

MEDIOBANCA



Quarterly review of operations

(30 September 2014)

MEDIOBANCA

LIMITED COMPANY
SHARE CAPITAL € 430,752,106
HEAD OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY

REGISTERED AS A BANK.
PARENT COMPANY OF THE MEDIOBANCA BANKING GROUP.
REGISTERED AS A BANKING GROUP



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REVIEW OF OPERATIONS
30 SEPTEMBER 2014



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The Mediobanca Group reported a 24.5% increase in revenues in the three months under review, from €421.9m to €525.4m, entirely attributable to the good performance posted by banking activity, which delivered a profit more than three times last year's result (€106.7m, versus €34m last year). In wholesale banking, the improving trend has continued, with an increase in net fee and commission income (up from €32.4m to €95.3m) along with a significant contribution from treasury operations (€46m). Revenues growth in retail and consumer banking also continued, up 5.3% (from €228.2m to €240.4m), driven by net interest income (up 6.3%). Conversely, the contribution from principal investing declined from €137.2m to €53.3m, the result last year having been boosted by gains on disposals totalling €79.5m (compared to just €4m this year). Net profit fell accordingly, from €171.2m to €160m. The main income items performed as follows:

- net interest income was largely unchanged, showing a 1.3% reduction from €270.5m to €267.1m: this result represents the balance between retail and consumer banking, where net interest income was up 6.3% (from €186.3m to €198.1m), driven by higher volumes with yields resilient, and wholesale banking, where this item fell from €62.9m to €47.3m, on account of the reduction in volumes and margins;
- income from treasury operations returned to high levels at €55.6m (€2.9m), driven largely by fixed-income trading;
- net fee and commissions more or less doubled, from €84.4m to €147.2m, due to capital markets activities, which began to pick up in the final months of the last financial year;
- the contribution from equity-accounted companies fell from €64.1m to €55.5m, due to the performance of Assicurazioni Generali;
- operating costs were up 10%, from €168.6m to €185.4m, split roughly equally between labour costs (up 8.5%) and overheads (up 11.5%). The increase chiefly reflects the expansion of the business in terms of volumes and geographies.

Loan loss provisions were down 6.5%, from €128.9m to €120.5m, with a further increase in the coverage ratio to 53% (from 50% at the balance-sheet date).

Securities portfolio management yielded gains of €4.5m (30/9/13: €79.8m) plus writedowns totalling €6.6m (€0.9m) to reflect current fair values.

Turning now to the individual areas of activity:

Corporate and private banking delivered an €84.2m profit, a sharp improvement on the €17.2m reported last year, due primarily to higher trading income of €50.5m (€0.7m) and net fee and commission income of €112.3m (€49.8m). Loan loss provisions were also lower, at €14.5m (€25.8m).

Retail and consumer banking reflects a net profit of €23.6m (€18.9m), on higher revenues (up 5.3%, from €228.2m to €240.4m) which offset the 9.4% rise in costs (from €93.9m to €102.7m) and the increase in loan loss provisions (from €98.1m to €101.8m).

Principal investing saw its profit fall from €137.2m to €53.3m due to the reduced contribution from Assicurazioni Generali (down from €63.9m to €55m) and virtually non-existent gains (€4m, compared with €79.5m last year).

The corporate centre (which includes leasing) showed a €2.6m loss compared with the €3.5m loss last year, on revenues of €13.8m (€14m) chiefly from leasing operations, and costs totalling €12.1m (€12.7m), €6m of which in respect of Mediobanca S.p.A. (€6.1m). Leasing returned to profit, delivering €0.5m for the quarter.

Total assets declined, from €55.4bn to €53.6bn, due to the reduction in treasury assets (from €9.3bn to €8.1bn) and AFS bonds (down from €7.2bn to €6.1bn). This was offset by a reduction in debt securities (from €22.6bn to €21.1bn) and retail funding (down from €11.5bn to €11.3bn), as well as a decrease in the amounts due to the European Central Bank (from €5.5bn to €5.1bn, including the new T-LTRO tranche). Assets under management in private banking rose from €15bn to €15.4bn.

The Group's main capital ratios, taking into account the phase-in period and without including the profit for the three months, remain at high levels: the common equity ratio stands at 11% (30/6/14: 11.08%) and the total capital ratio at 13.86 (13.76%).

* * *

On 26 October 2014, the European Central Bank published the results of its Comprehensive Assessment exercise, which confirmed the Mediobanca Group's capital adequacy even in stress scenarios: the CET1 ratio stood at 9% in the base scenario and at 6.24% in the adverse scenario. These ratios do not take into account the capital strengthening measures implemented in the course of 2014 (repayment of a hybrid insurance loan and disposal of banking investments) or the retained earnings generated in the first six months of the calendar year which together drive an improvement to 10.5% in the base scenario and 7.7% in the adverse scenario. The ratios rise further, to 10.6% and 7.8% respectively, if the results from the first quarter of the present financial year are taken into account.

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

	30/9/13	30/6/14	30/9/14	(€m) Chg. (%)
Profit-and-loss data				
Net interest income	270.5	1.086.9	267.1	-1.3
Treasury income	2.9	45.1	55.6	n.m.
Net fee and commission income	84.4	423.9	147.2	74.4
Equity-accounted companies	64.1	263.5	55.5	-13.4
TOTAL INCOME	421.9	1.819.4	525.4	24.5
Labour costs	(85.1)	(379.0)	(92.3)	8.5
Administrative expenses	(83.5)	(412.4)	(93.1)	11.5
OPERATING COSTS	(168.6)	(791.4)	(185.4)	10.0
Gains (losses) on AFS, HTM and L&R	79.8	242.5	4.5	n.m.
Loan loss provisions	(128.9)	(736.0)	(120.5)	-6.5
Provisions for financial assets	(0.9)	(30.6)	(6.6)	n.m.
Other profits (losses)	—	(2.9)	—	n.m.
PROFIT BEFORE TAX	203.3	501.0	217.4	6.9
Income tax for the period	(32.0)	(39.6)	(56.9)	77.8
Minority interest	(0.1)	3.4	(0.5)	n.m.
NET PROFIT	171.2	464.8	160.0	-6.5

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

RESTATED BALANCE SHEET

	(€m)		
	30/9/13	30/6/14	30/9/14
Assets			
Treasury funds	12,714.9	9,323.8	8,076.1
AFS securities	10,683.9	8,418.5	7,290.9
<i>of which: fixed-income</i>	<i>9,071.0</i>	<i>7,152.9</i>	<i>6,119.8</i>
<i>equities</i>	<i>1,601.7</i>	<i>1,254.6</i>	<i>1,159.9</i>
Fixed financial assets (HTM & LR)	2,115.2	2,046.3	2,075.2
Loans and advances to customers	33,338.5	30,552.1	31,025.6
Equity investments	2,585.0	2,871.4	3,017.4
Tangible and intangible assets	702.9	715.4	717.8
Other assets	1,155.6	1,493.4	1,378.0
<i>of which: tax assets</i>	<i>869.3</i>	<i>1,069.9</i>	<i>1,063.4</i>
Total assets	63,296.0	55,420.9	53,581.0
Liabilities and net equity			
Funding	54,698.5	45,834.0	43,967.2
<i>of which: debt securities in issue</i>	<i>27,336.4</i>	<i>22,617.7</i>	<i>21,082.6</i>
<i>retail deposits</i>	<i>13,631.4</i>	<i>11,481.6</i>	<i>11,272.3</i>
Other liabilities	1,241.4	1,449.2	1,394.2
<i>of which: tax liabilities</i>	<i>633.7</i>	<i>596.2</i>	<i>610.1</i>
Provisions	192.3	195.0	196.6
Net equity	6,992.6	7,477.9	7,863.0
<i>of which: share capital</i>	<i>430.6</i>	<i>430.7</i>	<i>430.8</i>
<i>reserves</i>	<i>6,453.9</i>	<i>6,942.7</i>	<i>7,326.3</i>
<i>minority interest</i>	<i>108.1</i>	<i>104.5</i>	<i>104.6</i>
Profit for the period	171.2	464.8	160.0
Total liabilities and net equity	63,296.0	55,420.9	53,581.0
<i>Tier 1 capital</i>	<i>6,145.4</i>	<i>6,506.7</i>	<i>6,485.4</i>
<i>Regulatory capital</i>	<i>8,195.5</i>	<i>8,082.9</i>	<i>8,174.1</i>
<i>Tier 1 capital/risk-weighted assets</i>	<i>11.54%</i>	<i>11.08%</i>	<i>11.0%</i>
<i>Regulatory capital/risk-weighted assets</i>	<i>15.39%</i>	<i>13.76%</i>	<i>13.86%</i>
<i>No. of shares in issue (millions)</i>	<i>861.1</i>	<i>861.4</i>	<i>861.5</i>

