stress tests are also carried out on the main risk factors each week, to show the impact of historical crisis scenarios being repeated and of significant movements in the main market data on the Bank's risk positions.

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

¹ *Determines portfolio value based on random and historical variations in risk factors respectively.*



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.

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).

Operating risk

Operating risk is the risk of incurring losses as a result of external events or the inadequacy or malfunctioning of procedures, staff and internal systems, or due to external events. This category includes, among other things, losses deriving from fraud, human error, interruptions to operations, system unavailability, breaches of contract, and natural catastrophes. Operating risk includes legal risk.

In the review of its internal procedures as part of the “Head of Company Financial Reporting” project, the Bank has sought to identify the majority of the sources of possible risk and the relevant measures to be taken to control and mitigate them, by formulating company procedures in order to deal with them, and focusing mitigation activity on the most serious aspects. The mapping of processes is currently being extended to include those areas not covered under the “Head of Company Financial Reporting” project.

In addition, with reference to the possibility of losses caused by interruptions in operations or due to systems being unavailable, the Group has drawn up operating continuity and disaster recovery plans to ensure that activity is able to continue and to limit the operating losses in the event of prolonged interruptions. The Group regularly reviews the operating continuity and disaster recovery plans with a view to ensuring that they are consistent with its activities and current operating strategies.

Control of internal access (individual system users) and external access (IT attacks) is carried out using the relevant computer and observation instruments.

Insurance policies have been taken out to cover the most valuable staff members and assets and to cover management of cash.

As for the possibility of risk deriving from outsourcing activities, the Group has implemented a continuous monitoring and regular review system to assess the care taken in performing these activities by the various service providers.

Interest rate risk on the banking book

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

At Mediobanca, interest rate risk is also focused on the Financial Markets division, and is monitored via sensitivity analysis carried out on the banking book and the entire portfolio to changes in interest



rates, using internal ALM models. This model in particular allows the impact of movements in interest rate curves on net interest income and the market value of the positions to be estimated.

Mediobanca also uses hedging to manage interest rate risk:

- ◆ fair value hedges - Fair value hedges are used to neutralize exposure to interest rate risk for particular asset or liability positions, via derivative contracts entered into with leading market counterparties. All structured bond issues are fair-value hedged as to the interest rate component, while index-linked issues are accounted for as part of the trading book. Fair value hedges are also used in corporate finance for certain bilateral, fixed-rate transactions;
- ◆ cash flow hedges - These are used chiefly as part of the Compass group's operations. The numerous, generally fixed-rate and relatively small-sized transactions are hedged by floating-rate deposits for large amounts. The hedge is made in order to transform floating-rate deposits into fixed rate positions by correlating the relevant cash flows.

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

Liquidity risk

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

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

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

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

In addition to the prudential approach adopted in estimating future cash flows (e.g. not assuming automatic renewal upon expiry of interbank funds), weekly stress tests are also carried out assuming



extraordinary drawdowns on committed lines granted to customers and major reductions in all new types of funding.

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

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 – derives from a concentration of exposures to linked counterparties or groups of counterparties (“single name concentration risk”) or to counterparties operating in the same economic sector or which operate in the same business or belong to the same geographical area (geographical/sector concentration risk). Mediobanca manages this form of risk by ensuring that the Bank of Italy's regulations on “large risks” are complied with and by regular monitoring of the loan book's degree of concentration;
- ◆ residual risk - the risk that the recognized techniques used by the Bank to mitigate credit risk should prove to be less effective than anticipated. Mediobanca regularly reviews the process for managing guarantees recognized as being valid for purposes of risk mitigation, identifying possible areas of improvement in operating practices so as to make the management and valuation of guarantees more effective. Specific controls are also carried out to check that operations are compliant and in line with general and specific supervisory requirements;
- ◆ strategic risk - the Group has chose to divide strategic risk into two distinct macro-categories:
 - ◆ business risk - risk of current and future changes in profits/margins compared to estimated data, due to volatility in volumes or changes in customer behaviour;
 - ◆ “pure” strategic risk- current and future risk of reductions in profits or capital deriving from business discontinuities as a result of adopting new strategic choices, wrong management decisions or inadequate execution of decisions taken.

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

- ◆ compliance risk - risk of incurring legal or administrative penalties, significant financial losses or damages to the Bank's reputation as a result of breaches of external laws and regulations or self-imposed regulations (e.g. Articles of Association, codes of conduct, ethical codes etc.) – and



reputational risk – current and future risk of reductions in profits or capital deriving from a negative perception of the Bank’s image by customers, counterparties, shareholders, investors or regulatory authorities. The impact of compliance risk may therefore be quantified as possible reputational or legal damages. As previously mentioned, the strategies for mitigating compliance risk and the organizational measures in terms of the unit responsible (the Compliance unit), policies and processes adopted by the Group constitute instruments for mitigating reputational and legal risk;

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



Section 2 – Scope of application

Qualitative information

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

Subsidiaries are consolidated on the line-by-line basis, whereas investments in associates and jointly-controlled operations are consolidated and accounted for using the equity method. For regulatory purposes, the investments in Banca Esperia and Ducati Financial Services which are subject to joint control have been consolidated pro-rata, whereas those in Fidias and Athena have been deducted from regulatory capital.

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.

In the 2008/2009 financial year, Linea and Equilon were merged into Compass, while full control was achieved of both Prominvestment and APE Sgr (the latter changing its name to Emmebi S.p.A.), both of which have been placed in voluntary liquidation.



