MEDIOBANCA

Interim Report

for the six months ended 31 December 2012

MEDIOBANCA

LIMITED COMPANY
SHARE CAPITAL € 430,564,606
HEAD OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY

REGISTERED AS A BANK
PARENT COMPANY OF THE MEDIOBANCA BANKING GROUP

Interim Report

for the six months ended 31 December 2012

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

translation from the Italian original which remains the definitive version

BOARD OF DIRECTORS

			Term expires
*	Renato Pagliaro	Chairman	2014
	Dieter Rampl	Deputy Chairman	2014
	Marco Tronchetti Provera	»	2014
*	Alberto Nagel	Chief Executive Officer	2014
*	Francesco Saverio Vinci	General Manager	2014
	Tarak Ben Ammar	Director	2014
	Gilberto Benetton	»	2014
	Pier Silvio Berlusconi	»	2014
	Roberto Bertazzoni	»	2014
*	Angelo Caso'	»	2014
*	Maurizio Cereda	»	2014
	Christian Collin	»	2014
	Alessandro Decio	»	2014
*	Massimo Di Carlo	»	2014
	Bruno Ermolli	»	2014
	Anne Marie Idrac	»	2014
*	Vanessa Labérenne	»	2014
	Elisabetta Magistretti	»	2014
	Alberto Pecci	»	2014
	Carlo Pesenti	»	2014
	Fabio Roversi Monaco	»	2014
*	Eric Strutz	»	2014

* Member of Executive Committee

STATUTORY AUDIT COMMITTEE

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

* * *

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

CONTENTS

REVIEW
OF GROUP
OPERATIONS

REVIEW OF GROUP OPERATIONS

The Mediobanca Group earned a profit of €123.8m in the six months under review, virtually double the €63.4m posted at the same stage last year, driven chiefly by lower provisions for the securities and equity investments portfolios, down from €231.1m to €89.5m. The period saw a marked slowdown in the economic scenario and in business levels towards households and companies, along with a pronounced tightening of spreads on government bonds issued by the most highly-indebted Eurozone countries. In this scenario, total income fell by 6.4%, from €973.3m to €911m, with the various income items performing as follows:

– net interest income fell by 6.7%, from €554.6m to €517.7m; this reduction was due to the corporate and investment banking segment, where net interest income was down from €204.5m to €157.4m, reflecting the Bank's ample liquidity levels despite sharply declining market interest rates and the cost of funding higher than last year;

– net trading income repeated last year's healthy result, at €106.5m (€112.5m), helped mostly by the reduction in the spread on sovereign debt securities;

– net fee and commission income shows a 14.2% decrease to €201m (€234.4m), due largely to the reduced contribution from consumer credit activity;

– the contribution from the equity-accounted companies rose from €71.8m to €85.8m, due to Gemina (€27.2m, largely non-recurrent) which offset the operating losses incurred by RCS MediaGroup (€18.7m). The contribution from Assicurazioni Generali also increased, from €65.9m to €75.6m.

Operating costs fell by 5.9%, from €399.2m to €375.6m, due to reduced labour costs (down 3.4%) and administrative expenses (down 8.4%).

Loan loss provisions, in a recession scenario, grew by 9.7%, from €212.3m to €232.8m, largely due to the household segment where provisioning rose from €149.2m to €162.8m. The cost of risk, with loan volumes down 10%, rose from 116 bps to 129 bps.

Writedowns to the securities and equity investments portfolios include impairment charges on the stake held in Telco totalling €95m (reflecting a net present value for the Telecom Italia shares of €1.20 per share), €12.2m in writebacks to Greek government securities, and other charges in respect of unlisted AFS shares totalling €6.7m.

Turning to the individual business areas:

– *Corporate and investment banking* (CIB) recorded a €124.2m net profit (compared with a €37.4m loss last year), helped by the lack of significant provisions for financial assets (this item, indeed, reflects a €9.1m surplus, as opposed to the €175.4m provisions charged last year). Total revenues fell by 13.1%, from €448.2m to €389.6m, while costs declined by 7% (from €161.8m to €150.5m);

– *Retail and private banking* (RPB) showed a profit of €49.4m, down slightly on the €51.5m posted last year (net of the one-off gain on disposal of a property by Compagnie Monégasque de Banque, worth €44.3m). Total income was flat at €491.9m (€493.5m), reflecting the reduced contribution from net fee and commission income, down 5.4% (from €128m to €121.1m), and resilient net interest income, which climbed from €361.5m to €364.2m. The net profit earned from consumer credit business fell from €58.3m to €33.8m, while the loss posted by CheBanca! reduced from €14.6m to €7.6m, and the profit delivered by private banking also improved significantly, from €8.3m to €25.7m;

– *Principal investing* (PI) showed a loss of €52m, reflecting the €95m Telco impairment charges referred to, and a reduction in the profits earned by the equity-accounted companies, totalling €54.4m (down from €61.5m last year).

Turning now to the balance-sheet aggregates, funding declined from €55.8bn to €54bn, due to the reduction in bond issuance (from €30bn to €28.1bn), partly offset by a 5.4% increase in CheBanca! retail deposits (up from €11.6bn to €12.3bn). The asset side reflects the reduction in loans and advances to customers (from €36.3bn to €34.1bn), partly offset by an increase in the bond portfolio (up from €11.8bn to €13bn). Treasury assets were stable, at €9.3bn (€9.1bn), as were equity investments (€4.3bn vs €4.4bn). Assets under management in private banking grew from €12.6bn to €13.5bn.

The Group's main capital ratios show further improvement, with the core tier 1 ratio up from 11.49% to 11.84%, and the total capital ratio up from 14.16% to 14.76%.

* * *

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

- approval by the Board of Directors, at a meeting held on 5 September 2012, of the self-assessment process for governing bodies instituted pursuant to the Bank of Italy memo issued on 11 January 2012;
- appointment of PricewaterhouseCoopers to audit the accounts of Mediobanca for the 2013-2021 period;
- renewal of the authorization granted by shareholders, gathered in extraordinary general meeting, to the Board of Directors to increase the company's share capital in a nominal amount of up to €40m, to be set aside for subscription by Italian and non-Italian professional investors with option rights excluded;
- approval of the internal capital adequacy assessment procedure (ICAAP) required by the regulations in force, and disclosure of the information required under Pillar 3 of the Basel II agreements, to provide a more accurate valuation of the Group's capital solidity and exposure to risks;
- the new "Procedure in respect of transactions with related parties and their associates" enacting Consob resolution no. 17221 on 12 March 2010 and the Bank of Italy instructions in respect of "Risk assets and conflicts of interest with related parties" issued on 15 December 2011, coming into force on 31 December 2012;
- launch of the Mediobanca Historical Archive named after Vincenzo Maranghi.

* * *

Consolidated financial statements*

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(€m)

	6 mths to 31/12/11	12 mths to 30/6/12	6 mths to 31/12/12	Y.o.Y. chg. 12/11-12/12 (%)
Profit-and-loss data				
Net interest income	554.6	1.069.8	517.7	-6.7
Net trading income	112.5	266.8	106.5	-5.3
Net fee and commission income	234.4	483.5	201.0	-14.2
Equity-accounted companies	71.8	169.5	85.8	+19.5
Total income	**973.3**	**1.989.6**	**911.0**	**-6.4**
Labour costs	(201.3)	(393.3)	(194.4)	-3.4
Administrative expenses	(197.9)	(395.7)	(181.2)	-8.4
OPERATING COSTS	**(399.2)**	**(789.0)**	**(375.6)**	**-5.9**
Gains (losses) on AFS, HTM and L&R	(37.8)	32.4	(4.6)	-87.8
Loan loss provisions	(212.3)	(468.3)	(232.8)	+9.7
Provisions for financial assets	(231.1)	(604.0)	(89.5)	-61.3
Other profits (losses)	43.7	45.2	—	n.s.
Profit before tax	**136.6**	**205.9**	**208.5**	**+52.6**
Income tax for the period	(71.4)	(125.5)	(85.7)	+20.0
Minority interest	(1.8)	0.5	1.0	n.m.
Net profit	**63.4**	**80.9**	**123.8**	**n.m.**

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

RESTATED BALANCE SHEET

(€m)

	31/12/11	30/6/12	31/12/12
Assets			
Treasury funds	9,391.1	9,330.4	9,105.2
AFS securities	6,859.6	10,552.1	11,735.6
of which: fixed-income	*5,534.8*	*9,447.1*	*10,639.9*
equities	*1,312.6*	*1,090.8*	*1,082.2*
Fixed financial assets (HTM & LR)	2,412.6	2,328.1	2,366.3
Loans and advances to customers	37,833.5	36,309.5	34,142.0
Equity investments	2,976.9	3,165.5	3,284.0
Tangible and intangible assets	728.4	718.1	715.0
Other assets	1,270.6	1,355.6	1,142.4
of which: tax assets	*1,003.0*	*1,036.1*	*869.3*
Total assets	61,472.7	63,759.3	62,490.5
Liabilities and net equity			
Funding	54,028.8	55,788.0	53,970.5
of which: debt securities in issue	*32,422.8*	*30,004.2*	*28,070.8*
retail deposits	*10,671.3*	*11,634.1*	*12,258.6*
Other liabilities	1,036.1	1,177.2	1,177.9
of which: tax liabilities	*430.7*	*494.1*	*538.5*
Provisions	182.0	185.1	187.6
Net equity	6,162.4	6,528.1	7,030.7
of which: share capital	*430.6*	*430.6*	*430.6*
reserves	*5,619.3*	*5,988.1*	*6,491.7*
minority interest	*112.5*	*109.4*	*108.4*
Profit for the period	63.4	80.9	123.8
Total liabilities and net equity	61,472.7	63,759.3	62,490.5
Tier 1 capital	*6,127.3*	6,338.9	*6,472.5*
Regulatory capital	*7,499.8*	7,810.0	*8,066.7*
Tier 1 capital/risk-weighted assets	*11.01%*	11.49%	*11.84%*
Regulatory capital/risk-weighted assets	*13.48%*	*14.16%*	*14.76%*
No. of shares in issue (m)	*861.1*	*861.1*	*861.1*

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

(€m)

31 December 2012	Corporate & Investment Banking	Principal Investing	Retail & Private Banking	Group
Profit-and-loss data				
Net interest income	157.4	(3.9)	364.2	517.7
Net trading income	100.3	—	6.6	106.5
Net fee and commission income	101.2	—	121.1	201.0
Equity-accounted companies	30.7	54.4	—	85.8
Total income	**389.6**	**50.5**	**491.9**	**911.0**
Labour costs	(98.2)	(2.4)	(102.8)	(194.4)
Administrative expenses	(52.3)	(1.7)	(143.6)	(181.2)
Operating costs	**(150.5)**	**(4.1)**	**(246.4)**	**(375.6)**
Gains (losses) on AFS, HTM and L&R	(6.4)	—	8.7	(4.6)
Loan loss provisions	(58.2)	—	(174.6)	(232.8)
Provisions for financial assets	9.1	(98.1)	(3.6)	(89.5)
Other profits (losses)	—	—	(1.1)	n.s.
Profit before tax	**183.6**	**(51.7)**	**74.9**	**208.5**
Income tax for the period	(60.4)	(0.3)	(25.5)	(85.7)
Minority interest	1.0	—	—	1.0
Net profit	**124.2**	**(52.0)**	**49.4**	**123.8**
Cost/income ratio (%)	38.6	8.1	50.1	41.2
Balance-sheet data				
Treasury funds	10,593.3	—	9.885.2	9,105.2
AFS securities	10,384.1	144.8	1,598.1	11,735.6
Fixed financial assets (HTM & LR)	4,050.4	—	2,096.4	2,366.3
Equity investments	414.2	2,779.5	—	3,284.0
Loans and advances to customers	27,955.9	—	14,703.5	34,142.0
of which: to Group companies	*8.104.4*	—	—	—
Funding	(50,780.9)	(259.8)	(26,616.8)	(53,970.5)
Risk-weighted assets	39,442.9	2,995.6	12,197.3	54,666.7
No. of staff	955	n.m.	2.665 *	3.493

* Includes 127 staff employed by Banca Esperia pro-forma, not included in the Group total.

Notes:

1 Divisions comprise:
- *CIB (Corporate and investment banking):* comprises corporate and investment banking, including leasing, plus the Group's trading investments. The companies which form part of this division are Mediobanca, Mediobanca International, MB Securities USA, Consortium, Prominvestment, SelmaBipiemme Leasing, Palladio Leasing and Teleleasing;
- *Principal investing:* comprises the Group's shareholdings in Assicurazioni Generali, RCS MediaGroup and Telco, plus stakes acquired as part of merchant banking activity and investments in private equity funds;
- *Retail and private banking:* businesses targeting retail customers via consumer credit products, mortgages, deposit accounts, private banking and fiduciary activities. The companies which make up this division are: Compass, CheBanca!, Cofactor, Futuro, Compass RE and Creditech (consumer credit); and Compagnie Monégasque de Banque, Spafid and Prudentia Fiduciaria, plus 50% of Banca Esperia pro-forma (private banking).

2 Sum of divisional data differs from Group total due to:
- Banca Esperia being consolidated pro-rata (50%) rather than equity-accounted;
- adjustments/differences arising on consolidation between business areas (€2.4m as at 31 December 2011, and €1.7m as at 31 December 2012.

(€m)

31 December 2011	Corporate & Investment Banking	Principal Investing	Retail & Private Banking	Group
Profit-and-loss data				
Net interest income	204.5	(3.9)	361.5	554.6
Net trading income	107.5	—	4.0	112.5
Net fee and commission income	125.9	—	128.0	234.4
Equity-accounted companies	10.3	61.5	—	71.8
Total income	**448.2**	**57.6**	**493.5**	**973.3**
Labour costs	(107.5)	(2.8)	(97.9)	(201.3)
Administrative expenses	(54.3)	(1.4)	(157.2)	(197.9)
Operating costs	**(161.8)**	**(4.2)**	**(255.1)**	**(399.2)**
Gains (losses) on AFS, HTM and L&R 1	(46.7)	—	0.5	(37.8)
Loan loss provisions	(54.0)	—	(157.5)	(212.3)
Provisions for financial assets	(175.4)	(55.3)	(0.5)	(231.1)
Other profits (losses)	—	—	45.5	43.7
Profit before tax	**10.3**	**(1.9)**	**126.4**	**136.6**
Income tax for the period	(45.9)	4.4	(30.6)	(71.4)
Minority interest	(1.8)	—	—	(1.8)
Net profit	**(37.4)**	**2.5**	**95.8**	**63.4**
Cost/income ratio (%)	36.1	7.3	51.7	41.0
Balance-sheet data				
Treasury funds	10,593.8	—	3,738.0	9,391.1
AFS securities	5,658.0	137.8	1,443.2	6,859.6
Fixed financial assets (HTM & LR)	4,101.1	—	3,671.1	2,412.6
Equity investments	384.2	2,511.2	—	2,976.9
Loans and advances to customers	29,182.8	—	14,606.9	37,833.5
of which: to Group companies	*5.606.5*	—	—	—
Funding	(47,851.9)	(259.8)	(22,354.5)	(54,028.8)
Risk-weighted assets	40,821.7	3,032.6	11,757.7	55,638.8
No. of staff	998	—	2.657 *	3.520

* Includes 135 staff employed by Banca Esperia pro-forma, not included in the Group total.

Balance sheet

The main balance-sheet items, of which Mediobanca contributes slightly over 60%, performed as follows during the six months under review (comparative data as at 30 June 2012):

Funding – this item fell by 3.3%, from €55,788m to €53,970.5m, due to the reductions in debt securities (from €30,004.2m to €28,070.8m) and bank debt (from €3,284.8m to €2,828.3m), only partly offset by the growth in the CheBanca! retail share (from €11,634.1m to €12,258.6m). The almost €2bn reduction in debt securities in issue (from €30,004.2m to €28,070.8m) reflects redemptions totalling €2.3bn, new issues worth €850m, buybacks on the market amounting to €439m (yielding gains of €13m), and other downward adjustments (exchange rates, amortized cost and hedges) totalling €25m.

Loans and advances to customers – the 6% reduction in this item, from €36,309.5m to € 34,142m, involves all the main segments, in particular corporate lending (down 10.3%, from €17,969.2m to €16,072.2m), which reflects the strong pressure on margins linked to the higher cost of funding, and the early repayment of certain positions; while private banking by CMB bucked the trend.

(€m)

	30/6/12	31/12/12	Change (%)
Corporate and investment banking	22,028.3	19,852.9	-9.9
– *of which: leasing*	*4,119.1*	*3,780.7*	*-8.2*
Retail and private banking	14,281.2	14,289.1	+0.1
– *of which: consumer credit*	*9,197.7*	*9,174.2*	*-0.3*
mortgage loans	*4,310.8*	*4,273.0*	*-0.9*
private banking	*772,7*	*841,9*	*+9.0*
TOTAL LOANS AND ADVANCES TO CUSTOMERS	36,309.5	34,142.0	-6.0

As a result of these developments, the retail segment's share of the total loan book increased from 39% to 42%, at the expense of corporate and investment banking (down from 61% to 58%).

Impaired assets (non-performing, sub-standard, restructured and overdue items) rose by 10.7%, from €904.4m to €1,001.3m, increasing as a percentage of total loans in all segments, in part because of the reduction in loans generally: from 1.11% to 1.62% in the large corporate segment, from 5.12% to 6.17% in leasing, from 3.58% to 3.74% in consumer credit, and from 2.42% to 2.73% in mortgage loans. The coverage ratios also generally increased, to reflect the following levels: 54% for consumer business (46%), 47% for mortgage loans (unchanged), and 39% for corporate finance (35%). Non-performing items, by contrast, remained stable at €245.7m (30/6/12: €242m), equal to 0.72% of total loans, and concentrated in the property segment (mortgage loans and leasing).

Equity investments – these showed a slight improvement, from €3,165.5m to €3,284m, reflecting a €213.5m increase in book value, €85.8m of which was due to profits for the period and despite the €95m writedown charged to the Telco investment. In particular the value of the following investments increased during the period: Assicurazioni Generali (from €2,356.3m to €2,560.7m, on profit for the period totalling €75.6m); Pirelli (from €117.5m to €123.8m, profit for the period €8.3m); and Gemina (from €194.1m to €221.9m, profit for the period €27.2m). Conversely, the value of the following investments declined: RCS MediaGroup (from €109.4m to €89.5m); Burgo (from €74.1m to €68.5m); and Telco (from €205.9m to €107m). The Telco investment was adjusted in line with the Group's pro rata share in the company's net equity, which reflects the writedown charged to the value of the Telecom Italia shares held, with net asset value of €1.20 per share (previously €1.50 per share), and generating a €95m adjustment taken through the profit and loss account. Based on the information currently available, no further impairment charges have been made to the other investments.

Based on prices and holdings as at 31 December 2012, the portfolio of listed equity investments reflects a surplus of market over book value totalling €361m (€233m) based on current prices and holdings.

	Percentage of entire share capital *	Book value	Market value at 31.12.12	Gain (Loss)
LISTED EQUITY INVESTMENTS				
Assicurazioni Generali	13.24	2,560.7	2,831.7	271.0
RCS MediaGroup, *ordinary*	14.36	89.5	137.3	47.8
Pirelli & C., *ordinary*	4.49	123.8	189.7	65.9
Gemina *ordinary*	12.53	221.9	198.2	(23.7)
		2,995.9	3,356.9	361.0
OTHER INVESTMENTS				
Telco	11.62	107.0		
Banca Esperia	50.0	90.3		
Burgo Group	22.13	68.5		
Athena Private Equity	24.27	21.5		
Fidia	25.0	0.8		
		288.1		
Total Investments		**3,284.0**		

* Percentage of entire share capital.

Fixed financial assets – this portfolio brings together the Group's holdings in securities held to maturity, worth €1,722.5m (€1,723.3m) and unlisted debt securities (recognized at cost) worth €643.8m (€604.8m). For the six months under review this portfolio shows an increase of €38.2m, following purchases of €65.7m, redemptions and sales worth €32.6m and other upward adjustments totalling €5.1m. Based on prices and holdings at the reporting date, the portfolio showed an implicit gain of €52.8m, compared with a €42m loss as at 30 June 2012. Some 15% of the portfolio consists of Italian debt securities, 55% of bonds issued by banks, insurances and financial companies, and 30% of corporate bonds.

AFS securities – this portfolio is made up of debt securities totalling €10,639.9m (€9,447.1m), equities worth €1,082.2m (€1,090.8m), and stock units in funds held by Compagnie Monégasque de Banque amounting to €13.5m (€14.2m). Some 74% of the bond portfolio consists of sovereign debt securities with an average duration of slightly over two, 21% of bonds issued by banks, insurances and financial companies and the remainder of corporate bonds. Movements during the six months included purchases totalling €4,175.8m (almost all of which in Italian government bonds), disposals and redemptions worth €3,502.6m (yielding a net loss of €1.4m), and other upward adjustments of €509.4m (€38m in adjustments to reflect amortized cost, €459.2m in adjustments to reflect fair value, and €12.2m in writebacks booked as a result of the Greek sovereign debt exchanges). Movements on the equity side consisted of purchases totalling €28.9m, disposals of €43.3m (yielding a net loss of €10m) and upward adjustments to reflect fair value at the reporting date totalling €7.4m net of €6.1m in writedowns.

	Percentage shareholding *	Book value at 31/12/12	Adjustments to fair value	Impairment recognized in P&L	Total AFS reserve
Sintonia S.p.A.	6.23	336.3	—	—	—
Cashes UCI		135.4	0.2	—	0.2
Delmi S.p.A., *ordinary*	6.0	60.2	—	—	—
Santè S.A.	9.92	54.4	—	(0.8)	—
Italmobiliare	9.5 – 5.47	27.0	1.1	—	(7.6)
Other listed shares		232.9	15.3	(0.1)	12.1
Other unlisted shares		236.0	(3.1)	(5.2)	11.0
Total shares		1,082.2	13.5	(6.1)	15.7

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

The valuation reserve returned to positive territory, at €139m (compared to minus €349.5m last year), with both segments contributing positively:

€15.7m for the equity component (as against minus €6.2m) and €121.3m for the bond component (as against minus €344.4m). The latter in particular was boosted by the increase in prices of Italian sovereign debt securities (€37.6m, compared with minus €249.6m), owing to the reduction in the spread, which also impacted positively on bonds issued by financial institutions (€7.1m, compared with minus €86.3m) and on corporate bonds (€53.4m, compared with minus €17.8m).

Treasury assets – these show a slight reduction, from €9,330.4m to €9,105.2m, and include €5,145.8m (€5,427.2m) in short-term liquidity (cash, money market assets and repos), €3,474.6m (€3,992m) in fixed-income securities, €1,151.2m (€833.6m) in equities, and €666.4m (€922.4m) in negative value adjustments to derivatives contracts. Some 54% of the fixed-income securities consist of government securities, 42% of bonds issued by banks, insurances and financial companies, and the remainder of corporate bonds.

Tangible and intangible assets – these fell from €718.1m to €715m, taking into account depreciation and amortization charges for the period totalling €19.8m; the increases chiefly involve upgrades to IT systems (€4.1m), collection of a leased property after the leasing contract was converted (€7.8m), costs incurred in refurbishing and expanding the Seteci property in Milan (€4.9m, including the systems). Goodwill and brands continue to be held at book values of €365.9m and €6.3m respectively.

Provisions – this item comprises the provision for liabilities and charges, which stands at €160.8m (€160.4m) and the staff severance indemnity provision amounting to €26.8m (€24.7m); the former reflects further provisions amounting to €1.2m, while the latter reflects the adjustment made to the actuarial reserve.

Net equity – net equity increased by €503.6m, from €6,418.7m to €6,922.3m, on the back of the €329.6m rise in the valuation reserve, provision of undistributed earnings from the previous financial year (€38.7m), and application of the equity method (€127.6m, €126.3m of which in the valuation reserve). The AFS securities portfolio reserve returned to positive territory at €99.7m (compared with minus €236m), while the cash flow hedge reserve remained negative at minus €127.2m (minus €121m), and the share in the equity-accounted companies' valuation reserve increased from €6.5m to €132.8m. In detail, the AFS securities portfolio reserve was boosted by a €320.2m increase due to adjustments to reflect fair value at the reporting date, plus the reversal of negative reserves arising on disposals and impairment totalling €15.5m. All three segments closed the period under review in positive territory: fixed-income €83.4m (minus €231.2m); equities €14.4m (minus €6m), and other securities €1.9m (€1.1m).

* * *

At the reporting date there were a total of ten significant exposures to groups of customers (including market risk and equity investments), i.e. above 10% of regulatory capital (one more than at 30 June 2012), corresponding to a gross exposure of €15,074.2m (€12,579.3m).

Profit and loss account

Net interest income – this item fell by 6.7%, from €554.6m to €517.7m, due to the widespread increase in the cost of funding in connection with the repayment of amounts deposited on favourable terms that has accompanied the reduction in returns on treasury assets.

Net trading income – net trading income remained more or less stable at €103.6m (31/12/11: €105m), reflecting a contribution spread evenly across the two quarters, amounting to €59.8m and €43.8m respectively. Overall fixed-income trading contributed €83.1m, while equity trading added €20.5m. The heading also includes dividends received on AFS shares totalling €2.9m (€7.5m).

Net fee and commission income – this item fell by 14.2%, from €234.4m to €201m, due to lower business volumes in corporate and investment banking (down from €125.3m to €100.4m) and consumer activities (down from €87.9m to €72.3m).

Operating costs – this item fell by 5.9%, from €399.2m to €375.6m, in line with the reduced business volumes, and consisting of:

– labour costs amounting to €194.4m (€201.3m), down 3.4%. These include €3.9m (€4.5m) in directors' emoluments, and €7.8m (€5m) in notional expenses linked to performance share and stock option schemes;

– sundry costs and expenses amounting to €181.2m (€197.9m), down 8.4%; including €20.8m (€21.6m) in depreciation charges, and administrative expenses totalling €159.1m (€174.9m), made up as follows:

(€m)

	6 mths to 31/12/11	6 mths to 31/12/12
Legal, tax and other professional services	16.8	14.1
Bad debt recovery	14.4	15.7
Marketing and communications	33.5	26.2
Rent and property maintenance charges	20.0	17.9
EDP	17.1	17.2
Financial information subscriptions	12.9	13.4
Banking services, collection and payment charges	10.8	10.7
Operating expenses	26.2	24.6
Other labour costs	11.8	9.3
Other costs	3.9	4.9
Direct and indirect taxes (net of amounts withheld)	7.5	5.1
TOTAL	174.9	159.1

Loan loss provisions – these grew by 9.7% during the six months under review, from €212.3m to €232.8m, due to a deterioration in the risk profile of households and companies; the provisions chiefly affect consumer credit (where provisioning increased from €149.2m to €162.8m) and wholesale banking (up from €40.1m to €46.5m).

Provisions for other financial assets – this item reflects the adjustments taken in respect of Telco (€95m) and unlisted AFS equities (€6.7m), but also the reversal of charges taken previously on Greek government securities (€12.2m).

Taxation – this item totalled €85.7m, as against €71.4m last year. Mediobanca (as consolidating entity) has adopted tax consolidation, which includes Compass, SelmaBipiemme Leasing, Palladio Leasing, CheBanca!, Cofactor and Futuro. Relations between the consolidating and consolidated entities are governed by bilateral agreements regulating cash flows, exchanges of information and the individual companies' responsibilities versus the revenue authorities.

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

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

CORPORATE AND INVESTMENT BANKING (WHOLESALE BANKING AND LEASING)

(€m)

	6 mths to 31/12/11	12 mths to 30/6/12	6 mths to 31/12/12	Y.o.Y. chg. 12/11-12/12
Profit-and-loss data				
Net interest income	204.5	381.6	157.4	-23.0
Net trading income	107.5	256.4	100.3	-6.7
Net fee and commission income	125.9	275.6	101.2	-19.6
Equity-accounted companies	10.3	19.7	30.7	n.m.
Total income	**448.2**	**933.3**	**389.6**	**-13.1**
Labour costs	(107.5)	(202.2)	(98.2)	-8.7
Administrative expenses	(54.3)	(110.9)	(52.3)	-3.7
Operating costs	**(161.8)**	**(313.1)**	**(150.5)**	**-7.0**
Gains (losses) on AFS, HTM and L&R	(46.7)	23.8	(6.4)	-86.3
Loan loss provisions	(54.0)	(134.2)	(58.2)	+7.8
Provisions for financial assets	(175.4)	(405.5)	9.1	n.m.
Other profits (losses)	—	—	—	n.m.
Profit before tax	**10.3**	**104.3**	**183.6**	**n.m.**
Income tax for the period	(45.9)	(85.1)	(60.4)	+31.6
Minority interest	(1.8)	0.5	1.0	n.m.
Net profit	**(37.4)**	**19.7**	**124.2**	**n.m.**
Cost/income ratio (%)	36.1	33.5	38.6	

	6 mths to 31/12/11	12 mths to 30/6/12	6 mths to 31/12/12
Balnnce-sheet data			
Treasury funds	10,593.8	10,641.7	10,593.3
AFS securities	5,658.0	9,210.3	10,384.1
Fixed financial assets (HTM & LR)	4,101.1	4,013.4	4,050.4
Equity investments	384.2	385.8	414.2
Loans and advances to customers	29,182.8	30,519.7	27,955.9
of which: to Group companies	*5,606.5*	*8,493.3*	*8,104.4*
Funding	(47,851.9)	(52,552.8)	(50,780.9)

(€m)

Corporate e Investment Banking 31 December 2012	Wholesale	Leasing	Total
Net interest income	133.9	23.5	157.4
Net trading income	100.6	(0.3)	100.3
Net fee and commission income	100.4	0.8	101.2
Equity-accounted companies	30.7	—	30.7
Total income	**365.6**	**24.0**	**389.6**
Labour costs	(89.3)	(8.9)	(98.2)
Administrative expenses	(45.8)	(6.5)	(52.3)
Operating costs	**(135.1)**	**(15.4)**	**(150.5)**
Gains (losses) on AFS, HTM and L&R	(6.4)	—	(6.4)
Loan loss provisions	(46.5)	(11.7)	(58.2)
Provisions for financial assets	9.1	—	9.1
Other profits (losses)	—	—	—
Profit before tax	**186.7**	**(3.1)**	**183.6**
Income tax for the period	(60.7)	0.3	(60.4)
Minority interest	—	1.0	1.0
Net profit	**126.0**	**(1.8)**	**124.2**
Cost/income ratio (%)	37.0	64.2	38.6
Other assets	25,317.4	124.6	25,442.0
Loans and advances to customers	24,175.1	3,780.8	27,955.9
of which: to Group companies	*8,104.4*	—	*8,104.4*
New loans	—	126.2	—
No. of staff	786	169	955

(€m)

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

This division showed a net profit of €124.2m for the six months, compared with a €37.4m loss at the same time last year, due to lower net provisions for to financial assets (€175.4m in provisions last year, as against €9.1m in writebacks this year). Total income fell by 13.1%, from €448.2 to €389.6m, reflecting the following performances by the individual items:

– net interest income fell, from €204.5m to €157.4m, reflecting the reduction in risk profile and declining returns; the contribution from leasing business fell from €33.3m to €23.5m;

– net trading income showed resilience, closing at €100.3m (€107.5m), due to a good performance from the fixed-income segment (€76.9m);

– net fee and commission income declined from €125.9m to €101.2m, chiefly as a result of the reduction in lending activity linked to the shrinking margins available given the widespread deterioration in borrowers' credit profiles.

