

MEDIOBANCA



Quarterly review of operations

(30 September 2013)

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
REGISTERED AS A BANKING GROUP



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www.mediobanca.it

translation from the Italian original which remains the definitive version

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REVIEW OF OPERATIONS
30 SEPTEMBER 2013



REVIEW OF OPERATIONS

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The Mediobanca Group earned a net profit of €171.2m in the three months under review, considerably higher than the €109m reported last year, following a positive performance from the securities and equity investments portfolio, up from €21.6m to €148.6m. Conversely, revenues from banking operations declined from €425.3m to €352.2m, chiefly due to the reduced contribution from trading activity (down from €62.5m to minus €2.7m), despite the recovery in net interest income, (up 4.4% from €259m to €270.5m). The main income items performed as follows:

- net interest income, up 4.4% (from €259m to €270.5m), continued the trend seen in recent quarters, with the increase in retail and consumer banking partly offset by the reduction in wholesale banking;
- net trading income was negative, as was the case in the final quarter of last year, at minus €4.6m (€10.9m), as a result of the fixed-income segment being penalized by the low volatility and low interest-rate levels;
- net fee and commission income fell from €103.8m to €84.4m, due to the ongoing weakness in investment banking business;
- conversely, the contribution from the equity-accounted companies increased, from €28.1m to €64.1m, due to the good performance posted by Assicurazioni Generali.

Operating costs fell 2.9%, from €173.7m to €168.6m, due to the reduction in labour costs (which were down 9.5%).

Loan loss provisions were 15.7% higher than this time last year, up from €111.4m to €128.9m, at levels slightly below those recorded for the third and fourth quarters of the last financial year, and involved all areas of operations.

Movements in the securities portfolio generating net gains of €85.5m for the quarter, due to the gradual streamlining of the equity investment portfolio (gains of €20.7m on disposals totalling €139m) and the gains realized as a result of the Telco reorganization (which amounted to €58.8m, following the disposal of €90m of the shareholders' loan at nominal value, out of a total of €203m held on the books).

Turning now to the individual areas of activity, as from the current financial year and in accordance with the new three-year plan, the segmentation has been revised to include three banking divisions: Corporate and Private Banking (CIB), Retail and Consumer Banking (RCB), and Principal Investing (PI, which brings together all the Group's equity investments, investments in associates and those held as available for sale); plus a Corporate Center, which combines the other companies (including the leasing firms) and certain central Group service costs.

CIB earned a profit of €17.2m, down sharply on the €76.8m posted last year but still an improvement on the €0.5m loss incurred in the last quarter, due to the reduction in revenues (from €215.3m to €117.9m), as a result of: trading losses totalling €4.9m (versus gains of €60.4m), net interest income falling 12.7%, and net fee and commission income down by 30.2%.

RCB showed a profit of €18.9m (€15.9m), on higher revenues (up 11.2%, from €205.3 to €228.2m), with costs stable at €93.9m (€89.1m) and loan loss provisions up from €86.2m to €98.1m.

PI reported a €137.2m profit (€19.3m), on income of €65.3m (€30.1m) and gains on disposals totalling €79.5m raised from the sales made during the quarter.

The Corporate Center shows a loss of €3.5m (€3.7m), on revenues totalling €14m (€13.6m), generated chiefly by leasing business, and costs amounting to €12.7m (€13.4m), €6.1m (€5.8m) of which attributable to Mediobanca S.p.A..

Turning now to the balance-sheet aggregates, at the reporting date these showed an increase in funding, from €51.3bn to €54.7bn, attributable to both the debt security component (up from €25.9bn to €27.3bn) and to CheBanca! retail deposits (which rose from €11.9bn to €13.6bn), which in turn drove growth in net treasury assets (up from €8.2bn to €12.7bn). By contrast, loans and advances to customers were largely stable, at €33.3bn (€33.5bn), as were banking book bonds (down from €12bn to €11.2bn) and the equity investment portfolio (down from €4.2bn to €4.1bn). Assets under management in private banking increased from €13.8bn to €14.3bn.

The Group's main capital ratios remain at high levels despite not including the profit for the period; the core tier 1 ratio stood at 11.54% and the total capital ratio at 15.39%.

* * *

Significant events that took place during the three months include:

- reduction in the Group's shareholding in Telco from 11.62% to 7.34% (also entailing a reduction in the Telecom Italia investment on a look-through basis, from 2.6% to 1.6% of that company's share capital), with the sale of a share of the Telco shareholders' loan (carried at a book value of €35m) to Telefonica in exchange for Telefonica shares worth a total of €94.9m, generating a €58.8m gain;
- launch of the equity stakes disposal programme envisaged in the 2014/16 three-year plan, with sales totalling €139m yielding €20.7m in gains;
- confirmation by Standard and Poor's of the BBB rating assigned to Mediobanca (aligned with the sovereign risk for Italy), with negative outlook.

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)			
	3 mths to 30/9/12	12 mths to 30/9/12	3 mths to 30/9/13	Y.o.Y. Chg (%)
Profit-and-loss data				
Net interest income	259.0	1,028.0	270.5	+4.4
Net trading income	62.5	168.9	(2.7)	n.m.
Net fee and commission income	103.8	409.7	84.4	-18.7
Equity-accounted companies	28.1	(9.5)	64.1	n.m.
TOTAL INCOME	453.4	1,597.1	416.3	-8.2
Labour costs	(94.0)	(384.0)	(85.1)	-9.5
Administrative expenses	(79.7)	(372.9)	(83.5)	+4.8
OPERATING COSTS	(173.7)	(756.9)	(168.6)	-2.9
Gains (losses) on AFS, HTM and L&R	(5.1)	48.0	85.5	n.m.
Loan loss provisions	(111.4)	(506.5)	(128.9)	+15.7
Provisions for financial assets	(1.4)	(404.2)	(1.0)	-28.6
Other profits (losses)	—	(4.8)	—	n.m.
PROFIT BEFORE TAX	161.8	(27.3)	203.3	+25.6
Income tax for the period	(53.3)	(156.8)	(32.0)	-40.0
Minority interest	0.5	4.3	(0.1)	n.m.
NET PROFIT	109.0	(179.8)	171.2	+57.1