Quantitative information

Area of consolidation

	Name	Registered office	Type of relationship ¹	Share holding		% Voting rights ²
				Investee company	% Interest	
A.	COMPANIES INCLUDED IN AREA OF CONSOLIDATION					
A.1	<i>Line-by-line</i>					
1.	MEDIOBANCA - Banca di Credito Finanziario S.p.A.	Milan	1	—	—	—
2.	PROMINVESTMENT S.p.A. -in liquidation	Rome	1	A.1.1	100.00	100.00
3.	PRUDENTIA FIDUCIARIA S.p.A.	Milan	1	A.1.1	100.00	100.00
4.	SETECI - Società Consortile per l'Elaborazione, Trasmissione dati, <i>Engineering</i> e Consulenza Informatica S.c.p.A.	Milan	1	A.1.1	100.00	100.00
5.	SPAFID S.p.A.	Milan	1	A.1.1	100.00	100.00
6.	TECHNOSTART S.p.A.	Milan	1	A.1.1	69.00	69.00
7.	COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A.M.	Monte Carlo	1	A.1.1	100.00	100.00
8.	C.M.I. COMPAGNIE MONEGASQUE IMMOBILIERE SCI	Monte Carlo	1	A.1.7	99.94	99.94
				A.1.8	0.06	0.06
9.	C.M.G. COMPAGNIE MONEGASQUE DE GESTION S.A.M.	Monte Carlo	1	A.1.7	99.95	99.95
10.	SMEF SOCIETE MONEGASQUE DES ETUDES FINANCIERE S.A.M.	Monte Carlo	1	A.1.7	99.96	99.96
11.	CMB ASSET MANAGEMENT S.A.M.	Monte Carlo	1	A.1.7	99.50	99.50
12.	MONOECI SOCIETE CIVILE IMMOBILIERE	Monte Carlo	1	A.1.7	99.00	99.00
				A.1.9	1.00	1.00
13.	MOULINS 700 S.A.M.	Monte Carlo	1	A.1.8	99.80	99.80
14.	CMB BANQUE PRIVÉE (Suisse) S.A.	Lugano	1	A.1.7	100.00	100.00
15.	MEDIOBANCA INTERNATIONAL (Luxembourg) S.A.	Luxembourg	1	A.1.1	99.00	99.00
				A.1.16	1.00	1.00
16.	COMPASS S.p.A.	Milan	1	A.1.1	100.00	100.00
17.	CHEBANCA! S.p.A.	Milan	1	A.1.16	100.00	100.00
18.	COFACTOR S.p.A.	Milan	1	A.1.16	100.00	100.00
19.	SELMABIPIEMME LEASING S.p.A.	Milan	1	A.1.16	60.00	60.00
20.	PALLADIO LEASING S.p.A.	Vicenza	1	A.1.19	95.00	100.00
				A.1.20	5.00	
21.	TELELEASING S.p.A.	Milan	1	A.1.19	80.00	80.00
22.	SADE FINANZIARIA - INTERSOMER S.r.l.	Milan	1	A.1.1	100.00	100.00
23.	RICERCHE E STUDI S.p.A.	Milan	1	A.1.1	100.00	100.00
24.	CREDITECH S.p.A.	Milan	1	A.1.16	100.00	100.00
25.	MEDIOBANCA SECURITIES USA LLC	New York	1	A.1.1	100.00	100.00
26.	CONSORTIUM S.r.l.	Milan	1	A.1.1	100.00	100.00
27.	QUARZO S.r.l.	Milan	1	A.1.16	90.00	90.00
28.	QUARZO LEASE S.r.l.	Milan	1	A.1.19	90.00	90.00
29.	FUTURO S.p.A.	Milan	1	A.1.16	100.00	100.00
30.	JUMP S.r.l.	Milan	4	A.1.16	—	—
31.	MB COVERED BOND S.r.l.	Milan	1	A.1.17	90.00	90.00
	<i>Equity-accounted companies</i>					
32.	EMMEBI S.p.A. - in liquidation	Milan	1	A.1.1	100.00	100.00
33.	BANCA ESPERIA S.p.A.	Milan	7	A.1.1	50.00	50.00
34.	DUCATI FINANCIAL SERVICES S.r.l.	Milan	7	A.1.16	50.00	50.00
35.	FIDIA SGR S.p.A.	Milan	4	A.1.1	25.00	25.00
36.	ATHENA PRIVATE EQUITY S.A.	Milan	4	A.1.1	24.27	24.27
37.	BURGO GROUP S.p.A.	Altavilla Vicentina (VI)	4	A.1.1	22.13	22.13
38.	RCS MEDIAGROUP S.p.A.	Milan	4	A.1.1	14.36	14.94
39.	ASSICURAZIONI GENERALI S.p.A.	Trieste	4	A.1.1	13.51	13.51
				A.1.16	1.00	1.00
				A.1.5	0.10	0.10
40.	GEMINA S.p.A.	Milan	4	A.1.1	12.53	12.56
41.	Telco S.p.A.	Milan	4	A.1.1	10.64	10.64
42.	Pirelli & C. S.p.A.	Milan	4	A.1.1	4.49	4.61

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. In particular, the ratio between risk-weighted assets and regulatory capital must not fall below 8%. The Bank of Italy has established a prudential level of 10%, which falls to 6% if only Tier 1 capital is considered (the core Tier 1 ratio).

Since its inception one of the distinguishing features of 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. Such surplus capital is in part justified by the nature of Mediobanca's operations on corporate markets.

Regulatory capital has been calculated on the basis of Bank of Italy Circular 263 and circular 155 (twelfth update issued on 5 February 2008), which transpose the prudential guidelines for banks and banking groups introduced by the New Basel Capital Accord (Basel II) into the Italian regulatory framework. Tier 1 capital consists of the share attributable to the Group and to minority shareholders of capital paid up, reserves, and profit for the period net of treasury shares (€213.8m), intangible assets (€68.5m), goodwill (€466m), and the negative reserves on AFS securities (€177.1m), plus 50% of the book value of the Bank's investments in banks and financial services companies (equal to €16.3m).

Tier 2 capital includes the positive valuation reserves (€15.1m), Tier 2 subordinated liabilities² (€951.5m) less unrealized losses on investments (€149.7m) and the remaining share of the book value of investments in banks and financial companies (€16.3m).

