MEDIOBANCA

Quarterly review of operations

(30 September 2009)

MEDIOBANCA

LIMITED COMPANY

SHARE CAPITAL € 430,529,224

HEAD OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY

Registered as a Bank. Parent Company of the Mediobanca Banking Group

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REVIEW OF OPERATIONS

The first three months of the new financial year bear out the positive trend recorded in the fourth quarter of last year, with revenues from banking activity (total income minus the contribution from equity-accounted companies) up 25% on the same quarter last year, due chiefly to net trading income (up 62.6%) and net fee and commission income (up 30.3%). Conversely, the ongoing economic stagnation and the automatic effects of the accounting standards adopted led to significant increases in provisions for loan losses and equity investments, which together rose from €75.9m to €214.4m, bringing net profit for the three months down from €309.9m to €200.6m. The main items performed as follows:

— net interest income declined by 4%, from €222.7m to €213.9m, representing the balance between an 8.9% increase in corporate and investment banking and a 10.1% reduction in retail and private banking, the latter being due to the activities of CheBanca! plus a reduced contribution from Compagnie Monégasque de Banque;

— net trading income rose from €163.8m to €266.3m, on the back of a major contribution from treasury operations, up from €0.9m to €162.9m; this offset the reduced gains on disposal of AFS securities (€98.4m, compared with €158.4m last year);

— net fee and commission income rose by 30.3%, from €111m to €144.6m, due entirely to corporate and investment banking activity;

— the contribution from equity-accounted companies declined from €96.2m to €53.3m, but was back in positive territory following the result posted at the balance-sheet date.

Operating costs continued the trend seen last year, with an increase of 14.1%, up from €159.3m to €181.8m, reflecting growth by CheBanca! and Mediobanca's international expansion.

Loan loss provisions almost doubled, from €75.9m to €140.9m, continuing to reflect the widespread deterioration in the risk profile of businesses and households, despite having fallen nearly 20% since the last financial year's fourth quarter. Of this total, €92.9m (€69.9m) involved retail financial services, €40.2m (€2.2m) wholesale banking, and €7.8m (€3.8m) leasing.

Despite the favourable stock market scenario, provisions for financial assets of €73.5m reflect the fact that the loss of value for these equity investments has now exceeded the 18-month mark stipulated in the accounting policies. Following these provisions, and partly as a result of the upturn in stock market prices, at 30 September 2009 the net equity valuation reserve had returned to positive territory, for both the equity component (€133.1m) and the bond and other securities component (€39.9m).

Turning to the individual areas of the Group's activity, corporate and investment banking shows a net profit of €146.6m (€200.2m), with total income up over 30% (from €319.7m to €427.8m) and writedowns of over €120m (€6m). Retail and private banking posted a profit of €3.3m (€24.7m), despite the reduced contribution from private banking (€11.8m, compared with €17.6m), and higher loan loss provisions (€92.9m, as against €69.9m). Principal investing contributed €49.6m (€86.1m), due to the upturn in profits reported by the Generali group.

On the balance-sheet side, excluding AFS securities (which rose from €6.7bn to €7.3bn), slight reductions were reported since the balance-sheet date for all the main items: loans and advances to customers were down from €35.2bn to €34.6bn, funding from €53.4bn to €52.8bn (€7.3bn (€6.2bn) of which from the CheBanca! retail channel), and treasury funds from €12.8bn to €12.6bn.

* * *

Significant events that took place during the three months include:

— approval by the Board of Directors, as authorized pursuant to Article 2443 of the Italian Civil Code, of a resolution to increase the company's share capital by means of a scrip issue to shareholders, effective from 28 September 2009, based on 1 share for every 20 shares owned and 1 warrant for every share held. The warrants entitle their bearers to subscribe for newly-issued shares on the basis of 1 new share for every 7 warrants held at a price of €9.0 starting from 1 January 2010 until 18 March 2011; in the event of full exercise, the rights issue should raise approx. €1bn;

— approval by the Board of Directors of the staff remuneration policies document for submission to the approval of shareholders in annual general meeting.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated profit and loss account and balance sheet have been restated in order to provide the most accurate reflection of the Group's operations organized as per the most recent business plan. 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*