The fall in operating costs, which were down 7% (from €161.8m to €150.5m), was due to both labour costs (down from €107.5m to €98.2m) and administrative expenses (from €54.3m to €52.3m).

Loan loss provisions of €58.2m reflect a slight increase compared to the same time last year (€54m), in particular in the wholesale banking segment, where provisions were up from €40.1m to €46.5m.

The securities portfolio showed a profit of €2.7m, compared with a loss of €222.1m at the same time last year, representing the combined effect of net losses on AFS securities (€6.4m), writebacks in respect of Greek sovereign debt instruments (€12.2m), and writedowns to holdings in unlisted equities (€3.1m).

Lending and structured finance – lending to corporates, excluding Group companies, declined from €22,026.4m to €19,851.5m during the six months under review. The higher cost of funding drove a reduction in the exposure to non-domestic customers, from 40% to 36%: Germany 7.7% (10.8%), France 7.9% (10.6%), and Spain 6.3% (7.3%). At the reporting date bad debts (i.e. non-performing, sub-standard, restructured and items more than 90 days overdue) totalled €272.1m (€198.5m), net of €174.3m (€107.9m) in provisions; net impaired assets (with no non-performing items) accounted for 1.62% (1.11%) of the total loan book. Overall this area generated around 40% of the Group's wholesale revenues.

Funding and treasury accounts – funding, which declined from €52,552.8m to €50,780.9m, consists of: €30,223.2m (€33,090.5m) in debt securities in issue, €10,239.4m (€9,289.3m) in deposits and current accounts, a €7.5bn long-term loan from the European Central Bank (unchanged), and €2,818.3m (€2,641.5m) in other forms of funding. Treasury accounts consist of €6,972.2m (€7,282.4m) in short-term liquidity, €3,143m (€3,578.3m) in debt securities, €983.7m (€553.9m) in equities, €505.6m (€772.9m) in downward adjustments to derivatives contracts, €2,368.3m (€2,401.2m) of which versus other Group companies. Some 58% of the fixed-income portfolio consists of government securities, 38% of bonds issued by banks, insurances and financial companies, and the remainder of corporate bonds. Overall this area generated approx. 30% of the Group's revenues from wholesale banking.

Fixed financial assets and AFS bonds – these include financial assets held to maturity totalling €1,715m (€1,716.1m), unlisted debt securities (recognized at cost) worth €2,335.4m (€2,297.3m) and AFS bonds amounting to €9,459.6m (€8,281.6m). During the period under review there were purchases totalling €4,217.8m (90% of which Italian government securities in the AFS segment), disposals and redemptions worth €3,460.5m, writebacks amounting to €12.2m (in respect of Greek sovereign debt securities), upward adjustments of €42.9m to reflect amortized cost, and upward adjustments to reflect fair value totalling €395.3m. Overall the implicit loss on this portfolio at the reporting date came to €164.6m, €127.8m of which is recognized in the net equity valuation reserves (60% of which is attributable to Italian government securities).

Equity investments and AFS shares – for operating purposes this portfolio brings together the Group's holdings in equities and convertible bonds held as available for sale, plus its investments in Gemina, Pirelli & C. and Burgo Group. As at 31 December 2012, the portfolio was worth €1,338.7m (€1,314.5m) after purchases totalling €24m, disposals of €38.3m (generating losses of €13.4m), impairment charges on AFS shares amounting to €3m, upward adjustments to reflect fair value at the reporting date of €14.7m, and pro-rata upward adjustments to net equity amounting to €28.4m (representing the difference between €30.7m in profits and €2.3m in negative reserves). The net equity reserve for AFS shares returned to positive territory at €6.1m (compared with minus €20.4m as at 30 June 2012).

As for the equity-accounted companies:

Gemina: the 12.53% stake owned in this company is recognized in consolidated net equity at €221.9m, after booking profits for the period totalling €27.2m (€25.9m of which in respect of a non-recurring asset disposal), and positive asset adjustments totalling €0.5m.

Pirelli & C.: the 4.49% stake owned in this company is recognized at €123.8m, after profits for the period totalling €8.3m, and writedowns to assets totalling €1.9m.

Burgo Group: the 22.13% stake in this company is recognized pro-rata to the Group's share in its net equity at €68.5m, after losses for the period totalling €4.8m and €0.9m in asset adjustments, linked to the positive performance of the valuation reserves (AFS holdings and cash flow hedges).

Investment banking – the results for the six months in this area show advisory mandates holding up well with €25m (€19m) in fee income generated from around 20 deals, which include the sale of Valentino to Mayhoola, the Seat PG debt restructuring, the sale of a 30% stake in SNAM to Cassa Depositi e Prestiti, the acquisition of Oystar North America by the Coesia group, the sale of Biverbanca by the MPS group, and the acquisition of Marcolin by the PAI fund. Capital market activity was more dynamic, with virtually double the number of mandates but fees stable (at €32m). The most important deals on the equity side during the six-month period were the Fondiaria-SAI, UGF and Banco Popular rights issues, plus sale by ENI of part its stake in Galp via a placement to institutional investors and issuance of a convertible bond. The main DCM deals, meanwhile, saw the Bank take senior roles in subordinated issues by Assicurazioni Generali and SNAM (four issues in total), Enel, Atlantia, Telefonica, Terna, A2A, Enagas and Rottapharm. Overall this area generated around 15% of the Group's revenues from wholesale banking.

Leasing – this area of operations generated a €1.8m loss in the six months, compared to a €0.8m profit at the same time last year, due above all to the reduction in net interest income, which fell by 29.4% from €33.3m to €23.5m, on basically flat operating costs (at €15.4m) and declining cost of risk (down from €13.9m to €11.7m). During the period under review loans and advances to customers fell from €4,119.2m to €3,780.8m, partly as a result of the reduced demand for credit which led to a sharp reduction in new loans being granted (down from €494.9m to €126.2m). Bad debts (i.e. non-performing, sub-standard, restructured and items more than 90 days overdue) rose from €210.8m to €233.2m, but with a reduction of almost 15% in the non-performing items (from €58m to €50m).

PRINCIPAL INVESTING

(€m)

	6 mths to 31/12/11	12 mths to 30/6/12	6 mths to 31/12/12	Y.o.Y. chg. 12/11-12/12 (%)
Profit-and-loss data				
Net interest income	(3.9)	(8.8)	(3.9)	n.m.
Net trading income	—	—	—	n.m.
Net fee and commission income	—	—	—	n.m.
Equity-accounted companies	61.5	147.8	54.4	-11.5
Total income	**57.6**	**139.0**	**50.5**	**-12.3**
Labour costs	(2.8)	(5.6)	(2.4)	-14.3
Administrative expenses	(1.4)	(2.8)	(1.7)	+21.4
Operating costs	**(4.2)**	**(8.4)**	**(4.1)**	**-2.4**
Gains (losses) on AFS, HTM and L&R	—	—	—	n.m.
Loan loss provisions	—	—	—	n.m.
Provisions for financial assets	(55.3)	(197.8)	(98.1)	+77.4
Other profits (losses)	—	—	—	n.m.
Profit before tax	**(1.9)**	**(67.2)**	**(51.7)**	**n.m.**
Income tax for the period	4.4	3.7	(0.3)	n.m.
Net profit	**2.5**	**(63.5)**	**(52.0)**	**n.m.**

(€m)

	6 mths to 31/12/11	12 mths to 30/6/12	6 mths to 31/12/12
AFS securities	137.8	146.3	144.8
Equity investments	2,511.2	2,696.4	2,779.5

This division's results for the six months show a loss of €52m, following the writedown to the Telco investment (€95m) and the reduced contribution from the equity-accounted companies (€54.4m, compared with €61.5m), reflecting in particular the operating losses incurred by RCS MediaGroup (€18.7m).

The book value of the investments increased from €2,696.4m to €2,779.5m, due to asset differences arising from application of the equity method (€123.7m). The remainder of the portfolio, which consists of investments made as part of merchant banking activity and in private equity funds, and accounted for as part of the AFS securities portfolio, declined from €146.3m to €144.8m, following calls on capital amounting to €3.2m, adjustments taken through profit and loss account totalling €3.1m, and upward adjustments to reflect fair value of €1.7m.

With respect to the individual shareholdings:

– *Assicurazioni Generali:* at 31 December 2012, this investment, stable at 13.24% of the company's share capital was carried at €2,560.7m (€2,356.3m) reflecting the Group's pro-rata share in the profits for the period (€75.6m) and asset adjustments totalling €128.8m.
– *Telco:* this investment, which represents 11.62% of Telco's share capital, is carried at €107m (€205.9m), and reflects the Group's pro-rata share in the company's net equity following the writedown to the investment in Telecom Italia (22.4% of this company's ordinary share capital) to reflect a book value of €1.20 per share (previously €1.50 per share).
– *RCS MediaGroup:* the Group holds an interest of 14.94% in the ordinary share capital of this company, and 14.36% of its total share capital, which is carried at €89.5m, reflecting a pro-rata loss of €18.7m following the operating losses incurred by the company in the second and third quarters of its financial year.
– *Athena Private Equity:* the Group holds an interest of 24.27% in the fund, the book value of which declines to €21.5m following a €2.4m downward adjustmentreflecting writedowns to certain assets.

RETAIL AND PRIVATE BANKING

(€m)

	6 mths to 31/12/11	12 mths to 30/6/12	6 mths to 31/12/12	Y.o.Y. chg. 12/11-12/12 (%)
Profit-and-loss data				
Net interest income	361.5	707.2	364.2	+0.7
Net trading income	4.0	9.9	6.6	+65.0
Net fee and commission income	128.0	246.4	121.1	-5.4
Total income	**493.5**	**963.5**	**491.9**	**-0.3**
Labour costs	(97.9)	(199.4)	(102.8)	+5.0
Administrative expenses	(157.2)	(311.6)	(143.6)	-8.7
Operating costs	**(255.1)**	**(511.0)**	**(246.4)**	**-3.4**
Gains (losses) on AFS, HTM and L&R	0.5	1.5	8.7	n.m.
Loan loss provisions	(157.5)	(333.3)	(174.6)	+10.9
Provisions for financial assets	(0.5)	(0.7)	(3.6)	n.m.
Other profits (losses)	45.5	47.5	(1.1)	n.m.
Profit before tax	**126.4**	**167.5**	**74.9**	**-40.7**
Income tax for the period	(30.6)	(46.3)	(25.5)	-16.7
Net profit	**95.8**	**121.2**	**49.4**	**-48.4**

(€m)

	6 mths to 31/12/11	12 mths to 30/6/12	6 mths to 31/12/12
Balance-sheet data			
Treasury funds	3,738.0	8,816.5	9,885.2
AFS securities	1,443.2	1,694.6	1,598.1
Fixed financial assets (HTM & LR)	3,671.1	2,731.4	2,096.4
Loans and advances to customers	14,606.9	14,661.0	14,703.5
Funding	(22,354.5)	(26,574.1)	(26,616.8)

This division reported a profit of €49.4m for the six months, down slightly on the €51.5m reported last year (net of the €44.3m gain realized on disposal of the property owned by CMB), as a result of:

- revenues flat at €491.9m (€493.5), due to a slight, 0.7% increase in net interest income (from €361.5m to €364.2m), which offset the reduced contribution from net fee and commission income (down 5.4%, from €128m to €121.1m) following a reduction in the volumes of new loans granted (down from €2,878.7m to €2,464.6m);
- operating costs down 3.4%, from €255.1m to €246.4m, due to a 19% reduction in costs incurred by CheBanca! (down from €89.1m to €72.2m);
- loan loss provisions up 10.9% (from €157.5m to €174.6m) for both segments: consumer credit (up from €149.2m to €162.8m) and retail (up from €7.1m to €10.8m).

Loans and advances to customers, virtually all of which are attributable to consumer finance and residential mortgage loans, were unchanged at €14.7bn. CheBanca! retail deposits, meanwhile, rose from €11.6bn to €12.3bn.

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

(€m)

Retail & Private Banking 31 December 2012	Consumer Credit	Retail Banking	Private Banking	Total
Net interest income	270.6	72.3	21.3	364.2
Net trading income	—	(0.3)	6.9	6.6
Net fee and commission income	76.3	6.5	38.3	121.1
Equity-accounted companies	—	—	—	—
Total income	**346.9**	**78.5**	**66.5**	**491.9**
Labour costs	(44.8)	(29.8)	(28.2)	(102.8)
Administrative expenses	(84.5)	(42.4)	(16.7)	(143.6)
Operating costs	**(129.3)**	**(72.2)**	**(44.9)**	**(246.4)**
Gains (losses) on AFS, HTM and L&R	—	—	8.7	8.7
Loan loss provisions	(162.8)	(10.8)	(1.0)	(174.6)
Provisions for financial assets	—	—	(3.6)	(3.6)
Other profits (losses)	—	—	(1.1)	(1.1)
Profit before tax	**54.8**	**(4.5)**	**24.6**	**74.9**
Income tax for the period	(21.0)	(3.1)	(1.4)	(25.5)
Minority interest	—	—	—	—
Net profit	**33.8**	**(7.6)**	**23.2**	**49.4**
Cost/Income (%)	37.3	n.m.	67.5	50.1
Other assets	457.8	11,666.3	1,455.6	13,579.7
Loans and advances to customers	9,174.2	4,273.0	1,256.3	14,703.5
New loans	2,338.6	126.0	—	2,464.6
No. of branches	158	44	—	202
No. of staff	1,412	914	339	2,665

(€m)

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

Turning now to the individual sectors:

– consumer credit showed net profit declining from €58.3m to €33.8m, reflecting a 4% reduction in total income, from €361.3m to €346.9m, linked to the 16.7% reduction in fee income from €91.6m to €76.3m, despite net interest income increasing by 0.4%, from €269.5m to €270.6m. Operating costs rose slightly, by 3%, from €125.5m to €129.3m, mostly due to staff expenses, while loan loss provisions grew from €149.2m to €162.8m, with the cost of risk rising from 340 bps to 356 bps, in line with expectations. New loans for the six months totalled €2,338.6m, down 5% on the €2,467.5m recorded in the corresponding period last year, as a result of the widespread reduction in demand and a more selective approach to new lending; while loans and advances to customers declined 0.3%, from €9,197.7m to €9,174.2m. Bad debts (i.e. non-performing, sub-standard, restructured and items more than 90 days overdue) increased from €328.3m to €342.1m, and account for 3.7% (3.6%) of the total loan book.

– Retail banking reflects a net loss of €7.6m, representing an improvement on the €14.6m net loss at the same stage last year, following a 3.8% reduction in total income (from €81.6m to €78.5m), as well as a significant decrease in operating costs (which were down 19%, from €89.1m to €72.2m) and a rise in the cost of risk (which grew from €7.1m to €10.8m). Mortgage loans decreased slightly, by 0.9%, from €4,310.8m to €4,273m, on a significant reduction in new loans (down from €441.2 to €126m); dad debts (i.e. non-performing, sub-standard, restructured and items more than 90 days overdue) increased from €104.4m to €116.6m, or from 2.4% of the loan book to 2.7%, with the coverage ratio unchanged at 47%. Funding raised from the retail channel amounted to €12,258.6m, up 5.4% on the €11,634.1m reported at 30 June 2012, €398.4m (€334.8m) of which consisting of current accounts and prepaid cards.

– Private banking showed a profit of €23.2m, on a 31.4% increase in total revenues (from €50.6m to €66.5m) and despite a slight increase in operating costs (which rose from €40.5m to €44.9m). During the six months under review gains on the AFS portfolio of €8.7m were recorded, offset by €3.6m in adjustments to securities, loan loss provisions totalling €1m and extraordinary charges amounting to €1.1m. Assets under management on a discretionary/non-discretionary basis totalled €13.5bn (30/6/12: €12.6bn), €6.6bn (€6bn) of which attributable to CMB and €6.9bn (€6.6bn) to Banca Esperia.

(€m)

Private Banking 31 December 2012	CMB	Esperia	Others	Total
Net interest income	17.2	3.9	0.2	21.3
Net trading income	7.0	(0.1)	—	6.9
Net fee and commission income	19.8	16.0	2.5	38.3
TOTAL INCOME	**44.0**	**19.8**	**2.7**	**66.5**
Labour costs	(13.3)	(12.9)	(2.0)	(28.2)
Administrative expenses	(9.7)	(6.4)	(0.6)	(16.7)
OPERATING COSTS	**(23.0)**	**(19.3)**	**(2.6)**	**(44.9)**
Gains (losses) on AFS, HTM and L&R	3.4	5.3	—	8.7
Loan loss provisions	(1.0)	(0.1)	0.1	(1.0)
Provisions for financial assets	(0.6)	(3.1)	0.1	(3.6)
Other profits (losses)	—	(1.1)	—	(1.1)
PROFIT BEFORE TAX	**22.8**	**1.5**	**0.3**	**24.6**
Income tax for the period	—	(0.8)	(0.6)	(1.4)
NET PROFIT	**22.8**	**0.7**	**(0.3)**	**23.2**
Cost/Income (%)	52.3	n.a.	n.a.	67.5
Asset under management	6,554.0	6,911.1	n.a.	13,465.1
Securities held on a trustee basis	n.a.	n.a.	1,481.9	1,481.9

(€m)

Private Banking 31 December 2011	**CMB**	**Esperia**	**Others**	**Total**
Net interest income	12.3	1.6	0.2	14.1
Net trading income	4.1	(0.4)	—	3.7
Net fee and commission income	15.9	14.1	2.8	32.8
Equity-accounted companies	—	—	—	n.m.
TOTAL INCOME	**32.3**	**15.3**	**3.0**	**50.6**
Labour costs	(13.4)	(10.3)	(1.6)	(25.3)
Administrative expenses	(9.1)	(5.6)	(0.5)	(15.2)
OPERATING COSTS	**(22.5)**	**(15.9)**	**(2.1)**	**(40.5)**
Gains (losses) on AFS, HTM and L&R	—	(0.3)	0.2	(0.1)
Loan loss provisions	(2.0)	0.8	—	(1.2)
Provisions for financial assets	(0.5)	—	—	(0.5)
Other profits (losses)	43.9	1.6	—	45.5
PROFIT BEFORE TAX	**51.2**	**1.5**	**1.1**	**53.8**
Income tax for the period	—	(1.3)	(0.4)	(1.7)
Minority interest	—	—	—	n.m.
NET PROFIT	**51.2**	**0.2**	**0.7**	**52.1**
Cost/Income (%)	69.7	n.m.	70.0	80.0
Asset under management	6,202.0	6,408.5	—	12,610.5
Securities held on a trustee basis	n.a.	n.a.	1,458.7	1,458.7

Review of Group Company performances

Mediobanca

For the six months ended 31 December 2012, Mediobanca reported to net loss of €21.2m, compared with €124.3m last year, reflecting the writedown to the Telco investment (€99.5m) and the reduction in total income, from €374.9m to €320.3m, with the main items performing as follows:

– net interest income fell by 21%, from €150.9m to €119.2m, due to decreasing returns;

– net trading income (profits from trading activities and dividends) was virtually unchanged at €102.7m (€104.1m);

– net fee and commission income fell by 17.9%, to reach €98.4m (down from €119.9m last year), as a result of the reduced contribution from lending activity.

The 7.2% decrease in operating costs, from €150.9m to €140.1m, reflects an €8.9m reduction in labour costs due to a gradual scaling down of the variable remuneration component, and a €1.9m reduction in other administrative expenses.

Movements in the fixed investments and AFS securities portfolios generated losses totalling €6.4m, representing an improvement on the €38m loss reported last year.

Loan loss provisions totalled €46.5m, compared to €39.7m twelve months previously, whereas provisions for financial assets, as well as the charge taken on Telco, reflect net writebacks totalling €6.1m, boosted by the decision to participate in the Greek public debt buyback (€12.2m).

With regard to the main balance-sheet items:

– funding declined by €2,065.4m, from €50,056.4m to €47,991m, due to the reduction in debt securities in issue (from €31,561.8m to €29,218.5m) following redemptions and buybacks of over €3bn (€1bn of which involved intra-group deals) partly offset by €727.2m worth of new placements;

- loans and advances to customers fell 9.4%, from €27,219.5m, to €24,673m, with €10,860.6m (€12,448.1m) representing the share of loans to Group companies;
- equity investments increased in value from €3,214.4m to €3,283.7m, following the €150m capital increase by CheBanca!, the acquisition of 1,384,240 Assicurazioni Generali shares (€18.8m) from Spafid, and the writedown to the Telco investment totalling €99.5m already referred to on several occasions. Market prices as at end-December 2012 reflected a surplus of fair over book value of €1,821.2m (€1,693m based on current prices);
- fixed financial assets increased from €4,013.4m to €4,050.4m, following purchases totalling €64.8m and redemptions amounting to €31.5m; the implicit gain on this portfolio as at end-December 2012 amounted to €36.8m, compared with a €34.6m loss at the same stage one year previously;
- AFS securities increased from €9,356.7m to €10,528.9m, and comprise €9,459.6m (€8,281.7m) in debt securities, and €1,069.3m (€1,075m) in equities and convertible bonds. The increase in debt securities is the result of net purchases of €724.6m, and upward value adjustments to reflect fair value at the reporting date of €395.3m, plus writebacks to holdings in Greek government bonds amounting to €12.2m. As for equities, these fell by €5.7m during the period, as a result of net disposals totalling €11.1m, upward value adjustments to reflect fair value of €13m and writedowns amounting to €6.1m;
- treasury funds totalled €10,408.3m (€10,760.6m), and include €6,736.8m (€7,380.8m) in short-term liquidity, €4,154.4m (€4,148.9m) in securities, €24.7m in loans, and €507.9m (€769.1m) in negative valuations of derivatives contracts; intra-group positions amount to €2,837.7m (€3,315.4m);
- the Bank's net equity of €4,675.4m (30/6/12: €4,621.7m), includes: share capital amounting to €430.6m, positive valuation reserves totalling €91.5m, and other reserves and retained earnings amounting to €4,153.3m.

* * *

RESTATED PROFIT AND LOSS ACCOUNT (*)

(€m)

	6 mths to 31/12/11	12 mths to 30/6/12	6 mths to 31/12/12	Y.o.Y. chg. 12/11-12/12
Net interest income	150.9	276.3	119.2	-21.0
Net trading income	104.1	253.1	102.7	-1.3
Net fee and commission income	119.9	264.8	98.4	-17.9
Equity-accounted companies	—	47.4	—	n.m.
TOTAL INCOME	**374.9**	**841.6**	**320.3**	**-14.6**
Labour costs	(101.5)	(188.7)	(92.6)	-8.8
Administrative expenses	(49.4)	(100.3)	(47.5)	-3.8
OPERATING COSTS	**(150.9)**	**(289.0)**	**(140.1)**	**-7.2**
Gains (losses) on AFS, HTM and L&R	(38.0)	32.3	(6.4)	-83.2
Loan loss provisions	(39.7)	(106.8)	(46.5)	+17.1
Provisions for financial assets	(175.4)	(412.4)	6.0	n.m.
Impairment to equity investment	(57.2)	(198.4)	(99.5)	+74.0
PROFIT BEFORE TAX	**(86.3)**	**(132.7)**	**33.8**	**n.s.**
Income tax for the period	(38.0)	(67.5)	(55.0)	+44.7
NET PROFIT	**(124.3)**	**(200.2)**	**(21.2)**	**-82.9**

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

RESTATED BALANCE SHEET (*)

(€m)

	31/12/11	30/6/12	31/12/12
Assets			
Treasury funds	11,027.4	10,760.6	10,408.3
AFS securities	5,795.7	9,356.7	10,528.9
Fixed financial assets (HTM & LR)	4,101.1	4,013.4	4,050.4
Loans and advances to customers	25,287.6	27,219.5	24,673.0
Equity investments	2,637.3	3,214.4	3,283.7
Tangible and intangible assets	132.7	138.1	133.6
Other assets	470.9	538.1	332.2
Total assets	**49,452.7**	**55,240.8**	**53,410.1**
Liabilities and net equity			
Funding	44,421.3	50,056.4	47,991.0
Other liabilities	543.4	602.8	603.8
Provisions	159.3	160.1	161.1
Net equity	4,453.0	4,621.7	4,675.4
Profit for the period	(124.3)	(200.2)	(21.2)
Total liabilities and net equity	**49,452.7**	**55,240.8**	**53,410.1**

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

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

– *Mediobanca International (Luxembourg) S.A., Luxembourg, Luxembourg (wholesale bank; 99%-owned by Mediobanca; 1%-owned by Compass):* this company recorded a profit of €8.2m for the six months (31/12/11: €15.1m), reflecting the reduction in net interest income (from €16.2m to €10.9m) and net fee and commission income (from €6.3m to €4.5m), only in part offset by the fall in operating costs (from €4.9m to €4.2m). Loans and advances to customers decreased appreciably to €2,672.8m (€3,839.7m), as a result of repayments during the period, and in line with the reduction in funding (from €4,397.2m to €3,347.5m). Net equity stood at €239.2m (€231.1m).

  The company employs eight staff at its head office in Luxembourg, one of whom is seconded from Mediobanca S.p.A.

– *Prominvestment in liquidation*, Rome *(100%-owned by Mediobanca)*: Prominvestment made a loss of €253,000 (€389,000), after net fee and commission income of €128,000 (€122,000).

  The company employs 6 staff.

– *MB Securities USA LLC.,* New York *(securities brokerage; 100%-owned by Mediobanca)*: this company, which performs order collection services, made a profit of $69,000 in the six months ($26,000), on fee income of $0.9m ($1m).

  The company employs four staff.

– *SelmaBipiemme Leasing S.p.A.,* Milan *(leasing; 60%-owned by Compass)*: this company made a net loss of €3.2m in the six months, similar to the loss incurred at the same stage last year (€3.4m) The result reflects a reduction in net interest income (from €14.1m to €12.4m) and the parallel reduction in the cost of risk, from €8.5 to €7.2m.

  The company executed 905 leases during the period, worth a total of €54.8m (as compared with 2,893 leases worth €234.4m last year). As at 31 December 2012 amounts leased to customers had fallen by 10%, to €2,043.4m (€2,270.8m).

  The company employs 110 staff.

– *Palladio Leasing S.p.A.,* Vicenza *(leasing; 95%-owned by SelmaBipiemme; 5% treasury shares)*: Palladio Leasing's accounts for the six months under review reflect a net profit of €461,000, less than the €2.2m profit recorded in the first six months of last year, due to lower net interest income (down from

€11.4 to €9.4m) and a slight increase in loan loss provisions (up from €4.3m to €4.6m).

The company executed 552 leases during the period, worth a total of €61.3m (as compared with 909 leases worth €170.6m last year). As at 31 December 2012 amounts leased to customers were down 3.8% compared to one year previously (from €1,620m to €1,558.8m).

The company employs 58 staff.

– *Teleleasing in liquidation S.p.A.,* Milano *(leasing; 80%-owned by SelmaBipiemme)*: this company earned a net profit of €150,000 (€4.3m) during the period, on revenues of €2.7m (€10.3m).

  As at 31 December 2012 amounts leased to customers had fallen by 22.5% since the balance-sheet date, from €396.4m to €307.2m.

  The company employs 4 staff.

– *Compass S.p.A.,* Milan *(consumer credit; 100%-owned by Mediobanca)*: the company's accounts for the six months ended 31 December 2012 reflect a net profit of €25.6m (€44.8m), on revenues of €318.7m (€325.1m), costs of €116.2m (€113.5m) and loan loss provisions of €160.2m (€113.5m).

  During the period under review, Compass granted 739,509 new loans worth a total of €2,230m, an increase of 10.8% in the number of contracts but a 2.8% fall in the value terms compared to the previous year (667,130 loans worth €2,295m). Loans and advances to customers were down slightly since the balance-sheet date, (by 0.7%, from €8,507.7m to €8,452.3m).

  The company employs 1,222 staff between its headquarters and 158 branches.

– *Futuro S.p.A.,* Milan *(salary-backed finance; 100%-owned by Compass):* Futuro recorded a net profit for the six months of €2.5m (€3.6m), on revenues of €8.5m (€10.9m), costs of €4.2m (€4.4m), and loan loss provisions of €0.5m (€0.7m).

  During the period under review the company granted 7,073 new loans worth a total of €108.7m (compared with 10,274 loans worth a total of €172.8m last year). Accounts outstanding at year-end 2012 were up 5.1% on the balance-sheet date, from €822.2m to €864m.

  The company employs 64 staff.

– *CheBanca! S.p.A.,* Milan *(retail banking; 100%-owned by Mediobanca)*: CheBanca! reported a net loss of €8.2m for the period, barely half the €14.8m recorded at the same stage last year, boosted by substantial savings in operating costs, which fell from €89.1m to €72.5m but were partly offset by the decline in revenues (down from €81.4m to €78.2m) and the increase in the cost of risk (up from €7.1m to €10.8m).

Retail deposits of €12,275.6m at the reporting date were up 5.4% on the €11,651m recorded at 30 June 2012, while indirect funding totalled €373m (€227m). With reference to mortgage lending activity, the company executed 978 loans in the six months worth a total of €126m (as compared with 2,549 loans worth €411m last year).

As at 31 December 2012 the company had a total of 914 staff on its books, between headquarters and its 44 branches.

– *Cofactor S.p.A.,* Milan *(non-recourse factoring; 100%-owned by Compass):* Cofactor recorded a net profit for the six months of €455,000 (€315,000), on revenues of €6.5m (€6.9m), and income tax of €211,000 (€283,000).

  The nominal and book value of accounts receivable outstanding at the reporting date were €2,483.1m and €95.4m respectively.

  The company employs 56 staff.

– *Creditech S.p.A.,* Milan *(credit management; 100%-owned by Compass)*: this company reported a net profit of €2.2m (€1.9m) for the six months, on net fee and commission income of €7.6m (€6.9m), the increase in which is linked to the growth in orders external to the Group (which were up 10%, from €5m to €5.5m).