The following events should be noted for the year:

- ◆ inclusion of the shareholding in Banca Esperia in the basis of consolidation for the first time, meaning it is no longer deducted from regulatory capital;
- ◆ conclusion of the purchase price allocation process for Linea, with intangible assets being identified and goodwill reduced accordingly;

² Two subordinated second-ranking issues should be noted:

- XS50270002669 Mediobanca S.p.A. GBP 200,000,000 Lower Tier II Subordinate Fixed/Floating Rate Notes Due 2018
- XS0270008864 Mediobanca S.p.A. €700,000,000 Lower Tier II Subordinate Floating Rate Notes Due 2016.

Subordinated liabilities underwritten by other banks amount to €43,000,000.



- ◆ transfer of the shareholdings in Gemina and Pirelli & C., and the subsequent impact on both goodwill and implicit charges to equity investments;
- ◆ writedowns to some equity investments and AFS securities, with a positive impact on valuation reserves and a reduction in goodwill;
- ◆ in line with Bank of Italy guidance, application of the prudential filter to the contingency arising upon goodwill being released from taxation (with an impact of €22.9m) and calculation of intangible assets acquire net of the relative deferred tax (giving rise to a benefit of €12.3m).



Quantitative information

Section 3.1 Composition of regulatory capital

	Regulatory capital	30/06/2009	30/06/2008
A.	Tier 1 capital prior to application of prudential filters		
A.1	Positive elements in Tier 1 capital:		
A.1.1	- share capital	435.153	434.314
A.1.2	- share premium reserve	2.147.259	2.147.398
A.1.3	- reserves	3.788.814	3.626.379
A.1.4	- non-innovative equity instruments	—	—
A.1.5	- innovative equity instruments	—	—
A.1.6	- profit for the period	2.409	500.114
A.2	Negative elements:		
A.2.1	- own shares or stock units	213.844	213.844
A.2.2	- goodwill	443.042	554.281
A.2.3	- other intangible assets	68.496	36.687
A.2.4	- Loss for the period	457	—
A.2.5	- Other negative elements:		
	* Value adjustments to trading book for regulatory purposes	—	—
	* Other	—	—
B.	Tier 1 capital prudential filters		
B.1	IAS/IFRS positive prudential filters (+)	—	—
B.2	IAS/IFRS negative prudential filters (-)	200.015	182.108
C.	Tier 1 capital incl. elements to be deducted (A+B)	5.447.781	5.721.285
D.	Elements to be deducted from Tier 1 capital	16.336	51.502
E.	Total Tier 1 capital (TIER 1) (C-D)	5.431.445	5.669.783
F.	Tier 2 capital prior to application of prudential filters		
F.1	Positive elements in Tier 2 capital:		
F.1.1	- tangible assets valuation reserves	15.062	15.511
F.1.2	- AFS securities valuation reserves	—	—
F.1.3	- non-innovative equity instruments not included in Tier 1 capital	—	—
F.1.4	- innovative equity instruments not included in Tier 1 capital	—	—
F.1.5	- hybrid equity instruments	—	—
F.1.6	- Tier 2 subordinate liabilities	951.464	974.520
F.1.7	- surplus of total value adjustments over estimated losses	—	—
F.1.8	- net gains on equity investments	—	—
F.1.9	- other positive elements	—	—
F.2	Negative elements:		
F.2.1	- net losses on equity investments	149.710	72.358
F.2.2	- loans and receivables	—	—
F.2.3	- other negative elements	—	—
G.	Prudential filters for Tier 2 capital		
G.1	IAS/IFRS positive prudential filters (+)	—	—
G.2	IAS/IFRS negative prudential filters (-)	—	—
H.	Tier 2 capital incl. elements to be deducted (F+G)	816.816	917.673
I.	Elements to be deducted from Tier 2 capital	16.336	51.502
L.	Total Tier 2 capital (TIER 2) (H-I)	800.480	866.171
M.	Elements to be deducted from total Tier 1 and Tier 2 capital	—	—
N.	Regulatory capital (E+L-M)	6.231.925	6.535.954
O.	TIER 3 capital	—	—
P.	Regulatory capital including TIER 3 (N+O)	6.231.925	6.535.954



Section 4 – Capital adequacy

Qualitative information

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

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

This capital adequacy assessment takes the form of a 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 ICAAP according to their respective roles and responsibilities.

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

* * *

As at 30 June 2009, the Bank's total capital ratio, calculated as regulatory capital as a percentage of risk-weighted assets, stood at 11.8%, while the core Tier 1 ratio, calculated as Tier 1 capital as a percentage of risk-weighted assets, amounted to 10.3%, both in line with the figures last year, when they stood at 11.9% and 10.3% respectively. The reduction in regulatory capital linked to the reduction in the valuation reserves of Mediobanca and the equity-accounted companies was offset by a decline in risk-weighted assets (from €55.1bn to €52.7bn), reflecting the decline in *Guarantees and commitments* from €11.2bn to €5bn. The requirement for operating risk rose from €196.4m to €222.3m, while the pro-rata share in Banca Esperia's assets is approx. €300m, this company having been consolidated pro-rata for the first time.