	3 mths to 30/9/08	12 mths to 30/6/09	3 mths to 30/9/09	Y.o.Y. chg.
	€m	€m	€m	%
Profit-and-loss figures				
Net interest income	222.7	861.2	213.9	–4.0
Net trading income	163.8	421.7	266.3	+62.6
Net fee and commission income	111.0	511.5	144.6	+30.3
Equity-accounted companies	96.2	(18.8)	53.3	–44.6
TOTAL INCOME	**593.7**	**1,775.6**	**678.1**	**+14.2**
Labour costs	(87.5)	(360.1)	(96.0)	+9.7
Administrative expenses	(71.8)	(369.5)	(85.8)	+19.5
OPERATING COSTS	**(159.3)**	**(729.6)**	**(181.8)**	**+14.1**
Loan loss provisions	(75.9)	(503.8)	(140.9)	+85.6
Provisions for other financial assets	—	(451.4)	(73.5)	n.m.
Other gains (losses)	—	(0.1)	5.4	—
PROFIT (LOSS) BEFORE TAX	**358.5**	**90.7**	**287.3**	**–19.9**
Income tax for the period	(46.6)	(88.8)	(85.6)	+83.7
Minority interest	(2.0)	0.5	(1.1)	–45.0
NET PROFIT	**309.9**	**2.4**	**200.6**	**–35.3**

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

RESTATED BALANCE SHEET

	30/9/08	30/6/09	30/9/09
	€m	€m	€m
Assets			
Treasury funds	10,818.8	12,753.5	12,611.3
AFS securities	3,330.4	6,653.4	7,341.6
of which:fixed-income	*1,493.8*	*4,997.6*	*5,598.3*
equities	*1,342.7*	*1,247.1*	*1,329.7*
Fixed assets (HTM & LR)	973.1	1,557.5	1,534.1
Loans and advances to customers	35,704.5	35,233.2	34,615.8
Equity investments	2,810.1	2,638.5	2,749.0
Tangible and intangible assets	752.5	764.2	760.7
Other assets	1,078.1	1,101.5	1,025.3
of which: tax assets	*546.6*	*830.1*	*803.1*
Total assets	55,467.5	60,701.8	60,637.8
Liabilities			
Funding	47,273.5	53,411.8	52,814.1
of which: debt securities in issue	*33,955.8*	*36,867.8*	*35,993.3*
retail deposits	*162.6*	*6,212.6*	*7,295.0*
Other liabilities	1,740.0	1,292.4	1,377.1
of which: tax liabilities	*732.8*	*653.7*	*755.1*
Provisions	208.6	188.3	182.8
Net equity	5,935.5	5,806.9	6,063.2
of which: share capital	*410.0*	*410.0*	*430.5*
reserves	*5,409.4*	*5,293.6*	*5,529.0*
minority interest	*116.1*	*103.3*	*103.7*
Profit for the period	309.9	2.4	200.6
Total liabilities	55,467.5	60,701.8	60,637.8

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

30 September 2009	Corporate & Investment Banking	Principal Investing	Retail & Private Banking	Group
	€m	€m	€m	€m
Profit-and-loss figures				
Net interest income	102.3	(2.7)	119.4	213.9
Net trading income	233.5	—	28.2	266.3
Net fee and commission income	93.1	—	59.6	144.6
Equity-accounted companies	(1.1)	54.5	(0.1)	53.3
TOTAL INCOME	**427.8**	**51.8**	**207.1**	**678.1**
Labour costs	(55.4)	(1.4)	(41.8)	(96.0)
Administrative expenses	(20.9)	(0.7)	(70.8)	(85.8)
OPERATING COSTS	**(76.3)**	**(2.1)**	**(112.6)**	**(181.8)**
Loan loss provisions	(48.0)	—	(92.9)	(140.9)
Provisions for other financial assets	(73.2)	—	(0.3)	(73.5)
Other gains (losses)	—	—	5.5	5.4
PROFIT (LOSS) BEFORE TAX	**230.3**	**49.7**	**6.8**	**287.3**
Income tax for the period	(82.6)	(0.1)	(3.5)	(85.6)
Minority interest	(1.1)	—	—	(1.1)
NET PROFIT	**146.6**	**49.6**	**3.3**	**200.6**
Cost/income ratio %	17.8	4.1	54.4	26.8
Balance-sheet data				
Treasury funds	13,443.3	—	3,367.6	12,611.3
AFS securities	4,856.4	121.5	2,966.2	7,341.6
Fixed assets (HTM & LR)	1,533.3	—	1,021.6	1,534.1
Equity investments	408.8	2,282.6	0.5	2,749.0
Loans and advances to customers	26,008.3	—	12,048.2	34,615.8
of which: to Group companies	*3,427.4*	—	—	—
Funding	(43,097.2)	(259.8)	(18,620.8)	(52,814.1)
No. of staff	853	—	2,410 *	3,153

