



MEDIOBANCA

## **Proposed appointment of external auditors for the 2013-2021 period**

Dear Shareholders,

The mandate granted to external auditors Reconta Ernst & Young S.p.A. (the "outgoing auditors") by yourselves in the annual general meeting of Mediobanca S.p.A. held on 28 October 2003 for the 2003-2012 period expires with approval of the financial statements for the year ended 30 June 2012<sup>1</sup>.

This appointment is non-renewable, as the nine-year period stipulated Article 17 of Italian legislative decree 39/10 (the "Decree") comes to an end with this year. Article 13 of the Decree further stipulates that shareholders gathered in general meeting decide on the appointment of the legal auditors and determine their remuneration for the entire duration of their appointment, along with any other criteria for amending it during the course of its performance.

In view of the foregoing, on 20 April 2012, at the specific request of the Statutory Audit Committee (the "Committee"), Mediobanca asked auditors PricewaterhouseCoopers S.p.A., KPMG S.p.A. and Deloitte & Touche S.p.A. to formulate applications for the role of advisor to Mediobanca for the 2013-2021 period.

The request for quotations comprised:

- ◆ audit of Mediobanca's statutory accounts, including the international branches in Madrid, London, Frankfurt and Paris;
- ◆ audit of the Mediobanca Group's consolidated accounts;
- ◆ compulsory audit of the Madrid branch office's financial statements, as the Bank of Spain requires the branch to draw up its own statements for local regulatory purposes;
- ◆ other auditing services and/or services closely related to the audit mandate.

The auditors thus contacted were also asked to supply information regarding their own governance, independence, incompatibility, the technical competence of their teams, and presence on the international markets where the Mediobanca branches are located.

To ensure that absolute priority is given to the quality of the controls and the professionalism of the auditor, the Committee felt it would be helpful if the quotations included a percentage distribution of the estimated man hours, with 10% for partners, 25% for managers and 30% for seniors.

The Statutory Audit Committee analysed the offers received in detail, and explored them in greater depth in a meeting with each of the three audit companies held on 23 May 2012.

To make its assessment, the Committee used both technical and financial criteria, as described below.

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<sup>1</sup> *Mandate extended by shareholders in the annual general meeting held on 28 October 2006 for the 2007-2009 period and again at the annual general meeting held on 27 October 2007 for the 2010-2012 period.*



At the end of the assessment process, in a meeting held on 16 July 2012, the Committee unanimously expressed its opinion in favour of the offer submitted by PricewaterhouseCoopers S.p.A. (the Company), and informed the Internal Control Committee of its decision at a meeting held on 16 July 2012, and the Board of Directors at a meeting held on 18 July 2012.

In particular it was felt that this offer was the most in line with Mediobanca's requirements in view of the following valuation criteria:

- ◆ **knowledge of the Mediobanca Group:** the Company was the Group's auditor until 2003 and is currently auditor of some of its most important subsidiaries (Compass, Futuro, SelmaBipiemme Leasing, Teleleasing and Palladio Leasing); in this role it has had an opportunity to consolidate its knowledge of the Group, its internal procedures and most significant accounting problems;
- ◆ **team structure and technical capabilities:** the audit team to be devoted to Mediobanca will consist of 4 partners and 3 managers, many of whom have already worked with the Group on major projects and acquired solid experience in the process. The team has a high seniority and a significant track record, inter alia international, and has shown it is able to handle mandates for complex banking groups. The team will be flanked by partners and managers who are experts in particular specialist areas, such as: Tax, Capital markets, Regulations and Supervisory bodies. The partner identified to take responsibility for auditing the statutory and consolidated financial statements of Mediobanca is Marco Palumbo, Client Relationship Partner, who followed the auditing of Mediobanca until 2003, assisted by Ezio Bassi, Chief Executive Officer of PricewaterhouseCoopers Italia, is the capacity of Senior Relationship Partner;
- ◆ **audit strategy:** the audit strategy illustrated in the offer is appropriate to Mediobanca and its risk profile. The audit methodology, to be applied uniformly at a global level, is a risk-based methodology and is intended to identify risks deemed to be significant using a top-down approach. The approach therefore involves an understanding of business risks, as well as an understanding and appreciation of the system of internal controls, with a view to identifying the main processes and controls on which to focus the audits.
- ◆ **experience in relevant sector:** the Company has an adequate presence in the banking sector and a significant footprint in all the countries where Mediobanca's branch offices are located;
- ◆ **the value of the offer,** both in qualitative terms with reference to the mix of professional profiles, and in earnings terms with reference to the number of man hours and overall cost, is adequate to ensure high quality standards. As for the qualitative aspects, the mixture of hours between the various professional capabilities is particularly valuable, with higher involvement of partners and managers than was asked for in the offer letter. As for the financial aspects, the quotation is better both in terms of number of man hours and of fees compared to the work done by the outgoing auditor for the year ended 30 June 2011 (a financial year for which the Committee has definitive data at the time when this report is released). The proposed number of man hours is four percent higher, while the fees are eight percent lower than those of the outgoing auditor, along with a significant reduction in the average charge per hour.

