MEDIOBANCA

Interim Report

for the six months ended 31 December 2014

MEDIOBANCA

LIMITED COMPANY
SHARE CAPITAL € 431,843,880.50
HEAD OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY

REGISTERED AS A BANK
PARENT COMPANY OF THE MEDIOBANCA BANKING GROUP

Interim Report

for the six months ended 31 December 2014

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

BOARD OF DIRECTORS

		Term expires
* Renato Pagliaro	Chairman	2017
* Maurizia Angelo Comneno	Deputy Chairman	2017
Marco Tronchetti Provera	»	2017
* Alberto Nagel	Chief Executive Officer	2017
* Francesco Saverio Vinci	General Manager	2017
Tarak Ben Ammar	Director	2017
Gilberto Benetton	»	2017
Mauro Bini	»	2017
Marie Bolloré	»	2017
Maurizio Carfagna	»	2017
* Angelo Caso'	»	2017
Maurizio Costa	»	2017
Alessandro Decio	»	2017
Vanessa Labérenne	»	2017
Elisabetta Magistretti	»	2017
Alberto Pecci	»	2017
* Gian Luca Sichel	»	2017
* Alexandra Young	»	2017

* Member of Executive Committee

STATUTORY AUDIT COMMITTEE

Natale Freddi	Chairman	2017
Laura Gualtieri	Standing Auditor	2017
Gabriele Villa	» »	2017
Alessandro Trotter	Alternate Auditor	2017
Barbara Negri	» »	2017
Silvia Olivotto	» »	2017

* * *

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

CONTENTS

REVIEW OF OPERATIONS

REVIEW OF OPERATIONS

The Mediobanca Group reported a 15.9% increase in revenues during the six months under review, from €875m to €1,014.2m, due to the good performance posted by banking activity, which delivered a net profit of more than twice last year's result, up from €69.2m to €133.6m. The increase reflects growth in loans of 4.2%, from €30.6bn to €31.8bn, involving both the corporate segment (up 5.6%, from €12.5bn to €13.2bn) and the retail segment (up 4.7%, from €14.3bn to €14.9bn), with a related, 2.4% increase in net interest income; and also a positive contribution from treasury operations (€82.8m), plus higher net fee and commission income (up from €192.1m to €260.3m).

Net profit declined from €304.7m to €260.6m, due to the reduced contribution from principal investing which added €127m, as opposed to €245.4m last year on the back of higher profits realized on disposals (€151.2m, versus €15.3m this year). The main income items performed as follows:

– net interest income showed a 2.4% increase, from €535.1m to €547.9m, attributable to consumer business, up 9.1%, from €306.1m to €333.9m, due to the higher loan stock (up 6%); wholesale banking declined, from €118.2m to €104.4m, but recovered in the second quarter due to the increase in lending and the gradual reduction in the cost of funding;

– net treasury income increased sharply, from €16.7m to €82.8m, driven by positive trends on the forex market and the contribution from fixed-income trading;

– net fee and commission income was up 35.5%, from €192.1m to €260.3m, on a good performance by wholesale banking (up 78.2%), the capital markets segment in particular (which saw its profits almost treble from €26m to €74.8m); consumer fees were also up. by 7.6%, whereas fees earned from private banking operations remained stable at €39.3m;

– the contribution from equity-accounted companies fell from €131.1m to €123.2m, due to the reduced contribution from Assicurazioni Generali;

– operating costs were up 6.1%, from €370m to €392.4m, in line with the expansion of the business in terms of volumes and geographies; the increase affected labour costs in particular, due to strengthening the workforce in the consumer and wholesale finance areas.

Loan loss provisions declined from €302m to €300.7m, €49m (€82.3m) of which in corporate and private banking, €243.2m (€200.5m) in retail and consumer finance, and €8.9m (€19.7m) in leasing. The increase in provisioning on the consumer side includes €40m in non-recurring adjustments to the portfolio of performing assets, the coverage ratio for which has been prudentially increased from 0.8% to 1.2% (cf. below). The coverage ratio for NPLs at the consolidated was flat versus June 2014 levels at 51% (50%).

Securities portfolio management yielded gains of €15.9m (€152.5m), plus writedowns totalling €11.3m (€23.3m) to reflect fair value levels as at end-December 2014.

Turning now to the individual areas of activity:

Corporate and private banking reported a €117.4m net profit, up sharply from last year (€28.1m) following 43.8% growth in revenues, due to favourable performances in trading income, which delivered €79.3m (€7.8m) and net fee and commission income (€190.6m, versus €124.1m last year), offsetting the reduction in net interest income referred to. Loan loss provisions were down from €82.3m to €49m, while loans and advances to customers in wholesale business were up 5.7%.

Retail and consumer banking reflects a net profit of €22.8m, which was lower than the €39.8m reported last year, due to the impact of the loan loss provisions on the performing assets portfolio referred to above. Net of this non-recurring item, net profit would have been up 24.6%, at €49.6m, on higher revenues (up 5.7%, from €461.6m to €488.1m) with costs virtually flat (up just 2.8%, from €208.7m to €214.5m). The cost of risk declined from 338 bps to 333 bps (278 bps net of the one-off effect); while loans and advances to customers rose 4.9%.

Principal investing saw its profit fall from €245.4m to €127m, due to lower gains of €15.3m (€151.2m); the small reduction in the contribution from Assicurazioni Generali (down from €130.8m to €122.9m) was offset by the lower value adjustments (€11.7m, compared with €21.7m).

The corporate centre (including leasing) showed an €8m loss (€12m). Leasing operations reported revenues of €25.8m (€22.1m), costs of €13.1m (€13.7m), and loan loss provisions totalling €8.9m (€19.7m), delivering a profit of €1m (compared with a €4.6m loss last year). Costs incurred in respect of Mediobanca S.p.A. were stable at €12m (€12.2m).

Turning to the balance-sheet aggregates, at the reporting date these showed an increase in loans and advances to customers, up 4.2% from €30.6bn to €31.8bn, while treasury assets were lower, at €6.5bn (€9.3bn), as were AFS securities (€6.9bn, versus €8.4bn), debt securities (down from €22.6bn to €20.2bn) and retail funding (down from €11.5bn to €10.9bn). Accordingly, total assets declined from €55.4bn to €52.4bn, while assets under management in private banking rose from €15bn to €15.2bn.

The Group's main capital ratios, taking into account the phase-in period and estimated pay-out, remain at high levels: the common equity tier 1 ratio (CET1) stood at 11% (30/6/14: 11.08%), and the total capital ratio at 13.94% (13.76%).

* * *

Significant events that took place during the six months include:

- completion of the Comprehensive Assessment exercise, which confirmed the adequacy of the Group's capital even in stress scenarios, with a CET1 ratio of 9% in the base scenario and of 6.24% in the adverse scenario. These ratios, which refer to the situation as at 31 December 2014, do not take into account the measures implemented during 2014 itself (repayment of a hybrid insurance loan and the disposal of banking investments), or the retained earnings generated in the first six months of the calendar year, which together produced an improvement in the ratios to 10.5% in the base scenario and 7.7% in the adverse scenario; and the results for the first six months of the current financial year strengthen the ratios still further;
- approval by the Board of Directors of the self-assessment process for governing bodies required under the instructions issued by the Bank of Italy on 11 January 2012, and the requirement of certain directors to qualify as independent as defined by Article 148, para. 3 of Italian legislative decree 58/98 and by the Code of Conduct in respect of listed companies;
- further strengthening of the Bank's CIB operations outside of Italy, with the appointments of: Borja Prado, currently head of Mediobanca Spain, to the position of Chairman of Global Coverage; Francisco Bachiller, formerly Vice President of Morgan Stanley for the Latin America area, to the position of head of Mediobanca Iberia and Latin America; and Philippe Deneux,

formerly senior managing director at Barclays, to head of France and Benelux;

– the decision by Standard and Poor's on 19 December 2014, following the revision to the rating for the Republic of Italy, to change the long-term rating for Mediobanca to BBB-, with the outlook improving from negative to stable.

* * *

Information on criteria adopted in the Asset Quality Review (as requested by Consob on 30 January 2015 pursuant to Article 114, para. 5, of Italian Legislative Decree 58/98)

1. The credit file review (CFR) carried out as part of the Asset Quality Review resulted in a €351.3m increase in the provisioning with reference to 31 December 2013, due chiefly to twelve positions (two in corporate lending and ten in leasing) being reclassified as non-performing exposures (NPEs), covering an aggregate exposure of €542m. As at 31 December 2014, provisions had been set aside in respect of such items amounting to €320m, that is, more than 90% of the shortfall. The difference is chiefly due to a single corporate loan, the provisioning for which as at end-December 2014 differed from the shortfall which emerged in the AQR as a result of subsequent action.

2. The impact of the projection of findings (PF) from the CFR is negligible, at €0.4m, hence no observations have been made on it by the ECB.

3. The results of the collective provisions analysis (CPA) have led, since the balance-sheet date, to refinements in the models used to determine provisioning in consumer finance (Compass), to incorporate new parameter calibrations and point-in-time estimates to calculate the LGD (reducing the observation period to five years) and the PDs (which are calculated over a six-month time horizon, in line with the internal statistical evidence) applied to the entire collective portfolio; thus the coverage ratios for Compass were increased from 58% (as at 31 December 2013) to 67% (as at 31 December 2014) for the non-performing items, and from 0.2% (as at 31 December 2013) to 1.2% for the performing items, in line with the results of the AQR. Furthermore, as from 30 June 2014 the accounting model used to calculate the provisioning for the performing leasing portfolio has been updated based

on the internal probability of default and LGD readings, without, however, any significant impact at the level of adjustments.

4. As for Level 3 assets, the only differences (which amounted to €1.1m) involved refinements to the pricing models for certain derivatives, which were incorporated into the accounts at the balance-sheet date (€0.6m); no other differences emerged from the analysis carried out (i.e. unlisted AFS equities and credit value adjustment – CVA – for derivatives).

Areas for improvement which emerged during the Process, Policies and Accounting Review carried out as part of the AQR involved procedures and electronic storage of loans presenting evidence of forbearance, standardization of credit policies at the leasing companies, and more specific rules for collateral valuation. The credit policies of all Group companies were revised in the course of 2014, with a focus on monitoring the evidence of forbearance, and for the leasing companies, on implementing shared policies to monitor and evaluate credit (including the performing portfolio) and its collateral, in line with the most recent best accounting practices. New operating processes will be introduced once the leasing IT systems have been integrated into a single platform.

Finally, the new IT platform for monitoring CVA/DVA will be fully operative as from March 2015. This will allow further refinements and/or calibrations to be made to the model; and the respective operating processes will be formalized soon afterwards.

All the above points have been notified to the ECB.

Consolidated financial statements *

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(€m)

	6 mths to 31/12/13	12 mths to 30/6/14	6 mths to 31/12/14	Chg. (%)
Profit-and-loss data				
Net interest income	535.1	1.086.9	547.9	2.4
Treasury income	16.7	45.1	82.8	n.m.
Net fee and commission income	192.1	423.9	260.3	35.5
Equity-accounted companies	131.1	263.5	123.2	-6.0
TOTAL INCOME	**875.0**	**1.819.4**	**1.014.2**	**15.9**
Labour costs	(179.0)	(379.0)	(192.9)	7.8
Administrative expenses	(191.0)	(412.4)	(199.5)	4.5
OPERATING COSTS	**(370.0)**	**(791.4)**	**(392.4)**	**6.1**
Gains (losses) on AFS, HTM and L&R	152.5	242.5	15.9	-89.6
Loan loss provisions	(302.0)	(736.0)	(300.7)	-0.4
Provisions for financial assets	(23.3)	(30.6)	(11.3)	-51.5
Other profits (losses)	—	(2.9)	—	n.m.
PROFIT BEFORE TAX	**332.2**	**501.0**	**325.7**	**-2.0**
Income tax for the period	(30.3)	(39.6)	(64.1)	n.m.
Minority interest	2.8	3.4	(1.0)	n.m.
NET PROFIT	**304.7**	**464.8**	**260.6**	**-14.5**

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

RESTATED BALANCE SHEET

(€m)

	31/12/13	30/6/14	31/12/14
Assets			
Treasury funds	13,346.0	9,323.8	6,543.7
AFS securities	9,672.7	8,418.5	6,859.7
of which: fixed-income	*8,259.6*	*7,152.9*	*5,767.6*
equities	*1,401.9*	*1,254.6*	*1,080.7*
Fixed financial assets (HTM & LR)	2,137.1	2,046.3	2,000.4
Loans and advances to customers	32,272.0	30,552.1	31,847.3
Equity investments	2,649.2	2,871.4	3,071.0
Tangible and intangible assets	703.2	715.4	716.5
Other assets	1,214.8	1,493.4	1,311.9
of which: tax assets	*856.5*	*1,069.9*	*1,028.8*
Total assets	61,995.0	55,420.9	52,350.5
Liabilities and net equity			
Funding	53,262.3	45,834.0	42,968.7
of which: debt securities in issue	*26,842.3*	*22,617.7*	*20,243.4*
retail deposits	*13,288.4*	*11,481.6*	*10,866.9*
Other liabilities	1,125.7	1,449.2	1,110.8
of which: tax liabilities	*476.1*	*596.2*	*488.2*
Provisions	189.9	195.0	195.1
Net equity	7,112.4	7,477.9	7,815.3
of which: share capital	*430.6*	*430.7*	*431.8*
reserves	*6,576.0*	*6,942.7*	*7,278.6*
minority interest	*105.8*	*104.5*	*104.9*
Profit for the period	304.7	464.8	260.6
Total liabilities and net equity	61,995.0	55,420.9	52,350.5
Tier 1 capital	*6,319.6*	*6,506.7*	*6,513.4*
Regulatory capital	*8,436.1*	*8,082.9*	*8,250.3*
Tier 1 capital/RWAs	*11.94%*	*11.08%*	*11.00%*
Regulatory capital/RWA's	*15.94%*	*13.76%*	*13.94%*
No. of shares in issues (millions)	*861.1*	*861.4*	*863.7*

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

(€m)

31 December 2014	Corporate & Private banking	Principal Investing	Retail & Consumer Banking	Corporate center	Group
Profit-and-loss data					
Net interest income	121.6	—	400.4	25.8	547.9
Treasury income	79.3	7.1	—	—	82.8
Net fee and commission income	190.6	—	87.7	3.6	260.3
Equity-accounted companies	—	122.9	—	—	123.2
Total income	**391.5**	**130.0**	**488.1**	**29.4**	**1,014.2**
Labour costs	(101.6)	(4.5)	(76.3)	(15.5)	(192.9)
Administrative expenses	(69.6)	(1.4)	(138.2)	(11.5)	(199.5)
Operating costs	**(171.2)**	**(5.9)**	**(214.5)**	**(27.0)**	**(392.4)**
Gain (losses) on disposal of AFS shares	1.0	15.3	—	—	15.9
Loan loss provisions	(49.0)	—	(243.2)	(8.9)	(300.7)
Provisions for financial assets	0.2	(11.7)	—	—	(11.3)
Other profits (losses)	—	—	—	—	—
Profit before tax	**172.5**	**127.7**	**30.4**	**(6.5)**	**325.7**
Income tax for the period	(55.1)	(0.7)	(7.6)	(0.5)	(64.1)
Minority interest	—	—	—	(1.0)	(1.0)
Net profit	**117.4**	**127.0**	**22.8**	**(8.0)**	**260.6**
Cost/Income ratio (%)	43.7	4.5	43.9	91.8	38.7
Balance sheet figures					
Treasury funds	6,807.0	—	8,475.8	127.9	6,543.7
AFS securities	5,369.1	1,070.1	693.6	—	6,859.7
Fixed financial assets (HTM & LR)	4,967.5	—	1,247.5	—	2,000.4
Equity investments	—	2,975.2	—	—	3,071.0
Loans and advances to customers	25,158.4	—	14,934.5	2,892.0	31,847.3
of which: to Group companies	*10,679.3*	*n.m.*	*n.m.*	*n.m.*	*n.m.*
Funding	(39,918.3)	—	(24,446.5)	(2,921.0)	(42,968.7)
Risk-weighted assets	33,968.9	11,234.0	11,501.6	2,484.7	59,189.2
No. of staff	982 *	—	2.386	378	3.612

* Includes 134 staff employed by Banca Esperia pro-forma, not included in the Group total.

Notes:
1) Divisions comprise:
   - *CIB (Corporate and Private 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, 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, 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 arising on consolidation between business areas (€1.2m as at 31/12/14 and €3.4m as at 31/12/13 respectively).

(€m)

31 December 2013	Corporate & Private banking	Principal Investing	Retail & Consumer Banking	Corporate center	Group
Profit-and-loss data					
Net interest income	140.4	—	376.5	22.5	535.1
Treasury income	7.8	4.6	0.4	—	16.7
Net fee and commission income	124.1	—	84.7	2.9	192.1
Equity-accounted companies	—	128.2	—	—	131.1
Total income	**272.3**	**132.8**	**461.6**	**25.4**	**875.0**
Labour costs	(91.5)	(4.4)	(73.7)	(15.8)	(179.0)
Administrative expenses	(60.0)	(0.8)	(135.0)	(11.2)	(191.0)
Operating costs	**(151.5)**	**(5.2)**	**(208.7)**	**(27.0)**	**(370.0)**
Gain (losses) on disposal of AFS shares	5.3	151.2	—	—	152.5
Loan loss provisions	(82.3)	—	(200.5)	(19.7)	(302.0)
Provisions for financial assets	(2.2)	(21.7)	—	—	(23.3)
Other profits (losses)	—	—	(2.0)	2.1	—
Profit before tax	**41.6**	**257.1**	**50.4**	**(19.2)**	**332.2**
Income tax for the period	(13.5)	(11.7)	(10.6)	4.4	(30.3)
Minority interest	—	—	—	2.8	2.8
Net profit	**28.1**	**245.4**	**39.8**	**(12.0)**	**304.7**
Cost/Income ratio (%)	55.6	3.9	45.2	106.3	42.3
Balance sheet figures					
Treasury funds	14,707.1	—	10,392.8	135.9	13,346.0
AFS securities	7,914.0	1,388.8	691.5	—	9,672.7
Fixed financial assets (HTM & LR)	5,104.9	—	1,772.0	—	2,137.1
Equity investments	—	2,556.8	—	—	2,649.2
Loans and advances to customers	24,534.2	—	13,902.3	3,201.2	32,272.0
of which: to Group companies	*8,898.1*	*n.m.*	*n.m.*	*n.m.*	*n.m.*
Funding	(50,320.8)	—	(25,824.5)	(3,241.6)	(53,262.3)
Risk-weighted assets	35,092.9	4,149.5	10,758.7	2,918.1	52,919.2
No. of employees	979 *	—	2.358	300	3.513

* Includes 124 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 six months under review (comparative data as at 30 June 2014):

Funding – this item fell from €45.8bn to €43bn, as a result of debt securities maturing (€4bn), only partly offset by new issuance (€1.7bn, most of which involved the three-year, €1.25bn issue at a fixed rate of 0.875% in November). CheBanca! retail funding also decreased, from €11.5bn to €10.9bn, most of which was converted into indirect funding (which accordingly rose from €1.4bn to €2.1bn). In the six months under review, a €1bn repayment was made on the LTRO granted by the ECB, €578m of which was replaced by the first tranche of the T-LTRO. The other funding sources all increased slightly.

	30/6/14		31/12/14		Chg. %
	(€m)	%	(€m)	%	
Debt securities	22,617.7	49%	20,243.4	47%	-10.5%
CheBanca! retail funding	11,481.6	25%	10,866.9	25%	-5.4%
Interbank funds	2,865.5	6%	3,118.2	7%	8.8%
LTROs	5,500.0	12%	5,078.0	12%	-7.7%
Other funds	3,369.2	8%	3,662.2	9%	8.7%
Total funding	**45,834.0**	**100%**	**42,968.7**	**100%**	**-6.3%**

Loans and advances to customers – these returned to growth, posting a 4.2% increase driven by wholesale banking (up 5.6%), which disbursed new loans of €3.2bn in the six months, partly offset by €700m in early redemptions. The other segments also saw increases) mortgage lending up 1.1%, consumer finance up 6.3%, and private banking up 5%), with the exception of leasing, which declined by 3.6%) but still reported higher new business of €274.5m (€158m). Non-performing loans were up 5.4%, from €1,157.6m to €1,219.6m, due to certain corporate exposures being included in this category, while the reduction in consumer NPLs continued (down 8.9%). The ratio of NPLs to total loans remained unchanged at 3.8%, as did the coverage ratio at 51%. Net bad debts totalled €270.4m (€271m), and represent 0.85% (0.89%) of the total loan book.

	30/6/14		31/12/14		Chg. %
	(€m)	%	(€m)	%	
Wholesale Banking	12,478.3	41%	13,177.5	41%	5.6%
Private Banking	802.9	3%	843.4	3%	5.0%
Consumer	9,876.9	32%	10,495.6	33%	6.3%
Retail Banking	4,392.6	14%	4,438.9	14%	1.1%
Leasing	3,001.4	10%	2,891.9	9%	-3.6%
Total loans and advances to customers	**30,552.1**	**100%**	**31,847.3**	**100%**	**4.2%**

	30/6/14		31/12/14		Chg.
	(€m)	%	(€m)	%	%
Wholesale Banking	403.6	35%	473.9	39%	17.4%
Private Banking	7.5	1%	3.2	0%	-57.3%
Consumer	342.1	29%	311.6	26%	-8.9%
Retail Banking	145.2	13%	146.2	12%	0.7%
Leasing	259.2	22%	284.7	23%	9.8%
Total net non performing loans	**1,157.6**	**100%**	**1,219.6**	**100%**	**5.4%**
– of which: bad loans	*271.0*		*270.4*		*-0.2%*

At the reporting date there were a total of eleven significant exposures to groups of customers (including market risk and equity investments), i.e. above 10% of regulatory capital (three more than at 30 June 2014), worth a nominal amount of €15,680.6m (€11,500.7m) and a weighted amount of €10,570.7m (€8,911.7m). The increase is the result of exposures to leading banking institutions due to money market operations.

Equity investments – these increased from €2,871.4m to €3,071m, solely as a result the rise in book value of the Assicurazioni Generali investment, which increased from €2,767.4m to €2,968.8m, following profit for the period totalling €122.9m and increases in the share capital totalling €78.5m. The other equity investments were virtually unchanged.

	% share capital	30/6/14	31/12/14
Assicurazioni Generali	13.24	2,767.4	2,968.8
Banca Esperia	50.0	97.6	95.8
Athena Private Equity	24.27	5.7	5.7
Fidia	25.0	0.7	0.7
Burgo Group	22.13	—	—
Total Investments		**2,871.4**	**3,071.0**

Based on prices as at 31 December 2014, the Assicurazioni Generali investment reflects a surplus of market over book value totalling €534.8m (over €800m based on current prices and holdings).

Fixed financial assets – the slight reduction in this item, from €2,046.3m to €2,000.4m, reflects redemptions for the period totalling €152.5m, in part replaced by new investments in corporate bonds in the HTM portfolio worth €89.4m. This portfolio showed an unrealized gain of €133.7m (€133.9m) based on prices at end-December.

	30/6/14		31/12/14		Chg. (%)
	(€m)	%	(€m)	%	
Financial assets held to maturity	1,659.8	81%	1,612.1	81%	-2.9%
Unlisted debt securities (stated at cost)	386.5	19%	388.3	19%	0.5%
Total fixed financial assets	**2,046.3**	**100%**	**2,000.4**	**100%**	**-2.2%**

	30/6/14		31/12/14		Chg. (%)
	Book Value	%	Book Value	%	
Italian government securities	361.4	18%	358.8	18%	-0.7%
Other government securities	1,023.2	50%	977.4	49%	-4.5%
- of which: Italian	*442.8*	*22%*	*425.7*	*21%*	*-3.9%*
Corporate bonds	661.7	32%	664.2	33%	0.4%
Total debt securities	**2,046.3**	**100%**	**2,000.4**	**100%**	**-2.2%**

AFS securities – this portfolio declined from €8,418.5m to €6,859.7m due to repayments in the fixed-income segment (approx. €1.6bn), involving holdings in Italian government securities in particular, trading in which generated €18m in profits.

	30/6/14		31/12/14		Chg. (%)
	(€m)	%	(€m)	%	
Debt securities	7,152.9	85%	5,767.6	84%	-19.4%
Equities	1,254.6	15%	1,080.7	16%	-13.9%
Others	11.0	—	11.4	—	3.6%
Total AFS securities	**8,418.5**	**100%**	**6,859.7**	**100%**	**-18.5%**

	30/6/14			31/12/14		
	Book Value	%	AFS reserve	Book Value	%	AFS reserve
Italian government securities	4,796.1	67%	91.2	3,759.6	65%	82.1
Other government securities	180.4	3%	2.7	34.0	1%	1.4
Financial bonds	1,582.3	22%	55.6	1,346.5	23%	61.6
- of which: Italian	*880.3*	*12%*	*25.4*	*711.5*	*12%*	*35.3*
Corporate bonds	594.1	8%	40.5	627.5	11%	37.1
Total debt securities	**7,152.9**	**100%**	**190.0**	**5,767.6**	**100%**	**182.2**

On the equity side, there were sales totalling €81m, yielding gains of €15.9m. In October, the sale of the investment in Santé S.A. was completed, for a consideration of €38.4m, yielding profits of €7.6m.

	30/6/14			31/12/14		
	Book Value	**%**	**AFS reserve**	**Book Value**	**%**	**AFS reserve**
Pirelli & C.	256.9	4.61	61.9	220.5	4.13	45.5
Italmobiliare	59.2	9.5	24.7	39.6	9.5	5.0
RCS MediaGroup	39.9	6.2	—	30.5	6.2	—
Other listed equities	43.8		6.9	35.1		3.2
Sintonia S.p.A.	449.2	5.94	146.2	415.8	5.94	112.9
Telco - prestito soci	113.3		69.7	113.3		69.7
Telco SpA	22.0	7.34	22.0	9.2	7.34	9.2
Edipower	57.3	5.13	—	57.3	5.13	—
Santè S.A.	39.0	9.92	9.0	—		—
Other unlisted equities	174.0		32.4	159.4		29.3
Total equities	**1,254.6**		**372.8**	**1,080.7**		**274.8**

The valuation reserve fell from €562.8m to €457m, almost entirely the result of the stock market performance, including in particular Sintonia (€33.3m), Telco (€12.9m), and other listed equities (€32.5m). Since the reporting date, the reserve has returned to the level seen at 30 June 2014 (over €600m).

Treasury assets – the reduction in this item, from €9,323.8m to €6,543.7m, is chiefly due to money market assets, which were down €3.8bn as a result of the higher lending volumes and the increased recourse to the interbank market to cover short-term transactions with customers.

	30/6/14		31/12/14		Chg. (%)
	(€m)	**%**	**(€m)**	**%**	
Debt securities	2,667.6	29%	2,451.4	37%	-8.1%
Equities	1,173.6	13%	2,339.3	36%	99.3%
Derivative contract valuations	(797.3)	-9%	(675.7)	-10%	-15.3%
Others (cash, repos, time deposits)	6,279.9	67%	2,428.7	37%	-61.3%
Total net treasury assets	**9,323.8**	**100%**	**6,543.7**	**100%**	**-29.8%**

	30/6/14		31/12/14	
	Book Value	**%**	**Book Value**	**%**
Italian government securities	443.8	16.6%	142.6	5.8%
German government securities	516.9	19.4%	398.6	16.3%
Other government securities	329.2	12.3%	366.9	15.0%
Financial bonds	1,097.6	41.2%	1,151.4	46.9%
- of which: Italian	*600.8*	*22.5%*	*589.0*	*24.0%*
Corporate bonds	280.1	10.5%	391.9	16.0%
Total debt securities	**2,667.6**	**100%**	**2,451.4**	**100%**

Tangible and intangible assets – the slight increase in this item, from €715.4m to €716.5m, involves €4.3m in goodwill being recorded upon the acquisition of a business unit by Spafid. Depreciation and amortization charges for the period totalled €19.5m; and no evidence of impairment emerged.

	30/6/14		31/12/14		Chg. (%)
	(€m)	%	(€m)	%	
Land and properties	263.0	37%	262.2	37%	-0.3%
- of which: core	*195.3*	*27%*	*194.8*	*27%*	*-0.3%*
Other tangible assets	43.1	6%	42.4	6%	-1.6%
Goodwill	365.9	51%	370.2	52%	1.2%
Other intangible assets	43.4	6%	41.7	5%	-3.9%
Total tangible and intangible assets	**715.4**	**100%**	**716.5**	**100%**	**0.2%**

Provisions – this item remained stable at €195m, due to movements for the period being offset by actuarial valuations of the staff severance indemnity provision (up from €1.1m to €1.8m).

	30/6/14		31/12/14		Chg. (%)
	(€m)	%	(€m)	%	
Provisions for risks and charges	166.3	85%	166.9	86%	0.4%
TFR	28.7	15%	28.2	14%	-1.7%
of which: staff severance provision discount	*1.1*	*1%*	*1.8*	*1%*	*n.m.*
Total provisions	**195.0**	**100%**	**195.1**	**100%**	**0.1%**

The provisions for liabilities and charges have chiefly been instituted to cover any charges that may result from the litigation pending against Mediobanca S.p.A. and the other Group companies (cf. p. 47-48).

Net equity – net equity increased by €132.8m, or 1.7%, reflecting profit for the period totalling €260.6m and growth in the valuation reserves of €111.1m, due in particular to the contribution of Assicurazioni Generali which offset the reduction in the AFS reserves. The increase in other reserves reflects the capitalization of the last financial year's retained earnings, net of a reduction in the Assicurazioni Generali consolidation reserve. The share capital increased from €430.7m to €431.8m, following exercise of 247,500 stock options and the distribution of 2,033,549 performance shares for a total value of €2.6m, including the share premium reserve.

	30/6/14	31/12/14	Chg. (%)
	(€m)	(€m)	
Share capital	430.7	431.8	0.3%
Other reserves	6,072.8	6,297.6	3.7%
Valuation reserves	869.9	981.0	12.8%
- of which: AFS securities	*484.8*	*386.4*	*-20.3%*
cash flow hedges	*(49.4)*	*(33.9)*	*-31.4%*
equity investments	*426.5*	*621.4*	*45.7%*
Profit for the period	464.8	260.6	-44%
Total Group net equity	**7,838.2**	**7,971.0**	**1.7%**

The AFS reserve involves equities as to €274.8m, bonds as to €191m, and other securities (including Italian government securities worth €82.1m) which, net of the tax effect, totalled €79.4m.

	30/6/14	31/12/14	Chg. (%)
	(€m)	(€m)	
Equities	372.8	274.8	-26.3%
Bonds and other debt securities	199.6	191.0	-4.3%
- of which: Italian	*91.2*	*82.1*	*-10.0%*
Tax effect	(87.6)	(79.4)	**-9.4%**
Total AFS reserve	**484.8**	**386.4**	**-20.3%**

Profit and loss account

Net interest income – against a backdrop of persistently declining interest rates, net interest income showed a slight 2.4% increase due to consumer finance, up 9.1% on the back of higher volumes and stable returns during the six months under review. The 11.7% decrease in net interest income from wholesale business reflects the lower volumes traded compared to last year, although the second quarter showed a recovery connected to the growth in corporate lending.

(€m)

	31/12/13	31/12/14	Chg. (%)
Wholesale banking	118.2	104.4	-11.7%
Private banking	22.2	17.2	-22.5%
Consumer	306.1	333.9	9.1%
Retail banking	70.4	66.5	-5.5%
Others (including intercompany accounts)	18.2	25.9	42.3%
Net interest income	**535.1**	**547.9**	**2.4%**

Net treasury income – the good performance by this item reflects the disposal of forex positions (€54.5m) and gains on trading involving the banking book (AFS and HTM securities) totalling €41.9m, which offset the lower values for the fixed-income segment, where coupons were higher than the market yields on offer. Equity trading performed healthily.

(€m)

	31/12/13	31/12/14	Chg. (%)
Dividends	4.6	7.1	54.3%
Fixed-income trading profit	(42.4)	67.6	n.m.
Equity trading profit	54.5	8.1	-85.1%
Net trading income	**16.7**	**82.8**	**n.m.**

Net fee and commission income – this item rose 35.5%, due to a good performance by wholesale banking (up from €84.9m to €151.3m), in the capital markets area in particular (up from €26m to €74.8m); fees earned from consumer business also rose, by 7.6% (from €72.8m to €78.3m). On the retail side, commissions from placement of Mediobanca bonds were virtually non-existent, at €0.2m (€6.8m), but were in part replaced by fees on asset management and insurance products (€3.3m). Net fee and commission income earned from private banking operations was largely stable.

(€m)

	31/12/13	31/12/14	Chg. (%)
Wholesale banking	84.9	151.3	78.2%
Private banking	39.2	39.3	0.3%
Consumer	72.8	78.3	7.6%
Retail banking	11.9	9.4	-21.0%
Others (including intercompany accounts)	(16.7)	(18.0)	7.8%
Net interest income	**192.1**	**260.3**	**35.5%**

Equity-accounted companies – these showed a profit of €123.2m, compared with €131.1m last year, due to positive contributions from Assicurazioni Generali (up from €130.8m to €122.9m) and Banca Esperia (up from €2.9m to €0.3m).

Operating costs – these rose by 6.1%, due in particular to the increase in labour costs (up 7.8%, from €179m to €192.9m), linked to recruiting in wholesale and consumer finance; while the higher administrative expenses (up 4.8%) involved IT projects (up €5.6m) and consumer credit recovery activities (up €3.9m).

(€m)

	31/12/13	31/12/14	Chg. (%)
Labour costs	179.0	192.9	7.8%
of which: directors	*3.9*	*4.1*	*5.1%*
stock option and performance share schemes	*5.2*	*5.3*	*1.9%*
Sundry operating costs and expenses	191.0	199.5	4.5%
of which: depreciation and amortization	*18.8*	*19.5*	*3.7%*
administrative expenses	*171.1*	*179.3*	*4.8%*
Operating costs	**370.0**	**392.4**	**6.1%**

(€m)

	31/12/13	31/12/14	Chg. (%)
Legal, tax and professional services	14.5	16.4	13.1%
Credit recovery activities	17.7	21.6	22.0%
Marketing and communication	28.8	27.6	-4.2%
Rent and property maintenance	19.0	17.3	-8.9%
EDP	21.7	27.3	25.8%
Financial information subscriptions	13.8	14.0	1.4%
Bank services, collection and payment commissions	8.9	8.9	—
Operating expenses	27.2	26.5	-2.6%
Other labour costs	8.6	10.1	17.4%
Other costs	4.1	4.3	4.9%
Direct and indirect taxes	6.8	5.3	-22.1%
Total administrative expenses	**171.1**	**179.3**	**4.8%**

Loan loss provisions – the 0.4% reduction in this item, from €302m to €300.7m, involves the wholesale, leasing and retail segments in particular. Conversely, the increase for the consumer segment is entirely attributable to the higher provisioning for performing items; net of this effect (which amounts to €40m), the provisions fall from €300.7m to €260.7m and the cost of risk from 193 bps to 167 bps (compared with 230 bps last year). With non-performing assets increasing from €1,157.6m to €1,219.6m, the coverage ratios remained near the levels seen at end-June last year, i.e. 51% (50%). Wholesale banking in particular showed non-performing items totalling €473.9m (30/6/14: €403.6m), with the coverage ratio unchanged at 49%; while for consumer finance the respective values were €311.6m (€342.1m) and 67% (64%); for mortgage lending €146.2m (€145.2m) and 47% (unchanged); and for leasing €284.7m (€259.2m) and 29% (30%).