* Includes 104 staff employed by Banca Esperia pro-forma, not included in the Group total.

1) Divisions comprise:
- *CIB (Corporate and Investment Banking)*: comprises corporate and investment banking activities, including leasing, plus the Group's AFS portfolio. The companies which contribute to this line of business are: Mediobanca S.p.A., Mediobanca International, MB Securities USA, Consortium, Prominvestment, SelmaBipiemme Leasing, Palladio Leasing and Teleleasing;
- *Principal investing:* this comprises the Group's shareholdings in Assicurazioni Generali, RCS MediaGroup and Telco, plus stakes acquired as part of merchant banking activity and investments in private equity funds;
- *Retail and Private Banking*: activities targeting retail clientèle via consumer credit products, mortgages, deposit accounts, private banking and fiduciary services. Companies forming part of this division include: Compass, CheBanca!, Cofactor, Futuro and Creditech (consumer credit) Compagnie Monégasque de Banque, Spafid and Prudentia Fiduciaria, plus 50% of Banca Esperia pro-forma (private banking).

2) Sum of divisional data differs from Group total due to:
- Banca Esperia being consolidated pro-rata (50%) rather than equity-accounted;
- adjustments/differences arising on consolidation between different business areas, which gave rise to a surplus of €0.9m as at 30 September 2008 and €0.8m as at 30 September 2009).

30 SEPTEMBER 2008	Corporate & Investment Banking	Principal Investing	Retail & Private Banking	Group
	€m	€m	€m	€m
Profit-and-loss figures				
Net interest income	93.9	(3.1)	132.8	222.7
Net trading income	162.7	—	1.9	163.8
Net fee and commission income	55.5	—	63.5	111.0
Equity-accounted companies	7.6	88.0	0.1	96.2
TOTAL INCOME	**319.7**	**84.9**	**198.3**	**593.7**
Labour costs	(50.2)	(1.3)	(39.5)	(87.5)
Administrative expenses	(21.3)	(0.7)	(54.0)	(71.8)
OPERATING COSTS	**(71.5)**	**(2.0)**	**(93.5)**	**(159.3)**
Loan loss provisions	(6.0)	—	(69.9)	(75.9)
PROFIT (LOSS) BEFORE TAX	**242.2**	**82.9**	**34.9**	**358.5**
Income tax for the period	(40.0)	3.2	(10.2)	(46.6)
Minority interest	(2.0)	—	—	(2.0)
NET PROFIT	**200.2**	**86.1**	**24.7**	**309.9**
Cost/income ratio %	22.4	2.4	47.2	26.8
Balance-sheet data				
Treasury funds	9,443.9	—	1,598.1	10,818.8
AFS securities	2,221.5	62.2	1,115.6	3,330.4
Fixed assets (HTM & LR)	1,166.4	—	0.8	973.1
Equity investments	118.6	2,634.6	0.4	2,810.1
Loans and advances to customers	28,246.3	—	12,169.2	35,704.5
of which: to Group companies	*4,619.0*	—	—	—
Funding	(37,911.4)	(259.8)	(14,020.1)	(47,273.5)
No. of staff	858	—	2,272 *	3,030

* Includes 100 staff employed by the Esperia group pro-forma, not included in the Group total.