* 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)		
	30/9/12	30/6/13	30/9/13
Assets			
Treasury funds	9,856.5	8,199.7	12,714.9
AFS securities	11,018.3	11,489.8	10,683.9
<i>of which: fixed-income</i>	9,927.9	9,967.1	9,071.0
<i>equities</i>	1,076.1	1,507.8	1,601.7
Fixed financial assets (HTM & LR)	2,314.1	2,053.5	2,115.2
Loans and advances to customers	34,926.1	33,455.4	33,338.5
Equity investments	3,116.3	2,586.9	2,585.0
Tangible and intangible assets	718.6	707.7	702.9
Other assets	1,249.4	1,247.3	1,155.6
<i>of which: tax assets</i>	968.0	896.1	869.3
Total assets	63,199.3	59,740.3	63,296.0
Liabilities and net equity			
Funding	55,014.4	51,287.8	54,698.5
<i>of which: debt securities in issue</i>	29,374.7	25,856.4	27,336.4
<i>retail deposits</i>	11,643.0	11,874.2	13,631.4
Other liabilities	1,206.0	1,312.1	1,241.4
<i>of which: tax liabilities</i>	583.3	608.0	633.7
Provisions	186.5	192.2	192.3
Net equity	6,683.4	7,128.0	6,992.6
<i>of which: share capital</i>	430.6	430.6	430.6
<i>reserves</i>	6,144.2	6,589.9	6,453.9
<i>minority interest</i>	108.6	107.5	108.1
Profit for the period	109.0	(179.8)	171.2
Total liabilities and net equity	63,199.3	59,740.3	63,296.0
<i>Tier 1 capital</i>	6,290.8	6,153.2	6,145.4
<i>Regulatory capital</i>	7,725.4	8,155.4	8,195.5
<i>Tier 1 capital/risk-weighted assets</i>	11.50%	11.75%	11.54%
<i>Regulatory capital/risk-weighted assets</i>	14.12%	15.57%	15.39%
<i>No. of shares in issue (millions)</i>	861.1	861.1	861.1

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

(€m)

30 September 2013	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
Net trading income	(4.9)	1.9	—	—	(2.7)
Net fee and commission income	49.8	—	41.9	1.9	84.4
Equity-accounted companies	—	63.4	—	—	64.1
Total income	117.9	65.3	228.2	14.0	416.3
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 (loss) on disposals of AFS, HTM and LR	6.7	79.5	—	—	85.5
Loan loss provisions	(25.8)	—	(98.1)	(5.0)	(128.9)
Provisions for other financial assets	—	(1.0)	—	—	(1.0)
Other gains (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)
Profit (loss) for the period	17.2	137.2	18.9	(3.5)	171.2
Cost/income ratio (%)	59.4	4.0	41.1	90.7	40.5
Balance-sheet figures					
Net treasury assets	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.

¹ Of which Group banking revenues totalling €352.2m.

Notes:

1) Divisions comprise:

– *CIB (Corporate and Investment Banking)*: consists of Wholesale Banking (WSB, which includes lending, structured finance and investment banking activities) and Private Banking (PB, which includes Compagnie Monegasque de Banque, Spafid, Prudentia and 50% of Banca Esperia on a pro-forma basis);

– *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 Center*: 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 arising on consolidation between business areas (€1.4m as at 30 September 2013, and €0.7m as at 30 September 2012 respectively).

	(€m)				
30 September 2012	Corporate & Private banking	Principal Investing	Retail & Consumer Banking	Corporate center	Group
Profit-and-loss data					
Net interest income	83.6	—	165.2	11.4	259.0
Net trading income	60.4	2.7	(0.2)	(0.1)	62.5
Net fee and commission income	71.3	—	40.3	2.3	103.8
Equity-accounted companies	—	27.4	—	—	28.1
Total income	215.3	30.1	205.3	13.6	453.4
Labour costs	(52.8)	(2.4)	(34.8)	(7.6)	(94.0)
Administrative expenses	(27.6)	(0.4)	(54.3)	(5.8)	(79.7)
Operating costs	(80.4)	(2.8)	(89.1)	(13.4)	(173.7)
Gain (loss) on disposals of AFS, HTM and LR	5.2	(6.4)	—	—	(5.1)
Loan loss provisions	(19.9)	—	(86.2)	(5.3)	(111.4)
Provisions for other financial assets	(3.5)	(1.4)	—	—	(1.4)
Other gains (losses)	0.2	—	—	—	—
Profit before tax	116.9	19.5	30.0	(5.1)	161.8
Income tax for the period	(40.1)	(0.2)	(14.1)	0.9	(53.3)
Minority interest	—	—	—	0.5	0.5
Profit (loss) for the period	76.8	19.3	15.9	(3.7)	109.0
Cost/income ratio (%)	37.3	9.3	43.4	98.6	38.3
Balance-sheet figures					
Net treasury assets	12,133.4	—	7,559.5	112.8	9,856.5
AFS securities	9,268.4	1,063.1	1,225.3	—	11,018.3
Fixed financial assets (HTM & LR)	4,009.2	—	2,753.0	—	2,314.1
Equity investments	—	3,028.2	—	—	3,116.3
Loans and advances to customers	28,220.5	—	13,432.4	3,937.7	34,926.1
<i>of which: to Group companies</i>	<i>10,245.8</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>
Funding	(52,563.3)	—	(24,150.9)	(3,551.0)	(55,014.4)
Risk-weighted assets	36,403.9	4,411.1	10,313.3	3,596.4	54,724.7
No. of staff	987 *	—	2,320	308	3,494

* Includes 132 staff employed by Banca Esperia pro-forma, not included in the Group total.

¹ Of which Group banking revenues totalling €425.3m.

Balance Sheet

The main balance-sheet items, of which Mediobanca contributes just over 60% showed the following trends for the three months under review (comparative data as at 30 June 2013):

Funding – this item grew by 6.7%, as a result of new bond issuance (€1.7bn), taking the total up from €25.9bn to €27.3bn, and growth by CheBanca!, whose funding stock now exceeds €13.6bn (€11.9bn).

	30/6/13		30/9/13		Chg.
	€m	%	€m	%	
Debt securities	25,856.4	50%	27,336.4	50%	+5.7%
CheBanca! retail funding	11,874.2	23%	13,631.4	25%	+14.8%
Interbank funds	2,718.3	5%	2,713.8	5%	-0.2%
LTROs	7,500.0	15%	7,500.0	14%	n.m.
Other funds	3,338.9	7%	3,516.9	6%	+5.3%
Total funding	51,287.8	100%	54,698.5	100%	+6.7%

Loans and advances to customers – these remained basically stable, down from €33,455.4bn to €33,338.5m, with the slight increases in the consumer, retail and private segments offsetting the reductions in leasing and corporate finance, which saw early repayments totalling €838m. Impaired assets were up slightly, by 2.9%, which is in part seasonal and affecting mortgage lending and leasing in particular.

	30/6/13		30/9/13		Chg.
	€m	%	€m	%	
Wholesale banking	15,505.2	47%	15,438.2	46%	-0.4%
Consumer	9,427.7	28%	9,469.3	28%	+0.4%
Retail banking	4,266.5	13%	4,270.3	13%	+0.1%
Private Banking	803.0	2%	839.4	3%	+4.5%
Leasing	3,453.0	10%	3,321.3	10%	-3.8%
Total loans and advances to customers	33,455.4	100%	33,338.5	100%	-0.3%

	30/6/13		30/9/13		Chg.
	€m	%	€m	%	
Wholesale banking	254.6	26%	236.6	23%	-7.1%
Consumer	368.7	37%	375.4	37%	+1.8%
Retail banking	121.9	12%	133.1	13%	+9.2%
Private Banking	9.9	1%	6.9	1%	-30.3%
Leasing	234.1	24%	265.7	26%	+13.5%
Total net impaired assets	989.2	100%	1,017.7	100%	+2.9%
– of which: non-performing	262.7		283.3		+7.8%

Equity investments – these closed at €2,585m, on gains for the period totalling €64.1m and other downward adjustments (taken through net equity) totalling €66m. At the reporting date the Assicurazioni Generali investment showed an unrealized gain of €582.9m (over €1bn based on current stock market prices).