(€m)

	31/12/13	31/12/14	Chg. (%)
Wholesale banking	84.9	48.4	-43.0%
Private banking	(3.2)	0.6	—
Consumer	186.1	232.2	24.8%
Retail banking	14.5	10.4	-28.3%
Other	19.7	9.1	-53.8%
Loan loss provisions	**302.0**	**300.7**	**-0.4%**
Cost of risk (bps)	**184**	**193**	

Provisions for other financial assets – these refer almost exclusively to adjustments made to align the prices of the RCS MediaGroup and Prelios investments, already subject to impairment in previous years, with market prices as at the reporting date (€9.5m and €2.2m respectively).

(€m)

	31/12/13	31/12/14
Equity investments	18.6	–
Shares	3.2	11.7
Bonds	(0.2)	0.3
Others	1.7	(0.7)
Total	**23.3**	**11.3**

Income tax – on a lower pre-tax profit of €325.7m (€332.2m), taxation for the period more than doubled, from €30.3m to €64.1m, due to the complete absence of profits on disposals of investments subject to reduced taxation under the PEX regime.

Mediobanca (as consolidating entity) has adopted tax consolidation, which includes Compass, SelmaBipiemme Leasing, Palladio Leasing, CheBanca!, Creditech and Futuro. Relations between the consolidating and consolidated entities are governed by bilateral agreements regulating cash flows, exchanges of information and the individual companies' responsibilities versus the revenue authorities.

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

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

CORPORATE AND PRIVATE BANKING (WHOLESALE BANKING AND PRIVATE BANKING)

(€m)

	31/12/13	30/6/14	31/12/14	Y.o.Y. chg.
Profit-and-loss data				
Net interest income	140.4	273.0	121.6	-13.4
Treasury income	7.8	23.2	79.3	n.m.
Net fee and commission income	124.1	303.5	190.6	53.6
Total income	**272.3**	**599.7**	**391.5**	**43.8**
Labour costs	(91.5)	(195.6)	(101.6)	11.0
Administrative expenses	(60.0)	(137.7)	(69.6)	16.0
Operating costs	**(151.5)**	**(333.3)**	**(171.2)**	**13.0**
Gain (losses) on disposal of AFS shares	5.3	2.2	1.0	-81.1
Loan loss provisions	(82.3)	(231.0)	(49.0)	-40.5
Provisions for financial assets	(2.2)	(5.9)	0.2	n.m.
Other profits (losses)	—	(3.6)	—	n.m.
Profit before tax	**41.6**	**28.1**	**172.5**	**n.m.**
Income tax for the period	(13.5)	(10.9)	(55.1)	n.m.
Net profit	**28.1**	**17.2**	**117.4**	**n.m.**
Cost/Income ratio (%)	55.6	55.6	43.7	

	31/12/13	30/6/14	31/12/14
Balance-sheet data			
Treasury funds	14,707.1	10,721.6	6,807.0
AFS securities	7,914.0	6,812.7	5,369.1
Fixed financial assets (HTM & LR)	5,104.9	5,013.9	4,967.5
Loans and advances to customers	24,534.2	22,853.0	25,158.4
of which: to Group companies	*8,898.1*	*9,114.1*	*10,679.3*
Funding	(50,320.8)	(42,968.4)	(39,918.3)

This division earned a net profit of €117.4m in the six months under review, substantially higher than the €28.1m at the same stage last year, on higher revenues, up 43.8% as a result of the good treasury and fee income performances. The 13% increase in operating costs reflects the geographical and product expansion, in wholesale banking in particular, while the cost of risk fell substantially, from €82.3m to €49m. The wholesale segment in particular returned to healthy profitability levels in the six-month period, posting a €98.6m net profit, while the contribution from private banking declined, from €27.5m to €18.8m, due to low profits on the securities portfolio.

WHOLESALE BANKING

(€m)

	31/12/13	30/6/14	31/12/14	Chg (%)
Net interest income	118.2	232.7	104.4	-11.7
Treasury income	4.2	1.4	69.4	n.m.
Net fee and commission income	84.9	225.4	151.3	78.2
TOTAL INCOME	**207.3**	**459.5**	**325.1**	**56.8**
Labour costs	(66.6)	(144.8)	(74.2)	11.4
Administrative expenses	(43.7)	(104.7)	(51.0)	16.7
OPERATING COSTS	**(110.3)**	**(249.5)**	**(125.2)**	**13.5**
Loan loss provisions	(84.9)	(233.1)	(48.4)	-43.0
Provisions for financial assets	—	(3.1)	0.3	n.m.
PROFIT BEFORE TAX	**12.1**	**(26.2)**	**151.8**	**n.m.**
Income tax for the period	(11.5)	(7.3)	(53.2)	n.m.
NET PROFIT	**0.6**	**(33.5)**	**98.6**	**n.m.**
Cost/Income ratio (%)	53.2	54.3	38.5	

	31/12/13	30/6/14	31/12/14
Balance-sheet data			
Treasury funds	13,832.7	9,851.2	5,596.4
AFS securities	7,266.3	6,058.9	4,705.0
Fixed financial assets (HTM & LR)	5,091.8	5,000.8	4,958.0
Loans and advances to customers	23,306.4	21,591.5	23,856.7
of which: to Group companies	*8,898.1*	*9,114.1*	*10,679.3*
Funding	(47,892.1)	(40,552.2)	(37,209.0)
No. of employees	638	639	621

Wholesale banking reflected a profit of €98.6m for the six months, compared with €0.6m last year, on higher revenues (€325.1m, versus €207.3m) and lower loan loss provisions (€48.4m, versus €84.9m). In particular:

– net interest income fell by 11.7%, from €118.2m to €104.4m, reflecting the lower business volumes compared to last year and the reduction in interest rates; net interest income did, however, recover in the second quarter, to post a 21% increase, linked to the growth in corporate lending;

– net trading income showed a profit of €69.4m (€4.2m), due to a positive contribution from forex trading positions (€52.4m) and the banking book component (€41.2m);

– net fee and commission income virtually doubled from €84.9m to €151.3m, driven by capital market activity (up from €26m to €74.8m); there was also notable growth in advisory business, from €14m to €19.4m;

– the 13.5% increase in operating costs, from €110.3m to €125.2m, is equally split between labour costs (up €7.6m) and operating expenses (up €7.3m) due to development of the CIB platform, and to strengthening of the structure and control procedures;

– loan loss provisions virtually halved, from €84.9m to €48.4m, returning to levels seen two years ago despite maintaining the same coverage ratios on non-performing items (49%).

* * *

The European M&A market grew during the six months under review, up 25% year-on-year to reach €265bn in value terms. Growth in Spain (which saw transaction values virtually double), Germany (up 65%) and the United Kingdom (80%) was in contrast to the Italian market which recorded a 25% contraction. Debt capital market activity slowed from the same period last year, down 6%, and also from the first six months of 2014 (down 40%). The reduction was especially pronounced in Italy, where DCM market activity was down 58% year-on-year, France (down 14%) and Spain (down 10%). ECM activity, meanwhile, more than doubled in Italy, whereas it fell 10% at the European level, dragged down by France and the United Kingdom.

This market scenario drove an increase in net fee and commission income from M&A activity, which was up 38.6%, from €14m to €19.4m, with a higher non-domestic component (up from 33% to 45%), which, however, went alongside a good performance in Italy. Some of the main transactions covered by Mediobanca include the establishment of a joint venture between Lucchini and the Unipart group, assistance provided to Rafael Del Pino in increasing his stake in Ferrovial, assistance provided to the Baumax group in its business rationalization process, acquisition by Investcorp of an 80% stake in Dainese, advisory services provided to Sorgenia on the disposal of 100% of Sorgenia Power to Macquarie, the sale of Banca Carige's insurance business, the acquisition by Bright Food of a majority stake in Salov; assistance provided to Vodafone in its takeover of Cobra Automotive Technologies, to Enel in its acquisition of 60.6% of Enersis, and to Italcementi in its takeover bid for the minority interests in Ciments Français; and acting as financial advisor to the Hines group on the refinancing of the Porta Nuova Garibaldi fund.

Net fee and commission income from equity capital market activity increased more than fourfold, from €15m to €66m, largely driven by domestic and non-domestic banking clientèle (67% and 13% respectively). Mediobanca was involved in the capital increases implemented by Monte dei Paschi di Siena, Carige, Deutsche Bank, National Bank of Greece and Banco Comercial

Portuguese, and in Italy, by Banca Popolare di Sondrio, BPER, Cattolica and Fineco. Debt capital market activity generated fees of approx. €9m (€11m) in the six months under review, with senior roles in over twenty bond issues (2i Rete Gas, Piaggio, Iren, APRR, A2A, Telecom Italia, Snam, Société Générale, Compagnie de Financement Foncier, Iccrea, and UBI).

Overall net fee and commission income grew by 78.2%, from €84.9m to €151.3m, and broke down as follows:

(€m)

	31/12/13	31/12/14	Chg. (%)
Lending	39.3	45.6	16.0%
M&A Advisory	14.0	19.4	38.6%
Capital Markets	26.0	74.8	n.m.
Markets, sales and other income	5.6	11.5	105.4%
Net fee and commission income	**84.9**	**151.3**	**78.2%**

Turning now to the main balance-sheet aggregates:

Loans and advances to customers – these rose from €12.5bn to €13.2bn, with new loans for the six months totalling €3.2bn and despite early repayments of approx. €700m. The portfolio is concentrated on the domestic market (approx. 52%) and on those markets where Mediobanca has its own branch offices (31%). Non-performing items amount to €473.9m (€403.6m), net of provisions totalling €451.2m (€388.9m), and account for 3.6% (3.2%) of the total loan book. The coverage ratio is stable at 49%.

	30/6/14		31/12/14		%
	(€m)	%	(€m)	%	
Italy	7,056.2	56.6%	6,829.2	51.8%	-3.2%
France	1,494.5	12.0%	1,346.8	10.2%	-9.9%
Germany	847.1	6.8%	1,200.8	9.1%	41.8%
U.K.	518.4	4.2%	866.7	6.6%	67.2%
Spain	842.6	6.8%	703.5	5.3%	-16.5%
Other non-resident customers	1,718.6	13.6%	2,230.4	17.0%	29.8%
Total loans and advances to customers	**12,477.4**	**100%**	**13,177.4**	**100%**	**5.6%**

Funding – funding declined by 8.2%, from €40.6bn to €37.2bn, due to the reduction in debt securities (from €24.1bn to €21.4bn) and in funding from the CheBanca! retail channel (down from €8.7bn to €8.2bn), plus the early, €1bn repayment of the ECB's LTRO which was only part-financed by the new T-LTRO programme (drawn as to €578m).

	30/6/14		31/12/14		Chg %
	(€m)	%	(€m)	%	
Debt securities	24,082.4	59%	21,426.4	57%	-11.0%
Interbank funding	9,494.5	23%	8,868.5	24%	-6.6%
- of which: CheBanca!, intercompany	*8,692.7*	*21%*	*8,191.0*	*22%*	*-5.8%*
LTROs	5,500.0	14%	5,078.0	14%	-7.7%
Securitizations and other funds	1,475.3	4%	1,836.1	5%	24.5%
Total funding	**40,552.2**	**100%**	**37,209.0**	**100%**	**-8.2%**

Banking book debt securities – the reduction in this item continued, from €11.1bn to €9.7bn, as a result of the redemption of Italian government securities, the position in which decreased by approx. €1bn.

	30/6/14		31/12/14		Chg. (%)
	(€m)	%	(€m)	%	
Debt securities AFS	6,058.9	55%	4,705.0	48%	-22.3%
Securities held to maturity	1,645.9	15%	1,601.8	17%	-2.7%
Unlisted debt securities (stated at cost)	3,354.9	30%	3,356.3	35%	0.0%
Total fixed financial assets	**11,059.7**	**100%**	**9,663.1**	**100%**	**-12.6%**

	30/6/14			31/12/14		
	Book Value	%	AFS Reserve	Book Value	%	AFS Reserve
Italian government securities	4,466.8	40%	79.9	3,434.5	36%	72.7
Other government securities	121.3	1%	2.1	17.0	0%	1.1
Financial bonds	5,244.7	48%	50.6	4,959.9	51%	55.2
- of which: Italian	*4,249.8*	*38%*	*23.5*	*4,065.9*	*42%*	*32.0*
Corporate bonds	1,226.9	11%	42.3	1,251.7	13%	38.3
Total debt securities	**11,059.7**	**100%**	**174.9**	**9,663.1**	**100%**	**167.3**

Treasury assets – these declined from €9.9bn to €5.6bn, money market positions in particular (which fell from €7.3bn to €2.3bn), due to the higher lendings and the increased recourse to the interbank market to cover short-term transactions with customers.

	30/6/14		31/12/14		Chg. (%)
	(€m)	%	(€m)	%	
Cash and liquid assets	224.2	2%	106.4	2%	-52.5%
Debt securities	1,958.2	20%	1,478.8	26%	-24.5%
Equities	1,169.3	12%	2,330.3	42%	99.3%
Derivative contract valuations	-752.7	-8%	-646.3	-12%	16.5%
Others (repos, time deposits, derivatives etc.)	7,252.2	74%	2,327.2	42%	-67.9%
Total net treasury assets	**9,851.2**	**100%**	**5,596.4**	**100%**	**-43.2%**

PRIVATE BANKING

(€m)

	31/12/13	30/6/14	31/12/14	Chg. (%)
Net interest income	22.2	40.3	17.2	-22.5
Treasury income	3.6	21.8	9.9	n.m.
Net fee and commission income	39.2	78.1	39.3	0.3
Total income	**65.0**	**140.2**	**66.4**	**2.2**
Labour costs	(24.9)	(50.8)	(27.4)	10.0
Administrative expenses	(16.3)	(33.0)	(18.6)	14.1
Operating costs	**(41.2)**	**(83.8)**	**(46.0)**	**11.7**
Gain (losses) on disposal of AFS shares	5.3	2.2	1.0	-81.1
Loan loss provisions	2.6	2.1	(0.6)	n.m.
Provisions for financial assets	(2.2)	(2.8)	(0.1)	n.m.
Other profits (losses)	—	(3.6)	—	n.m.
Profit before tax	**29.5**	**54.3**	**20.7**	**-29.8**
Income tax for the period	(2.0)	(3.6)	(1.9)	-5.0
Net profit	**27.5**	**50.7**	**18.8**	**-31.6**
Cost/Income (%)	63.4	59.8	69.3	

	31/12/13	30/6/14	31/12/14
Balance-sheet data			
Treasury funds	874.4	870.4	1,210.6
AFS securities	647.7	753.8	664.1
Fixed financial assets (HTM & LR)	13.1	13.1	9.5
Loans and advances to customers	1,227.8	1,261.5	1,301.7
Funding	(2,428.7)	(2,416.2)	(2,709.3)
Assets under management	14,641.0	15,035.5	15,185.6
Securities held on a fiduciary basis	1,434.5	1,420.3	2,094.5
No. of employees	341	347	361

Private banking delivered a net profit of €18.8m (31/12/13: €27.5m), with revenues up 2.2%, from €65m to €66.4m, in part offset by an 11.7% rise in costs, from €41.2m to €46m, most of which non-recurring (€2.1m in transfers to the provision for risks and charges), and lower gains on disposals of AFS securities totalling €1m (€5.3m). The increase in net treasury income (from €3.6m to €9.9m) offset the reduction in net interest income (down from €22.2m to €17.2m), on stable fee income of €39.3m. Assets under management on a discretionary and/or non-discretionary basis at the reporting date totalled €15.2bn (30/6/14: €15bn), of which €7.2bn (€7.3bn) for CMB and €8bn (€7.7bn) for Banca Esperia.

PRINCIPAL INVESTING (EQUITY INVESTMENT PORTFOLIO)

(€m)

	31/12/13	30/6/14	31/12/14	Chg. (%)
Profit-and-loss data				
Treasury income	4.6	29.7	7.1	54.3
Equity-accounted companies	128.2	258.6	122.9	-4.1
Total income	**132.8**	**288.3**	**130.0**	**-2.1**
Labour costs	(4.4)	(8.8)	(4.5)	2.3
Administrative expenses	(0.8)	(1.7)	(1.4)	75.0
Operating costs	**(5.2)**	**(10.5)**	**(5.9)**	**13.5**
Gain (losses) on disposal of AFS shares	151.2	240.2	15.3	-89.9
Provisions for financial assets	(21.7)	(25.3)	(11.7)	-46.1
Profit before tax	**257.1**	**492.7**	**127.7**	**-50.3**
Income tax for the period	(11.7)	(43.4)	(0.7)	n.m.
Net profit	**245.4**	**449.3**	**127.0**	**-48.2**

	31/12/13	30/6/14	31/12/14
AFS securities	1,388.8	1,242.6	1,070.1
Equity investments	2,556.8	2,775.2	2,975.2

This division delivered a profit of €127m (31/12/13: €245.4m), due to the reduced contribution from Assicurazioni Generali (down from €130.8m to €122.9m) and a sharp reduction in gains on disposals to just €15.3m (compared with €151.2m last year), in part offset by lower writedowns of €11.7m (€21.7m). The equity exposure reduction plan continued, with the sale of the 9.9% stake in Santé SA for a consideration of €38.4m and a gain of €7.6m, and other market disposals totalling €30.6m.

RETAIL AND CONSUMER BANKING (FINANCIAL SERVICES TO HOUSEHOLDS)

(€m)

	31/12/13	30/6/14	31/12/14	Chg. (%)
Profit-and-loss data				
Net interest income	376.5	769.9	400.4	6.3
Treasury income	0.4	0.4	—	n.m.
Net fee and commission income	84.7	163.7	87.7	3.5
Total income	**461.6**	**934.0**	**488.1**	**5.7**
Labour costs	(73.7)	(150.7)	(76.3)	3.5
Administrative expenses	(135.0)	(285.4)	(138.2)	2.4
Operating costs	**(208.7)**	**(436.1)**	**(214.5)**	**2.8**
Loan loss provisions	(200.5)	(473.2)	(243.2)	21.3
Other profits (losses)	(2.0)	(5.0)	—	n.m.
Profit before tax	**50.4**	**19.7**	**30.4**	**-39.7**
Income tax for the period	(10.6)	3.6	(7.6)	-28.3
Net profit	**39.8**	**23.3**	**22.8**	**-42.7**
Cost/Income ratio (%)	45.2	46.7	43.9	

	31/12/13	30/6/14	31/12/14
Balance-sheet data			
Treasury funds	10,392.8	8,753.9	8,475.8
AFS securities	691.5	697.4	693.6
Fixed financial assets (HTM & LR)	1,772.0	1,528.2	1,247.5
Retail funding	13,902.3	14,269.5	14,934.5
New loans	(25,824.5)	(21,142.3)	(24,446.5)
Cost of risk (bps)	291	338	278

This division reported a net profit of €22.8m for the six months, representing the balance between the €31m profit earned by consumer finance and the €8.1m loss posted by retail banking. The result was below the €39.8m profit reported last year, due to higher loan loss provisions (which were up from €200.5m to €243.2m) entirely attributable to the prudential, one-off provisioning in respect of performing assets owned by Compass. The 5.7% increase in revenues was in part offset by 2.8% growth in operating costs. Creditech made a significant contribution, with a €5.1m net profit after launching its loan factoring business during the six months under review (accounts worth €157m as at the reporting date, versus €178m in turnover).

CONSUMER BANKING

(€m)

	31/12/13	30/6/14	31/12/14	Chg. (%)
Net interest income	306.1	628.8	333.9	9.1
Net fee and commission income	72.8	141.0	78.3	7.6
Total income	**378.9**	**769.8**	**412.3**	**8.8**
Labour costs	(44.1)	(90.1)	(47.2)	7.0
Administrative expenses	(88.7)	(187.0)	(92.2)	3.9
Operating costs	**(132.8)**	**(277.1)**	**(139.4)**	**5.0**
Loan loss provisions	(186.0)	(445.3)	(232.8)	25.2
Profit before tax	**60.1**	**47.4**	**40.1**	**-33.3**
Income tax for the period	(10.0)	1.0	(9.1)	n.m.
Net profit	**50.1**	**48.4**	**31.0**	**-38.1**
Cost/Income ratio (%)	35.0	36.0	33.8	

	31/12/13	30/6/14	31/12/14
Balance-sheet data			
Treasury funds	346.9	270.4	349.7
AFS securities	104.4	102.3	99.6
Fixed financial assets (HTM & LR)	0.6	0.8	0.9
Loans and advances to customers	9,583.5	9,876.9	10,495.6
Funding	(9,413.9)	(9,660.7)	(10,312.9)
Cost of risk (bps)	392	461	379
New loans	2,511.7	5,284.6	2,940.7
No. of branches	158	158	160
No. of employees	1,459	1,479	1,492

For the six months under review, revenues were up 8.8%, from €378.9m to €412.3m. The 9.1% increase in net interest income, from €306.1m to €333.9m, derives from higher volumes (which were up 6%) and resilient returns; net fee and commission income rose by 7.6%. The rise in operating costs, from €132.8m to €139.4m, reflects the growth in activity; while the increase in loan loss provisions, from €186m to €232.8m, is largely attributable to the €40m increase in provisioning for performing assets. Excluding the latter, the cost of risk would decline from 461 bps to 379 bps despite an increase in the coverage ratios for the non-performing items (from 64% to 67%). Loans and advances to customers outstanding as at 31 December 2014 were up 6.3%, from €9,876.9m to €10,495.6m, including €157m in respect of the recently-launched business. New loans in consumer credit for the six months totalled €2,940.7m, up 17.1% since the balance-sheet date (€2,511.7m), and were concentrated in vehicle finance products (up 9.2%) and personal loans (up 20.7%).

RETAIL BANKING

(€m)

	31/12/13	30/6/14	31/12/14	Chg. (%)
Net interest income	70.4	141.1	66.5	-5.5
Treasury income	0.4	0.4	—	n.m.
Net fee and commission income	11.9	22.7	9.4	-21.0
Total income	**82.7**	**164.2**	**75.9**	**-8.2**
Labour costs	(29.6)	(60.6)	(29.1)	-1.7
Administrative expenses	(46.3)	(98.4)	(46.0)	-0.6
Operating costs	**(75.9)**	**(159.0)**	**(75.1)**	**-1.1**
Loan loss provisions	(14.5)	(27.9)	(10.4)	-28.3
Other profits (losses)	(2.0)	(5.0)	—	n.m.
Profit before tax	**(9.7)**	**(27.7)**	**(9.6)**	**-1.0**
Income tax for the period	(0.6)	2.6	1.5	n.m.
Net profit	**(10.3)**	**(25.1)**	**(8.1)**	**-21.4**
Cost/income ratio (%)	91.8	96.8	98.9	

	31/12/13	30/6/14	31/12/14
Balance-sheet data			
Treasury funds	10,045.9	8,483.5	8,126.1
AFS securities	587.1	595.1	594.0
Fixed financial assets (HTM & LR)	1,771.4	1,527.4	1,246.6
Loans and advances to customers	4,318.8	4,392.6	4,438.9
Retail funding	(13,288.4)	(11,481.6)	(10,866.9)
New loans	222.6	467.0	265.5
No. of branches	45	57	57
No. of employees	899	886	894

The six months under review showed a slight reduction in the net loss incurred by the Group's retail banking operations, from €10.3m to €8.1m. The 8.2% decline in revenues was offset by reductions in both operating costs (which were down from €75.9m to €75.1m) and the cost of risk (down from €14.5m to €10.4m). The top line in particular reflects the reduced contribution from net interest income (which is linked to the trend in volumes) and the fact that commissions from placement of Mediobanca bonds were virtually non-existent (having last year contributed €6.8m). Conversely, there was growth in commissions on asset management, insured and non-discretionary products (from €0.7m to €4.3m), reflecting an increase in the indirect funding stock (from €1,465m to €2,143m). In the six months under review retail funding decreased from €11,481.6m to €10,866.9m, with a higher share for transactional accounts (€1,494.5m, versus €914m) than for tied accounts (€9,372.4m, versus €10,567.6m). Loans and advances to customers had risen slightly since the balance-sheet date, from €4,392m to €4,438.9m, with new loans up from €222.6m to €265.5m and non-performing items virtually unchanged at €146.2m (€145.2m).

LEASING

(€m)

	31/12/13	30/6/14	31/12/14	Chg. (%)
Net interest income	22.6	46.7	25.9	14.6
Treasury income	—	(0.1)	—	n.m.
Net fee and commission income	(0.5)	(0.4)	(0.1)	n.m.
Total income	**22.1**	**46.2**	**25.8**	**16.7**
Labour costs	(7.7)	(15.6)	(6.9)	-10.4
Administrative expenses	(6.0)	(12.4)	(6.2)	3.3
Operating costs	**(13.7)**	**(28.0)**	**(13.1)**	**-4.4**
Loan loss provisions	(19.7)	(32.8)	(8.9)	-54.8
Other profits (losses)	2.1	2.1	—	n.m.
Profit before tax	**(9.2)**	**(12.5)**	**3.8**	**n.m.**
Income tax for the period	1.8	3.0	(1.8)	n.m.
Minority interest	2.8	3.4	(1.0)	n.m.
Net profit	**(4.6)**	**(6.1)**	**1.0**	**n.m.**
Cost/income ratio (%)	62.0	60.6	50.8	

	31/12/13	30/6/14	31/12/14
Balance-sheet data			
Treasury funds	134.9	111.8	127.6
Loans and advances to customers	3,201.2	3,001.7	2,892.0
Funding	(3,202.7)	(2,994.6)	(2,903.8)
New loans	158.0	388.0	274.6
No. of employees	149	145	145

This segment recorded a €1m profit for the six months, compared with the €4.6m loss recorded last year, due to the reduction in loan loss provisions (down from €19.7m to €8.9m) as a result of the higher provisioning last year. The top line recovered to reach €25.8m (€22.1m), on gradually declining costs (down from €13.7m to €13.1m). The reduction in accounts outstanding continued, which declined from €3,001.7m to €2,892m, despite new loans rising from €158m to €274.6m, with net non-performing items up from €259.2m to €284.7m due to the impairment of certain positions (nonetheless secured by substantial guarantees); the coverage ratio was stable at 29%.

Review of Group company performances

Mediobanca

RESTATED PROFIT AND LOSS ACCOUNT *

(€m)

	31/12/13	30/6/14	31/12/14	Chg. (%)
Net interest income	105.6	208.4	87.9	-16.8
Treasury income	9.1	30.8	78.2	n.m.
Net fee and commission income	83.5	220.8	149.9	79.5
Equity-accounted companies	0.1	92.9	—	n.m.
Total income	**198.3**	**552.9**	**316.0**	**59.4**
Labour costs	(77.6)	(168.0)	(85.1)	9.7
Administrative expenses	(49.2)	(115.5)	(56.3)	14.4
Operating costs	**(126.8)**	**(283.5)**	**(141.4)**	**11.5**
Gain (losses) on disposal of AFS shares	151.3	240.2	15.3	n.m.
Loan loss provisions	(82.6)	(229.4)	(48.2)	-41.6
Provisions for financial assets	(3.1)	(9.8)	(11.4)	n.m.
Impairment charges to equity investments	(19.0)	(69.0)	(2.1)	-88.9
Other profits (losses)	—	—	—	n.m.
Profit before tax	**118.1**	**201.4**	**128.2**	**8.6**
Income tax for the period	(17.0)	(35.5)	(48.0)	n.m.
Net profit	**101.1**	**165.9**	**80.2**	**-20.7**

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

RESTATED BALANCE SHEET *

(€m)

	31/12/13	30/6/14	31/12/14
Assets			
Treasury funds	13,721.6	9,599.5	5,675.7
AFS securities	8,655.1	7,301.5	5,775.1
Fixed financial assets (HTM & LR)	5,091.8	5,000.8	4,958.0
Loans and advances to customers	21,694.9	20,181.6	22,533.0
Equity investments	2,699.0	2,667.9	2,671.7
Tangible and intangible assets	131.2	133.4	133.4
Other assets	317.6	567.2	352.1
Total assets	**52,311.2**	**45,451.9**	**42,099.0**
Liabilities and net equity			
Funding	46,805.0	39,432.2	36,532.7
Other liabilities	562.9	864.6	545.5
Provisions	160.0	161.7	161.8
Net equity	4,682.2	4,827.5	4,778.8
Profit for the period	101.1	165.9	80.2
Total liabilities and net equity	**52,311.2**	**45,451.9**	**42,099.0**

For the six months ended 31 December 2014, Mediobanca reported a net profit of €80.2m, down on the €101.1m reported last year. The following performances were reported:

– net interest income was down 16.8%, from €105.6m to €87.9m chiefly due to the lower volumes and to the cost of funding, which continues to reflect previous expenses;

– net treasury income (which includes dividends on AFS shares and profits on AFS and HTM debt securities) returned to previous years' levels at €78.2m (€9.1m), due to good positioning on forex markets and gains realized on the banking book totalling €41.5m (€27.4m);

– net fee and commission income virtually doubled, from €83.5m last year to €149.9m, on an improved performance from capital market activities in particular, in the first quarter especially.

At the same time operating costs were up 11.5%, from €126.8m to €141.4m, reflecting the increase in both labour costs (up €7.5m) and other administrative expenses (up €7.1m) connected with strengthening of the CIB platform.

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

Loan loss adjustments stood at €48.2m, substantially lower than the €82.6m reported last year. The coverage ratio for non-performing items was unchanged at 47%, despite a €136.7m gross exposure being newly classified as sub-standard.

Management of the AFS share portfolio generated gains of €15.3m (€151.3m), and €11.4m (€3.1m) in value adjustments to reflect stock market prices as at 31 December 2014, plus €2.1m (€19m) in writedowns to equity investments.

With regard to the main balance-sheet items:

– funding declined by €2.9bn and involves all segments: debt securities (down €2.3bn), representing the balance between new placements (€1.7bn) and redemptions and buybacks on the market (€4bn); CheBanca! retail deposits (down €502m); and loans posted to the ECB to repay the LTRO (€1bn), which were only part-financed by the first tranche of the T-LTRO (€578m).

	30/6/14		31/12/14		Chg. (%)
	(€m)	%	(€m)	%	
Debt securities	23,606.1	60%	21,348.5	58%	-9.6%
Interbank funding	9,817.8	25%	9,227.9	25%	-6.0%
- of which: CheBanca!, intercompany	*8,692.7*	*22%*	*8,191.0*	*22%*	*-5.8%*
LTROs	5,500.0	14%	5,078.0	14%	-7.7%
Other funding	508.3	1%	878.3	3%	72.8%
Total funding	**39,432.2**	**100%**	**36,532.7**	**100%**	**-7.4%**

– loans and advances to customers were up 11.7%, from €20.2bn to €22.5bn, due to the resumption in corporate lending (up 2%) and loans to Group companies (up 21.3%);

	30/6/14		31/12/14		Chg. (%)
	(€m)	%	(€m)	%	
Corporate customers	10,118.2	50.1%	10,323.4	45.8%	2.0%
Group companies	10,063.4	49.9%	12,209.6	54.2%	21.3%
Total loans and advances to customers	**20,181.6**	**100%**	**22,533.0**	**100%**	**11.7%**
- of which: non performing loans	*385.9*	*1.9%*	*464.0*	*2.1%*	*20.2%*

– equity investments and AFS shares fell from €3,910.3m to €3,741.8m, on movements in the AFS segment (disposals totalling €69.8m and fair value €81.3m lower); the increase in associates is due to the higher book value for Spafid (€3.6m) following its acquisition of a business unit.

	% share capital	30/6/14	31/12/14
Associates			
Assicurazioni Generali	13.24	1,114.6	1,114.6
Banca Esperia	50.0	54.3	54.3
Burgo Group	22.13	—	—
Athena Private Equity	24.27	3.9	3.9
Fidia	25.0	0.6	0.7
Total associates		1,173.4	1,173.5
Total subsidiaries		1,494.5	1,498.2
Total equity investments		**2,667.9**	**2,671.7**
Total equity Available For Sale		**1,242.4**	**1,070.1**
TOTAL		**3,910.3**	**3,741.8**

Based on the stock market price recorded on 30 December 2014, the Assicurazioni Generali investment reflects an unrealized gain of €2.4bn (€2.7bn based on current prices).

– debt securities declined from €11,059m to €9,663.1m as a result of disposals of Italian government securities held as available for sale (approx. €1bn);

	30/6/14		31/12/14		Chg. (%)
	(€m)	%	(€m)	%	
Debt securities AFS	6,058.9	55%	4,705.0	48%	-22.3%
Securities held to maturity	1,645.9	15%	1,601.8	17%	-2.7%
Unlisted debt securities (stated at cost)	3,354.8	30%	3,356.2	35%	—
Total fixed financial assets	**11,059.6**	**100%**	**9,663.0**	**100%**	**-12.6%**

– treasury assets totalled €5,675.6m (€9,599.5m), and include intra-group positions amounting to €770.2m (€1,689.5m); the reduction involves money market assets, which were down €4.7bn as a result of the higher lendings and the increased recourse to the interbank market to cover short-term transactions with customers.

	30/6/14		31/12/14		Chg. (%)
	(€m)	%	(€m)	%	
Debt securities	1,973.7	21%	1,507.0	27%	-23.6%
Equities	1,133.0	12%	2,206.4	39%	94.7%
Derivative contract valuations	(727.7)	-8%	(521.1)	-9%	-28.4%
Others (cash, repos, time deposit)	7,220.5	75%	2,483.4	43%	-65.6%
Total net treasury assets	**9,599.5**	**100%**	**5,675.7**	**100%**	**-40.9%**

– the Bank's net equity fell from €4,993.4m to €4,859m, as a result of the reduction in the AFS reserves (from €457.5m to €360.3m) as a result of stock market prices being lower at the reporting date (much of the difference was made up during the month of January 2015). The Bank's share capital increased from €430.7m to €431.8m, following exercise of 247,500 stock options and the distribution of 2,033,549 performance shares for a total value of €2.6m, including the share premium reserve.