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

	(€m)				
30/9/14	Corporate & Private banking	Principal Investing	Retail & Consumer Banking	Corporate center	Group
Profit-and-loss data					
Net interest income	56.5	—	198.1	12.3	267.1
Treasury income	50.5	6.7	0.1	—	55.6
Net fee and commission income	112.3	—	42.2	1.5	147.2
Equity-accounted companies	—	55.0	—	—	55.5
Total income	219.3	61.7	240.4	13.8	525.4
Labour costs	(48.5)	(2.3)	(36.2)	(6.9)	(92.3)
Administrative expenses	(30.9)	(0.5)	(66.5)	(5.2)	(93.1)
Operating costs	(79.4)	(2.8)	(102.7)	(12.1)	(185.4)
Gain (losses) on disposal of AFS shares	0.8	4.0	—	—	4.5
Loan loss provisions	(14.5)	—	(101.8)	(4.3)	(120.5)
Provisions for financial assets	(0.2)	(6.5)	—	—	(6.6)
Profit before tax	126.0	56.4	35.9	(2.6)	217.4
Income tax for the period	(41.8)	(3.1)	(12.4)	0.5	(56.9)
Minority interest	—	—	—	(0.5)	(0.5)
Net profit	84.2	53.3	23.5	(2.6)	160.0
Cost/Income ratio (%)	36.2	4.5	42.7	87.7	35.3
Balance-sheet figures					
Treasury funds	8,257.7	—	8,779.9	110.7	8,076.1
AFS securities	5,711.2	1,148.8	698.5	—	7,290.9
Fixed financial assets (HTM & LR)	5,042.3	—	1,238.7	—	2,075.2
Equity investments	—	2,920.7	—	—	3,017.4
Loans and advances to customers	24,359.5	—	14,490.2	2,939.8	31,025.6
<i>of which: to Group companies</i>	<i>10,290.0</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>
Funding	(40,875.6)	—	(21,088.8)	(2,924.3)	(43,967.2)
Risk-weighted assets	33,880.5	11,546.3	11,140.3	2,417.9	58,985.0
No. of staff	978 *	—	2,375	377	3,599

* Includes 131 staff employed by Banca Esperia pro-forma, not included in the Group total.

Notes:

1) Divisions comprise:

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

2) Sum of divisional data differs from Group total due to:

- Banca Esperia being consolidated pro-rata (50%) rather than equity-accounted;
- adjustments/differences.

	(€m)				
30/9/13	Corporate & Private banking	Principal Investing	Retail & Consumer Banking	Corporate center	Group
Profit-and-loss data					
Net interest income	73.0	—	186.3	12.1	270.5
Treasury income	0.7	1.9	—	—	2.9
Net fee and commission income	49.8	—	41.9	1.9	84.4
Equity-accounted companies	—	63.4	—	—	64.1
Total income	123.5	65.3	228.2	14.0	421.9
Labour costs	(44.5)	(2.2)	(34.0)	(7.4)	(85.1)
Administrative expenses	(25.5)	(0.4)	(59.9)	(5.3)	(83.5)
Operating costs	(70.0)	(2.6)	(93.9)	(12.7)	(168.6)
Gain (losses) on disposal of AFS shares	1.1	79.5	—	—	79.8
Loan loss provisions	(25.8)	—	(98.1)	(5.0)	(128.9)
Provisions for financial assets	—	(1.0)	—	—	(0.9)
Other profits (losses)	—	—	—	—	—
Profit before tax	28.8	141.2	36.2	(3.7)	203.3
Income tax for the period	(11.6)	(4.0)	(17.3)	0.3	(32.0)
Minority interest	—	—	—	(0.1)	(0.1)
Net profit	17.2	137.2	18.9	(3.5)	171.2
Cost/Income ratio (%)	56.7	4.0	41.1	90.7	40.0
Balance-sheet figures					
Treasury funds	14,053.2	—	10,500.2	146.0	12,714.9
AFS securities	8,511.1	1,587.4	880.0	—	10,683.9
Fixed financial assets (HTM & LR)	5,082.7	—	1,759.6	—	2,115.2
Equity investments	—	2,497.0	—	—	2,585.0
Loans and advances to customers	25,514.6	—	13,739.6	3,321.7	33,338.5
<i>of which: to Group companies</i>	<i>8,758.4</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>
Funding	(51,511.0)	—	(25,884.8)	(3,354.0)	(54,698.5)
Risk-weighted assets	35,307.1	4,210.3	10,642.9	3,077.5	53,237.8
No. of staff	979 *	—	2,344	308	3,508

* Includes 123 staff employed by Banca Esperia pro-forma, not included in the Group total.

Balance Sheet

The main balance-sheet items, of which Mediobanca S.p.A. contributes just over 50%, showed the following trends for the three months under review (comparative data as at 30 June 2014):

Funding – this item fell from €45.8bn to €44bn, as a result of debt securities maturing (€1.7bn), the decrease in retail funding raised by CheBanca! (down from €11.5bn to €11.3bn), and a further reduction in the LTRO granted by the ECB (€1bn), in part offset by the first tranche of the T-LTRO (€578m). New bond issues worth €70m were placed in the three months.

	30/6/14		30/9/14		Chg.
	(€m)	%	(€m)	%	
Debt securities	22,617.7	49%	21,082.6	48%	-6.8%
CheBanca! retail funding	11,481.6	25%	11,272.3	26%	-1.8%
Interbank funds	2,865.5	6%	3,149.6	7%	9.9%
LTROs	5,500.0	12%	5,078.0	11%	-7.7%
Other funds	3,369.2	8%	3,384.7	8%	0.5%
Total funding	45,834.0	100%	43,967.2	100%	-4.1%

Loans and advances to customers – the slight, 1.5% increase in this item regards all segments: wholesale banking (up 2.8%), consumer finance (up 2.1%), and mortgage lending (up 0.3%). Conversely, leasing volumes fell 2.1%, as did those in private banking (by 3.6%). Non-performing loans fell from €1,157.6m to €1,125m, following an increase in the coverage ratio (from 50% to 53%), and now represent 3.6% (3.8%) of the total loan book.