Quantitative information

Section 4 – Capital adequacy

	Requirement at 30/06/2009	Requirement at 30/06/2008
Capital requirements		
Credit risk and counterparty risk		
- Standardized methodology	3,981,257	3,906,831
- Internal ratings-based methodology		
- basic	—	—
- advanced	—	—
Market risks		
- Standardized methodology	437,007	384,968
position risk	417,160	362,394
settlement risk	—	—
exchange rate risk	19,847	22,574
risk positions in commodities	—	—
- internal models	—	—
- concentration risk	2,672	1,512
Adjustments to capital requirements for intra-group accounts	(424,248)	(83,255)
- Operating risk		
- basic method	222,310	196,436
- standardized method	—	—
- advanced methods	—	—
- additions for floors	—	—
Other requirements	—	—
Specific capital requirements	—	—
Total capital requirements	4,218,998	4,406,492
Capital position		
Surplus	2,012,927	2,129,462
Deficit	—	—
Basic capital coefficient	10.30%	10.29%
Total capital coefficient	11.82%	11.87%



Section 5 – Credit risk: general information for all banks

Qualitative information

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

The classification of impaired exposures may be summarized as follows:

- ◆ non-performing – cash exposures to individuals or entities in a state of insolvency (even if not certified by law) or in substantially equivalent situations;
- ◆ sub-standard – exposures to individuals or entities in temporary situations of objective difficulty which may be expected to be obviated within a reasonable period of time;
- ◆ restructured – exposures for which changes are agreed to the original terms of the contract due to a deterioration in the earning and financial condition of the borrower (e.g. rescheduling of repayments, reduction of debt and/or interest) which give rise to a loss;
- ◆ overdue/overdrawn – debtor positions for an individual or entity (not classified as non-performing, sub-standard or restructured) in respect of which a condition of persistent non-payment has been recorded (overdue/overdrawn for more than 90 or 180 days consecutively).

Description of methodologies adopted to determine loan loss provisions

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

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

Individual items are tested at annual and interim reporting dates to show whether or not there is evidence of impairment. Items reflecting such evidence are then subjected to analytical testing, and, if appropriate, adjusted to reflect the difference between their carrying amount at the time of the impairment test (amortized cost), and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Future cash flows are estimated to take account of



anticipated collection times, the presumed value of receivables upon disposal of any collateral, and costs likely to be incurred in order to recover the exposure. Cash flows from loans expected to be recovered in the short term are not discounted.

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

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

Accounts for which there is 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.



Quantitative information

Section 5.1 Credit and counterparty risk

CREDIT RISK AND COUNTERPARTY RISK	AMOUNTS AS AT 30/06/2009		
	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	4,192,691	892	71
A.1.2. Exposures to or guaranteed by regional entities	87,351	17,456	1,396
A.1.3. Exposures to or guaranteed by non-profit-making and public sector entities	692,815	617,574	49,406
A.1.4. Exposures to or guaranteed by multilateral development banks	57,627	—	—
A.1.5. Exposures to or guaranteed by international organizations	—	—	—
A.1.6. Exposures to or guaranteed by regulated intermediaries	21,193,101	1,190,452	95,236
A.1.7. Exposures to or guaranteed by companies	33,004,972	26,492,916	2,119,433
A.1.8. Retail exposures	11,653,244	7,115,910	569,273
A.1.9. Exposures guaranteed by properties	4,601,940	1,903,973	152,318
A.1.10. Overdue exposures	1,063,465	1,298,678	103,894
A.1.11. High-risk exposures	99,036	189,428	15,154
A.1.12. Exposures in the form of guaranteed bank obligations	—	—	—
A.1.13. Short-term exposures to companies	—	—	—
A.1.14. Exposures to collective investment and savings organizations (OICRs)	220,411	259,046	20,724
A.1.15. Other exposures	5,426,875	5,194,904	415,592



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

Type of exposure/book	Amounts as at: 30/06/2009				
	Cash exposures				Off-balance-sheet exposures
	Financial assets held for trading	AFS securities	Financial assets held to maturity	Due from banks	
	Gross exposure	Gross exposure	Gross exposure	Gross exposure	Gross exposure
A. Cash exposures					
a) Non-performing	—	—	—	127	—
b) Sub-standard	—	—	—	—	—
c) Restructured	—	—	—	—	—
d) Overdue	—	—	—	—	—
e) Country risk	—	—	—	—	—
f) Other assets	1,503,906	2,175,124	25,400	5,716,454	—
Total A	1,503,906	2,175,124	25,400	5,716,581	—
B. Off-balance-sheet exposures					
a) Impaired	—	—	—	—	—
b) Other	—	—	—	—	14,891,422
Total B	—	—	—	—	14,891,422
TOTAL A+B	1,503,906	2,175,124	25,400	5,716,581	14,891,422



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

Type of exposure / counterparty area	Amounts as at 30/06/2009				
	Cash exposures				Off-balance-sheet exposures
	Financial assets held for trading	AFS securities	Financial assets held to maturity	Due from customers	
	Gross exposure	Gross exposure	Gross exposure	Gross exposure	Gross exposure
A. Cash exposures					
a) Non-performing	—	—	—	539,170	—
b) Sub-standard	—	—	—	638,680	—
c) Restructured	—	—	—	27,360	—
d) Overdue	—	—	—	129,586	—
e) Country risk	—	—	—	—	—
f) Other exposures	7,335,675	4,040,246	3,740,014	39,885,773	—
Total A	7,335,675	4,040,246	3,740,014	41,220,569	—
B. Off-balance-sheet exposures					
a) Impaired	—	—	—	—	84,550
b) Other	—	—	—	—	29,973,411
Total B	—	—	—	—	30,057,961
Total A+B	7,335,675	4,040,246	3,740,014	41,220,569	30,057,961



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

Type of exposure/counterparty area	Amounts as at 30/06/2009									
	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	—	—	127	127	—	—	—	—	—	—
b) Sub-standard	—	—	—	—	—	—	—	—	—	—
c) Restructured	—	—	—	—	—	—	—	—	—	—
d) Overdue	—	—	—	—	—	—	—	—	—	—
e) Other exposures	4,248,677	4,248,677	4,562,141	4,562,057	155,393	155,393	413,452	411,021	—	—
Total A	4,248,677	4,248,677	4,562,141	4,562,057	155,393	155,393	413,452	411,021	—	—
B. Off-balance-sheet exposures										
a) Non-performing	—	—	—	—	—	—	—	—	—	—
b) Sub-standard	—	—	—	—	—	—	—	—	—	—
c) Other impaired assets	—	—	—	—	—	—	—	—	—	—
d) Other exposures	2,705,205	2,705,205	10,798,658	10,798,658	161,968	161,968	1,125,591	1,125,591	100,000	100,000
Total B	2,705,205	2,705,205	10,798,658	10,798,658	161,968	161,968	1,125,591	1,125,591	100,000	100,000
Total A + B	6,953,882	6,953,882	15,360,799	15,360,715	317,361	317,361	1,539,043	1,536,612	100,000	100,000