	30/6/14	31/12/14	Chg. (%)
	(€m)		
Share capital	430.7	431.8	—
Other reserves	3,944.6	3,989.6	1.1%
Valuation reserves	452.2	357.4	n.m.
- of which: AFS securities	*457.5*	*360.3*	*n.m.*
cash flow hedge	*(10.9)*	*(8.2)*	*-24.8%*
Profit for the period	165.9	80.2	n.m.
Total net equity	**4,993.4**	**4,859.0**	**-2.7%**

* * *

The financial highlights for the other Group companies in the six months under review are shown below, divided by business area:

Company	% *	Business Line	Total assets	Loans and advances to customers	Total net equity	No. of employees
Mediobanca International	100%	WSB	3,783.0	3,231.4	264.8	6
Mediobanca International Immobiliere	100%	WSB	2.1	—	1.6	—
Mediobanca Turkey	100%	WSB	—	—	—	8
MB Securities USA	100%	WSB	5.7	—	2.9	4
Prominvestment (in liquidation)	100%	WSB	4.8	4.3	(3.0)	6
Consortium	100%	WSB	0.2	—	0.2	—
Compagnie Monégasque de Banque	100%	PB	2,676.3	843.4	659.9	196
Banca Esperia	50%	PB	1,717.3	916.8	187.2	134
Spafid	100%	PB	46.3	—	39.7	37
Compass	100%	Consumer	10,172.3	8,863.2	1,183.8	1,260
Futuro	100%	Consumer	1,187.7	1,167.8	48.1	70
Credtitech	100%	Consumer	532.2	464.9	71.2	166
Compass RE	100%	Consumer	219.2	—	60.3	1
Quarzo	90%	Consumer	0.3	—	—	—
CheBanca!	100%	Retail	14,585.7	4,438.9	241.5	894
Mediobanca Covered Bond	90%	Retail	0.2	—	0.1	—
Selma Bipiemme Leasing	60%	Leasing	1,769.4	1,463.4	62.1	85
Palladio Leasing	60%	Leasing	1,381.0	1,343.5	108.4	58
Teleleasing (in liquidation)	48%	Leasing	119.0	85.2	107.3	2
Quarzo Lease	90%	Leasing	0.4	0.4	241.5	—
Mediobanca Innovation Services	100%	Other	70.0	—	37.5	142
R&S	100%	Other	0.9	—	0.1	14

* Stake owned on a look-throug basis.

Company	**%***	**Business line**	**Total income**	**Operating costs**	**Provisions**	**Profit for the period**
Mediobanca International	100%	WSB	20.2	(2.8)	(0.2)	13.8
Mediobanca International Immobiliere	100%	WSB	0.1	—	—	—
Mediobanca Turkey	100%	WSB	0.2	(2.7)	—	(2.5)
MB Securities USA	100%	WSB	1.4	(1.4)	—	—
Prominvestment (in liquidation)	100%	WSB	0.1	(0.4)	—	(0.3)
Consortium	100%	WSB	—	—	—	—
Compagnie Monégasque de Banque	100%	PB	40.7	(22.9)	(0.1)	18.3
Banca Esperia	50%	PB	45.9	(41.8)	(1.2)	0.5
Spafid	100%	PB	3.4	(2.5)	—	0.6
Compass	100%	Consumer	363.4	(125.7)	(225.6)	11.5
Futuro	100%	Consumer	15.9	(6.2)	(1.9)	5.1
Credtitech	100%	Consumer	22.6	(10.4)	(5.4)	5.1
Compass RE	100%	Consumer	13.9	(0.2)	—	9.5
Quarzo	90%	Consumer	0.1	(0.1)	—	—
CheBanca!	100%	Retail	75.9	(74.8)	(10.4)	(7.9)
Mediobanca Covered Bond	90%	Retail	—	—	—	—
Selma Bipiemme Leasing	60%	Leasing	11.3	(8.9)	(4.9)	(2.2)
Palladio Leasing	60%	Leasing	11.1	(3.7)	(4.3)	1.9
Teleleasing (in liquidation)	48%	Leasing	4.3	(1.6)	0.3	2.1
Quarzo Lease	90%	Leasing	—	—	—	—
Mediobanca Innovation Services	100%	Other	20.6	(20.6)	—	—
R&S	100%	Other	1.0	(1.0)	—	—

* Stake owned on a look-throug basis.

Other information

Related party disclosure

Financial accounts outstanding as at 31 December 2014 between companies forming part of the Mediobanca Group and related parties, and transactions undertaken between such parties during the financial year, are illustrated in Part H of the notes to the accounts, along with all the information required in terms of transparency pursuant to Consob resolution 17221 issued on 12 March 2010.

All such accounts form part of Group companies' ordinary operations, are maintained on an arm's length basis, and are entered into solely in the interests of the companies concerned. No atypical or irregular transactions have been entered into with such counterparties.

Article 36 of Consob's market regulations

With reference to Article 36 of Consob resolution 16191/07 (Market Regulations) on the subject of prerequisites for listing in respect of parent companies incorporated or regulated by the laws of EU member states and relevant to the preparation of the consolidated accounts, Compagnie Monégasque de Banque is the only Group company covered by this regulatory provision, and adequate procedures have been adopted to ensure full compliance with it.

Principal risks facing the Group

In addition to the customary information on financial risks (credit, market, liquidity and operational risks), the notes to the accounts contain an indication of the other risks to which the Group is exposed in the course of its business, as they emerged from the ICAAP process now required by the regulations in force.

In particular, this involves concentration risk in the Group's corporate finance activities towards the leading Italian industrial groups, its presence in the retail banking and consumer finance business on the domestic market, and its exposure to market volatility in respect of its securities portfolio in the wholesale banking and principal investing divisions.

Research

R&S has continued its analysis of companies and capital markets as in the past. The company produced the thirty-ninth edition of its Annual Directory, which includes analysis of leading Italian listed companies, and published the profiles of over a hundred other industrial and financial groups online. The nineteenth edition of R&S's survey of the world's leading industrial and service multinationals has been published, as has the twelfth edition of its survey of the leading international banks, the fourth edition of its review of industrial companies in southern Italy on behalf of the Fondazione Ugo La Malfa, and – in conjunction with *Il Sole 24 Ore* – the customary quarterly analyses of blue chip companies' results.

Tax litigation

As at 31 December 2014, the Mediobanca Group had cases pending in respect of higher tax worth a notified amount of €42.1m (30/6/14: €72.6m), plus interest and fines. All the cases involve disputes with the Italian tax revenue authority and regard:

- claims in respect of allegedly non-existent leasing transactions, involving higher tax worth a notified amount of €35.7m (€31.9m of which by way of VAT and €3.8m IRES/IRAP); €24.2m of this amount involves leases on yachts, while the remainder involves real estate and brands;
- application of withholding tax by Mediobanca upon the disbursement of medium-/long-loans (worth a notified amount of €4.2m);
- claims in respect of other items, involving higher tax worth a notified amount of €2.1m.

The companies concerned have appealed against all the above rulings in the conviction that their actions were correct. For this reason no amounts have been set aside to the provision for risks and charges, including in view of how the legal process is progressing, and the indemnity clauses contained in the agreements with the customers regarding the withholding and registration taxes. This arrangement will not be changed even if the rulings should go against Mediobanca in the first instance.

In the six months under review, the Milan tax office basically dismissed the €30.5m claims made in connection with losses arising on the non-recourse disposal of receivables by Compass in the 2007-08 financial year.

Furthermore, on 27 January 2015 a second-degree ruling was issued in favour of SelmaBipiemme on the Italian tax authorities' charge regarding non-existent transactions involving brands and real estate leasing transactions for the 2005 and 2006 tax periods, which would involve €11.1m in additional tax charges (VAT, IRES and IRAP).

Finally, on 3 February 2015, the Italian tax authorities cancelled two notifications sent to Mediobanca regarding withholding tax on loans, thereby waiving the related disputed extra €2.1m in charges).

Litigation pending

The most significant case involves the claims against Mediobanca relating to the Bank's alleged failure, jointly with other parties, to launch a full takeover bid for La Fondiaria in 2002. Twelve claims are still pending (unchanged since the balance-sheet date), involving an aggregate amount of approx. €108.3m, plus interest and expenses; Mediobanca's share in this would be approx. €37m (plus interest and expenses). The present status of the trials in respect of these claims is as follows:

– the court of cassation has ruled against Mediobanca on three claims, which have now reverted to the Milan court of appeals for the rulings to be prosecuted;
– five claims, in which the court of appeals has ruled in favour of Mediobanca, are pending at the court of cassation;
– one claim, in which the ruling went against Mediobanca, is pending before the court of appeals in Milan; and
– three claims have recently been lodged with the court of Milan.

The other main claims that have been made against Mediobanca are as follows:

– one claim pending with the court of Milan for damages totalling €134.4m in connection with the Burani group bankruptcies for Mediobanca's alleged role as advisor on the takeover bid concerned. Mediobanca has appeared in court and has pleaded not guilty, on the grounds that its activity as advisor consisted exclusively of preparing one analysis (defined as "Discussion material") on behalf of Burani Designer Holding NV, regarding the principal impact of the takeover bid in financial terms;
– one claim filed with the court of Siena for damages in an amount of €286m by the Fondazione Monte dei Paschi di Siena, for an alleged non-contractual liability, jointly with the other lender banks, in connection with the execution of a loan granted in June 2011.

There is no other significant litigation pending at present.

The provision for risks and charges amply covers any charges that may be payable as a result of the claims made against Mediobanca and the Group companies.

Outlook

Estimates for the next six months continue to depend on the weak domestic market and the trend in interest rates. Net interest income should continue to perform in line with the first half-year, driven by growth in consumer business and a reduction in the cost of funding. The contribution from fee income should also be positive, albeit slowing. The cost/income ratio and cost of risk should also both improve.

Reconciliation of shareholders' equity and net profit

(€ '000)

	Shareholders' equity	Net profit (loss)
Balance at 30/6 as per Mediobanca S.p.A. accounts	4,778,756	80,155
Net surplus over book value for consolidated companies	14,822	55,818
Differences on exchange rates originating from conversion of accounts made up in currencies other than the Euro	97	—
Other adjustments and restatements on consolidation, including the effects of accounting for companies on an equity basis	2,916,701	124,646
Dividends received during the period	—	—
TOTAL	7,710,376	260,619

Milan, 9 February 2015

THE BOARD OF DIRECTORS

DECLARATION BY HEAD OF COMPANY FINANCIAL REPORTING

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

1. The undersigned Alberto Nagel and Massimo Bertolini, in their respective capacities as Chief Executive Officer and Head of Financial Reporting of Mediobanca, hereby declare, and in view inter alia of the provisions contained in Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 58/98, that the administrative and accounting procedures used in the preparation of the interim financial statements:
   - were adequate in view of the company's characteristics; and that
   - were effectively applied during the six months ended 31 December 2013.
2. Assessment of the adequacy of said administrative and accounting procedures for the financial statements for the six months ended 31 December 2014 was based on a model defined by Mediobanca in accordance with benchmark standards for internal control systems generally accepted at international level (i.e. the CoSO and CobiT frameworks).
3. It is further hereby declared that:

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

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

Milan, 9 February 2015

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

CONSOLIDATED
FINANCIAL STATEMENTS

Consolidated Balance Sheet

(€'000)

Balance sheet - Assets	31/12/14	30/6/14
10. Cash and cash balances	46,455	33,947
20. Financial assets held for trading	13,626,858	12,406,967
30. Financial assets at fair value throgh profit or loss	—	—
40. Available-for-sale financial assets	6,859,695	8,418,488
50. Held-to-maturity investments	1,612,106	1,659,818
60. Loans and receivables with banks	5,864,818	5,287,754
70. Loans and receivables with customers	36,484,602	36,623,531
80. Hedging derivatives	1,009,234	1,008,609
90. Changes in fair value of portfolio heged items (+/-)	—	—
100. Investments in associates and joint ventures	3,070,956	2,871,375
110. Insurance reserves attributable to reinsures	—	—
120. Property, plant and equipment	304,611	306,066
130. Intangible assets	411,895	409,375
of wich:		
- goodwill	*370,157*	*365,934*
140. Tax assets	885,413	1,028,814
a) current tax assets	185,723	317,542
b) deferred tax assets	699,690	711,272
of wich Law 214/2011	*582,329*	*588,140*
150. Non-current assets and disposal groups classified as held for sale	—	—
160. Other assets	381,986	409,244
TOTAL ASSETS	**70,558,629**	**70,463,988**

(€'000)

Liabilities and Shareholders' Equity	31/12/14	30/6/14
10. Deposits from banks	13,701,146	11,459,800
20. Deposits from customers	16,674,136	16,475,388
30. Debt securities in issue	21,009,978	23,330,028
40. Financial liabilities held for trading	9,511,871	9,277,161
50. Financial liabilities at fair value through profit or loss	—	—
60. Hedging derivatives	297,633	353,451
70. Changes in fair value of portfolio hedged items (+/-)	—	—
80. Tax liabilities	488,206	590,240
a) current tax liabilities	128,873	229,121
b) deferred tax libilities	359,333	361,119
90. Liabilities included in disposal groups classified as held for sale	—	—
100. Other liabilities	480,570	716,558
110. Provision for employee severance pay	28,234	28,737
120. Provisions for risks and charges	166,828	166,292
a) post retirement benefit obligations	—	—
b) Other provisions	166,828	166,292
130. Insurance reserves	124,086	123,664
140. Revaluation reserves	981,074	869,704
150. Redeemable shares	—	—
160. Equity instruments	—	—
170. Reserves	4,373,378	4,150,374
175. Interim dividends (-)	—	—
180. Share premium	2,123,313	2,121,819
190. Issued capital	431,844	430,703
200. Treasury shares (-)	(199,233)	(199,233)
210. Minorities (+/-)	104,946	104,525
220. Net Profit (Loss) for the year (+/-)	260,619	464,777
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**70,558,629**	**70,463,988**

Consolidated Profit and Loss Account

(€'000)

Item	31/12/14	30/6/14	31/12/13
10. Interest income and similar revenues	1,019,064	2,379,983	1,255,364
20. Interest expenses and simialr charges	(477,983)	(1,319,051)	(738,118)
30. Net interest margin	541,081	1,060,932	517,246
40. Fee and commission income	234,403	391,873	171,992
50. Fee and commission expenses	(26,345)	(57,072)	(23,756)
60. Net fee and commission	208,058	334,801	148,236
70. Dividends and similar revenues	7,900	84,841	24,409
80. Net income financial assets and liabilties held for trading	43,196	(39,535)	(13,508)
90. Fair value adjustments in hedge accounting	401	(2,714)	(1,274)
100. Gains and losses on disposal of:	44,964	224,737	178,684
a) loans	(6,778)	(48,057)	(338)
b) available-for-sale financial assets	40,485	291,834	183,045
c) held-to-maturity investments	14,657	(1,518)	(1,865)
d) financial liabilities	(3,400)	(17,522)	(2,158)
110. Net gains and losses on financial assets/liabilities designated at fair value	—	—	—
120. Operating income	845,600	1,663,062	853,793
130. Impairment losses on:	(302,452)	(699,853)	(306,677)
a) loans	(290,733)	(682,325)	(298,102)
b) available-for-sale financial assets	(11,662)	(8,724)	(4,678)
c) held-to-maturity investments	410	(2,771)	152
d) other financial assets	(467)	(6,033)	(4,049)
140. Net profit from financial activities	543,148	963,209	547,116
150. Net premium earned	20,655	37,974	18,460
160. Net other operating income/ charges from insurance activities	(8,670)	(18,057)	(8,816)
170. Net profit from financial and insurance activities	555,133	983,126	556,760
180. Administrative costs	(391,964)	(811,044)	(373,372)
a) payroll costs	(192,957)	(378,965)	(179,037)
b) other administrative costs	(199,007)	(432,079)	(194,335)
190. Net provisions for risks and charges	(627)	(2,630)	928
200. Impairment on tangible assets	(9,453)	(18,249)	(8,968)
210. Impairment on intangible assets	(9,988)	(22,812)	(9,869)
220. Other operating income / charges	59,384	127,790	54,344
230. Operating costs	(352,648)	(726,945)	(336,937)
240. Profit (loss) on equity investments	123,204	244,922	112,457
250. Gains and losses on tangible and intangible assets measured at fair value	—	—	—
260. Impairment on goodwill	—	—	—
270. Gains and losses on disposals on investments	(10)	(56)	(56)
280. Total profit or loss before tax from continuing operations tax expense related to profit or loss from continuing operations	325,679	501,047	332,224
290. Tax expense related to profit or loss from continuing operations total profit or loss after tax from continuing operations	(64,100)	(39,680)	(30,321)
300. Total profit or loss after tax continuing	261,579	461,367	301,903
310. Total profit or loss from discontinued operations	—	—	—
320. Net profit or loss	261,579	461,367	301,903
330. Minority portion of net income (loss)	(960)	3,410	2,838
340. Holdings income (loss) of the year	260,619	464,777	304,741

Consolidated Comprehensive Profit and Loss Account

(€'000)

Item		31/12/14	31/12/13
10.	**Net Profit (Loss) for the year**	**261,579**	**301,903**
	Other comprehensive income after tax not to be recycled to income statement	**65,608**	**26,258**
20.	Propert, plant annnd equipment	—	—
30.	Intangible assets	—	—
40.	Defined benefit plans	(881)	(222)
50.	Non current assets classified as held for sale	—	—
60.	Valutation reserves from investments accounted for using the equity method	66,489	26,480
	Other comprehensive income after tax to be recycled to income statement	**45,222**	**172,937**
70.	Hedge of foreign investments	—	—
80.	Exchange differrences	207	—
90.	Cash flow hedges	14,952	17,219
100.	Available-for-sale financial assets	(98,357)	194,914
110.	Non current assets classified as held for sale		—
120.	Valutation reserves from investments accounted for using the equity method	128,420	(39,196)
130.	**Total of other comprehensive income after tax**	**110,830**	**199,195**
140.	**Comprehensive income (Item 10+130)**	**372,409**	**501,098**
150.	**Consolidated comprehensive income attributable to minorities**	**421**	**(1,644)**
160.	**Consolidated comprehensive income attributable to Parent Company**	**371,988**	**502,742**

Statement of Changes to Consolidated Net Equity

(€'000)

	Previously reported balance at 30/6/14	Allocation of profit for previous period		Changes during the reference period									Total net equity at 31/12/14	Net equity attributable to the group at 31/12/14	Net equity attributable to the minorities at 31/12/14
		Reserves	Dividends and other fund applications	Changes to reserves	Transactions involving net equity							Overall consolidated profit 2014			
					New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury shares derivates	Stock options[1]	Changes to investments				
Share capital:	455,651	—	—	—	1,141	—	—	—	—	—	—	—	456,792	431,844	24,948
a) ordinary shares	455,651	—	—	—	1,141	—	—	—	—	—	—	—	456,792	431,844	24,948
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,129,035	(4,430)	—	—	1,494	—	—	—	—	—	—	—	2,126,099	2,123,313	2,786
Reserves:	4,229,465	465,797	(126,849)	(120,259)	—	—	—	—	—	5,336	—	—	4,453,490	4,373,378	80,112
a) retained earnings	4,146,136	465,797	(126,849)	(120,259)	—	—	—	—	—	—	—	—	4,364,825	4,284,713	80,112
b) others	83,329	—	—	—	—	—	—	—	—	5,336	—	—	88,665	88,665	—
Valuation reserves	866,384	—	—	—	—	—	—	—	—	—	—	110,830	977,214	981,074	(3,860)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(199,233)	—	—	—	—	—	—	—	—	—	—	—	(199,233)	(199,233)	—
Profit (loss) for the period	461,367	(461,367)	—	—	—	—	—	—	—	—	—	261,579	261,579	260,619	960
Total net equity	7,942,669	—	(126,849)	(120,259)	2,635	—	—	—	—	5,336	—	372,409	8,075,941	X	X
Net equity attributable to the group	7,838,144	—	(126,849)	(120,259)	2,635	—	—	—	—	5,336	—	371,988	X	7,970,995	X
Net equity attributable to minorities	104,525	—	—	—	—	—	—	—	—	—	—	421	X	X	104,946

[1] Represents the effect on the stock options and performance shares related to the ESOP schemes.

Statement of Changes to Consolidated Net Equity

(€'000)

	Previously reported balance at 30/6/13	Allocation of profit for previous period		Changes during the reference period								Overall consolidated profit 2013	Total net equity at 30/6/14	Net equity attributable to the group at 30/6/14	Net equity attributable to the minorities at 30/6/14
		Reserves	Dividends and other fund applications	Changes to reserves	Transactions involving net equity						Changes to investments				
					New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury shares derivates	Stock options [1]					
Share capital:	455,513	—	—	—	138	—	—	—	—	—	—	—	455,651	430,703	24,948
a) ordinary shares	455,513	—	—	—	138	—	—	—	—	—	—	—	455,651	430,703	24,948
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,127,359	—	—	—	1,676	—	—	—	—	—	—	—	2,129,035	2,121,819	7,216
Reserves:	4,457,571	(180,344)	—	(45,313)	—	(14,611)	—	—	—	12,162	—	—	4,229,465	4,150,374	79,091
a) retained earnings	4,371,793	(180,344)	—	(45,313)	—	—	—	—	—	—	—	—	4,146,136	4,067,045	79,091
b) others	85,778	—	—	—	—	(14,611)	—	—	—	12,162	—	—	83,329	83,329	—
Valuation reserves	301,868	—	—	—	—	—	—	—	—	—	—	564,516	866,384	869,704	(3,320)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(213,844)	—	—	—	—	14,611	—	—	—	—	—	—	(199,233)	(199,233)	—
Profit (loss) for the period	(180,344)	180,344	—	—	—	—	—	—	—	—	—	461,367	461,367	464,777	(3,410)
Total net equity	6,948,123	—	—	(45,313)	1,814	—	—	—	—	12,162	—	1,025,883	7,942,669	X	X
Net equity attributable to the group	6,840,657	—	—	(45,313)	1,814	—	—	—	—	12,162	—	1,028,824	X	7,838,144	X
Net equity attributable to minorities	107,466	—	—	—	—	—	—	—	—	—	—	(2,941)	X	X	104,525

[1] Represents the effect on the stock options and performance shares related to the ESOP schemes.

Consolidated Cash Flow Statement Direct Method

	Amounts	
	31/12/14	31/12/13
A. CASH FLOW FROM OPERATING ACTIVITIES		
1. Operating activities	**2,496**	**284,200**
- interest received	1,561,838	2,075,614
- interest paid	(1,304,584)	(1,519,727)
- dividends and similar income	33,347	51,881
- net fees and commission income	96,234	71,264
- cash payments to employees	(163,698)	(165,774)
- net premium income	23,917	24,354
- other premium from insurance activities	(75,270)	60,726
- other expenses paid	(376,417)	(785,330)
- other income received	177,310	495,212
- income taxes paid	24,827	(24,020)
- net expense/income from groups of assets being sold	—	—
2. Cash generated/absorbed by financial assets	**(703,616)**	**(996,066)**
- financial assets held for trading	(859,672)	(624,082)
- financial assets recognized at fair value	—	—
- AFS securities	1,489,210	2,236,001
- due from customers	(164,189)	(3,310,904)
- due from banks: on demand	(85,122)	782,600
- due from banks: other	(854,297)	(24,326)
- other assets	(229,546)	(54,821)
3. Cash generated/absorbed by financial liabilities	**803,185**	**1,010,715**
- due to banks: on demand	(541,934)	(180,737)
- due to banks: other	(2,516,552)	(1,304,674)
- due to customers	612,515	2,193,705
- debt securities	2,381,038	670,051
- trading liabilities	(440,335)	(264,111)
- financial liabilities assets recognized at fair value	—	—
- other liabilities	(46,443)	(103,519)
Net cash flow (outflow) from operating activities	**97,073**	**298,850**
B. INVESTMENT ACTIVITIES		
1. Cash generated from	**149,162**	**86,367**
- disposals of shareholdings	—	—
- dividends received in respect of equity investments	—	—
- disposals/redemptions of financial assets held to maturity	149,112	86,243
- disposals of tangible assets	50	124
- disposals of intangible assets	—	—
- disposals of subsidiaries or business units	—	—
2. Cash absorbed by	**(108,499)**	**(137,420)**
- acquisitions of shareholdings	51	(430)
- acquisitions of held-to-maturity investments	(87,520)	(122,612)
- acquisitions of tangible assets	(8,050)	(8,421)
- acquisitions of intangible assets	(12,980)	(5,957)
- acquisitions of subsidiaries or business units	—	—
- Net cash flow (outflow) from investment/servicing of finance	**40,663**	**(51,053)**
C. FUNDING ACTIVITIES	**(125,231)**	
- issuance/acquisition of treasury shares	1,618	—
- issuance/acquisitions of equity instruments	—	—
- dividends payout and other applications of funds	(126,849)	—
Net cash flow (outflow) from funding activities	**(125,231)**	**—**
NET CASH FLOW (OUTFLOW) DURING PERIOD	**12,505**	**247,796**

Reconciliation of movements in cash flow during period under review

	Amounts	
	31/12/14	31/12/13
Cash and cash equivalents: balance at start of period	33,947	28,842
Total cash flow (ouflow) during period	12,505	247,796
Cash and cash equivalents: exchange rate effect	3	—
Cash and cash equivalents: balance at end of period	46,455	276,638

NOTES TO THE ACCOUNTS

NOTES TO THE ACCOUNTS

Part A - Accounting policies

A.1 - General

SECTION 1

Statement of conformity with IAS/IFRS

The Mediobanca Group's consolidated financial statements for the period ended 31 December 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 (third amendment issued on 22 December 2014). The condensed interim report has been drawn up in conformity with IAS 34 on interim financial reporting.

SECTION 2

General principles

These consolidated financial statements comprise:

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

All the statements have been drawn up in conformity with the general principles provided for under IAS and the accounting policies illustrated in part A.2, and show data for the period under review compared with that for the previous financial year in the case of balance-sheet figures or the corresponding period of the previous financial year for profit-and-loss data.

Since 1 July 2014, IAS 27 (Consolidated financial sttements and accounting for investments in subsidiaries) and IAS 31 (Financial reporting of interests in joint ventures) have been replaced by IFRS 10 and 11 respectively and supplemented by IFRS 12 on Disclosure of interests in other entities. These changes have no significant impact on the Group's scope of consolidation.

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.

As from 1 July 2014, Prudentia Fiduciaria has been merged into Spafid (both companies 100%-owned by Mediobanca, hence the merger has been treated on a like-for-like basis), with a view to concentrating fiduciary activities and services to issuers in the same company. Mediobanca Advisory Mexico Sociedad Aonima de Capital Variable has also been set up during the period under review, but is not yet operative.

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

	Name	Registered office	Type of relation-ship[1]	Shareholding		% voting rights[2]
				Investor company	% interest	
A.	COMPANIES INCLUDED IN AREA OF CONSOLIDATION					
A.1	*Line-by-line*					
1.	MEDIOBANCA - Banca di Credito Finanziario S.p.A.	Milan	1	—	—	—
2.	PROMINVESTMENT S.p.A. - in liquidation	Milan	1	A.1.1	100.0	100.0
3.	SPAFID S.p.A.	Milan	1	A.1.1	100.0	100.0
4.	MEDIOBANCA INNOVATION SERVICES - S.c.p.A.	Milan	1	A.1.1	100.0	100.0
5.	COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A.M.	Monte Carlo	1	A.1.1	100.0	100.0
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	99.0	99.0
			1	A.1.10	1.0	1.0
10.	COMPASS S.p.A.	Milan	1	A.1.1	100.0	100.0
11.	CHEBANCA! S.p.A.	Milan	1	A.1.1	100.0	100.0
12.	CREDITECH S.p.A.	Milan	1	A.1.10	100.0	100.0
13.	SELMABIPIEMME LEASING S.p.A.	Milan	1	A.1.1	60.0	60.0
14.	PALLADIO LEASING S.p.A.	Vicenza	1	A.1.13	95.0	100.0
				A.1.14	5.0	
15.	TELELEASING S.p.A. - in liquidation	Milan	1	A.1.13	80.0	80.0
16.	RICERCHE E STUDI S.p.A.	Milan	1	A.1.1	100.0	100.0
17.	MEDIOBANCA SECURITIES USA LLC	New York	1	A.1.1	100.0	100.0
18.	CONSORTIUM S.r.l.	Milan	1	A.1.1	100.0	100.0
19.	QUARZO S.r.l.	Milan	1	A.1.10	90.0	90.0
20.	QUARZO LEASE S.r.l.	Milan	1	A.1.14	90.0	90.0
21.	FUTURO S.p.A.	Milan	1	A.1.10	100.0	100.0
22.	MEDIOBANCA COVERED BOND S.r.l.	Milan	1	A.1.11	90.0	90.0
23.	COMPASS RE (Luxembourg) S.A.	Luxembourg	1	A.1.10	100.0	100.0
24.	MEDIOBANCA INTERNATIONAL IMMOBILIÉRE S. a r.l.	Luxembourg	1	A.1.9	100.0	100.0
25.	MB ADVISORY KURUMSAL DANISMANLIK HIZMETLERI ANONIM SIRKETI	Istanbul	1	A.1.1	100.0	100.0
26.	MEDIOBANCA SICAV	Luxembourg	1	A.1.1	100.0	100.0
27.	MB MEXICO S.A.C.V.	Bosques De Las Lomas	1	A.1.1	99.0	99.0

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.

SECTION 4

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 six months ended 31 December 2014 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, 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 value[1] 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. 84 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. 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 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.

The hedge relationship may also be discontinued either voluntarily or when the hedged instrument is derecognized or the hedging instrument wound up early.

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.

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 EU 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.

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.

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

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.

A.3 - Information on transfers between financial asset portfolios

A.3.1 Reclassified financial assets: book value, fair value and effects on comprehensive income

(€'000)

Type of instrument	Transferred from	Transferred to	Book value at 31/12/14	Fair value at 31/12/14	Additions to P&L if assets not transferred (pre-tax)		Additions to P&L made during the year (pre-tax)	
					Valuation	Other	Valuation	Other
Debt securities [1] (ABS)	Financial assets held for trading	Due from customers	138,397	144,370	215	1,323	—	1,323
Debt securities [1] (ABS)	AFS securities	Due from customers	29,534	30,841	(325)	322	—	322
Debt securities [2]	AFS securities	Financial assets held to maturity	367,285	399,097	(707)	9,068	—	9,068
Total			535,216	574,308	(817)	10,713	—	10,713

[1] Made during FY 08/09.

[2] Made during FY 10/11.

No transfers were made during the period under review.

A.4 - Information on fair value

QUALITATIVE INFORMATION

This section provides the disclosure on fair value stipulated by IFRS 13 paragraph 91, which defines fair value as the price which would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market.

For financial instruments listed on active markets, fair value is determined on the basis of the official prices prevailing on the principal market, or alternatively the most advantageous market to which the Group has access; such instruments are thus said to be marked to market. A market is defined as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

For instruments not listed on an active market or in cases where the market is not functioning properly, that is, it does not have a sufficient and continuous number of transactions, or sufficiently low bid-ask spreads and volatility, valuation models using market inputs are used instead, such as:

- valuations of instruments with similar characteristics,
- discounted cash flow calculations,
- option price calculation models, values recorded in recent comparable transactions, prudentially adjusted to reflect the illiquid nature of some market data and other risks associated with specific transactions (reputational risk, replacement risk, etc.),

If no market inputs are available, valuation models based on data estimated internally are used.

Equities and equity-linked derivatives for which it is not possible to reliably determine fair value using the methods described above are stated at costs. For investment funds, including mutual funds, private equity funds, hedge funds (including funds of funds) and real estate funds, fair value is taken to be the net asset value (NAV) per stock unit published by the funds themselves.

As a further guarantee that the valuations deriving from the measurement models the Group uses remain objective, independent price verification processes (IPVs) are also carried out, in which a unit unrelated to the one assuming the risk checks the prices of the individual financial instruments on a daily basis, using data provided by information providers as its reference.

As stipulated by Bank of Italy Circular no. 262/05 in respect of "Financial statements by banks: models and rules for compilation" (most recent update 21 January 2014), the Bank must show the fair value of the instruments according to a hierarchy of rankings based on the quality of inputs used in order to calculate it[1].

In accordance with the provisions of IFRS 13, the fair value hierarchy gives priority to measurements based on different market parameters. The highest priority (level 1) is assigned to measurements based on prices quoted (un-adjusted) on an active market for identical assets or liabilities; while the lowest of priority (level 3) is assigned to valuations deriving predominantly from unobservable inputs.

[1] Cf. IFRS 13, paragraph 73: "the fair value measurement is categorized in its entirety in the level of the lowest level inupt that is significant to the entire measurement"; and paragraph 74: "The fair value hierarch ranks fair value measurements based on the type of inputs; it does not depend on the type of valuation techniques used". For further details see IFRS 13, paragraphs 72-90.

The fair value ranking level assigned to an asset or liability is defined as the lowest-level input that is significant to the entire measurement. Three levels are identified.

– Level 1: quoted prices (single and unadjusted) in active markets for the individual financial instrument being measured.

– Level 2: inputs other than the quoted prices referred to above, that are observable on the market either directly (prices) or indirectly (price derivatives). In this case fair value is measured via a comparable approach, or by using a pricing model which leaves little scope for subjective interpretation and is commonly used by other financial operators.

– Level 3: significant inputs which are either unobservable on the market and/or reflect complex pricing models. In this case the fair value is set based on assumptions of future cash flows, which could lead to different estimates by different observers of the value of the same financial instrument.

As a rule Mediobanca uses market prices (level 1) or models based on observable inputs (level 2). In cases where level 3 instruments are used, additional price verification procedures are set in place, including: revision of relevant historical data, analysis of profits and losses, individual measurement of each single component in a structured component, and benchmarking. This approach involves the use of subjective assessments and judgements based on experience, and adjustments may therefore be required to valuations to take account of the bid-ask spread, liquidity or counterparty risk, and the type of measurement model adopted. All models in any case, including those developed internally, are verified independently and validated by different Bank units, thus ensuring an independent control structure.

Fair value adjustment

Fair value adjustment is defined as the quantity that has to be added to the price observed on the market or the theoretical price generated by the model, to ensure that the fair value reflects the price that can be realized in a market transaction which is effectively possible. The following adjustments in particular should be noted:

– credit/debit valuation adjustment;

– other adjustments.

Credit/debit valuation adjustment (CVA/DVA)

Credit and debt value adjustments (CVA and DVA respectively) are incorporated into the valuation of derivatives to reflect the impact respectively of the counterparty's credit risk and the Bank's own credit quality on the fair value, as follows:

- CVA is a negative quantity which takes into account the scenarios in which the counterparty might fail before the Bank does while amounts are still receivable (positive MTM) by the Bank from the counterparty;
- DVA is a positive quantity which takes into account the scenarios in which the Bank itself might fail before the party does while amounts are still payable (negative MTM) to the counterparty.

CVA and DVA are calculated taking into consideration any counterparty risk mitigation agreements that have been entered into, in particular collateral and netting agreements for each individual counterparty.

The CVA/DVA methodology used by Mediobanca is based on the following inputs:

- expected positive exposure (EPE) and expected negative exposure (ENE) of the valuation of the derivatives, deriving from simulation techniques;
- probability of default, derived from historical PD readings or those implied in market prices obtained via credit default swaps;
- loss given default (LGD) based on the estimated value of recovery in the event of the counterparty going bankrupt, as defined in specific analysis conducted by the Bank itself or the default rates conventionally utilized for credit default swap prices.

Other adjustments

Other adjustments of fair value not included in the categories described above, may be taken into consideration in order to align the valuation with the exit price *inter alia* on the basis of market liquidity levels or valuation parameters.