	30/6/14		30/9/14		Chg.
	(€m)	%	(€m)	%	
Wholesale Banking	12,478.3	41%	12,822.3	42%	2.8%
Private Banking	802.9	3%	773.6	2%	-3.6%
Consumer	9,876.9	32%	10,082.6	33%	2.1%
Retail Banking	4,392.6	14%	4,407.6	14%	0.3%
Leasing	3,001.4	10%	2,939.5	9%	-2.1%
Total loans and advances to customers	30,552.1	100%	31,025.6	100%	1.5%

	30/6/14		30/9/14		Chg.
	(€m)	%	(€m)	%	
Wholesale Banking	403.6	35%	391.3	35%	-3.0%
Private Banking	7.5	1%	2.1	0%	-72.0%
Consumer	342.1	29%	333.7	30%	-2.5%
Retail Banking	145.2	13%	146.6	13%	1.0%
Leasing	259.2	22%	251.3	22%	-3.0%
Total net non performing loans	1,157.6	100%	1,125.0	100%	-2.8%
<i>– of which: bad loans</i>	<i>271.0</i>		<i>274.1</i>		<i>1.1%</i>

Equity investments – the increase in this item, from €2,871.4m to €3,017.4m, reflects the increase in the Assicurazioni Generali investment (from €2,767.4m to €2,913.2m), following profits for the period totalling €55m and upward adjustments to the valuation reserve of €90.8m.

	% share capital	30/6/14	30/9/14
Assicurazioni Generali	13.24	2,767.4	2,913.2
Banca Esperia	50.—	97.6	97.8
Athena Private Equity	24.27	5.7	5.7
Fidia	25.—	0.7	0.7
Burgo Group	22.13	—	—
Total Investments		2,871.4	3,017.4

Based on stock market prices as at 30 September 2014, the unrealized gain on the Assicurazioni Generali investment was €520.4m (approx. €365m based on current prices).

Financial assets held to maturity – the increase in this item, from €2,046.3m to €2,075.2m, reflects net investments in the HTM portfolio of approx. €30m. This portfolio showed an unrealized gain of €140.2m based on prices at end-September (€133.9m).

	30/6/14		30/9/14		Chg.
	(€m)	%	(€m)	%	
Financial assets held to maturity	1,659.8	81%	1,686.4	81%	1.6%
Unlisted debt securities (stated at cost)	386.5	19%	388.8	19%	0.6%
Total fixed financial assets	2,046.3	100%	2,075.2	100%	1.4%

AFS securities – this portfolio declined from €8,418.5m to €7,290.9m due to repayments in the fixed-income segment (approx. €1.2bn), involving holdings in short-term Italian government securities in particular (which declined from €4.8bn to €3.7bn).

	30/6/14		30/9/14		Chg.
	(€m)	%	(€m)	%	
Debt securities	7,152.9	85%	6,119.8	84%	-14.4%
Equities	1,254.6	15%	1,160.0	16%	-7.5%
Others	11.0	—	11.1	—	0.9%
Total AFS securities	8,418.5	100%	7,290.9	100%	-13.4%

On the equity side, there were sales of €16.5m and net repayments on investment funds totalling €10.4m, yielding gains of €4.5m. The reduction in share prices led to a €65.7m fall in the AFS reserves, €6.5m of which was taken directly through the profit and loss account as impairment charges.

	30/6/14			30/9/14		
	Book value	% ord.	Total AFS reserve	Book value	% ord.	Total AFS reserve
Pirelli & C.	256.9	4.61	61.9	226.8	4.35	42.7
Italmobiliare	59.2	9.5	24.7	53.7	9.5	19.1
RCS MediaGroup	39.9	6.2	—	34.9	6.25	—
Other listed companies	43.8		6.9	41.3		6.5
Sintonia S.p.A.	449.2	5.94	146.2	420.8	5.94	117.8
Telco shareholders' loan	113.3		69.7	113.3		69.7
Telco SpA	22.0	7.34	22.0	16.5	7.34	16.5
Edipower	57.3	5.13	—	57.3	5.13	—
Santè S.A.	39.0	9.92	9.0	38.4	9.92	7.6
Other unlisted companies	174.0		32.4	157		27.2
Total equities	1,254.6		372.8	1,160.0		307.1

The sale of the investment in Santè S.A. was completed on 8 October 2014 for a consideration of €38.4m, yielding profits of €7.6m.

Treasury assets – the reduction in this item, from €9,323.8m to €8,076.1m, chiefly regards money market assets (down €1.9bn), which offset the increase in securities (equities up €0.4bn, debt securities up €0.1bn).

	30/6/14		30/9/14		Chg.
	(€m)	%	(€m)	%	
Debt securities	2,667.6	29%	2,796.4	34%	4.8%
Equities	1,173.6	13%	1,621.5	20%	38.2%
Derivative contract valuations	(797.3)	-9%	(765.3)	-9%	-4.0%
Others (cash, repos, time deposits)	6,279.9	67%	4,423.5	55%	-29.6%
Total net treasury assets	9,323.8	100%	8,076.1	100%	-13.4%

Tangible and intangible assets – the increase in this item, from €715.4m to €717.8m, involves €4m in goodwill being booked in respect of the acquisition of a small business unit made by Spafid.

	30/6/14		30/9/14		Chg.
	(€m)	%	(€m)	%	
Land and properties	263.0	37%	263.0	37%	0.0%
- of which: core	195.3	27%	195.6	27%	0.2%
Other tangible assets	43.1	6%	42.3	6%	-1.9%
Goodwill	365.9	51%	369.9	52%	1.1%
Other intangible assets	43.4	6%	42.6	6%	-1.8%
Total tangible and intangible assets	715.4	100%	717.8	100%	0.3%

Provisions – this item increased from €195m to €196.6m, due to actuarial valuations of the staff severance indemnity provision (which rose from €1.1m to €2.4m).

	30/6/14		30/9/14		Chg.
	(€m)	%	(€m)	%	
Provisions for risks and charges	166.3	85%	167.2	85%	0.5%
Staff severance indemnity provision	28.7	15%	29.4	15%	2.4%
<i>of which: staff severance provision discount</i>	<i>1.1</i>	<i>1%</i>	<i>2.4</i>	<i>1%</i>	<i>n.m.</i>
Total provisions	195.0	100%	196.6	100%	0.8%

Net equity – net equity rose by €80.6m, on profit for the period totalling €160m, distribution of the dividend (€127m) and an increase in the valuation reserve, which was up €63.4m (representing the balance between the increase in the contribution from investee company Assicurazioni Generali and the reduction in the Bank's own reserves). Share capital rose from €430.7m to €430.8m, following the exercise of 97,500 stock options for €0.6m, including the share premium.

	30/6/14		30/9/14		Chg.
	(€m)		(€m)		
Share capital		430.7		430.8	—
Other reserves		6,072.6		6,394.5	5.3%
Valuation reserves		869.8		933.2	7.3%
<i>- of which: AFS securities</i>		<i>484.8</i>		<i>437.1</i>	<i>-9.8%</i>
<i>cash flow hedges</i>		<i>(49.4)</i>		<i>(46.1)</i>	<i>-6.7%</i>
<i>equity investments</i>		<i>426.5</i>		<i>535.3</i>	<i>25.5%</i>
Profit for the period		464.8		160.0	n.m.
Total Group net equity		7,837.9		7,918.5	1.0%

The AFS reserve involves equities as to €307.1m, bonds and other debt securities as to €217.7m (€108.7m of which Italian government securities), net of the €87.7m tax effect.

	30/6/14		30/9/14		Chg.
	(€m)		(€m)		
Equities		372.8		307.1	-17.6%
Bonds and other debt securities		199.6		217.7	9.1%
<i>- of which: Italian</i>		<i>91.2</i>		<i>108.7</i>	<i>19.2%</i>
Tax effect		(87.6)		(87.7)	0.1%
Total AFS reserve		484.8		437.1	-9.8%

Profit and Loss Account

Net interest income – there was a slight, 1.3% reduction in net interest income, from €270.5m to €267.1m, reflecting the weakness of the wholesale area (down 24.8%) which was offset by growth in consumer business (up 9.6%), helped by the good performance in terms of average volumes, with yields resilient.