	Percentage share holding (*)	Book value	Market value at 30/9/13	Gain (Loss)
Assicurazioni Generali	13.24	2,457.0	3,039.9	582.9
Banca Esperia	50.0	88.0		
Burgo Group	22.13	19.6		
Athena Private Equity	24.27	19.7		
Fidia	25.0	0.7		
Total Investments		2,585.0	3,039.9	582.9

* Percentage of entire share capital.

Fixed financial assets – the 3% growth in this item involved new investments totalling €122m, against redemptions of some €60m.

	30/6/13		30/9/13		Chg.
	€m	%	€m	%	
Financial assets held to maturity	1,447.8	71%	1,532.3	72%	+5.8%
Unlisted debt securities (stated at cost)	605.7	29%	582.9	28%	-3.8%
Total fixed financial assets	2,053.5	100%	2,115.2	100%	+3.0%

AFS securities – this segment declined by 7%, from €11,489.8m to €10,683.9m, due to the reduction in government securities held in this portfolio (approx. €1bn), partly offset by the increase in fair value (up €130m, three-quarters of which attributable to equities). During the year shares worth a total of €139m were sold, chiefly €51m on Gemina, partly absorbed by the rights issues by RCS MediaGroup (€60.8m) and Prelios (€3m) subscribed for. The Group's share in the Telco shareholders' loan was swapped for Telefonica shares worth €94.9m.

	30/6/13		30/9/13		Chg.
	€m	%	€m	%	
Debt securities	9,967.1	87%	9,071.0	85%	-9.0%
Equities	1,507.8	13%	1,601.7	15%	+6.2%
Others	14.9	—	11.2	—	-24.8%
Total AFS securities	11,489.8	100%	10,683.9	100%	-7.0%

	30/6/13			30/9/13		
	Book Value	%	AFS reserve	Book Value	%	AFS reserve
Italian government securities	7,193.8	72%	41.2	6,153.1	68%	66.1
Other government securities	114.4	1%	2.4	313.2	3%	2.3
Financial bonds	2,111.1	21%	11.1	2,110.9	23%	26.4
- of which: Italian	1,180.5	12%	(5.1)	1,198.9	13%	11.4
Corporate bonds	547.8	6%	37.1	493.8	6%	25.2
Total debt securities	9,967.1	100%	91.8	9,071.0	100%	120.0

	Percentage shareholding*	Book value at 30/9/13	Adjustments to fair value	Impairment charges to P&L	Total AFS reserve
LISTED EQUITIES					
Pirelli & C.	4.61 – 4.49	211.0	16.0	—	16.0
Gemina	7.87 – 7.85	193.3	34.0	—	41.8
UCI cashes		151.5	3.2	—	15.0
Italmobiliare	9.5 – 5.47	39.2	4.6	—	4.6
RCS MediaGroup	14.86	76.4	(1.6)	—	(1.6)
Saks Inc.	3.46	61.4	6.5	—	28.7
Telefonica	0.19	97.0	2.0	—	2.0
Other listed equities		67.9	2.3	(0.2)	12.6
Total listed equities		897.7	67.0	(0.2)	119.1
UNLISTED EQUITIES					
Sintonia S.p.A.	5.9	302.9	—	—	—
Edipower	4.1	60.2	—	—	—
Santé S.A.	9.92	30.0	—	(0.8)	—
Telco ¹	7.34	72.8	29.2	—	29.2
Other unlisted equities		238.1	—	—	17.6
Total unlisted equities		704.0	29.2	(0.8)	46.8
Total equities		1,601.7	96.2	(1.0)	165.9

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

¹ Loan subscribed for pro rata by Telco shareholders.

Treasury assets – these rose from €8,199.7bn to €12,714.9m, due to the increase in funding (debt securities and CheBanca! retail deposits in particular). The main application of treasury assets was on the money market.

	30/6/13		30/9/13		Chg.
	€m	%	€m	%	
Debt securities	3,507.6	43%	4,580.2	36%	+30.6%
Equities	1,068.2	13%	1,247.3	10%	+16.8%
Derivative contract valuations	(460.3)	-6%	(585.0)	-5%	+27.1%
Others (cash, repos, time deposits)	4,084.2	50%	7,472.4	59%	+83.0%
Total net treasury assets	8,199.7	100%	12,714.9	100%	+55.1%

Tangible and intangible assets – these declined slightly, from €707.7m to €702.9m; the heading includes goodwill of €365.9m and brands worth €6.3m (unchanged).

Provisions – provisions stood at €192.3m, virtually unchanged since the balance-sheet date (€192.2m); the actuarial reserve for the staff severance indemnity provision declined from minus €1.1m to minus €1.2m, generating a €138,000 impact on net equity.

Net equity – net equity increased by €215m, as a result of the profit for the period (€171.2m) and the increase in valuation reserves (€46.4m).

	30/6/13	30/9/13	(€m) Chg.
Share capital	430.6	430.6	n.m.
Other reserves	6,280.5	6,098.1	-2.9%
Valuation reserves	309.4	355.8	+15.0%
- of which: AFS securities	144.6	245.5	+69.8%
cash flow hedges	(81.3)	(75.4)	-7.3%
equity investments	232.6	172.1	-26.0%
Profit for the period	(179.8)	171.2	n.m.
Total Group net equity	6,840.7	7,055.7	+3.1%

Of the AFS reserve, €165.9m involves equities and €131.1m bonds and other debt securities (€66.1m of which Italian government securities), net of the €51.5m tax effect.

	30/6/13	30/9/13	(€m)
Equities	78.6	165.9	
Bonds and other debt securities	103.1	131.1	
Tax effect	(37.1)	(51.5)	
Total AFS reserve	144.6	245.5	

Profit and Loss Account

Net interest income – this item rose 4.4% year-on-year from €259m to €270.5m, continuing the upward trend seen in the fourth quarter last year (€265m), with growing margins on consumer loans and lower retail funding costs.

	30/9/12	30/9/13	(€m) Chg.
Wholesale banking	73.0	62.6	-14.2%
Consumer	132.0	150.5	+14.0%
Retail banking	32.8	35.8	+9.1%
Private Banking	10.9	10.1	-7.3%
Leasing	11.5	12.1	+5.2%
Others (including <i>intercompany accounts</i>)	(1.2)	(0.6)	-50.0%
Net interest income	259.0	270.5	+4.4%

Net trading income – this item reflected a €2.7m loss for the three months, despite the good performance posted in equity trading (€21.9m, versus €16m); fixed-income trading having been impacted by the low volatility and the declining market interest rate trend.