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

Amounts as at 30/06/2009										
Type of exposure/counterparty area	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	524,209	138,708	14,777	1,765	—	—	—	—	—	—
b) Sub-standard	476,235	288,985	162,048	141,755	—	—	—	—	—	—
c) Restructured	27,013	19,082	0	0	—	—	—	—	—	—
d) Overdue	121,032	89,460	8,357	8,357	—	—	—	—	—	—
e) Other exposures	38,683,161	38,542,924	14,471,443	14,409,408	1,567,776	1,564,750	37,967	37,932	68,778	68,665
Total A	39,831,650	39,079,159	14,656,625	14,561,285	1,567,776	1,564,750	37,967	37,932	68,778	68,665
B. Off-balance-sheet exposures										
a) Non-performing	—	—	—	—	—	—	—	—	—	—
b) Sub-standard	75,787	58,238	763	-571	—	—	—	—	—	—
c) Other impaired assets	—	—	8,000	8,000	—	—	—	—	—	—
d) Other exposures	22,530,261	22,530,261	7,171,684	7,171,684	248,363	248,363	142	142	—	—
Total B	22,606,048	22,588,499	7,180,447	7,179,113	248,363	248,363	142	142	—	—
Total A+B	62,437,698	61,667,658	21,837,072	21,740,398	1,816,139	1,813,113	38,109	38,074	68,778	68,665



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

Type of exposure / counterpart area	Amounts as at 30/06/2009																				
	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	—	—	—	—	—	—	11,472	-11,472	—	—	—	—	—	—	—	39,012	-21,506	17,506	48,850	-365,535	122,967
b) Sub-standard	—	—	—	366	-13	353	152,672	-17,195	135,477	—	—	—	—	—	—	195,055	-19,897	175,158	29,019	-170,439	119,752
c) Restructured	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	21,450	-2,650	18,800	5,563	-5,281	282
d) Overdue	—	—	—	41	-1	40	75	-1	74	—	—	—	—	—	—	43,462	-5,112	38,350	8,581	-26,457	59,353
e) Other exposures	7,462,678	-4,632	7,458,046	363,026	-3,712	359,314	13,602,776	-39,092	13,563,684	2,434,137	-1,044	2,433,093	17,773,738	-121,409	17,652,329	13,192,150	-35,537	13,156,613			
Total A	7,462,678	-4,632	7,458,046	364,033	-3,726	360,307	13,766,995	-67,760	13,699,235	2,434,137	-1,044	2,433,093	18,072,717	-170,574	17,902,143	140,62,216	-603,249	13,458,967			
B. Off-balance-sheet exposures																					
a) Non-performing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
b) Sub-standard	—	—	—	—	—	—	—	—	—	—	—	—	75,716	-17,549	58,167	834	—	—	—	—	834
c) Other impaired assets	—	—	—	—	—	—	8,000	-1,334	6,666	—	—	—	—	—	—	—	—	—	—	—	—
d) Other exposures	462,960	—	462,960	9,845	—	9,845	12,501,962	—	12,501,962	267,370	—	267,370	14,539,647	—	14,539,647	2,168,666	—	—	—	—	2,168,666
Total B	462,960	—	462,960	9,845	—	9,845	12,509,962	-1,334	12,508,628	267,370	—	267,370	14,615,363	-17,549	14,597,814	2,169,500	—	—	—	—	2,169,500
Total A+B	7,925,638	-4,632	7,921,006	373,878	-3,726	370,152	26,277,104	-69,094	26,207,863	2,701,507	-1,044	2,700,463	32,688,080	-188,123	32,499,957	16,231,716	-603,249	15,628,467			



Financial assets by outstanding maturity

Type	Amounts as at 30/6/09								
	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
Cash assets									
a) Government securities	351,727	217,482	155,824	—	445,424	686,434	1,833,298	1,205,292	2,474,896
b) Listed debt securities	—	97,222	58,377	212,873	193,852	208,176	296,492	3,563,564	1,581,361
c) Other debt securities	—	—	2,519	206,461	4,346	328,095	148,328	—	726,727
d) OICR units	—	—	—	—	—	—	—	—	—
e) Loans and advances									
- to banks	2,123,458	209,478	39	156,803	18,607	64,595	33,366	570,411	21,327
- to customers	3,093,418	2,317,305	1,965,922	1,329,359	1,129,593	2,712,259	3,635,355	14,020,320	9,443,446
Off-balance-sheet assets									
a) Financial derivatives with exchange of principal									
- long positions	708,154	1,475,242	207,157	610,283	809,619	457,918	260,367	503,468	80,425
- short positions	1,538,270	2,081,178	1,632,323	198,211	1,626,440	348,874	887,840	399,771	284,592
b) Deposits and loans									
long positions	503,608	1,013,907	—	—	—	—	—	—	—
- short positions	—	—	—	—	420,566	130,312	447,432	30,955	488,249
c) Irrevocable commitments to disburse funds									
- long positions	—	—	—	178,293	648,164	340,794	885,434	8,203,072	1,121,451
- short positions	1,793,296	1,144,315	—	—	15,000	45,000	205,000	7,672,458	224,500