A.4.1 Fair value levels 2 and 3: measurement techniques and inputs used

Assets and liabilities measured at fair value on a recurrent basis

This section provides the disclosure stipulated by IFRS 13 with reference to the measurement techniques and inputs used for assets and liabilities measured at fair value on a recurring basis.

- bonds: instruments not traded on active markets are marked to model using the implied credit spread curves obtained from Level 1 instruments, to which a further spread is added to reflect their illiquidity. The model makes maximum use of observable inputs and minimum use of non-observable inputs. In this way, depending on how representative the credit spread curve applied is, bonds are categorized as either Level 2 or Level 3 (the latter in cases where non-observable credit spreads are used). In fair value measurement, fair value adjustments can be used in cases where there is reduced liquidity and model risk, to compensate for the lack of observable market inputs for Level 2 and Level 3 positions.
- asset-backed securities, CLOs and loans: the measurement process relies on information providers which effectively collect market prices. All the ABS owned by Mediobanca are categorized as Level 3, with the exception of those for which the trader is able to provide, on a continuous basis, a breakdown of bid/ask contributions with the respective quantities, in which case they are categorized as Level 1.
- derivatives: the fair value of derivatives not traded on an active market derives from application of mark-to-model measurement techniques. In cases where there is an active market to provide inputs for the various components of the derivative to the valuation model, the fair value is measured on the basis of the market prices. Measurement techniques based on observable inputs are categorized as Level 2, whereas those based on non-observable inputs are categorized as Level 3.
- equities: equities are categorized as Level 1 when quoted prices are available on an active market considered to be liquid, and Level 3 when there are no quoted prices or when quoted prices have been suspended indefinitely.

– Investment funds: Mediobanca owns holdings in investment funds which publish the net asset value (NAV) per stock unit. Such funds include mutual funds, private equity funds, hedge funds (including funds of funds) and real estate funds. Investments in funds are usually classified as Level 1 in cases where quoted prices are available on an active market; otherwise they are categorized as Level 3.

Assets and liabilities measured at fair value on a non-recurring basis

Financial instruments measured at fair value on a non-recurring basis (including amounts payable to and receivable from customers and banks) are not treated on the basis of fair value.

In such cases the fair value is calculated solely for the purpose of meeting the Bank’s responsibilities in terms of providing market disclosure, and the calculation does not impact in any way on the book value of the investment and has no effect on the profit and loss account. Such instruments are not normally traded, and their fair value is thus measured on the basis of inputs compiled internally rather than directly observable on the market.

For loans to corporates, fair value is measured via the discounted cash flow method, using rates and/or flows adjusted to reflect credit risk in each case. Loans to counterparties with official ratings are categorized as Level 2, and in all other cases as Level 3. The same applies to retail loans (i.e. mortgage loans and consumer credit).

Bonds issued by Mediobanca are categorized as fair value Level 1 if quoted on an active market (using the market price as the input); if not, i.e. in cases where there are no quoted prices, the fair value is categorized as Level 2 and is calculated via the expected discounted cash flow using a market interest rate adjusted for the Bank’s issuer risk (with a distinction being made between senior and subordinated risks).

A.4.2 Measurement processes and sensibilities

As required by IFRS 13, quantitative information on the significant non-observable inputs used in measuring the fair value of Level 3 instruments is provided below.

Uncertainties inherent in inputs and impact on mark-to-market for equity products

Non-observable inputs	**Quantification of uncertainty inherent input**	**+/- delta vs MtM as at 31/12/14 (€m)**	**+/- delta vs MtM as at 30/6/14 (€m)**
Implicit volatility	On average equal to 50 bps for volatility surface points falling outside the contribution of Totem application (maturity > 3Y for single stocks and maturity > 5Y for indexes)	0.159	0.154
Equity-equity correlation	Equal to 1% between two indexes and 2% between two single stocks	0.07	0.152

Product	**Measurement technique**	**Non-observable inputs**	**Fair value* assets as at 31/12/14 (€m)**	**Fair value* liabilities as at 31/12/14 (€m)**	**Fair value* assets as at 30/6/14 (€m)**	**Fair value* liabilities as at 30/6/14 (€m)**
OTC equity plain vanilla options, OTC equity digital options, variance swaps	Black-Scholes/ Black model	Implicit volatility[2]	9,86	-22,87	4,73	-54,69
OTC equity basket options, best of/ worst of	Black-Scholes model	Implicit volatility Equity-equity correlation[3]	15,61	-0,46	37,49	-3,21
Synthetic CDOs	Gaussian copula model using factor with base correlation	Base correlation with bootstrap starting from quoted data on liquid index tranches[4]	0,48	-1,12	1,19	-2,00
Structured CCSs	Discount cash flow	Level 3 categorization attributable to importance of the fair value adjustment versus overall MtM, due mostly to contractual clauses plus the fact that the spread is determined by proxy because the counterparty is unrated	28,70		33,77	

* Values are shown net of reserves booked.

[2] Volatility in a financial context is a measurement of how much the price of an instrument underlying a derivative may vary over time. The higher the volatility of the underlying instrument, the greater the risk associated with it. In general terms long positions in options benefit from increases in volatility, whereas short positions in options lose out from them.
For equity derivatives, the implicit volatility surface may be obtained from the price of the call and put options, as there are regulated markets for these. The uncertainty inherent in this input is attributable to one of the following scenarios: illiquidity of quoted prices (wide bid/ask spreads, typically present on long maturities or moneyness far from the at-the-money spot), concentration effects and non-observable market data (here too present when maturities are considered too long or moneyness too far from the at-the-money spot).

[3] Equity-equity correlation is a measurement of the relationship between two equity financial instruments underlying a derivative. Variations in the correlation levels may impact favourably or unfavourably, depending on the correlation type, on an instrument's fair value.
Equity-equity correlations are less observable than volatilities, because correlation products are not quoted on any regulated markets. For this reason correlations are more prone to input uncertainty.

[4] The base correlation is the level of relation between the default events for the underlying instruments belonging to the principal credit indexes. The correlation is obtained from the quoted market prices of synthetic CDOs on the indexes, in particular from instruments hedging the various parts of the equity structure of these indexes.

A.4.3 Fair value ranking

Transfers between levels of fair value ranking

The main factors contributing to transfers between the different fair value levels include changes in market conditions and refinements in the measurement models and/or the non-observable inputs.

An instrument is transferred from fair value Level 1 to Level 2 or vice versa mainly as a result of changes in the significance of a price expressed by the reference active market for the instrument concerned.

Conversely, transfers from Level 2 to Level 3 (or vice versa) are decided on the basis of the significance of the input data, in particular the weight which non-observable data have in the inputs compared to observable data.

A.4.4 Other information

The Mediobanca Group has availed itself of the exception provided under IFRS 13, paragraph 48 from measuring fair value on a net basis for financial assets and liabilities with positions compensating for the counterparty's market or credit risks.

A.4.5 Fair value ranking

A.4.5.1 Assets and liabilities recognized at fair value on a recurrent basis by fair value ranking

	31/12/14			30/6/14		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Financial assets held for trading	7,078,147	6,085,105	463,606 [1]	6,228,349	5,115,989	1,062,629 [1]
2. Financial assets recognized at fair value	—	—	—	—	—	—
3. AFS securities	5,803,074	277,365	779,256 [2]	7,051,823	487,242	879,423 [2]
4. Hedge derivatives	—	1,009,234	—	—	1,008,609	—
5. Tangible assets	—	—	—	—	—	—
6. Intangible assets	—	—	—	—	—	—
Total	12,881,221	7,371,704	1,242,862	13,280,172	6,611,840	1,942,052
1. Financial liabilities held for trading	(3,038,073)	(6,099,395)	(374,403)	(3,199,477)	(5,085,414)	(992,270)
2. Financial liabilities recognized at fair value	—	—	—	—	—	—
3. Hedge derivatives	—	(297,633)	—	—	(353,451)	—
Total	(3,038,073)	(6,397,028)	(374,403)	(3,199,477)	(5,438,865)	(992,270)

[1] Includes market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€116.4m as at 31/12/14 and €268.4m as at 30/6/14) as well as options traded (€234m and €666m respectively), the values of which are recorded as both assets and liabilities for the same amount.

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

A.4.5.2 Annual changes in financial assets recognized at fair value on a recurrent basis (level 3 assets)

(€'000)

	FINANCIAL ASSETS			
	Held for trading [1]	**Recognized at fair value**	**AFS** [2]	**Hedges**
1. Balance at start of period	128,260	—	879,424	—
2. Additions	64,750	—	9,389	—
2.1 Purchases	33,581	—	4,977	—
2.2 Profits recognized in:	25,037	—	4,141	—
2.2.1 profit and loss	25,037	—	686	—
- of which, gains	8,937	—	—	—
2.2.2 net equity	—	—	3,455	—
2.3 Transfers from other levels	5,803	—	—	—
2.4 Other additions	329	—	271	—
3. Reductions	79,722	—	109,557	—
3.1 Disposals	18,868	—	49,562	—
3.2 Redemptions	42,368	—	5,795	—
3.3 Losses recognized in:	17,885	—	54,200	—
3.3.1 profit and loss	17,885	—	1,806	—
- of which, losses	17,885	—	29	—
3.3.2 net equity	—	—	52,394	—
3.4 Transfers to other levels	601	—	—	—
3.5 Other reductions	—	—	—	—
4. Balance at end of period	113,288	—	779,256	—

[1] Includes market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€116.4m as at 31/12/14 and €268.4m as at 30/6/14) as well as options traded (€234m and €666m respectively), the values of which are recorded as both assets and liabilities for the same amount.

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

A.4.5.3 Annual changes in liabilities recognized at fair value on a recurrent basis (level 3 liabilities)

(€'000)

	FINANCIAL LIABILITIES		
	Held for trading [1]	**Recognized at fair value**	**Hedges**
1. Balance at start of period	57,901	—	—
2. Additions	19,164	—	—
2.1 Issues	1,395	—	—
2.2 Losses recognized in:	13,785	—	—
2.2.1 profit and loss	13,785	—	—
- of which, losses	13,785	—	—
2.2.2 net equity	—	—	—
2.3 Transfers from other levels	1,983	—	—
2.4 Other additions	2,001	—	—
3. Reductions	52,978	—	—
3.1 Redemptions	21,704	—	—
3.2 Buybacks	—	—	—
3.3 Profits recognized in:	3,025	—	—
3.3.1 profit and loss	3,025	—	—
- of which, gains	3,025	—	—
3.3.2 net equity	—	—	—
3.4 Transfers to other levels	28,249	—	—
3.5 Other reductions	—	—	—
4. Balance at end of period	24,087	—	—

[1] Includes market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€116.4m as at 31/12/14 and €268.4m as at 30/6/14) as well as options traded (€234m and €666m respectively), the values of which are recorded as both assets and liabilities for the same amount.

A.4.5.4 Assets and liabilities not recognized at fair value or recognized at fair value on a non-recurring basis, by fair value ranking

Asset/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31/12/14				30/6/14			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Financial assets held to maturity	1,612,106	1,558,704	159,368	20,237	1,659,818	1,596,622	150,608	38,411
2. Due from banks	5,864,819	—	13,107,560	955,913	5,287,754	—	5,029,880	246,127
3. Due from customers	36,484,602	—	9,884,720	25,420,543	36,623,531	—	12,053,692	25,684,668
4. Tangible assets held for investment purposes	67,355	—	—	67,355	67,593	—	—	118,816
5. Non-current assets and groups of asset being sold	—	—	—	—	—	—	—	—
Total	44,028,882	1,558,704	23,151,648	26,464,048	43,638,696	1,596,622	17,234,180	26,088,022
1. Due to banks	13,701,146	3,781,539	35,271,951	2,482	11,459,800	—	11,460,317	—
2. Due to customers	16,674,136	—	16,886,201	29,179	16,475,388	—	16,475,335	—
3. Debt securuties in issue	21,009,978	2,426,042	19,106,000	17,843	23,330,028	1,627,628	22,047,816	11,109
4. Liabilities associated with assets being sold	—	—	—	—	—	—	—	—
Total	51,385,260	6,207,581	71,264,152	49,504	51,265,216	1,627,628	49,983,468	11,109

A.5 - Information on day one profit/loss

For Level 3 transactions, the fair value derived from the model may differ from the price of the transaction itself. If the difference is positive (day one profit), it is amortized over the outstanding life of the financial instrument; if it is negative (day one loss), it is taken directly to the profit and loss account, on prudential grounds. Any subsequent changes in fair value will therefore be linked to the trends in the various risk factors to which the instrument is exposed (interest rate/exchange rate risk, etc.) and recorded directly in the profit and loss account.

At the reporting date the Group's consolidated financial statements do not contain any amounts reflecting suspended day one profits/losses in the profit and loss account to be released over time.

Part B - Notes to consolidated balance sheet*

Assets

SECTION 1

Heading 10: Cash and cash equivalents

1.1 Cash and cash equivalents

	31/12/14	30/6/14
a) Cash	43,772	28,165
b) Demand deposits with Central banks	2,683	5,782
Total	**46,455**	**33,947**

SECTION 2

Heading 20: Financial assets held for trading

2.1 Financial assets held for trading: composition

Items/Values	31/12/14				30/6/14			
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Balance-sheet assets								
1. Debt securities	3,937,091	574,246	41,737		4,424,464	651,077	34,502	
1.1 Structured securities	65,699	76,247	—		46,609	75,561	—	
1.2 Other	3,871,392	497,999	41,737		4,377,855	575,516	34,502	
2. Equity instruments	2,457,320	25,950	140		1,038,666	27,087	162	
3. Units in investment funds	195,390	128,881	16,766		150,746	36,332	16,556	
4. Loans	—	—	—		76,145	9,683	—	
4.1 Repos	—	—	—		—	—	—	
4.2 Other	—	—	—		76,145	9,683	—	
Total (A)	**6,589,801**	**729,077**	**58,643**		**5,690,021**	**724,179**	**51,220**	
B. Derivative instruments								
1. Financial derivatives:	488,346	4,947,443	404,489		538,328	3,859,177	1,010,350	
1.1 Trading	488,346	4,556,500	287,525	[2]	538,328	3,654,166	741,374	[2]
1.2 Related to fair value option	—	—	—		—	—	—	
1.3 Other	—	390,943	116,964	[3]	—	205,011	268,976	[3]
2. Credit derivatives:	—	408,585	474		—	532,633	1,059	
2.1 Trading	—	408,585	474		—	532,633	1,059	
2.2 Related to fair value option	—	—	—		—	—	—	
2.3 Other	—	—	—		—	—	—	
Total (B)	**488,346**	**5,356,028**	**404,963**		**538,328**	**4,391,810**	**1,011,409**	
Total (A+B)	**7,078,147**	**6,085,105**	**463,606**		**6,228,349**	**5,115,989**	**1,062,629**	

[1] Equities as at 31/12/14 include shares/bonds committed in securities lending transactions totalling €1,985,042,000 (30/6/14: €556,639).

[2] Respectively €293,951,000 and €665,980,000 in respect of options traded, with the equivalent amount being recorded as trading liabilities.

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

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

2.3 Financial assets held for trading: movements during the period

	Debt securities	Equity instruments	Units in investments funds	Loans	Total
A. Gross opening balance	5,110,043	1,065,915	203,634	85,828	6,465,420
B. Increases	14,705,319	4,597,419	192,194	20,899	19,515,831
B.1 Purchases	14,575,608	4,110,332	169,811	15,740	18,871,491
B.2 Positive changes in fair value	39,412	56,043	6,960	53	102,468
B.3 Other changes	90,299	431,044	15,423	5,106	541,872
C. Decreases	15,262,288	3,179,924	54,791	106,727	18,603,730
C.1 Sales	14,799,161	3,054,761	53,166	104,622	18,011,710
C.2 Redemptions	—	—	—	109	109
C.3 Negative changes in fair value	62,061	90,492	895	1,187	154,635
C.4 Tranfers to other portfolios	—	—	—	—	—
C.5 Other changes	401,066	34,671	730	809	437,276
D. Closing balances	4,553,074	2,483,410	341,037	-	7,377,521

SECTION 4

Heading 40: Available for sale (AFS) securities

4.1 AFS securities: composition

Items/Values	31/12/14			30/6/14		
	Level 1	Level 2	Level 3*	Level 1	Level 2	Level 3*
1. Debt securities	5,477,386	276,987	13,247	6,651,103	486,858	14,917
1.1 Structured securities	—	—	—	—	—	—
1.2 Other	5,477,386	276,987	13,247	6,651,103	486,858	14,917
2. Equty instruments	325,687	—	656,506	400,720	—	740,826
2.1 Designated at fair value	325,687	—	656,454	400,720	—	740,774
2.2 Recognised at cost	—	—	52	—	—	52
3. Units investment funds	—	378	109,503	—	384	123,680
4. Loans	—	—	—	—	—	—
Total	**5,803,073**	**277,365**	**779,256**	**7,051,823**	**487,242**	**879,423**

* Includes shares in non-listed companies based on internal rating models.

4.4 AFS securities: movements during the period

	Debt securities	Equity instruments	Units in investment funds	Loans	Total
A. Opening balance	7,152,878	1,141,546	124,064	—	8,418,488
B. Increases	1,206,645	6,317	1,333	—	1,214,295
B.1 Purchases	1,146,248	463	119	—	1,146,830
B.2 Positive changes in fair value	35,873	4,738	1,209	—	41,820
B.3 Write-backs	—	—	—	—	—
- related to P&L	—	X	—	—	—
- related to Equity	—	—	—	—	—
B.4 Transfers from other portfolios	—	—	—	—	—
B.5 Other changes	24,524	1,116	5	—	25,645
C. Decreases	2,591,903	165,670	15,516	—	2,773,089
C.1 Sales	925,022	71,312	9,316	—	1,005,650
C.2 Redemptions	1,630,390	—	—	—	1,630,390
C.3 Negative changes in fair value	26,377	81,299	6,171	—	113,847
C.4 Impairment writedowns	—	11,633	29	—	11,662
- through profit or loss	—	11,633	29	—	11,662
- in equity	—	—		—	
C.5 Transfers to other portfolios	—	—	—	—	—
C.6 Other changes	10,114	1,426	—	—	11,540
D. Closing balances	5,767,620	982,193	109,881	—	6,859,694

SECTION 5

Heading 50: Financial assets held to maturity

5.1 Financial assets held to maturity: composition

	31/12/14				30/6/14			
	Book Value	Fair Value			Book Value	Fair Value		
		Level 1	Level 2	Level 3		Livello 1	Livello 2	Livello 3
1. Debts securities	1,612,106	1,558,704	159,368	20,237	1,659,818	1,596,622	150,608	38,411
- structured	—	—	—	—	—	—	—	—
- other	1,612,106	1,558,704	159,368	20,237	1,659,818	1,596,622	150,608	38,411
2. Loans	—	—	—	—	—	—	—	—

5.4 Assets held to maturity: movements during the period

	Debt securities	Loans	Total
A. Gross opening balance	1,659,818	—	1,659,818
B. Increases	104,143	—	104,143
B.1 Purchases	87,520	—	87,520
B.2 Write-backs	410	—	410
B.3 Transfers from other portfolios	—	—	—
B.4 Other changes	16,213	—	16,213
C. Decreases	151,855	—	151,855
C.1 Sales	—	—	—
C.2 Redemptions	149,112	—	149,112
C.3 Write-downs	—	—	—
C.4 Transfers from other portfolios	—	—	—
C.5 Other changes	2,743	—	2,743
D. Closing balances	1,612,106	—	1,612,106

SECTION 6

Heading 60 - Due from banks

6.1 Due from banks: composition

Type of transaction / Values	31/12/14				30/6/14			
	Book Value	Fair value			Book Value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Loans to Central Banks	14,859	—	14,859	—	136,897	—	136,897	—
1. Time deposits	—	X	X	X	—	X	X	X
2. Compulsory reserves	14,859	X	X	X	136,897	X	X	X
3. Repos	—	X	X	X	—	X	X	X
4. Other	—	X	X	X		X	X	X
B. Loans to banks	5,849,959	—	4,492,308	875,441	5,150,857	—	4,892,983	246,127
1. Loans	5,849,959	X	X	X	5,150,857	X	X	X
1.1 Current accounts and demand deposits	2,565,434	X	X	X	2,244,332	X	X	X
1.2 Time deposits	13,248	X	X	X	177,216	X	X	X
1.3 Other loans:	3,271,277	X	X	X	2,729,309	X	X	X
- Repos	2,433,216	X	X	X	1,983,525	X	X	X
- Finance leases	5,657	X	X	X	3,789	X	X	X
- Other	832,404	X	X	X	741,995	X	X	X
2. Debts securities	—	—	—	—	—	—	—	—
2.1 Structured	—	X	X	X	—	X	X	X
2.2 Other	—	X	X	X	—	X	X	X
Total	**5,864,818**	**—**	**4,507,203**	**875,441**	**5,287,754**	**—**	**5,029,880**	**246,127**

SECTION 7

Heading 70: Due from customers

7.1 Due from customers: composition

Type of transation/values	31/12/14						30/6/14					
	Book Value			Fair Value			Book Value			Fair Value		
	Performing	Non performing		Level 1	Level 2	Level 3	Performing	Non performing		Level 1	Level 2	Level 3
		Purchased	Other					Purchased	Other			
Loans	34,876,705	78,778	1,140,811	—	12,517,896	23,547,232	35,079,411	84,586	1,073,018	—	11,965,539	25,449,492
1. Current accounts	219,167	—	80	X	X	X	193,208	—	80	X	X	X
2. Repos	4,160,447	—	—	X	X	X	4,577,661	—	—	X	X	X
3. Mortgages	16,678,777	—	619,966	X	X	X	16,127,426	—	548,709	X	X	X
4. Credit cards and personal loans, and salary-backed finance	9,822,857	78,778	229,414	X	X	X	9,386,575	84,586	255,185	X	X	X
5. Financial leases	2,601,061	—	281,969	X	X	X	2,737,657	—	257,179	X	X	X
6. Factoring	383,661	—	2,431	X	X	X	165,435	—	1,313	X	X	X
7. Other loans	1,010,735	—	6,951	X	X	X	1,891,449	—	10,552	X	X	X
Debts securities	388,308	—	—	—	92,217	316,825	386,516	—	—	—	88,153	305,959
8. Structured instruments	—	—	—	X	X	X	—	—	—	X	X	X
9. Other	388,308	—	—	X	X	X	386,516	—	—	X	X	X
Total	**35,265,013**	**78,778**	**1,140,811**	**—**	**12,610,113**	**23,864,057**	**35,465,927**	**84,586**	**1,073,018**	**—**	**12,053,692**	**25,755,451**

SECTION 8

Heading 80: Hedging derivatives

8.1 Hedging derivatives: by hedge type and level

	31/12/14			Notional Value	30/6/14			Notional Value
	Fair value				Fair value			
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A) Financial derivatives								
1) Fair value	—	1,007,633	—	12,733,220	—	1,008,609	—	15,514,778
2) Cash flows	—	1,601	—	110,495	—	—	—	—
3) Net investment in foreign subsidiaries	—	—	—	—	—	—	—	—
B) Credit derivatives								
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flows	—	—	—	—	—	—	—	—
Total	**—**	**1,009,234**	**—**	**12,843,715**	**—**	**1,008,609**	**—**	**15,514,778**

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

Transaction / Type of hedging	Fair value						Cash-flow hedges		Non Italian investments
	Micro					General	Specific	General	
	Interest rate risk	Currency risk	Credit risk	Price risk	Multiple risk				
1. Available-for-sale financial instruments	—	—	—	—	—	X	—	X	X
2. Loans and receivables	—	—	—	X	—	X	—	X	X
3. Held-to-maturity investments	X	—	—	X	—	X	—	X	X
4. Portfolio	X	X	X	X	X	—	X	—	X
5. Others	—	—	—	—	—	X	—	X	—
Total assets	—	—	—	—	—	—	—	—	—
1. Financial liabilities	1,007,633	—	—	X	—	X	1,601	X	X
2. Portfolio	X	X	X	X	X	—	X	—	X
Total liabilities	1,007,633	—	—	—	—	—	1,601	—	—
1. Estimated transactions	X	X	X	X	X	X	—	X	X
2. Portfolio of financial assets and liabilities portfolio	X	X	X	X	X	—	X	—	—

SECTION 10

Heading 100: Equity investments

10.1 Investments in subsidiaries, jointly-controlled companies and companies subject to significant influence: disclosures on shareholdings

Name	Registered office	Type of relationship	Shareholding		% of voting rights
			Investor company	% of interest	
COMPANIES					
1. Banca Esperia S.p.A.	Milan	1	Mediobanca	50.0	50.0
2. Assicurazioni Generali S.p.A.	Trieste	2	Mediobanca	13.24	13.24
3. Burgo Group S.p.A.	Altavilla Vicentina (VI)	2	Mediobanca	22.13	22.13
4. Athena Private Equity S.A. (in liquidation)	Luxemboug	2	Mediobanca	24.27	24.27
5. Fidia SGR S.p.A. (in liquidation)	Milan	2	Mediobanca	25.0	25.0

Legend:

[1] Joint control.

[2] Subject to significant influence.

[3] Exclusively controlled and not consolidated.

10.2 Investments in subsidiaries, jointly-controlled companies and companies subject to significant influence: financial information

Name	Book value	Fair value
B. Jointly-controlled companies (IAS 31)		
1. Banca Esperia S.p.A.	95,727 [1]	—
C. Companies subject to significant influence (IAS 28)		
1. Fidia SGR S.p.A. (in liquidation)	610	—
2. Athena Private Equity S.A. (in liquidation)	5,680	—
3. Burgo Group S.p.A.	—	—
4. Assicurazioni Generali S.p.A.	2,968,812	3,503,617
Other minor investments	127	—
Total	**3,070,956**	

[1] Includes goodwill totalling €1,833,000.

The shareholders of the Burgo Group recently approved a plan to strengthen the company's capital situation, in extraordinary general meetings held on 16 and 23 December 2014. Under the terms of the plan, to be implemented in pursuance of the regulations provided for as part of Article 67 of the Italian bankruptcy law, medium-/long-term loans totalling € 300m will be converted to equity instruments to be issued, while short-term credit lines amounting € 400m are confirmed. The book value of the investment was reduced to zero last year.

SECTION 12

Heading 120: Property, plant and equipment

12.1 Tangible assets stated at cost

Assets/Values	31/12/14	30/6/14
1. Assets owned by the Group	237,241	238,456
a) land	84,882	84,883
b) buildings	109,958	110,554
c) furniture	11,596	12,824
d) electronic equipment	12,997	12,634
e) other assets	17,808	17,561
2. Assets acquired under finance leases:	15	17
a) land	—	—
b) buildings	15	17
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	—	—
Total	**237,256**	**238,473**

12.2 Tangible assets held for investment purposes: assets stated at cost

Assets/Values	31/12/14				30/6/14			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Assets owned by the Group	67,355	—	—	118,816	67,593	—	—	118,816
a) land	26,674	—	—	66,411	26,674	—	—	66,411
b) buildings	40,681	—	—	52,405	40,919	—	—	52,405
2. Assets acquired under finance leases	—	—	—	—	—	—	—	—
a) land	—	—	—	—	—	—	—	—
b) buildings	—	—	—	—	—	—	—	—
Total	**67,355**	**—**	**—**	**118,816**	**67,593**	**—**	**—**	**118,816**

SECTION 13

Heading 130: Intangible assets

13.1 Intangible assets

Assets/Values	31/12/14		30/6/14	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	370,157	X	365,934
A.1.1 Attributable to the Group	X	370,157	X	365,934
A.1.2 Attrubutable to minorities	X	—	X	—
A.2 Other intangible assets	38,138	3,600	39,841	3,600
A.2.1 Assets valued at cost:	38,138	3,600	39,841	3,600
a) Intangible assets generated internally	—	—	—	—
b) Other assets	38,138	3,600	39,841	3,600
A.2.2 Assets valued at fair value:	—	—	—	—
a) Intangible assets generated internally	—	—	—	—
b) Other assets	—	—	—	—
Total	**38,138**	**373,757**	**39,841**	**369,534**

SECTION 14

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

14.1 Advance tax assets: composition

	31/12/14	30/6/14
- Balancing to the Profit and Loss	677,487	682,827
- Balancing to the Net equity	22,203	28,444
Total	**699,690**	**711,272**

14.2 Deferred tax liabilities: composition

	31/12/14	30/6/14
- Balancing to the profit and loss	278,756	272,728
- Balancing to the net equity	80,577	88,390
Total	**359,333**	**361,119**

14.3 Changes in advance tax during the period

	31/12/14	30/6/14
1. Opening balance	682,827	586,422
2. Increases	85,253	192,762
2.1 Deferred tax assets of the year	80,652	192,742
a) relating to previous years	397	2,146
b) due to change in accounting policies	—	—
c) write-backs	29	43
d) other (creation of temporary differences, use of TLCF)	80,226	190,553
2.2 New taxes or increases in tax rates	4,596	—
2.3 Other increases	5	20
3. Decreases	90,594	96,357
3.1 Deferred tax assets derecognised in the year	84,483	89,903
a) reversals of temporary differences	82,457	85,914
b) write-downs of non-recoverable items	—	—
c) change in accounting policies	—	—
d) other	2,026	3,989
3.2 Reduction in tax rates	—	1,903
3.3 Other decreases	6,110	4,551
a) conversion into tax credit under L. 214/2011	5,944	4,493
b) others	166	58
4. Final amount	677,487	682,827

14.3.1 Changes in advance tax during the period (pursuant to Italian Law 214/11)

	31/12/14	30/6/14
1. Opening balance	588,140	447,576
2. Increases	78,268	183,167
3. Decreases	84,079	42,603
3.1 Reversals of temporary differences	76,291	35,970
3.2 Conversion to tax credit deriving from	5,882	4,459
a) year losses	3,981	—
b) tax losses	1,901	4,459
3.3 Other decreases	1,906	2,174
4. Final amount	582,329	588,140

14.4 Changes in deferred tax during the period

	31/12/14	30/6/14
1. Opening balance	272,728	284,173
2. Increases	6,708	9,209
2.1 Deferred tax liabilities of the year	6,708	5,307
a) relating to previous years	—	—
b) due to change in accounting policies	—	—
c) other	6,708	5,307
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	—	3,902
3. Decreases	680	20,654
3.1 Deferred tax liabilities derecognised in the year	273	20,539
a) reversals of temporary differences	236	20,532
b) due to change in accounting policies	—	—
c) other	37	7
3.2 Reductions in tax rates	—	—
3.3 Other decreases	407	115
4. Final amount	278,756	272,728

14.5 Changes in advance tax during the period[1]

	31/12/14	30/6/14
1. Opening balance	28,444	63,053
2. Increases	1,182	8,214
2.1 Deferred tax assets of the year	862	8,214
a) relating to previous years	—	—
b) due to change in accounting principles	—	87
c) other (creation of temporary differences)	862	8,127
2.2 New taxes or increase in tax rates	273	—
2.3 Other increases	47	—
3. Decreases	7,425	42,823
3.1 Deferred tax assets derecognised in the year	7,390	42,546
a) reversals of temporary differences	6,465	35,976
b) writedowns of non-recoverable items	—	—
c) due to change in accounting principles	—	—
d) other	925	6,570
3.2 Reduction in tax rates	—	277
3.3 Other decreases	35	—
4. Final amount	22,203	28,444

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

14.6 Changes in deferred tax during the period[1]

	31/12/14	30/6/14
1. Opening balance	88,390	56,363
2. Increases	1,995	87,962
2.1 Deferred tax liabilities of the year	—	87,962
a) relating to previous years	—	—
b) due to change in accounting principles	—	—
c) Other (creation of temporary differences)	—	87,962
2.2 New taxes or increase in tax rates	1,995	—
2.3 Other increases	—	—
3. Decreases	9,808	55,936
3.1 Deferred tax liabilities derecognised in the year	9,808	55,931
a) reversal of temporary differences	9,188	55,778
b) due to change in accounting principles	—	—
c) other	620	153
3.2 Reduction in tax rates	—	5
3.3 Other decreases	—	—
4. Final amount	80,577	88,390

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

SECTION 16

Heading 160: Other assets

16.1 Other assets: composition

	31/12/14	30/6/14
1. Gold, silver and precious metals	695	695
2. Accrued income other than capitalized income from financial assets	10,322	9,486
3. Trade receivables or invoices to be issued	101,022	104,349
4. Amounts due from tax revenue authorities (not recorded under Heading 140)	194,287	208,883
5. Other items	75,660	85,830
- bills for collection	12,113	11,252
- amounts due in respect of premiums, grants, indemnities and other items in respect of lending transactions	30,936	45,839
- futures and other securities transactions	200	903
- advance payments on deposit commissions	8,047	7,923
- other items in transit	8,950	13,019
- exchange rate adjustments on transactions in foreign currencies	2,614	—
- amounts due to staff	298	275
- downpayments made on derivative contracts		
- sundry other items	12,502	6,619
6. Adjustment arising on consolidation	—	—
Total	**381,986**	**409,244**

Liabilities

SECTION 1

Heading 10: Due to banks

1.1 Due to banks: composition

Type of transaction/Values	31/12/14	30/6/14
1. Deposits from central banks	5,145,469	5,581,084
2. Deposits from banks	8,555,677	5,878,716
2.1 Other current accounts and demand deposits	1,095,064	2,184,721
2.2 Time deposits	19,935	53,449
2.3 Loans	7,381,578	3,624,297
2.3.1 Repos	4,637,243	1,101,385
2.3.2 Other	2,744,335	2,522,912
2.4 Liabilities in respect of commitments to repurchase treasury shares	—	—
2.5 Other debt	59,100	16,249
Total	**13,701,146**	**11,459,800**
Fair value - level 1	—	—
Fair value - level 2	13,701,146	11,460,317
Fair value - level 3	—	—
Total Fair value	**13,701,146**	**11,460,317**

1.2 Breakdown of heading 10 "Due to banks": subordinated liabilities

Subordinated liabilities included under the heading Due to banks amount to € 43,376,000, and refer to amounts payable by Linea to its former shareholders.

SECTION 2

Heading 20: Due to customers

2.1 Due to customers: composition

Type of transaction/Values	31/12/14	30/6/14
1. Current accounts and demand deposits	5,181,954	4,282,366
2. Time deposits including saving deposits with maturity	8,392,167	9,409,622
3. Loans	3,099,828	2,783,390
3.1 Repos	1,357,670	1,112,816
3.2 Other	1,742,158	1,670,574
4. Liabilities in respect of commitments to repurchase treasury shares	—	—
5. Others	187	10
Total	**16,674,136**	**16,475,388**
Fair value - level 1	—	—
Fair value - level 2	16,674,136	16,475,335
Fair value - level 3	—	—
Total Fair value	**16,674,136**	**16,475,335**

SECTION 3

Heading 30: Debt securities in issue

3.1 Debt securities in issue: composition

Type of securities/ Values	31/12/14				30/6/14			
	Book Value	Fair value*			Book Value	Fair value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Debts certificates including bonds								
1. Bonds	20,992,135	2,426,042	19,106,000	—	23,318,919	1,627,628	22,047,816	—
1.1 structured	8,121,237	68,225	8,264,654	—	9,464,572	402,555	9,215,157	—
1.2 other	12,870,898	2,357,817	10,841,346	—	13,854,347	1,225,073	12,832,659	—
2. Other structured securities	17,843	—	—	17,843	11,109	—	—	11,109
2.1 structured	—	—	—	—	—	—	—	—
2.2 other	17,843	—	—	17,843	11,109	—	—	11,109
Total	**21,009,978**	**2,426,042**	**19,106,000**	**17,843**	**23,330,028**	**1,627,628**	**22,047,816**	**11,109**

* The fair value are shown net of Mediobanca Issuer risk: if this item is included, the fair value at 31 december 2014 would show a gain of €342,m (30/6/14: €149m).