	30/9/12	30/9/13	(€m) Chg.
Dividends	2.7	1.9	-29.6%
Fixed-income trading profit	46.5	(24.6)	n.m.
Equity trading profit	13.3	20.0	+50.4%
Net trading income	62.5	(2.7)	n.m.

Net fee and commission income – the 18.7% reduction in fee income was due to the weak advisory and capital market conditions, whose contribution to the total more than halved; while the other divisions' performances were largely stable.

	30/9/12	30/9/13	(€m) Chg.
Wholesale banking	55.3	32.6	-41.0%
Consumer	35.5	34.9	-1.7%
Retail banking	3.0	5.0	+66.7%
Private Banking	9.1	11.1	+22.0%
Leasing	0.6	0.5	-16.7%
Others	0.3	0.3	n.m.
Net fee and commission income	103.8	84.4	-18.7%

Operating costs – these fell by 2.9%, on account of the reduction in labour costs (down 9.5%). Other administrative expenses reflect the Consumer and Retail division’s new growth initiatives.

	30/9/12	30/9/13	(€m) Chg.
Labour costs	94.0	85.1	-9.5%
<i>of which: directors</i>	1.8	1.9	+5.6%
<i>stock option and performance share schemes</i>	3.8	2.9	-23.7%
Sundry operating costs and expenses	79.7	83.5	+4.8%
<i>of which: depreciation and amortization</i>	10.5	9.5	-9.5%
<i>administrative expenses</i>	68.7	73.6	+7.1%
Operating costs	173.7	168.6	-2.9%

	30/9/12	30/9/13	(€m) Chg.
Legal, tax and professional services	4.7	5.4	+14.9%
Credit recovery activities	7.1	8.2	+15.5%
Marketing and communication	8.3	10.5	+26.5%
Rent and property maintenance	8.8	9.1	+3.4%
EDP	8.6	9.1	+5.8%
Financial information subscriptions	6.8	5.7	-16.2%
Bank services, collection and payment commissions	5.1	4.3	-15.7%
Operating expenses	12.0	12.8	+6.7%
Other labour costs	4.2	4.7	+11.9%
Other costs	1.1	1.8	+63.6%
Direct and indirect taxes	2.0	2.0	n.m.
Total administrative expenses	68.7	73.6	+7.1%

Gains and losses on disposals of AFS securities and fixed financial assets – this item chiefly consists of the net gains realized on disposals of AFS equities, which totalled €79.7m (€58.8m of which in relation to Telco and €9.3m to Gemina).

	30/9/12	30/9/13	(€m)
Shares	(5.0)	79.7	
Bonds	(0.1)	5.7	
Others	—	0.1	
Total	(5.1)	85.5	

Loan loss provisions – loan loss provisions were higher this quarter than at the same stage last year (up from €111.4m to €128.9m), but down slightly compared to the final two quarters of the last financial year (€142.9m and €130.9m respectively). The annualized cost of risk therefore rose from 125 bps to 154 bps (30/6/13: 145 bps).

	30/9/12	30/9/13	(€m) Chg.
Wholesale banking	19.9	25.8	+29.6%
Consumer	81.0	90.9	+12.2%
Retail banking	5.2	7.2	+38.5%
Leasing	5.3	5.0	-5.7%
Loan loss provisions	111.4	128.9	+15.7%
Cost of risk (bps)	125	154	+23.2%

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 new segmentation.

CORPORATE AND PRIVATE BANKING (WHOLESALE BANKING AND PRIVATE BANKING)

	30/9/12	30/6/13	30/9/13	(€m) % chg.
Profit-and-loss data				
Net interest income	33.6	286.9	73.0	-12.7
Net trading income	60.4	168.1	(4.9)	n.m.
Net fee and commission income	71.3	268.3	49.8	-30.2
Total income	215.3	723.3	117.9	-45.2
Labour costs	(52.8)	(209.2)	(44.5)	-15.7
Administrative expenses	(27.6)	(125.5)	(25.5)	-7.6
Operating costs	(80.4)	(334.7)	(70.0)	-12.9
Gain (loss) on disposals of AFS, HTM and LR	5.2	47.4	6.7	+28.8
Loan loss provisions	(19.9)	(121.5)	(25.8)	+29.6
Provisions for other financial assets	(3.5)	15.0	—	n.m.
Other gains (losses)	0.2	(4.7)	—	n.m.
Profit before tax	116.9	324.8	28.8	-75.4
Income tax for the period	(40.1)	(122.4)	(11.6)	-71.1
Profit (loss) for the period	76.8	202.4	17.2	-77.6
Cost/income ratio (%)	37.3	46.3	59.4	
Balance-sheet figures				
Net treasury assets	12,133.4	10,008.6	14,053.2	
AFS securities	9,268.4	9,408.4	8,511.1	
Fixed financial assets (HTM & LR)	4,009.2	5,179.9	5,082.7	
Loans and advances to customers	28,220.5	25,802.9	25,514.6	
<i>of which: to Group companies</i>	<i>10,245.8</i>	<i>9,047.2</i>	<i>8,758.4</i>	
Funding	(52,563.3)	(49,066.3)	(51,511.0)	

	(€m)		
30 September 2013	Wholesale Banking	Private Banking	Total
Net interest income	62.9	10.1	73.0
Net trading income	(6.9)	2.0	(4.9)
Net fee and commission income	32.4	17.4	49.8
Total income	88.4	29.5	117.9
Labour costs	(32.5)	(12.0)	(44.5)
Administrative expenses	(17.7)	(7.8)	(25.5)
Operating costs	(50.2)	(19.8)	(70.0)
Gain (loss) on disposals of AFS, HTM and LR	5.6	1.1	6.7
Loan loss provisions	(25.8)	—	(25.8)
Profit before tax	18.0	10.8	28.8
Income tax for the period	(10.8)	(0.8)	(11.6)
Profit (loss) for the period	7.2	10.0	17.2
Cost/income ratio (%)	56.8	67.1	59.4
Balance-sheet figures			
Cost of risk (bps)	67	—	63
Net treasury assets	13,122.4	930.8	14,053.2
AFS securities	7,923.4	587.7	8,511.1
Fixed financial assets (HTM & LR)	5,069.6	13.1	5,082.7
Loans and advances to customers	24,194.6	1,320.0	25,514.6
<i>of which: to Group companies</i>	<i>8,758.4</i>	—	<i>8,758.4</i>
Net non performing Loan	10.5	4.3	14.8
Funding	(49,139.3)	(2,371.7)	(51,511.0)
Securities held on a fiduciary basis	n.a.	1,326.7	1,326.7
Asset Under Management	n.a.	14,337.5	14,337.5
No. of staff	638	341	979