In detail, for each of the financial years covered by the mandate, an aggregate fee of €390,000 has been quoted (net of ISTAT increases for inflation, out-of-pocket expenses, VAT and regulatory contribution), broken down as follows:



Activity	Total no. of hours	Fees (€)	No. of hours/% mix			
			Partner	Manager	Senior	Assistant
Audit of Mediobanca Group consolidated accounts	670	63,050	100 15%	235 35%	235 35%	100 15%
Audit of Mediobanca statutory accounts and other activities *	1,980	184,630	297 15%	594 30%	693 35%	396 20%
Limited audit of interim financial statements to determine the profit for the period for purposes of calculating regulatory capital	730	86,980	110 15%	219 30%	256 35%	146 20%
Limited audit of interim financial statements	220	27,280	33 15%	77 35%	77 35%	33 15%
Audit of Madrid branch accounts for local regulatory purposes	100	10,000	15 15%	30 30%	35 35%	20 20%
Audits in connection with signing off tax declarations	100	6,160	15 15%	30 30%	35 35%	20 20%
Audits in connection with the national compensation fund	100	11,900	15 15%	30 30%	35 35%	20 20%
<b>Total</b>	<b>3,900</b>	<b>390,000</b>				

\* *The other activities consist of: checking that the books are kept correctly, expressing an opinion on consistency with the Annual statement on corporate governance and the Review of operations, and audit of the Bank's international branches.*

The above fees will be updated annually on 1 July each year starting from 1 July 2014, based on the total annual variation in the ISTAT cost of living index (base date June 2013).

The fees may be changed subsequently in the event of exceptional or unforeseeable circumstances which would determine the need for a higher number of man hours and/or a different commitment from the professionals involved than currently envisaged. These may include, without limitation, changes to the structure and size of the Company, regulatory changes in the accounting and/or auditing standards and in the IT systems underpinning the accounting processes, changes to the laws and regulations currently in force.

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Dear Shareholders,

You are invited to approve our proposal, pursuant to Article 13, paragraph 1 of Italian legislative decree 39/10, to appoint the audit company PricewaterhouseCoopers to audit the accounts of Mediobanca for the 2013-2021 period, for a total aggregate fee of € 390,000 made up as follows:

- ◆ € 63,050, to audit the Mediobanca Group's consolidated accounts, corresponding to 670 man hours;
- ◆ € 184,630, to audit Mediobanca's statutory accounts and other activities<sup>2</sup> corresponding to 1,980 man hours;
- ◆ € 86,980, for the limited audit of the interim financial statements in order to determine the profit for the period for purposes of calculating regulatory capital, corresponding to 730 man

<sup>2</sup> *The other activities consist of: checking that the books are kept correctly, expressing an opinion on consistency with the Annual statement on corporate governance and the Review of operations, and audit of the Bank's international branches.*



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hours;

- ◆ € 27,280, for the limited audit of the consolidated interim financial statements, corresponding to 220 man hours;
- ◆ € 10,000, in respect of the audit of the Madrid branch's accounts for local regulatory purposes;
- ◆ € 6,160, for audits in connection with signing off tax declarations, corresponding to 100 man hours;
- ◆ € 11,900, for audits in connection with the national compensation fund, corresponding to 100 man hours.

duly noting that such fees are net of ISTAT increases for inflation, out-of-pocket expenses, VAT and regulatory contribution, and that they will be revised in the event of exceptional or unforeseen circumstances.

The foregoing is based on the proposal formulated by the audit company PricewaterhouseCoopers S.p.A. on 4 May 2012.

Milan, 16 July 2012

The Statutory Audit Committee