  The company employs 72 staff.

– *Compass RE S.A.,* Luxemburg *(reinsurance; 100%-owned by Compass)*: this company reinsured €24.1m (€31.5m) worth of premiums during the period, which translates to net premium income attributable to the company (taking into account the movements in the technical reserve) of €15.2m (€9.4m). The company recorded an even balance for the six months under review, after setting aside €9.7m (€4m) to the technical reserves.

– *Compagnie Monégasque de Banque,* Monaco *(private banking; 100%-owned by Mediobanca)*: the draft consolidated accounts as at 31 December 2012 reflect a profit of €48.7m (€18.9m last year net of the gain on the real estate disposal and transfers to the provision for general banking risks), on net fee and commission income of €38.2m (€34.5m) and net interest income of €21.8m (€16.8m). Lendings totalled €843m (€795m) and deposits €1,339m (€1,519m). Assets managed on a discretionary and non-discretionary basis amounted to €6.6bn (€6.2bn), up approx. 10% taking into account disposal of the Swiss operations.

– *Banca Esperia S.p.A.,* Milan *(private banking; 50%-owned by Mediobanca)*: the draft consolidated accounts as at 31 December 2012 reflect a profit of €5.4m, higher than the the €1.4m posted last year, due to a healthy increase in revenues, from €63.4m to €89.8m, boosted by a higher contribution from net interest income (up €10.2m) and gains on AFS securities (up €14.3m). The period under review reflects higher operating costs, up €11.7m, largely due to the turnaround process, and higher writedowns to securities (up €6.3m), most of which were non-recurring. Assets under management increased from €12.8bn to €13.8bn, due mainly to the positive performance of financial markets.

– *Spafid - Società per Amministrazioni Fiduciarie S.p.A.,* Milan *(fiduciary business; 100%-owned by Mediobanca):* this company recorded a profit of €412,000 (€367,000), on net fee and commission income of €1.7m (€1.8m) and costs of €1.7m (€1.5m). In December 2012 the company sold Mediobanca its share in Assicurazioni Generali for a consideration of €18.8m, generating a €664,000 profit. Securities under trust at 31 December 2012 totalled €1,948.8m (30/6/12: €1,989.2m).

  The company employs 19 staff.

– *Prudentia Fiduciaria S.p.A.,* Milan *(fiduciary business; 100%-owned by Mediobanca)*: Prudentia recorded a profit of €45,000 (€300,000) in the six months, on net fee and commission income of €1.5m (€1.6m) and costs of €1.5m (€1.2m). Securities under trust as at 31 December 2012 amounted to €66.9m (30/6/12: €66.8m).

  The company employs 18 staff.

– *R. & S. – Ricerche & Studi S.p.A.*, Milan *(100%-owned by Mediobanca)*: this company recorded a profit of €3,000, for the six months, after charging Mediobanca €0.5m (€0.5m) for services and expenses. R&S produced the thirty-seventh edition of its Annual Directory, which includes analysis of leading Italian listed companies, the seventeenth edition of its survey of global multinationals, the fifth update to its survey of European banks based on interim data, and continued with its publication of the quarterly survey of blue chip companies' results in conjunction with Italian daily newspaper *Il Sole 24 Ore*. It also collaborated with the *Fondazione Ugo La Malfa* on a study of industrial companies in southern Italy.

Other information

Review of Board members' status as independent directors

At a meeting held on 20 December 2012, the Board of Mediobanca established that the following Directors qualify as independent according to the definition provided in the Code of conduct in respect of listed companies: Tarak Ben Ammar, Roberto Bertazzoni, Angelo Casò, Bruno Ermolli, Anne Marie Idrac, Vanessa Labérenne, Elisabetta Magistretti, Dieter Rampl, Fabio Roversi Monaco and Eric Strutz. With reference to Angelo Casò's status as independent, the Board shared the arguments and conclusions set out in an independent legal opinon commissioned regarding Mr Casò's independence. In particular, the Board noted and acknowledged the fact that the post of chairman of parties to the Mediobanca shareholders' agreement entails powers that are largely administrative and organizational in nature, as confirmed by the duties and powers of the steering committee to the agreement, and governed by the terms of the agreement itself. Furthermore, at the same meeting on 20 December 2012, given that the opinion referred to suggests a series of solutions for the agreement's governance which could enhance Mr Casò's status as independent in both form and appearance, the Board stated that such suggestions would be submitted to the governing bodies of the agreement at the meeting scheduled to be held on today's date.

With reference to the fact that some of the directors qualifying as independent are also members of the Bank's Executive Committee, it should be noted that the Code itself makes provision for the possibility of directors who are members of an Executive Committee still to qualify as "non-executive and independent" when "they are not assigned individual management powers", while the opposite is the case in situations where there is no Chief Executive Officer, or where participation in an Executive Committee, on account of the frequency of the meetings or the nature of the subjects discussed at them, entails systematic involvement in the day-to-day running of the Bank or significantly higher remuneration being paid to such directors than to others. It has therefore been decided that the nature of the Bank's governance does not automatically mean that the Executive Committee members qualify automatically as "executive" merely on account of their forming part of this body, in view in particular of its composition, which includes not only the Chairman but also four other members of the Bank's senior management, including the Chief Executive Officer and General Manager, who are responsible for running the Bank's day-to-day operations. The Chairman and the other non-managerial Committee members are not vested with individual management powers, and under the governance model in force other managerial committees have been instituted with broad powers in respect of the Bank's current management.

Litigation pending

A total of thirteen claims against Mediobanca, jointly with the other parties in their alleged failure to launch a full takeover bid for Fondiaria in 2002, are still pending for damages amounting to approx. €100m. The present status of the trials in respect of these claims is as follows:

- the court of cassation has ruled against Mediobanca on three claims, which have now reverted to the court of appeals for the rulings to be prosecuted;
- four claims, in which the court of appeals has ruled in favour of Mediobanca, are pending at the court of cassation; for one other claim where again the ruling has gone in favour of Mediobanca, the term for presenting appeals to the court of cassation is now pending;
- three claims, in which the ruling went against Mediobanca, are pending before the court of appeals in Milan;
- one claim, in which the court of Florence ruled in favour of Mediobanca, has been appealed by the plaintiff;
- a new claim has been submitted to the court of Milan.

Tax disputes

In December 2012, the Lombard regional tax office again charged Compass, with having unduly deducted part of the losses on non-recourse disposal of receivables, for the 2007/2008 financial year as well, leading to higher tax of €39.8m plus interest and fines. The company is still waiting to hear the outcome of the appeal it submitted in respect of the same charge for 2006/2007.

Meanwhile, the provincial tax tribunal upheld SelmaBipiemme's appeal against the charge of undue deduction of amortization (resulting in €1.6m in higher taxes) and a part of the VAT receivables (€9.5m); however, the company intends to challenge the ruling to have its full rights duly recognized.

Outlook

Estimates for the current financial year continue to be influenced by the extremely weak economic scenario, despite signs of increasing stability in the cost of refinancing sovereign and bank debt. In this scenario the Group expects its performance in the second half-year to be characterized by: ongoing weakness in revenues, strict control of operating costs and the cost of risk. The valuations of the equity investment portfolio will continue to depend on the performance of markets and the investee companies, as will the contribution from trading activity, with the impact on earnings potentially significant.

* * *

Reconciliation of shareholders' equity and net profit

(€ '000)

	Shareholders' equity	Net profit
Balance at 31/12 as per Mediobanca S.p.A. accounts	4,675,434	(21,228)
Net surplus over book value for consolidated companies	14,719	58,921
Other adjustments and restatements on consolidation, including the effects of accounting for companies on an equity basis	2,232,113	86,103
Dividends received during the period	—	—
TOTAL	6,922,266	123,796

Milan, 26 February 2013

THE BOARD OF DIRECTORS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(€'000)

Assets				
		31/12/12		30/6/12
10. Cash and cash equivalents		35,511		29,741
20. Financial assets held for trading		14,697,875		13,838,216
40. Financial assets available for sale		11,735,588		10,552,149
50. Financial assets held to maturity		1,722,548		1,723,279
60. Due from banks		5,203,928		3,962,850
70. Due from customers		39,477,243		41,871,148
80. Hedging derivatives		1,688,407		1,571,778
100. Equity investments		3,284,009		3,165,512
120. Property, plant and equipment		298,468		293,680
130. Intangible assets		416,527		424,373
of which:				
goodwill	*365,934*		*365,934*	
140. Tax assets:		869,295		1,037,078
a) current	*223,464*		*299,590*	
b) advance	*645,831*		*737,488*	
of which L.214/2011	*402,597*		*393,101*	
160. Other assets		207,162		209,324
TOTAL ASSETS		**79,636,561**		**78,679,128**

(€'000)

Liabilities and net equity		31/12/12		30/6/12
10. Due to banks		13,168,623		12,000,012
20. Due to customers		17,505,154		17,149,027
30. Debt securities in issue		29,513,282		31,300,331
40. Trading liabilities		10,647,573		9,935,010
60. Hedging derivatives		345,677		364,954
80. Tax liabilities:		538,463		494,093
a) current	*188,588*		*197,975*	
b) deferred	*349,875*		*296,118*	
100. Other liabilities		464,644		542,371
110. Staff severance indemnity provision		26,846		24,652
120. Provisions:		160,772		160,471
b) other provisions	*160,772*		*160,471*	
130. Insurance reserve		111,072		99,282
140. Revaluation reserves		118,779		(337,118)
170. Reserves		4,466,623		4,418,901
180. Share premium reserve		2,120,143		2,120,143
190. Share capital		430,565		430,565
200. Treasury shares		(213,844)		(213,844)
210. Minority interest		108,393		109,391
220. Profit for the period		123,796		80,887
TOTAL LIABILITIES AND NET EQUITY		**79,636,561**		**78,679,128**

Consolidated profit and loss account

(€'000)

Item		6 mths to 31/12/12		12 mths to 30/6/12		6 mths to 31/12/11
10. Interest and similar income		1,454,994		3,037,190		1,552,298
20. Interest expense and similar charges		(922,449)		(1,949,111)		(993,801)
30. Net interest income		**532,545**		**1,088,079**		**558,497**
40. Fee and commission income		179,076		438,596		207,017
50. Fee and commission expense		(24,265)		(47,288)		(18,025)
60. Net fee and commission income		**154,811**		**391,308**		**188,992**
70. Dividends and similar income		8,206		90,819		35,868
80. Net trading income		66,823		116,798		43,648
90. Net hedging income (expense)		4,316		4,065		4,429
100. Gain (loss) on disposal/repurchase of:		8,686		69,939		(13,188)
a) loans and advances	*6,275*		*(5)*		*24*	
b) AFS securities	*(11,377)*		*34,368*		*(38,019)*	
c) financial assets held to maturity	*478*		*(1,946)*		*201*	
d) financial liabilities	*13,310*		*37,522*		*24,606*	
120. Total income		**775,387**		**1,761,008**		**818,246**
130. Adjustments for impairment to:		(227,291)		(881,333)		(388,216)
a) loans and advances	*(217,311)*		*(429,130)*		*(189,545)*	
b) AFS securities	*5,478*		*(411,515)*		*(174,381)*	
c) financial assets held to maturity	*158*		*(1,320)*		*(1,454)*	
d) financial liabilities	*(15,616)*		*(39,368)*		*(22,836)*	
140. Net income from financial operations		**548,096**		**879,675**		**430,030**
150. Premiums earned (net)		15,161		22,094		9,434
160. Other income (net) from insurance activities		(7,463)		(9,698)		(3,629)
170. Net profit from financial and insurance activities		**555,794**		**892,071**		**435,835**
180. Administrative expenses:		(374,956)		(784,283)		(399,121)
a) personnel costs	*(194,416)*		*(393,312)*		*(201,329)*	
b) other administrative expenses	*(180,540)*		*(390,971)*		*(197,792)*	
190. Net transfers to provisions		(1,224)		(4,014)		(1,375)
200. Net adjustments to tangible assets		(9,718)		(18,866)		(8,538)
210. Net adjustments to intangible assets		(11,146)		(25,801)		(13,107)
220. Other operating income (expense)		58,885		123,033		62,499
230. Operating costs		**(338,159)**		**(709,931)**		**(359,642)**
240. Gain (loss) on equity investments		(9,192)		(21,491)		16,600
270. Gain (loss) on disposal of investments in:		2		45,214		43,750
a) property	*—*		*44,295*		*44,295*	
b) other assets	*2*		*919*		*(545)*	
280. Profit (loss) on ordinary activities before tax		**208,445**		**205,863**		**136,543**
290. Income tax for the year on ordinary activities		(85,675)		(125,504)		(71,360)
300. Profit (loss) on ordinary activities after tax		**122,770**		**80,359**		**65,183**
320. Net profit (loss) for the period		**122,770**		**80,359**		**65,183**
330. Net profit (loss) for the period attributable to minorities		1,026		528		(1,758)
340. Net profit (loss) for the period attributable to Mediobanca		**123,796**		**80,887**		**63,425**

Consolidated comprehensive profit and loss account

Headings		31/12/12	31/12/11
10.	Gain (loss) for the period	122,770	65,183
	Other income items net of tax		
20.	AFS securities	335,862	(405,077)
30.	Property, plant and equipment	—	—
40.	Intangible assets	—	—
50.	Foreign investment hedges	—	—
60.	Cash flow hedges	(6,213)	(104,347)
70.	Exchange rate differences	—	(196)
80.	Non-current assets being sold	—	—
90.	Actuarial gains (losses) on defined-benefit pension schemes	—	—
100.	Share of valuation reserves for equity-accounted companies	126,276	(212,690)
110.	Total other income items net of tax	455,925	(722,310)
120.	Aggregate profit (Heading 10 + Heading 110)	578,695	(657,127)
130.	Overall consolidated profit attrubutable to minorities	(998)	(2,277)
140.	Overall consolidated profit attributable to Mediobanca	579,693	(654,850)

Statement of changes to consolidated net equity

(€'000)

	Previously reported balance at 30/6/12	Allocation of profit for previous period		Changes during the reference period							Overall consolidated profit 2012	Balance at 31/12/12	Net profit attributable to the Group at 31/12/12	Net profit attributable to minorities at 31/12/12
		Reserves	Dividends and other fund applications	Changes to reserves	Transactions involving net equity									
					New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury shares derivates	Stock options (1)				
Share capital:	455,513	—	—	—	—	—	—	—	—	—	—	**455,513**	430,565	24,948
a) ordinary shares	455,513	—	—	—	—	—	—	—	—	—	—	**455,513**	430,565	24,948
b) other shares	—	—	—	—	—	—	—	—	—	—	—	**—**	—	—
Share premium reserve	2,127,359	—	—	—	—	—	—	—	—	—	—	**2,127,359**	2,120,143	7,216
Reserves:	4,502,779	80,359	(42,206)	1,323	—	—	—	—	—	7,718	—	**4,549,973**	4,466,623	83,350
a) retained earnings	4,433,857	80,359	(42,206)	1,323	—	—	—	—	—	—	—	**4,473,333**	4,389,983	83,350
b) others	68,922	—	—	—	—	—	—	—	—	7,718	—	**76,640**	76,640	—
Valuation reserves	(343,241)	—	—	—	—	—	—	—	—	—	455,925	**112,684**	118,779	(6,095)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	**—**	—	—
Treasury shares	(213,844)	—	—	—	—	—	—	—	—	—	—	**(213,844)**	(213,844)	—
Profit (loss) for the period	80,359	(80,359)	—	—	—	—	—	—	—	—	122,770	**122,770**	123,796	(1,026)
Net equity	6,608,925	—	(42,206)	1,323	—	—	—	—	—	7,718	578,695	**7,154,455**		
Net profit attributable to the Group	6,499,534	—	(42,206)	1,323	—	—	—	—	—	7,718	579,693		7,046,062	
Net profit attributable to minorities	109,391	—	—	—	—	—	—	—	—	—	(998)			108,393

(1) Represents the effect on the stock options and performance shares related to the ESOP schemes.

Statement of changes to consolidated net equity

(€'000)

	Previously reported balance at 30/6/11	Allocation of profit for previous period: Reserves	Allocation of profit for previous period: Dividends and other fund applications	Changes during the reference period: Changes to reserves	Transactions involving net equity: New shares issued	Transactions involving net equity: Treasury shares acquired	Transactions involving net equity: Extra-ordinary dividend payouts	Transactions involving net equity: Changes to equity instruments	Transactions involving net equity: Treasury shares derivates	Transactions involving net equity: Stock options (1)	Overall consolidated profit 2011	Balance at 31/12/11	Net profit attributable to the Group at 31/12/11	Net profit attributable to minorities at 31/12/11
Share capital:	455,513	—	—	—	—	—	—	—	—	—	—	**455,513**	430,565	24,948
a) ordinary shares	455,513	—	—	—	—	—	—	—	—	—	—	**455,513**	430,565	24,948
b) other shares	—	—	—	—	—	—	—	—	—	—	—	**—**	—	—
Share premium reserve	2,127,359	—	—	—	—	—	—	—	—	—	—	**2,127,359**	2,120,143	7,216
Reserves:	4,279,846	230,067	—	(6,462)	—	—	—	—	—	5,011	—	**4,508,462**	4,424,584	83,878
a) retained earnings	4,223,740	230,067	—	(6,462)	—	—	—	—	—	—	—	**4,447,345**	4,363,467	83,878
b) others	56,106	—	—	—	—	—	—	—	—	5,011	—	**61,117**	61,117	—
Valuation reserves	5,380	—	—	—	—	—	—	—	—	—	(722,310)	**(716,930)**	(711,598)	(5,332)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	**—**	—	—
Treasury shares	(213,844)	—	—	—	—	—	—	—	—	—	—	**(213,844)**	(213,844)	—
Profit (loss) for the period	373,567	(230,067)	(143,500)	—		—	—	—	—	—	65,183	**65,183**	63,425	1,758
Net equity	7,027,821	—	(143,500)	(6,462)	—	—	—	—	—	5,011	(657,126)	**6,225,743**		
Net profit attributable to the Group	6,913,076	—	(143,500)	(6,462)	—	—	—	—	—	5,011	(654,850)		6,113,275	
Net profit attributable to minorities	114,745	—	—	—	—	—	—	—	—	—	(2,277)			112,468

(1) Represents the effect on the stock options and performance shares related to the ESOP schemes.

Consolidated cash flow statement Direct method

	Amounts	
	31/12/12	31/12/11
A. Cash flow from operating activities		
1. Operating activities	**(165,910)**	**421,147**
-interest received	2,166,894	3,072,839
-interest paid	(1,741,014)	(2,594,651)
-dividends and similar income	20,860	56,462
-net fees and commission income	95,428	155,999
-cash payments to employees	(168,756)	(182,581)
-net premium income	27,086	30,870
-other premium from insurance activities	(38,463)	(50,956)
-other expenses paid	(1,023,270)	(943,404)
-other income received	518,958	937,387
-income taxes paid	(23,633)	(60,818)
-net expense/income from groups of assets being sold	—	—
2. Cash generated/absorbed by financial assets	**2,935,886**	**566,997**
- financial assets held for trading	876,508	2,316,455
-financial assets recognized at fair value	—	—
-AFS securities	(760,730)	(289,782)
-due from customers	2,764,735	(886,997)
-due from banks: on demand	1,498,608	3,173,899
-due from banks: other	(1,413,554)	(3,744,205)
-other assets	(29,681)	(2,373)
3. Cash generated/absorbed by financial liabilities	**(2,717,918)**	**331,089**
-due to banks: on demand	(172,375)	(738,017)
-due to banks: other	299,433	2,095,551
-due to customers	265,518	1,375,308
-debt securities	(2,593,840)	(2,570,158)
-trading liabilities	(491,525)	203,859
-financial liabilities assets recognized at fair value	—	—
-other liabilities	(25,129)	(35,454)
Net cash flow (outflow) from operating activities	**52,058**	**1,319,233**
B. Investment activities		
1. Cash generated from	**7,117**	**109,296**
-disposals of shareholdings	—	—
-dividends received in respect of equity investments	—	—
-disposals/redemptions of financial assets held to maturity	6,336	155
-disposals of tangible assets	5	109,141
-disposals of intangible assets	776	—
-disposals of subsidiaries or business units	—	—
2. Cash absorbed by	**(11,199)**	**(161,834)**
-acquisitions of shareholdings	—	(23,465)
-acquisitions of held-to-maturity investments	(915)	(101,982)
-acquisitions of tangible assets	(6,182)	(29,569)
-acquisitions of intangible assets	(4,102)	(6,818)
-acquisitions of subsidiaries or business units	—	—
-Net cash flow (outflow) from investment/servicing of finance	**(4,082)**	**(52,538)**
C. Funding activities		
-issuance/acquisition of treasury shares	—	—
-issuance/acquisitions of equity instruments	—	—
-dividends payout and other applications of funds	(42,206)	(143,500)
Net cash flow (outflow) from funding activities	**(42,206)**	**(143,500)**
NET CASH FLOW (OUTFLOW) DURING PERIOD	**5,770**	**1,123,195**

Reconciliation of movements in cash flow duriing period under review

	Amounts	
	31/12/12	31/12/11
Cash and cash equivalents: balance at start of period	29,741	31,492
Total cash flow (ouflow) during period	5,770	1,123,195
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at end of period	35,511	1,154,687

NOTES TO THE ACCOUNTS

NOTES TO THE ACCOUNTS

Part A - Accounting policies

A.1 - General Part

SECTION 1

Statement of conformity with IAS/IFRS

The Mediobanca Group's consolidated financial statements for the period ended 31 December 2012 have, as required by Italian Legislative Decree 38/05, been drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), which were adopted by the European Commission in accordance with the procedure laid down in Article 6 of regulation CE 1606/02 issued by the European Council and Commission on 19 July 2002. Adoption of the new accounting standards with respect to financial reporting by banks was governed by Bank of Italy circular no. 262 issued on 22 December 2005 (and its first update issued on 18 November 2009). The condensed interim report has been drawn up in conformity with IAS 34 on interim financial reporting.

SECTION 2

General principles

These consolidated financial statements comprise:

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

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

SECTION 3

Area and method of consolidation

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

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

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

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

	Name	Registered office	Type of relation-ship ([1])	Shareholding		% voting rights ([2])
				Investee company	% interest	
A.	COMPANIES INCLUDED IN AREA OF CONSOLIDATION					
A.1	*Line-by-line*					
1.	MEDIOBANCA - Banca di Credito Finanziario S.p.A.	Milan	1	—	—	—
2.	PROMINVESTMENT S.p.A. - in liquidation	Milan	1	A.1.1	100.00	100.00
3.	PRUDENTIA FIDUCIARIA S.p.A.	Milan	1	A.1.1	100.00	100.00
4.	SETECI - Società Consortile per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.c.p.A.	Milan	1	A.1.1	100.00	100.00
5.	SPAFID S.p.A.	Milan	1	A.1.1	100.00	100.00
6.	COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A.M.	Monte Carlo	1	A.1.1	100.00	100.00
7.	C.M.I. COMPAGNIE MONEGASQUE IMMOBILIERE SCI	Monte Carlo	1	A.1.6	99.94	99.94
				A.1.8	0.06	0.06
8.	C.M.G. COMPAGNIE MONEGASQUE DE GESTION S.A.M.	Monte Carlo	1	A.1.6	99.89	99.89
9.	SMEF SOCIETE MONEGASQUE DES ETUDES FINANCIERE S.A.M.	Monte Carlo	1	A.1.6	99.96	99.96
10.	CMB ASSET MANAGEMENT S.A.M.	Monte Carlo	1	A.1.6	99.50	99.50
11.	MONOECI SOCIETE CIVILE IMMOBILIERE	Monte Carlo	1	A.1.6	99.00	99.00
				A.1.8	1.00	1.00
12.	MOULINS 700 S.A.M.	Monte Carlo	1	A.1.7	99.90	99.90
13.	MEDIOBANCA INTERNATIONAL (Luxembourg) S.A.	Luxembourg	1	A.1.1	99.00	99.00
			1	A.1.14	1.00	1.00
14.	COMPASS S.p.A.	Milan	1	A.1.1	100.00	100.00
15.	CHEBANCA! S.p.A.	Milan	1	A.1.1	100.00	100.00
16.	COFACTOR S.p.A.	Milan	1	A.1.14	100.00	100.00
17.	SELMABIPIEMME LEASING S.p.A.	Milan	1	A.1.1	60.00	60.00
18.	PALLADIO LEASING S.p.A.	Vicenza	1	A.1.17	95.00	100.00
				A.1.18	5.00	
19.	TELELEASING S.p.A. - in liquidation	Milan	1	A.1.17	80.00	80.00
20.	SADE FINANZIARIA - INTERSOMER S.r.l.	Milan	1	A.1.1	100.00	100.00
21.	RICERCHE E STUDI S.p.A.	Milan	1	A.1.1	100.00	100.00
22.	CREDITECH S.p.A.	Milan	1	A.1.14	100.00	100.00
23.	MEDIOBANCA SECURITIES USA LLC	New York	1	A.1.1	100.00	100.00
24.	CONSORTIUM S.r.l.	Milan	1	A.1.1	100.00	100.00
25.	QUARZO S.r.l.	Milan	1	A.1.14	90.00	90.00
26.	QUARZO LEASE S.r.l.	Milan	1	A.1.17	90.00	90.00
27.	FUTURO S.p.A	Milan	1	A.1.14	100.00	100.00
28.	JUMP S.r.l.	Milan	4	A.1.14	—	—
29.	MEDIOBANCA COVERED BOND S.r.l.	Milan	1	A.1.15	90.00	90.00
30.	COMPASS RE (Luxembourg) S.A.	Luxembourg	1	A.1.14	100.00	100.00
31.	MEDIOBANCA INTERNATIONAL IMMOBILIERE S.a r.l.	Luxembourg	1	A.1.13	100.00	100.00

Legend

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

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

A.2 - Significant accounting policies

Financial assets held for trading

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

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

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

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

AFS securities

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

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

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

Financial assets held to maturity

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

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

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

Loans and receivables

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

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

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

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

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

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

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

Leasing

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

Hedges

There are two types of hedge:

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

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

Hedge derivatives are recognized at fair value as follows:

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

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

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

Equity investments

This heading consists of investments in:

- associates, 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.

Property, plant and equipment

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

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

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

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

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

Intangible assets

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

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

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

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

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

Derecognition of assets

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

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

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

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

Payables, debt securities in issue and subordinated liabilities

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

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

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

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

The sale of treasury shares over the market following a buyback (even in the form of repos and securities lending transactions) is treated as a new issue. The new sale price is recorded as a liability without passing through the profit and loss account.

Trading liabilities

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

Staff severance indemnity provision

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

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

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

Provisions for liabilities and charges

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

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

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

Foreign currency transactions

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

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

Tax assets and liabilities

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

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

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

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

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

Stock options and performance shares

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

Treasury shares

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

Dividends and commissions

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

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

Related parties (IAS 24)

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

a) individuals or entities which directly or indirectly:

   1. are subject to joint control by Mediobanca;

   2. hold an interest in Mediobanca which allows them to exert a significant influence over Mediobanca; the scope of this definition includes parties to the Mediobanca shareholders' agreement with interests of over 5% of the company's share capital, along with the entitlement to appoint at least one member of the Board of Directors, and the entities controlled by them;

b) associate companies, joint ventures and entities controlled by them;

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

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

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

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

A.3 - Information on Fair value

A.3.1 Transfers between portfolios

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

(€'000)

Type of instrument	Transferred from	Transferred to	Book value at 31/12/12	Fair value at 31/12/12	Additions to P&L if assets not transferred (pre-tax)		Additions to P&L made during the year (pre-tax)	
					Valuation	Other	Valuation	Other
Debt securities (ABS) [1]	Financial assets held for trading	Due from customers	146,442	127,855	6,672	1,585	—	1,585
Debt securities (ABS) [1]	AFS securities	Due from customers	46,642	43,096	1,966	549	—	549
Debt securities [2]	AFS securities	Financial assets held to maturity	475,432	504,540	31,664	11,487	—	11,487
Total			668,516	675,491	40,302	13,621	—	13,621

[1] Made during FY 08/09

[2] Made during FY 10/11.

A.3.2 Fair value ranking

A.3.2.1 Asset portfolios by fair value ranking

(€'000)

Financial assets/Liabilities measured at fair value	31/12/12				30/6/12			
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
1. Financial assets held for trading	7,860,202	5,896,194	941,479	1	7,253,842	5,643,274	941,100	1
2. Financial assets recognized at fair value	—	—	—		—	—	—	
3. AFS securities	9,981,954	916,585	837,049	2	8,800,953	906,415	844,781	2
4. Hedge derivatives	—	1,688,407	—		—	1,571,778	—	
Total	17,842,156	8,501,186	1,778,528		16,054,795	8,121,467	1,785,881	
1. Financial liabilities held for trading	(4,570,340)	(5,060,740)	(1,016,492)	1	(3,826,564)	(4,955,828)	(1,152,618)	1
2. Financial liabilities recognized at fair value	—	—	—		—	—	—	
3. Hedge derivatives	—	(345,677)	—		—	(364,954)	—	
Total	(4,570,340)	(5,406,417)	(1,016,492)		(3,826,564)	(5,320,782)	(1,152,618)	

[1] Includes market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€227m at 31/12/12 and €208m at 30/6/12) as well as options traded (€659m and €679m respectively), the values of which are recorded as both assets and liabilities for the same amount.

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

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

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

(€'000)

	FINANCIAL ASSETS			
	Held for trading[1]	**Recognized at fair value**	**AFS[2]**	**Hedges**
1. Balance at start of period	53,464	—	844,781	—
2. Additions	14,557	—	13,312	—
2.1 Purchases	10,612	—	5,630	—
2.2 Profits recognized in:	3,196	—	7,572	—
2.2.1 profit and loss	3,196	—	3,438	—
- of which, gains	3,145	—	—	—
2.2.2 net equity	X	X	4,134	—
2.3 Transfers from other levels	—	—	—	—
2.4 Other additions	749	—	110	—
3. Reductions	12,631	—	21,044	—
3.1 Disposals	7,743	—	6,111	—
3.2 Redemptions	123	—	—	—
3.3 Losses recognized in:	4,765	—	11,652	—
3.3.1 profit and loss	4,765	—	6,634	—
- of which, losses	4,765	—	6,611	—
3.3.2 net equity	X	X	5,018	—
3.4 Transfers to other levels	—	—	—	—
3.5 Other reductions	—	—	3,281	—
4. Balance at end of period	55,390	—	837,049	—

[1] Includes market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€227m at 31/12/12 and €208m at 30/6/12) as well as options traded (€659m and €679m respectively), the values of which are recorded as both assets and liabilities for the same amount.