	(€m)		
30 September 2012	Wholesale Banking	Private Banking	Total
Net interest income	72.7	10.9	83.6
Net trading income	56.6	3.8	60.4
Net fee and commission income	54.9	16.4	71.3
Total income	184.2	31.1	215.3
Labour costs	(40.7)	(12.1)	(52.8)
Administrative expenses	(19.5)	(8.1)	(27.6)
Operating costs	(60.2)	(20.2)	(80.4)
Gain (loss) on disposals of AFS, HTM and LR	—	5.2	5.2
Loan loss provisions	(19.9)	—	(19.9)
Provisions for other financial assets	—	(3.5)	(3.5)
Other gains (losses)	—	0.2	0.2
Profit before tax	104.1	12.8	116.9
Income tax for the period	(39.5)	(0.6)	(40.1)
Profit (loss) for the period	64.6	12.2	76.8
Cost/income ratio (%)	32.7	65.0	37.3
Balance-sheet figures			
Cost of risk (bps)	46	—	44
Net treasury assets	11,137.5	995.9	12,133.4
AFS securities	8,720.7	547.7	9,268.4
Fixed financial assets (HTM & LR)	3,999.3	9.9	4,009.2
Loans and advances to customers	26,994.8	1,225.7	28,220.5
<i>of which: to Group companies</i>	<i>10,245.8</i>	<i>—</i>	<i>10,245.8</i>
Net non performing Loan	—	8.0	8.0
Funding	(50,407.9)	(2,155.4)	(52,563.3)
Securities held on a fiduciary basis	n.a.	1,358.4	1,358.4
Asset Under Management	n.a.	13,097.0	13,097.0
No. of staff	643	344	987

Wholesale Banking

Wholesale activity, which as from this year includes only investment banking among the banking activities, showed a profit of €7.2m (30/9/12: €64.6m), despite a sharp, 52% reduction in revenues (from €184.2m to €88.4m) which affected all segments:

- net interest income declined by 13.5% year-on-year, from €72.7m to €62.9m, at levels in line with those seen in the fourth quarter last year (€64.4m), continuing to reflect the negative differential on the margin between lending and funding rates;
- trading activity showed a €6.9m loss, representing the balance between a good equity trading performance (generating revenues of €20m) offset by the losses recorded in fixed-income trading (€26.9m), which reflect the widespread difficulties on the bond market and, moreover, do not include the €5.6m gains realized on disposals in the AFS segment;
- net fee and commission income reduced from €54.9m to €32.4m, due to the absence of significant advisory and capital market transactions.

At the same time costs fell by 16.6%, from €60.2m to €50.2m, due to the variable labour cost component (which was down €8.2m) and to the lower operating costs (down €1.8m).

Loan loss adjustments rose year-on-year, from €19.9m to €25.8m, but were still below the levels reported in the last three quarters (on average €33.4m).

On the balance-sheet side, there was an increase in funding (from €46.6bn to €49.1bn), both the debt security component (from €27.7bn to €29bn) and the CheBanca! retail deposits (from €9.7bn to €10.7bn). Treasury assets rose from €9.3bn to €13.1bn, on stable customer lendings and banking book securities.

	30/6/13		30/9/13		Chg.
	€m	%	€m	%	
Debt securities	27,749.2	60%	29,045.0	59%	+4.7%
Interbank funding	10,035.9	22%	11,290.7	23%	+12.5%
- of which: intercompany (CheBanca!)	9,660.6	21%	10,727.9	22%	+11.0%
LTRO	7,500.0	16%	7,500.0	15%	n.m.
Securitized and other funds	1,303.6	2%	1,303.6	3%	n.m.
Total funding	46,588.7	100%	49,139.3	100%	+5.5%

	30/6/13		30/9/13		Chg.
	€m	%	€m	%	
AFS debt securities	8,825.5	64%	7,923.4	61%	-10.2%
Financial assets held to maturity	1,434.1	10%	1,518.6	12%	+5.9%
Unlisted debt securities (stated at cost)	3,570.2	26%	3,551.0	27%	-0.5%
Total fixed and AFS securities	13,829.8	100%	12,993.0	100%	-6.1%

	30/6/13		30/9/13		Chg.
	€m	%	€m	%	
Cash and cash equivalents	201.0	2%	238.3	2%	+18.6%
Debt securities	2,837.4	30%	3,822.2	29%	+34.7%
Equities	1,034.7	11%	1,215.1	9%	+17.4%
Derivative contract valuations	-376.2	-4%	-510.7	-4%	+35.8%
Others (repos, time deposits, derivatives etc.)	5,639.1	61%	8,357.5	64%	+48.2%
Total net treasury assets	9,336.0	100%	13,122.4	100%	+40.6%

Private Banking

Private banking recorded a €10m profit, down on the €12.2m reported last year, due to lower trading income of €2m (€3.8m) and a reduced contribution from the securities portfolio of €1.1m (€1.7m), which offset the 6.1% rise in fee income (from €16.4m to €17.4m) and the lower operating costs (down from €20.2m to €19.8m). Assets under management on a discretionary and non-discretionary basis in the three months under review rose to €14.3bn, €6.8bn of which with CMB (30/6/13: €6.7bn) and €7.5bn (30/6/13: €7.1bn) with Banca Esperia.

	(€m)			
Private Banking 30 September 2013	CMB	Banca Esperia 50%	Others	Total
Net interest income	8.1	1.7	0.3	10.1
Net trading income	1.7	0.3	—	2.0
Net fee and commission income	10.3	6.3	0.8	17.4
Total income	20.1	8.3	1.1	29.5
Labour costs	(6.2)	(5.0)	(0.8)	(12.0)
Administrative expenses	(4.7)	(2.9)	(0.2)	(7.8)
Operating costs	(10.9)	(7.9)	(1.0)	(19.8)
Gain (loss) on disposals of AFS, HTM and LR	0.4	0.7	—	1.1
Profit before tax	9.6	1.1	0.1	10.8
Income tax for the period	—	(0.5)	(0.3)	(0.8)
Profit (loss) for the period	9.6	0.6	(0.2)	10.0
Cost/income ratio (%)	54.2	n.m.	n.m.	67.1
Asset under management	6,831.0	7,506.5	n.a.	14,337.5
Securities held on a trustee basis	n.a.	n.a.	1,326.7	1,326.7

	(€m)			
Private Banking 30 September 2012	CMB	Banca Esperia 50%	Others	Total
Net interest income	8.5	2.2	0.2	10.9
Net trading income	3.4	0.4	—	3.8
Net fee and commission income	8.5	6.7	1.2	16.4
Total income	20.4	9.3	1.4	31.1
Labour costs	(5.9)	(5.5)	(0.7)	(12.1)
Administrative expenses	(4.6)	(3.2)	(0.3)	(8.1)
Operating costs	(10.5)	(8.7)	(1.0)	(20.2)
Gain (loss) on disposals of AFS, HTM and LR	1.3	3.9	—	5.2
Loan loss provisions	—	(3.5)	—	(3.5)
Other gains (losses)	—	0.2	—	0.2
Profit before tax	11.2	1.2	0.4	12.8
Income tax for the period	—	(0.5)	(0.1)	(0.6)
Profit (loss) for the period	11.2	0.7	0.3	12.2
Cost/income ratio (%)	51.5	n.m.	71.4	65.0
Asset under management	6,294.0	6,803.0	n.a.	13,097.0
Securities held on a trustee basis	n.a.	n.a.	1,358.4	1,358.4