	30/9/13	30/9/14	(€m) Chg.
Wholesale banking	62.9	47.3	-24.8%
Private banking	10.1	9.2	-8.9%
Consumer	150.5	164.9	9.6%
Retail banking	35.8	33.2	-7.3%
Others (including intercompany accounts)	11.2	12.5	11.6%
Net interest income	270.5	267.1	-1.3%

Treasury income – this area again made a positive contribution, adding €55.6m (€2.9m), and reflecting the contributions of the fixed-income and exchange rate segment (€33.1m) and the banking book (AFS and HTM). The equity component's contribution declined from €20m to €8.9m.

	30/9/13	30/9/14	(€m) Chg.
Dividends	1.9	6.7	n.m.
Fixed-income trading profit	(19.0)	40.0	n.s
Equity trading profit	20.0	8.9	-55.5%
Net trading income	2.9	55.6	n.m.

Net fee and commission income – at €147.2m, fee income was virtually twice the amount posted last year (€84.4m), due to a good performance by wholesale banking (up from €32.4m to €95.3m), capital markets in particular (€58.4m, vs €2.8m); fees earned from consumer business were also up 3.3%, from €36.9m to €38.1m. Fees generated in retail business from placing Mediobanca bonds (€2.6m) are now being replaced with those generated from asset management and insurance business (€1.2m).

	30/9/13	30/9/14	(€m) Chg.
Wholesale banking	32.4	95.3	n.m.
Private banking	17.4	17.0	-2.3%
Consumer	36.9	38.1	3.3%
Retail banking	5.0	4.1	-18.0%
Others (including intercompany accounts)	(7.3)	(7.3)	0.0%
Net fee and commission income	84.4	147.2	74.4%

Operating costs – the increase in this item, from €168.6m to €185.4m, reflects the increase in business volumes in consumer finance particularly and the geographical expansion (domestic and international), in addition to the strengthening of the internal controls system.

	30/9/13	30/9/14	(€m) Chg.
Labour costs	85.1	92.3	8.5%
<i>of which: directors</i>	1.9	2.0	5.3%
stock option and performance share schemes	2.9	2.4	-17.2%
Sundry operating costs and expenses	83.5	93.1	11.5%
<i>of which: depreciation and amortization</i>	9.5	9.6	1.1%
<i>administrative expenses</i>	73.6	83.0	12.8%
Operating costs	168.6	185.4	10.0%

	30/9/13	30/9/14	(€m) Chg.
Legal, tax and professional services	5.4	6.2	+14.8%
Credit recovery activities	8.2	10.7	+30.5%
Marketing and communication	10.5	12.1	+15.2%
Rent and property maintenance	9.1	8.6	-5.5%
EDP	9.1	12.5	+37.4%
Financial information subscriptions	5.7	6.6	+15.8%
Bank services, collection and payment commissions	4.3	4.6	+7.0%
Operating expenses	12.8	12.6	-1.6%
Other labour costs	4.7	4.9	+4.3%
Other costs	1.8	2.1	+16.7%
Direct and indirect taxes	2.0	2.1	+5.0%
Total administrative expenses	73.6	83.0	+12.8%

Loan loss provisions – these fell by 6.5%, from €128.9m to €120.5m, in line with the further increase in the coverage ratios for non-performing assets. Wholesale banking reflects non-performing assets of €391.3m (30/6/14: €403.6m), with a coverage ratio which increased to 50% (49%); for consumer finance the indicators are €333.7m (€342.1m) and 68% (64%); for mortgage lending €146.6m (€145.2m) and 47% (unchanged); and for leasing €251.3m (€259.2m) and 31% (30%). The cost of risk for the three months was 157 bps, versus 230 bps last year (and 154 bps in the first quarter).

	30/9/13	30/9/14	(€m) Chg.
Wholesale Banking	25.8	14.5	n.m.
Private Banking	—	—	n.m.
Consumer	90.9	96.0	5.6%
Retail Banking	7.2	5.8	-19.4%
Altre (include intercompany)	5.0	4.2	-16.0%
Loan loss provisions	128.9	120.5	-6.5%
Cost of risk (bps)	154	157	1.9%

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 PRIVATE BANKING (WHOLESALE BANKING AND PRIVATE BANKING)

	30/9/13	30/6/14	30/9/14	Y.o.Y. chg.
(€m)				
Profit-and-loss data				
Net interest income	73.0	273.0	56.5	-22.6
Treasury income	0.7	23.2	50.5	n.m.
Net fee and commission income	49.8	303.5	112.3	n.m.
Total income	123.5	599.7	219.3	77.6
Labour costs	(44.5)	(195.6)	(48.5)	9.0
Administrative expenses	(25.5)	(137.7)	(30.9)	21.2
Operating costs	(70.0)	(333.3)	(79.4)	13.4
Gain (losses) on disposal of AFS shares	1.1	2.2	0.8	-27.3
Loan loss provisions	(25.8)	(231.0)	(14.5)	-43.8
Provisions for financial assets	—	(5.9)	(0.2)	n.m.
Other profits (losses)	—	(3.6)	—	n.m.
Profit before tax	28.8	28.1	126.0	n.m.
Income tax for the period	(11.6)	(10.9)	(41.8)	n.m.
Net profit	17.2	17.2	84.2	n.m.
Cost/Income ratio (%)	56.7	55.6	36.2	
Balance-sheet data				
Treasury funds	14,053.2	10,721.6	8,257.7	
AFS securities	8,511.1	6,812.7	5,711.2	
Fixed financial assets (HTM & LR)	5,082.7	5,013.9	5,042.3	
Loans and advances to customers	25,514.6	22,853.0	24,359.5	
<i>of which: to Group companies</i>	<i>8,758.4</i>	<i>9,114.1</i>	<i>10,290.0</i>	
Funding	(51,511.0)	(42,968.4)	(40,875.6)	

This division earned a net profit of €84.2m in the three months, virtually four times the €17.2m reported last year, with revenues up 77.6% on the back of strong growth in fees and commissions (up from €49.8m to €112.3m) and a positive contribution from treasury income (€50.5m), the trading component in particular. Loan loss provisions also reflected substantial improvement at €14.5m (30/9/13: €25.8m). Overall wholesale operations contributed a net profit of €73.5m (€7.2m) and private banking of €10.7m (€10m).

Wholesale banking

	(€m)			
	30/9/13	30/6/14	30/9/14	Y.o.Y. chg.
Profit-and-loss data				
Net interest income	62.9	232.7	47.3	-24.8
Treasury income	(1.3)	1.4	46.0	n.m.
Net fee and commission income	32.4	225.4	95.3	n.m.
Total income	94.0	459.5	188.6	n.m.
Labour costs	(32.5)	(144.8)	(35.7)	9.8
Administrative expenses	(17.7)	(104.7)	(22.9)	29.4
Operating costs	(50.2)	(249.5)	(58.6)	16.7
Loan loss provisions	(25.8)	(233.1)	(14.5)	-43.8
Provisions for financial assets	—	(3.1)	(0.2)	n.m.
Profit before tax	18.0	(26.2)	115.3	n.m.
Income tax for the period	(10.8)	(7.3)	(41.8)	n.m.
Net profit	7.2	(33.5)	73.5	n.m.
Cost/Income ratio (%)	53.4	54.3	31.1	
Balance-sheet data				
Treasury funds	13,122.4	9,851.2	7,221.8	
AFS securities	7,923.4	6,058.9	4,991.9	
Fixed financial assets (HTM & LR)	5,069.6	5,000.8	5,031.0	
Loans and advances to customers	24,194.6	21,591.5	23,112.3	
<i>of which: to Group companies</i>	8,758.4	9,114.1	10,290.0	
Funding	(49,139.3)	(40,552.2)	(38,377.0)	
No. of staff	638	639	620	

Wholesale banking reflected a profit of €73.5m for the three months (€7.2m), on higher revenues of €188.6m (€94m) and lower loan loss provisions of €14.5m (€25.8m). In particular:

- net interest income was down 24.8%, from €62.9m to €47.3m, including as a result of the redemption of hybrid loans to insurance groups at end-June;
- net trading income showed a €46m profit, compared with a €1.3m loss last year, driven by a positive contribution from fixed-income trading (€37.1m) due to favourable positioning on foreign currencies and the banking book's contribution;
- net fee and commission income more or less tripled, from €32.4m to €95.3m, due to capital market activity (€58.4m, versus €2.8m) and an improved performance in advisory business (€10.7m, versus €4.5m);
- costs were up 16.7%, from €50.2m to €58.6m, due to higher labour costs (up €3.2m) and overheads (up €5.2m);

- loan loss provisions declined from €25.8m to €14.5m, as the loan book shows no further impairment compared to the situation at end-June.