BALANCE SHEET

The main balance-sheet items showed the following trends for the three months:

Funding — this item fell by 1.1%m from €53,411.8m to €52,814.1m, due to a reduction of over €1bn in short-term funding (Euro CDs and commercial paper), which declined from €1,355.4m to €292.5m; the increase in funds raised through retail operations, from €6,212.6m to €7,295m, led to an equivalent reduction in funding from banks, from €10,331.5m to €9,526.3m.

Loans and advances to customers— these reduced slightly, from €35,233.2m to €34,615.8m, reflecting the general decline in demand.

	30/6/09	30/9/09	Chg.
	€m	€m	%
Corporate and Investment Banking	23,107.8	22,580.9	–2.3
– *of which: leasing*	*4,833.9*	*4,775.7*	*–1.2*
Retail	12,125.4	12,034.9	–0.7
– *of which: consumer credit*	*8,108.4*	*8,047.3*	*–0.8*
mortgage lending	*3,227.9*	*3,320.3*	*+2.9*
private banking	*789.1*	*667.3*	*–15.4*
TOTAL, LOANS AND ADVANCES TO CUSTOMERS	35,233.2	34,615.8	–1.8

Equity investments — these rose from €2,638.5m to €2,749m, due to profit for the period (€53.3m, €58.9m of which from Assicurazioni Generali) and increased due to the valuation reserves (€57.2m, almost all of which was attributable to Generali). Based on holdings and prices as at 30 September 2009, the portfolio reflected a net surplus of €1,855.6m (€1,076.9m).

	Percentage shareholding*	Book value	Market value as at 30/9/09	Gain (loss)
	€m	€m	€m	€m
LISTED EQUITY INVESTMENTS				
Assicurazioni Generali	14.61	1,689.4	3,711.7	2,022.3
RCS MediaGroup, *ordinary*	14.36	204.1	156.3	(47.8)
Pirelli & C. S.p.A.	4.49	117.6	88.2	(29.4)
Gemina	12.53	211.1	121.6	(89.5)
		2,222.2	4,077.8	1,855.6
OTHER EQUITY INVESTMENTS				
Telco	10.64	364.1		
Banca Esperia	50.00	57.1		
Burgo Group	22.13	80.0		
Athena Private Equity class A	24.27	23.7		
Fidia	25.00	1.4		
Other minor investments		0.5		
		526.8		
		2.749.0		

* Percentage of entire share capital.

Fixed financial assets — these fell from €1,557.5m to €1,534.1m, due to redemptions of €28.1m and adjustments to amortized cost totalling €4.7m. Based on current prices and holdings, this portfolio shows an implicit loss of €41.3m (30/6/09: €105.2m).

AFS securities — these rose by €688.2m, from €6,653.4m to €7,341.6m, and are made up of debt securities worth €5,598.3m (€4,997.6m), equities worth €1,329.7m (€1,247.1m), and other securities totalling €413.6m (€353.5m of which in Unicredit CASHES, up €22.2m, due to a rise in fair value, and €60.1m in stock units held by Compagnie Monégasque de Banque, down over €15m following disposals during the period). The debt security component increased by more than €600m, following purchases worth €439.5m and the increase in prices (up €146.7m for the entire stock); trading during the period generated gains of €34.3m, €25.2m of which by CheBanca!. Movements on the equity side include investments worth €20.1m, disposals of €92.2m, gains of €64.9m (including the valuation reserve), and €61.2m from marking the portfolio to market as at the reporting date, which were taken directly to net equity. Shares with a fair value below their original recognition value for over 18 months were written down in the quarter, with a €73m charge being recognized in the profit and loss account.