* * *

Principal Investing (equity investment portfolio)

	(€m)			
	30/9/12	30/6/13	30/9/13	% chg.
Profit-and-loss data				
Net trading income	2.7	17.9	1.9	-29.1
Equity-accounted companies	27.4	(10.0)	63.4	n.m.
Total income	30.1	7.9	65.3	n.m.
Labour costs	(2.4)	(9.6)	(2.2)	-8.3
Administrative expenses	(0.4)	(1.6)	(0.4)	n.m.
Operating costs	(2.8)	(11.2)	(2.6)	-7.1
Gain (loss) on disposals of AFS, HTM and LR	(6.4)	16.7	79.5	n.m.
Provisions for other financial assets	(1.4)	(422.3)	(1.0)	-29.6
Profit before tax	19.5	(408.9)	141.2	n.m.
Income tax for the period	(0.2)	1.8	(4.0)	n.m.
Profit (loss) for the period	19.3	(407.1)	137.2	n.m.
Balance-sheet figures				
AFS securities	1,063.1	1,493.8	1,587.4	
Equity investments	3,028.2	2,500.1	2,497.0	

Principal investing recorded a profit of €137.2m (€19.3m), due to the higher profits reported by Assicurazioni Generali (up from €36.7m to €63.9m) and the gains realized on disposals already referred to (€79.5m).

Retail and Consumer Banking (financial services to households)

	30/9/12	30/6/13	30/9/13	(€m) % chg.
Profit-and-loss data				
Net interest income	165.2	696.5	186.3	+12.8
Net trading income	(0.2)	(0.3)	—	n.m.
Net fee and commission income	40.3	173.4	41.9	+4.0
Total income	205.3	869.6	228.2	+11.2
Labour costs	(34.8)	(148.7)	(34.0)	-2.3
Administrative expenses	(54.3)	(255.4)	(59.9)	+10.3
Operating costs	(89.1)	(404.1)	(93.9)	+5.4
Gain (loss) on disposals of AFS, HTM and LR	—	(15.5)	—	n.m.
Loan loss provisions	(86.2)	(360.1)	(98.1)	+13.8
Other gains (losses)	—	(0.5)	—	n.m.
Profit before tax	30.0	89.4	36.2	+20.7
Income tax for the period	(14.1)	(46.6)	(17.3)	+22.7
Profit (loss) for the period	15.9	42.8	18.9	+18.9
Cost/income ratio (%)	43.4	46.5	41.1	

Balance-sheet figures

Net treasury assets	7,559.5	9,028.4	10,500.2
AFS securities	1,225.3	871.8	880.0
Fixed financial assets (HTM & LR)	2,753.0	1,747.0	1,759.6
Loans and advances to customers	13,432.4	13,694.2	13,739.6
Funding	(24,150.9)	(24,384.2)	(25,884.8)

Consumer credit

Consumer credit showed an increase in profits from €18.8m to €21.5m, on higher net interest income (up 13.7%, from €132.4m to €150.5m), with fee income stable at €37m. Conversely, the cost of risk increased from 353 bps to 385 bps, with loan loss provisions up from €81m to €90.9m (in line with the fourth quarter last year). During the three months under review loans and advances to customers were up slightly, from €9,427.7m to €9,469.3m, with new loans recovering from €1,117m to €1,226.6m.

Retail Banking

CheBanca! reduced its loss for the first quarter from €2.9m to €2.6m, helped by higher net interest income (up 9.1%, from €32.8m to €35.8m) and securities placement fees (up from €3m to €5m), most of which was offset by the higher operating costs (from €31m to €34.1m) due to promotional activity and the cost of risk (€7.2m, compared with €5.2m), which was still lower than the fourth quarter last year (€8.8m). In the three months under review, retail deposits rose from €11.9bn to €13.6bn, as a result of the summer promotional campaign, while loans and advances to customers remained stable at €4.3bn. Indirect funding increased from €718m to €796m.

The results are shown by business segment below:

	(€m)		
Retail & Consumer Banking 30 September 2013	Consumer	Retail Banking	Total
Net interest income	150.5	35.8	186.3
Net fee and commission income	36.9	5.0	41.9
Total income	187.4	40.8	228.2
Labour costs	(20.0)	(14.0)	(34.0)
Administrative expenses	(39.8)	(20.1)	(59.9)
Operating costs	(59.8)	(34.1)	(93.9)
Loan loss provisions	(90.9)	(7.2)	(98.1)
Profit before tax	36.7	(0.5)	36.2
Income tax for the period	(15.2)	(2.1)	(17.3)
Profit (loss) for the period	21.5	(2.6)	18.9
Cost/income ratio (%)	31.9	83.6	41.1
Balance-sheet figures			
Net treasury assets	296.4	10,203.8	10,500.2
AFS securities	104.1	775.9	880.0
Fixed financial assets (HTM & LR)	0.6	1,759.0	1,759.6
Loans and advances to customers	9,469.3	4,270.3	13,739.6
Funding	(9,209.0)	(16,675.8)	(25,884.8)
Cost of risk (bps)	385	68	286
New loans	1,226.6	90.9	1,317.5
No. of branches	158	45	203
No. of staff	1,441	903	2,344

	(€m)		
Retail & Consumer Banking 30 September 2012	Consumer	Retail Banking	Total
Net interest income	132.4	32.8	165.2
Net fee and commission income	—	(0.2)	(0.2)
Equity-accounted companies	37.3	3.0	40.3
Total income	169.7	35.6	205.3
Labour costs	(20.5)	(14.3)	(34.8)
Administrative expenses	(37.6)	(16.7)	(54.3)
Operating costs	(58.1)	(31.0)	(89.1)
Loan loss provisions	(81.0)	(5.2)	(86.2)
Profit before tax	30.6	(0.6)	30.0
Income tax for the period	(11.8)	(2.3)	(14.1)
Profit (loss) for the period	18.8	(2.9)	15.9
Cost/income ratio (%)	34.2	n.m.	43.4

Balance-sheet figures

Net treasury assets	438.6	7,120.9	7,559.5
AFS securities	64.4	1,160.9	1,225.3
Fixed financial assets (HTM & LR)	0.7	2,752.3	2,753.0
Loans and advances to customers	9,144.5	4,287.9	13,432.4
Funding	(9,074.3)	(15,076.6)	(24,150.9)
Cost of risk (bps)	353	47	256
New loans	1,117.0	54.9	1,171.9
No. of branches	158	44	202
No. of staff	1,400	920	2,320

Leasing

Leasing operations reported a slight, €0.2m loss, lower than the €0.5m loss reported at the same stage last year. Top-line resilience (up 2.3%, from €12bn to €12.3m) was accompanied by a 9.9% reduction in operating costs (from €7.4m to €6.7m) and the cost of risk (down from €5.3m to €5m). Loans and advances declined from €3,453m to €3,322m during the quarter, on new loans of €66.3m (€60.9m).