3.2 Breakdown of heading 30 "Debt securities in issue": subordinated liabilities

Issue	31/12/14		
	ISIN code	Nominal value	Book value
MB GBP Lower Tier II Fixed/Floating Rate Note 2018			
(No longer included in calculation of regulatory capital)	XS0270002669	22,379	28,711
MB Secondo Atto 5% 2020 Lower Tier 2	IT0004645542	741,780	831,557
MB Quarto Atto a Tasso Variabile 2021 Lower Tier 2	IT0004720436	488,044	483,341
MB CARATTERE 5,75% 2023 Lower Tier 2	IT0004917842	493,801	559,222
Total subordinated debt securities		**1,723,625**	**1,874,120**

SECTION 4

Heading 40: Trading liabilities

4.1 Trading liabilities: composition

Type of transaction/Values	31/12/14					30/6/14				
	Nominal value	Fair value			Fair Value*	Nominal value	Fair value			Fair Value*
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Financial liabilities										
1. Deposits from banks	1,279,201	1,617,240	81,480	—	—	1,593,649	1,645,468	41,121	—	1,686,589
2. Deposits from customers	668,768	845,495	42,598	—	—	804,828	830,998	20,767	—	851,765
3. Debt securities	—	—	—	—	—	—	—	—	—	—
3.2 Bonds	—	—	—	—	—	—	—	—	—	—
3.1.1 Structured	—	—	—	—	X	—	—	—	—	—
3.1.2 Other bond	—	—	—	—	X	—	—	—	—	—
3.2 Other securities	—	—	—	—	—	—	—	—	—	—
3.2.1 Structured	—	—	—	—	X	—	—	—	—	—
3.2.2 Other	—	—	—	—	X	—	—	—	—	—
Total A	**1,947,969**	**2,462,735**	**124,078**	**–**	**–**	**2,398,477**	**2,476,466**	**61,888**	**–**	**2,538,354**
B. Derivative instruments										
1. Financial derivatives	X	575,338	5,263,162	374,403 [1]	X	—	723,011	4,163,018	992,270 [1]	—
1.1 Trading	X	575,338	4,851,341	254,840	X	—	723,011	3,957,062	697,495	—
1.2 Related with fair value option	X	—	—	—	X	—	—	—	—	—
1.3 Other	X	—	411,821	119,563 [2]	X	—	—	205,956	294,775 [2]	—
2. Credits derivatives	X	—	712,155	—	X	—	—	860,508	—	—
2.1 Trading	X	—	712,155	—	X	—	—	860,508	—	—
2.2 Related with fair value option	X	—	—	—	X	—	—	—	—	—
2.3 Other	X	—	—	—	X	—	—	—	—	—
Total B	**X**	**575,338**	**5,975,317**	**374,403**	**X**	**X**	**723,011**	**5,023,526**	**992,270**	**X**
Total (A+B)	**1,947,969**	**3,038,073**	**6,099,395**	**374,403**	**X**	**2,398,477**	**3,199,477**	**5,085,414**	**992,270**	**X**

* Fair value calculated excluding variations in value due to changes in the issuer's credit standing.

[1] Respectively €233,951,000 and €665,980,000 in respect of options traded, matching the amount recorded among assets held for trading.

[2] Includes the market value of options covering options (€ 116,400,000) matched with bonds issued by Mediobanca and Mediobanca International, against the same amount recorded among assets held for trading.

SECTION 6

Heading 60: Hedging derivatives

6.1 Hedging derivatives: by type of product/underlying asset

Items/Values	31/12/14 Fair value			Notional value	31/12/13 Fair value			Notional value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	297,633	—	6,713,531	—	353,451	—	7,836,764
1) Fair value	—	269,278	—	6,365,047	—	328,386	—	7,531,764
2) Cash flows	—	28,355	—	348,484	—	25,065	—	305,000
3) Net investment in foreign subsidiaries	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flows	—	—	—	—	—	—	—	—
Total	**—**	**297,633**	**—**	**6,713,531**	**—**	**353,451**	**—**	**7,836,764**

6.2 Hedging derivatives: by portfolio hedged/hedge type

Operations/ type of hedging	Fair value						Cash flow		Non-Italian Investments
	Micro-hedge					General	Specific	General	
	Interest rate risk	Currency risk	Credit risk	Price risk	Multiple risks				
1. AFS securities	18,184	—	—	—	—	X	—	X	X
2. Loans and advances	10,367	—	—	X	—	X	—	X	X
3. Held to maturity investments	X	—	—	X	—	X	—	X	X
4. Porrfolio	X	X	X	X	X	—	X	—	X
5. Others	—	—	—	—	—	X	—	X	—
Total assets	28,551	—	—	—	—	—	—	—	—
1. Financial liabilities	240,727	—	—	X	—	X	28,355	X	X
2. Portfolio	X	X	X	X	X	—	X	—	X
Total liabilities	240,727	—	—	—	—	—	28,355	—	—
1. Expected transactions	X	X	X	X	X	X	—	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	—	—	—	—

SECTION 8

Heading 80 - Deferred liabilities

Please see asset section 14.

SECTION 10

Heading 100: Other liabilities

10.1 Other liabilities: composition

	31/12/14	30/6/14
1. Payment agreements (IFRS 2)	—	—
2. Impaired endorsements	19,593	19,130
3. Working capital payables and invoices pending receipt	193,788	243,014
4. Amounts due to revenue authorities	52,910	96,466
5. Amounts due to staff	104,597	129,668
6. Other items:	109,402	228,260
- bills for collection	26,596	25,890
- coupons and dividends pending collection	2,235	2,219
- available sums payable to third parties	30,676	159,611
- premiums, grants and other items in respect of lending transactions	31,403	23,067
- credit notes to be issued	12,785	12,610
- other	5,706	4,863
7. Adjustments upon consolidation	—	20
Total	**480,289**	**716,558**

SECTION 11

Heading 110: Staff severance indemnity provision

11.1 Staff severance indemnity provision: changes during the period

	31/12/14	30/6/14
A. Esistenze iniziali	28,737	27,701
B. Increases	6,212	13,014
B.1 Provision of the year	4,730	10,226
B.2 Other increases	1,482	2,788
C. Reductions	6,718	11,978
C.1 Severance payments [1]	1,826	3,038
C.2 Other decreases	4,892	8,940
D. Closing balance	28,231	28,737

[1] Includes €2,722,000 in transfers to external, defined contribution pension schemes (30/6/14: €5,809,000).

SECTION 12

Heading 120: Provisions

12.1 Provisions: composition

Items	31/12/14	30/6/14
1. Provision to retirement payments and similar	—	—
2. Other provisions	166,828	166,292
2.1 Legal disputes	6,484	6,089
2.2 Staff expences	3,473	2,912
2.3 Other	156,871	157,291
Total	**166,828**	**166,292**

12.2 Provisions: movements during the period

Items	Total	
	Charges relating to staff [1]	Other provisions
A. Opening balance	2,912	163,380
B. Increases	2,000	1,714
B.1 Provision for the year	2,000	1,704
B.2 Changes due to the passage of time	—	—
B.3 Difference due to discount-rate changes	—	—
B.4 Other increases	—	10
C. Decreases	1,439	1,739
C.1 Use during the year	1,439	1,283
C.2 Difference due to discount-rate changes	—	—
C.3 Other decreases	—	456
D. Closing balance	3,473	163,355

[1] Includes sums set aside in respect of staff exit incentivizations.

SECTION 13

Heading 130: Technical reserves

13.1 Technical reserves: composition

	Direct business	Indirect business	Total 31/12/14	Total 30/6/14
A. Non-life business	—	124,086	124,086	123,664
A.1 Provision for unearned premiums	—	111,161	111,161	111,444
A.2 Provision for outstanding claims	—	12,925	12,925	12,220
A.3 Other provisions	—	—	—	—
B. Life business	—	—	—	—
B.1 Mathematical provisions	—	—	—	—
B.2 Provisions for amounts payable	—	—	—	—
B.3 Other insurance provisions	—	—	—	—
C. Insurance provisions when investments risk is borne by the insured party	—	—	—	—
C.1 Provision for policies where the performance is connected to investment funds and market indices	—	—	—	—
C.2 Provision for pension funds	—	—	—	—
D. Total insurance provisions	—	124,086	124,086	123,664

13.2 Technical reserves: movements during the year

	31/12/14	30/6/14
A. Non-life business		
Balance at start of period	123,664	117,405
Combinations involving group companies	—	—
Changes to reserves (+/-)	422	6,259
Other additions	—	
Balance at end of period	124,086	123,664
B. Life business and other reserves		,
Balance at start of period	—	—
Combinations involving group companies	—	—
Changes due to premiums	—	—
Changes due to sums to be paid out	—	—
Changes due to payments	—	—
Changes due to incomes and other bonuses recognized to insured parties (+/-)	—	—
Changes to other technical reserves (+/-)	—	—
Other reductions	—	—
Balance at end of period	—	—
C. Total technical reserves	124,086	123,664

SECTION 15

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

15.1 Group capital: composition

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

15.2 Share capital: changes in no. of shares in issue during period

Item/type	Ordinary
A. Shares in issue at start of period	861,406,712
– entirely unrestricted	861,406,712
– with restrictions	—
A.1 Treasury shares (-)	(15,845,414)
A.2 Shares in issue: balance at start of period	845,561,298
B. Additions	2,281,049
B.1 New share issuance as a result of:	—
– rights issues	—
- business combinations	—
- bond conversions	—
- exercise of warrants	—
- others	—
– bonus issues	2,281,049
- to staff members	2,281,049
- to Board members	—
- others	—
B.2 Treasury share disposals	—
B.3 Other additions	—
C. Reductions	—
C.1 Cancellations	—
C.2 Treasury share buybacks	—
C.3 Disposals of businesses	—
C.4 Other reductions	—
D. Shares in issue: balance at end of period	847,842,347
D.1 Add: treasury shares	(15,845,414)
D.2 Shares in issue at end of period	863,687,761
– entirely unrestricted	863,687,761
– with restrictions	—

15.4 Profit reserves: other information

Item	31/12/14	30/6/14
1. Legal reserve	86,150	86,113
2. Statutory reserves	1,115,292	1,077,282
3. Treasury shares	199,233	199,233
4. Others	2,972,703	2,787,746
Total	**4,373,378**	**4,150,374**

SECTION 16

Heading 210: Net equity attributable to minorities

16.1 Net equity attributable to minorities: composition

Items/amounts	31/12/14	30/6/14
1. Share capital	24.948	24.948
2. Share premium reserve	2.786	7.216
3. Reserves	80.112	79.091
4. Treasury shares	—	—
5. Valuation reserves[1]	(3.860)	(3.320)
6. Equity instruments	—	—
7. Profit (loss) for the period attributable to minorities	960	(3.410)
Total	**104.946**	**104.525**

[1] Cash flow hedge reserve and defined benefit schemes.

Other information

1. Guarantees and commitments

Operations	Amounts 31/12/14	Amounts 30/6/14
1) Financial guarantees given to	392,675	290,585
a) Banks	79,718	83,109
b) Customers	312,957	207,476
2) Commercial guarantees given to	296	295
a) Banks	286	286
b) Customers	10	9
3) Irrevocable commitments to disburse funds	11,036,371	14,695,731
a) Banks	12,892	46,019
i) usage certain	1,345	41,380
ii) usage uncertain	11,547	4,639
b) Customers	11,023,479	14,649,712
i) usage certain	9,553,134	13,061,854
ii) usage uncertain	1,470,345	1,587,858
4) Commitments underlying credit derivatives: protection sales[1]	34,923,348	35,099,614
6) Assets formed as collateral for third-party obligations	—	—
6) Other commitments	2,542,682	3,274,316
Total	**48,895,372**	**53,360,541**

[1] Includes transactions fully matched by hedge buys (€32,03,486,000 and €31,890,87,000 respectively).

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

Type of service	Total 31/12/14	Total 30/6/14
1. Orders execution on behalf of customers	20,508,907	33,758,096
a) purchases	10,716,383	17,049,571
1. settled	10,711,669	16,991,150
2. unsettled	4,714	58,421
b) sales	9,792,524	16,708,525
1. settled	9,787,810	16,650,104
2. unsettled	4,714	58,421
2. Portfolio management	2,874,000	3,196,000
1. Individual	873,000	932,000
2. Collective	2,001,000	2,264,000
3. Custody and administration of securities	44,091,361	40,383,744
a) Third party securities on deposit: associated with the custodian bank operations (excluding portfolios management)	4,336,824	4,214,700
1. securities issued by companies included in consolidation	544,364	673,652
2. Other securities	3,792,460	3,541,048
b) third party securities held in deposits (excluding segregated accounts): other	6,755,918	7,531,738
1. securities issued by companies included in consolidation	34	34
2. Other securities	6,755,884	7,531,704
c) Securities of third deposited to third	8,099,607	6,864,056
d) Property securities deposited to third	24,016,174	21,773,250
4. Other operations	—	—

Parte C - Notes to consolidated profit and loss account

SECTION 1

Headings 10 and 20: Net interest income

1.1 Interest and similar income: composition

Voices/Technical forms	Debt securities	Loans	Other transactions	6 mths ended 31/12/14	6 mths ended 31/12/13
1. Financial assets held for trading - Cash Instruments	24,208	675	—	24,883	47,813
2. Financial assets designated at fair value through profit or loss	—	—	—	—	—
3. Available for sale financial assets	74,928	—	—	74,928	132,982
4. Held to maturity investments	36,847	—	—	36,847	34,868
5. Loans and receivables with banks	—	21,381	17	21,398	25,130
6. Loans and receivables with customers	4,851	751,535	—	756,386	762,867
7. Hedging derivatives	X	X	104,037	104,037	250,605
8. Other assets	X	X	585	585	1,099
Total	140,834	773,591	104,639	1,019,064	1,255,364

1.4 Interest expense and similar charges: composition

Items/Technical forms	Debts	Securities	Other transactions	6 mths ended 31/12/14	6 mths ended 31/12/13
1. Deposits from central banks	(2,526)	X	—	(2,526)	(16,767)
2. Deposits from banks	(20,510)	X	—	(20,510)	(19,140)
3. Deposits from customers	(104,170)	X	—	(104,170)	(191,599)
4. Debt securities in issue	X	(350,775)	—	(350,775)	(510,612)
5. Financial liabilities held for trading	—	—	—	—	—
6. Financial liabilities at fair value through profit or loss	—	—	—	—	—
7. Other liabilities and found	X	X	(2)	(2)	—
8. Hedging derivatives	X	X	—	—	—
Total	(127,206)	(350,775)	(2)	(477,983)	(738,118)

SECTION 2

Headings 40 and 50: Net fee and commission income

2.1 Fee and commission income: composition

Total	6 mths ended 31/12/14	6 mths ended 31/12/13
a) guarantees given	1,511	1,118
b) credit derivatives	800	—
c) management, brokerage and consultancy services:	130,515	85,318
1. securities trading	3,826	3,781
2. currency trading	—	—
3. portfolio management	5,668	3,747
3.1. individual	5,668	3,747
3.2. collective	—	—
4. custody and administration of securities	5,533	4,328
5. custodian bank	—	—
6. placement of securities	74,009	28,521
7. reception and transmission of orders	9,279	3,998
8. advisory services	—	—
8.1 related to investments	—	—
8.2 related to financial structure	—	—
9. distribution of third party services	32,200	40,943
9.1 portfolio management	7,872	13,736
9.1.1. individual	7,872	13,736
9.1.2. collective	—	—
9.2 insurance products	24,328	27,207
9.3 other products	—	—
d) collection and payment services	8,079	7,742
e) securitization servicing	—	—
f) factoring services	139	—
g) tax collection services	—	—
h) management of multilateral trading facilities	—	—
i) management of current accounts	762	531
j) other services	92,597	77,283
Total	234,403	171,992

2.2 Fee and commission expense: composition

Services/Amounts	6 mths ended 31/12/14	6 mths ended 31/12/13
a) guarantees received	—	(6)
b) credit derivatives	(150)	(133)
c) management, brokerage and consultancy services:	(4,901)	(3,951)
1. trading in financial instruments	(3,155)	(2,027)
2. currency trading	—	—
3. portfolio management:	—	—
3.1 own portfolio	—	—
3.2 third party portfolio	—	—
4. custody and administration securities	(1,310)	(1,323)
5. financial instruments placement	(436)	(601)
6. off-site distribution of financial instruments. products and services	—	—
d) collection and payment services	(3,871)	(3,239)
e) other services	(17,423)	(16,427)
Total	(26,345)	(23,756)

SECTION 3

Heading 70: Dividends and similar income

3.1 Dividends and similar income: composition

Items/Income	6 mths ended 31/12/14		6 mths ended 31/12/13	
	Dividends	Income from units in investment funds	Dividends	Income from units in investment funds
A. Financial assets held for trading	836	—	19,786	—
B. Available for sale financial assets	820	6,232	4,623	1,551
C. Financial assets at fair value thought profit or loss- others	—	—	—	—
D. Investments	12	X	—	X
Total	1,668	6,232	24,409	1,551

SECTION 4

Heading 80: Net trading income

4.1 Net trading income: composition

Transactions / Income	Unrealized profits (A)	Realized profits (B)	Unrealized losses (C)	Realized losses (D)	Net Profit (A+B)-(C+D)
1. Financial assets held for trading	96,557	149,838	(153,503)	(108,084)	(15,192)
1.1 Debt securities	33,808	91,503	(62,258)	(72,815)	(9,762)
1.2 Equity	55,802	41,294	(89,229)	(34,465)	(26,598)
1.3 Units in investment funds	6,947	15,253	(700)	(804)	20,696
1.4 Loans	—	1,788	(1,316)	—	472
1.5 Other	—	—	—	—	—
2. Financial liabilities held for trading	—	—	(738)	—	(738)
2.1 Debt securities	—	—	—	—	—
2.2 Deposits	—	—	—	—	—
2.3 Other	—	—	(738)	—	(738)
3. Financial assets and liabilities in foreign currency: exchange differences	X	X	X	X	56,484
4. Derivatives	3,371,985	1,825,525	(3,233,375)	(1,884,760)	2,642
4.1 Financial derivatives:	3,138,294	1,495,913	(2,996,683)	(1,561,045)	(254)
- on debt securities and interest rates	1,096,069	148,499	(1,068,521)	(142,847)	33,200
- on equity securities and shares indexes	1,942,233	1,334,152	(1,905,175)	(1,358,962)	12,248
- On currencies and gold	X	X	X	X	(76,733)
- Other	99,992	13,262	(22,987)	(59,236)	31,031
4.2 Credit derivatives	233,691	329,612	(236,692)	(323,715)	2,896
Total	3,468,542	1,975,363	(3,387,616)	(1,992,844)	43,196

[1] Of which €5,509,000in positive margins on interest rate derivatives (31/12/14: minus €20,864,000).

SECTION 5

Heading 90: Net hedging income (expense)

5.1 Net hedging income (expense): composition

Income elements/amounts	6 mths ended 31/12/14	6 mths ended 31/12/13
A. Incomes from:		
A.1 Fair value hedging instruments	359,371	129,421
A.2 Hedged asset items (in fair value hedge relationships)	565	24,149
A.3 Hedged liability items (in fair value hedge relationship)	67,784	176,688
A.4 Cash-flow hedging derivatives (including ineffectivness of net investment hedge)	—	—
A.5 Assets and liabilities denominated in currency (not derivative hedging instruments)	—	—
Total gains on hedging activities (A)	427,720	330,258
B. Losses on:		
B.1 Fair value hedging instruments	(182,456)	(236,493)
B.2 Hedged asset items (in fair value hedge relationship)	(5,451)	(51,948)
B.3 Hedged liabilities items (in fair value hedge relationships)	(239,410)	(42,973)
B.4 Cash-flow hedging derivatives (including ineffectivness of net investment hedge)	(2)	(118)
B.5 Assets and liabilities denominated in currency (not derivative hedging instruments)	—	—
Total losses on hedging activities (B)	(427,319)	(331,532)
C. Net profit from hedging activities (A - B)	401	(1,274)

SECTION 6

Heading 100: Gains (losses) on disposals/repurchases

6.1 Gains (losses) on disposals/repurchases: composition

Items / Income	6 mths ended 31/12/14			6 mths ended 31/12/13		
	Gain	Losses	Net profit	Gain	Losses	Net profit
Financial assets						
1. Loans and receivables with banks	—	—	—	—	—	—
2. Loans and receivables with customers	3,012	(9,790)	(6,778)	640	(978)	(338)
3. Financial assets available for sale	40,941	(456)	40,485	198,957	(15,912)	183,045
3.1 Debt securities	25,007	(456)	24,551	41,898	(11,433)	30,465
3.2 Equity Instruments	15,886	—	15,886	156,685	(4,479)	152,206
3.3 Units in investment funds	48	—	48	374	—	374
3.4 Loans	—	—	—	—	—	—
4. Financial assets held to the deadline	14,657	—	14,657	45	(1,910)	(1,865)
Total assets	58,610	(10,246)	48,364	199,642	(18,800)	180,842
Financial liabilities						
1. Deposits with banks	—	—	—	—	—	—
2. Deposits with customers	—	—	—	—	—	—
3. Debt Securities in issue	7,754	(11,524)	(3,400)	20	(2,178)	(2,158)
Total liabilities	7,754	(11,524)	(3,400)	20	(2,178)	(2,158)

SECTION 8

Heading 130: Adjustments for impairment

8.1 Adjustments for impairment: composition

Transactions/Income	Write - downs			Write - backs				6 mths ended 31/12/14	6 mths ended 31/12/13
	Specific		Portfolio	Specific		Portfolio			
	Write - offs	Others		A	B	A	B		
A. Loans and receivables with banks									
- Loans	—	—	(476)	—	8	—	45	(423)	(37,179)
- Debt securities	—	—	—	—	—	—	—	—	—
B. Loans and receivables with customers									
Deteriorated purchased loans									
- Loans	—	(2,817)	X	—	392	X	X	(2,425)	(3,088)
- Debt securities	—	—	X	—	—	X	X	—	—
Other receivables									
- Loans	(17,099)	(277,874)	(100,440)	2,162	52,834	—	52,555	(287,862)	(257,835)
- Debt securities	—	—	(23)	—	—	—	—	(23)	—
C. Total	(17,099)	(280,691)	(100,939)	2,162	53,234	—	52,600	(290,733)	(298,102)

Legend
A = interest
B = other amounts recovered.

8.2 Net adjustments for impairment to AFS securities: composition

Transactions/Income	Adjustments		Reversals of impairment losses		6 mths ended 31/12/14	6 mths ended 31/12/13
	Specific		Specific			
	Write-off	Others	A	B		
Debt securities	—	—	—	—	—	—
B. Equity instruments	—	(11,633)	—	—	(11,633)	(2,813)
C. Units in investments funds	—	(29)	X	X	(29)	(1,865)
D. Loans to banks	—	—	X	—	—	—
E. Loans to customers	—	—	—	—	—	—
F. Total	—	(11,662)	—	—	(11,662)	(4,678)

Legend
A = interest
B = other amounts recovered.

8.3 Net adjustments for impairment to financial assets held to maturity: composition

Transactions/Income	Adjustments			Reversals of impairment losses				6 mths ended 31/12/14	6 mths ended 31/12/13
	Specific		Portfolio	Specific		Portfolio			
	Write - offs	Other		A	B	A	B		
A. Debt securities	—		—	—	271	—	139	410	152
B. Loans to banks	—	—	—	—	—	—	—	—	—
C. Loans to customers	—	—	—	—	—	—	—	—	—
D. Total	—		—	—	271	—	139	410	152

Legend

A = interest

B = other amounts recovered.

8.4 Net adjustments for impairment to other financial transactions: composition

Transactions/Income	Adjustments			Reversals of impairment losses				6 mths ended 31/12/14	6 mths ended 31/12/13
	Specific		Portfolio	Specific		Portfolio			
	Write - offs	Other		A	B	A	B		
A. Guarantees given	—	—	(270)	—	—	—	—	(270)	(425)
B. Credit derivatives	—	—	—	—	—	—	—	—	—
C. Commitments to disburse funds	—	—	(1,695)	—	912	—	586	(197)	(3,624)
D. Other transactions	—	—	—	—	—	—	—	—	—
E. Total	—	—	(1,965)	—	912	—	586	(467)	(4,049)

Legend

A = interest

B = other amounts recovered.

SECTION 9

Heading 150: Net premium income

9.1 Net premium income: composition

Premiums from insurance	Direct business	Indirect business	6 mths ended 31/12/14	6 mths ended 31/12/13
A. Life business				
A.1 Gross premiums written (+)	—	—	—	—
A.2 Reinsurance premiums paid (-)	—	X	—	—
A.3 Total	—	—	—	—
B. Non-life business				
B.1 Gross premium written (+)	—	20,373	20,373	21,602
B.2 Reinsurance premiums paid (-)	—	X	—	—
B.3 Change in gross value of premium reserve (+/-)	—	282	282	(3,142)
B.4 Change in provision for unearned premiums ceded to reinsurers (+/-)	—	—	—	—
B.5 Total	—	20,655	20,655	18,460
C. Total net premiums	—	20,655	20,655	18,460

SECTION 10

Heading 160: Other net income (expense) from insurance operations

10.1 Other net income (expense) from insurance operations: composition

	6 mths ended 31/12/14	6 mths ended 31/12/13
1. Net change in insurance provisions		
2. Claims paid pertaining to the year	(5,338)	(5,901)
3. Other income and expense (net) from insurance business	(3,332)	(2,915)
Total	(8,670)	(8,816)

10.3 Breakdown of sub-heading "Claims paid out during the year"

Charges for claims	**6 mths ended 31/12/14**	**6 mths ended 31/12/13**
Life business: expense relating to claims, net of reinsurers' portions		
A. Amounts paid out	—	—
A.1 Gross annual amount	—	—
A.2 Amount attributable to reinsurers	—	—
B. Change in reserve for amounts payable	—	—
B.1 Gross annual amount	—	—
B.2 Amount attributable to reinsurers	—	—
Total life business claims	—	—
Non-life business: expense relating to claims, net of amounts recovered from reinsurers		
C. Claims paid	(4,634)	(4,943)
C.1 Gross annual amount	(4,634)	(4,943)
C.2 Amount attributable to reinsurers	—	—
D. Change in recoveries net of reinsurers' portion	—	—
E. Change in claims reserves	(704)	(958)
E.1 Gross annual amount	(704)	(958)
E.2 Amount attributable to reinsurers	—	—
Total non-life business claims	(5,338)	(5,901)

SECTION 11

Heading 180: Administrative expenses

11.1 Personnel costs: composition

Type of expense/Amounts	6 mths ended 31/12/14	6 mths ended 31/12/13
1) Employees	(186,388)	(172,139)
a) wages and salaries	(130,663)	(120,505)
b) social security contributions	(32,884)	(30,471)
c) Severance pay (only for Italian legal entities)	(2,908)	—
d) Social security costs	—	—
e) allocation to employee severance pay provision	(1,521)	(5,789)
f) provision for retirements and similar provisions:	—	—
- defined contribution	—	—
- defined benefit	—	—
g) payments to external pension funds:	(6,071)	(5,470)
- defined contribution	(6,071)	(5,470)
- defined benefit	—	—
h) expenses resulting from share based payments	(5,287)	(5,242)
- stock options		(521)
- performances shares	(5,287)	(4,721)
i) other employee benefits	(7,039)	(4,662)
2) Other staff	(2,464)	(2,653)
3) Directors and Statutory Auditors	(4,120)	(3,941)
4) Early retirement costs	—	(365)
Total	(192,957)	(179,098)

11.2 Average number of staff by category

	6 mths ended 31/12/14	6 mths ended 31/12/13
Employees:		
a) Senior executives	248	198
b) Excutives	1,246	1,192
c) Other employees	2,137	2,085
Other staff	183	189
Total	3,814	3,664

11.5 Other administrative expenses: composition

	6 mths ended 31/12/14	6 mths ended 31/12/13
OTHER ADMINISTRATIVE EXPENSES		
– legal, tax and professional services	(17,746)	(14,599)
– loan recovery activity	(26,313)	(22,832)
– marketing and communications	(27,605)	(28,776)
– property	(17,254)	(19,024)
– EDP	(27,336)	(21,669)
– info-provider	(13,952)	(13,837)
– bank charges, collection and payment fees	(8,858)	(8,914)
– operating expenses	(26,517)	(27,169)
– other staff expenses	(10,141)	(8,623)
– other costs	(4,246)	(6,120)
– indirect and other taxes	(19,039)	(22,772)
Total other administrative eexpenses	(199,007)	(194,335)

SECTION 12

Heading 190: Net transfers to provisions

12.1 Net transfers to provisions: composition

	31/12/14	31/12/13
Net transfers to provisions for risks and charges – legal expenses	(629)	—
Net transfers to provisions for risks and charges – promotional commitment	—	—
Net transfers to provisions for risks and charges – certain or probable exposures or commitments	2	928
Total transfers to provisions for risks and charges	(627)	928

[1] Includes the effect of discounting such items.

SECTION 13

Heading 200: Net adjustments to tangible assets

13.1 Net adjustments to tangible assets: composition

Asset/Income	Depriciation (a)	Impairment losses (b)	Write-backs (c)	Net result (a+b+c)
A. Property, equipment and investment property				
A.1 Owned	(9,453)	—	—	(9,453)
- For operational use	(7,564)	—	—	(7,564)
- For investment	(1,889)	—	—	(1,889)
A.2 Acquired through finance lease	—	—	—	—
- For operational use	—	—	—	—
- For investment	—	—	—	—
Total	(9,453)	—	—	(9,453)

SECTION 14

Heading 210: Net adjustments to intangible assets

14.1 Net adjustments to intangible assets: composition

Asset/Income	Depriciation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b + c)
A. Intangible assets				
A.1 Owned	(9,988)	—	—	(9,988)
- Software	(4,917)	—	—	(4,917)
- Other	(5,071)	—	—	(5,071)
A.2 Held by Finance leases	—	—	—	—
Total	(9,988)	—	—	(9,988)

SECTION 15

Heading 220: Other operating income (expense)

15.1 Other operating expense: composition

Income-based components/values	31/12/14	31/12/13
a) Leasing activity	(8,626)	(9,630)
b) Sundry costs and expenses	(1,649)	(1,795)
Total	(10,275)	(11,425)

15.2 Other operating income: composition

Income-based components/values	31/12/14	31/12/13
a) Amounts recovered from customers	19,434	22,929
b) Leasing activity	8,062	8,947
c) Other income	42,163	33,893
Total	69,659	65,769

SECTION 16

Heading 240: Gains (losses) on equity investments

16.1 Gains (losses) on equity investments: composition

Income/Value	6 mths ended 31/12/14	6 mths ended 31/12/13
1) Joint ventures		
A. Income	—	—
1 Revaluations	—	—
2. Gains on disposal	—	—
3. Writebacks	—	—
4. Other gains	—	—
B. Expenses	—	—
1 Writedowns	—	—
2. Impairment losses	—	—
3. Losses on disposal	—	—
4. Other expenses	—	—
Net profit	—	—
2) Companies subject to significant influence		
A. Income	123,204	135,456
1 Revaluations	123,204	135,456
2. Gains on disposal	—	—
3. Writebacks	—	—
4. Other gains	—	—
B. Expenses	—	(22,999)
1 Writedowns	—	(4,386)
2. Impairment losses	—	(18,613)
3. Losses on disposal	—	—
4. Other expenses	—	—
Net profit	123,204	112,457
Total	123,204	112,457

SECTION 19

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

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

Income/Value	6 mths ended 31/12/14	6 mths ended 31/12/13
A. Assets	—	—
- Gains on disposal	—	—
- Losses on disposal	—	—
B. Other assets	(10)	(56)
- Gains from disposals	2	3
- Losses from disposals	(12)	(59)
Net result	(10)	(56)

SECTION 20

Heading 290: Income tax on ordinary activities

20.1 Income tax on ordinary activities: composition

Income components/Sectors	6 mths ended 31/12/14	6 mths ended 31/12/13
1. Current tax expense (-)	(59,597)	(31,984)
2. Changes of current tax expense of previous years (+/-)	204	(13)
3. Reduction in current tax expense for the period (+)	70	91
3. bis Reductions in current tax expense for the period due tax credit related to L. 214/2011 (+)	1,604	5,555
4. Changes to deferred tax assets (+/-)	(910)	(646)
5. Changes to deferred tax liabilities (+/-)	(5,471)	(3,324)
6. Tax espense for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(64,100)	(30,321)

SECTION 24

Earnings per share

24.1 Average number of ordinary shares on a diluted basis

	6 mths ended 31/12/14	6 mths ended 31/12/13
Net profit	260,619	304,741
Avg.no.of shares in issue	846,319,320	844,315,419
Avg. no. if potentially diluited share	35,287,089	46,351,338
Avg. no. of diluited shares	881,606,409	890,666,757
Earnings per share	0,31	0,36
Earnings per share, diluited	0,30	0,34

Part E - Information on risks and related hedging policies

SECTION 1

Banking Group risks

1.1 CREDIT RISK

QUALITATIVE INFORMATION

Description of risk governance organization

The Mediobanca Group has equipped itself with a risk governance and control system which is structured across a variety of organizational units involved in the process, with a view to ensuring that all relevant risks to which the Group is or might be exposed are managed effectively, and at the same time guaranteeing that all forms of operations are consistent with their own propensity to risk.

The Board of Directors, in view in particular of its role of strategic supervision, is responsible for approving strategic guidelines and directions, business and financial plans, budgets, and risk and internal control policies.

The Executive Committee is responsible for the ordinary management of the Bank and for co-ordination and management of the Group companies, without prejudice to the matters for which the Board of Directors has sole jurisdiction.

The Control and risks committee assists the Board of Directors in performing duties of monitoring and instruction in respect of the internal controls, risk management, and accounting and IT systems.

The Statutory Audit Committee supervises the risk management and control system and the internal controls system generally, assessing the effectiveness of the structures and units involved in the process and co-ordinating them. The Committee also supervises the RAF and ICAAP processes.