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

For more complex Level 3 instruments, the valuation models reflect a fine-tuning in the parameters used ("model reserve") which allows the initial mark-to-market to be reduced to zero and released pro rata for the duration of the contract. This technique has only been applied to three contracts, with an aggregate residual impact of €1.5m (30/6/12: €2.9m), after €1.4m was charged to the profit and loss account for the period.

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

(€'000)

	FINANCIAL LIABILITIES		
	Held for trading [1-2]	**Recognized at fair value**	**Hedges**
1. Balance at start of period	264,980	—	—
2. Additions	50,311	—	—
2.1 Issues	24,360	—	—
2.2 Losses recognized in:	25,951	—	—
2.2.1 profit and loss	25,951	—	—
- of which, losses	25,951	—	—
2.2.2 net equity	X	X	—
2.3 Transfers from other levels	—	—	—
2.4 Other additions	—	—	—
3. Reductions	184,889	—	—
3.1 Redemptions	172,278	—	—
3.2 Buybacks	—	—	—
3.3 Profits recognized in:	12,611	—	—
3.3.1 profit and loss	12,611	—	—
- of which, gains	4,442	—	—
3.3.2 net equity	X	X	—
3.4 Transfers to other levels	—	—	—
3.5 Other reductions	—	—	—
4. Balance at end of period	130,402	—	—

[1] Includes market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€227m at 31/12/12 and €208m at 30/6/12) as well as options traded (€659m and €679m respectively), the values of which are recorded as both assets and liabilities for the same amount.

[2] The amount of the redemptions is entirely due to trading involving options on listed securities forming part of delta hedging strategies, the values of which are recorded as both assets and liabilities in the accounts for the same amount.

Part B - Notes to consolidated balance sheet*

Assets

SECTION 1

Heading 10: Cash and cash equivalents

1.1 Cash and cash equivalents

	31/12/12	30/6/12
a) Cash	28,642	26,307
b) Demand deposits held at central banks	6,869	3,434
Total	35,511	29,741

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

SECTION 2

Heading 20: Financial assets held for trading

2.1 Financial assets held for trading: composition

Item/value	31/12/12			30/6/12		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	4,744,829	1,034,085	1	3,831,088	1,197,361	1
1.1 Structured	69,904	59,919	—	139,556	67,838	—
1.2 Other debt securities	4,674,925	974,166	1	3,691,532	1,129,523	1
2. Equities[1]	1,027,506	—	22,814	536,817	—	26,800
3. UCITS units	88,824	169,495	18,395	215,943	292,206	20,006
4. Loans and advances	—	90,857	—	—	5,180	—
4.1 Repos	—	—	—	—	—	—
4.2 Others	—	90,857	—	—	5,180	—
Total A	5,861,159	1,294,437	41,210	4,583,848	1,494,747	46,807
B. Derivative products						
1. Financial derivatives	898,956	4,424,896	900,269	1,104,548	3,925,776	894,293
1.1 Trading	898,956	4,233,482	666,765 [2]	1,104,548	3,745,183	685,476 [2]
1.2 Linked to fair value options	—	—	—	—	—	—
1.3 Others	—	191,414	233,504 [3]	—	180,593	208,817 [3]
2. Credit derivatives	1,100,087	176,861	—	1,565,446	222,751	—
2.1 Trading	1,100,087	176,861	—	1,565,446	222,751	—
2.2 Linked to fair value options	—	—	—	—	—	—
2.3 Others	—	—	—	—	—	—
Total B	1,999,043	4,601,757	900,269	2,669,994	4,148,527	894,293
Total (A+B)	7,860,202	5,896,194	941,479	7,253,842	5,643,274	941,100

[1] Equities as at 31 December 2012 include shares committed as part of securities lending transactions in an amount of €555,810,000.

[2] Respectively €658,903,000 and €679,392,000 in respect of options traded, with the equivalent amount being recorded as trading liabilities.

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

2.3 *Cash assets held for trading: movements during the period*

	Debt securities	Equities	UCITS units	Loans and advances	Total
A. Balance at start of period	5,028,450	563,617	528,155	5,180	6,125,402
B. Additions	17,684,239	3,678,656	246,525	91,338	21,700,758
B.1 Acquisitions	16,124,761	3,561,403	235,767	90,713	20,012,644
B.2 Increases in fair value	170,699	45,758	4,950	448	221,855
B.3 Other additions	1,388,779	71,495	5,808	177	1,466,259
C. Reductions	16,933,774	3,191,953	497,966	5,661	20,629,354
C.1 Disposals	16,284,238	3,021,108	488,168	5,360	19,798,874
C.2 Redemptions	497,362	—	—	47	497,409
C.3 Reductions in fair value	74,474	49,021	6,158	183	129,836
C.4 Transfers to other portfolios	—	—	—	—	—
C.5 Other reductions	77,700	121,824	3,640	71	203,235
D. Balance at end of period	5,778,915	1,050,320	276,714	90,857	7,196,806

SECTION 4

Heading 40: Available for sale (AFS) securities

4.1 *AFS securities: composition*

Item/value	31/12/12			30/6/12		
	Level 1	Level 2	Level 3*	Level 1	Level 2	Level 3*
1. Debt securities	9,721,714	906,364	11,825	8,540,602	896,810	9,713
1.1 Structured	—	—	—	—	—	—
1.2 Other debt securities	9,721,714	906,364	11,825	8,540,602	896,810	9,713
2. Equities	259,876	643	731,649	260,002	643	737,357
2.1 Recognized at fair value	259,876	643	731,597	260,002	643	737,305
2.2 Recognized at cost	—	—	52	—	—	52
3. UCITS units	364	9,578	93,575	349	8,962	97,711
4. Loans and advances	—	—	—	—	—	—
Total	9,981,954	916,585	837,049	8,800,953	906,415	844,781

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

4.4 AFS securities: movements during the period

	Debt securities	Equities	UCITS units	Loans and advances	Total
A. Balance at start of period	9,447,125	998,002	107,022	—	10,552,149
B. Additions	4,701,705	52,169	3,424	—	4,757,298
B.1 Acquisitions	4,175,752	27,300	1,507	—	4,204,559
B.2 Increases in fair value	460,874	19,614	1,910	—	482,398
B.3 Writebacks	12,169	—	—	—	12,169
- recognized in profit and loss account	12,169	X	—	—	12,169
- recognized in net equity	—	—	—	—	—
B.4 Transfers from other asset classes	—	—	—	—	—
B.5 Other additions	52,910	5,255	7	—	58,172
C. Reductions	3,508,927	58,003	6,929	—	3,573,859
C.1 Disposals	2,097,517	43,072	177	—	2,140,766
C.2 Redemptions	1,405,056	—	—	—	1,405,056
C.3 Reductions in fair value	1,717	8,394	2,333	—	12,444
C.4 Writedowns due to impairment	—	3,977	3,669	—	7,646
- taken to profit and loss account	—	3,021	3,669	—	6,690
- taken to net equity	—	956	—	—	956
C.5 Transfers to other asset classes	—	—	750	—	750
C.6 Other reductions	4,637	2,560	—	—	7,197
D. Balance at end of period	10,639,903	992,168	103,517	—	11,735,588

SECTION 5

Heading 50: Financial assets held to maturity

5.1 Financial assets held to maturity: composition

Type of transactions/ group components	31/12/12				30/6/12			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	1,722,548	1,565,207	223,250	11,498	1,723,279	1,472,810	218,713	22,305
1.1 Structured	—	—	—	—	—	—	—	—
1.2 Other debt securities	1,722,548	1,565,207	223,250	11,498	1,723,279	1,472,810	218,713	22,305
2. Loans and advances	—	—	—	—	—	—	—	—
Total	1,722,548	1,565,207	223,250	11,498	1,723,279	1,472,810	218,713	22,305

5.4 Financial assets held to maturity: movements during the period

	Debt securities	Loans and advances	Total
A. Balance at start of period	1,723,279	—	1,723,279
B. Additions	6,270	—	6,270
B.1 Acquisitions	922	—	922
B.2 Writebacks	405	—	405
B.3 Transfers from other asset classes	—	—	—
B.4 Other additions	4,943	—	4,943
C. Reductions	7,001	—	7,001
C.1 Disposal	653	—	653
C.2 Redemptions	5,683	—	5,683
C.3 Value adjustments	247	—	247
C.4 Transfers to other asset classes	—	—	—
C.5 Other reductions	418	—	418
D. Balance at end of period	1,722,548	—	1,722,548

SECTION 6

Heading 60 - Due from banks

6.1 Due from banks: composition

Type of transactions/value	31/12/12	30/6/12
A. Due from central banks	136,781	133,774
1. Term deposits	—	—
2. Compulsory reserves	136,781	133,774
3. Amounts due under repo agreements	—	—
4. Other amounts due	—	—
B. Due from banks	5,067,147	3,829,076
1. Current accounts and demand deposits	3,099,418	2,229,732
2. Term deposits	50,102	121,538
3. Other receivables:	1,887,664	1,477,806
3.1 amounts due under repo agreements	645,312	177,119
3.2 amounts due under finance leases	5,585	8,604
3.3 other amounts due	1,236,767	1,292,083
4. Debt securities	29,963	—
4.1 structured	—	—
4.2 other debt securities	29,963	—
Total book value	5,203,928	3,962,850
Total fair value	5,204,036	3,959,793

SECTION 7

Heading 70: Due from customers

7.1 Due from customers: composition

Type of transactions/amounts	31/12/12		30/6/12	
	Performing	Non-performing	Performing	Non-performing
1. Current accounts	144,062	64	69,478	55
2. Amounts due under repo agreements	3,841,412	—	4,585,819	—
3. Mortgages	18,842,697	377,567	20,772,946	302,766
4. Credit cards, personal loans and salary-guaranteed finance	8,807,381	373,746	8,840,762	361,227
5. Amounts due under finance leasing	3,541,099	231,199	3,898,907	208,537
6. Factoring	—	—	—	—
7. Other transactions	2,685,489	18,688	2,194,010	31,789
8. Debt securities	613,839	—	604,852	—
8.1 structured	—	—	—	—
8.2 other debt securities	613,839	—	604,852	—
Total book value	38,475,979	1,001,264	40,966,774	904,374
Total fair value	38,112,299		40,583,672	

SECTION 8

Heading 80: Hedging derivatives

8.1 Hedging derivatives: by type and ranking

	31/12/12			Notional value	30/6/12			Notional value
	Fair value				Fair value			
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivates	—	1,688,407	—	21,766,767	—	1,571,778	—	22,071,789
1) Fair value	—	1,688,407	—	21,766,767	—	1,571,778	—	22,071,789
2) Cash flow	—	—	—	—	—	—	—	—
3) Non-Italian investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	1,688,407	—	21,766,767	—	1,571,778	—	22,071,789

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

Operations/type of hedging	Fair value						Cash flow hedges		Non-Italian investments
	Specific					General	Specific	General	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. AFS securities	3,394	—	—	—	—	X	—	X	X
2. Loans and advances	—	—	—	X	—	X	—	X	X
3. Financial assets held to maturity	X	—	—	X	—	X	—	X	X
4. Portfolio	X	X	X	X	X	—	X	—	X
5. Non-Italian investments	—	—	—	—	—	X	—	X	—
Total assets	3,394	—	—	—	—	—	—	—	—
1. Financial liabilities	1,683,405	1,608	—	X	—	X	—	X	X
2. Portfolio	X	X	X	X	X	—	X	—	X
Total liabilities	1,683,405	1,608	—	X	—	—	—	—	X
1. Estimated transactions	X	X	X	X	X	X	—	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	—	X	—	—

SECTION 10

Heading 100: Equity investments

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

Name	Registered office	Type of relationship	Shareholding		% of voting rights
			Investor company	% interest	
Companies					
1. Banca Esperia S.p.A.	Milan	1	Mediobanca	50.00	50.00
2. Fidia SGR S.p.A. (in liquidation)	Milan	2	Mediobanca	25.00	25.00
3. Athena Private Equity S.A.	Luxembourg	2	Mediobanca	24.27	24.27
4. Burgo Group S.p.A.	Altavilla Vicentina (VI)	2	Mediobanca	22.13	22.13
5. RCS MediaGroup S.p.A.	Milan	2	Mediobanca	14.36	14.94
6. Assicurazioni Generali S.p.A.	Trieste	2	Mediobanca	13.24	13.24
7. Gemina S.p.A	Milan	2	Mediobanca	12.53	12.56
8. Telco S.p.A.	Milan	2	Mediobanca	11.62	11.62
9. Pirelli & C. S.p.A.	Milan	2	Mediobanca	4.49	4.61

Legend:

[1] Joint control.

[2] Subject to significant influence.

[3] Subsidiaries owned 100% and not consolidated.

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

Name	Book value	Fair value
B. JOINTLY-CONTROLLED COMPANIES (IAS 31)		
1. Banca Esperia S.p.A.	90,281 [1]	—
C. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE (IAS 28)		
1. Burgo Group S.p.A.	68,463	—
2. Assicurazioni Generali S.p.A.	2,560,705	2,831,747
3. RCS MediaGroup S.p.A.	89,538 [2]	137,336
4. Fidia SGR S.p.A. (into liquidation)	748	—
5. Athena Private Equity S.A.	21,466	—
6. Telco S.p.A.	107,033	—
7. Pirelli & C. S.p.A.	123,849 [3]	189,737
8. Gemina S.p.A.	221,874	198,186
Other minor investments	52	—
Total	3,284,009	—

[1] Includes goodwill amounting to €4,781,000.

[2] Includes goodwill amounting to €51,533,000.

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

The Telco investment has been adjusted in line with a net asset value as shown in the company's interim accounts for the period ended 31 October 2012 (IAS-compliant) reflecting the writedown to the Telecom Italia investment from €1.5 to €1.2 per share. This book value has been deemed not to be in excess of the net present value as defined in IAS 28, section 33, based on the following considerations:

– with a 22.4% interest in the share capital of Telecom Italia, Telco is the group's leading shareholder;
– the time horizon of the investment is medium/long-term;
– the value assigned to the Telecom Italia stock is consistent with the result derived from applying a discounted cash flow model based on the strategic guidance and objectives for the 2013-2018 period presented by Telecom Italia to investors on 8 February 2013.

Based on the information currently available, no further impairment charges have been made to the other investments.

SECTION 12

Heading 120: Property, plant and equipment

12.1 Tangible assets stated at cost

Assets/value	31/12/12	30/6/12
A. Core assets		
1.1 owned by the Group	236,658	238,191
a) land	84,883	84,883
b) buildings	111,398	109,428
c) furniture	15,736	17,686
d) electronic equipment	10,536	11,119
e) other assets	14,105	15,075
1.2 acquired under finance leases:	—	—
a) land	—	—
b) buildings	—	—
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	—	—
Total A	236,658	238,191
B. Assets held for investment purposes		
2.1 owned by the Group:	61,810	55,489
a) land	23,739	23,038
b) buildings	38,071	32,451
2.2 acquired under finance leases:	—	—
a) land	—	—
b) buildings	—	—
Total B	61,810	55,489
Total (A+B)	298,468	293,680

12.3 Core tangible assets: movements during the period

	Land	Buildings	Furniture	Electronic equipment	Other assets	Total
A. Gross opening balance	84,883	139,489	45,293	33,204	57,325	360,194
A.1 Total net value reductions	—	(30,061)	(27,607)	(22,085)	(42,250)	(122,003)
A.2 Net opening balance	84,883	109,428	17,686	11,119	15,075	238,191
B. Additions:	—	3,739	289	910	1,827	6,765
B.1 Purchases	—	3,620	281	893	1,827	6,621
B.2 Improvement expenses, capitalized	—	119	8	10	—	137
B.3 Writebacks	—	—	—	—	—	—
B.4 Increases in fair value recognized in:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
B.5 Increases arising due to exchange rates	—	—	—	—	—	—
B.6 Transfers from properties held for investment purposes	—	—	—	—	—	—
B.7 Other additions	—	—	—	7	—	7
C. Reductions:	—	1,769	2,239	1,493	2,797	8,298
C.1 Disposals	—	—	—	—	5	5
C.2 Depreciation charges	—	1,769	2,239	1,486	2,792	8,286
C.3 Value adjustments for impairment taken to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
C.4 Reductions in fair value charged to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
C.5 Reductions due to exchange rates	—	—	—	—	—	—
C.6 Transfers to:	—	—	—	—	—	—
a) assets held for investment purposes	—	—	—	—	—	—
b) assets being sold	—	—	—	—	—	—
C.7 Other reductions	—	—	—	7	—	7
D. Net closing balance	84,883	111,398	15,736	10,536	14,105	236,658
D.1 Total net value reductions	—	(31,830)	(29,777)	(23,455)	(44,500)	(129,562)
D.2 Gross closing balance	84,883	143,228	45,513	33,991	58,605	366,220
E. Stated at cost	—	—	—	—	—	—

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

	Total	
	Land	**Buildings**
A. Gross opening balance	23,038	32,451
B. Additions	701	7,052
B.1 Purchases [1]	701	7,052
B.2 Improvement expenses, capitalized	—	—
B.3 Net increases in fair value	—	—
B.4 Writebacks	—	—
B.5 Increases arising due to exchange rates	—	—
B.6 Transfers from core assets	—	—
B.7 Other additions	—	—
C. Reductions	—	1,432
C.1 Disposals	—	—
C.2 Depreciation charges	—	1,432
C.3 Reductions in fair value	—	—
C.4 Value adjustments for impairment	—	—
C.5 Reductions arising due to exchange rates	—	—
C.6 Transfers to other asset portfolios	—	—
a) core assets	—	—
b) non-current assets being sold	—	—
C.7 Other reductions	—	—
D. Closing balance	23,739	38,071
E. Stated at fair value	90,714	68,930

[1] Related to collection of a leased property after leasing contract was converted.

SECTION 13

Heading 130: Intangible assets

13.1 Intangible assets

Assets/ amounts	**31/12/12**		**30/6/12**	
	Limited useful life	**Unlimited useful life**	**Limited useful life**	**Unlimited useful life**
A.1 Goodwill	X	365,934	X	365,934
A.1.1 attributable to the Group	X	365,934	X	365,934
A.1.2 attributable to third parties	X	—	X	—
A.2 Other intangible assets	44,293	6,300	52,139	6,300
A.2.1 Recognized at cost:	44,293	6,300	52,139	6,300
a) intangible assets generated internally	—	—	—	—
b) other assets	44,293	6,300	52,139	6,300
A.2.2 Recognized at fair value:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
Total	44,293	372,234	52,139	372,234

13.2 Intangible assets: movements during the period

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life	
A. Balance at start of period	365,934	—	—	134,552	6,300	506,786
A.1 Total net value reductions	—	—	—	(82,413)	—	(82,413)
A.2 Net opening balance	365,934	—	—	52,139	6,300	424,373
B. Additions	—	—	—	3,300	—	3,300
B.1 Purchases	—	—	—	3,300	—	3,300
B.2 Increases in internally generated assets	X	—	—	—	—	—
B.3 Revaluations	X	—	—	—	—	—
B.4 Increases in fair value taken to:	X	—	—	—	—	—
– net equity	X	—	—	—	—	—
– profit and loss account	X	—	—	—	—	—
B.5 Increases arising on exchange rates	—	—	—	—	—	—
B.6 Other additions	—	—	—	—	—	—
C. Reductions	—	—	—	11,146	—	11,146
C.1 Disposals	—	—	—	—	—	—
C.2 Value adjustments	—	—	—	11,146	—	11,146
– amortization	X	—	—	11,146	—	11,146
– writedowns	—	—	—	—	—	—
+ net equity	X	—	—	—	—	—
+ profit and loss account	—	—	—	—	—	—
C.3 Reductions in fair value charged to:	—	—	—	—	—	—
– net equity	X	—	—	—	—	—
– profit and loss account	X	—	—	—	—	—
C.4 Transfers to non-current assets being sold	—	—	—	—	—	—
C.5 Reductions due to exchange rate differences	—	—	—	—	—	—
C.6 Other reductions	—	—	—	—	—	—
D. Balance at end of period	365,934	—	—	44,293	6,300	416,527
D.1 Total net value adjustments	—	—	—	(89,918)	—	(89,918)
E. Gross closing balance	365,934	—	—	134,211	6,300	506,445
F. Stated at cost	—	—	—	—	—	—

SECTION 14

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

14.1 Advance tax assets: composition

	31/12/12	30/6/12
Corporate income tax (IRES)	592,336	662,943
Regional production tax (IRAP)	53,495	74,545
Total	645,831	737,488

14.2 Deferred tax liabilities: composition

	31/12/12	30/6/12
Corporate income tax (IRES)	334,611	289,557
Regional production tax (IRAP)	15,264	6,561
Total	349,875	296,118

14.3 Changes in advance tax during the period

	31/12/12	30/6/12
1. Opening balance	528,382	522,367
2. Additions	67,173	69,113
2.1 Advance tax originating during the period	67,173	69,113
a) for previous years	825	5
b) due to changes in accounting policies	—	—
c) amounts written back	11	99
d) other additions	66,337	69,009
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	47,816	63,098
3.1 Advance tax reversed during the period	41,547	49,992
a) reclassifications	41,236	48,409
b) amounts written off as unrecoverable	—	—
c) due to changes in accounting policies	—	—
d) other	311	1,583
3.2 Reductions in tax rates	—	—
3.3 Other reductions	6,269	13,106
a) trasformation into tax credit due to L. n. 214/2011	6,269	2,823
b) others	—	10,283
4. Balance at end of period	547,739	528,382

14.3.1 Changes in advance tax during the period pursuant to Italian Law 214/11: movements during the period

	31/12/12	30/6/12
1. Opening balance	393,101	—
2. Additions	47,433	426,310
3. Reductions	(37,937)	(33,209)
3.1 Reclassification	(31,659)	(30,387)
3.2 Trasformation into tax credit due to L. n. 214/2011	(6,269)	(2,822)
a) due to loss for the period	—	—
b) due to fiscal loss	(6,269)	(2,822)
3.3 Other reductions	(9)	—
4. Balance at end of period	402,597	393,101

14.4 Changes in deferred tax during the period

	31/12/12	30/6/12
1. Opening balance	274,814	270,701
2. Additions	6,771	6,548
2.1 Deferred tax originating during period	3,409	6,523
a) relating to previous years	16	—
b) due to changes in accounting policies	—	—
c) others	3,393	6,523
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	3,362	25
3. Reductions	992	2,435
3.1 Deferred tax reversed during period	779	2,432
a) reclassifications	487	2,377
b) due to changes in accounting policies	—	—
c) others	292	55
3.2 Reductions in tax rates	—	—
3.3 Other reductions	213	3
4. Balance at end of period	280,593	274,814

14.5 Changes in advance tax during the period [1]

	31/12/12	30/6/12
1. Opening balance	209,106	69,084
2. Additions	37,585	195,722
2.1 Advance tax originating during period	37,431	195,722
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	37,431	195,722
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	154	—
3. Reductions	148,600	55,700
3.1 Advance tax reversed during period	148,600	55,661
a) reclassifications	119,586	55,410
b) writedowns of non-recoverable items	—	—
c) due to changes in accounting policies	—	—
d) others	29,014	251
3.2 Reductions in tax rates	—	—
3.3 Other reductions	—	39
4. Balance at end of period	98,091	209,106

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

14.6 Changes in deferred tax during the period [1]

	31/12/12	30/6/12
1. Opening balance	21,304	42,360
2. Additions	69,037	21,288
2.1 Deferred tax originating during period	69,037	21,288
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	69,037	21,288
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	21,059	42,344
3.1 Advance tax reversed during the period	21,041	42,310
a) reclassifications	21,041	39,235
b) due to changes in accounting policies	—	—
c) others	—	3,075
3.2 Reductions in tax rates	—	—
3.3 Other reductions	18	34
4. Balance at end of period	69,282	21,304

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

SECTION 16

Heading 160: Other assets

16.1 Other assets: composition

	31/12/12	30/6/12
1. Gold, silver and precious metals	695	695
2. Accrued income other than capitalized income from financial assets	8,608	8,223
3. Trade receivables or invoices to be issued	53,867	53,023
4. Amounts due from tax revenue authorities (not recorded under Heading 140)	38,157	58,457
5. Other items	105,835	88,924
- bills for collection	9,158	16,648
- amounts due in respect of premiums, grants, indemnities and other items in respect of lending transactions	55,360	51,444
- futures and other securities transactions	143	1,058
- advance payments on deposit commissions	9,918	6,728
- other items in transit	22,848	7,795
- sundry other items	8,408	5,251
6. Adjustment arising on consolidation	—	2
Total	207,162	209,324

Liabilities

SECTION 1

Heading 10: Due to banks

1.1 Due to banks: composition

Type of transaction/amounts	31/12/12	30/6/12
1. Due to central banks	7,561,050	7,531,506
2. Due to banks	5,607,573	4,468,506
2.1 Current accounts and demand deposits	2,825,699	1,731,667
2.2 Term deposits	50,036	4,405
2.3 Borrowings	2,701,225	2,637,259
2.3.1 Reverse repos	195,828	8,492
2.3.2 Others	2,505,397	2,628,767
2.4 Liabilities in respect of assets sold but not derecognized	—	—
2.5 Other amounts due	30,613	95,175
Total book value	13,168,623	12,000,012
Total fair value	13,168,623	11,972,463

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

Subordinated liabilities included under the heading Due to banks amount to €43,447, and refer to amounts payable by Linea to its former shareholders.

SECTION 2

Heading 20: Due to customers

2.1 Due to customers: composition

Type of transaction/amounts	31/12/12	30/6/12
1. Current accounts and demand deposits	2,715,023	3,050,765
2. Term deposits	11,076,931	10,680,682
3. Borrowings	3,713,193	3,417,479
3.1 Reverse repos	1,910,684	1,501,521
3.2 others	1,802,509	1,915,958
4. Liabilities in respect of assets sold but not derecognized	—	—
5. Other amounts due	7	101
Total book value	17,505,154	17,149,027
Total fair value	17,505,154	17,149,027

SECTION 3

Heading 30: Debt securities in issue

3.1 Debt securities in issue: composition

Type of transaction/amounts	31/12/12				30/6/12			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Listed securities								
1. bonds	29,495,023	2,147,945	27,860,303	—	31,279,519	3,297,251	28,354,327	—
1.1 structured	13,217,589	800,714	12,618,538	—	14,199,132	1,209,423	13,142,904	—
1.2 others	16,277,434	1,347,231	15,241,765	—	17,080,387	2,087,828	15,211,423	—
2. other securities	18,259	—	—	18,259	20,812	—	—	20,812
2.1 structured	—	—	—	—	—	—	—	—
2.2 others	18,259	—	—	18,259	20,812	—	—	20,812
Total	29,513,282	2,147,945	27,860,303	18,259	31,300,331	3,297,251	28,354,327	20,812

Subordinated liabilities included under the heading *Debt securities in issue* total €1,547,435 and are attributable to Mediobanca S.p.A.

SECTION 4

Heading 40: Trading liabilities

4.1 Trading liabilities: composition

Type of transaction/ amounts	31/12/12					30/6/12				
	Nominal value	Fair value			Fair Value (*)	Nominal value	Fair value			Fair Value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Cash liabilities										
1. Due to banks	1,533,423	1,577,397	236	—	1,577,633	398,563	393,112	—	—	393,112
2. Due to customers	877,250	902,406	64	—	902,470	919,249	906,677	—	—	906,677
3. Debt securities	—	—	—	—	X	—	—	—	—	X
3.1 Bonds	—	—	—	—	X	—	—	—	—	X
3.1.1 Structured	—	—	—	—	X	—	—	—	—	X
3.1.2 Other	—	—	—	—	X	—	—	—	—	X
3.2 Other securities	—	—	—	—	X	—	—	—	—	X
3.2.1 Structured	—	—	—	—	X	—	—	—	—	X
3.2.2 Other	—	—	—	—	X	—	—	—	—	X
Total A	2,410,673	2,479,803	300	—	2,480,103	1,317,812	1,299,789	—	—	1,299,789
B. Derivative products										
1. Financial derivatives	X	999,473	4,590,789	1,016,428	X	X	1,048,006	4,374,553	1,152,220	X
1.1 Trading	X	999,473	4,399,914	780,595 (1)	X	X	1,048,006	4,195,419	940,567 (1)	X
1.2 Linked to fair value options	X	—	—	—	X	X	—	—	—	X
1.3 Other	X	—	190,875	235,833 (2)	X	X	—	179,134	211,653 (2)	X
2. Credit derivatives	X	1,091,064	469,652	64	X	X	1,478,769	581,275	398	X
2.1 Trading	X	1,091,064	469,652	64	X	X	1,478,769	581,275	398	X
2.2 Linked to fair value options	X	—	—	—	X	X	—	—	—	X
2.3 Other	X	—	—	—	X	X	—	—	—	X
Total B	X	2,090,537	5,060,441	1,016,492	X	X	2,526,775	4,955,828	1,152,618	X
Total (A+B)	X	4,570,340	5,060,741	1,016,492	X	X	3,826,564	4,955,828	1,152,618	X

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

1 €658,903,000 and €679,932,000 respectively in respect of options traded, against equivalent amounts recorded as financial assets held for trading.

2 Market value of options embedded in bonds issued by the Mediobanca S.p.A. and Mediobanca International, with the equivalent amounts being recorded as financial assets held for trading.

SECTION 6

Heading 60: Hedging derivatives

6.1 Hedging derivatives: by type of product/underlying asset

Items/amounts	31/12/12 Fair value			Nominal value	30/6/12 Fair value			Nominal value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	345,677	—	5,616,543	—	364,954	—	9,896,258
1) Fair value	—	293,380	—	5,057,230	—	318,737	—	9,118,258
2) Cash flow	—	52,297	—	559,313	—	46,217	—	778,000
3) Non-Italian investments	—	—	—	—	—	—	—	—
B. Financial derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	345,677	—	5,616,543	—	364,954	—	9,896,258

6.2 Hedging derivatives: by portfolio hedged/hedge type

Operations/type of hedging	Fair value						Cash flow hedges		Non-Italian investments
	Specific					General	Specific	General	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. AFS securities	7,969	—	—	—	—	X	—	X	X
2. Loans and advances	33,280	—	—	X	—	X	—	X	X
3. Financial assets held to maturity	X	—	—	X	—	X	—	X	X
4. Portfolio	X	X	X	X	X	—	X	—	X
5. Other operations	—	—	—	—	—	X	—	X	—
Total assets	41,249	—	—	—	—	—	—	—	—
1. Financial liabilities	249,521	2,610	—	X	—	X	52,297	X	X
2. Portfolio	X	X	X	X	X	—	X	—	X
Total liabilities	249,521	2,610	—	X	—	—	52,297	—	X
1. Expected transactions	X	X	X	X	X	X	—	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	—	X	—	—

SECTION 8

Heading 80: Tax liabilities

See Assets, Section 14.