	Percentage shareholding*	Book value as at 30/9/09	Adjustments to fair value	Impairment recognized in P&L	Total AFS reserve
Fiat, *ordinary*	0.65 – 0.56	62.9	11.7	—	21.9
Italmobiliare	9.5 – 5.47	70.6	20.1	—	36.0
Other listed shares		414.8	28.5	(73.0)	24.6
Sintonia S.A.	6.50	311.8	—	—	—
Delmi S.p.A., *ordinary*	6.00	110.0	—	—	—
Santé S.A.	9.99	84.0	—	—	—
Other unlisted shares ..		275.6	0.9	—	50.6
TOTAL SHARES		1.329.7	61.2	(73.0)	133.1

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

The valuation reserve returned to positive territory, at €173m, as opposed to minus €132.7m at the balance-sheet date. Of this, €133.1m involved equities and €54.8m debt securities. The reserve for other securities remained negative, at minus €14.9m, owing to hedges of securities in the portfolio.

Treasury funds — these declined from €12,753.5m to €12,611.3m, and include cash and cash equivalents totalling €625.7m (€696.2m), fixed-income securities worth €9,656.4m (€8,806.4m), equities of €778.3m (€666.6m), €174.4m (€237.2m) in positive value adjustments to derivatives contracts, and €1,376.5m (€2,347m) in net applications of treasury funds, such as repos, interbank deposits, etc. This performance bears out the Group's comfortable liquidity position, largely unchanged during the three months under review.

Provisions — this comprises the provision for liabilities and charges, which stood at €156.4m (€159.4m) and the staff severance indemnity provision amounting to €26.4m (€28.9m).

Net equity — net equity rose by €255.9m, from €5,703.6m to €5,959.5m, boosted by differences arising on consolidation due to application of the equity method (€57.3m), and a €194m increase in the valuation reserves, representing the balance between a positive contribution from the AFS reserves (€247.5m) and a €53.5m reduction for the cash flow hedge reserve, with €58m being recognized in the profit and loss account after hedging transactions were closed.

PROFIT AND LOSS ACCOUNT

Net interest income — this item was virtually unchanged for the quarter, at €213.9m (€222.7m), as the 8.9% increase in corporate and investment banking offset the 10.1% contraction in retail and private banking operations, the latter reflecting the negative balance by CheBanca! (comfortably offset by the profit made on its securities portfolio) and the effects of the reduction in market interest rates on Compagnie Monégasque du Banque's treasury operations.

Net trading income — this item includes €162.9m (€0.9m) in dealing profits, and €98.4m (€158.4m) in gains on disposal of AFS securities, €65m of which in respect of equities. Trading activity was boosted by the swift upturn in stock market prices, with health contributions from both fixed-income trading (€132m) and equity trading (€30.9m).

	3 mths to 30/9/08	3 mths to 30/9/09
	€m	€m
Dealing profits	26.1	98.0
Mark-to-market as at reporting date	(26.3)	64.4
Dividends	1.1	0.5
NET TRADING INCOME	0.9	162.9

Net fee and commission income — this rose by 30.3%, due to corporate and investment banking activity (up 70%), and capital markets in particular, which delivered income of €36m (compared with €7m last year); fees and commissions from consumer credit operations were down, from €43.2m to €39.8m, as was the contribution from private banking (from €11.2m to €10.3m).

Operating costs — these rose 14.1%. from €159.3m to €181.8m, and consist of:

— labour costs amounting to €96m (€87.5m); these include €2.7m (€2.6m) in directors' emoluments, and €1.3m (€3.4m) in stock option expenses;

— sundry costs and expenses amounting to €85.8m (€71.8m), including €9.1m (€6.3m) in depreciation charges, and administrative expenses totalling €76.7m (€65.5m) made up as follows:

	3 mths to 30/9/08	3 mths to 30/9/09
	€m	€m
Legal, tax and other professional services	4.7	3.7
Bad debt recovery	1.5	6.0
Marketing and communications	15.8	11.2
Rent and property maintenance charges	7.1	11.3
EDP	10.3	13.8
Financial information subscriptions	4.4	4.6
Banking services, collection and payment charges	5.6	4.1
Operating expenses	8.8	12.2
Other labour costs	3.5	5.5
Others	2.8	2.1
Direct and indirect taxes (net of withholding tax)	1.0	2.2
TOTAL	65.5	76.7

The trends in the main expense items show an increase in debt recovery costs in the retail segment, linked to the higher number of sub-standard accounts, and growth in costs at CheBanca! as geographical coverage increases (with rent and property maintenance charges increasing by €3.9m, EDP costs up €4.5m, and operating expenses up €3m).