Cash exposures: trends in overall value adjustments

Description/category	Amounts as at 30/6/09									
	Exposures to banks					Exposures to customers				
	Non-performing	Sub-standard	Restructured	Restructured	Total	Non-performing	Sub-standard	Restructured	Restructured	Total
A. Adjustments at start of period	-127	—	—	—	-127	-371,699	-68,535	-2,601	-39,926	-482,761
B. Additions	—	—	—	—	—	-438,641	-208,210	-8,486	-44,322	-699,659
B.1 value adjustments	—	—	—	—	—	-307,834	-176,010	-2,282	-24,820	-510,946
B.2 transfers from other categories of impaired assets	—	—	—	—	—	-29,268	-7,627	-291	-2,579	-39,765
B.3 other additions	—	—	—	—	—	-101,539	-24,573	-5,913	-16,923	-148,948
C. Reductions	—	—	—	—	—	411,827	69,202	3,156	52,676	536,861
C.1 writebacks based on valuations	—	—	—	—	—	221,511	2,142	7	138	223,798
C.2 writebacks due to amounts collected	—	—	—	—	—	9,611	3,474	21	1,812	14,918
C.3 amounts written off	—	—	—	—	—	161,728	43,548	170	18,992	224,438
C.4 transfers to other categories of impaired assets	—	—	—	—	—	4,941	11,834	2,515	16,781	36,071
C.5 other reductions	—	—	—	—	—	14,036	8,204	443	14,953	37,636
D. Total adjustments at end of period	-127	—	—	—	-127	-398,513	-207,543	-7,931	-31,572	-645,559
of which:										
- specific adjustments	—	—	—	—	—	-398,513	-207,543	-7,931	-31,572	-645,559
- collective adjustments	—	—	—	—	—	—	—	—	—	—
E. Value adjustments taken to P/L	—	—	—	—	—	—	—	—	—	—



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

Qualitative information

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

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

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

Book	ECAI	Rating characteristics
Exposures to central administrations and central banks	Moody’s Investors Service Standard & Poor’s Rating Services Fitch Ratings	Solicited
Exposures to multilateral development banks	Moody’s Investors Service Standard & Poor’s Rating Services Fitch Ratings	Solicited
Exposures to companies and other entities	Moody’s Investors Service Standard & Poor’s Rating Services Fitch Ratings	Solicited
Exposures to collective investment and savings organizations (OICRs)	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	



Quantitative information

Standardized methodology: risk assets

Portafolios	Amounts as at 30/6/09		
	Value of exposure	Exposures guaranteed	
		Real guarantee	Personal
Exposures to or guaranteed by central administrations and central banks	—	—	1,511,163
- credit rating class 1	4,191,403	—	—
- credit rating class 2	—	—	—
- credit rating class 3	794	—	—
- credit rating classes 4 and 5	495	—	—
- credit rating class 6	—	—	—
Exposures to or guaranteed by regional entities	—	—	—
- credit rating class 1	87,351	—	—
- 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	—	466,795	—
- credit rating class 1	93,858	—	—
- credit rating class 2	—	—	—
- credit rating class 3	—	—	—
- credit rating classes 4 and 5	598,956	—	—
- credit rating class 6	—	—	—
Exposures to or guaranteed by Banche multilateral development banks	—	—	—
- credit rating class 1	57,627	—	—
- 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	—	—	—
Exposures to or guaranteed by regulated intermediaries	—	7,673,725	217,784
- credit rating class 1	22,024,623	—	—
- credit rating class 2	—	—	—
- credit rating class 3	—	—	—
- credit rating classes 4 and 5	1,639,783	—	—
- credit rating class 6	—	—	—
Exposures to or guaranteed by companies	—	2,438,430	919,050
- credit rating class 1	2,405,692	—	—
- credit rating class 2	5,015,438	—	—
- credit rating classes 3 and 4	20,915,515	—	—
- credit rating classes 5 and 6	737,473	—	—
Retail exposures	11,653,243	708	—
Exposures guaranteed by properties	4,601,940	3,171	—
Overdue exposures	1,063,464	1	—
High-risk exposures	99,036	—	—
Exposures in the form of guaranteed bank debt securities	—	—	—
Short-term exposures to companies	—	—	—
- credit rating class 1	—	—	—
- credit rating class 2	—	—	—
- credit rating class 3	—	—	—
- credit rating classes from 4 to 6	—	—	—
Exposures to OICRs	—	—	—
- credit rating class 1	1	—	—
- credit rating class 2	—	—	—
- credit rating classes 3 and 4	143,137	—	—
- credit rating classes 5 and 6	77,272	—	—
Other exposures	5,426,876	—	—
Total cash risk assets	54,907,559	2,217,010	961,507
Total guarantees issued and commitments to disburse funds	20,114,470	—	1,686,490
Total derivatives contracts	5,318,618	1,122,691	—
Total SFTs and trades with long-term settlement	1,952,881	7,243,129	—
Netting arrangements between various products	—	—	—
Grand total	82,293,528	10,582,830	2,647,997



Section 8 – Risk mitigation techniques

Qualitative information

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

With reference to Mediobanca in particular, the Compliance unit has been tasked with checking the adequacy of the procedures in place for the purpose of complying with the credit risk mitigation techniques, to ensure the Bank's independence and to prevent conflicts of interest between the commercial units and the legal control functions.

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.

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.

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

More than half of the guarantees received (€7.2bn, or 55% of the total) involves securities in connection with repo transactions which are recorded among real financial guarantees; there is also €3.3bn (25% of the total) in cash collateral, chiefly in respect of derivatives trading and the remainder for structured finance transactions.

Personal guarantees include €1.5bn (11% of the total) in guarantees received from SACE in respect of export finance transactions.



Quantitative information

Risk mitigation techniques

Exposures to	Amounts as at 30/6/09		
	Real financial guarantees	Other guarantees	Personal guarantees and credit derivatives
Central administrations and central banks	—	—	1,511,163
Regulatory intermediaries	7,673,725	40,487	177,297
Regional entities	—	—	—
Non-profit-making and public sector entities	466,795	—	—
Multilateral development banks	—	—	—
International bodies	—	—	—
Companies	2,438,430	—	919,050
Retail exposures	708	—	—
Short-term exposures to companies	—	—	—
OICRs	—	—	—
Exposures guaranteed by properties	3,171	—	—
Exposures in the form of guaranteed bank debt securities	—	—	—
Overdue exposures	1	—	—
High-risk exposures	—	—	—
Other exposures	—	—	—
Total	10,582,830	40,487	2,607,510



Section 9 – Counterparty risk

Qualitative information

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

Counterparty risk is monitored via a system of exposure limits which are based on the counterparty's/issuer's credit rating and sector of operation.