SECTION 10

Heading 100: Other liabilities

10.1 Other liabilities: composition

	31/12/12	30/6/12
1. Payment agreements (IFRS 2)	9	9
2. Impaired endorsements	14,489	16,969
3. Working capital payables and invoices pending receipt	179,079	191,826
4. Amounts due to revenue authorities	75,435	87,805
5. Amounts due to staff	99,584	131,338
6. Other items:	96,048	114,424
- bills for collection	25,980	27,908
- coupons and dividends pending collection	2,217	2,212
- available sums payable to third parties	25,961	36,474
- premiums, grants and other items in respect of lending transactions	17,334	27,528
- credit notes to be issued	17,653	13,948
- other	6,903	6,354
7. Adjustments upon consolidation	—	—
Total	464,644	542,371

SECTION 11

Heading 110: Staff severance indemnity provision

11.1 Staff severance indemnity provision: changes during the period

	31/12/12	30/6/12
A. Balance at start of period	24,652	26,036
B. Additions	8,425	12,951
B.1 Transfers during period	5,711	12,030
B.2 Other additions	2,714	921
C. Reductions	6,231	14,335
C.1 Indemnities paid out	922	2,910
C.2 Other reductions [1]	5,309	11,425
D. Balance at end of period	26,846	24,652

[1] Includes €4,272,000 in transfers to external, defined contribution pension schemes (€9,067,000 at 30/6/12).

SECTION 12

Heading 120: Provisions

12.1 Provisions: composition

Item/amounts	31/12/12	30/6/12
1. Company post-employment benefit provision	—	—
2. Other provisions	160,772	160,471
2.1 litigation	2,933	2,546
2.2 staff-related	—	468
2.3 other	157,839	157,457
Total	160,772	160,471

12.2 Provisions: movements during the period

Item/amounts	Post-employment benefit provision	Litigation	Staff costs	Other provisions	Total
A. Balance at start of period	—	2,546	468	157,457	160,471
B. Additions	—	393	—	831	1,224
B.1 Transfers during period	—	393	—	831	1,224
B.2 Changes due to passing of time	—	—	—	—	—
B.3 Additions due to changes in discount rate	—	—	—	—	—
B.4 Other additions	—	—	—	—	—
C. Reductions	—	6	468	449	923
C.1 Transfers during period	—	6	164	448	618
C.2 Reductions due to changes in discount rate	—	—	—	—	—
C.3 Other reductions	—	—	304	1	305
D. Balance at end of period	—	2,933	—	157,839	160,772

SECTION 13

Heading 130: Technical reserves

13.1 Technical reserves: composition

	Direct business	Indirect business	6 mths ended 31/12/12	12 mths ended 30/6/12
A. Non-life business				
A.1 Reserves for premiums	—	101,694	101,694	93,042
A.2 Reserves for claims	—	9,378	9,378	6,240
A.3 Other reserves	—	—	—	—
B. Life business				
B.1 Mathematical reserves	—	—	—	—
B.2 Reserves for sums to be paid out	—	—	—	—
B.3 Other reserves	—	—	—	—
C. Technical reserves where risk of investment is borne by insured parties				
C.1 Reserves for contracts in which performance is related to investment funds and market indexes	—	—	—	—
C.2 Reserves deriving from pension fund management	—	—	—	—
D. Total technical reserves	—	111,072	111,072	99,282

13.2 Technical reserves: movements during the period

	31/12/12	30/6/12
A. Non-life business		
Balance at start of period	99,282	54,828
Combinations involving group companies	—	—
Changes to reserves (+/-)	11,790	30,235
Other additions	—	14,219
Balance at end of period	111,072	99,282
B. Life business and other reserves		
Balance at start of period	—	14,219
Combinations involving group companies	—	—
Changes due to premiums	—	—
Changes due to sums to be paid out	—	—
Changes due to payments	—	—
Changes due to incomes and other bonuses recognized to insured parties (+/-)	—	—
Changes to other technical reserves (+/-)	—	—
Other reductions	—	(14,219)
Balance at end of period	—	—
C. Total technical reserves	111,072	99,282

SECTION 15

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

15.1 Group capital: composition

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

15.2 Share capital: changes in no. of Mediobanca S.p.A. shares in issue during period

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

15.4 Profit reserves: other information

Item	6 mths ended 31/12/12	12 mths ended 30/6/12
1. Legal reserve	86,113	86,113
2. Statutory reserves	1,077,282	1,077,282
3. Treasury shares	213,844	213,844
4. Others	3,089,384	3,041,662
Total	4,466,623	4,418,901

SECTION 16

Heading 210: Net equity attributable to minorities

16.1 Net equity attributable to minorities: composition

Item/amounts	6 mths ended 31/12/12	12 mths ended 30/6/12
1. Share capital	24,948	24,948
2. Share premium reserve	7,216	7,216
3. Reserves	83,350	83,878
4. Treasury shares	—	—
5. Valuation reserves[1]	(6,095)	(6,123)
6. Equity instruments	—	—
7. Profit (loss) for the period attributable to minorities	(1,026)	(528)
Total	108,393	109,391

[1] Refers to cash flow hedges.

Other information

1. Guarantees and commitments

Transactions	6 mths ended 31/12/12	12 mths ended 30/6/12
1. Financial guarantees given to:	174,904	259,912
a) Banks	29,632	29,631
b) Customers	145,272	230,281
2. Commercial guarantees given to:	—	—
a) Banks	—	—
b) Customers	—	—
3. Irrevocable commitments to lend funds to:	12,027,369	14,571,200
a) Banks	67,800	65,699
i) specific	67,800	65,699
ii) standby basis	—	—
b) Customers	11,959,569	14,505,501
i) specific	9,197,690	10,351,135
ii) standby basis	2,761,879	4,154,366
4. Commitments underlying credit derivatives: hedge sales [1]	62,426,813	82,916,472
5. Assets pledged as collateral for customer obligations	—	—
6. Other commitments	4,921,409	6,243,498
Total	79,550,495	103,991,082

[1] Balance includes transactions fully matched by hedge buys (€57,675,805,000 and €72,496,783,000 respectively).

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

Transactions	6 mths ended 31/12/12	12 mths ended 30/6/12
1. Securities traded on behalf of customers	15,769,900	16,964,927
a) Purchases	7,218,093	8,268,052
1. settled	7,158,837	8,219,503
2. pending settlement	59,256	48,549
b) Disposals	8,551,807	8,696,875
1. settled	8,492,551	8,648,326
2. pending settlement	59,256	48,549
2. Asset management[1]	3,336,000	3,038,000
a) individuals	847,000	809,000
b) groups	2,489,000	2,229,000
3. Securities under custody/managed on a non discretionary basis	56,298,202	58,585,764
a) customers' securities held on deposit: in connection with the Bank's activity as deposit bank (not including asset management)[2]	8,496,277	9,751,031
1. securities issued by bank drawing up consolidated financial statements	2,606,647	3,109,620
2. other securities	5,889,630	6,641,411
b) other customers' securities held on deposit (not including asset management): others	6,554,621	6,151,229
1. securities issued by bank drawing up consolidated financial statements	34	34
2. other securities	6,554,587	6,151,195
c) customers' securities held on deposit with customers	10,408,780	12,330,553
d) own securities held on deposit with customers	30,838,524	30,352,951
4. Other transactions	—	—

[1] The Esperia group has assets under management worth €6,765,000 (€6,840,000 at 30/6/12).

[2] The Esperia group manages assets on a non-discretionary basis worth €6,192,000 (€5,995,000 at 30/6/12).

Part C - Notes to consolidated profit and loss account

SECTION 1

Headings 10 and 20: Net interest income

1.1 Interest and similar income: composition

Line items/technical forms	Debt securities	Loans and advances	Other transactions	6 mths ended 31/12/12	6 mths ended 31/12/11
1. Financial assets held for trading	62,050	189	—	62,239	96,819
2. Financial assets recognized at fair value	—	—	—	—	—
3. AFS securities	154,357	—	—	154,357	125,998
4. Financial assets held to maturity	38,696	—	—	38,696	38,395
5. Due from banks	49,030	24,574	—	73,604	98,562
6. Due from customers	7,864	786,717	—	794,581	917,420
7. Hedge derivatives	X	X	330,405	330,405	272,645
8. Other assets	X	X	1,112	1,112	2,459
Total	311,997	811,480	331,517	1,454,994	1,552,298

1.4 Interest expense and similar charges: composition

Line items/technical forms	Accounts payable	Securities	Other liabilities	6 mths ended 31/12/12	6 mths ended 31/12/11
1. Due to central banks	(29,560)	X	—	(29,560)	(4,436)
2. Due to banks	(24,540)	X	—	(24,540)	(60,887)
3. Due to customers	(214,517)	X	—	(214,517)	(151,290)
4. Debt securities in issue	—	(653,825)	—	(653,825)	(777,185)
5. Trading liabilities	X	—	—	—	—
6. Financial liabilities recognized at fair value	—	—	—	—	—
7. Other liabilities	X	X	(7)	(7)	(3)
8. Hedging derivatives	X	X	—	—	—
Total	(268,617)	(653,825)	(7)	(922,449)	(993,801)

SECTION 2

Headings 40 and 50: Net fee and commission income

2.1 Net fee and commission income: composition

Type of service/sectors	6 mths ended 31/12/12	6 mths ended 31/12/11
a) guarantees given	872	1,230
b) credit derivatives	—	—
c) management, trading and advisory services:	80,745	90,620
1. securities trading	3,320	3,533
2. foreign currency trading	—	—
3. asset management	4,212	2,531
3.1 individuals	4,212	2,531
3.2 groups	—	—
4. securities under custody and non-discretionary management	3,299	2,850
5. deposit bank services	537	600
6. securities placement	30,361	23,494
7. procurement of orders	3,064	3,453
8. advisory services	—	—
8.1 investment advisory services	—	—
8.2 structured finance advisory services	—	—
9. agency fees	35,952	54,159
9.1 asset management	10,693	8,591
9.1.1 individuals	10,693	8,591
9.1.2 groups	—	—
9.2 insurance products	25,223	45,555
9.3 other products	36	13
d) collection and payment services	3,145	2,449
e) securitization services	—	—
f) factoring services	—	—
g) tax collection and receipt services	—	—
h) multilateral trading systems activity	—	—
i) current account keeping and management	529	311
j) other services	93,785	112,407
Total	179,076	207,017

2.2 Fee and commission expense: composition

Services/amounts	6 mths ended 31/12/12	6 mths ended 31/12/11
a) guarantees received	—	—
b) credit derivatives	—	—
c) management and trading services:	(5,942)	(4,875)
1. securities trading	(2,258)	(1,423)
2. foreign currency trading	—	—
3. asset management:	—	—
3.1 proprietary	—	—
3.2 on behalf of customers	—	—
4. securities under custody/held on a non-discretionary basis	(1,374)	(1,391)
5. securities placement	(2,310)	(2,061)
6. door-to-door sales of securities, products and services	—	—
d) collection and payment services	(3,250)	(2,452)
e) other services	(15,073)	(10,698)
Total	(24,265)	(18,025)

SECTION 3

Heading 70: Dividends and similar income

3.1 Dividends and similar income: composition

Line items/income	6 mths ended 31/12/12		6 mths ended 31/12/11	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	5,360	—	28,363	—
B. AFS securities	2,846	—	7,505	—
C. Financial assets recognized at fair value	—	—	—	—
D. Equity investments	—	X	—	X
Total	8,206	—	35,868	—

SECTION 4

Heading 80: Net trading income

4.1 Net trading income: composition

Transactions/income elements	Gains (A)	Dealing profits (B)	Value reductions (C)	Dealing losses (D)	Net trading income [(A+B)-(C+D)]
1. Trading assets	214,193	216,936	(125,282)	(92,152)	213,695
1.1 Debt securities	165,896	135,971	(74,587)	(48,967)	178,313
1.2 Equities	44,923	74,660	(44,869)	(42,576)	32,138
1.3 UCITS units	3,024	6,234	(5,742)	(609)	2,907
1.4 Loans and advances	350	71	(84)	—	337
1.5 Others	—	—	—	—	—
2. Trading liabities	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—
2.2 Debts	—	—	—	—	—
2.3 Others	—	—	—	—	—
3. Other assets and liabilities: differences arising on exchange rates	X	X	X	X	(16,293)
4. Derivative products	4,115,884	2,023,898	(3,863,922)	(2,436,786)	(130,579)
4.1 Financial derivatives:	2,538,247	1,350,059	(2,276,686)	(1,767,649)	(125,682)
– debt securities and interest rates[1]	1,098,519	272,157	(1,108,254)	(391,739)	(129,317)
– equities and stock market indexes	1,178,963	1,071,909	(1,108,203)	(1,372,607)	(229,938)
– foreign currency and gold	X	X	X	X	30,345
– others	260,765	5,993	(60,229)	(3,303)	203,228
4.2 Credit derivatives	1,577,637	673,839	(1,587,236)	(669,137)	(4,897)
Total	4,330,077	2,240,834	(3,989,204)	(2,528,938)	66,823

[1] Of which €19,170,000 in margins on interest rate derivatives (31/12/11: €8,072,000).

SECTION 5

Heading 90: Net hedging income (expense)

5.1 Net hedging income (expense): composition

Income elements/amounts	6 mths ended 31/12/12	6 mths ended 31/12/11
A. Income from:		
A.1 Fair value hedge derivatives	213,464	997,744
A.2 Financial assets hedged (fair value)	2,742	62,694
A.3 Financial liabilities hedged (fair value)	147,057	70,974
A.4 Cash flow hedge derivatives	—	11
A.5 Assets and liabilities in foreign currencies	—	—
Total hedging income (A)	363,263	1,131,423
B. Expense related to:		
B.1 Fair value hedge derivatives	(113,219)	(79,534)
B.2 Financial assets hedged (fair value)	(1,278)	(140)
B.3 Financial liabilities hedged (fair value)	(244,416)	(1,047,282)
B.4 Cash flow hedge derivatives	(34)	(38)
B.5 Assets and liabilities in foreign currencies	—	—
Total hedging expense (B)	(358,947)	(1,126,994)
Net hedging income (A–B)	4,316	4,429

SECTION 6

Heading 100: Gains (losses) on disposals/repurchases

6.1 Gains (losses) on disposals/repurchases: composition

Line items/income elements	6 mths ended 31/12/12			6 mths ended 31/12/11		
	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
Financial assets						
1. Due from banks	—	(32)	(32)	—	—	—
2. Due from customers	15,777	(9,470)	6,307	24	—	24
3. AFS securities	10,747	(22,124)	(11,377)	27,701	(65,720)	(38,019)
3.1 Debt securities	7,114	(8,530)	(1,416)	13,334	(446)	12,888
3.2 Equities	3,623	(13,594)	(9,971)	14,108	(65,012)	(50,904)
3.3 UCITS units	10	—	10	259	(262)	(3)
3.4 Loans and advances	—	—	—	—	—	—
4. Financial assets held to maturity	478	—	478	201	—	201
Total assets	27,002	(31,626)	(4,624)	27,926	(65,720)	(37,794)
Financial liabilities						
1. Due to banks	—	—	—	3,875	—	3,875
2. Due to customers	—	—	—	124	—	124
3. Debt securities in issue	13,545	(235)	13,310	21,401	(794)	20,607
Total liabilities	13,545	(235)	13,310	25,400	(794)	24,606

SECTION 8

Heading 130: Adjustments for impairment

8.1 Adjustments for impairment: composition

Transactions/income elements	Value adjustments			Amounts recovered				6 mths ended 31/12/12	6 mths ended 31/12/11
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Due from banks	—	—	—	—	—	—	349	349	(3,333)
- Loans	—	—	—	—	—	—	349	349	(3,333)
- Debt securities	—	—	—	—	—	—	—	—	—
B. Due from customers	(27,651)	(248,290)	(32,612)	2,112	84,716	—	4,065	(217,660)	(186,212)
- Loans	(27,651)	(248,290)	(32,612)	2,112	84,716	—	4,065	(217,660)	(186,212)
- Debt securities	—	—	—	—	—	—	—	—	—
C. Total	(27,651)	(248,290)	(32,612)	2,112	84,716	—	4,414	(217,311)	(189,545)

Legend:

A = interest

B = other amounts recovered

8.2 Net value adjustments for impairment to AFS securities: composition

Transactions/income elements	Value adjustments		Amounts recovered		6 mths ended 31/12/12	6 mths ended 31/12/11
	Specific		Specific			
	Writeoffs	Others	A	B		
A. Debt securities	—	—	—	12,168	12,168	(114,490)
B. Equities	—	(6,121)	X	X	(6,121)	(59,339)
C. UCITS units	—	(569)	X	—	(569)	(552)
D. Loans and advances to banks	—	—	—	—	—	—
E. Loans and advances to customers	—	—	—	—	—	—
F. Total	—	(6,690)	—	12,168	5,478	(174,381)

Legend:

A = interest

B = other amounts recovered

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

Transactions/income elements	Value adjustments			Amounts recovered				6 mths ended 31/12/12	6 mths ended 31/12/11
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Debt securities	—	(247)	—	268	137	—	—	158	(1,454)
B. Loans and advances to banks	—	—	—	—	—	—	—	—	—
C. Loans and advances to customers	—	—	—	—	—	—	—	—	—
D. Total	—	(247)	—	268	137	—	—	158	(1,454)

Legend:

A = interest

B = other amounts recovered

8.4 Adjustments for impairment to other financial transactions: composition

Transactions/income-linked components	Value adjustments			Amounts recovered				6 mths ended 31/12/12	6 mths ended 31/12/11
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Guarantees given	—	(53,656)	(1)	—	—	—	35,223	(18,434)	(23,440)
B. Credit derivatives	—	—	—	—	—	—	—	—	—
C. Commitments	—	—	(147)	—	523	—	2,442	2,818	604
D. Other transactions	—	—	—	—	—	—	—	—	—
E. Total	—	(53,656)	(148)	—	523	—	37,665	(15,616)	(22,836)

Legend:

A = interest

B = other amounts recovered

SECTION 9

Heading 150: Net premium income

9.1 Net premium income: composition

Premium income from insurance operations	Direct business	Indirect business	6 mths ended 31/12/12	6 mths ended 31/12/11
A. Life business				
A.1 Gross premiums written (+)	—	—	—	—
A.2 Premiums ceded to reinsurers (-)	—	X	—	—
A.3 Total	—	—	—	—
B. Non-life business				
B.1 Gross premiums written (+)	—	23,814	23,814	31,463
B.2 Premiums ceded to reinsurers (-)	—	X	—	(226)
B.3 Changes in gross amount of reserve for premiums (+/-)	—	(8,653)	(8,653)	(21,803)
B.4 Changes in reserve for premiums payable by reinsurers (-/+)	—	—	—	—
B.5 Total	—	15,161	15,161	9,434
D. Total net premium income	—	15,161	15,161	9,434

SECTION 10

Heading 160: Income less expense from insurance operations

10.1 Income less expense from insurance operations: composition

Items	6 mths ended 31/12/12	6 mths ended 31/12/11
1. Net change in technical reserves	—	—
2. Claims paid out during the year	(4,975)	(2,147)
3. Other income (expenses) from insurance operations	(2,488)	(1,482)
Total	(7,463)	(3,629)

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

Claims expenses	6 mths ended 31/12/12	6 mths ended 31/12/11
Life business: expenses for claims net of amounts ceded to reinsurers		
A. Amounts paid	—	—
A.1 Gross annual amount	—	—
A.2 (-) Share payable by reinsurers	—	—
B. Changes to reserve due to sums to be paid	—	—
B.1 Gross annual amount	—	—
B.2 (-) Share payable by reinsurers	—	—
Total claims life business	—	—
Non-life business: expenses for claims net of amounts recovered and ceded to reinsurers		
C. Amounts paid	(1,838)	(730)
C.1 Gross annual amount	(1,838)	(730)
C.2 (-) Share payable by reinsurers	—	—
D. Changes to amounts recovered net of shares payable by reinsurers	—	—
E. Changes to reserve for claims	(3,137)	(1,417)
E.1 Gross annual amount	(3,137)	(1,417)
E.2 Share payable by reinsurers (-)	—	—
Total claims non-life business	(4,975)	(2,147)

SECTION 11

Heading 180: Administrative expenses

11.1 Personnel costs: composition

Type of expense/sectors	6 mths ended 31/12/12	6 mths ended 31/12/11
1. Employees	(184,699)	(190,137)
a) wages and salaries	(127,346)	(137,016)
b) social security contributions	(30,172)	(31,526)
c) severance indemnities	—	—
d) pension contributions	—	—
e) transfers to severance indemnity provisions	(7,710)	(5,083)
f) transfers to post-employment and similar benefits provisions:	—	—
– defined benefit	—	—
– defined contribution	—	—
g) amounts paid to external complementary pension schemes:	(5,347)	(6,348)
– defined benefit	(5,347)	(6,348)
– defined contribution	—	—
h) expenses incurred in connection with share payment schemes	(7,809)	(5,029)
– stock options	(2,672)	(2,849)
– performance shares	(5,137)	(2,180)
i) other staff benefits	(6,315)	(5,135)
2. Other staff	(3,638)	(4,017)
3. Board members	(3,876)	(4,586)
4. Expenses incurred in connection with staff retiring	(2,203)	(2,589)
Total	(194,416)	(201,329)

11.2 Average number of staff by category

	6 mths ended 31/12/12	6 mths ended 31/12/11
Employees:		
a) Senior executives	195	189
b) Excutives	1,183	1,165
c) Other employees	2,086	2,133
Other staff	210	205
Total	3,674	3,692

11.5 Other administrative expenses: composition

	6 mths ended 31/12/12	6 mths ended 31/12/11
OTHER ADMINISTRATIVE EXPENSES		
– legal, tax and professional services	(14,185)	(17,059)
– loan recovery activity	(22,398)	(22,102)
– marketing and communications	(26,177)	(33,514)
– property	(17,947)	(20,028)
– EDP	(17,202)	(17,052)
– info-provider	(13,364)	(12,919)
– bank charges, collection and payment fees	(10,698)	(10,805)
– operating expenses	(24,565)	(26,243)
– other staff expenses	(9,319)	(11,798)
– other costs	(4,576)	(3,905)
– indirect and other taxes	(20,109)	(22,367)
Total other administrative expenses	(180,540)	(197,792)

SECTION 12

Heading 190: Net transfers to provisions

12.1 Net transfers to provisions: composition

	6 mths ended 31/12/12	6 mths ended 31/12/11
TRANSFERS MADE TO COVER:		
– litigation	—	—
– advertising expenses	—	—
– certain or probable exposures or commitments[1]	(1,224)	(1,375)
Total net transfers to provisions	(1,224)	(1,375)

[1] Includes effect of discounting provisions.

SECTION 13

Heading 200: Net adjustments to tangible assets

13.1 Net adjustments to tangible assets: composition

Assets/income elements	Depreciation (a)	Value adjustments for impairment (b)	Amounts recovered (c)	Net result (a+b+c)
A. Tangible assets				
A.1 Owned	(9,718)	—	—	(9,718)
– core	(8,286)	—	—	(8,286)
– for investment purposes	(1,432)	—	—	(1,432)
A.2 Acquired under finance leases	—	—	—	—
– core	—	—	—	—
– for investment purposes	—	—	—	—
Total	(9,718)	—	—	(9,718)

SECTION 14

Heading 210: Net adjustments to intangible assets

14.1 Net adjustments to intangible assets: composition

Assets/income elements	Depreciation (a)	Value adjustments for impairment (b)	Amounts recovered (c)	Net result (a+b+c)
A. Intangible assets				
A.1 Owned	(11,146)	—	—	(11,146)
– software	(6,741)	—	—	(6,741)
– other	(4,405)	—	—	(4,405)
A.2 Acquired under finance leases	—	—	—	—
Total	(11,146)	—	—	(11,146)

SECTION 15

Heading 220: Other operating income (expense)

15.1 Other operating expense: composition

Income-based components/values	6 mths ended 31/12/12	6 mths ended 31/12/11
a) Leasing activity	(11,128)	(11,408)
b) Sundry costs and expenses	(6,674)	(1,194)
Total	(17,802)	(12,602)

15.2 Other operating income: composition

Income-based components/values	6 mths ended 31/12/12	6 mths ended 31/12/11
a) Amounts recovered from customers	23,903	23,481
b) Leasing activity	11,236	13,093
c) Other income	41,548	38,527
Total	76,687	75,101

SECTION 16

Heading 240: Gains (losses) on equity investments

16.1 Gains (losses) on equity investments: composition

Income-based components/values	6 mths ended 31/12/12	6 mths ended 31/12/11
1. Jointly-controlled companies		
A. Income	—	—
1. Revaluations	—	—
2. Gains on disposals	—	—
3. Amounts recovered	—	—
4. Other increases	—	—
B. Expenses	—	—
1. Writedowns	—	—
2. Adjustments for impairment	—	—
3. Losses from disposals	—	—
4. Other reductions	—	—
Net income	—	—
2. Companies subject to significant influence		
A. Income	107,079	76,483
1. Revaluations	107,079	76,483
2. Gains on disposals	—	—
3. Amounts recovered	—	—
4. Other increases	—	—
B. Expenses	(116,271)	(59,883)
1. Writedowns	(21,254)	(4,637)
2. Adjustments for impairment	(95,017)	(55,246)
3. Losses from disposals	—	—
4. Other reductions	—	—
Net income	(9,192)	16,600
Total	(9,192)	16,600

SECTION 19

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

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

Income elements/sectors	6 mths ended 31/12/12	6 mths ended 31/12/11
A. Properties	—	44,295
– gains on disposals	—	44,295
– losses on disposals	—	—
B. Other assets	2	(545)
– gains on disposals	2	—
– losses on disposals	—	(545)
Net gain (loss)	2	43,750

SECTION 20

Heading 290: Income tax on ordinary activities

20.1 Income tax on ordinary activities: composition

Income elements/sectors	6 mths ended 31/12/12	6 mths ended 31/12/11
1. Current taxes	(97,953)	(62,110)
2. Changes in current taxes for previous financial years	(1,338)	(723)
3. Reductions in current tax for the period	123	163
3bis. Reductions in current tax for the period due to tax credit of L. 214/2011 (+)	(6,269)	—
4. Changes in advance tax	15,409	(6,365)
4bis. Changes in advance tax due to tax credit of L. 214/2011 (-)	6,269	—
5. Changes in deferred tax	(1,916)	(2,325)
6. Income tax for the year	(85,675)	(71,360)

SECTION 24

Earnings per share

24.1 Average number of ordinary shares on a diluted basis

	6 mths ended 31/12/12	6 mths ended 31/12/11
Net profit	123,796	63,425
Avg. no. of shares in issue	844,119,212	844,119,212
Avg. no. of potentially diluted shares	47,425,494	43,467,447
Avg. no. of diluted shares	891,544,706	887,586,659
Earnings per share	0.15	0.07
Earnings per share, diluted	0.14	0.07

Part E - Information on risks and related hedging policies

SECTION 1

Banking Group risks

1.1CREDIT RISK

QUALITATIVE INFORMATION

Basel II project

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

A specific project has therefore been launched with a view to obtaining ratification by the Bank of Italy of the internal rating models to be used in calculating the capital requirements for credit risk. The internal rating models regard the following customer segments: Banks, Insurances, Large corporate, 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).

Given the above, the timeframe for submitting the application for the IRB system to be validated to the Bank of Italy is still being reviewed; and until the system has been validated, the Mediobanca Group will continue to use the standardized methodology it has adopted since 1 January 2008.

Corporate banking (Mediobanca)

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

Leasing

Individual applications are processed using similar methods to those described above for corporate banking. Applications for leases below a predetermined limit received via banks with which Mediobanca has agreements in place are approved by the banks themselves, against written guarantees from them covering a portion of the risk. At SelmaBipiemme 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 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, sub-standard and restructured accounts plus impaired, overdue exposures 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 performing 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 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 six 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. Accounts for which legal action has been certified as impossible are sold to Cofactor or to other factoring companies, usually between the ninth and the twelfth overdue instalment, 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 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. If further signs of deterioration are noted, property enforcement procedures are instigated through external lawyers.

QUANTITATIVE INFORMATION

Credit quality

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

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

Portfolio/quality	Banking Group					Others		Total
	Non-performing	Potential problem	Restructured	Overdue	Other assets	Overdue	Other assets	
1. Financial assets held for trading	—	—	—	—	13,421,627	—	—	13,421,627
2. AFS securities	—	—	10,996	—	10,778,047	—	55,351	10,844,394
3. Financial assets held to maturity	—	—	—	—	1,722,548	—	—	1,722,548
4. Due from banks	—	—	—	—	5,127,486	—	65,615	5,193,101
5. Due from customers	245,688	303,867	246,845	204,864	38,888,598	—	13,950	39,903,812
6. Financial assets recognized at fair value	—	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	1,688,407	—	—	1,688,407
Total at 31/12/12	245,688	303,867	257,841	204,864	71,626,713	—	134,916	72,773,889
Total at 30/6/12	241,982	271,847	203,108	206,280	70,843,090	—	112,146	71,878,453

[1] Includes pro-rata consolidation of Banca Esperia.

[2] Includes Compass RE (reinsurance company), Creditech, R&S and Sade (other companies).

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

Portfolio/quality	Impaired assets			Performing			Total
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
A. Banking group							
1. Financial assets held for trading	—	—	—	X	X	13,366,276	13,366,276
2. AFS securities	17,867	(6,871)	10,996	10,833,398	—	10,833,398	10,844,394
3. Financial assets held to maturity	—	—	—	1,733,688	(11,140)	1,722,548	1,722,548
4. Due from banks	—	—	—	5,134,437	(6,950)	5,127,487	5,127,487
5. Due from customers	1,696,462	(695,199)	1,001,263	39,167,772	(279,174)	38,888,598	39,889,862
6. Financial assets recognized at fair value	—	—	—	X	X	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	X	X	1,688,407	1,688,407
Total A	1,714,329	(702,070)	1,012,259	56,869,295	(297,264)	71,626,714	72,638,974
B. Others							
1. Financial assets held for trading	—	—	—	X	X	55,351	55,351
2. AFS securities	—	—	—	—	—	—	—
3. Financial assets held to maturity	—	—	—	—	—	—	—
4. Due from banks	—	—	—	65,615	—	65,615	65,615
5. Due from customers	—	—	—	13,950	—	13,950	13,950
6. Financial assets recognized at fair value	—	—	—	X	X	—	—
7. Financial assets being sold	—	—	—			—	—
8. Hedging derivatives	—	—	—	X	X	—	—
Total B	—	—	—	79,565	—	134,916	134,916
Total at 31/12/12	1,714,329	(702,070)	1,012,259	56,948,860	(297,264)	71,761,630	72,773,889
Total at 30/6/12	1,467,954	(544,737)	923,217	56,910,151	(333,559)	70,955,236	71,878,453

[1] The gross exposures include €31.7m towards Iranian counterparties, with unpaid instalments amounting to €7.8m.