The main balance-sheet aggregates reflect a reduction in treasury assets (from €9.9bn to €7.2bn) and financial assets available for sale totalling €5bn (€6.1bn) to offset the repayments of debt securities (which declined from €40.6bn to €38.4bn) and the increase in loans and advances (up from €21.6bn to €23.1bn), chiefly to other Group companies.

Loans by geographical area	30/6/14		30/9/14		Chg.
	(€m)	%	(€m)	%	
Italy	7,056.2	57%	7,186.1	56%	1.8%
France	1,494.5	12%	1,450.8	11%	-2.9%
Germany	847.1	7%	1,074.6	8%	26.9%
U.K.	842.6	7%	826.2	6%	-1.9%
Spain	546.6	4%	578.5	5%	5.8%
Other non-resident customers	1,690.4	13%	1,706.1	14%	0.9%
Total loans and advances to customers	12,477.4	100%	12,822.3	100%	2.8%

Funding WSB	30/6/14		30/9/14		Chg.
	(€m)	%	(€m)	%	
Debt securities	24,082.4	59%	22,257.1	58%	-7.6%
Interbank funding	9,494.5	23%	9,502.1	25%	0.1%
- of which: intercompany	8,692.7	21%	8,651.1	23%	-0.5%
LTRO	5,500.0	14%	5,078.0	13%	-7.7%
Securitized and other funds	1,475.3	4%	1,539.8	4%	4.4%
Total funding	40,552.2	100%	38,377.0	100%	-5.4%

Fixed financial assets	30/6/14		30/9/14		Chg.
	(€m)	%	(€m)	%	
AFS debt securities	6,058.9	55%	4,991.9	50%	-17.6%
Financial assets held to maturity	1,645.9	15%	1,674.5	17%	1.7%
Unlisted debt securities (stated at cost)	3,354.9	30%	3,356.6	33%	0.1%
Total fixed and AFS securities	11,059.7	100%	10,023.0	100%	-9.4%

Net treasury assets WSB	30/6/14		30/9/14		Chg.
	(€m)	%	(€m)	%	
Cash	224.2	2%	116.2	2%	-48.2%
Debt securities	1,958.2	20%	1,931.7	27%	-1.4%
Equities	1,169.3	12%	1,617.5	22%	38.3%
Derivative contract valuations	(752.7)	-8%	(728.3)	-10%	n.m.
Others (repos, time deposits, derivatives etc.)	7,252.2	74%	4,284.7	59%	-40.9%
Total net treasury assets	9,851.2	100%	7,221.8	100%	-26.7%

* * *

Private banking

	(€m)			
	30/9/13	30/6/14	30/9/14	Chg. (%)
Profit-and-loss data				
Net interest income	10.1	40.3	9.2	-8.9
Treasury income	2.0	21.8	4.5	n.m.
Net fee and commission income	17.4	78.1	17.0	-2.3
Total income	29.5	140.2	30.7	4.1
Labour costs	(12.0)	(50.8)	(12.8)	6.7
Administrative expenses	(7.8)	(33.0)	(8.0)	2.6
Operating costs	(19.8)	(83.8)	(20.8)	5.1
Gain (losses) on disposal of AFS shares	1.1	2.2	0.8	-27.3
Loan loss provisions	—	2.1	—	n.m.
Provisions for financial assets	—	(2.8)	—	n.m.
Other profits (losses)	—	(3.6)	—	n.m.
Profit before tax	10.8	54.3	10.7	-0.9
Income tax for the period	(0.8)	(3.6)	—	n.m.
Net Profit	10.0	50.7	10.7	7.0
Cost/Income ratio (%)	67.1	59.8	67.8	
Balance-sheet data				
Treasury funds	930.8	870.4	1,035.9	
AFS securities	587.7	753.8	719.3	
Fixed financial assets (HTM & LR)	13.1	13.1	11.3	
Loans and advances to customers	1,320.0	1,261.5	1,247.2	
Funding	(2,371.7)	(2,416.2)	(2,498.6)	
Assets under management	14,337.5	15,035.5	15,443.1	
Securities held on a fiduciary basis	1,326.7	1,420.3	2,150.3	
No. of staff	341	347	358	

Private banking delivered a profit of €10.7m (30/9/13: €10m), with revenues up from €29.5m to €30.7m, on higher treasury income of €4.5m (€2m) which offset the slight reduction in net interest and net fee and commission income. At the same time operating costs rose from €19.8m to €20.8m, labour costs in particular. Assets under management on a discretionary and/or non-discretionary basis at the reporting date totalled €15.4bn (€15bn), of which €7.5bn (€7.3bn) for CMB and €7.9bn (€7.7bn) for Banca Esperia.

Principal investing (equity investment portfolio)

	(€m)			
	30/9/13	30/6/14	30/9/14	Y.o.Y. chg.
Profit-and-loss data				
Treasury income	1.9	29.7	6.7	n.m.
Equity-accounted companies	63.4	258.6	55.0	-13.2
Total income	65.3	288.3	61.7	-5.5
Labour costs	(2.2)	(8.8)	(2.3)	4.5
Administrative expenses	(0.4)	(1.7)	(0.5)	25.0
Operating costs	(2.6)	(10.5)	(2.8)	7.7
Gain (losses) on disposal of AFS shares	79.5	240.2	4.0	n.m.
Provisions for financial assets	(1.0)	(25.3)	(6.5)	n.m.
Profit before tax	141.2	492.7	56.4	(60.1)
Income tax for the period	(4.0)	(43.4)	(3.1)	-22.5
Net profit	137.2	449.3	53.3	-61.2
AFS securities	1,587.4	1,242.6	1,148.8	
Equity investments	2,497.0	2,775.2	2,920.7	

This division delivered a lower profit for the three months of €53.3m (30/9/13: €137.2m), due to the reduced contribution from Assicurazioni Generali (down from €63.4m to €55m), and virtually non-existent gains on disposal of just €4m (€79.5m) which themselves were offset by €6.5m in writedowns (€1m).

Retail and consumer banking (financial services to households)

	30/9/13	30/6/14	30/9/14	(€m) Y.o.Y. chg.
Profit-and-loss data				
Net interest income	186.3	769.9	198.1	6.3
Treasury income	—	0.4	0.1	n.m.
Net fee and commission income	41.9	163.7	42.2	0.7
Total income	228.2	934.0	240.4	5.3
Labour costs	(34.0)	(150.7)	(36.2)	6.5
Administrative expenses	(59.9)	(285.4)	(66.5)	11.0
Operating costs	(93.9)	(436.1)	(102.7)	9.4
Loan loss provisions	(98.1)	(473.2)	(101.8)	3.8
Other profits (losses)	—	(5.0)	—	n.m.
Profit before tax	36.2	19.7	35.9	-0.8
Income tax for the period	(17.3)	3.6	(12.4)	-28.3
Net profit	18.9	23.3	23.5	24.3
Cost/Income ratio (%)	41.1	46.7	42.7	
Balance-sheet data				
Treasury funds	10,500.2	8,753.9	8,779.9	
AFS securities	880.0	697.4	698.5	
Fixed financial assets (HTM & LR)	1,759.6	1,528.2	1,238.7	
Loans and advances to customers	13,739.6	14,269.5	14,490.2	
Funding	(25,884.8)	(21,142.3)	(21,088.8)	

This division reported a net profit of €23.5m for the three months (30/9/13: €18.9m), on a 5.3% increase in revenues, helped by a good performance from net interest income (up 6.3%) which offset the higher operating costs (up 9.4%), plus a slight, 3.8% increase in loan loss provisions.