Outlook

Estimates for the current financial year will continue to be affected by the weak economic scenario and above all the unfavourable ratio between lender interest rates and the cost of bank funding. The guidelines of the Group's three-year plan are confirmed, namely the gradual reduction of exposure to equity investments, which commenced during the three years under review, and growth in lending. On the earnings side, it is expected that revenues will recover, driven by the contribution from Assicurazioni Generali, with careful cost control and modest growth in the cost of risk.

Milan, 28 October 2013

THE BOARD OF DIRECTORS

ACCOUNTING POLICIES



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 30 September 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 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 (first update on 18 November 2009 as amended by other letters subsequently circulated); 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 2

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.

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

Name of company	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	100.0	100.0
3. PRUDENTIA FIDUCIARIA S.p.A.	Milan	1	A.1.1	100.0	100.0
4. SETECI - Società Consortile per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.c.p.A.	Milan	1	A.1.1	100.0	100.0
5. SPAFID S.p.A.	Milan	1	A.1.1	100.0	100.0
6. COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A.M.	Monte Carlo	1	A.1.1	100.0	100.0
7. C.M.G. COMPAGNIE MONEGASQUE DE GESTION S.A.M.	Monte Carlo	1	A.1.6	99.89	99.89
8. SMEF SOCIETE MONEGASQUE DES ETUDES FINANCIERE S.A.M.	Monte Carlo	1	A.1.6	99.96	99.96
9. CMB ASSET MANAGEMENT S.A.M.	Monte Carlo	1	A.1.6	99.30	99.30
10. MEDIOBANCA INTERNATIONAL (Luxembourg) S.A.	Luxembourg	1	A.1.1	99.0	99.0
		1	A.1.11	1.0	1.0
11. COMPASS S.p.A.	Milan	1	A.1.1	100.0	100.0
12. CHEBANCA! S.p.A.	Milan	1	A.1.1	100.0	100.0
13. COFACTOR S.p.A.	Milan	1	A.1.11	100.0	100.0
14. SELMABIPIEMME LEASING S.p.A.	Milan	1	A.1.1	60.0	60.0
15. PALLADIO LEASING S.p.A.	Vicenza	1	A.1.14	95.0	100.0
			A.1.15	5.0	
16. TELELEASING S.p.A. - in liquidation	Milan	1	A.1.14	80.0	80.0
17. SADE FINANZIARIA - INTERSOMER S.r.l.	Milan	1	A.1.1	100.0	100.0
18. RICERCHE E STUDI S.p.A.	Milan	1	A.1.1	100.0	100.0
19. CREDITTECH S.p.A.	Milan	1	A.1.11	100.0	100.0
20. MEDIOBANCA SECURITIES USA LLC	New York	1	A.1.1	100.0	100.0
21. CONSORTIUM S.r.l.	Milan	1	A.1.1	100.0	100.0
22. QUARZO S.r.l.	Milan	1	A.1.11	90.0	90.0
23. QUARZO LEASE S.r.l.	Milan	1	A.1.14	90.0	90.0
24. FUTURO S.p.A.	Milan	1	A.1.11	100.0	100.0
25. MEDIOBANCA COVERED BOND S.r.l.	Milan	1	A.1.12	90.0	90.0
26. COMPASS RE (Luxembourg) S.A.	Luxembourg	1	A.1.11	100.0	100.0
27. MEDIOBANCA INTERNATIONAL IMMOBILIARE S. a.r.l.	Luxembourg	1	A.1.10	100.0	100.0
28. MB ADVISORY KURUMSAL DANISMANLIK HIZMETLERI ANONIM SIRKETI	Istanbul	1	A.1.1	100.0	100.0
29. MEDIOBANCA SICAV *	Luxembourg	1	A.1.1	100.0	100.0

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.

* as yet not operative.

SECTION 3

Events subsequent to the reporting date

Since the reporting date, no events have taken place that would cause the results presented in the consolidated report for the period ended 30 September 2013 to require adjustment. For a description of the most significant events since the reporting date, please refer to the relevant section in the Review of Operations.

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 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. 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 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 period¹.

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

¹ As required by the amortized cost rules under IAS 39.

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 and net interest.

As from 1 July 2013, actuarial gains and/or losses have been accounted for among the net equity valuation reservers, or in the statement of Other comprehensive income, as required by IAS 19 – “Employee benefits” (IAS 19, Revised), approved by the IASB on 16 June 2011 and enacted in EU regulation 475/12².

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.

² The revised accounting standard has therefore removed the other options provided for under the previous version, including the one that had been adopted by the Mediobanca Group which involved taking such items through the profit and loss account as labour costs.

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 them³;
- 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.

³ These include Telco, RCS MediaGroup, Pirelli and Gemina.

CONSOLIDATED FINANCIAL
STATEMENTS



Consolidated Balance Sheet (IAS/IFRS-compliant)

(€m)

Assets	IAS-compliant 30/9/12	IAS-compliant 30/6/13	IAS-compliant 30/9/13
10. Cash and cash equivalents	39.2	28.8	75.2
20. Financial assets held for trading	14,693.5	13,047.1	14,876.3
30. Financial assets recognized at fair value	—	—	—
40. AFS securities	11,018.3	11,489.8	10,683.9
50. Financial assets held to maturity	1,721.4	1,447.8	1,532.3
60. Due from banks	5,818.1	4,855.0	4,695.7
<i>of which:</i>			
<i>other trading items</i>	4,533.9	3,783.3	3,609.7
<i>securities</i>	—	—	—
<i>other items</i>	44.2	5.4	3.7
70. Due from customers	39,426.3	36,413.9	39,966.0
<i>of which:</i>			
<i>other trading items</i>	5,004.0	3,278.9	7,029.7
<i>securities</i>	592.8	605.7	582.9
<i>other items</i>	75.3	89.2	72.6
80. Hedging derivatives	1,716.7	1,105.9	1,001.5
<i>of which:</i>			
<i>funding hedge derivatives</i>	1,716.7	1,105.9	1,001.5
<i>lending hedge derivatives</i>	—	—	—
90. Value adjustments to financial assets subject to general hedging	—	—	—
100. Equity investments	3,116.3	2,586.9	2,585.0
110. Total reinsurers' share of technical reserves	—	—	—
120. Property, plant and equipment	298.7	295.4	293.1
130. Intangible assets	419.9	412.3	409.8
<i>of which:</i>			
<i>goodwill</i>	365.9	365.9	365.9
140. Tax assets	967.9	896.3	869.3
<i>a) current</i>	290.8	246.8	245.0
<i>b) advance</i>	677.1	649.5	624.3
150. Other non-current and Group assets being sold	—	—	—
160. Other assets	170.7	262.1	216.7
<i>of which:</i>			
<i>other trading items</i>	8.9	5.7	6.7
Total assets	79,407.0	72,841.3	77,204.8

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.