[2] The performing assets include €72.3m in unpaid instalments, corresponding to a gross exposure (including the share not yet overdue) of €761.4m (equal to 2% of the performing assets), €316.3m of which is attributable to leasing (or 9% of the performing assets in this segment), €239.8m to consumer credit (3%), and €137.1m to CheBanca! mortgages (3%). Gross exposures being renegotiated under the terms of collective agreements amount to €68.5m, 85% of which is attributable to consumer credit, and 15% to mortgages granted by CheBanca!.

Information on sovereign debt exposures

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

Asset portfolio/quality	Impaired assets[1]				Performing assets			Total (net exposure)[2]
	Gross exposure	Specific adjustments	Collective adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	—	—	—	1,908,044	1,908,044
Italy	—	—	—	—	—	—	640,340	640,340
Germany	—	—	—	—	—	—	1,034,093	1,034,093
Spain	—	—	—	—	—	—	147,650	147,650
Turkey	—	—	—	—	—	—	29,966	29,966
Others	—	—	—	—	—	—	55,995	55,995
2. AFS securities	17,004	(6,871)	—	10,133	8,051,597	—	8,051,597	8,061,730
Italy	—	—	—	—	7,624,637	—	7,624,637	7,624,637
Greece	17,004	(6,871)	—	10,133	—	—	—	10,133
Germany	—	—	—	—	303,121	—	303,121	303,121
France	—	—	—	—	20,167	—	20,167	20,167
European Union	—	—	—	—	103,672	—	103,672	103,672
3. Financial assets held to maturity	—	—	—	—	353,647	—	353,647	353,647
Italy	—	—	—	—	352,966	—	352,966	352,966
Others	—	—	—	—	681	—	681	681
Total at 31/12/12	17,004	(6,871)	—	10,133	8,405,244	—	10,313,288	10,323,421

* Does not include financial and credit derivatives.

[1] Impaired assets only include the Greek government securities held in the AFS portfolio as a result of the restructuring agreement.

[2] 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 €33.6m.

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

Asset portfolio/quality	Trading book[1]			Banking book			
	Nominal value	Book value	Duration	Nominal value	Book value	Fair value	Duration
Italy	610,720	640,340	4,79	7,896,298	7,982,453	7,999,824	2,31
Germany	984,372	1,034,093	4,53	270,000	303,121	303,121	3,23
France				20,400	20,167	20,167	1,35
Spain	150,000	147,650	0,72				
Turkey	26,900	29,966	1,11				
Greece [2]	—	—	—	22,094	10,133	10,133	12,69
European Union	—	—	—	102,374	103,672	103,672	0,84
Others	60,263	55,994	—	14,314	681	16,884	—
Total at 31/12/12	1,832,255	1,908,043		8,325,480	8,420,227	8,453,801	

[1] Does not include sales of €0.9bn on the *Bund/Schatz future (Germany)*, of €0.3bn on the *BTP future (Italy)*, or of €0.2bn on the *Oat future (France)*, which have values of -€3.7m, -€1.4m and +€0.1m respectively; net hedge purchases of €359.6m have also not been included, with a positive fair value of €5.2m (including one position versus Spain country risk in a notional amount of €150m, with a positive fair value of €343,000).
[2] Item does not include GDP-linked securities in a notional amount of €127m recorded at a book value of € 863,000.

A.1.3 Banking Group - cash and off-balance-sheet exposures: gross/net values

Type of exposure/amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing	—	—	X	—
b) Potential problem	—	—	X	—
c) Restructured	—	—	X	—
d) Overdue	—	—	X	—
e) Other assets	7,841,127	X	(6,950)	7,834,177
Total A	7,841,127	—	(6,950)	7,834,177
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	—	—	X	—
b) Other assets [1]	80,218,117	X	—	80,218,117
Total B	80,218,117	—	—	80,218,117
Total (A + B)	88,059,244	—	(6,950)	88,052,294

[1] The balance as at 31/12/12 includes €57,675,805,000 in deals matched 100% by hedge buys.

A.1.6 Banking Group: cash and off-balance-sheet exposures to customers – gross/net values

Type of exposure/amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing [1]	561,050	(315,362)	X	245,688
b) Potential problem	524,759	(220,892)	X	303,867
c) Restructured	357,535	(99,694)	X	257,841
d) Overdue	270,986	(66,122)	X	204,864
e) Other assets	54,893,102	X	(290,390)	54,602,712
Total A	56,607,432	(702,070)	(290,390)	55,614,972
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	8,020	(431)	X	7,589
b) Other assets	19,505,573	X	(17,054)	19,488,519
Total B	19,513,593	(431)	(17,054)	19,496,108
Total (A+B)	76,121,025	(702,501)	(307,444)	75,111,080

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

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

Description/category	Non-performing	Potential problem	Restructured	Overdue
A. Gross exposure at start of period	463,406	445,637	294,658	264,255
of which: accounts sold but not derecognized	*20,400*	*9,306*	*10,945*	*11,083*
B. Additions	153,007	377,066	116,119	346,922
B.1 transfers from performing loans	8,840	134,661	79,912	332,432
B.2 transfers from other categories of impaired assets	132,399	229,037	20,326	6,249
B.3 other additions	11,768	13,368	15,881	8,241
C. Reductions	(55,363)	(297,944)	(53,242)	(340,191)
C.1 transfers to performing loans	(6,702)	(33,251)	(473)	(88,286)
C.2 amounts written off	(9,901)	(67,887)	(1)	(689)
C.3 amounts collected	(22,588)	(33,620)	(4,395)	(19,394)
C.4 gains realized on disposals	(224)	(2,441)	(40,685)	(5)
C.5 transfers to other categories of impaired assets	(3,299)	(151,649)	(3,374)	(229,688)
C.6 other reductions	(12,649)	(9,096)	(4,314)	(2,129)
D. Gross exposure at end of period	561,050	524,759	357,535	270,986
of which: accounts sold but not derecognized	*14,951*	*21,677*	*5,934*	*25,260*

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

Description/category	Non-performing	Potential problem	Restructured	Overdue
A. Adjustments at start of period	(221,424)	(173,790)	(91,550)	(57,975)
of which: accounts sold but not derecognized	*(4,208)*	*(1,315)*	*(1,836)*	*(3,740)*
B. Additions	(135,176)	(180,017)	(33,054)	(64,867)
B.1 value adjustments	(84,163)	(146,568)	(18,459)	(63,514)
B.2 transfers from other categories of impaired assets	(49,856)	(32,130)	(14,595)	(1,162)
B.3 other additions	(1,157)	(1,319)	—	(191)
C. Reductions	41,238	132,915	24,910	56,720
C.1 writebacks based on valuations	11,370	31,681	214	11,535
C.2 writebacks due to amounts collected	7,661	6,120	19,736	1,582
C.3 amounts written off	15,140	28,566	1	4,248
C.4 transfers to other categories of impaired assets	2,321	63,678	—	31,716
C.5 other reductions	4,746	2,870	4,959	7,639
D. Adjustments at end of period	(315,362)	(220,892)	(99,694)	(66,122)
of which: accounts sold but not derecognized	*(9,021)*	*(4,664)*	—	*(640)*

B. Exposures: distribution and concentration

B.4a Credit risk indicators

	30/6/12	31/12/12
a) Gross NPLs/total loans	0.95%	1.17%
b) Irregular items/total loans	2.47%	2.94%
c) Net NPLs/regulatory capital	3.10%	3.05%

B.4b Large risks

	30/6/12	31/12/12
a) Book value	12,579,265	15,074,214
b) Total weighted amount	12,364,283	13,117,540
c) No. of exposures	9	10
d) Large risks/regulatory capital	1.6	1.9

Leveraged finance transactions

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

As at 31 December 2012, deals of this nature amounted to €1,573.8m – down sharply from the €2,023.9m recorded at the balance-sheet date – equal to 10% of the corporate loan book, some 24% of which in respect of domestic Italian deals and the remainder of EU area transactions. Movements for the period reflect repayments of €477.1m and additions totalling €27m.

C. Securitizations and asset disposals

C.1 Securitizations

QUALITATIVE INFORMATION

The Group has a portfolio of securities originating from securitizations by other issuers worth €295.4m at the reporting date, down sharply from the €330.7m reported at 30 June 2012, following disposals and redemptions amounting to €45m (generating gains of €1.1m), purchases of €5m (collateralized loan obligations with investment-grade rating held as part of the trading book), upward adjustments to reflect fair value totalling €3.4m (€2.5m of which taken through net equity), and €0.2m in adjustments to amortized cost. The implicit loss on this portfolio fell from €42.4m to €34.3m.

These balance-sheet valuations are made based on prices supplied by the leading financial information providers, i.e. Reuters, Bloomberg and Mark-it, giving priority to marked-to-market data rather than fair value models (which have been used only for certain unlisted positions), and for the most part made using a pricing model supplied by the main rating agencies.

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

Mediobanca does not have on its books, and indeed never has had, any credit exposures backed by US subprime or Alt-A mortgages (Alternative – A, i.e. positions with underlying mortgages featuring incomplete documentation that does not allow them to be classified). Neither does it have any exposures to monoline insurers, i.e. insurance companies specializing in covering default risk on public and corporate bond issues, with the exception of one credit default swap worth a nominal USD 10m entered into with MBIA (Municipal Bond Insurance Association), with a negative fair value of €0.3m (30/6/12: €0.6m).

Turning now to analysis of the trends in the main sectors of activity underlying the securities held by the Group, there has been a generalized improvement in market conditions, in line with the higher returns on peripheral EU member states' sovereign debt and bank bonds, along with expectations of a broadening in the collateral that can be eligible for refinancing by the European Central Bank. The abundant liquidity available on the market has allowed new deals to take place, due to the good yields on offer. As for the individual segments:

– Italian mortgage loans: there was a widespread improvement in prices in this segment during the six months under review, helped by the interest in the type of collateral, which is similar to that for covered bonds and regardless of the specific features of the originator, with preference being given to mezzanine tranches by virtue of the higher yields which they offer. In general repayments have been respected, and delinquency and default continue to be as normal;

– Italian state-owned and commercial properties: this sector has shown declining spreads, despite uneven performances due to the still faltering property market, on healthy demand from investors looking for high yields.

QUANTITATIVE INFORMATION

C.1.1 Banking Group – exposures deriving from securitizations by underlying asset

Type of underlying asset/exposures	Cash exposure[1]					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Using own underlying assets	—	—	—	—	—	—
a) Impaired	—	—	—	—	—	—
b) Other	—	—	—	—	—	—
B) Using customers' underlying assets	265,967	265,967	24,689	24,689	4,717	4,717
a) Impaired	70,436	70,436	—	—	—	—
b) Other	195,531	195,531	24,689	24,689	4,717	4,717

[1] No off-balance-sheet exposure.

C.1.3 Banking Group – exposures deriving from main customer securitizations by asset type/exposure

Type of securitized asset/exposure	Cash exposures[1]					
	Senior		Mezzanine		Junior	
	Book value	Writedowns writebacks	Book value	Writedowns writebacks	Book value	Writedowns writebacks
A. Mortgage loans on Italian properties						
A.1 Mantegna-37 A2 ind IT0003443527	120	3	—	—	—	—
A.2 CASAFORTE srl 30/06 IT0004644677	—	—	—	—	2,403	—
A.3 Velah 4 A2 IT0004102007	26,758	—	—	—	—	—
A.4 Cordusio 3 A2 06-42 TV IT0004144892	88	4	—	—	—	—
A.5 BPM Securitisation Srl 06-43 IT0004083033	—	—	3,278	451	—	—
A.6 Zeus F07-25 A FRN IT0004306186	20,247	—	—	—	—	—
A.7 BP MORTG-43 A2 ind IT0004215320	6,296	192	—	—	—	—
A.8 Island Ref-25 A FRN IT0004293558	8,801	—	—	—	—	—
A.9 E-MAC XS0475282322	6,272	295	—	—	—	—
A.10 RMAC PLC 12/12/2043 XS0235778106	—	—	3,234	(65)	—	—
A.11 IMSER21(ST18)) 5.830 IT0003382972	—	—	18,177	—	—	—
A.12 IMSER-2A2B MTG IT0004082746	1,993	58	—	—	—	—
A.13 BCC Mrtg-38 A FRN XS0256813048	3,912	217	—	—	—	—
A.14 BCCM1B 0 Mar38 XS0256815688	—	—	—	—	1,298	197
A.15 LOGGI 2001-1 SUB FR0000488470	—	—	—	—	1,016	30
TOTAL A MORTGAGE LOANS ON PROPERTIES	74,487	769	24,689	386	4,717	227
B. State-owned properties						
B.1 Fip Fund-23 A2 FRN IT0003872774	95,890	—	—	—	—	—
TOTAL B STATE-OWNED PROPERTIES	95,890	—	—	—	—	—
C. Leasing receivables						
C.1 Locat 12/12/2028 A2 IT0004153679	278	6	—	—	—	—
C.2 Quarzo-13 CL1 FRN IT0003487011	15,004	3	—	—	—	—
TOTAL C LEASING RECEIVABLES	15,282	9	—	—	—	—
D. Other receivables						
D.1 ELM BB.V. FL XS0247902587	22,428	—	—	—	—	—
D.2 ENTASI 16/08/2016 IT0003142996	53,213	2,003	—	—	—	—
D.3 ROMULUS 20/02/2013 XS0161620439	1,020	—	—	—	—	—
TOTAL D OTHER RECEIVABLES	76,661	2,003	—	—	—	—
E. Collateralized Loan Obligation						
E.1 ASTREA SRL 17/01/2013 IT0003331292	10	—	—	—	—	—
E.2 MAYFAIR MTG 05/13 XS0131362898	1,699	—	—	—	—	—
E.3 BASE2008-1XB MTG XS0353810079	1,939	(2)	—	—	—	—
TOTAL E COLLATERALIZED LOAN OBLIGATIONS	3,648	(2)				
Total as at 31/12/12	265,967	2,779	24,689	386	4,717	227
Total as at 30/6/12	297,297	(3,056)	24,778	(1,550)	4,596	(505)

[1] No off-balance-sheet exposure.

C.1.4 Banking Group – exposures to securitizations by asset/portfolio type

Exposure/ portfolio	Held for trading	Recognized at fair value	Available for sale	Held to maturity	Loans and advances	31/12/12	30/6/12
1. Cash exposures	36,252	—	24,412	41,624	193,085	295,373	326,671
- Senior	27,426	—	22,009	23,447	193,085	265,967	297,297
- Mezzanine	6,512	—	—	18,177	—	24,689	24,778
- Junior	2,314	—	2,403	—	—	4,717	4,596
2. Off-balance-sheet exposures	—	—	—	—	—	—	—
- Senior	—	—	—	—	—	—	—
- Mezzanine	—	—	—	—	—	—	—
- Junior	—	—	—	—	—	—	—

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

Servicer	Vehicle company	Securitized assets 31/12/12		Receivables collected during the year		Percentage share of securities repaid 31/12/12					
						Senior		Mezzanine		Junior	
		Impaired	Performing	Impaired	Performing	Impaired	Performing	Impaired	Performing	Impaired	Performing
SelmaBipiemme S.p.A.	Quarzo Lease S.r.l.	26,716	649,802	2,866	105,408	—	—	—	—	—	—
SelmaBipiemme S.p.A.	Quarzo Lease S.r.l.	21,686	298,296	2,349	57,335	—	31.0%	—	—	—	—
Compass S.p.A.	Jump S.r.l.	5,094	153,559	598	44,730	—	41.0%	—	—	—	—
Compass S.p.A.	Quarzo S.r.l.	57,239	2,161,230	2,668	503,729	—	—	—	—	—	—

C.3 Banking Group – covered bond issues

On 1 December 2012, under the terms of a €1.5bn covered issue (part of a ten-year programme of up to €5bn) executed in December 2011 with a four-year duration, CheBanca! sold a further €177.9m in residential mortgage receivables to the SPV on a non-recourse basis; taking repayments (including early repayments) into accounts, the residential mortgage portfolio underlying the issuance now stands at €1.7bn.

1.2 BANKING GROUP MARKET RISK

1.2.1 INTEREST RATE AND PRICE RISK – TRADING BOOK

QUALITATIVE INFORMATION

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

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

Such analysis regards not just the trading book but the Bank's entire asset structure, 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. In order to regulate the various business units' operations, limits have been introduced on sensitivities (known as the "Greeks") to movements of different factors (1 basis point for interest rates and credit spreads, 1 percentage points for shares, exchange rates and volatility).

VaR is still calculated based on expected volatility and the correlation between risk factors concerned, assuming a disposal period of a single trading day and based on a 99% confidence level. 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.

In addition to these indicators, stress tests are also carried out weekly on the main risk factors, to show the impact which significant movements in the main market data (such as share prices and interest or exchange rates).

After the high volatility that marked last year, the six months under review showed less instability, with shares and peripheral Eurozone member state bond prices both recovering: the spread between the ten-year Italian BTP decennale

[1] VaR: maximum potential loss over to specified time horizon and to given confidence level.

[2] Determines portfolio values based on random and historical variations in risk factors respectively.

and its *Bund* equivalent fell below 300 basis points in December, reaching a low of 250 bps at the start of January.

The overall VaR reading, including also the available-for-sale portfolio, benefited significantly from these developments, bearing in mind the Bank's substantial exposure to Italian government securities. Indeed, the reading went from a high of €124.9m at the start of August (when the ten-year spread was above 500 basis points) to a low of €30m at the start of December, while the average reading was affected by the high starting levels, and showed a less marked reduction accordingly, down from €77.7m to €66.7m.

This downward movement was apparent above all in the interest rate component, which went from a high of €111.3m to a low of €24m (recorded at the start of December) due to the reduction in the general risk associated with government securities (which declined from €85m to €20m) as well as the specific risk as a result of the recovery in corporate and financial bond prices. Equity risk also improved significantly, from €18.2m to €7.7m, as did volatility (from €5.4m to €2.5m) and exchange rate risk (from €9.1m to €0.6m); the latter due also to the dollar exposure being rehedged.

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

Risk factors (€'000)	**6 mths to 31/12/12**				**2011-2012 Avg.**
	31/12	**Min**	**Max**	**Avg.**	
Interest rates	25,875	24,000	111,286	57,637	60,038
- of which: specific risk	*9,350*	*9,350*	*29,817*	*19,644*	*33,879*
Share prices	7,681	7,681	18,218	11,564	21,293
Exchange rates	847	646	9,082	3,335	3,816
Inflation	748	625	1,923	1,083	942
Volatility	2,470	2,466	5,431	3,637	4,334
*Diversification effect**	*(4,810)*	*(3,311)*	*(24,303)*	*(10,556)*	*(12,697)*
TOTAL	40,871	30,402	124,947	66,701	77,739
Expected shortfall	*110,196*	*101,958*	*128,147*	*115,445*	*108,962*

* Due to mismatches between risk factors.

Conversely, the expected shortfall[3] remained at high levels (on average over €115m), as this indicator is more geared towards historical simulation (in particular the conditions of stress recorded in 2011), with less of a correlation to more recent market conditions.

Despite showing a comparable reduction, VaR for the trading book reflects differing trends for the individual risk factors. Not only is the reduction in the average figure more pronounced, at more than 30% (from €17.4m to €11.4m), but the low was recorded as early as end-October, due to the strong reduction in the contributions from exchange rate risk (down from €10m to €4.5m) and interest rate risk (down from €12m to €4m). For these two components the reduction is more closely correlated to the positions in corporate and financial bonds (specific risk) rather than those in government securities (general risk), the importance of which in the trading book is marginal. While the contribution largely stabilized in later months, the reduction in the VaR deriving from exchange rates continued, alongside a gradual reduction in the reading for volatility. The equity component's performance, by contrast, was more erratic, as the share portfolio reflected a higher degree of movement: the addition of new positions caused the VaR to peak early in September, while their gradual disposal brought about the subsequent decline.

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

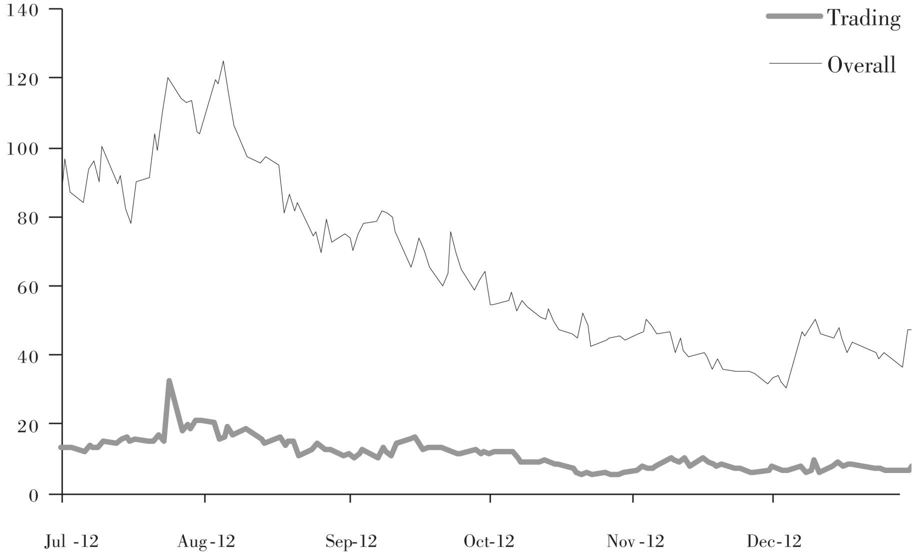
Risk factors (€'000)	**6 mths to 31/12/12**				**12 mths to 30/6/12**
	31/12	**Min**	**Max**	**Avg.**	**Avg.**
Interest rates	5,287	3,396	20,681	8,529	14,780
- of which: specific risk	*2,244*	*1,298*	*8,574*	*5,248*	*13,184*
Share prices	3,775	2,533	21,408	4,545	4,561
Exchange rates	1,487	659	11,315	4,931	4,240
Inflation	901	739	2,335	1,290	1,209
Volatility	2,470	2,466	5,431	3,641	4,289
*Diversification effect**	*(5,973)*	*(5,127)*	*(20,401)*	*(11,566)*	*(11,664)*
TOTAL	7,947	5,559	32,806	11,369	17,415
Expected shortfall	*20,204*	*13,061*	*33,502*	*20,266*	*25,499*

* Due to mismatches between risk factors.

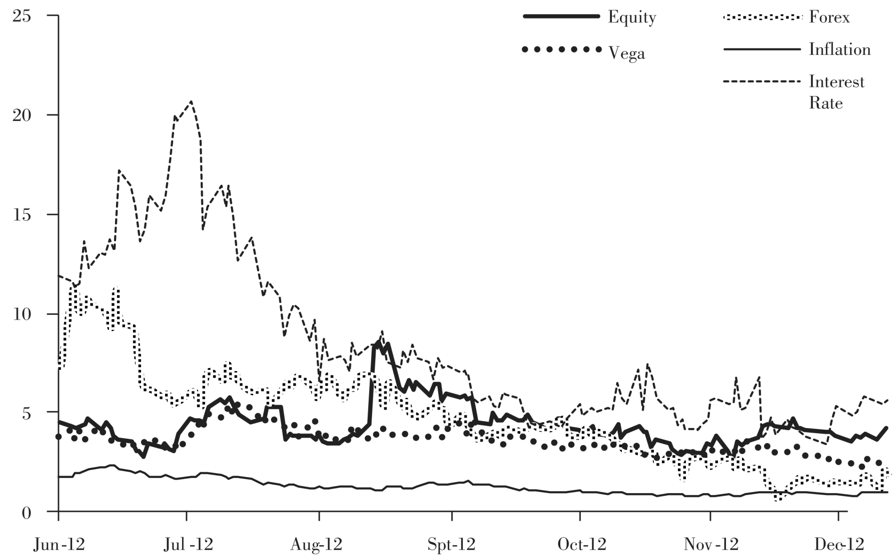
The expected shortfall on the trading book reduced far more sharply than the AFS positions as a whole did, down 20% based on average figures, the lowest recorded in the last three years, confirming the reduced weight of positions in Italian government securities.

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

Trends in VaR



Trends in VaR constituents



The trading portfolios of the other Group companies continue to be negligible. The most significant contributor after Mediobanca S.p.A. is Compagnie Monégasque de Banque, whose average VaR reading for the period, again based on a 99% confidence level, was €337,000, higher than the €209,000 recorded last year but still extremely low.

The effectiveness of VaR as a risk management instrument is confirmed by the results of back-testing, which is based on the calculation of implied profits and losses.[4] The VaR limit for losses was breached on only one occasion during the six months with reference to the aggregate portfolio (including the available-for-sale positions), compared with three times last year, and in line with the theoretical level of 1% of the data recorded. This event occurred following one of the worst days' trading on Italian markets (when the stock market shed more than 4%), confirming the substantial weight of equities contained in the AFS portfolio. Even if we limit our analysis to the trading book only just the one breach was recorded, in this case on a trading day marked by strong interest rate volatility.

As for the sensitivity of net interest income, the trading book (represented exclusively by Mediobanca S.p.A.) showed a gain of €21.2m at the reporting date based on a 100 bps increase in interest rates, while the loss in the opposite scenario would be a minor loss of some €6m.

Data at 31/12/12 (€m)		**Trading Book**
Net interest income sensitivity	+ 100 bps	21.2
	- 100 bps	(5.9)
Discounted value of future cash flows sensitivity	+ 100 bps	(166.9)
	- 100 bps	117.2

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

1.2.2 INTEREST RATE AND PRICE RISK – BANKING BOOK

QUALITATIVE INFORMATION

The Mediobanca Group monitors and manages interest rate risk by analysing the sensitivity of net interest income and cash flow to interest rate changes. The first type of sensitivity analysis quantifies the impact of a parallel, instantaneous 100 basis point change in the interest rate curve on current earnings (until the end of the period). 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").

In the event of such an increase in interest rates, there would be an approx. €8m reduction in net interest income on the positions held in the banking book of Mediobanca S.p.A. as at 31 December 2012, due to a higher exposure to floating-rate funding compared to the comparable amount on the asset side. However, the less pronounced exposure to fixed-rate assets for Compass (some €1m lower) and CheBanca! (€3.5m lower) allowed the Group to report a sensitivity to net interest income in line with the previous reading. By contrast, in the event of a reduction in interest rates the loss that would be incurred by Mediobanca, of €6.5m, would partly be offset by the profits that would be earned by Compass (€3.8m) and CheBanca! (€0.2m).

A positive, 100 basis-point shock on the discounted value of future cash flows from Mediobanca's banking book would generate a €40.2m reduction, reflecting the duration of its funding which continues to exceed that of its loan and bond books. The same trend is also seen for Compass and CheBanca!, with reductions of €89.5m and €133m respectively. A reduction in interest rates, conversely, would generate increases in all three companies, of €20.8m, €89.4m and €82.2m accordingly. At Group level both scenarios, duly contemplated in the operating regulations, remained within the set limits at 7.5% (net interest income sensitivity (including trading book)/regulatory capital) and 15% (economic value sensitivity/regulatory capital).

The data described above are summarized in the following table:

Data at 31/12/12 (€m)		Banking Book		
		Mediobanca SpA	CheBanca!	Compass
Net interest income sensitivity	+ 100 bps	(7.9)	(3.5)	(0.8)
	- 100 bps	(6.4)	0.2	3.9
Discounted value of future cash flows sensitivity	+ 100 bps	(40.2)	(133.0)	(89.6)
	- 100 bps	20.8	82.2	89.4

Hedging

Hedges transactions are used to cover risk by neutralizing potential losses on a given asset or liability due to volatility in a specific financial risk factor, such as interest rates, exchange rates, credit or other risk factors, via gains that may be obtained on a hedging instrument offsetting the changes in either the fair value or cash flows deriving from them. For fair value hedges in particular, the Group's objective is to minimize the financial risk on interest rates, bringing the interest-bearing exposure in line with the Euribor rate (generally 3 months).[1]

B. Fair value hedges

Fair value hedges 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 of high credit standing. For interest rate risk in particular, fixed-rate, zero coupon and structured bond issues are fair value-hedged. Structured bonds, if they do not presents risks related to the principal risk, are split between the interest rate component (which is hedged) and the other risks, which are represented in the trading book and normally covered by opposing external positions.

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.

[1] This target is maintained even where there are hedging contracts executed with market counterparties featuring netting and collateralization agreements (collateralized standard agreements, or CSAs), the valuations for which are made on the basis of Eonia rather than Euribor rates.

C. Cash flow hedges

These are used chiefly as part of the operations of some Group companies (those operating in consumer credit and leasing in particular). 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 to those of the loans. Normally the Group uses the derivative to fix the estimated cost of funding during the period covered by the outstanding fixed-rate loans and the future transactions linked to systematic renewals of such them once they have reached their maturity. Cash flow hedges are also implemented by Mediobanca itself to cover the equity risk faced in connection with AFS shares, via forward contracts.

Counterparty risk

This is measured in terms of expected potential market value, thus doing away with the need to set arbitrary weightings for each type of fund employed. 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.

1.2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

A. General aspects, operating processes and measurement techniques

B. Hedging activity

Risks deriving from movements in exchange rates for all the Bank's positions (trading and banking books), are managed by the Financial Markets division. The degree of risk in this area is thus effectively represented by the respective VaR component as shown on p.140. At the start of the financial year there were holdings in directional positions used to macro-hedge the other positions (securities and loans) held in the portfolio, which drove the VaR reading on exchange rates above €9m. Subsequently, the gradual by constant reduction of such positions decreased the overall risk to a minimum of around €650,000, at an average value of €3.3m for the six months, compared with €3.8m last financial year.