Within the framework of the risk governance system implemented by Mediobanca S.p.A., the following committees have specific responsibilities in the processes of taking, managing, measuring and controlling risks: the Risks committee and Delegated risks committee for credit, issuer and market risks; the ALM committee, for monitoring the Group's ALM risk-taking and management policy (treasury and funding operations) and approving the methodologies for measuring exposure to liquidity and interest rate risk; the Investments committee for equity investments owned and banking book equities; the New Operations committee, for prior analysis of new products to be sold to clients developed by the Financial Markets division and the related pricing models; and the Operational risks committee, for management of operational risks in terms of monitoring risk profiles and defining mitigation actions.

Although risk management is the responsibility of each individual business unit, the Risk Management unit presides over the functioning of the Bank's risk system, defining the appropriate global methodologies for measuring risks, current and future, in conformity with the regulatory requirements in force as well as the Bank's own operating choices, monitoring risks and ascertaining that the various limits established for the various business lines are complied with. The risk management process, which is supervised by the Chief Risk Officer, reporting directly to the Chief Executive Officer, is implemented by the following units: Enterprise Risk Management, which helps to develop risk management policies and to quantify risk appetite; Credit Risk Management, responsible for credit risk analysis and assigning internal ratings to counterparties; Market Risk Management, which defines the risk measurement methodologies and metrics for use by the Financial Markets divisions; and Operational Risk Management, responsible for developing and maintaining the systems for measuring and managing operational risks.

As a result of the new regulations on internal controls systems being introduced (cf. Bank of Italy circular no. 263 issued on 27 December 2006 "New supervisory provisions for banks"– fifteenth update issued on 2 July 2013), Mediobanca is in the process of adapting its internal controls system in line with the new regulatory requirements.

Establishment of risk propensity and process for managing relevant risks

In the process of defining its Risk Appetite Framework ("RAF"), Mediobanca has established the level of risk (overall and by individual type) which it intends to assume in order to pursue its own strategic objectives, and identified the metrics to be monitored and the relevant tolerance thresholds and risk limits.

Based on its operations and the markets in which it operates, the Mediobanca Group has identified the relevant risks to be submitted to specific assessment in the course of the reporting for the ICAAP (Internal Capital Adequacy Assessment Process, ICAAP - Circular 263 - Title III), appraising its own capital adequacy from both a present and future perspective which takes into account the strategies and development of the reference scenario.

1.2 CREDIT RISK

While adopting the standardized methodology defined by the supervisory provisions in force for calculating regulatory capital, the Group has also internal rating models for operating purposes for the following customer segments: Banks, Insurances, Large corporates and Holding companies (customers mostly targeted by Mediobanca S.p.A.), Mid-corporate and Small businesses (customers targeted mostly by the leasing companies), and Private individuals (targeted by Compass for consumer credit and CheBanca! for mortgage lending).

Corporate lending (Mediobanca)

The Group's internal system for managing, evaluating and controlling credit risk reflects its traditional policy based on a prudent and highly selective approach. Lending decisions are based on individual analysis, which builds on adequate and often extensive knowledge of the borrower's business, assets and management, as well as the macro-economic framework in which it operates. At the analysis stage, all relevant documentation is obtained to be order to appraise the borrower's credit standing and define the appropriate remuneration for the risk being assumed. The analysis also includes an assessment of the duration and amount of the loans being applied for, the provision of appropriate guarantees, and the use of covenants in order to prevent deteriorations in the counterparty's credit rating.

With reference to the correct application of credit risk mitigation techniques, specific activities are implemented to define and meet all the requirements to ensure that the real and personal guarantees have the maximum mitigating effects on the exposures, *inter alia* to obtain a positive impact on the Bank's capital ratios.

For the assumption of credit risk, all counterparties must be analysed and where possible assigned an internal rating, which takes into account the specific quantitative and qualitative characteristics of the counterparty concerned.

Loans originated by the business divisions are assessed by the Risk Management unit and regulated in accordance with the powers deliberated through the different operating levels. If successful, the applications are submitted for approval to the relevant bodies, i.e. the Board of Directors, Executive Committee, Risks Committee and Delegated Risks Committee, depending on the nature of the counterparty, its credit standing based on internal ratings, and on the amount of finance required.

The Credit Risk Management unit carries out a review of the ratings assigned to the counterparties at least once a year. Approved loans must also be confirmed by the approving body at at least the same intervals, in accordance with the limits established by the Executive Committee's resolution in respect of operating powers.

Any deterioration in the risk profile of either the loan or the borrower's rating are brought swiftly to the management's attention.

In terms of monitoring the performance of individual credit exposures, Mediobanca adopts an early warning methodology to identify a list of counterparties (known as the "watchlist") requiring indepth analysis on account of their potential or manifest weaknesses. The exposures identified are then classified by level of alert (green, amber or red for performing accounts, black for non-performing items) and are reviewed in the course of meetings held regularly to identify the most appropriate mitigation actions to be taken. The watchlist also includes all forborne positions, which are therefore subject to specific monitoring.

Leasing

Individual applications are processed using similar methods to those described above for corporate banking. Applications for leases below a predetermined limit received via banks with which Mediobanca has agreements in place are approved by the banks themselves, against written guarantees from them covering a portion of the risk.

Applications for smaller amounts are approved using a credit scoring system developed on the basis of historical series of data, tailored to both asset type and the counterparty's legal status (type of applicant company).

Sub-standard accounts are managed in a variety of ways which prioritize either recovery of the amount owed or the asset under lease, according to the specific risk profile of the account concerned. All non-performing accounts are tested analytically to establish the relative estimated loss against the value of the security provided taken from the results of valuations updated regularly and revised downwards on a prudential basis, and/or any other form of real guarantees issued. Other performing accounts are measured individually on the basis of statistics according to internal ratings and distinguished by their degree of riskiness.

Consumer credit (Compass)

Applications for finance are approved on the basis of a credit scoring system tailored to individual products. The scoring grids have been developed from internal historical series, enhanced by data provided by central credit bureaux. Points of sale are linked electronically to the company's headquarters, in order to ensure that applications and credit scoring results are processed and transmitted swiftly. Applications for finance above a certain limit are approved by the relevant bodies at headquarters, in accordance with the authorization levels established by the companies' Boards of Directors.

From the first instance of non-payment, accounts are managed using the entire range of recovery procedures, including postal and telephone reminders, external recovery agents, or legal recovery action). After 150 days of arrears (or ninety days in particular cases, such as credit cards and exposures which involve negligible amounts), accounts are held to be officially in default, and the client is deemed to have lapsed from the time benefit allowed under Article 1186 of the Italian Civil Code. As from the six months after such lapse has been ascertained, these accounts are sold to factoring companies (including Creditech), for a percentage of the value of the principal outstanding, which reflects their estimated realizable value.

Provisioning is determined collectively on the basis of historical PD and LGD values distinguished by product and state of impairment. Probability of default in particular is calculated over a time horizon of less than a year, corresponding to the emergence period for hidden losses which is currently six months, and calibrated based on the trend of the last three years. The LGD values are based on data for amounts recovered and written off in the last five years. To calculate the provisions for the performing portfolio, losses defined as "incurred but not reported" are quantified by distinguishing PD values by product, degree of arrears and whether or not there are previous difficulty indicators (including forbearance, if any).

Mortgage lending (CheBanca!)

Mortgage applications are processed and approved centrally at head office. The applications are approved, using an internal rating model among other things, based on individual appraisal of the applicant's income and maximum borrowing levels, as well as the value of the property itself. Risks are monitored on a monthly basis, ensuring the company's loan book is regularly assessed.

Properties established as collateral are subject to a statistical revaluation process which is carried out once a quarter. If the review shows a significant reduction in the value of the property, a new valuation is carried out by an independent expert.

Irregular accounts are managed through monthly reports analysing the characteristics of the accounts in order to flag up promptly any potential problem areas using advanced early warning systems linked to public and private databases.

Non-performing accounts are managed, for out-of-court credit recovery procedures, by a dedicated organizational structure with the help of external collectors. If further signs of deterioration are noted, property enforcement procedures are instigated through external lawyers. Procedurally mortgage loans with four or more unpaid instalments (not necessarily consecutive) are designated as sub-standard accounts, and generally after the eighth or ninth unpaid instalment become non-performing.

Provisioning is determined analytically for non-performing items and collectively for sub-standard, restructured, overdue and performing accounts. For the analytical provisions for the non-performing items, account is taken of the official valuations of the assets (deflated on a prudential basis), timescales and recovery costs. For the performing accounts, as from this year the Bank is using risk parameters (PD and LGD), which are estimated via the internal rating model, to determine the collective risk provisions.

QUANTITATIVE INFORMATION

Credit Quality

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

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

Portfolio/quality	Banking Group [1]						Others [2]		Total
	Non-performing	Potential problem	Restructured	Overdue (impairment)	Overdue (non impairment)	Other assets	Overdue	Other assets	
1. Financial assets held for trading	—	16,859	—	—	—	10,830,659	—	—	10,847,520
2. AFS securities	—	—	—	—	—	5,907,775	—	91,166	5,998,941
3. Financial assets held to maturity	—	—	—	—	—	1,612,106	—	—	1,612,106
4. Due from banks	—	—	—	—	4,213	5,839,573	—	44,609	5,888,395
5. Due from customers	270,358	792,502	54,955	105,089	431,334	35,338,120	—	7,213	36,999,567
6. Financial assets recognized at fair value	—	—	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	—	1,009,234	—	—	1,009,234
Total at 31/12/14	270,358	809,361	54,955	105,089	435,547	60,537,465	—	142,988	62,355,763
Total at 30/6/14	270,956	697,164	67,315	128,690	509,773	61,850,635	—	144,301	63,668,834

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

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

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

Portfolio/quality	Impaired assets			Performing			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
A. Banking group							
1. Financial assets held for trading	16,859	—	16,859	X	X	10,830,661	10,847,520
2. AFS securities	—	—	—	5,907,775	—	5,907,775	5,907,775
3. Financial assets held to maturity	—	—	—	1,625,716	(13,610)	1,612,106	1,612,106
4. Due from banks	—	—	—	5,845,071	(1,285)	5,843,786	5,843,786
5. Due from customers	2,403,558	(1,180,654)	1,222,904	36,009,558	(240,108)	35,769,450	36,992,354
6. Financial assets recognized at fair value	—	—	—	X	X	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	X	X	1,009,234	1,009,234
Total A	2,420,417	(1,180,654)	1,239,763	49,388,120	(255,003)	60,973,012	62,212,775
B. Others							
1. Financial assets held for trading	—	—	—	X	X	—	—
2. AFS securities	—	—	—	91,166	—	91,166	91,166
3. Financial assets held to maturity	—	—	—	—	—	—	—
4. Due from banks	—	—	—	44,609	—	44,609	44,609
5. Due from customers	—	—	—	7,213	—	7,213	7,213
6. Financial assets recognized at fair value	—	—	—	X	X	—	—
7. Financial assets being sold	—	—	—			—	—
8. Hedging derivatives	—	—	—	X	X	—	—
Total B	—	—	—	142,988	—	142,988	142,988
Total at 31/12/14	2,420,417	(1,180,654)	1,239,763	49,531,108	(255,003)	61,116,000	62,355,763
Total at 30/6/14	2,257,788	(1,093,663)	1,164,125	50,571,347	(232,039)	62,504,709	63,668,834

[1] Performing items include €49.3m in unpaid instalments corresponding to a gross exposure (including the amount not yet overdue) totalling €4972m (equal to 1.2% of the performing assets), attributable as to €69.1m to leasing (4.7% of the performing loans in this segment), as to €282.2m to consumer credit (2.7%), and as to €145.6m to CheBanca! mortgage loans (3.4%). The gross exposures subject to renegotiation under collective agreements amount to €39.7m, all of which in respect of mortgage loans granted by CheBanca!

Information on sovereign debt exposures

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

Portfolio/quality	Non performing loans				Performing			Total (net exposure)
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	—	X	X	949,697	949,697
Germany	—	—	—	—	X	X	398,564	398,564
Italy	—	—	—	—	X	X	184,202	184,202
France	—	—	—	—	X	X	150,636	150,636
Others	—	—	—	—	X	X	216,295	216,295
2. AFS securities	—	—	—	—	3,976,456	—	3,976,456	3,976,456
Italy	—	—	—	—	3,943,322	—	3,943,322	3,943,322
France					17,004	—	17,004	17,004
EU	—	—	—	—		—	16,130	16,130
Others	—	—	—	—	16,130	—	5,886	5,886
3. Financial assets held to maturity	—	—	—	—	359,613	—	359,613	359,613
Italy	—	—	—	—	358,761	—	358,761	358,761
Others	—	—	—	—	852	—	852	852
Total at 31/12/14	—	—	—	—	4,336,069	—	5,285,766	5,285,766

* Does not include financial and credit derivatives.

[1] The net exposure includes positions in securities (long and short) recognized at fair value (including the outstanding accrual) except for assets held to maturity which are stated at amortized cost, the implied fair value of which is €43.2m.

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

Portfolio/quality	Trading Book [1]			Banking Book [2]			
	Nominal value	Book value	Duration	Nominal value	Book value	*Fair value*	Duration
Italy	205,133	184,202	3,96	4,121,798	4,302,083	4,333,441	2,57
Germany	394,679	398,564	2,58	5,500	5,886	5,886	1,01
France	146,750	150,636	0,04	16,873	17,004	17,004	3,10
Others	207,378	216,295	—	22,077	11,096	22,980	—
Total at 31/12/14	953,940	949,697		4,166,248	4,336,069	4,379,311	

[1] Does not include sales of €113m on the *Bund/Bobl/Schatz future* (Germany) or of €200m on the Oat future (France), which have fair values of minus €0.8m and €1.5m respectively; or €142m in buys on the *BTP future* (Italy) with a fair value of minus €0.4m. Net hedge buys of €204m (€194m of which on Italy country risk and €10m on Turkey country risk) have also not been included.

[2] Item does not include Greek GDP-linkers securities in a notional amount of €127m recorded at a fair value of €1.3m.

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

Type of exposure/amounts	Gross exposure	Specific writedowns	Portfolio adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing	—	—	X	—
b) Potential problem	—	—	X	—
c) Restructured	—	—	X	—
d) Overdue	—	—	X	—
e) Other assets	7,873,037	X	(2,291)	7,870,746
Total A	7,873,037	—	(2,291)	7,870,746
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	—	—	X	—
b) Other assets	64,661,926	X	—	64,661,926
Total B	64,661,926	—	—	64,661,926
Total A+B	72,534,963	—	(2,291)	72,532,672

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

Type of exposure/amounts	Gross exposure	Specific writedowns	Portfolio adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing	643,194	(372,836)	X	270,358
b) Potential problem	1,461,588	(669,086)	X	792,502
c) Restructured	117,029	(62,074)	X	54,955
d) Overdue	181,744	(76,655)	X	105,089
e) Other assets	46,109,952	X	(252,712)	45,857,240
Total A	48,513,507	(1,180,651)	(252,712)	47,080,144
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	1,800	(168)	X	1,632
b) Other assets	21,188,627	X	(19,429)	21,169,198
Total B	21,190,427	(168)	(19,429)	21,170,830
Total A+B	69,703,934	(1,180,819)	(272,141)	68,250,974

The non-performing items include €78.8m attributable to Creditech, i.e. acquisitions of non-performing loans with a nominal value of €2.6bn. Of these items, €53.8m (with a nominal book value of €1.8bn) involve assets acquired from other Group companies, mostly those involved in consumer credit activities.

A.1.7 Banking Group – Cash exposures to customers: trends in gross impaired positions/ accounts

Description/Category	Non-performing loans	Doubtful loans	Restructured exposures	Past due exposures
A. Opening balance (gross amount)	651,735	1,276,241	120,838	204,022
- Sold but not derecognised	21,782	31,363	3,924	14,511
B. Increases	163,107	479,138	30,532	265,348
B.1 transfers from performing loans	3,652	239,345	3,500	255,914
B.2 transfers from other impaired exposures	153,745	226,482	16,477	5,631
B.3 other increases	5,710	13,311	10,555	3,803
C. Decreases	171,648	293,791	34,341	287,628
C.1 transfers to perfomorming loans (including not impaired past-due)	3,928	20,395	1,913	42,120
C.2 write-offs	6,602	3,804	387	512
C.3 recoveries	34,448	40,514	12,241	30,347
C.4 sales proceeds	5,399	9,154	—	2
C.4 bis losses on disposals	111,769	42,690	—	56
C.5 transfers to other impaired exposures	6,665	169,338	15,993	210,341
C.6 other decreases	2,837	7,896	3,807	4,250
D. Closing balance (gross amounts)	643,194	1,461,588	117,029	181,742
- Sold but not derecognised	20,828	33,695	2,587	13,333

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

Description/Category	Non-performing loans	Doubtful loans	Restructured exposures	Past due exposures
A. Opening balance total writedowns	380,779	584,030	53,523	75,332
- Sold but not derecognised	7,161	7,166	—	971
B. Increase variations	99,997	241,713	11,184	73,363
B1. write-downs	39,439	150,752	8,227	62,627
B.1 bis losses on disposal	3	13,111	—	1,872
B.2 transfers from other impaired exposure	60,271	60,894	2,956	716
B.3 other increase variations	284	16,956	1	8,148
C. Decrease variations	107,940	156,657	2,633	72,040
C.1 write-backs from assessments	5,717	13,269	583	6,215
C.2 write-backs from recoveries	9,301	5,121	239	2,054
C.2 bis gains on disposal	—	—	—	—
C.3 write-offs	84,795	75,386	368	2,677
C.4 transfers to other impaired exposures	3,707	60,867	1,253	59,011
C.5 other reductions	4,420	2,014	190	2,083
D. Closing balance - writedowns	372,836	669,086	62,074	76,655
- Sold but not derecognised	7,509	9,985	—	909

B.4a Credit risk indicators

	31/12/14	30/06/14
a) Gross NPLs/total loans	1.60%	1.61%
b) Irregular items/cash exposures	4.77%	4.37%
c) Net NPLs/regulatory capital	3.28%	3.35%

B.4b Large risks

	31/12/14	30/06/14
a) Book value	15,680,613	11,500,719
b) Weighted value	10,570,675	8,911,672
c) No. of exposures	11	8

Leveraged finance transactions

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

As at 31 December 2014 commitments to deals of this nature amounted to €1,365.5m (30/6/14: €1,292.4m), around 10% of the corporate loan book, €418.6m of which in relation to domestic transactions, €668.1m to the Eurozone and €278.9m to North America. Nine new deals worth €392.7m were entered into during the six months, against repayments totalling €436.4m and drawdowns on deals outstanding totalling €116.8m.

C. Securitizations and asset disposals

C.1 Securitizations

Qualitative Information

The Group's portfolio of securities deriving from securitizations by other issuers totalled €313.8m (30/6/14: €281.8m), up slightly on net market acquisitions of €84.2m and repayments totalling €61.7m. Over three-quarters of the portfolio is concentrated in the banking book (AFS and HTM), while the remainder involves the trading book which itself showed trading involving €78.8m.

The fair value of the portfolio, which is normally calculated based on prices supplied by financial information providers and also, in the case of some banking book holdings, via internal fair value models, remained unchanged, showing an unrealized gain on the fixed assets of €4.5m.

Almost 90% consists of senior-ranking securities, and 10% mezzanine (eight issues), with just one junior-ranking security featured. The majority of the securities have external ratings, and over half of the portfolio is eligible for refinancing transactions with the European Central Bank.

Asset-backed securities (ABS), in particular those of the peripheral EU member states, significantly outperformed the other credit products due to the European Central Bank's decision to launch the Asset-Backed Purchase Programme (ABSPP), announced in October, as well as the possibility of including certain ABS in the liquidity indicator (LCR).

The Group's portfolio remains concentrated on senior tranches of domestic stocks backed by mortgages and state-owned properties. Most of the other exposures involve CLOs with European corporate loans as the underlying instrument. There are also the synthetic securities versus Entasi and ELM.

The aggregate volume of new issuance in 2014, €82bn, was higher than the €80bn reported in 2013, due to renewed activity from the peripheral EU member states (€12.4bn).

Quantitative Information

C.1 Banking Group – exposures deriving from securitizations by underlying asset

Quality of underlying assets/ Exposures	**On Balance-sheet**					
	Senior		**Mezzanine**		**Junior**	
	Gross Exposure	**Net Exposure**	**Gross Exposure**	**Net Exposure**	**Gross Exposure**	**Net Exposure**
A. With own underlying assets	—	—	—	—	—	—
a) Impaired	—	—	—	—	—	—
b) Other	—	—	—	—	—	—
B. With third-party underlying assets	281,451	281,451	31,415	23,975	904	904
a) Impaired	54,360	54,360	—	—	—	—
b) Other	227,091	227,091	31,415	23,975	904	904

C.3 Banking Group – exposures deriving from main customer securitizations by asset type/exposure

Type of securitized asset/exposure*	Cash exposure [1]					
	Senior		Mezzanine		Junior	
	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks
A. Mortgage loans on Italian properties						
A.1 Fip Fund-23 A2 FRN IT0003872774	88,984	—	—	—	—	—
A.2 CLAAB 2011-1 A IT0004790918	26,154	94	—	—	—	—
A.3 VELA4A2 MTG IT0004102007	24,623	—	—	—	—	—
A.4 RMAC2005-NS4XM2A MTG XS0235778106	—	—	5,264	286	—	—
A.5 BERAB 3 A IT0005027930	4,636	46	—	—	—	—
A.6 Other	6,905	69	4,113	90	904	5
TOTAL A MORTGAGE LOANS ON PROPERTIES	151,302	209	9,377	376	904	5
B. Other receivables						
B.1 ENTASI 16/08/2016 IT0003142996	54,360	—	—	—	—	—
B.2 GERMAN16(GE18) 3.375 XS0222473877	26,634	-352	—	—	—	—
B.3 ELM BB.V. FL XS0247902587	22,707	—	—	—	—	—
B.4 SUNRISE09A MTG IT0004495609	5,856	23	—	—	—	—
B.5 Other	9,099	27	—	—	—	—
TOTAL B OTHER RECEIVABLES	118,656	-302	—	—	—	—
C. Collateralized Loan Obligation						
C.1 HARBM PR2X A2 XS0262173932	—	—	7,441	-99	—	—
C.2 CCOC I-X III XS0243225488	—	—	7,418	-59	—	—
C.3 BESME 1 A1X IT0004941149	6,571	19	—	—	—	—
C.5 Other	4,922	-38	7,179	-57	—	—
TOTAL C COLLATERALIZED LOAN OBLIGATION	11,493	-19	22,038	-215	—	—
Total at 31/12/14	281,451	-112	31,415	161	904	5
Total at 30/6/14	250,465	7	28,665	1,633	2,656	405

[1] No off-balance-sheet exposure.

*Mediobanca does not have on its books any direct credit exposures backed by US subprime or Alt-A mortgages.

C.4 Banking Group – exposures to securitizations by asset/portfolio type

Exposure / portfolio	Trading	*Carried at fair value*	Available-for-sale	Held-to-maturity	Loans	Total 31/12/14	Total 30/06/14
1. Balance sheet exposure	79,941	—	43,157	22,707	168,247	313,770	281,786
- Senior	47,621	—	43,157	22,707	167,966	281,451	250,465
- Mezzanine	31,415	—	—	—	—	31,415	28,665
- Junior	904	—	—	—	—	904	2,656
2. Off-balance sheet exposure	—	—	—	—	—	—	—
- Senior	—	—	—	—	—	—	—
- Mezzanine	—	—	—	—	—	—	—
- Junior	—	—	—	—	—	—	—

C.8 Banking Group: servicing – collecting securitized receivables and redeeming securities issued by vehicle companies

Servicer	Vehicle company	Securitized assets 31/12/14		Receivables collected during year		Percentage share of securities repaid 31/12/14					
						Senior		Mezzanine		Junior	
		Non performing	Performing	Non performing	Performing	Non performing loans	Performing loans	Non performing loans	Performing loans	Non performing loans	Performing loans
SelmaBPM Leasing	Quarzo Lease	16,808	188,620	2,300	30,160	—	45	—	—	—	—
SelmaBPM Leasing	Quarzo Lease	18,424	146,912	2,431	25,876	—	74	—	—	—	—
SelmaBPM Leasing	Quarzo Lease	16,808	152,151	2,628	38,370	—	51	—	—	—	—
Compass	Quarzo	136,583	3,552,210	3,100	904,993	—	—	—	—	—	—

C.3 Banking Group - covered bond issues

Two public issues of covered bonds remain outstanding, both reserved to institutional investors and with “A” ratings, worth a total of €1.5bn (as part of a €5bn programme). A new tranche of assets was ceded to the SPV on 1 December 2014 worth a total of €236.7m as part of the company’s ordinary operations.

BANKING GROUP MARKET RISK

1.2.1 INTEREST RATE RISK AND PRICE RISK – TRADING BOOK

QUALITATIVE INFORMATION

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

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

Such analysis regards not just the trading book but the Bank's entire asset structure, i.e. banking book as well, and is not limited to the measurement of risks deriving from changes in market interest rates but factors in exposures to loan spreads as well.

VaR is still calculated based on expected volatility and the correlation between risk factors concerned, assuming a disposal period of a single trading day and based on a 99% confidence level. The indicator used to check the limits is calculated by using Monte Carlo simulations, along with historical simulations for indicative purposes.[2] This measurement is also used to calculate the expected shortfall, which measures average loss in 1% of the most unfavourable scenarios.

In order to ensure that excessive risks are not taken, limits have been introduced at the level of the various portfolios, in terms of both overall VaR and of sensitivities (known as the "Greeks") to movements of different factors (1 basis point for interest rates and credit spreads, 1 percentage points for shares, exchange rates and volatility).

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

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

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

The six months under review were characterized by uneven market trends and the ongoing reduction of interest rates and spreads between Italy and Germany. In particular the spread on ten-year BTP/*Bund fell* to a low of 130 basis points at end-December, with yields having halved in the course of 2014 now below 2%. Expectations of quantitative easing measures by the ECB, officially announced on 22 January 2015, buoyed debt security prices.

The greater market stability drove a reduction in the VaR at the aggregate level, i.e. including also the available for sale portfolio, with the average reading declining from €28.6m to €23.9m, and stabilizing at around €20m in the last two months.

The equity component in particular fell from €17m to €10.5m, with the reading at end-December 2014 slightly under €9m, while volatility more than halved, from €2.3m to €1m. The interest rate component bucked the trend slightly, rising from €15m to €16.7m, with a peak of over €27m recorded in the second half of October, just before the official results of the ECB stress tests were announced, which in the end had limited impact on markets, affecting only the weaker financial institutions. The contributions from exchange rates and inflation were largely stable.

Tab. 1: Value at Risk and Expected Shortfall of asset structure

Risk factors (€'000)	**6 mths to 31/12/14**				**6 mths to 31/12/13**
	31/12	**Min.**	**Max.**	**Avg.**	**Avg.**
Interest rates	12,894	11,064	27,750	16,709	14,967
- of which: specific risk	*5,753*	*4,052*	*8,691*	*6,033*	*6,684*
Share prices	8,973	8,405	13,049	10,557	17,484
Exchange rates	5,568	1,087	7,313	2,670	2,547
Inflation	3,501	835	4,201	1,673	1,640
Volatility	1,330	436	1,958	1,075	2,322
*Diversification effect**	*(11,021)*	*(4,543)*	*(13,678)*	*(8,815)*	*(10,398)*
TOTAL 1	21,246	17,279	35,107	23,869	28,562
Expected Shortfall	33,172	31,666	64,241	45,217	64,871

* Due to mismatches between risk factors.

The reduction in the expected shortfall,[3] from €64.9m to €45.2m (with a low of €31.7m) is principally linked to the fact that the period of greatest instability, i.e. the summer of 2012, no longer being included in the sample.

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

The VaR on the trading book bucked this trend, with the average reading rising from €7.8m to €9.3m due to the lower diversification effect of €4.3m (€5.3m) and the increased contribution from exchange rates (up from €4.1m to €6.8m) due to the presence of indirect positions held in order to hedge the banking book (the aggregate forex VaR is in fact very low). The other items all showed reduced risk levels: interest rates down from €4.1m to €3.3m; equities down from €1.6m to €1.3m; and volatility more than halved since the balance-sheet date, down from €2.7m to €1.3m.

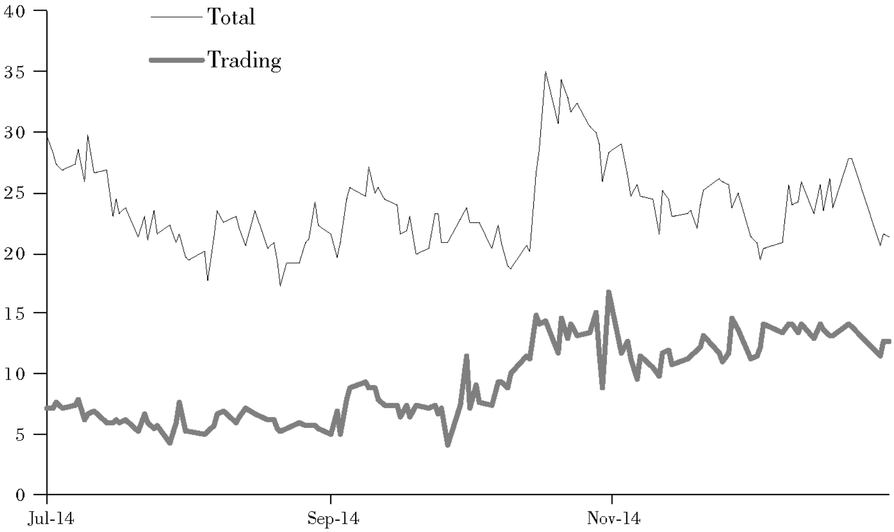
Tab. 2: Value at Risk and Expected Shortfall of trading book

Risk factors (€'000)	**6 mths ended 31/12/14**				**6 mths ended 31/12/13**
	31/12	**Min.**	**Max.**	**Avg.**	**Avg.**
Interest rates	3,270	2,110	6,269	3,278	4,158
- of which: specific risk	*1,830*	*1,252*	*2,972*	*1,972*	*1,580*
Share prices	1,272	748	3,120	1,336	1,622
Exchange rates	10,748	1,752	13,331	6,781	4,123
Inflation	797	257	972	450	433
Volatility	1,729	442	2,850	1,353	2,771
*Diversification effect**	*(5,249)*	*(2,521)*	*(8,039)*	*(4,379)*	*(5,316)*
TOTAL	12,568	4,098	16,717	9,268	7,791
Expected shortfall	12,490	7,069	17,256	11,439	13,661

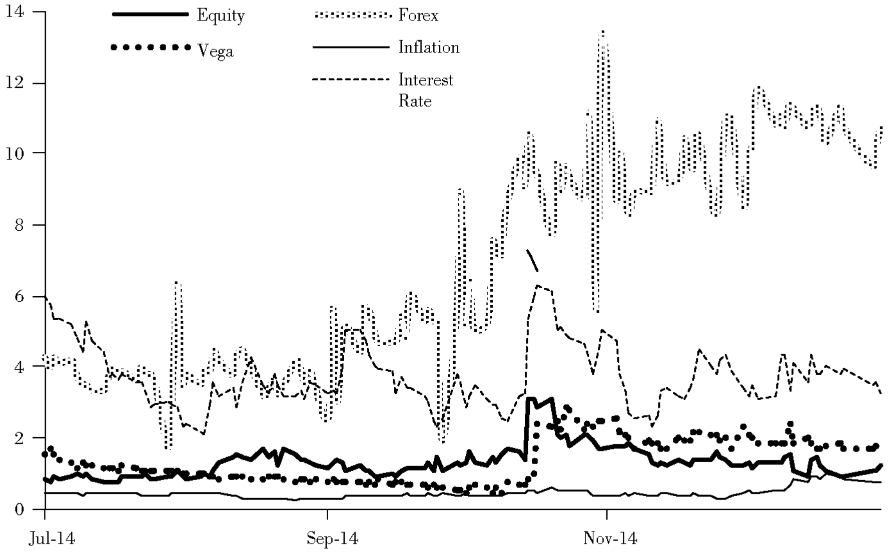
* Due to mismatches between risk factors.

In line with the trend seen for the aggregate figures, the expected shortfall decreased from €13.7m to €11.4m.

Trends in VaR



Trends in VaR constituents



The results of the daily back-testing based on calculations of theoretical profits and losses[4] confirm the effectiveness of VaR, with only one breach recorded during the six months under review, (in line with the theoretical level of 1% of the readings, due chiefly to movements in the Italian government securities curve.

The trading portfolios of the other Group companies continue to be negligible. The most significant contributor after Mediobanca S.p.A. is Compagnie Monégasque de Banque, whose average VaR reading for the period, again based on a 99% confidence level, was €771,000, higher than the €383,000 recorded last year, in view of the growth in the stock of fixed-rate debt securities and certain refinements made to both the calculation model and scope of observation.

With reference to the sensitivity of net interest income, the trading book (Mediobanca S.p.A. only) as at 31 December 2014 showed a gain of €2.4m in the event of a 100 bps rise in interest rates, which reduces to approx. €1.6m in the opposite scenario (100 bps reduction).

Data at 31/12/14 €/m		**Trading Book**
Net interest income sensivity	+ 100 bps	2.41
	- 100 bps	1.64
Discounted value of cash flow sensivity	+ 100 bps	(68.39)
	- 100 bps	16.11

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

1.2.2 INTEREST RATE AND PRICE RISK – BANKING BOOK

QUALITATIVE INFORMATION

The Mediobanca Group monitors and manages interest rate risk by analysing the sensitivity of net interest income and economic value to interest rate changes. The first type of sensitivity analysis quantifies the impact of a parallel, instantaneous 100 basis point change in the interest rate curve, until the year-end, i.e. over a time horizon of six months. The second type of sensitivity is calculated by comparing the discounted value of estimated cash flows obtained with the return curve at the current date and the value obtained using a return curve increased or reduced by 100 basis points ("parallel shock").

With reference to the positions held as part of the banking book as at 31 December 2014, in the event of a 100 bps increase in interest rates, net interest income would decline slightly, by approx. €10.7m, due to negative contributions from the consumer area (€4.1m) and the CheBanca! retail division (€8.6m) which historically show higher exposure to fixed interest rates, not being offset by the increase at parent company level (€2.1m). Conversely, a 100 bps reduction in interest rates would generate a loss for Mediobanca of €3.9m, which would be almost entirely offset bu the gains recorded by Compass (€1.1m) and CheBanca! (€1.1m).

A positive, 100 basis-point shock on the discounted value of future cash flows from the Group's banking book would generate a €96.1m increase for Mediobanca S.p.A., due chiefly to an increase in the duration of the investments in the debt security component since the balance-sheet date. The trend is confirmed by Compass and CheBanca!, both of which would record reductions, of €4.4m and €148.5m respectively. Conversely, a 100 bps reduction in interest rates would drive a €160.8m increase for the Group as a whole.

The data described above are summarized in numerical form in the table below:

Data at 31/12/14 €/m		Banking Book		
		Mediobanca SpA	CheBanca!	Compass
Net interest income sensivity	+ 100 bps	2.08	(8.64)	(4.14)
	- 100 bps	(3.87)	1.08	1.10
Discounted value of cash flow sensivity	+ 100 bps	(96.17)	(148.52)	(4.14)
	- 100 bps	75.90	83.55	1.36

At Group level, the values obtained in both scenarios continue to remain within the limits set by both the monitoring regulations and operational controls, which are 7.5% (net interest income sensitivity (including trading book[5])/ regulatory capital) and 15% (sensitivity of economic value/regulatory capital).