(€m)

Liabilities and net equity	IAS-compliant 30/9/12	IAS-compliant 30/6/13	IAS-compliant 30/9/13
10. Due to banks	12,333.2	12,366.2	12,668.9
<i>of which:</i>			
<i>other trading items</i>	1,501.3	2,056.7	2,355.4
<i>other liabilities</i>	4.3	4.4	3.1
20. Due to customers	17,223.1	16,175.8	18,067.8
<i>of which:</i>			
<i>other trading items</i>	2,401.1	1,037.4	1,006.4
<i>other liabilities</i>	9.9	12.1	9.8
30. Debt securities	30,828.7	26,695.3	28,013.0
40. Trading liabilities	10,520.5	8,850.0	9,520.9
50. Liabilities recognized at fair value	—	—	—
60. Hedging derivatives	361.2	336.4	367.2
<i>of which:</i>			
<i>funding hedge derivatives</i>	262.8	267.1	324.9
<i>lending hedge derivatives</i>	49.0	37.2	11.0
70. Value adjustments to financial liabilities subject to general hedging	—	—	—
80. Tax liabilities	583.3	608.0	633.7
<i>a) current</i>	258.2	267.5	286.9
<i>b) deferred</i>	325.1	340.5	346.8
90. Liabilities in respect of Group assets being sold	—	—	—
100. Other liabilities	472.2	551.8	457.9
<i>of which:</i>			
<i>Other trading items</i>	19.0	13.8	13.7
<i>Adjustments to L & R</i>	0.1	—	—
110. Staff severance indemnity provision	26.2	27.7	27.4
120. Provisions	160.3	164.5	164.9
<i>a) post-employment and similar benefits</i>	—	—	—
<i>b) other provisions</i>	160.3	164.5	164.9
130. Technical reserves	105.9	117.4	119.3
140. Valuation reserves	(229.2)	309.4	359.6
150. Shares with right of withdrawal	—	—	—
160. Equity instruments	—	—	—
170. Reserves	4,467.1	4,374.2	4,188.0
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 (+/-)	108.6	107.5	108.1
220. Profit (loss) for the period	109.0	(179.8)	171.2
Total liabilities and net equity	79,407.0	72,841.3	77,204.8

Consolidated Profit and Loss Accounts (IAS/IFRS-Compliant)

(€m)

Profit and loss account	3 mths to 30/9/12	12 mths to 30/6/13	3 mths to 30/9/13
10. Interest and similar income	729.2	2,726.7	624.1
20. Interest expense and similar charges	(462.5)	(1,660.4)	(366.3)
30. Net interest income	266.7	1,066.3	257.8
40. Fee and commission income	92.5	354.2	72.5
50. Fee and commission expense	(10.9)	(46.2)	(10.2)
60. Net fee and commission income	81.6	308.0	62.3
70. Dividends and similar income	4.7	46.4	7.0
80. Net trading income	45.2	41.9	2.1
90. Net hedging income (expense)	0.1	4.1	0.5
100. Gain (loss) on disposal of:	1.2	91.0	86.3
<i>a) loans and receivables</i>	—	6.0	(0.1)
<i>b) AFS securities</i>	(5.6)	40.7	87.4
<i>c) financial assets held to maturity</i>	0.5	1.3	(1.9)
<i>d) other financial liabilities</i>	6.3	43.0	0.9
120. Total income	398.3	1,557.7	416.0
130. Adjustments for impairment to:	(112.7)	(721.4)	(129.8)
<i>a) loans and receivables</i>	(98.1)	(510.0)	(129.3)
<i>b) AFS securities</i>	(1.0)	(214.6)	(0.6)
<i>c) financial assets held to maturity</i>	—	—	—
<i>d) other financial liabilities</i>	(13.6)	3.2	0.1
140. Net income from financial operations	285.6	836.3	286.2
150. Net premium income	7.4	32.0	9.1
160. Income less expense from insurance operations	(3.4)	(15.3)	(4.5)
170. Net income from financial and insurance operations	289.6	853.0	290.8
180. Administrative expenses:	(173.7)	(774.6)	(167.9)
<i>a) personnel costs</i>	(94.0)	(388.4)	(85.1)
<i>b) other administrative expenses</i>	(79.7)	(386.2)	(82.8)
190. Net transfers to provisions for liabilities and charges	(0.5)	(3.2)	(0.4)
200. Net adjustments to property, plant and equipment	(4.9)	(19.1)	(4.5)
210. Net adjustments to intangible assets	(5.6)	(22.0)	(5.0)
<i>of which: goodwill</i>	—	—	—
220. Other operating income (expenses)	28.8	138.0	26.2
230. Operating costs	(155.9)	(680.9)	(151.6)
240. Profit (loss) from equity-accounted companies	28.1	(198.9)	64.1
270. Gain (loss) on disposal of investments	—	(0.5)	—
280. Profit (loss) before tax on ordinary activities	161.8	(27.3)	203.3
290. Income tax on ordinary activities for the year	(53.3)	(156.8)	(32.0)
300. Profit (loss) after tax on ordinary activities	108.5	(184.1)	171.3
310. Net gain (loss) on non-current assets being sold	—	—	—
320. Profit (loss) for the year	108.5	(184.1)	171.3
330. Profit (loss) for the year attributable to minorities	0.5	4.3	(0.1)
340. Net profit (loss) for the period to Mediobanca	109.0	(179.8)	171.2

The profit and loss account shown on p. 11 reflects the following restatements:

- *Net interest income* includes the result of funding and lending hedging activity (€0.1m, €4.1m and €0.5m respectively), plus the margins on swaps reported under heading 80 (minus €7.3, minus €42.4m and €12.3m respectively);
- amounts under Heading 220 have been restated as *Net fee and commission income*, save for amounts refunded/recovered totalling €10.9m, €56.9m and €9.3m respectively, which net operating costs; the amounts stated under headings 150 and 160, net of fees payable in respect of securities lending transactions (minus €0.3m, minus €4.7m and minus €0.5m respectively, shown here under heading 80);
- *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, net of or in addition to the items already stated;
- *Gain (loss) on AFS, HTM and L&R* includes amounts stated under heading 100, net of gains (losses) on acquisitions of financial liabilities, which are accounted for as *Net trading income*;
- *Provisions for other financial assets* include both the AFS securities and HTM financial assets accounted for here under heading 130, plus the net adjustments and effects of restatement of heading 240 (minus €189.4m as at 30 June 2013).

Comprehensive consolidated profit and loss account

	(€'000)	
Headings	30/9/13	30/9/12
10. Gain (loss) for the period	171,267	108,565
Other income items net of tax		
20. AFS securities	100,920	208,944
30. Property, plant and equipment	—	—
40. Intangible assets	—	—
50. Foreign investment hedges	—	—
60. Cash flow hedges	6,385	(18,210)
70. Exchange rate differences	—	—
80. Non-current assets being sold	—	—
90. Actuarial gains (losses) on defined-benefit pension schemes	138	—
100. Share of valuation reserves for equity-accounted companies	(56,699)	(83,114)
110. Total other income items net of tax	50,744	107,620
120. Aggregate profit (Heading 10 + Heading 110)	222,011	216,185
130. Overall consolidated profit attributable to minorities	597	(757)
140. Overall consolidated profit attributable to Mediobanca	221,414	216,942

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

Mercurio GP - Milan