* * *

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

- ◆ the “current value” method for financial and credit derivative instruments traded OTC and for trades with long-term settlements;
- ◆ the “integral” method for SFT trades with regulatory adjustments for volatility; such trades consist of repos, securities and/or commodities lending transactions and loans linked with securities.



Quantitative information

Counterparty risk

Amounts as at 30/6/09									
Counterparties/underlying assets	Debt securities and interest rates		Equities and equity indexes		Exchange rates and gold		Other assets		Effects of netting arrangements
	Gross, not netted	Gross, netted	Gross, not netted	Gross, netted	Gross, not netted	Gross, netted	Gross, not netted	Gross, netted	Netted
A.1 Governments and central banks	151	—	—	—	—	—	—	—	—
A.2 Public entities	3,819	—	—	—	—	—	—	—	—
A.3 Banks	211,555	1,905,432	74,643	531,018	67,600	13,140	—	—	146,933
A.4 Financial companies	51,200	68,637	152,635	29,714	—	4,766	—	—	41,163
A.5 Insurances	66,335	—	—	—	—	—	—	—	—
A.6 Non-financial companies	235,199	—	196,946	—	129	—	—	—	—
A.7 Other entities	—	—	180	—	—	—	—	—	—
Total	568,259	1,974,069	424,404	560,732	67,729	17,906	—	—	188,096



Counterparty risk – real guarantees held

COUNTERPARTY RISK - REAL GUARANTEES HELD	EAD VALUE AT 30/06/2009
Standardized approach	
- derivatives contracts	1,122,691
- SFTs and trades with long-term settlement	7,243,129
IRB approaches	
- derivatives contracts	—
- SFTs and trades with long-term settlement	—

Counterparty risk

COUNTERPARTY RISK	EAD VALUE AT 30/06/2009
Standardized approach	
- derivatives contracts	5,318,618
- SFTs and trades with long-term settlement	1,952,881
IRB approaches	
- derivatives contracts	—
- SFTs and trades with long-term settlement	—



Counterparty risk

Credit derivatives (notional value)	Amounts as at 30/6/09	
	Hedge purchases (risk sales)	Hedge sales (risk purchases)
Regulatory trading book		
- Credit default swaps	8,832,658	8,161,959
- Credit default options	—	—
- Credit spread options	—	—
- Credit spread swap	—	—
- Credit linked notes	—	—
- Total rate of return swaps	—	—
- Other credit derivatives	—	—
Banking book		
- Credit default swaps	311,425	119,615
- Credit default options	—	—
- Credit spread options	—	—
- Credit spread swaps	—	—
- Credit linked notes	—	—
- Total rate of return swaps	—	—
- Other credit derivatives	—	—



Credit derivatives: positive fair value - counterparty risk

Type	Amounts as at 30/6/09		
	Notional value	Positive fair value	Future exposure
A. REGULATORY TRADING BOOK			
A.1 Hedge buys with counterparties			
1. Governments and central banks	—	—	—
2. Public entities	—	—	—
3. Banks	5,722,116	344,944	287,917
4. Financial companies	966,558	46,412	49,078
5. Insurances	—	—	—
6. Non-financial companies	—	—	—
7. Other entities	—	—	—
A.2 Hedge sales with counterparties			
1. Governments and central banks	—	—	—
2. Public entities	—	—	—
3. Banks	1,586,936	42,479	82,071
4. Financial companies	214,000	4,006	10,700
5. Insurances	—	—	—
6. Non-financial companies	—	—	—
7. Other entities	—	—	—
B. BANKING BOOK			
B.1 Hedge buys with counterparties			
1. Governments and central banks	—	—	—
2. Public entities	—	—	—
3. Banks	—	—	—
4. Financial companies	—	—	—
5. Insurances	—	—	—
6. Non-financial companies	—	—	—
7. Other entities	—	—	—
B.2 Hedge sales with counterparties			
1. Governments and central banks	—	—	—
2. Public entities	—	—	—
3. Banks	—	—	—
4. Financial companies	—	—	—
5. Insurances	—	—	—
6. Non-financial companies	—	—	—
7. Other entities	—	—	—
Total	8,489,610	437,841	429,766



Section 10 – Securitizations

Qualitative information

The Group makes limited use of securitizations, and such use as it does make involves only performing accounts in the leasing portfolio (through vehicle company Quarzo Lease) and the consumer credit loan book (through Quarzo and Jump). Three new deals were launched in the year, with a view to accessing direct financing from EU institutions:

- ◆ two deals were executed by Compass for a total of €2,150m (€460m of which in junior tranches), subscribed for exclusively by Group companies, with the objective of providing the Group with instruments eligible for use in refinancing with the European Central Bank;
- ◆ one deal by SelmaBipiemme worth a total of €450m (€100m of which in junior tranches), with the senior notes subscribed for by the European Investment Bank.

Given the specific objectives of these issues and the nature of the contracts between the parties, none of the securities subscribed for by Group companies of any category has been recorded as assets, as the underlying receivables are still on the books. No securitization originated by Group companies involved a transfer of risk from the point of view of capital. In accounting terms, none of these deals involved derecognition of the assets sold pursuant to IAS 39.