Hedging

Hedges are intended to neutralize possible losses that may be incurred on a given asset or liability, due to the volatility of a certain financial risk factor (interest rate, exchange rate, credit or some other risk parameter), through the gains that may be realized on a hedge instrument which allow the changes in fair value or cash flows to be offset. For fair value hedges in particular, the Group seeks to minimize the financial risk on interest rates by bringing the entire interest-bearing exposure in line with Euribor (generally Euribor 3 months).[6]

[5] See comments on p. 156.

[6] This target is maintained even in the presence of hedging contracts with market counterparties with netting agreements and CSAs (collateralized standard agreements) have been entered into, the valuation of which is made on the basis of Eonia interest rates.

B. Fair value hedges

Fair value hedges are used to neutralize exposure to interest rate, price or credit risk for particular asset or liability positions, via derivative contracts entered into with leading counterparties with high credit standings. All fixed-rate, zero coupon and structured bond issues are fair-value hedged for interest rate risk. With regard to the structured bonds in particular, if they do not show risks related to the main risk, the interest-rate component (hedge) is stripped out from the other risks represented in the trading book, and usually hedged by trades of the opposite sign.

Fair value hedges are also used in corporate finance for certain bilateral, fixed-rate transactions and to mitigate price risk on equity investments held as available for sale.

C. Cash flow hedges

These are used chiefly as part of certain Group companies' operations, in particular those operating in consumer credit and leasing. In these cases the numerous, generally fixed-rate and relatively small-sized transactions are hedged by floating-rate deposits for large amounts. The hedge is made in order to transform floating-rate deposits into fixed rate positions, correlating the relevant cash flows. Normally the Group uses the derivative to fix the expected cost of deposits over the reference period, to cover floating-rate loans outstanding and future transactions linked to systematic renewals of such loans upon their expiring.

Mediobanca S.p.A. also implements cash flow hedges to cover the equity risk linked to shares held as available for sale by executing forward contracts.

Counterparty risk

This is measured in terms of expected potential market value, thus doing away with the need to set arbitrary weightings for each type of fund employed. As far as regards derivatives and loan collateralization products (repos and securities lending), the calculation is based on determining the maximum potential exposure (assuming a 95% confidence level) at various points on a time horizon that reaches up to 30 years. The scope of application regards all groups of counterparties which have relations with Mediobanca, taking into account the existence or otherwise of netting agreements (e.g. ISDA, GMSLA or GMRA) and collateralization (e.g. CSA), plus exposures deriving from interbank market transactions. For each type of operations there are different ceilings split by counterparty and/or group.

Finally, non-collateralized derivatives transactions, as required by IFRS 13, the fair value incorporates the effects of the counterparty's credit risk (CVA) and also of Mediobanca's credit risk (DVA) based on the future exposure profile of the aggregate of such contracts outstanding.

1.2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

A. General aspects, operating processes and measurement techniques

B. Hedging activity

Risks deriving from movements in exchange rates for all the Bank's positions (trading and banking books), are managed by the Financial Markets division. The degree of risk in this area is thus effectively represented by the respective VaR component as shown on p. 152.

The average reading, of €2.7m, represents the balance between two different phases: in the first months the positions were basically closed, with a VaR comprised within a range of between €1m and €2m, while in November and December VaR was higher, reaching a peak of €7m, due to long positions taking in USD in particular as part of a hedging strategy to cover the growing international tensions, and the diverging performances of the economies and interest rates in the United States and the Eurozone.

1.2.4 DERIVATIVE PRODUCTS

A. Financial derivatives

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

Underlying assets / Type of derivatives	Total 31/12/14		Total 30/6/14	
	Over the counter	Clearing House	Over the counter	Clearing House
1. Debt securities and interest rate indexes	106,467,763	48,864,457	107,668,064	57,001,046
a) Options	—	46,722,971	—	54,769,947
b) Swap	93,856,093	—	91,433,064	—
c) Forward	451,670	—	—	—
d) Futures	—	2,141,486	—	2,231,099
e) Others	12,160,000	—	16,235,000	—
2. Equity instruments and stock indexes	11,405,247	11,379,310	11,175,472	15,089,394
a) Options	9,163,652	11,043,613	10,468,337	14,792,475
b) Swap	1,899,438	—	707,135	—
c) Forward	342,157	—	—	—
d) Futures	—	335,697	—	296,919
e) Others	—	—	—	—
3. Gold and currencies	15,795,995	—	11,866,711	—
a) Options	360,447	—	911,480	—
b) Swap	4,874,180	—	4,299,466	—
c) Forward	10,561,368	—	6,655,765	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other underlyings	—	—	—	—
Total	133,669,005	60,243,767	130,710,247	72,090,440
Average amounts	132,769,225	66,167,103	139,848,343	85,307,451

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

A.2.1 Hedge derivatives

Underlying assets / Type of derivatives	Total 31/12/14		Total 30/6/14	
	Over the counter	Clearing house	Over the counter	Clearing house
1. Debt securities and interest rate indexes	19,559,011	—	23,654,293	—
a) Options	—	—	—	—
b) Swap	19,300,613	—	23,395,895	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	258,398	—	258,398	—
2. Equity instruments and stock indexes	194,006	—	27	—
a) Options	27	—	27	—
b) Swap	—	—	—	—
c) Forward	193,979	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Gold and currencies	2,729	—	2,798	—
a) Options	—	—	—	—
b) Swap	2,729	—	2,798	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other underlyings	—	—	—	—
Total	19,755,746	—	23,657,118	—
Average amounts	21,743,445	—	25,665,506	—

A.2.2 Other derivatives

Underlying assets / Type of derivatives	Total 31/12/14		Total 30/6/14	
	Over the counter	Clearing house	Over the counter	Clearing house
1. Debt securities and interest rate indexes	457,251	—	507,251	—
a) Options	—	—	—	—
b) Swap	457,251	—	507,251	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equity instruments and stock indexes	4,107,806	—	4,650,601	—
a) Options	4,107,806	—	4,650,601	—
b) Swap	—	—	—	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Gold and currencies	2,480	—	2,205	—
a) Options	—	—	—	—
b) Swap	2,480	—	2,205	—
c) Forward	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other underlyings	—	—	—	—
Total	4,567,537	—	5,160,057	—
Average amounts	4,817,031	—	6,114,314	—

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

Portfolios / Types of derivatives	Positive fair value			
	31/12/14		30/6/14	
	Over the counter	Clearing house	Over the counter	Clearing house
A. Regulatory trading portfolio	4,931,951	485,591	4,621,321	537,400
a) Options	934,917	473,142	1,422,408	530,800
b) Interest rate swap	3,564,837	—	2,981,272	—
c) Cross currency swap	126,534	—	94,625	—
d) Equity Swap	57,303	—	14,255	—
e) Forward	248,360	—	108,761	—
f) Futures	—	12,449	—	6,600
g) Other	—	—	—	—
B. Banking book - Hedging derivatives	1,305,477	—	1,232,101	—
a) Options	—	—	—	—
b) Interest rate swap	1,010,115	—	1,031,455	—
c) Cross currency swap	—	—	41	—
d) Equity Swap	—	—	—	—
e) Forward	1,601	—	—	—
f) Futures	—	—	—	—
g) Other	293,761	—	200,605	—
C. Banking book - Other derivatives	93,434	—	105,522	—
a) Options	82,943	—	93,037	—
b) Interest rate swap	10,491	—	12,485	—
c) Cross currency swap	—	—	—	—
d) Equity Swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	6,330,862	485,592	5,958,944	537,400

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

Portfolios / Types of derivatives	Negative fair value			
	Total 31/12/14		Total 30/6/14	
	Over the counter	Clearing House	Over the counter	Clearing House
A. Regulatory trading portfolio	(4,927,174)	(573,201)	(4,738,803)	(722,356)
a) Options	(727,419)	(565,489)	(1,187,818)	(718,230)
b) Interest rate swap	(3,794,916)	—	(3,252,296)	—
c) Cross currency swap	(178,777)	—	(103,754)	—
d) Equity swap	(45,410)	—	(82,142)	—
e) Forward	(180,652)	—	(112,793)	—
f) Futures	—	(7,712)	—	(4,126)
g) Others	—	—	—	—
B. Banking book - Hedging derivatives	(590,108)	—	(554,938)	—
a) Options	(293,765)	—	(200,610)	—
b) Interest rate swap	(294,410)	—	(354,196)	—
c) Cross currency swap	(240)	—	(132)	—
d) Equity swap	—	—	—	—
e) Forward	(1,693)	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
C. Banking book - Other derivatives	(264,731)	—	(267,753)	—
a) Options	(260,695)	—	(265,747)	—
b) Interest rate swap	(3,968)	—	(1,981)	—
c) Cross currency swap	(68)	—	(25)	—
d) Equity swap	—	—	—	—
e) Forward	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	(5,782,013)	(573,201)	(5,561,494)	(722,356)

A.5 OTC financial derivatives: regulatory trading book – notional values, gross positive and negative fair values by counterparty, contracts not forming part of netting arrangements

Contracts not included in netting agreement	Governments and central banks	Other public-sector entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Debt securities and interest rate indexes							
- notional amount	—	—	630,000	1,179,293	—	6,157,752	—
- positive fair value	—	—	18,092	105,461	—	222,995	—
- negative fair value	—	—	(7,174)	(21,022)	—	(456,902)	—
- future exposure	—	—	3,150	6,725	—	51,248	—
2. Equity instruments and stock indexes							
- notional amount	—	—	—	828,930	—	954,887	—
- positive fair value	—	—	—	44,520	—	44,706	—
- negative fair value	—	—	—	—	—	(65,792)	—
- future exposure	—	—	—	25,628	—	61,956	—
3. Gold and currencies							
- notional amount	—	—	—	203,725	—	1,132,258	—
- positive fair value	—	—	—	4,585	—	47,505	—
- negative fair value	—	—	—	(1,180)	—	(28,641)	—
- future exposure	—	—	—	4,805	—	53,575	—
4. Other instruments							
- notional amount	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

A.6 OTC financial derivatives: regulatory trading book – notional values, gross positive and negative fair values by counterparty, contracts forming part of netting arrangements

Contracts included in netting agreement	**Governments and central banks**	**Other public-sector entities**	**Banks**	**Financial companies**	**Insurance companies**	**Non-financial companies**	**Other entities**
1. Debt securities and interest rate indexes							
- notional amount	—	—	69,656,038	26,974,702	1,159,978	710,000	—
- positive fair value (before netting)	—	—	2,331,374	993,152	113,728	119,551	—
- negative fair value (before netting)	—	—	(2,521,340)	(958,471)	(2,249)	—	—
2. Equity instruments and stock indexes							
- notional amount	—	—	8,532,659	1,030,464	58,309	—	—
- positive fair value (before netting)	—	—	424,528	198,894	—	—	—
- negative fair value (before netting)	—	—	(318,373)	(206,376)	(252)	—	—
3. Gold and currencies							
- notional amount	—	—	12,992,652	1,025,169	71,545	370,645	—
- positive fair value (before netting)	—	—	212,895	44,243	852	4,868	—
- negative fair value (before netting)	—	—	(288,543)	(15,832)	—	(35,028)	—
4. Other instruments							
- notional amount	—	—	—	—	—	—	—
- positive fair value (before netting)	—	—	—	—	—	—	—
- negative fair value (before netting)	—	—	—	—	—	—	—

A.7 OTC financial derivatives: banking book – notional value, gross positive and negative fair values by counterparty, contracts not forming part of netting arrangements

Contracts not included in netting agreement	Governments and central banks	Other public-sector entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Debt securities and interest rate indexes							
- notional amount	—	—	200,049	—	—	—	—
- positive fair value	—	—	295,270	—	—	—	—
- negative fair value	—	—	(10,170)	—	—	—	—
- future exposure	—	—	685	—	—	—	—
2. Equity instruments and stock indexes							
- notional amount	—	—	—	—	—	—	27
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	(5)
- future exposure	—	—	—	—	—	—	2
3. Gold and currencies							
- notional amount	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
4. Other instruments							
- notional amount	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

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

Contracts included in netting agreement	Governments and central banks	Other public-sector entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Debt securities and interest rate indexes							
- notional amount	—	—	16,917,689	2,441,272	—	—	—
- positive fair value	—	—	819,730	188,876	—	—	—
- negative fair value	—	—	(501,183)	(76,817)	—	—	—
2. Equity instruments and stock indexes							
- notional amount	—	—	193,979	—	—	—	—
- positive fair value	—	—	1,601	—	—	—	—
- negative fair value	—	—	(1,693)	—	—	—	—
3. Gold and currencies							
- notional amount	—	—	2,729	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	(240)	—	—	—	—
4. Other instruments							
- notional amount	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

B. Credit derivatives

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

Type of transaction	Regulatory trading book		Banking book other contracts	
	with a single counterparty	with more than one counterparty (basket)	with a single counterparty	with more than one counterparty (basket)
1. Protection buyer's contracts				
a) Credit default products	14,476,597	33,113,039	361,155	11,500
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total 31/12/14	14,476,597	33,113,039	361,155	11,500
Average amounts	1,603,931	32,995,154	390,543	11,500
Total 30/06/14	1,758,913	(32,870,769)	(413,264)	(18,000)
2. Protection sellerr's contracts				
a) Credit default products	—	32,719,517	43,700	1,131,828
b) Credit spread products	1,047,983	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total 31/12/14	1,047,983	32,719,517	43,700	1,131,828
Average amounts	1,109,141	32,794,770	44,892	1,128,957
Total 30/06/14	1,041,435	(32,613,322)	(114,627)	(1,382,786)

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

Portfolios / Types of derivatives	Positive Fair Value	
	31/12/14	30/6/14
A. Regulatory trading book	392,318	515,962
a) Credit default products	392,318	515,962
b) Credit spread products	—	—
c) Total rate of return swaps	—	—
d) Others	—	—
B. Banking book	19,975	21,181
a) Credit default products	19,975	21,181
b) Credit spread products	—	—
c) Total rate of return swaps	—	—
d) Others	—	—
Total	412,293	537,143

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

Portfolios / Types of derivatives	Negative Fair Value	
	31/12/14	30/6/14
A. Regulatory trading book	(354,242)	(480,281)
a) Credit default products	(354,242)	(480,281)
b) Credit spread products	—	—
c) Total rate of return swaps	—	—
d) Others	—	—
B. Banking book	(17,051)	(19,183)
a) Credit default products	(17,051)	(19,183)
b) Credit spread products	—	—
c) Total rate of return swaps	—	—
d) Others	—	—
Total	(371,293)	(499,464)

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

Contracts included in netting agreement	Governments and central banks	Other public-sector entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
Regulatory trading portfolio							
1. Protection purchase							
- notional amount	—	—	33,948,372	641,264	—	—	—
- positive fair value	—	—	77,118	963	—	—	—
- negative fair value	—	—	(277,392)	(9,110)	—	—	—
2. Protection sale							
- notional amount	—	—	33,329,945	470,930	—	—	—
- positive fair value	—	—	292,486	21,750	—	—	—
- negative fair value	—	—	(66,793)	(946)	—	—	—
Banking portfolio							
1. Protection purchase							
- notional amount	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
2. Protection sale							
- notional amount	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

* Derivatives embedded in bonds issued not included.

C. Credit and financial derivatives

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

	Governments and central banks	Other public-sector entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1) Netting agreements related to Financial Derivatives							
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
- net counterparty risk	—	—	—	—	—	—	—
2) Netting agreements related to Credit Derivatives							
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
- net counterparty risk	—	—	—	—	—	—	—
3) Cross product netting agreements							
- positive fair value	—	—	515,757	286,857	112,331	89,391	—
- negative fair value	—	—	(331,577)	(572,928)	(252)	—	—
- future exposure	—	—	696,800	207,651	10,793	23,021	—
- net counterparty risk	—	—	715,416	418,279	68,773	87,552	—

(*) Represents the sum of positive fair value and future exposure. Net of cash collateral received totalling €649,601,000, €494,161,000 for banks, €76,230,000 for financial companies, €54,350 for insurances and €24,860,000 for other non-financial companies; conversely, in respect of the negative fair values, cash collateral amounting to €333,850,000 has been paid, €233,600,000 of which to banks, €98,980,000 to financial companies and €1,270,000 to insurances.

1.3 BANKING GROUP: LIQUIDITY RISK

QUALITATIVE INFORMATION

The Mediobanca Group monitors and manages liquidity risk in accordance with the provisions of internal documents approved in accordance with Bank of Italy circular no. 263/06 (as amended): the Liquidity risk management policy (the "Policy") and the Contingency funding plan ("CFP"). The basic principles on which the Policy is based are as follows:

– identifying the parties, responsibilities and duties for controlling liquidity risk for the Group as a whole and for the individual Group companies;
– defining and monitoring the short-term risk limits (operating liquidity), which considers events that would have an impact on the Bank's liquidity position within a timeframe of up to twelve months;
– defining and monitoring medium-/long-term liquidity (structural liquidity), which considers events that would have an impact on the Bank's liquidity position within a timeframe of over twelve months;
– defining a pricing system of internal fund transfers between the Group's various units and companies.

The Group's objective is to maintain a level of liquidity that will allow it to meet the payment obligations it has undertaken, ordinary and extraordinary, while at the same time keeping the costs involved to a minimum.

Specifically, monitoring operating liquidity is intended to ensure that the mismatch between cash inflows and outflows remains sustainable at all times. In this connection the metric adopted is the ratio between counterbalancing capacity (defined principally as the availability post-haircut of bonds and receivables eligible for refinancing with the ECB) and the cumulative net cash outflows. Cash flows are determined in two analysis scenarios, namely the ongoing concern and the specific and systemic stress scenarios.

Monitoring structural liquidity, on the other hand, is intended to ensure that the structure has an adequate financial balance for maturities of more than twelve months. The operating methods adopted involve analysing the maturity profiles for both assets and liabilities over the medium and long term checking that inflows cover 100% of outflows for maturities of more than one year, reduced to 90% of outflows for maturities of more than five years.

In addition to the above, the Liquidity and ALM and Risk Management unit teams also carry out weekly stress tests assuming extraordinary factors such as a) drawdowns on committed lines granted to customers, b) reductions in the debt security funding or unsecured funding channels, c) renewal of only part of the retail funding expiring, and d) anticipation and full realization of lending volumes in the pipeline.

In addition to the previous indicators, a Contingency Liquidity Policy has also been adopted for implementation in the event of a crisis occurring, by following a defined procedure approved by the Board of Directors which identifies parties, responsibilities, communications processes and criteria for reporting, in an attempt to ensure that the state of emergency is dealt with successfully.

To this end a dashboard has been designed for reporting which, together with the stress test analyses, produces a system of early warning indicators (EWIs). The dashboard is a useful instrument for assisting the management in monitoring situations that could lead to a deterioration in the Group's liquidity position deriving from external factors (market or sector) or from situations which are peculiar to the Banking Group itself.

From a regulatory viewpoint, as from 30 June 2014 the Mediobanca Group has begun reporting the metrics stipulated by EU Regulation 575/2013, namely the liquidity coverage ratio (LCR) and the stable funding ratio (SF).

The Group has also adopted the regulatory metrics stipulated by the Basel Committee, namely the LCR and the net stable funding ratio (NSFR) in order to define liquidity risk as part of the Risk Appetite Framework. Apart from the regulatory indicators LCR and NSFR, the RAF also monitors the funding mix via the retail funding ratio.

The ALM steering committee is responsible for monitoring the overall liquidity situation and sustainability of the business areas' development in view of the Bank's and the Group's asset structure.

In the six months under review, the process of redefining the Group's funding sources continued, taking into account the debt securities falling due (approx. €3.7bn), and the competition facing the CheBanca! retail channel (where direct funding fell from €11.5bn to €10.9bn). This process has been assisted by the disposal schemes operated on the bond side, while wholesale loans recorded a slight increase.

The large debt security portfolio ensured that the balance of expected net outflows was below the counterbalancing capacity in both the normal business and stressed scenarios, and that the supervisory limits/thresholds provided for in the Policy were complied with throughout the twelve months.

At 31 December 2014 the Stock of bonds deliverable in exchange for cash to the ECB (net of haircuts) totalled approx. €10bn (30/6/14: €12bn), while the balance of liquidity reserves established at the European Central bank amounted to approx. €6.7bn (30/6/14: €7.4bn), €1.5bn (€1.8bn) of which in the form of cash not used.

The CRR, LCR and NSFR ratios were at all times above the limits set at all the observation dates.

QUANTITATIVE INFORMATION

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

Items/maturities	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	3,405,868	2,215,009	1,443,422	2,796,018	4,450,822	2,663,730	5,393,031	20,403,805	9,656,972	24,746
A.1 Government securities	999	78,131	169,937	205,122	428,201	303,545	576,192	4,085,026	1,023,019	—
A.3 Other debt securities	1	—	178,955	315,273	232,831	120,716	390,273	1,566,818	1,704,042	—
A.4 UCITS units	31,884	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	3,372,984	2,136,878	1,094,530	2,275,623	3,789,790	2,239,469	4,426,566	14,751,961	6,929,911	24,746
– to banks	1,769,274	153,106	121,222	610,314	1,222,188	130,195	598,998	442,043	46,053	7,137
– to customers	1,603,710	1,983,772	973,308	1,665,309	2,567,602	2,109,274	3,827,568	14,309,918	6,883,858	17,609
Cash liabilities	(8,871,405)	(2,052,730)	(2,216,974)	(3,420,249)	(7,751,705)	(4,017,016)	(5,300,106)	(13,554,262)	(5,043,496)	(7,061)
B.1 Deposits and current accounts	(8,865,611)	(1,897,175)	(1,838,728)	(2,488,303)	(6,386,133)	(2,310,838)	(3,331,928)	(2,001,100)	(343,087)	(7,008)
– to banks	(4,099,909)	(494,677)	(1,288,398)	(1,444,216)	(4,033,995)	(18,867)	(420,527)	(897,521)	(293,940)	(242)
– to customers	(4,765,702)	(1,402,498)	(550,330)	(1,044,087)	(2,352,138)	(2,291,971)	(2,911,401)	(1,103,579)	(49,147)	(6,766)
B.2 Debt securities	(3,445)	(871)	(36,086)	(113,380)	(655,260)	(1,706,172)	(1,968,178)	(11,526,042)	(4,700,409)	(53)
B.3 Other liabilities	(2,349)	(154,684)	(342,160)	(818,566)	(710,312)	(6)	—	(27,120)	—	—
Off-balance-sheet transactions	10,072,759	7,958,742	1,005,518	2,673,260	5,647,977	908,499	2,469,919	9,546,513	8,575,582	40,000
C.1 Financial derivatives with exchange of principal	—	56	11,350	474,742	1,988,883	230,871	121,939	126,300	219,198	—
– long positions	—	—	5,675	158,128	1,189,701	147,190	24,672	50,624	129,198	—
– short positions	—	56	5,675	316,614	799,182	83,681	97,267	75,676	90,000	—
C.2 Financial derivatives without principal exchange of	8,692,960	1,955	14,135	58,057	103,343	175,224	225,263	—	—	—
– long positions	4,368,300	438	10,692	35,955	65,814	122,179	121,723	—	—	—
– short positions	4,324,660	1,517	3,443	22,102	37,529	53,045	103,540	—	—	—
C.3 Deposits and loans for collection	—	3,968,218	862,704	1,498,497	1,775,950	58,819	840,944	4,156,582	4,316,816	—
– long positions	—	3,968,218	861,324	1,498,497	1,344,556	1,380	552,797	512,493	—	—
– short positions	—	—	1,380	—	431,394	57,439	288,147	3,644,089	4,316,816	—
C.4 Irrevocable commitments to disburse funds *	1,002,452	3,988,513	99,329	639,937	1,609,501	127,885	1,039,850	2,516,295	2,495,937	—
– long positions	45,078	32	54,209	27,298	994,991	115,808	516,958	2,512,001	2,493,474	—
– short positions	957,374	3,988,481	45,120	612,639	614,510	12,077	522,892	4,294	2,463	—
C.5 Financed guarantees issued	34,416	—	—	2,027	500	450	1,473	9,086	2,581	40,000
C.6 Financial guarantees received	—	—	—	—	—	—	—	—	—	—
C.7 Credit derivatives with exchange of principal	—	—	18,000	—	169,800	315,250	240,450	2,738,250	1,541,050	—
- long positions	—	—	7,500	—	58,300	213,700	72,200	1,701,300	458,400	—
- short positions	—	—	10,500	—	111,500	101,550	168,250	1,036,950	1,082,650	—
C.8 Credit derivatives without exchange of principal	342,931	—	—	—	—	—	—	—	—	—
– long positions	172,730	—	—	—	—	—	—	—	—	—
– short positions	170,201	—	—	—	—	—	—	—	—	—

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

Currency of denomination: US DOLLARS

Items/maturities	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	560,636	111,085	80,902	17,911	146,219	168,148	180,349	612,074	652,454	15
A.1 Government securities	—	—	—	—	77,684	—	4,184	30,583	50,336	—
A.3 Other debt securities	1,099	2,814	78,337	8,932	8,170	6,037	29,928	205,221	150,233	—
A.4 UCITS units	1,477	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	558,060	108,271	2,565	8,979	60,365	162,111	146,237	376,270	451,885	15
– to banks	554,873	25,007	2,036	364	(496)	42	25,303	12,028	401	—
– to customers	3,187	83,264	529	8,615	60,861	162,069	120,934	364,242	451,484	15
Cash liabilities	(930,198)	(72,721)	(14,105)	(8,795)	(13,121)	(11,707)	(206,770)	(309,362)	(10,437)	(7)
B.1 Deposits and current accounts	(930,194)	(72,721)	(13,239)	(8,529)	(5,373)	(6,101)	(9,481)	—	—	(7)
– to banks	(533,158)	(75)	(3,156)	(264)	(1,444)	(2,025)	(3,985)	—	—	—
– to customers	(397,036)	(72,646)	(10,083)	(8,265)	(3,929)	(4,076)	(5,496)	—	—	(7)
B.2 Debt securities	(4)	—	—	(266)	(1,423)	(5,606)	(197,289)	(309,362)	(10,437)	—
B.3 Other liabilities	—	—	(866)	—	(6,325)	—	—	—	—	—
Off-balance-sheet transactions	990,399	2,334,098	124,257	403,972	462,091	502,670	445,515	3,582,077	1,515,655	—
C.1 Financial derivatives with exchange of principal	—	2,334,080	122,825	367,586	362,146	327,189	272,931	3,409,352	1,294,489	—
– long positions	—	1,339,441	19,506	156,543	152,333	6,894	109,847	1,409,143	—	—
– short positions	—	994,639	103,319	211,043	209,813	320,295	163,084	2,000,209	1,294,489	—
C.2 Financial derivatives without principal exchange of	525,384	18	239	110	162	3,023	4,028	—	—	—
– long positions	280,319	—	150	46	31	2,829	2,998	—	—	—
– short positions	245,065	18	89	64	131	194	1,030	—	—	—
C.3 Deposits and loans for collection	—	—	946	—	—	—	—	—	946	—
– long positions	—	—	946	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	946	—
C.4 Irrevocable commitments to disburse funds *	124,286	—	—	36,029	—	48,909	73,053	29,326	20,854	—
– long positions	—	—	—	36,029	—	48,909	31,111	29,326	20,854	—
– short positions	124,286	—	—	—	—	—	41,942	—	—	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—
C.6 Financial guarantees received	—	—	—	—	—	—	—	—	—	—
C.7 Credit derivatives with exchange of principal	—	—	247	247	99,783	123,549	95,503	143,399	199,366	—
- long positions	—	—	247	—	41,655	41,183	45,301	44,478	158,183	—
- short positions	—	—	—	247	58,128	82,366	50,202	98,921	41,183	—
C.8 Credit derivatives without exchange of principal	340,729	—	—	—	—	—	—	—	—	—
– long positions	175,438	—	—	—	—	—	—	—	—	—
– short positions	165,291	—	—	—	—	—	—	—	—	—

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

Currency of denomination: OTHER

Items/maturities	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	90,176	195,644	9,604	168,339	128,963	28,882	21,453	169,059	11,119	10
A.1 Government securities	—	—	—	—	—	—	—	—	—	—
A.3 Other debt securities	—	—	9,083	45,202	13,009	17	135	2,495	5,464	—
A.4 UCITS units	—	890	—	—	—	—	—	—	—	—
A.5 Loans and advances	90,176	194,754	521	123,137	115,954	28,865	21,318	166,564	5,655	10
– to banks	1,667	45,521	198	6	(1,420)	—	—	—	—	3
– to customers	88,509	149,233	323	123,131	117,374	28,865	21,318	166,564	5,655	7
Cash liabilities	(210,618)	(13,037)	(2,236)	(5,050)	(5,535)	(18,839)	(16,825)	(236,387)	(8)	—
B.1 Deposits and current accounts	(210,618)	(13,037)	(2,119)	(5,050)	(5,535)	(11,082)	(4,522)	—	—	—
– to banks	(19,107)	(150)	(198)	(270)	(920)	(2,170)	(3,790)	—	—	—
– to customers	(191,511)	(12,887)	(1,921)	(4,780)	(4,615)	(8,912)	(732)	—	—	—
B.2 Debt securities	—	—	(117)	—	—	(7,757)	(12,303)	(236,387)	(8)	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	450,274	776,143	871,557	716,730	1,012,826	812,879	1,448,248	1,938,056	198,304	—
C.1 Financial derivatives with exchange of principal	—	776,143	871,557	583,346	1,011,997	799,822	1,143,535	1,938,056	198,304	—
– long positions	—	555,199	391,735	298,824	496,352	399,911	402,827	888,845	—	—
– short positions	—	220,944	479,822	284,522	515,645	399,911	740,708	1,049,211	198,304	—
C.2 Financial derivatives without principal exchange of	52,219	—	—	—	829	1,654	5,524	—	—	—
– long positions	26,258	—	—	—	295	1,261	3,088	—	—	—
– short positions	25,961	—	—	—	534	393	2,436	—	—	—
C.3 Deposits and loans for collection	—	—	—	—	—	—	—	—	—	—
– long positions	—	—	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds *	387,486	—	—	133,384	—	11,403	242,699	—	—	—
– long positions	—	—	—	133,384	—	11,403	242,699	—	—	—
– short positions	387,486	—	—	—	—	—	—	—	—	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—
C.6 Financial guarantees received	—	—	—	—	—	—	—	—	—	—
C.7 Credit derivatives with exchange of principal	—	—	—	—	—	—	56,490	—	—	—
- long positions	—	—	—	—	—	—	28,245	—	—	—
- short positions	—	—	—	—	—	—	28,245	—	—	—
C.8 Credit derivatives without exchange of principal	10,569	—	—	—	—	—	—	—	—	—
– long positions	5,351	—	—	—	—	—	—	—	—	—
– short positions	5,218	—	—	—	—	—	—	—	—	—

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

1.4 BANKING GROUP – OPERATIONAL RISK

QUALITATIVE INFORMATION

Definition

Operating risk is the risk of incurring losses as a result of the inadequacy or malfunctioning of procedures, staff and IT systems, human error or external events.

Capital requirements for operational risk

Mediobanca has adopted the Basic Indicator Approach (BIA) in order to calculate the capital requirement for covering operating risk, applying a margin of 15% to the average of the last three years' readings of total income. Based on this method of calculation, the capital requirement as at the reporting date was unchanged versus the figure recorded at 30 June 2014, namely €254.9m.

Risk mitigation

Operational risks are managed, in Mediobanca and the main Group companies, by a specific Operational risk management team within the Risk Management unit.

The processes of identifying, assessing (including through self-risk assessment techniques), collecting and analysing loss data and mitigating operational risks are defined and implemented on the basis of the Operational risk management policy adopted at Group level and applied in accordance with the principle of proportionality in Mediobanca S.p.A. and the individual Group companies.

Based on the evidence obtained, action to mitigate the most relevant operational risks has been proposed, implemented and monitored on a constant basis.

In general, the operating losses recorded have been very low, accounting for less than 1% of the Group's total revenues.

Furthermore, with reference to the possibility of losses caused by interruptions in operations or systems being unavailable, the Group, partly as a result of a centralized IT governance unit being instituted, is in the process of developing operating continuity and disaster recovery plans to ensure that activity can continue and to limit operating losses in the event of serious interruptions.

Legal risk: risks deriving from litigation pending

For a description of the claims currently pending against Mediobanca S.p.A., please see pp. 47-48.

SECTION 5 - OTHER RISKS

QUALITATIVE INFORMATION

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

- concentration risk, i.e. risk deriving from a concentration of exposures to individual counterparties or groups of counterparties ("single name concentration risk") or to counterparties operating in the same economic sector or which operate in the same business or belong to the same geographical area (geographical/sector concentration risk);
- expected shortfall on credit portfolio risk – with reference to credit risk, the risk deriving from the failure to cover the positive difference between the total amount of the expected loss calculated with reference to credit exposures with performing counterparties, via the use of risk parameters (PD and LGD) estimated using internal models (not yet ratified for supervisory purposes) and the respective balance-sheet adjustments calculated according to the accounting standards in force;
- strategic risk, both in the sense of risk deriving from current and future changes in profits/margins compared to estimated data, due to volatility in volumes or changes in customer behaviour (business risk), and of current and future risk of reductions in profits or capital deriving from disruption to business as a result of adopting new strategic choices, wrong management decisions or inadequate execution of decisions taken (pure strategic risk);
- basis risk: in the context of market risk, basis risk is the risk of losses caused by unaligned price changes in opposite directions from each other, which are similar but not identical;
- compliance risk, i.e. the risk of incurring legal or administrative penalties, significant financial losses or damages to the Bank's reputation as a result of breaches of external laws and regulations or self-imposed regulations;
- reputational risk, i.e. the current and future risk of reductions in profits or capital deriving from a negative perception of the Bank's image by customers, counterparties, shareholders, investors or regulatory authorities;

– residual risk, i.e. the risk that the recognized techniques used by the Bank to mitigate credit risk should prove to be less effective than anticipated;
– risks deriving from securitizations – the risk that the economic substance of a securitization is not fully reflected in the valuation and risk management decisions taken;
– country risk – the risk of losses being caused by events in a country other than Italy. The concept of country risk is broader than sovereign risk, in the sense that it refers to all exposures regardless of the type of counterparty, i.e. whether or not they are individuals, companies, banks or public administrations;
– transfer risk – the risk that a bank with exposure to a party which finances itself in a currency other than that in which it receives is main income flows, should incur losses due to the borrower's difficulties in converting its currency into the currency in which the exposure is denominated.