QUANTITATIVE INFORMATION

1.2.4 DERIVATIVE FINANCIAL PRODUCTS

A. Financial derivatives

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

Type of transaction	31/12/12		30/6/12	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	107,519,211	3,785,478	109,668,791	13,473,584
a) Options	104,000	182,500	—	4,225,500
b) Swaps	96,794,866	—	99,892,289	—
c) Forwards	—	—	—	—
d) Futures	—	3,602,978	—	9,248,084
e) Others	10,620,345	—	9,776,502	—
2. Equities and share indexes	37,230,335	27,538,146	43,946,742	31,844,057
a) Options	35,375,532	27,256,994	40,775,779	31,649,118
b) Swaps	1,854,803	—	3,170,842	—
c) Forwards	—	—	121	—
d) Futures	—	281,152	—	194,939
e) Others	—	—	—	—
3. Exchange rates and gold	10,147,052	—	9,522,300	132
a) Options	458,106	—	59,161	—
b) Swaps	1,313,846	—	1,498,372	—
c) Forwards	8,375,100	—	7,964,767	—
d) Futures	—	—	—	132
e) Others	—	—	—	—
4. Commodities	—	—	—	1,264
5. Other assets	—	—	—	—
Total	154,896,598	31,323,624	163,137,833	45,319,037
Average values	159,006,905	38,321,331	163,236,379	53,094,119

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

A.2.1 Hedge derivatives

Type of transaction	31/12/12		30/6/12	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	29,346,295	—	30,998,853	—
a) Options	—	—	—	—
b) Swaps	28,970,775	—	30,807,897	—
c) Forwards	195,520	—	10,956	—
d) Futures	—	—	—	—
e) Others	180,000	—	180,000	—
2. Equities and share indexes	2,598	—	2,560	—
a) Options	162	—	183	—
b) Swaps	—	—	—	—
c) Forwards	2,436	—	2,377	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and gold	35,691	—	33,539	—
a) Options	—	—	—	—
b) Swaps	35,691	—	33,539	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	29,384,584	—	31,034,952	—
Average values	30,406,681	—	32,744,916	—

A.2.2 Other derivatives

Type of transaction	31/12/12		30/6/12	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	307,251	—	12,251	—
a) Options	—	—	—	—
b) Swaps	307,251	—	12,251	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equities and share indexes	7,885,228	—	8,240,895	—
a) Options	7,885,228	—	8,240,895	—
b) Swaps	—	—	—	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and gold	—	—	10,613	—
a) Options	—	—	10,613	—
b) Swaps	—	—	—	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	8,192,479	—	8,263,759	—
Average values	8,192,256	—	8,783,947	—

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

Type of transactions	Positive fair value			
	31/12/12		30/6/12	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	4,867,604	876,350	4,412,338	1,096,518
a) Options	1,446,826	865,793	1,302,514	1,082,876
b) Interest rate swaps	3,249,532	—	2,939,169	—
c) Cross currency swaps	54,381	—	52,725	—
d) Equity swaps	25,319	—	41,738	—
e) Forwards	91,546	—	76,192	—
f) Futures	—	10,557	—	13,642
g) Others	—	—	—	—
B. Banking book: hedge derivatives	1,847,974	—	1,735,298	—
a) Options	—	—	—	—
b) Interest rate swaps	1,699,886	—	1,586,718	—
c) Cross currency swaps	1,225	—	1,619	—
d) Equity swaps	—	—	—	—
e) Forwards	96	—	—	—
f) Futures	—	—	—	—
g) Others	146,767	—	146,961	—
C. Banking book: other derivatives	144,032	—	131,863	—
a) Options	124,091	—	127,912	—
b) Interest rate swaps	19,941	—	3,951	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	6,859,610	876,350	6,279,499	1,096,518

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

Type of transaction	Negative fair value			
	31/12/12		30/6/12	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	(5,127,295)	(974,623)	(5,136,695)	(1,044,228)
a) Options	(1,222,470)	(957,135)	(1,408,537)	(1,025,783)
b) Interest rate swaps	(3,649,951)	—	(3,273,728)	—
c) Cross currency swaps	(63,582)	—	(108,589)	—
d) Equity swaps	(101,557)	—	(264,259)	—
e) Forwards	(89,735)	—	(81,582)	—
f) Futures	—	(17,488)	—	(18,445)
g) Others	—	—	—	—
B. Banking book: hedge derivatives	(488,139)	—	(507,544)	—
a) Options	(146,850)	—	(147,056)	—
b) Interest rate swaps	(338,478)	—	(357,861)	—
c) Cross currency swaps	(2,587)	—	(2,526)	—
d) Equity swaps	—	—	—	—
e) Forwards	(224)	—	(101)	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
C. Banking book: other derivatives	(165,768)	—	(119,069)	—
a) Options	(165,768)	—	(119,069)	—
b) Interest rate swaps	—	—	—	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	(5,781,202)	(974,623)	(5,763,308)	(1,044,228)

A.5 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	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	701,402	3,984,648	44,475	6,237,570	—
- positive fair value	—	—	33,439	92,244	14	289,945	—
- negative fair value	—	—	(9,885)	(21,726)	(6,163)	(97,958)	—
- future exposure	—	—	7,445	9,834	321	42,556	—
2. Equities and share indexes							
- notional value	—	—	37,619	470,860	24,583	432,056	—
- positive fair value	—	—	1,205	47,111	—	14,778	—
- negative fair value	—	—	—	(58,843)	—	(9,765)	—
- future exposure	—	—	1,978	28,948	2,458	25,934	—
3. Exchange rates and gold							
- notional value	—	—	7,171	169,915	—	291,209	39
- positive fair value	—	—	60	491	—	21,638	—
- negative fair value	—	—	(67)	(45)	—	(12,243)	—
- future exposure	—	—	72	6,658	—	14,836	1
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

A.6 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	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	77,230,947	17,044,091	1,856,078	420,000	—
- positive fair value	—	—	2,421,889	400,546	208,140	83,205	—
- negative fair value	—	—	(3,148,599)	(432,408)	(30,206)	(2,614)	—
2. Equities and share indexes							
- notional value	—	—	11,312,225	24,716,451	236,417	125	—
- positive fair value	—	—	287,353	837,729	3,823	—	—
- negative fair value	—	—	(251,220)	(893,622)	(10,713)	—	—
3. Exchange rates and gold							
- notional value	—	—	9,152,766	374,369	—	151,584	—
- positive fair value	—	—	96,394	27,599	—	—	—
- negative fair value	—	—	(114,601)	(2,394)	—	(24,220)	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

A.7 OTC financial derivatives: banking book – notional value, 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
1. Debt securities and interest rates							
- notional value	195,520	—	593,350	—	—	—	—
- positive fair value	96	—	148,266	—	—	—	—
- negative fair value	(224)	—	(18,183)	—	—	—	—
- future exposure	—	—	1,438	—	—	—	—
2. Equities and share indexes							
- notional value	—	—	—	59	—	2,377	162
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	(84)
- future exposure	—	—	—	—	—	—	10
3. Exchange rates and gold							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

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

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	27,038,762	1,518,663	—	—	—
- positive fair value	—	—	1,645,079	53,308	—	—	—
- negative fair value	—	—	(447,282)	(19,780)	—	—	—
2. Equities and share indexes							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
3. Exchange rates and gold							
- notional value	—	—	35,691	—	—	—	—
- positive fair value	—	—	1,225	—	—	—	—
- negative fair value	—	—	(2,587)	—	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

B. Credit Derivatives

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

Transaction categories	Regulatory trading book		Other transactions	
	Individual assets	Baskets	Individual assets	Baskets
1. Hedge buys				
a) Credit default	1,758,171	60,442,767	386,767	68,040
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total A at 31/12/12	1,758,171	60,442,767	386,767	68,040
Average values	1,620,891	69,741,609	376,735	49,681
Total A at 30/6/12	1,439,830	79,058,450	446,498	40,525
2. Hedge sales				
a) Credit default	1,348,992	59,963,011	43,425	1,079,150
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total B at 31/12/12	1,348,992	59,963,011	43,425	1,079,150
Average values	1,412,426	70,292,587	60,463	1,146,650
Total B at 30/6/12	1,485,945	79,485,412	110,114	1,835,000

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

Portfolio/derivative instrument type	Positive fair value	
	31/12/12	30/6/12
A. Regulatory trading book	1,212,348	1,717,268
a) Credit default products	1,212,348	1,717,268
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
B. Banking book	64,971	70,901
a) Credit default products	64,971	70,901
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
Total	1,277,319	1,788,169

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

Portfolios/derivative instruments type	Negative fair value	
	31/12/12	**30/6/12**
A. Regulatory trading book	(1,215,934)	(1,723,332)
a) Credit default products	(1,215,934)	(1,723,332)
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
B. Banking book	(1,183)	(34,915)
a) Credit default products	(1,183)	(34,915)
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
Total	(1,217,117)	(1,758,247)

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

Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
Regulatory trading book							
1. Hedge buys							
- notional value	—	—	—	50,000	—	50,000	—
- positive fair value	—	—	—	52	—	2,199	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	2,500	—	2,500	—
2. Hedge sales							
- notional value	—	—	7,765	16,250	—	—	—
- positive fair value	—	—	6	—	—	—	—
- negative fair value	—	—	(3)	(2,795)	—	—	—
- future exposure	—	—	77	—	—	—	—
Banking book*							
1. Hedge buys							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
2. Hedge sales							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

* Derivatives embedded in bonds issued not included.

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

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
Regulatory trading book							
1. Hedge buys							
- notional value	—	—	61,203,825	897,113	—	—	—
- positive fair value	—	—	414,434	6,624	—	—	—
- negative fair value	—	—	(814,558)	(7,631)	—	—	—
2. Hedge sales							
- notional value	—	—	60,710,782	577,206	—	—	—
- positive fair value	—	—	783,687	5,348	—	—	—
- negative fair value	—	—	(384,949)	(5,998)	—	—	—
Banking book*							
1. Hedge buys							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
2. Hedge sales							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

* Derivatives embedded in bonds issued not included.

C. Credit and financial derivatives

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

	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1) Financial derivatives bilateral agreements							
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
- net counterparty risk	—	—	—	—	—	—	—
2) Credit derivatives bilateral agreeements							
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
- net counterparty risk	—	—	—	—	—	—	—
3) "Cross product" agreements*							
- positive fair value	—	—	867,488	181,834	171,007	58,985	—
- negative fair value	—	—	(382,016)	(115,567)	(8)	(2,614)	—
- future exposure	—	—	774,407	134,748	23,705	10,497	—
- net counterparty risk	—	—	785,845	308,762	188,442	69,481	—

* Representing the sum of the positive fair value and the future exposure net of cash collateral received amounting to €870,140,000, €856,050,000 of which in respect of banks, €7,820,000 of financial companies and €6,270,000 of insurances; conversely, to cover negative fair value readings, cash collateral of €496,033,000 was paid in, €366,713,000 in respect of banks, €125,830,000 of financial companies, €1,460,000 of insurances, and €2,030,000 of non-financial companies.

1.3 BANKING GROUP: LIQUIDITY RISK

QUALITATIVE INFORMATION

The Mediobanca Group monitors and manages liquidty risk in accordance with the Liquidity risk management policy (the "Policy") and Contingency funding plan ("CFP"), documents approved in December 2011 in accordance with Bank of Italy circular no. 263/06 ("New supervisory regulations for banks"). 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 12 months;
– monitoring medium-/long-term liquidity (structural liquidity, more than 12 months);
– defining a pricing system of internal fund transfers between the Group's various units and companies.

Operating liquidity guarantees an adequate ratio between counterbalancing capacity (available cash and securities eligible for refinancing with the ECB) and net cash outflows as calculated in stress scenarios.

Structural liquidity analyses the maturity profiles for both assets and liabilites, checking that inflows cover 100% of outflows for maturities of more than one year, and at least 90% of outflows for maturities of more than five years.

The Group has also prepared a plan for managing the possibility of liquidity crises which identifies parties, responsibilities and reporting procedures for dealing with emergency situations (the CFP). The CFP also provides for an early warning indicator (EWI) report to be drawn up once a week to identify systemic or specific crisis situations ahead of time.

A steering committee monitors fortnightly both the Bank's liquidity and the sustainability of the business development on the Bank's asset structure.

Stress testing is carried out assuming extraordinary factors such as drawdowns on committed lines granted to customers, reductions in funding (in the interbank, debt security and retail channels), plus the possibility of certain instruments being wound up early.

During the six months under review, the Group's liquidity position has remained within the limits and thresholds stipulated by the Regulations.

The Group has taken part in the Quantitative Impact Study promoted by the European Banking Authority (EBA), which involves calculation of the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), showing rations which are above the minimum levels stipulated.

QUANTITATIVE INFORMATION

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

Items/maturities	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	5,069,665	3,069,342	683,461	2,424,338	4,371,688	3,309,425	6,791,862	25,256,632	12,632,612	20,665
A.1 Government securities	22,267	21,882	180,594	75,000	1,289,463	609,626	1,739,124	6,997,386	1,577,100	—
A.2 Other debt securities	13	19,926	55,776	255,891	350,300	359,878	512,695	2,770,772	2,173,447	—
A.3 UCITS units	—	—	—	—	—	—	—	—	—	—
A.4 Loans and advances	5,047,385	3,027,534	447,091	2,093,447	2,731,925	2,339,921	4,540,043	15,488,474	8,882,065	20,655
– to banks	2,592,122	231,950	48,908	74,475	472,001	354,181	325,458	402,678	196,290	5,716
– to customers	2,455,263	2,795,584	398,183	2,018,972	2,259,924	1,985,740	4,214,585	15,085,796	8,685,775	14,939
Cash liabilities	5,130,872	2,510,103	1,360,738	1,041,359	6,314,063	4,748,613	5,660,152	30,807,734	4,017,802	9,624
B.1 Deposits and current accounts	5,125,497	2,507,152	1,323,421	1,009,993	3,069,665	3,605,371	3,996,570	8,542,510	1,035,595	9,575
– to banks	2,694,580	321,214	905,528	242,416	185,373	221,040	171,069	7,806,752	288,635	34
– to customers	2,430,917	2,185,938	417,893	767,577	2,884,292	3,384,331	3,825,501	735,758	746,960	9,541
B.2 Debt securities	1,390	1,170	36,667	7,042	965,429	1,143,242	1,663,582	22,265,224	2,982,207	49
B.3 Other liabilities	3,985	1,781	650	24,324	2,278,969	—	—	—	—	—
Off-balance-sheet transactions	10,809,497	12,766,781	873,950	1,463,970	8,201,901	13,291,684	5,338,327	40,303,704	5,902,826	650
C.1 Financial derivatives with exchange of principal	—	197,551	14,681	241,855	5,189,541	143,843	721,009	413,493	180,000	—
– long positions	—	196,526	14,667	38,319	335,306	83,762	319,186	136,638	90,000	—
– short positions	—	1,025	14	203,536	4,854,235	60,081	401,823	276,855	90,000	—
C.2 Financial derivatives without principal exchange of	8,705,446	5,543	5,742	60,968	311,708	177,269	349,117	11,296	—	—
– long positions	4,265,081	4,470	3,091	37,810	264,734	118,610	213,554	1,141	—	—
– short positions	4,440,365	1,073	2,651	23,158	46,974	58,659	135,563	10,155	—	—
C.3 Deposits and loans for collection	—	6,778,387	581,046	864,110	1,541,403	1,458,523	1,020,940	3,184,621	1,946,176	—
– long positions	—	6,778,387	421,556	794,117	654,394	—	39,149	—	—	—
– short positions	—	—	159,490	69,993	887,009	1,458,523	981,791	3,184,621	1,946,176	—
C.4 Irrevocable commitments to disburse funds *	2,077,146	5,785,300	272,481	297,037	1,159,249	11,512,049	3,247,261	36,694,294	3,776,650	650
– long positions	—	—	272,481	149,983	1,014,249	6,182,274	1,986,761	19,294,973	2,455,800	325
– short positions	2,077,146	5,785,300	—	147,054	145,000	5,329,775	1,260,500	17,399,321	1,320,850	325
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—
C.6 Financed guarantees received	26,905	—	—	—	—	—	—	—	—	—

* Includes hedge sales perfectly matched by purchases for the same amount.

Currency of denomination: US DOLLARS

Items/maturities	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	283,968	17,803	94,754	57,580	31,254	58,221	66,485	527,981	154,170	56
A.1 Government securities	—	—	—	—	26	371	26	211	418	—
A.2 Other debt securities	—	—	93,702	26,810	10,403	50,571	12,731	169,372	76,266	—
A.3 UCITS units	—	—	—	—	—	—	—	—	—	—
A.4 Loans and advances	283,968	17,803	1,052	30,770	20,825	7,279	53,728	358,398	77,486	56
– to banks	282,518	10,591	57	326	—	—	316	1,918	—	56
– to customers	1,450	7,212	995	30,444	20,825	7,279	53,412	356,480	77,486	—
Cash liabilities	517,720	132,547	31,517	10,974	50,345	5,355	50,817	182,470	5,824	6
B.1 Deposits and current accounts	517,716	132,458	31,517	10,955	16,922	4,144	12,274	—	5,824	6
– to banks	253,559	50,037	29	—	51	1	—	—	5,824	—
– to customers	264,157	82,421	31,488	10,955	16,871	4,143	12,274	—	—	6
B.2 Debt securities	4	89	—	19	33,423	1,211	38,543	182,470	—	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	436,654	111,727	2,952	356,562	39,669	1,898,142	642,074	68,393,171	706,117	—
C.1 Financial derivatives with exchange of principal	—	111,727	2,952	72,827	39,669	6,219	47,514	318,824	232,605	—
– long positions	—	110,858	2,952	68,855	32,988	6,219	9,618	12,430	—	—
– short positions	—	869	—	3,972	6,681	—	37,896	306,394	232,605	—
C.2 Financial derivatives without principal exchange of	436,654	—	—	273	—	20	42	—	—	—
– long positions	226,507	—	—	232	—	—	—	—	—	—
– short positions	210,147	—	—	41	—	20	42	—	—	—
C.3 Deposits and loans for collection	—	—	—	100,046	—	—	—	—	—	—
– long positions	—	—	—	50,023	—	—	—	—	—	—
– short positions	—	—	—	50,023	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds *	—	—	—	183,416	—	1,891,903	594,518	68,074,347	473,512	—
– long positions	—	—	—	91,708	—	942,162	306,733	34,025,823	242,422	—
– short positions	—	—	—	91,708	—	949,741	287,785	34,048,524	231,090	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—
C.6 Financed guarantees received	—	—	—	—	—	—	—	—	—	—

* Includes hedge sales perfectly matched by purchases for the same amount.

Currency of denomination: OTHER

Items/maturities	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	105,602	42,036	65,849	114,631	48,745	10,969	14,276	249,605	16,251	—
A.1 Government securities	—	—	—	—	—	550	—	12,253	—	—
A.2 Other debt securities	—	4,383	42,030	30,462	16	16	31	18,434	7,352	—
A.3 UCITS units	—	—	—	—	—	—	—	—	—	—
A.4 Loans and advances	105,602	37,653	23,819	84,169	48,729	10,403	14,245	218,918	8,899	—
– to banks	104,250	32,366	56	—	—	—	—	—	—	—
– to customers	1,352	5,287	23,763	84,169	48,729	10,403	14,245	218,918	8,899	—
Cash liabilities	123,118	9,080	4,243	24,016	5,000	29,815	15,338	27,746	237,753	—
B.1 Deposits and current accounts	123,118	9,080	4,243	24,016	5,000	9,536	1,689	—	—	—
– to banks	493	—	—	3,873	—	—	—	—	—	—
– to customers	122,625	9,080	4,243	20,143	5,000	9,536	1,689	—	—	—
B.2 Debt securities	—	—	—	—	—	20,279	13,649	27,746	237,753	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	585,736	271,861	199,853	1,561,346	1,969,911	2,108,211	852,826	4,435,236	189,265	—
C.1 Financial derivatives with exchange of principal	—	271,861	199,581	1,561,346	1,969,437	2,107,807	840,317	1,680,196	189,265	—
– long positions	—	119,300	101,821	748,903	1,000,216	1,054,853	420,411	605,127	—	—
– short positions	—	152,561	97,760	812,443	969,221	1,052,954	419,906	1,075,069	189,265	—
C.2 Financial derivatives without principal exchange of	585,736	—	272	—	474	404	12,509	—	—	—
– long positions	300,245	—	—	—	—	—	11,686	—	—	—
– short positions	285,491	—	272	—	474	404	823	—	—	—
C.3 Deposits and loans for collection	—	—	—	—	—	—	—	—	—	—
– long positions	—	—	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds *	—	—	—	—	—	—	—	2,755,040	—	—
– long positions	—	—	—	—	—	—	—	1,377,520	—	—
– short positions	—	—	—	—	—	—	—	1,377,520	—	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—
C.6 Financed guarantees received	—	—	—	—	—	—	—	—	—	—

* Includes hedge sales perfectly matched by purchases for the same amount.

1.4 BANKING GROUP – OPERATIONAL RISK

QUALITATIVE INFORMATION

Definition

Operating 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.

Capital requirements for operational risk

Mediobanca has decided to adopt the Basic Indicator Approach (BIA) in order to calculate the capital requirement for covering operating risk, applying a margin of 15% to the average of the last three years' readings of total income. Based on this method of calculation, the capital requirement as at the reporting date unchanged from the figure recorded at 30 June 2012, namely €265.3m.

Risk mitigation

Operational risks are managed, in Mediobanca and the main Group companies, by a specific Operational risk management team instituted in accordance with the Group's policy for managing operational risk.

The processes of identifying, assessing and mitigating operational risks involve liaising with the other bodies and persons responsible for controls, such as the head of company financial reporting and the Compliance and Group Audit unit, in accordance with their respective duties and responsibilities.

With reference to the possibility of losses caused by interruptions in operations or systems being unavailable, the Group has drawn up operating continuity and disaster recovery plans to ensure that activity can continue and to limit operating losses in the event of prolonged interruptions. The Group reviews the operating continuity and emergency plans regularly, to ensure that these are consistent with its activities and current operating strategies.

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

As for the possibility of risks deriving from outsourcing activities, the Group has implemented a continuous monitoring and regular review system to assess the continuity and level of the service provided by outsourcers.

Legal risk: risks deriving from litigation pending

Apart from the claim pending against Mediobanca for the alleged failure to launch a full takeover bid for La Fondiaria in 2002 (cf. p. 44), the Group faces no legal risk worthy of note.

1.5 BANKING GROUP – OTHER RISKS

QUALITATIVE INFORMATION

As part of the process of assessing the current and future capital required for the company to perform its business (ICAAP) required by the regulations in force, the Group has identified the following types of risk as relevant (in addition to those discussed previously, i.e. credit risk, counterparty risk, market risk, liquidity risk and operating risk:

- concentration risk, i.e. risk deriving from a concentration of exposures to individual counterparties or groups of counterparties ("single name concentration risk") or to counterparties operating in the same economic sector or which operate in the same business or belong to the same geographical area (geographical/sector concentration risk);
- strategic risk, both in the sense of risk deriving from current and future changes in profits/margins compared to estimated data, due to volatility in volumes or changes in customer behaviour (business risk), and of current and future risk of reductions in profits or capital deriving from disruption to business as a result of adopting new strategic choices, wrong management decisions or inadequate execution of decisions taken (pure strategic risk);
- compliance risk, i.e. the risk of incurring legal or administrative penalties, significant financial losses or damages to the Bank's reputation as a result of breaches of external laws and regulations or self-imposed regulations;
- reputational risk, i.e. the current and future risk of reductions in profits or capital deriving from a negative perception of the Bank's image by customers, counterparties, shareholders, investors or regulatory authorities;
- residual risk, i.e. the risk that the recognized techniques used by the Bank to mitigate credit risk should prove to be less effective than anticipated.

Risks are monitored and managed via the respective internal units (risk management, planning and control, compliance and internal audit units) and by specific committees (risks and ALM committees).

Part F - Information on consolidated capital

SECTION 1

Consolidated capital

B. Quantitative information

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

Net equity constituents	Banking group	Insurance companies	Other companies	Elisions/ adjustments upon-consolidation	Total	of which third parties
Share capital	455,513	—	—	—	455,513	24,948
Share premium	2,127,359	—	—	—	2,127,359	7,216
Reserves	4,549,973	15,000	310	(15,310)	4,549,973	83,350
Equity instruments	—	—	—	—	—	—
Treasury shares	(213,844)	—	—	—	(213,844)	—
Valuation reserves:	112,684	1,524	—	(1,524)	112,684	(6,095)
- AFS securities	95,617	1,524	—	2,603	99,744	—
- Property, plant and equipment	—	—	—	—	—	—
- Intangible assets	—	—	—	—	—	—
- Foreign investment hedges	—	—	—	—	—	—
- Cash flow hedges	(134,883)	—	—	—	(134,883)	(7,687)
- Exchange rate differences	—	—	—	—	—	—
- Non-current assets being sold	—	—	—	—	—	—
- Actuarial gains (losses) on defined-benefit pension schemes	—	—	—	—	—	—
- Share of valuation reserves represented by equity-accounted companies	136,888	—	—	(4,127)	132,761	—
- Special valuation laws	15,062	—	—	—	15,062	1,592
Gain (loss) for the period attributable to the Group/ minorities	122,574	5,713	2,169	(7,686)	122,770	(1,026)
Total	7,154,259	22,237	2,479	(24,520)	7,154,455	108,393

* Includes Banca Esperia, consolidated pro rata, plus Compass RE (insurance), Creditech, R&S and Sade (other companies), equity-consolidated.

B.2 AFS valuation reserves: composition

Assets/amounts	Banking group		Insurance companies		Other companies		Elisions/adjustments upon consolidation		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	116,388	(38,896)	1,542	(18)	—	—	4,417	—	122,347	(38,914)
2. Equities	31,528	(25,395)	—	—	—	—	—	—	31,528	(25,395)
3. UCITS units	12,612	(2,144)	—	—	—	—	—	(290)	12,612	(2,434)
4. Loans and advances	—	—	—	—	—	—	—	—	—	—
Total at 31/12/12	160,528	(66,435)	1,542	(18)	—	—	4,417	(290)	166,487	(66,743)
Total at 30/6/12	80,997	(320,807)	735	(1,014)	—	—	279	3,699	82,011	(318,122)

B.3 AFS valuation reserves: movements during the period

	Debt securities	Equities	UCITS units	Loans	Total
1. Opening balance	(231,242)	(15,183)	10,314	—	(236,111)
2. Additions	319,761	30,570	2,062	—	352,393
2.1 Increases in fair value	309,123	18,356	1,842	—	329,321
2.2 Negative reserves charged back to profit and loss as a result of	10,638	12,214	5	—	22,857
– impairment	—	—	—	—	—
– disposals	10,638	12,214	5	—	22,857
2.3 Other additions	—	—	215	—	215
3. Reductions	5,086	9,254	2,198	—	16,538
3.1 Reductions in fair value	2,181	8,106	2,196	—	12,483
3.2 Adjustments for impairment	—	889	—	—	889
3.3 Positive reserves credited back to profit and loss as a result of: disposals	2,824	148	2	—	2,974
3.4 Other reductions	81	111	—	—	192
4. Balance at end of period	83,433	6,133	10,178	—	99,744

SECTION 2

Regulatory and supervisory capital requirements for banks

Capital is the first and most important safeguard of a bank's stability. For this reason, the international and domestic supervisory bodies have established rigorous rules for calculating regulatory capital and the minimum capital requirements with which banks are bound to comply. 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 in 2012, 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.

2.1 Scope of application of regulations

Regulatory capital has been calculated on the basis of Bank of Italy circulars no. 263 issued on 27 December 2006 (thirteenth update 29 May 2012) and no. 155 (fourteenth update 21 December 2011), which transpose the new prudential guidelines for banks and banking groups introduced by the New Basel Capital Accord (Basel II) into the Italian regulatory framework.

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

The regulations on banks' capital and corporate governance known as the Capital Requirements Directive ("CRD IV") are currently in the process of being approved by the European Council and Parliament, based on the proposals made by the European Commission. This document incorporates the new prudential guidelines for banks known as Basel III, which involve a general strengthening of the quality of regulatory capital. The definitive version of the new regulations should be issued by the end of the current year, and applied gradually starting from January 2014, becoming fully operative as from 2019.

2.2 Regulatory capital requirements for banks

A. Qualitative information

1. Tier 1 and Tier 2 capital

Tier 1 capital consists of the share attributable to the Group and to minority shareholders of capital paid up, reserves, and profit for the period net of treasury shares (€213.8m), intangible assets (€43.9m), goodwill (€446.5m), and 50% of the book value of the Bank's investments in banks and financial services companies (equal to €57.7m).

Tier 2 capital includes 50% of the positive reserves for AFS securities (€93.6m, €48.4m of which relative to the Group companies pro rata), reserves for property valuations (€15.1m), Tier 2 subordinated liabilities (€1,428.5m), positive exchange rate differences (€83.2m), and net unrealized gains on investments (€31.5m), less the remaining share of the investments' book value (€57.7m).

B. Quantitative information

	31/12/12	30/6/12
A. Tier 1 capital prior to application of prudential filters	6,530,226	6,230,438
B. Tier 1 prudential filters:		
B.1 IAS/IFRS positive filters	—	163,750
B.2 IAS/IFRS negative filters	—	—
C. Tier 1 capital gross of items to be deducted	6,530,226	6,394,188
D. Items for deduction from Tier 1 capital	(57,747)	(55,275)
E. Total Tier 1 capital	6,472,479	6,338,913
F. Tier 2 capital prior to application of prudential filters	1,783,619	1,529,983
G. Tier 2 prudential filters:		
G.1 IAS/IFRS positive filters	—	—
G.2 IAS/IFRS negative filters	(131,652)	(3,594)
H. Tier 2 capital gross of items to be deducted	1,651,966	1,526,389
I. Items for deduction from Tier 2 capital	(57,747)	(55,275)
L. Total Tier 2 capital	1,594,219	1,471,114
M. Items for deduction from Total Tier 1 and Tier 2 capital	—	—
N. Regulatory capital	8,066,698	7,810,027
O. Total Tier 3 capital	—	—
P. Total regulatory capital including Tier 3	8,066,698	7,810,027

2.3 Capital adequacy

A. Qualitative information

As at 31 December 2012, the Group's Tier 1 ratio, calculated as Tier 1 capital as a percentage of risk-weighted assets, amounted to 11.84%, up slightly compared to the figure posted at 30 June 2012 (11.49%), chiefly due to the increase in capital owing to the recovery by the AFS reserves, with risk-weighted assets down slightly (from €55.2bn to €54.7bn); the Total Capital Ratio also increased accordingly, from 14.16% to 14.76%.