Consumer banking

	30/9/13	30/6/14	30/9/14	(€m) Chg. (%)
Profit-and-loss data				
Net interest income	150.5	628.8	164.9	9.6
Net fee and commission income	36.9	141.0	38.1	3.3
Total income	187.4	769.8	203.0	8.3
Labour costs	(20.0)	(90.1)	(22.2)	11.0
Administrative expenses	(39.8)	(187.0)	(43.9)	10.3
Operating costs	(59.8)	(277.1)	(66.1)	10.5
Loan loss provisions	(90.9)	(445.3)	(96.0)	5.6
Profit before tax	36.7	47.4	40.9	11.4
Income tax for the period	(15.2)	1.0	(13.1)	n.m.
Net profit	21.5	48.4	27.8	29.3
Cost/Income ratio (%)	31.9	36.0	32.6	
Balance-sheet data				
Treasury funds	296.4	270.4	271.6	
AFS securities	104.1	102.3	103.7	
Fixed financial assets (HTM & LR)	0.6	0.8	0.6	
Loans and advances to customers	9,469.3	9,876.9	10,082.6	
Funding	(9,209.0)	(9,660.7)	(9,816.5)	
New loans	1,226.6	5,284.6	1,393.3	
No. of branches	158	158	158	
No. of staff	1,441	1,479	1,488	

During the three months under review, revenues grew 8.3%, from €187.4m to €203m. Net interest income rose by 9.6%, from €150.5m to €164.9m, on higher volumes (up 6%) with yields resilient, while fee income was up 3.3%. The increase in operating costs, from €59.8m to €66.1m, reflects business development, while the cost of risk fell from 461 bps to 385 bps despite the rising coverage ratios for non-performing items (up from 64% to 68%). NPLs fell accordingly, from €342.1m to €333.7m.

Retail banking

	30/9/13	30/6/14	30/9/14	(€m) Chg. (%)
Profit-and-loss data				
Net interest income	35.8	141.1	33.2	-7.3
Treasury income	—	0.4	0.1	n.m.
Net fee and commission income	5.0	22.7	4.1	-18.0
Total income	40.8	164.2	37.4	-8.3
Labour costs	(14.0)	(60.6)	(14.0)	—
Administrative expenses	(20.1)	(98.4)	(22.6)	12.4
Operating costs	(34.1)	(159.0)	(36.6)	7.3
Loan loss provisions	(7.2)	(27.9)	(5.8)	-19.4
Other profits (losses)	—	(5.0)	—	n.m.
Profit before tax	(0.5)	(27.7)	(5.0)	n.m.
Income tax for the period	(2.1)	2.6	0.7	n.m.
Net profit	(2.6)	(25.1)	(4.3)	65.4
Cost/Income ratio (%)	83.6	96.8	98.1	
Balance-sheet data				
Treasury funds	10,203.8	8,483.5	8,508.3	
AFS securities	775.9	595.1	594.8	
Fixed financial assets (HTM & LR)	1,759.0	1,527.4	1,238.1	
Loans and advances to customers	4,270.3	4,392.6	4,407.6	
Retail funding	(16,675.8)	(11,481.6)	(11,272.3)	
New loans	90.9	467.0	137.1	
No. of branches	45	57	58	
No. of employees	903	886	887	

The net loss of €4.3m for the three months (compared with a €2.6m loss last year) was driven by a 8.3% reduction in revenues and higher administrative expenses of €22.6m (€20.1m), despite the slight reduction in loan loss provisions (from €7.2m to €5.8m). Revenues in particular were hit by the lower funding volumes and the absence of fees from Mediobanca bonds placements (which last year contributed €2.6m), only in part offset by the growth in commissions from placing asset management products, which at 30 September 2014 had reached €1,770.3m. In the three months under review retail funding fell from €11,481.6m to €11,272.3m, reflecting a higher concentration on transactional accounts (€1,089.6m versus €914m) than on tied deposits (€10,182.7m versus €10,567.6m). Loans and advances outstanding were stable at €4,407.6m, with new loans up from €90.9m to €137.1m, and impaired assets virtually unchanged at €146.6m (€145.2m).

Leasing

	30/9/13	30/6/14	30/9/14	(€m) Chg. (%)
Profit-and-loss data				
Net interest income	12.1	46.7	12.3	1.7
Treasury income	—	(0.1)	—	n.m.
Net fee and commission income	0.2	(0.4)	(0.3)	n.m.
Total income	12.3	46.2	12.0	-2.4
Labour costs	(4.0)	(15.6)	(3.3)	-17.5
Administrative expenses	(2.7)	(12.4)	(2.6)	-3.7
Operating costs	(6.7)	(28.0)	(5.9)	-11.9
Loan loss provisions	(4.9)	(32.8)	(4.3)	-12.2
Other profits (losses)	—	2.1	—	n.m.
Profit before tax	0.7	(12.5)	1.8	n.m.
Income tax for the period	(0.8)	3.0	(0.8)	n.m.
Minority interest	(0.1)	3.4	(0.5)	n.m.
Net profit	(0.2)	(6.1)	0.5	n.m.
Cost/Income ratio (%)	54.5	60.6	49.2	
Balance-sheet data				
Treasury funds	143.0	111.8	110.1	
Loans and advances to customers	3,321.7	3,001.7	2,939.8	
Funding	(3,310.6)	(2,994.6)	(2,909.9)	
New loans	66.0	388.0	120.7	
No. of employees	159	145	146	

Leasing operations reflect a small profit of €0.5m for the three months, compared with the €0.2m loss reported at the same stage last year, with revenues resilient at €12m (€12.3m), costs down from €6.7m to €5.9m and loan loss provisions down from €4.9m to €4.3m. Leases outstanding at the reporting date declined from €3,001.7m to €2,939.8m, with net non-performing assets down from €259.2m to €251.3m, due to an increase in the coverage ratios (from 30% to 31%).

Outlook

Estimates for the current financial year continue to depend heavily on the macroeconomic framework which remains weak in the Bank's reference markets in particular. Against this backdrop, the Group confirms its target of recovering revenues, focused on increasing stabilization in net interest income and healthy fee flows. The contribution from treasury income obviously remains uncertain. The cost/income ratio should remain stable, while the cost of risk is expected to decrease in all segments.

Milan, 27 October 2014

THE BOARD OF DIRECTORS

ACCOUNTING POLICIES



Accounting Policies

A.1 – General

SECTION 1

Statement of conformity with IAS/IFRS

The balance sheet and profit and loss account for the period ended 30 September 2014 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 Parliament and Council on 19 July 2002. Adoption of the new accounting standards with respect to financial reporting by banks is governed by Bank of Italy circular no. 262 issued on 22 December 2005 (second amendment issued on 21 January 2014); this report has also been drawn up in accordance with the provisions contained in Article 154 ter of Italian Legislative Decree 58/98 (the Italian consolidated finance act).

SECTION 3

Area and methods of consolidation

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

When a subsidiary is fully consolidated, the carrying amount of the parent's investment 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.

The new accounting standard IFRS 10 was introduced during the three months under review, replacing IAS 27 but without impacting on Mediobanca's scope of consolidation. With effect from 1 July 2014, meanwhile, Prudentia Fiduciaria was merged by incorporation into Spafid (both 100%-owned by Mediobanca, hence with no change in values), with the aim of concentrating fiduciary activities and services to issuers within the same company.