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

Part F - Information on consolidated capital

SECTION 1

Consolidated capital

B. Quantitative information

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

Net equity constituents	Banking group	Insurance companies	Other companies	Elisions/ adjustments upon-consolidation	Total	Of which: minorities
Share capital	456,792	—	—	—	456,792	24,948
Share premium	2,126,099	—	—	—	2,126,099	2,786
Reserves	4,414,383	40,933	572	(2,398)	4,453,490	80,112
Equity instruments	—	—	—	—	—	—
Treasury shares	(199,233)	—	—	—	(199,233)	—
Valuetion reserves:	977,443	(229)	—	—	977,214	(3,860)
- AFS securities	385,987	3,937	—	(3,491)	386,433	—
- Property, plant and equipment	—	—	—	—	—	—
- Intangible assets	—	—	—	—	—	—
- Foreign investment hedges	—	—	—	—	—	—
- Cash flow hedges	(39,394)	—	—	—	(39,394)	(5,400)
- Exchange rate differences	(25)	—	122	—	97	—
- Non-current assets being sold	—	—	—	—	—	—
- Actuarial gains (losses) on defined-benefit pension schemes	(6,561)	—	11	196	(6,354)	(52)
- Share of valuation reserves represented by equity-accounted companies	622,374	(4,166)	(133)	3,295	621,370	—
- Special valuation laws	15,062	—	—	—	15,062	1,592
Gain (loss) for the period attributable to the Group/minorities	252,940	9,534	(895)	—	261,579	960
Total	8,028,424	50,238	(323)	(2,398)	8,075,941	104,946

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

B.2 AFS valuation reserves: composition

Assets/amounts	Banking group		Insurance companies		Other companies		Elisions/adjustments upon consolidation		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	154,910	(28,869)	3,936	—	—	—	(2,090)	20	156,756	(28,849)
2. Equities	334,059	(92,655)	—	—	—	—	—	—	334,059	(92,655)
3. OICR units	22,756	(4,214)	—	—	—	—	(1,430)	9	21,326	(4,205)
4. Loans and advances	—	—	—	—	—	—	—	—	—	—
Total at 31/12/14	511,724	(125,738)	3,936	—	—	—	(3,519)	29	512,141	(125,709)
Total at 30/6/14	608,477	(121,005)	2,923	—	—	—	(13,275)	7,669	598,125	(113,336)

B.3 AFS valuation reserves: movements during the period

	Debt securities	Equities	UCITS units	Loans	Total
1. Opening balance	134,733	329,651	20,405	—	484,789
2. Additions	22,023	4,408	921	—	27,352
2.1 Increases in fair value	21,841	4,408	921	—	27,170
2.2 Negative reserves charged back to profit and loss as a result of	182	—	—	—	182
– impairment	—	—	—	—	—
– disposals	182	—	—	—	182
2.3 Other additions	—	—	—	—	—
3. Reductions	28,849	92,655	4,205	—	125,709
3.1 Reductions in fair value	19,007	77,419	4,176	—	100,602
3.2 Adjustments for impairment	—	—	—	—	—
3.3 Positive reserves credited back to profit and loss as a result of: disposals	9,806	15,236	29	—	25,071
3.4 Other reductions	36	—	—	—	36
4. Balance at end of period	127,907	241,404	17,121	—	386,432

Section 2 - Regulatory and supervisory capital requirements for banks

Since its inception one of the distinguishing features of the Mediobanca Group has been the solidity of its financial structure, with capital ratios that have been consistently and significantly higher than those required by the regulatory guidelines, as shown by the recent Comprehensive Assessment and confirmed by the Internal Capital Adequacy Assessment Process (ICAAP). In general terms, with the introduction of the new regulations on Prudential supervision, which are geared to strengthening the capital solidity of the system, the Group has decided to improve its risk profile further by disposing of some of its riskier assets (investments in banks and insurances) and mitigating its concentration risk versus individual borrowers and geographies/sectors, shown in the most recent Basel II pillar III disclosure to the public (see www.mediobanca.it).

2.1 Scope of application of regulations

With reference to the new body of supervisory and corporate governance rules for banks, which consists of the Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR), incorporated into the Italian regulatory framework under Bank of Italy circular no. 285 issued in December 2013, the Group has applied the phase-in regime, which, once the requisite clearances were obtained, has involved:

- weighting the investment in Assicurazioni Generali at 370% (up to the book value recognized at 31 December 2012 only);
- neutralizing the valuation reserves for sovereign debt issued by EU member states and held as AFS financial assets for the purpose of calculating regulatory capital.

2.2 Bank equity

A. Qualitative information

Common Equity Tier 1 (CET1) capital consists of the share attributable to the Group and to minority shareholders of capital paid up, reserves and the profit for the period (€260.6m), adjusted for the estimated dividend based on the conventional pay-out ratio announced (40%) net of treasury shares (€199.2m), intangible assets (€51.3m), goodwill (€374.8m) and all the other prudential adjustments (€30.7m) in connection with the values of financial instruments (AVAs and DVAs). Deductions of €64.8m involve the investments in banking, financial and insurance companies, and have been calculated based on the phase-in and excess regimes.

No Additional Tier 1 (AT1) instruments have been issued.

Tier 2 capital includes the liabilities issued (€1,781.9m) plus 50% of the positive reserves for AFS securities (€438m) which does not include the net gain of EU member states' government securities (€56.3m) which were subject to neutralization. Deductions of €483m regard the investments in Tier 2 instruments, in particular subordinated loans to Italian insurance companies.

There are also three Tier 2 subordinated loans, all of which fall completely within the new regulatory definitions, hence there was no need for recourse to grand-fathering.

	31/12/14		
Issue	**ISIN**	**Nominal value**	**Book Value***
MB Secondo Atto 5% 2020 Lower Tier 2	IT0004645542	741,780	831,557
MB Quarto Atto a Tasso Variabile 2021 Lower Tier 2	IT0004720436	488,044	483,341
MB CARATTERE 5,75% 2023 Lower Tier 2	IT0004917842	493,801	559,222
Total subordinated securities		**1,723,625**	**1,874,120**

* Book value differs from share included in calculation of net equity as a result of the fair value and amortized cost items plus buyback commitments.

B. Quantitative information

	31/12/14	30/6/14
A. Tier 1 capital prior to application of prudential filters	7,931,015	7,770,303
B. Tier 1 prudential filters:	—	—
B.1 IAS/IFRS positive filters	36,469	58,331
B.2 IAS/IFRS negative filters	7,967,484	7,828,634
C. Tier 1 capital gross of items to be deducted	(508,749)	(492,092)
D. Items for deduction from Tier 1 capital	(945,293)	(829,810)
E. Total Tier 1 capital	6,513,442	6,506,732
F. Tier 2 capital prior to application of prudential filters	—	—
G. Tier 2 prudential filters:	—	—
G.1 IAS/IFRS positive filters	—	—
G.2 IAS/IFRS negative filters	—	—
H. Tier 2 capital gross of items to be deducted	—	—
I. Items for deduction from Tier 2 capital	1,781,858	1,694,423
L. Total Tier 2 capital	—	—
M. Items for deduction from Total Tier 1 and Tier 2 capital	(360,658)	(404,026)
N. Regulatory capital	315,628	285,795
O. Total Tier 3 capital	1,736,828	1,576,192
P. Total regulatory capital including Tier 3	8,250,270	8,082,924

2.3 Capital adequacy

A. Qualitative information

As at 31 December 2014, the Group's Common Equity Ratio, calculated as Tier 1 capital as a percentage of total risk-weighted assets, amounted to 11%, in line with the figure posted at 30 June 2014 (11.08%), with a slight increase in risk-weighted assets from €58.7bn to €59.2bn) due chiefly to consumer finance. The total capital ratio increased from 13.76% to 13.94% as a result of the higher valuation reserves, which were up from €376.4m to €438m.

B. Quantitative information

Categories/amounts	Unweighted amounts		Weighted amounts/requirements	
	31/12/14	30/6/14	31/12/14	30/6/14
A. RISK ASSETS				
A.1 Credit and counterpart risk	61,840,881	63,699,928	48,260,034	47,952,135
1. Standard methodology	61,619,861	63,472,342	47,941,217	47,632,553
2. Internal rating methodology	—	—	—	—
2.1 Basic	—	—	—	—
2.2 Advanced	—	—	—	—
3. Securitization	221,020	227,586	318,817	319,582
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterpart risk			3,860,803	3,836,171
B.2 Credit valuation risk			69,341	65,255
B.3 Settlement risk			—	—
B.4 Market risk			550,313	543,239
1. Standard methodology			533,524	524,445
2. Internal models			—	—
3. Concentration risk			16,789	18,794
B.5 Operational risk			254,866	254,866
1. Basic Indicator Approach (BIA)			254,866	254,866
2. Standard methodology			—	—
3. Advanced methodology			—	—
B.6 Other prudential requirements			—	—
B.7 Other calculation elements			—	—
B.8 Total prudential requirements			4,735,323	4,699,531
C. RISK ASSETS AND REGULATORY RATIOS			—	—
C.1 Risk-weighted assets			59,191,534	58,744,138
C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			11,0%	11,08%
C.3 Regulatory capital/risk-weighted assets (total capital ratio)			13,94%	13,76%

Part H - Related party disclosure

1. Related party disclosure

In January 2011 the Group adopted its own related parties procedure, in pursuance of Consob resolution no. 17221 issued on 12 March 2010. The purpose of the procedure is to ensure that transactions with related parties executed directly by Mediobanca or via subsidiaries are managed transparently and fairly.

The Board of Directors of Mediobanca, having received favourable opinions from the Bank's Related Parties and Statutory Audit Committees, has since incorporated the Bank of Italy's most recent instructions on this subject to this procedure, introducing prudential limits for risk activities versus related parties. The new version of the procedure came into force on 31 December 2012. The full document is published on the Bank's website at www.mediobanca.it.

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

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

1.1 Regular financial disclosure: most significant transactions

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

1.2 Quantitative information

The exposure (representing the sum of assets plus guarantees and commitments) declined versus the balance-sheet date, from €2.3bn to €1.9bn, and now represents less than 4% of the total asset aggregates. The percentage of net interest income reported in the profit and loss account represented by related parties remained stable at 3%.

Situation at 31 December 2014

(€m)

	Directors, statutory auditors and strategic management	Associates*	Other related parties	Total
Assets	1.3	1,098.6	618.6	1,718.5
of which:	—	*558.0*	*320.0*	*878.0*
loans and advances	*1.3*	*540,6*	*298.6*	*840.5*
Liabilities	23.2	0.9	873.7	897.8
Guarantees and commitments	—	17.6	165.2	182.8
Interest income	—	25.1	7.5	32.6
Interest expense	(0.3)	—	(3.3)	(3.6)
Net fee income	—	1.1	5.5	6.6
Other income (costs)	(12.8) [1]	4.2	(15.2)	(23.8)

1 Of which: short-term benefits amounting to €12.6, and performance shares worth €0.2m. The figure refers to a total of 10 management staff with strategic responsibilities (as at 31 December 2014).

* Includes accounts with Telco.

Situation at 30 June 2014

(€m)

	Directors, statutory auditors and strategic management	Associates*	Other related parties	Total
Assets	0.9	1,168.9	736.6	1,906.4
of which:	—	*635.2*	*390.3*	*1,025.5*
loans and advances	*0.9*	*533.7*	*346.3*	*880.9*
Liabilities	36.5	3.8	902.4	942.7
Guarantees and commitments	—	23.1	351.7	374.8
Interest income	—	56.3	18.9	75.2
Interest expense	(0.8)	—	(7.2)	(8.–)
Net fee income	—	11.8	14.5	26.3
Other income (costs)	(31.2) [1]	39.6	207.8	216.2

1 Of which: short-term benefits amounting to €29m, stock options worth €0.1m and performance shares worth €1.8m. The figure refers to a total of 21 management staff with strategic responsibilities.

* Includes accounts with Telco.

Part I - Share-based payment schemes

A. QUALITATIVE INFORMATION

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

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

Extraordinary general meeting held on	No. of shares approved	Awards expire on	Deadline for exercising options	No. of options and performance shares awarded
29 March 1999	3,130,000	30 July 2006	31 December 2011	3,130,000
30 July 2001	50,000,000	30 July 2006	1 July 2015	48,401,500
28 October 2004	15,000,000	28 October 2009	1 July 2020	12,765,000
27 October 2007	40,000,000	27 June 2012	1 July 2022	15,536,000
TOTAL STOCK OPTIONS	108,130,000	X	X	79,832,500
28 October 2010	20,000,000	X	X	7,833,062
TOTAL PERFORMANCE SHARES	20,000,000	X	X	7,833,062

2. Description of stock option schemes

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

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

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

No options awards were made in the six months under review.

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

3. Description of performance share scheme

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

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

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

On 26 September 2014, as part of staff variable remuneration for the 2014 financial year, a total of 1,082,789 performance shares were awarded; the shares, which are conditional upon certain performance targets being met over a three-year time horizon, will be made available in tranches in November 2016 (up to 476,839), November 2017 (up to 402,507) and November 2018 (up to 203,443) taking into account the additional holding period of one year.

In November 2014 a total of 2,033,549 performance shares were exercised from the capital increase approved in 2010.

B. QUANTITATIVE INFORMATION

1. Changes to stock option scheme during the period

	31/12/14			30/6/14		
	No. of options	**Avg. price**	**Avg. expiry**	**No. of options**	**Avg. price**	**Avg. expiry**
A. Balance at start of period	26,418,500	8.35	September 17	38,282,000	9.85	October 16
B. Additions						
B.1 New issues	—	—	X	—	—	X
B.2 Other additions	—	—	X	—	—	X
C. Reductions						
C.1 Options cancelled	100,000	16.87	X	10,896,000	13.8	X
C.2 Options exercised	247,500	6.54	X	277,500	6.54	X
C.3 Options expired	—	—	X	—	—	X
C.4 Other reductions	190,000	9.52	X	690,000	6.51	X
D. Balance at end of period	25,881,000	8.33	September 17	26,418,500	8.35	September 17
E. Options exercisable as at reporting date	25,881,000	8.33	X	25,968,500	8.38	X

2. Changes to performance share scheme during the period

	31/12/14		30/6/14	
	No. of performance shares	**Avg. price**	**No. of performance shares**	**Avg. price**
A. Balance at start of period	8,833,822	4.11	8,313,494	4.18
B. Additions				
B.1 New issues	1,082,789	6.20	1,684,914	5.28
B.2 Other additions	—	—	—	—
C. Reductions				
C.1 Options cancelled	—	—	—	—
C.2 Options exercised	2,033,549	5.16	1,164,586	6.31
C.3 Options expired	—	—	—	—
C.4 Other reductions	—	—	—	—
D. Balance at end of period	7,883,062	4.13	8,833,822	4.11
E. Options exercisable as at reporting date	—	—	—	—

Part L - Segmental reporting

A. PRIMARY SEGMENTAL REPORTING

A.1 Profit-and-loss figures by business segment

(€m)

Profit-and-loss data	Corporate & Private banking	Principal Investing	Retail & Consumer Banking	Corporate center	Provisions [1]	Group
Net interest income	121.6	—	400.4	25.8	0.1	547.9
Treasury income	79.3	7.1	—	—	(3.6)	82.8
Net fee and commission income	190.6	—	87.7	3.6	(21.6)	260.3
Equity-accounted companies	—	122.9	—	—	0.3	123.2
Total Income	**391.5**	**130.0**	**488.1**	**29.4**	**(24.8)**	**1.014.2**
Labour costs	(101.6)	(4.5)	(76.3)	(15.5)	5.0	(192.9)
Administrative expenses	(69.6)	(1.4)	(138.2)	(11.5)	21.2	(199.5)
Operating Costs	**(171.2)**	**(5.9)**	**(214.5)**	**(27.0)**	**26.2**	**(392.4)**
Gain (losses) on disposal of AFS shares	1.0	15.3	—	—	(0.4)	15.9
Loan loss provisions	(49.0)	—	(243.2)	(8.9)	0.4	(300.7)
Provisions for financial assets	0.2	(11.7)	—	—	0.2	(11.3)
Other profits (losses)	—	—	—	—	—	—
Profit Before Tax	**172.5**	**127.7**	**30.4**	**(6.5)**	**1.6**	**325.7**
Income tax for the period	(55.1)	(0.7)	(7.6)	(0.5)	(0.2)	(64.1)
Minority interest	—	—	—	(1.0)	—	(1.0)
Net Profit	**117.4**	**127.0**	**22.8**	**(8.0)**	**1.4**	**260.6**
Cost/Income ratio (%)	*43.7%*	*4.5%*	*43.9%*	*91.8%*	*n.s*	*38.7%*

Divisions comprise:
- 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, and Spafid, 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, 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).

[1] The column headed “Writeoffs” includes the contribution of Banca Esperia, which for operating reasons is consolidated pro rata, along with any other items recorded on consolidation (including intercompany eliminations) between the different business areas.

A.2 Balance-sheet data by business segment

(€m)

Balance-sheet figures	Corporate & Private banking	Principal Investing	Retail & Consumer Banking	Corporate center	Provisions [1]	Group
Treasury funds	6,807.0	—	8,475.8	127.9	(8,867.0)	6,543.7
AFS securities	5,369.1	1,070.1	693.6	—	(273.1)	6,859.7
Fixed financial assets (HTM & LR)	4,967.5	—	1,247.5	—	(4,214.6)	2,000.4
Equity investments	—	2,975.2	—	—	95.8	3,071.0
Loans and advances to customers	25,158.4	—	14,934.5	2,892.0	(11,137.6)	31,847.3
Funding	(39,918.3)	—	(24,446.5)	(2,921.0)	24,317.1	(42,968.7)

[1] The column headed "Writeoffs" includes the contribution of Banca Esperia, which for operating reasons is consolidated pro rata, along with any other items recorded on consolidation (including intercompany eliminations) between the different business areas.

AUDITORS' REPORT

pwc

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

To the Shareholders of
Mediobanca SpA

1 We have reviewed the consolidated condensed interim financial statements of Mediobanca SpA and its subsidiaries (Group Mediobanca) as of 31 December 2014, which comprise the consolidated balance sheet, the consolidated profit and loss account, the comprehensive consolidates profit and loss account, the statement of changes to consolidated net equity, the consolidated cash flows statement and related explanatory notes. The directors of Mediobanca SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

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

Regarding the comparative data of the consolidated financial statements of the prior period and of consolidated condensed interim financial statements of the prior interim period, which are presented for comparative purposes, reference is made to our reports dated 1 October 2014 and dated 21 February 2014 respectively.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: **Milano** 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C .F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43100 Viale Tanara 20/A Tel. 0521275911 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel.0458263001

www.pwc.com/it

3 Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of Group Mediobanca as of 31 December 2014 have not been prepared, in all material respects, in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union.

Milan, 9 February 2015

PricewaterhouseCoopers SpA

Signed by Marco Palumbo
(Partner)

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

ANNEXES

Consolidated Balance Sheet (IAS/IFRS-compliant)

(€m)

	Assets	IAS-compliant 31/12/14	IAS-compliant 30/6/14	IAS-compliant 31/12/13
10.	Cash and cash equivalents	46.5	33.9	276.6
20.	Financial assets held for trading	13,626.8	12,407.0	13,680.2
30.	Financial assets recognized at fair value	—	—	—
40.	AFS securities	6,859.7	8,418.5	9,672.7
50.	Financial assets held to maturity	1,612.1	1,659.8	1,480.9
60.	Due from banks	5,864.8	5,287.8	4,589.9
	of which:			
	other trading items	*5,028.5*	*4,546.6*	*3,947.8*
	securities	—	—	—
	other items	1.7	*11.1*	*3.0*
70.	Due from customers	36,484.6	36,623.5	40,136.4
	of which:			
	other trading items	*4,992.7*	*6,314.0*	*7,755.0*
	securities	*388.3*	*386.5*	*656.2*
	other items	*42.7*	*49.4*	*63.8*
80.	Hedging derivatives	1,009.2	1,008.6	944.9
	of which:			
	funding hedge derivatives	*1,007.6*	*1,008.6*	*944.8*
	lending hedge derivatives	*1.6*	—	*0.1*
90.	Value adjustments to financial assets subject to general hedging	—	—	—
100.	Equity investments	3,071.0	2,871.4	2,649.2
110.	Total reinsurers' share of technical reserves	—	—	—
120.	Property, plant and equipment	304.6	306.1	294.8
130.	Intangible assets	411.9	409.4	408.4
	of which:			
	goodwill	*370.2*	*365.9*	*365.9*
140.	Tax assets	885.4	1,097.0	856.5
	a) current	*185.7*	*385.7*	*228.3*
	b) advance	*699.7*	*711.3*	*628.2*
150.	Other non-current and Group assets being sold	—	—	—
160.	Other assets	382.0	341.0	294.0
	of which:			
	other trading items	*1.6*	*5.1*	*2.4*
	Total assets	**70,558.6**	**70,464.0**	**75,284.5**

The balance sheet provided on p. 15 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 31/12/14	IAS-compliant 30/6/14	IAS-compliant 31/12/13
10.	Due to banks	13,701.2	11,459.8	11,356.1
	of which:			
	other trading items	*5,437.1*	*3,007.1*	*1,603.4*
	other liabilities	*0.4*	*6.0*	*5.9*
20.	Due to customers	16,674.1	16,475.4	18,946.0
	of which:			
	other trading items	*2,203.4*	*1,698.5*	*2,265.9*
	other liabilities	*9.2*	*7.3*	*6.9*
30.	Debt securities	21,010.0	23,330.0	27,453.8
40.	Trading liabilities	9,511.9	9,277.2	8,446.7
50.	Liabilities recognized at fair value		—	—
60.	Hedging derivatives	297.6	353.5	375.6
	of which:			
	funding hedge derivatives	*241.1*	*296.4*	*333.3*
	lending hedge derivatives	*28.6*	*32.5*	*11.5*
70.	Value adjustments to financial liabilities subject to general hedging	—	—	—
80.	Tax liabilities	488.2	590.2	476.1
	a) current	*128.9*	*229.1*	*116.6*
	b) deferred	*359.3*	*361.1*	*359.5*
90.	Liabilities in respect of Group assets being sold	—	—	—
100.	Other liabilities	480.6	716.6	501.7
	of which:			
	other trading items	—	—	—
	loan loss provisions	*19.6*	*19.1*	*17.1*
110.	Staff severance indemnity provision	28.2	28.7	28.5
120.	Provisions	166.8	166.3	161.4
	a) post-employment and similar benefits	—	—	—
	b) other provisions	*166.8*	*166.3*	*161.4*
130.	Technical reserves	124.1	123.7	121.5
140.	Valuation reserves	981.1	869.7	508.3
150.	Shares with right of withdrawal	—	—	—
160.	Equity instruments	—	—	—
170.	Reserves	4,373.4	4,150.4	4,146.8
180.	Share premium reserve	2,123.3	2,121.8	2,120.1
190.	Share capital	431.8	430.7	430.6
200.	Treasury shares	(199.2)	(199.2)	(199.2)
210.	Net equity attributable to minorities	104.9	104.5	105.8
220.	Profit (loss) for the year	260.6	464.8	304.7
	Total liabilities and net equity	**70,558.6**	**70,464.0**	**75,284.5**

Consolidated Profit and loss Account (IAS/IFRS-compliant)

(€m)

	Profit and loss account	6 mths to 31/12/14	12 mths to 30/06/14	6 mths to 31/12/13
10.	Interest and similar income	1,019.1	2,380.0	1,255.3
20.	Interest expense and similar charges	(478.0)	(1,319.1)	(738.1)
30.	**Net interest income**	**541.1**	**1,060.9**	**517.2**
40.	Fee and commission income	234.4	391.9	172.0
50.	Fee and commission expense	(26.3)	(57.1)	(23.8)
60.	**Net fee and commission income**	**208.1**	**334.8**	**148.2**
70.	Dividends and similar income	7.9	84.8	24.4
80.	Net trading income	43.2	(39.5)	(13.5)
90.	Net hedging income (expense)	0.4	(2.7)	(1.3)
100.	Gain (loss) on disposal of:	45.0	224.7	178.7
	a) loans and receivables	*(6.8)*	*(48.1)*	*(0.3)*
	b) AFS securities	*40.5*	*291.8*	*183.0*
	c) financial assets held to maturity	*14.7*	*(1.5)*	*(1.9)*
	d) other financial liabilities	*(3.4)*	*(17.5)*	*(2.1)*
120.	**Total income**	**845.7**	**1,663.0**	**853.7**
130.	Adjustments for impairment to:	(302.5)	(699.8)	(306.6)
	a) loans and receivables	*(290.7)*	*(682.3)*	*(298.1)*
	b) AFS securities	*(11.7)*	*(8.7)*	*(4.7)*
	c) financial assets held to maturity	*0.4*	*(2.8)*	*0.2*
	d) other financial liabilities	*(0.5)*	*(6.0)*	*(4.0)*
140.	**Net income from financial operations**	**543.2**	**963.2**	**547.1**
150.	Net premium income	20.7	38.0	18.4
160.	Income less expense from insurance operations	(8.7)	(18.1)	(8.8)
170.	**Net income from financial and insurance operations**	**555.2**	**983.1**	**556.7**
180.	Administrative expenses:	(392.0)	(811.1)	(373.3)
	a) personnel costs	*(193.0)*	*(379.0)*	*(179.0)*
	b) other administrative expenses	*(199.0)*	*(432.1)*	*(194.0)*
190.	Net transfers to provisions for liabilities and charges	(0.6)	(2.6)	0.9
200.	Net adjustments to property, plant and equipment	(9.5)	(18.2)	(9.0)
210.	Net adjustments to intangible assets	(10.0)	(22.8)	(9.8)
	of which: goodwill		—	—
220.	Other operating income (expenses)	59.4	*127.8*	54.3
230.	**Operating costs**	**(352.7)**	**(726.9)**	**(336.9)**
240.	Profit (loss) from equity-accounted companies	123.2	244.9	112.5
270.	Gain (loss) on disposal of investments	—	(0.1)	(0.1)
280.	**Profit (loss) before tax on ordinary activities**	**325.7**	**501.0**	**332.2**
290.	Income tax on ordinary activities for the year	(64.1)	(39.6)	(30.3)
300.	**Profit (loss) after tax on ordinary activities**	**261.6**	**461.4**	**301.9**
310.	Net gain (loss) on non-current assets being sold	—	—	—
320.	**Profit (loss) for the year**	**261.6**	**461.4**	**301.9**
330.	Profit (loss) for the year attributable to minorities	(1.0)	3.4	2.8
340.	**Net profit (loss) for the year attributable to Mediobanca**	**260.6**	**464.8**	**304.7**

The profit and loss account shown on p. 14 reflects the following restatements:
– *Net interest income* includes the result of funding and lending hedging activity (€1.3m, minus €2.8m, and minus €3m respectively), plus the margins on swaps reported under heading 80 (€5.5m, €28.8m and €20.9m respectively)
– amounts under Heading 220 have been restated as *Net fee and commission income*, save for amounts refunded/recovered totalling €18.7m, €59.5m and €21.3m 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 €1.2m 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 €41.9m, €47.9m and €29.6m), as well as financial liabilities reported under heading 100 taking into account the items already stated;
– *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);
– *Loan loss provisions include* the remaining amount under Heading 130, along with the losses incurred as a result of the disposal of receivables to third parties under Heading 100 totalling €48.1m as at 30 June 2014, and €9.5m as at 31 December 2014.

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

(€m)

	Assets	IAS-compliant 31/12/14	IAS-compliant 30/6/14	IAS-compliant 31/12/13
10.	Cash and cash equivalents	0.5	0.5	236.0
20.	Financial assets held for trading	12,586.5	11,639.9	12,995.3
30.	Financial assets recognized at fair value	—	—	—
40.	AFS securities	5,775.1	7,301.5	8,655.1
50.	Financial assets held to maturity	1,601.8	1,645.9	1,467.2
60.	Due from banks	10,937.2	9,541.4	9,013.3
	of which:			
	other trading items	*5,406.4*	*4,767.4*	*4,394.4*
	securities	—	—	—
	other items	*3.4*	*19.7*	*12.2*
70.	Due from customers	25,315.8	26,300.7	29,573.3
	of which:	—		
	other trading items	*4,829.6*	*7,338.2*	*8,756.7*
	securities	*3,356.2*	*3,354.9*	*3,624.6*
	other items	*25.6*	*83.3*	*31.7*
80.	Hedging derivatives	1,069.5	1,065.1	996.8
	of which:	—		
	funding hedge derivatives	*1,067.9*	*1,065.1*	*996.7*
	lending hedge derivatives	—	—	—
90.	Value adjustments to financial assets subject to general hedging	—	—	—
100.	Equity investments	2,671.7	2,667.9	2,699.0
110.	Total reinsurers' share of technical reserve	—	—	—
120.	Property, plant and equipment	122.8	123.9	124.5
130.	Intangible assets	10.6	9.5	6.7
	of which:			
	goodwill	—	—	—
140.	Tax assets	257.2	390.7	218.6
	a) current	*116.6*	*248.6*	*105.2*
	b) advance	*140.6*	*142.1*	*113.4*
150.	Other non-current and Group assets being sold	—	—	—
160.	Other assets	64.3	73.5	54.9
	Total assets	**60,413.0**	**60,760.5**	**66,040.7**

The balance sheet provided on p. 40 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 31/12/14	IAS-compliant 30/6/14	IAS-compliant 31/12/13
10.	Due to banks	20,237.5	18,845.5	20,555.0
	of which:			
	other trading items	*5,837.2*	*3,439.0*	*2,013.3*
	other liabilities	*2.0*	*7.7*	*7.1*
20.	Due to customers	2,738.0	1,970.7	2,565.8
	of which:			
	other trading items	*1,913.3*	*1,454.0*	*2,190.1*
	other liabilities	*38.8*	*89.4*	*41.3*
30.	Debt securities	21,859.3	24,148.4	28,416.6
40.	Trading liabilities	9,394.2	9,251.1	8,455.0
50.	Liabilities recognized at fair value	—	—	—
60.	Hedging derivatives	603.7	570.7	549.7
	of which:			
	funding hedge derivatives	*557.1*	*522.8*	*516.1*
	lending hedge derivatives	*28.6*	*32.5*	*11.5*
70.	Value adjustments to financial liabilities subject to general hedging	—	—	—
80.	Tax liabilities	378.3	484.9	382.0
	a) current	*86.8*	*185.9*	*78.5*
	b) deferred	*291.5*	*299.0*	*303.6*
90.	Liabilities in respect of Group assets being sold	—	—	—
100.	Other liabilities	181.2	334.1	173.3
	of which:			
	adjustments to L & R	*2.6*	*2.4*	*2.4*
	other trading items	*70.2*	*64.5*	*60.6*
110.	Staff severance indemnity provision	9.5	10.0	9.3
120.	Provisions	152.3	151.7	150.7
	a) post-employment and similar benefits	—	—	—
	b) other provisions	*152.3*	*151.7*	*150.7*
130.	Valuation reserves	357.4	452.2	319.4
140.	Shares with right of withdrawal	—	—	—
150.	Equity instruments	—	—	—
160.	Reserves	2,065.1	2,021.6	2,010.8
170.	Share premium reserve	2,123.3	2,121.8	2,120.1
180.	Share capital	431.8	430.7	430.6
190.	Treasury shares (–)	(198.8)	(198.8)	(198.8)
200.	Profit (loss) for the period	80.2	165.9	101.1
	Total liabilities and net equity	**60,413.0**	**60,760.5**	**66,040.7**

Mediobanca S.p.A.: Profit and loss Account (IAS/IFRS-compliant)

(€m)

Profit and loss account	6 mths to 31/12/14	12 mths to 30/6/14	6 mths to 31/12/13
10. Interest and similar income	588.4	1,511.7	815.6
20. Interest expense and similar charges	(525.0)	(1,381.4)	(759.0)
30. Net interest income	**63.4**	**130.3**	**56.6**
40. Fee and commission income	147.2	221.7	82.1
50. Fee and commission expense	(5.9)	(16.2)	(6.1)
60. Net fee and commission income	**141.3**	**205.5**	**76.0**
70. Dividends and similar income	7.9	177.7	24.5
80. Net trading income	56.9	(1.1)	9.8
90. Net hedging income (expense)	0.4	(1.8)	(0.9)
100. Gain (loss) on disposal of:	53.3	268.9	177.4
a) loans and receivables	*3.0*	*(0.2)*	*(0.3)*
b) AFS securities	*39.1*	*287.5*	*180.9*
c) financial assets held to maturity	*14.7*	*(1.5)*	*(1.9)*
d) other financial liabilities	*(3.5)*	*(16.9)*	*(1.3)*
120. Total income	**323.2**	**779.5**	**343.4**
130. Adjustments for impairment to:	(59.6)	(239.1)	(85.7)
a) loans and receivables	*(37.6)*	*(233.0)*	*(91.9)*
b) AFS securities	*(11.7)*	*(6.5)*	*(3.1)*
c) financial assets held to maturity	*0.3*	*(3.3)*	—
d) other financial liabilities	*(10.6)*	*3.7*	*9.3*
140. Net income from financial operations	**263.6**	**540.4**	**257.7**
150. Administrative expenses:	(137.6)	(274.9)	(123.1)
a) personnel costs	*(85.1)*	*(168.0)*	*(77.6)*
b) other administrative expenses	*(52.5)*	*(106.9)*	*(45.5)*
160. Net transfers to provisions for liabilities and charges	—	(0.4)	
170. Net adjustments to property, plant and equipment	(1.8)	(3.7)	(1.9)
180. Net adjustments to intangible assets	(2.9)	(6.2)	(2.9)
of which: goodwill	—	—	—
190. Other operating income (expenses)	9.0	15.2	7.4
200. Operating costs	**(133.3)**	**(270.0)**	**(120.5)**
210. Profit (loss) from equity investments	(2.1)	(69.0)	(19.0)
240. Gain (loss) on disposal of investments	—	—	(0.1)
250. Profit (loss) before tax on ordinary activities	**128.2**	**201.4**	**118.1**
260. Income tax on ordinary activities for the year	(48.0)	(35.5)	(17.0)
270. Profit (loss) after tax on ordinary activities	**80.2**	**165.9**	**101.1**
290 Net profit (loss) for the period	**80.2**	**165.9**	**101.1**

The profit-and-loss account provided on p. 39 reflects the following restatements:
- *Net interest income* includes the result of funding and lending hedging activity (€1.2m, minus €2m and €0.9m respectively), plus the margins on swaps reported under heading 80 (€23.3m, €80m and €49.9m respectively).
- amounts under Heading 190 have been restated as *Net fee and commission income*, save for amounts refunded/recovered totalling €9m, €14.4m and €6.2m respectively which net operating costs; fees payable in respect of securities lending (minus €0.5m, minus €1.8m and minus €1.2m) have been restated under Heading 80;
- *Net treasury income* also includes the amounts shown under heading 80, the gains (losses) on disposal of financial liabilities reported under heading 100 (respectively minus €3.5m, minus €16.9m and €1.4m), as well as net of or in addition to the items already stated and the share of dividends (Heading 70) not attributable to equity investments;
- *Gain (loss) on AFS, HTM and L&R* includes the amounts stated under Heading 100, net of gains (losses) on financial liabilities which are accounted for as Net treasury income;
- *Provisions for other financial* assets include both the AFS securities and HTM financial assets accounted for here under heading 130.

Mercurio GP - Milan