B. Quantitative information

Categories/amounts	Unweighted amounts		Weighted amounts/requirements	
	31/12/12	30/6/12	31/12/12	30/6/12
A. RISK ASSETS				
A.1 Credit and counterpart risk	68,439,122	70,554,508	44,095,763	44,937,731
1. Standard methodology	68,179,849	70,282,306	43,713,478	44,612,976
2. Internal rating methodology	—	—	—	—
2.1 Basic	—	—	—	—
2.2 Advanced	—	—	—	—
3. Securitization	259,273	272,202	382,285	324,755
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterpart risk			3,527,661	3,595,018
B.2 Market risk			580,426	552,853
1. Standard methodology			551,786	533,792
2. Internal models			—	—
3. Concentration risk			28,640	19,061
B.3 Operational risk			265,251	265,251
1. Basic Indicator Approach (BIA)			265,251	265,251
2. Standard methodology			—	—
3. Advanced methodology			—	—
B.4 Other prudential requirements			—	—
B.5 Other calculation elements			—	—
B.6 Total prudential requirements			4,373,338	4,413,122
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			54,666,725	55,164,025
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 Capital Ratio)			11.84%	11.49%
C.3 Regulatory capital/Risk-weighted assets (Total Capital Ratio)			14.76%	14.16%

Part H - Related party disclosure

1. Related party disclosure

At a Board meeting held on 27 June 2012, the directors of Mediobanca, having received favourable opinions from the Related Parties Committee and Statutory Audit Committee, approved the "Procedure in respect of related parties and their associates" in pursuance of Consob resolution no. 17221 dated 12 March 2010 and the Bank of Italy's instructions on "Risk assets and conflicts of interest with related parties" dated 15 December 2011. The new procedure came into force on 31 December 2012, and the full document is available at www.mediobanca.it.

For the definition of related parties adopted, please see part A (Accounting policies) of the notes to the accounts.

Accounts with related parties fall within the ordinary operations of the Group companies, are maintained on an arm's length basis, and are entered into in the interests of the individual companies concerned. Details of Directors' and strategic management compensation are provided in a footnote to the table.

1.1 Regular financial disclosure: most significant transactions

No transactions defined as "most significant" were executed during the period.

1.2 Quantitative information

The exposure (representing the sum of assets plus guarantees and commitments) fell from €4.3bn as at 30 June 2012 to €4.2bn at the reporting date. Overall, accounts with related parties represent some 5.5% of the total asset aggregates and 5% of interest income (5.3% and 4.7% respectively last year).

Situation as at 31 December 2012

(€m)

	Directors, statutory auditors and strategic management	Associates	Other related parties	Total
Assets	1.4	2,494.9	952.9	3,449.2
of which: other assets	—	*1,039.1*	*292.0*	*1,331.1*
loans and advances	*1.4*	*1,455.8*	*660.9*	*2,118.1*
Liabilities	32.7	108.4	277.8	418.9
Guarantees and commitments	—	465.2	306.3	771.5
Interest income	—	57.3	14.6	71.9
Interest expense	(0.5)	(6.3)	(2.7)	(9.5)
Net fee income	—	17.6	2.3	19.9
Other income (costs)	(16.8)[1]	47.1	3.2	33.5

[1] Of which: short-term benefits amounting to €15.8m, stock options worth €0.5m and performance shares worth €0.4m. The figure includes those staff comprised in the aggregate "Strategic management" during the year..

Situation at 30 June 2012

(€m)

	Directors, statutory auditors and strategic management	Associates	Other related parties	Total
Assets	0.3	2,306.0	1,045.7	3,352.0
of which: other assets	—	*1,027.5*	*315.8*	*1,343.3*
loans and advances	*0.3*	*1,278.5*	*729.9*	*2,008.7*
Liabilities	28.1	26.5	68.6	123.2
Guarantees and commitments	—	152.7	772.1	924.8
Interest income	—	96.5	45.2	141.7
Interest expense	(0.8)	(4.5)	(3.3)	(8.6)
Net fee income	—	31.8	42.1	73.9
Other income (costs)	(30.6)[1]	82.8	(11.7)	40.5

[1] Of which: short-term benefits amounting to €28.7m, stock options worth €0.9m and performance shares worth €0.7m. The figure includes those staff comprised in the aggregate "Strategic management" during the year.

Part I - Share-based payment schemes

A. QUALITATIVE INFORMATION

1. Information on capital increases for use in share-based payment schemes using the Bank's own equity instruments

The increases in the Bank's share capital for use in connection with the stock option and performance share schemes approved reflect the following situation:

Extraordinary general meeting held on	No. of shares approved	Awards expire on	Deadline for exercising options	No. of shares awarded
29 March 1999	3,130,000	30 July 2006	31 December 2011	3,130,000
30 July 2001	50,000,000	30 July 2006	1 July 2015	49,500,250
28 October 2004	15,000,000	28 October 2009	1 July 2020	14,040,000
of which to directors [1]	*4,000,000*	*28 October 2009*	*1 July 2020*	*3,375,000 [2]*
27 October 2007	40,000,000	27 June 2012	1 July 2022	16,921,000
TOTAL STOCK OPTIONS	108,130,000	X	X	83,591,250
28 October 2010	20,000,000	X	X	8,313,494
TOTAL PERFORMANCE SHARES	20,000,000	X	X	8,313,494

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

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

2. Description of stock option schemes

The stock option schemes approved pursuant to Article 2441, paragraphs 8 and 5, of the Italian Civil Code, provide for a maximum duration of ten years and a vesting period of thirty-six months.

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

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

No stock options were awarded during the six months under review.

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

3. Description of performance share scheme

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

– bring the Bank's remuneration structure into line with guidance issued by regulatory authorities requiring that significant percentages of the variable remuneration component annually assigned be paid in the form of equity instruments, making it consistent with results sustainable over time;
– encourage the involvement of key staff in a mechanism for co-investing in the share capital of Mediobanca;
– introduce a new instrument alongside the stock options, with a limited number of newly-issued shares and by using the treasury shares owned by the Bank, in order to limit the dilutive impact on the ownership structure.

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

On 27 September 2012, as part of staff variable remuneration for the 2012 financial year, a total of 5,861,494 performance shares were awarded; the shares, which are conditional upon certain performance targets being met over a three-year time horizon, will be made available in tranches in November 2014 (up to 1,941,206), November 2015 (up to 3,347,604) and November 2016 (up to 572,684), considering the additional holding period of one year. The overall notional cost of these shares is €19.5m.

B. QUANTITATIVE INFORMATION

1. 1. Changes to stock option scheme during the period

Items/Options number and strike price	30/6/12			31/12/12		
	No. of options	Avg. price	Avg. expiry	No. of options	Avg. price	Avg. expiry
A. Balance at start of period	40,355,750	9.90	September 2016	40,642,000	9.86	October 2016
B. Additions						
B.1 New issues	650,000	6.43	August 2019	—	—	—
B.2 Other additions	—	—	X	—	—	—
C. Reductions						
C.1 Options cancelled	103,750	12.16	X	1,135,000	10.36	X
C.2 Options exercised	—	—	X	—	—	X
C.3 Options expired	—	—	X	—	—	X
C.4 Other reductions	260,000	6.56	X	395,000	6.54	X
D. Balance at end of period	40,642,000	9.86	October 2016	39,112,000	9.88	October 2016
E. Options exercisable as at reporting date	23,642,000	12.24	X	22,687,000	12.30	X

2. Changes to performance shares during the period

Items/Performance shares	31/12/12		30/6/12	
	No. of performance shares	Avg. price	No. of performance shares	Avg. price
A. Balance at start of period	2,494,424	6.23	—	—
B. Additions				
B.1 New issues	5,861,494	3.32	2,521,697	6.23
B.2 Other eadditions	—	—	—	—
C. Reductions				
C.1 Options cancelled	—	—	—	—
C.2 Options exercised	—	—	—	—
C.3 Options expired	—	—	—	—
C.4 Other reductions	42,424	6.23	27,273	6.21
D. Balance at end of period	8,313,494	4.18	2,494,424	6.23
E. Performance shares exercisable as at reporting date	—	—	—	—

Part L - Segment reporting

A. PRIMARY SEGMENT REPORTING

A.1 Primary segment reporting

(€m)

Profit-and-loss figures	Corporate & Investment Banking	Principal Investing	Retail & Private Banking	Others	Writeoffs [1]	Group
Net interest income	157.4	(3.9)	364.2	(0.1)	0.1	517.7
Net trading income	100.3	—	6.6	—	(0.4)	106.5
Net fee and commission income	101.2	—	121.1	11.3	(32.6)	201.0
Share in profits earned by equity-accounted companies	30.7	54.4	—	—	0.7	85.8
Total income	**389.6**	**50.5**	**491.9**	**11.2**	**(32.2)**	**911.0**
Personnel costs	(98.2)	(2.4)	(102.8)	(3.2)	12.2	(194.4)
Administrative expenses	(52.3)	(1.7)	(143.6)	(7.4)	23.8	(181.2)
Operating costs	**(150.5)**	**(4.1)**	**(246.4)**	**(10.6)**	**36.0**	**(375.6)**
Gains (losses) on AFS, HTM and L&R	(6.4)	—	8.7	—	(6.9)	(4.6)
Gain (loss) on disposal of AFS securities	(58.2)	—	(174.6)	—	—	(232.8)
Gain (loss) on disposal of other securities	9.1	(98.1)	(3.6)	—	3.1	(89.5)
Others	—	—	(1.1)	—	1.1	—
Profit before tax	**183.6**	**(51.7)**	**74.9**	**0.6**	**1.1**	**208.5**
Income tax for the period	(60.4)	(0.3)	(25.5)	(0.1)	0.6	(85.7)
Minority interest	1.0	—	—	—	—	1.0
Net profit	**124.2**	**(52.0)**	**49.4**	**0.5**	**1.7**	**123.8**
Cost/income ratio (%)	*38.6*	*8.1*	*50.1*	*n.m.*	*n.m.*	*41.2*

Business divisions comprise:

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

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

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

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

A.2 Balance-sheet data by business segment: asset data

(€m)

Balance-sheet data	Corporate & Investment Banking	Principal Investing	Retail & Private Banking	Others	Writeoffs [1]	Group
Treasury funds	10,593.3	—	9,885.2	0.3	(11,373.6)	9,105.2
AFS securities	10,384.1	144.8	1,598.1	—	(391.4)	11,735.6
Financial assets held to maturity (HTM & LR)	4,050.4	—	2,096.4	—	(3,780.5)	2,366.3
Equity investments	414.2	2,779.5	—	—	90.3	3,284.0
Loans and advances to customers	27,955.9	—	14,703.5	—	(8,517.4)	34,142.0
Funding	(50,780.9)	(259.8)	(26,616.8)	(34.6)	23,721.6	(53,970.5)

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

INDEPENDENT AUDITORS' REVIEW REPORT

pwc

AUDITORS' REPORT ON THE REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED

To the Shareholders of
Mediobanca SpA

1 We have reviewed the consolidated condensed interim financial statements of Mediobanca SpA and its subsidiaries (Group Mediobanca) as of 31 December 2012, which comprise the consolidated balance sheet, the consolidated profit and loss account, the comprehensive consolidates profit and loss account, the statement of changes to consolidated net equity, the consolidated cash flows statement and related explanatory notes. The directors of Mediobanca SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

2 We conducted our review in accordance with the criteria for a review recommended by CONSOB, the national stock exchange commission, with resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the consolidated condensed interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the above mentioned consolidated financial statements. The limited review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike the audit on the annual consolidated financial statements, we do not express a professional audit opinion on the consolidated condensed interim financial statements.

Regarding the comparative data of the consolidated financial statement of the prior period, and consolidated condensed interim financial statements of the prior interim period, which are presented for comparative purposes, have been audited and reviewed, respectively, by other auditors and, consequently, reference is made to their reports dated 28 September 2012 and dated 23 February 2012.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C .F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 - **Bologna** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Dante 7 Tel. 01029041 - **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel.0458263001

www.pwc.com/it

3 Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of Group Mediobanca as of 31 December 2012 have not been prepared, in all material respects, in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union.

Milan, 27 February, 2013

PricewaterhouseCoopers SpA

Signed by Marco Palumbo
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

ANNEXES

Consolidated Balance Sheet (IAS/IFRS-compliant)*

	Assets	IAS-compliant 31/12/12	IAS-compliant 30/6/12	IAS-compliant 31/12/11
10.	Cash and cash equivalents	35.5	29.7	1,154.7
20.	Financial assets held for trading	14,697.9	13,838.2	14,157.2
30.	Financial assets recognized at fair value	—	—	—
40.	AFS securities	11,735.6	10,552.1	6,859.6
50.	Financial assets held to maturity	1,722.6	1,723.3	1,747.9
60.	Due from banks	5,203.9	3,962.9	5,599.4
	of which:			
	other trading items	*3,980.5*	*2,742.5*	*3,621.3*
	securities	*30.0*	—	—
	other items	*11.8*	*16.2*	*1.0*
70.	Due from customers	39,477.2	41,871.1	40,644.7
	of which:			
	other trading items	*5,769.2*	*5,998.9*	*3,943.4*
	securities	*613.8*	*604.9*	*664.7*
	other items	*70.5*	*100.6*	*81.4*
80.	Hedging derivatives	1,688.4	1,571.8	1,402.1
	of which:			
	funding hedge derivatives	*1,688.4*	*1,571.8*	*1,402.1*
	lending hedge derivatives	—	—	—
90.	Value adjustments to financial assets subject to general hedging	—	—	—
100.	Equity investments	3,284.0	3,165.5	2,976.9
120.	Property, plant and equipment	298.5	293.7	297.4
130.	Intangible assets	416.5	424.4	431.1
	of which:			
	goodwill	*365.9*	*365.9*	*365.9*
140.	Tax assets	869.3	1,037.1	1,003.1
	a) current	*223.5*	*299.6*	*243.1*
	b) advance	*645.8*	*737.5*	*760.0*
150.	Other non-current and Group assets being sold	—	—	—
160.	Other assets	207.2	209.3	194.0
	of which:			
	other trading items	*16.4*	*7.5*	*9.0*
	TOTAL ASSETS	**79,636.6**	**78,679.1**	**76,468.1**

* Figures in €m

The balance sheet provided on p. 24 reflects the following restatements:
- *Treasury funds* comprise asset headings 10 and 20 and liability heading 40, plus the "other trading items" shown under asset headings 60, 70 and 160 and liability headings 10 and 20, with the latter chiefly consisting of repos, interbank accounts and margins on derivatives;
- *Funding* comprises the balances shown under liability headings 10, 20 and 30 (excluding amounts restated as trading items in respect of repos and interbank accounts), plus the relevant amounts in respect of hedging derivatives;
- *Loans and advances to customers* comprise asset headings 60 and 70 (excluding amounts restated as Treasury funds), the relevant amounts in respect of hedging derivatives shown under asset heading 80 and liability heading 60, and the impairment charges taken under liability heading 100;
- *Fixed financial assets (HTM & LR)* include asset heading 50 and the securities held as Loans and receivables and accounted for under asset headings 60 and 70.

(€m)

	Liabilities and net equity	IAS-compliant 31/12/12	IAS-compliant 30/6/12	IAS-compliant 31/12/11
10.	Due to banks	13,168.6	12,000.0	9,365.4
	of which:			
	other trading items	*2,761.8*	*1,183.3*	*1,210.8*
	other liabilities	*17.5*	*0.4*	*7.1*
20.	Due to customers	17,505.2	17,149.0	15,431.5
	of which:			
	other trading items	*1,985.0*	*2,168.0*	*1,460.6*
	other liabilities	*9.8*	*13.4*	*9.9*
30.	Debt securities	29,513.3	31,300.3	33,516.6
40.	Trading liabilities	10,647.5	9,935.0	10,320.2
50.	Liabilities recognized at fair value	—	—	—
60.	Hedging derivatives	345.7	365.0	426.6
	of which:			
	funding hedge derivatives	*246.0*	*275.7*	*308.3*
	lending hedge derivatives	*48.8*	*44.5*	*72.3*
70.	Value adjustments to financial liabilities subject to general hedging	—	—	—
80.	Tax liabilities	538.5	494.1	430.7
	a) current	*188.6*	*198.0*	*133.3*
	b) deferred	*349.9*	*296.1*	*297.4*
90.	Liabilities in respect of Group assets being sold	—	—	—
100.	Other liabilities	464.6	542.3	491.3
	of which:			
	other trading items	—	*0.2*	*0.1*
	loan loss provisions	*14.5*	*17.0*	*26.6*
110.	Staff severance indemnity provision	26.8	24.6	24.2
120.	Provisions	160.8	160.5	157.8
	a) post-employment and similar benefits	—	—	—
	b) other provisions	*160.8*	*160.5*	*157.8*
130.	Technical reserves	111.1	99.3	78.0
140.	Valuation reserves	118.8	(337.1)	(711.6)
150.	Shares with right of withdrawal	—	—	—
160.	Equity instruments	—	—	—
170.	Reserves	4,466.6	4,418.9	4,424.6
180.	Share premium reserve	2,120.1	2,120.1	2,120.1
190.	Share capital	430.6	430.6	430.6
200.	Treasury shares	(213.8)	(213.8)	(213.8)
210.	Net equity attributable to minorities	108.4	109.4	112.5
220.	Profit (loss) for the year	123.8	80.9	63.4
	TOTAL LIABILITIES AND NET EQUITY	**79,636.6**	**78,679.1**	**76,468.1**

Consolidated Profit and Loss account (IAS/IFRS-compliant)*

(€m)

	Profit and loss account	6 mths to 31/12/12	12 mths to 30/6/12	6 mths to 31/12/11
10.	Interest and similar income	1,455.0	3,037.2	1,552.3
20.	Interest expense and similar charges	(922.5)	(1,949.1)	(993.8)
30.	**Net interest income**	**532.5**	**1,088.1**	**558.5**
40.	Fee and commission income	179.1	438.6	207.0
50.	Fee and commission expense	(24.3)	(47.3)	(18.0)
60.	**Net fee and commission income**	**154.8**	**391.3**	**189.0**
70.	Dividends and similar income	8.2	90.8	35.9
80.	Net trading income	66.8	116.8	43.6
90.	Net hedging income (expense)	4.3	4.1	4.4
100.	Gain (loss) on disposal of:	8.7	70.0	(13.2)
	a) loans and receivables	*6.3*	—	—
	b) AFS securities	*(11.4)*	*34.4*	*(38.0)*
	c) financial assets held to maturity	*0.5*	*(1.9)*	*0.2*
	d) other financial liabilities	*13.3*	*37.5*	*24.6*
120.	**Total income**	**775.3**	**1,761.1**	**818.2**
130.	Adjustments for impairment to:	(227.2)	(881.3)	(388.2)
	a) loans and receivables	*(217.3)*	*(429.1)*	*(189.5)*
	b) AFS securities	*5.5*	*(411.5)*	*(174.4)*
	c) financial assets held to maturity	*0.2*	*(1.3)*	*(1.5)*
	d) other financial liabilities	*(15.6)*	*(39.4)*	*(22.8)*
140.	**Net income from financial operations**	**548.1**	**879.8**	**430.0**
150.	Net premium income	15.2	22.1	9.4
160.	Income less expense from insurance operations	(7.5)	(9.7)	(3.6)
170.	**Net income from financial and insurance operations**	**555.8**	**892.2**	**435.8**
180.	Administrative expenses:	(375.0)	(784.3)	(399.1)
	a) personnel costs	*(194.4)*	*(393.3)*	*(201.3)*
	b) other administrative expenses	*(180.6)*	*(391.0)*	*(197.8)*
190.	Net transfers to provisions for liabilities and charges	(1.2)	(4.0)	(1.4)
200.	Net adjustments to property, plant and equipment	(9.7)	(18.9)	(8.5)
210.	Net adjustments to intangible assets	(11.1)	(25.8)	(13.1)
	of which: goodwill	—	—	—
220.	Other operating income (expenses)	58.9	123.0	62.5
230.	**Operating costs**	**(338.1)**	**(710.0)**	**(359.6)**
240.	Profit (loss) from equity-accounted companies	(9.2)	(21.5)	16.6
270.	Gain (loss) on disposal of investments	—	45.2	43.8
280.	**Profit (loss) before tax on ordinary activities**	**208.5**	**205.9**	**136.6**
290.	Income tax on ordinary activities for the year	(85.7)	(125.5)	(71.4)
300.	**Profit (loss) after tax on ordinary activities**	**122.8**	**80.4**	**65.2**
310.	Net gain (loss) on non-current assets being sold	—	—	—
320.	**Profit (loss) for the year**	**122.8**	**80.4**	**65.2**
330.	Profit (loss) for the year attributable to minorities	1.0	0.5	(1.8)
340.	**Net profit (loss) for the year attributable to Mediobanca**	**123.8**	**80.9**	**63.4**

* Figures in €m

The profit and loss account shown on p. 12 reflects the following restatements:

– *Net interest income* includes the result of funding and lending hedging activity (€4.3m, €4.5m and €4.4m respectively), plus the margins on swaps reported under heading 80 (€19.2m, €22.6m and €8.1m respectively), net of interest expense on securities lending totalling €0.3m at 30 June 2012 and 31 December 2011, which is accounted for as *Net trading income*;

– amounts under Heading 220 have been restated as *Net fee and commission income*, save for amounts refunded/recovered totalling €21.5m, €42.5m and €22.9m respectively which net operating costs; the amounts stated under headings 150 and 160 have also been accounted for as Net fee and commission income, as has the provision for invoices issued under heading 190 (which amounted to €1.5m as at 30 June 2012) net of fees payable in respect of securities lending (minus €1m and minus €0.7m respectively shown here under heading 80;

– net of or in addition to the items already stated, *Net trading income* also includes the amounts shown under headings 70 and 80, and the gains (losses) on disposal of financial liabilities reported under heading 100;

– *Provisions for other financial assets* include both the AFS securities and HTM financial assets accounted for here under heading 130, plus the €95m net adjustments for Telco shown under heading 240 (as at 30 June 2012 this item included €77.7m for RCS MediaGroup and €113.3m for Telco; while at 31 December 2011 it included €55.2m in adjustments relative again to RCS MediaGroup).

Mediobanca S.p.A. Balance Sheet (IAS/IFRS-compliant)*

(€m)

	Assets	IAS-compliant 31/12/12	IAS-compliant 30/6/12	IAS-compliant 31/12/11
10.	Cash and cash equivalents	6.5	2.1	1,118.1
20.	Financial assets held for trading	14,332.0	13,311.6	13,677.6
40.	AFS securities	10,528.9	9,356.7	5,795.7
50.	Financial assets held to maturity	1,715.0	1,716.1	1,742.6
60.	Due from banks	10,277.4	10,601.2	8,857.9
	of which:			
	other trading items	*4,926.1*	*3,870.8*	*4,675.9*
	securities	*30.0*	—	—
	other items	*23.7*	*26.9*	*10.3*
70.	Due from customers	28,807.2	30,026.4	28,552.7
	of which:			
	other trading items	*6,928.0*	*6,990.1*	*4,896.1*
	securities	*2,305.4*	*2,297.3*	*2,358.5*
	other items	*44.4*	*84.0*	*33.4*
80.	Hedging derivatives	1,801.2	1,683.8	1,485.4
	of which:			
	funding hedge derivatives	*1,783.2*	*1,670.5*	*1,470.5*
	lending hedge derivatives	*18.0*	*13.4*	*14.9*
100.	Equity investments	3,283.7	3,214.4	2,637.3
120.	Property, plant and equipment	125.7	126.9	120.0
130.	Intangible assets	8.0	11.2	12.7
140.	Tax assets	242.4	405.2	400.0
	a) current	*102.9*	*182.3*	*133.0*
	b) advance	*139.5*	*222.9*	*267.1*
150.	Other assets	21.8	22.1	27.0
	Total assets	**71,149.8**	**70,477.7**	**64,427.0**

* Figures in €m

The balance sheet provided on p. 247 reflects the following restatements:
- *Treasury funds* comprise asset headings 10 and 20 and liability heading 40, plus the "*other trading items*" shown under asset headings 60, 70 and liability headings 10 and 20, with the latter chiefly consisting of repos, interbank accounts and margins on derivatives;
- *Funding* comprises the balances shown under liability headings 10, 20 and 30 (excluding amounts restated as trading items in respect of repos and interbank accounts), plus the relevant amounts in respect of hedging derivatives;
- *Loans and advances to customers* comprise asset headings 60 and 70 (excluding amounts restated as *Treasury funds*), the relevant amounts in respect of hedging derivatives shown under asset heading 80 and liability heading 60, and the impairment charges taken under liability heading 100;
- *Fixed financial assets (HTM & LR)* include asset heading 50 and the securities held as *Loans and receivables* and accounted for under asset headings 60 and 70.

(€m)

	Liabilities and net equity	IAS-compliant 31/12/12	IAS-compliant 30/6/12	IAS-compliant 31/12/11
10.	Due to banks	21,536.6	19,649.5	11,479.0
	of which:			
	other trading items	*3,166.9*	*1,525.7*	*2,057.5*
	other liabilities	*17.9*	*5.8*	*11.4*
20.	Due to customers	2,404.5	2,390.3	1,118.5
	of which:			
	other trading items	*1,955.9*	*1,956.5*	*915.5*
	other liabilities	*27.9*	*57.2*	*71.8*
30.	Debt securities	30,524.3	32,731.0	35,841.4
40.	Trading liabilities	10,660.8	9,931.8	10,367.2
60.	Hedging derivatives	559.3	572.7	611.0
	of which:			
	funding hedge derivatives	*477.5*	*501.3*	*509.1*
	lending hedge derivatives	*48.8*	*44.5*	*72.3*
80.	Tax liabilities	430.8	389.1	341.3
	a) current	*130.5*	*136.0*	*82.8*
	b) deferred	*300.3*	*253.1*	*258.5*
100.	Other liabilities	218.1	231.7	180.7
	of which:			
	adjustments to L & R	*123.4*	*107.9*	*91.3*
	other trading items	*0.7*	*0.1*	*0.1*
110.	Staff severance indemnity provision	9.1	8.1	8.5
120.	Provisions	152.0	152.0	150.8
	a) post-employment and similar benefits	—	—	—
	b) other provisions	*152.0*	*152.0*	*150.8*
130.	Valuation reserves	91.6	(196.8)	(359.8)
160.	Reserves	2,246.6	2,481.2	2,475.4
170.	Share premium reserve	2,120.1	2,120.1	2,120.1
180.	Share capital	430.6	430.6	430.6
190.	Treasury shares (–)	(213.4)	(213.4)	(213.4)
200.	Profit (loss) for the period	(21.2)	(200.2)	(124.3)
	Total liabilities and net equity	**71,149.8**	**70,477.7**	**64,427.0**

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

(€m)

	Profit and loss account	6 mths to 31/12/12	12 mths to 30/6/12	6 mths to 31/12/11
10.	Interest and similar income	980.0	1,999.5	1,023.8
20.	Interest expense and similar charges	(889.5)	(1,736.7)	(874.7)
30.	**Net interest income**	**90.5**	**262.8**	**149.1**
40.	Fee and commission income	101.4	265.4	117.3
50.	Fee and commission expense	(10.1)	(18.5)	(5.1)
60.	**Net fee and commission income**	**91.3**	**246.9**	**112.2**
70.	Dividends and similar income	8.2	138.2	35.9
80.	Net trading income	109.0	135.4	41.6
90.	Net hedging income (expense)	2.3	3.9	3.6
100.	Gain (loss) on disposal of:	6.5	70.2	(13.2)
	a) loans and receivables	*6.3*	—	—
	b) AFS securities	*(13.2)*	*34.5*	*(37.9)*
	c) financial assets held to maturity	*0.5*	*(1.9)*	—
	d) other financial liabilities	*12.9*	*37.6*	*24.7*
120.	**Total income**	**307.8**	**857.4**	**329.2**
130.	Adjustments for impairment to:	(40.5)	(519.1)	(215.1)
	a) loans and receivables	*(31.0)*	*(67.5)*	*(16.9)*
	b) AFS securities	*6.0*	*(410.7)*	*(173.9)*
	c) financial assets held to maturity	—	*(1.6)*	*(1.6)*
	d) other financial liabilities	*(15.5)*	*(39.3)*	*(22.7)*
140.	**Net income from financial operations**	**267.3**	**338.3**	**114.1**
180.	Administrative expenses:	(135.6)	(275.7)	(144.4)
	a) personnel costs	*(92.6)*	*(188.7)*	*(101.5)*
	b) other administrative expenses	*(43.0)*	*(87.0)*	*(42.9)*
190.	Net transfers to provisions for liabilities and charges	—	(1.5)	—
200.	Net adjustments to property, plant and equipment	(1.8)	(3.4)	(1.7)
210.	Net adjustments to intangible assets	(4.6)	(11.3)	(6.0)
	of which: goodwill	—	—	—
220.	Other operating income (expenses)	8.0	19.6	8.9
230.	**Operating costs**	**(134.0)**	**(272.3)**	**(143.2)**
240.	Profit (loss) from equity investments	(99.5)	(198.7)	(57.2)
270.	Gain (loss) on disposal of investments	—	—	—
280.	**Profit (loss) before tax on ordinary activities**	**33.8**	**(132.7)**	**(86.3)**
290.	Income tax on ordinary activities for the year	(55.0)	(67.5)	(38.0)
300.	**Profit (loss) after tax on ordinary activities**	**(21.2)**	**(200.2)**	**(124.3)**
330.	**Net profit (loss) for the period**	**(21.2)**	**(200.2)**	**(124.3)**

* Figures in €m.

The profit and loss account shown on p. 38 reflects the following restatements:
- *Net interest income* includes the result of funding and lending hedging activity (€2.3m, €3.9m and €3.6m respectively), plus the margins on swaps reported under heading 80 (€26.4m, €9.2m and minus €1.8m respectively), net of interest expense on securities lending totalling €0.3m at 30 June 2012, which is accounted for as *Net trading income*; amounts under Heading 220 have been restated as *Net fee and commission income*, save for amounts refunded/recovered totalling €1.9m, €1.4m and €1.1m respectively which net operating costs; the amounts stated under headings 150 and 160 have also been accounted for as *Net fee and commission income*, as has the provision for invoices issued under heading 190 (which amounted to €1.5m as at 30 June 2012) net of fees payable in respect of securities lending (minus €1m and minus €1.2m respectively shown here under heading 80);
- net of or in addition to the items already stated, *Net trading income* also includes the amounts shown under headings 70 (net of dividends on equity investments) and 80, and the gains (losses) on disposal of financial liabilities reported under heading 100.

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

1. The undersigned Alberto Nagel and Massimo Bertolini, in their respective capacities as Chief Executive Officer and Head of Financial Reporting of Mediobanca, hereby declare, and in view inter alia of the provisions contained in Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 58/98, that the administrative and accounting procedures used in the preparation of the interim financial statements:
   – were adequate in view of the company's characteristics; and that
   – were effectively applied during the six months ended 31 December 2012.

2. Assessment of the adequacy of said administrative and accounting procedures for the financial statements for the six months ended 31 December 2012 was based on a model defined by Mediobanca in accordance with benchmark standards for internal control systems generally accepted at international level (i.e. the CoSO and CobiT frameworks).

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

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

Milan, 26 February 2013

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

Mercurio GP - Milan