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

Name	Registered office	Type of relationship ¹	Shareholding		% voting rights ²
			Investor company	% interest	
A. COMPANIES INCLUDED IN AREA OF CONSOLIDATION					
A.1 <i>Line-by-line</i>					
1. MEDIOBANCA - Banca di Credito Finanziario S.p.A.	Milan	1	—	—	—
2. PROMINVESTMENT S.p.A. - in liquidation	Milan	1	A.1.1	100.00	100.00
3. SPAFID S.p.A.	Milan	1	A.1.1	100.00	100.00
4. MEDIOBANCA INNOVATION SERVICES - S.c.p.A.	Milan	1	A.1.1	100.00	100.00
5. COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A.M.	Monte Carlo	1	A.1.1	100.00	100.00
6. C.M.G. COMPAGNIE MONEGASQUE DE GESTION S.A.M.	Monte Carlo	1	A.1.5	99.89	99.89
7. SMEF SOCIETE MONEGASQUE DES ETUDES FINANCIERE S.A.M.	Monte Carlo	1	A.1.5	99.96	99.96
8. CMB ASSET MANAGEMENT S.A.M.	Monte Carlo	1	A.1.5	99.30	99.30
9. MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.	Luxembourg	1	A.1.1	99.00	99.00
		1	A.1.10	1.00	1.00
10. COMPASS S.p.A.	Milan	1	A.1.1	100.00	100.00
11. CHEBANCA! S.p.A.	Milan	1	A.1.1	100.00	100.00
12. CREDITTECH S.p.A.	Milan	1	A.1.10	100.00	100.00
13. SELMABIPPIEMME LEASING S.p.A.	Milan	1	A.1.1	60.00	60.00
14. PALLADIO LEASING S.p.A.	Vicenza	1	A.1.13	95.00	100.00
	Vicenza		A.1.14	5.00	
15. TELELEASING S.p.A. - IN LIQUIDATION	Milan	1	A.1.13	80.00	80.00
16. RICERCHE E STUDI S.p.A.	Milan	1	A.1.1	100.00	100.00
17. MEDIOBANCA SECURITIES USA LLC	New York	1	A.1.1	100.00	100.00
18. CONSORTIUM S.R.L.	Milan	1	A.1.1	100.00	100.00
19. QUARZO S.r.l.	Milan	1	A.1.10	90.00	90.00
20. QUARZO LEASE S.R.L.	Milan	1	A.1.14	90.00	90.00
21. FUTURO S.p.A.	Milan	1	A.1.10	100.00	100.00
22. MEDIOBANCA COVERED BOND S.r.l.	Milan	1	A.1.11	90.00	90.00
23. COMPASS RE (LUXEMBOURG) S.A.	Luxembourg	1	A.1.10	100.00	100.00
24. MEDIOBANCA INTERNATIONAL IMMOBILIÈRE S. a r.l.	Luxembourg	1	A.1.9	100.00	100.00
25. MB ADVISORY KURUMSAL DANISMANLIK HIZMETLERI ANONIM SIRKETI	Istanbul	1	A.1.1	100.00	100.00
26. MEDIOBANCA SICAV	Luxembourg	1	A.1.1	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, loans held for trading purposes, 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 value¹ 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. 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*.

¹ See Part A3 – Information on fair value, pp. 94 to 97 for further details.

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 30% 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, with the exception of short-term loans, which are stated at historic cost. The effective interest rate is defined as the rate of interest which renders the discounted value of future cash flows deriving from the loan or receivable by way of principal and interest equal to the initial recognition value of the loan or receivable.

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

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

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

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

Leasing

IAS 17 stipulates that for finance leases, interest income should be recorded based on methods which reflect a constant, regular return on the lessor's net investment.

In accordance with this principle, in the event of changes to contracts one these have become effective, any difference arising from comparison between the outstanding principal amount prior to renegotiation and the value of the new future flows discounted at the original interest rate have been taken through the profit and loss account for the period.²

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.

² As required by the amortized cost rules under IAS 39.

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, with the relevant impacts taken through the profit and loss account.

The hedging relationship may also be interrupted voluntarily if the hedged instrument is derecognized or if the hedging instrument is wound up early.

Equity investments

This heading consists of investments in:

- associates, which are equity-accounted, i.e. adjusting the initial recognition cost to reflect changes in the balance sheet (including profits and losses) of the investee company. 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 and net interest.

Since 1 July 2013, conversely, actuarial gains and/or losses are recorded in a net equity valuation reserve, i.e. in the other comprehensive income statement (OCI) and no longer in the profit and loss account as required by the new IAS 19 revised (Employee Benefits), which was approved by the IASB on 16 June 2011 and incorporated into EU law under regulation EE 475/12.³

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.

³ These items may therefore no longer be accounted for under labour costs as was the Group's previous practice.

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

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;⁴
- 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.

⁴ Including Telco.

CONSOLIDATED FINANCIAL
STATEMENTS



Consolidated Balance Sheet - (IAS/IFRS-compliant)*

Assets	IAS-compliant 30/9/13	IAS-compliant 30/6/14	Total IAS 30/9/14
10. Cash and cash equivalents	75.2	33.9	43.1
20. Financial assets held for trading	14,876.3	12,407.0	13,232.0
30. Financial assets recognized at fair value	—	—	—
40. AFS securities	10,683.9	8,418.5	7,290.9
50. Financial assets held to maturity	1,532.3	1,659.8	1,686.4
60. Due from banks	4,695.7	5,287.8	6,282.4
<i>of which:</i>			
<i>other trading items</i>	3,609.7	4,546.6	5,475.7
<i>securities</i>	—	—	—
<i>other items</i>	3.7	11.1	3.4
70. Due from customers	39,966.0	36,623.5	34,361.2
<i>of which:</i>			
<i>other trading items</i>	7,029.7	6,314.0	3,632.3
<i>securities</i>	582.9	386.5	388.8
<i>other items</i>	72.6	49.4	46.7
80. Hedging derivatives	1,001.5	1,008.6	960.1
<i>of which:</i>			
<i>funding hedge derivatives</i>	1,001.5	1,008.6	960.0
<i>lending hedge derivatives</i>	—	—	—
90. Value adjustments to financial assets subject to general hedging	—	—	—
100. Equity investments	2,585.0	2,871.4	3,017.4
110. Total reinsurers' share of technical reserves	—	—	—
120. Property, plant and equipment	293.1	306.1	305.6
130. Intangible assets	409.8	409.4	412.2
<i>of which:</i>			
<i>goodwill</i>	365.9	365.9	369.9
140. Tax assets	869.3	1,097.0	1,063.4
<i>a) current</i>	245.0	385.7	399.5
<i>b) advance</i>	624.3	711.3	663.9
150. Other non-current and Group assets being sold	—	—	—
160. Other assets	216.7	341.0	271.6
<i>of which:</i>			
<i>other trading items</i>	6.7	5.1	7.0
TOTAL ASSETS	77,204.8	70,464.0	68,926.3

* Figures in €m

The balance sheet provided on p. 11 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;