In addition to its traditional activity as sponsor and lead manager, Mediobanca also invests in securities originating from securitizations by other issuers, worth €524.6m. The main movements during the period involved repayments totalling €154.6m, purchases and disposals worth €75.4m, and downward adjustments as at the reporting date amounting to €3.2m. The Kimono and Scip issues were repaid during the year, the former involving healthcare receivables for the Lazio region, the latter with state-owned properties as the underlying assets

For the purpose of calculating the exposure for the investments held as part of the banking book, a rating-based approach is used, or alternatively an internal valuation is made 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

RISK WEIGHTING CLASSES	Amounts as at 30/6/09									
	Cash risk assets				Off-balance-sheet risk assets				Early repayment clauses	
	Own securitizations		Third-party securitizations		Own securitizations		Third-party securitizations		Own securitizations	
	Type of securitization		Type of securitization		Type of securitization		Type of securitization		Type of securitization	
	Traditional	Synthetic	Traditional	Synthetic	Traditional	Synthetic	Traditional	Synthetic	Traditional	Synthetic
Weighting 20%	—	—	239,771	—	—	—	—	—	—	—
Weighting 50%	—	—	40,343	—	—	—	—	—	—	—
Weighting 100%	—	—	113,265	—	—	—	—	—	—	—
Weighting 350%	—	—	—	—	—	—	—	—	—	—
Weighting 1250% - with rating	—	—	—	—	—	—	—	—	—	—
Weighting 1250% - without rating	—	—	—	—	—	—	—	—	—	—
Look-through - second loss in ABCP	—	—	—	—	—	—	—	—	—	—
Look-through - other	—	—	—	—	—	—	—	—	—	—
Total	—	—	393,379	—	—	—	—	—	—	—



Section 12 – Operating 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 annual readings of total income. Based on this method of calculation the capital requirement as at 30 June 2009 would be €222.3m.



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

Qualitative information

Equity instruments refer mostly to those assets recognized in the accounts either as “Equity investments” or “AFS securities”. The accounting policies adopted in respect of these two asset classes are described below.

Equity investments

This heading consists of investments in:

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

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

AFS securities

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

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

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

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



particular, the criteria for measuring impairment for shares are a reduction in fair value of more than one third, or a reduction versus the initial recognition value of more than eighteen months. If the reasons for which the loss was recorded subsequently cease to apply, the impairment is written back to the profit and loss account for debt securities to and net equity for shares.



Quantitative information

Banking book: cash exposures in equities and OICRs

Items	Amounts as at 30/06/2009										
	Book value		Fair value		Impairment	Gains/losses realized		Gain/loss not realized		Gain/loss not realized included in Tier 1/Tier 2 capital	
	Listed	Unlisted	Listed	Unlisted		Gains	Losses	Gains	Losses	Gains	Losses
A. Equities											
A.1 Shares	2,600,213	1,262,318	3,677,087	1,262,318	(443,589)	170,961	(30,777)	1,458,806	(409,958)	—	—
A.2 Innovative equity instruments	—	—	—	—	—	—	—	—	—	—	—
A.3 Other equity instruments	—	331,419	—	331,419	—	—	—	—	(15,038)	—	(15,038)
B. OICR units											
B.1 Incorporated under Italian law	—	23,057	—	23,057	—	—	—	1,057	—	1,057	—
- harmonized, open	—	—	—	—	—	—	—	—	—	—	—
- not harmonized, open	—	—	—	—	—	—	—	—	—	—	—
- closed	—	—	—	—	—	—	—	—	—	—	—
- reserved	—	—	—	—	—	—	—	—	—	—	—
- speculative	—	—	—	—	—	—	—	—	—	—	—
B.2 Other EU states	—	77,259	—	77,259	(9,216)	—	—	—	(4,548)	—	(4,548)
- harmonized	—	—	—	—	—	—	—	—	—	—	—
- not harmonized, open	—	—	—	—	—	—	—	—	—	—	—
- not harmonized, closed	—	—	—	—	—	—	—	—	—	—	—
B.3 Non-EU states	—	—	—	—	—	—	—	—	—	—	—
- open	—	—	—	—	—	—	—	—	—	—	—
- closed	—	—	—	—	—	—	—	—	—	—	—
Total	2,600,213	1,694,054	3,677,087	1,694,054	(452,805)	170,961	(30,777)	1,459,863	(429,544)	1,057	(19,586)



Section 13.1 Banking book: equity instruments

Category	Book value as at 30/6/09
Private equity instruments held in sufficiently diversified form	62,917
Equity instruments listed on regulated markets	2,600,213
Other equity instruments	1,530,821
Total equity instruments	4,193,951
Book values, listed and unlisted	—
Difference	—



Section 14 – Interest rate risk on banking book positions

Qualitative information

Interest rate risk management for the banking book is focused on the Bank's Financial Markets division. This allowed the liquidity crisis which exploded in the autumn of 2008 to be tackled effectively.

The size of the trading book, which already served as a liquidity buffer, was strengthened during the course of the year, with bonds eligible for refinancing with the monetary authorities targeted in particular. However, this increased the mismatch between assets and liabilities on the banking book, accentuating the gap between an increase/decrease in interest rates on the banking book alone as opposed to the entire asset base.

In Mediobanca, the risk rate is monitored via sensitivity analysis of the banking book and the entire portfolio to changes in interest rates using internal ALM models. This model allows the impact of movements in the interest rate curve on net interest income and the market value of positions to be estimated.

Quantitative information

The Group's exposure to interest rate risk has been quantified via a sensitivity analysis in a scenario of a 100 basis point shift in reference interest rates, according to the simplified methodology described by the Bank of Italy in Circular 263, calculating the change in the economic value of the banking book.

Interest rate risk on interest on the banking book following a 100 basis point shift in the interest rate is shown below:

(€ mln)	Amounts at 30.06.09
Interest rate risk on the banking book	183
• Euro	158
• Other currencies	25

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

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 Index:



(€ mln)	Amounts at 30.06.09
Interest rate risk on the banking book	366
• Euro	316
• Other currencies	50
Regulatory capital	6.232
Risk Index	5,88%

The Risk Index is approx. 6%, far below the 20% attention threshold set by the Bank of Italy.



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