Liabilities and net equity	IAS-compliant 30/9/13	IAS-compliant 30/6/14	Total IAS 30/9/14
10. Due to banks	12,668.9	11,459.8	11,641.0
<i>of which:</i>			
<i>other trading items</i>	2,355.4	3,007.1	3,338.7
<i>other liabilities</i>	3.1	6.0	8.1
20. Due to customers	18,067.8	16,475.4	16,050.6
<i>of which:</i>			
<i>other trading items</i>	1,006.4	1,698.5	1,448.2
<i>other liabilities</i>	9.8	7.3	12.0
30. Debt securities	28,013.0	23,330.0	21,788.5
40. Trading liabilities	9,520.9	9,277.2	9,527.1
50. Liabilities recognized at fair value	—	—	—
60. Hedging derivatives	367.2	353.5	338.1
<i>of which:</i>			
<i>funding hedge derivatives</i>	324.9	296.4	254.2
<i>lending hedge derivatives</i>	11.0	32.5	52.6
70. Value adjustments to financial liabilities subject to general hedging	—	—	—
80. Tax liabilities	633.7	596.2	610.1
<i>a) current</i>	286.9	235.1	244.3
<i>b) deferred</i>	346.8	361.1	365.8
90. Liabilities in respect of Group assets being sold	—	—	—
100. Other liabilities	457.9	710.6	627.9
<i>of which:</i>			
<i>other trading items</i>	—	—	—
<i>loan loss provisions</i>	13.7	19.1	18.7
110. Staff severance indemnity provision	27.4	28.7	29.4
120. Provisions	164.9	166.3	167.2
<i>a) post-employment and similar benefits</i>	—	—	—
<i>b) other provisions</i>	164.9	166.3	167.2
130. Technical reserves	119.3	123.7	123.2
140. Valuation reserves	359.6	869.7	933.2
150. Shares with right of withdrawal	—	—	—
160. Equity instruments	—	—	—
170. Reserves	4,188.0	4,150.4	4,471.3
180. Share premium reserve	2,120.1	2,121.8	2,122.4
190. Share capital	430.6	430.7	430.8
200. Treasury shares	(213.8)	(199.2)	(199.2)
210. Net equity attributable to minorities	108.1	104.5	104.6
220. Profit (loss) for the year	171.2	464.8	160.0
TOTAL LIABILITIES AND NET EQUITY	77,204.8	70,464.0	68,926.3

Consolidated profit and loss account - (IAS/IFRS-compliant)*

Profit and loss account	30/9/13	30/6/14	30/9/14
10. Interest and similar income	624.1	2,380.0	535.6
20. Interest expense and similar charges	(366.3)	(1,319.1)	(273.4)
30. Net interest income	257.8	1,060.9	262.2
40. Fee and commission income	72.5	391.9	133.5
50. Fee and commission expense	(10.2)	(57.1)	(13.0)
60. Net fee and commission income	62.3	334.8	120.5
70. Dividends and similar income	7.0	84.8	9.2
80. Net trading income	2.1	(39.5)	33.9
90. Net hedging income (expense)	0.5	(2.7)	0.6
100. Gain (loss) on disposal of:	86.3	224.7	20.5
<i>a) loans and receivables</i>	<i>(0.1)</i>	<i>(48.1)</i>	<i>1.2</i>
<i>b) AFS securities</i>	<i>87.4</i>	<i>291.8</i>	<i>6.3</i>
<i>c) financial assets held to maturity</i>	<i>(1.9)</i>	<i>(1.5)</i>	<i>11.1</i>
<i>d) other financial liabilities</i>	<i>0.9</i>	<i>(17.5)</i>	<i>1.9</i>
120. Total income	416.0	1,663.0	446.9
130. Adjustments for impairment to:	(129.8)	(699.8)	(126.1)
<i>a) loans and receivables</i>	<i>(129.3)</i>	<i>(682.3)</i>	<i>(116.1)</i>
<i>b) AFS securities</i>	<i>(0.6)</i>	<i>(8.7)</i>	<i>(6.6)</i>
<i>c) financial assets held to maturity</i>	<i>0.4</i>	<i>(2.8)</i>	—
<i>d) other financial liabilities</i>	<i>0.1</i>	<i>(6.0)</i>	<i>(3.4)</i>
140. Net income from financial operations	286.2	963.2	320.8
150. Net premium income	9.1	38.0	10.2
160. Income less expense from insurance operations	(4.5)	(18.1)	(4.4)
170. Net income from financial and insurance operations	290.8	983.1	326.6
180. Administrative expenses:	(167.9)	(811.1)	(184.6)
<i>a) personnel costs</i>	<i>(85.1)</i>	<i>(379.0)</i>	<i>(92.3)</i>
<i>b) other administrative expenses</i>	<i>(82.8)</i>	<i>(432.1)</i>	<i>(92.3)</i>
190. Net transfers to provisions for liabilities and charges	(0.4)	(2.6)	(0.6)
200. Net adjustments to property, plant and equipment	(4.5)	(18.2)	(4.8)
210. Net adjustments to intangible assets	(5.0)	(22.8)	(4.8)
<i>of which: goodwill</i>	—	—	—
220. Other operating income (expenses)	26.2	127.8	30.0
230. Operating costs	(151.6)	(726.9)	(164.8)
240. Profit (loss) from equity-accounted companies	64.1	244.9	55.5
270. Gain (loss) on disposal of investments	—	(0.1)	—
280. Profit (loss) before tax on ordinary activities	203.3	501.0	217.3
290. Income tax on ordinary activities for the year	(32.0)	(39.6)	(56.8)
300. Profit (loss) after tax on ordinary activities	171.3	461.4	160.5
310. Net gain (loss) on non-current assets being sold	—	—	—
320. Profit (loss) for the year	171.3	461.4	160.5
330. Profit (loss) for the year attributable to minorities	(0.1)	3.4	(0.5)
340. Net profit (loss) for the year attributable to Mediobanca	171.2	464.8	160.0

* Figures in €m

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

- *Net interest income* includes the result of funding and lending hedging activity (€0.5m, minus €2.8m and €0.5m respectively), plus the margins on swaps reported under heading 80 (€12.3m, €28.8m and €4.4m respectively);
- amounts under Heading 220 have been restated as *Net fee and commission income*, save for amounts refunded/recovered totalling €9.3m, €59.5m and €8.5m respectively which net operating costs; the amounts stated under headings 150 and 160 have also been accounted for as *Net fee and commission income*, net of fees payable in respect of securities lending (minus €0.5m, minus €1.8m and minus €0.2m respectively), shown here as *Net treasury income*;
- *Net treasury income* also includes the amounts shown under headings 70 and 80, the gains (losses) on disposal of bonds (respectively €5.6m, €47.9m and €15.1m), as well as financial liabilities reported under heading 100 net of or in addition to the items already stated and the value of losses arising on disposal of third-party receivables, which are treated as *Loan loss provisions* in an amount totalling €48.1m as at 30 June 2014 and €1.1m as at 30 September 2014;
- *Provisions for other financial assets* include both the AFS securities and HTM financial assets accounted for here under heading 130 and the equity investments shown under heading 240 (minus €18.6m as at 30 June 2014).

Consolidated comprehensive profit and loss account

(€'000)

	30/9/14	30/6/14
10. Gain (loss) for the period	160.6	461.4
Other income items net of tax without passing through profit and loss	81.8	17.3
20. Property, plant and equipment	—	—
30. Intangible assets	—	—
40. Defined benefit schemes	(1.2)	(1.8)
50. Non-current assets being sold	—	—
60. Share of valuation reserves for equity-accounted companies	83.0	19.1
Other income items net of tax passing through profit and loss	(18.6)	547.3
70. Foreign investment hedges	—	—
80. Exchange rate differences	0.2	(0.1)
90. Cash flow hedges	3.0	32.4
100. AFS securities	(47.6)	340.2
110. Non-current assets being sold	—	—
120. Share of valuation reserves attributable to equity-accounted companies	25.8	174.8
130. Total other income items net of tax	63.2	564.6
140. Comprehensive income (Heading 10 + Heading 130)	223.8	1.026.0
150. Minority interest in consolidated comprehensive income	0.1	(2.9)
160. Consolidated comprehensive income attributable to Mediobanca S.p.A	223.7	1.028.9

DECLARATION BY HEAD
OF COMPANY FINANCIAL REPORTING



Declaration by Head of Company Financial Reporting

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

Head of Company
Financial Reporting

Massimo Bertolini