Loan loss provisions — the increase in this item, from €75.9m to €140.9m, reflects the general deterioration in the risk profile of households, with provisions in this area rising from €69.9m to €92.9m, and in the corporate loan book (up from €6m to €48m), which includes €7.4m in adjustments to specific potential problem or restructured exposures.

Divisional results

A review of the Group's performance in its main areas of operation is provided below.

Corporate and Investment Banking (wholesale banking and leasing)

	3 mths to 30/9/08	12 mths to 30/6/09	3 mths to 30/9/09	Y.o.Y. chg.
	€m	€m	€m	%
Profit-and-loss figures				
Net interest income	93.9	378.5	102.3	+8.9
Net trading income	162.7	398.2	233.5	+43.5
Net fee and commission income	55.5	301.8	93.1	+67.7
Equity-accounted companies	7.6	(17.1)	(1.1)	n.m.
TOTAL INCOME	**319.7**	**1,061.4**	**427.8**	**+33.8**
Labour costs	(50.2)	(201.1)	(55.4)	+10.4
Administrative expenses	(21.3)	(100.5)	(20.9)	–1.9
OPERATING COSTS	**(71.5)**	**(301.6)**	**(76.3)**	**+6.7**
Loan loss provisions	(6.0)	(179.1)	(48.0)	n.m.
Provisions for other financial assets	—	(202.8)	(73.2)	n.m.
PROFIT (LOSS) BEFORE TAX	**242.2**	**377.9**	**230.3**	**–4.9**
Income tax for the period	(40.0)	(148.1)	(82.6)	n.m.
Minority interest	(2.0)	0.4	(1.1)	–45.0
NET PROFIT	**200.2**	**230.2**	**146.6**	**–26.8**
Cost/income ratio %	22.4	28.4	17.8	

	30/9/08	30/6/09	30/9/09
	€m	€m	€m
Treasury funds	9,443.9	13,418.3	13,443.3
AFS securities	2,221.5	4,208.7	4,856.4
Fixed assets (HTM & LR)	1,166.4	1,556.7	1,533.3
Equity investments	118.6	405.1	408.8
Loans and advances to customers	28,246.3	26,315.0	26,008.3
of which to Group companies	*4,619.0*	*3,207.2*	*3,427.4*
Funding	(37,911.4)	(43,250.2)	(43,097.2)

This division reported a net profit of €146.6m for the three months, down over 25% on the €200.2m recorded at the same stage last year. Total income increased by 33.8%, from €319.7m to €427.8m, driven by net trading income (up 43.5%, from €162.7m to €233.5m, €163.5m of which in dealing profits), and net fee and commission income (up 67.7%, from €55.5m to €93.1m); net interest income also performed well, up 8.9%, from €93.9m to €102.3m, while the equity-accounted companies' contribution reflected a loss of €1.1m (compared with a €7.6m profit at the same time last year, albeit boosted by non-recurring items). Operating costs rose by 6.7%, from €71.5m to €76.3m, solely as a result of the rise in labour costs due to international expansion (up 10.4%, from €50.2m to €55.4m). Loan loss provisions totalled €48m, €7.8m (€3.8m) of which in respect of leasing and €40.2m (€2.2m) for the corporate loan book, the latter being due to the continuing economic stagnation even though no new impaired items were recorded during the period. Provisions for other financial assets totalling €73.2m reflect the automatic effects of the accounting standards mentioned previously, despite the upturn on stock markets.

Turning to the balance-sheet aggregates, the AFS securities portfolio grew from €4.2bn to €4.9bn, while the other items remained more or less stable: loans and advances to customers declined from €26.3bn to €26bn, and funding reduced from €43.3bn to €43.1bn, while treasury funds were unchanged at €13.4bn.

Corporate and Investment Banking 30 September 2009	Wholesale	Leasing	Total
	€m	€m	€m
Net interest income	83.7	18.6	102.3
Net trading income	233.5	—	233.5
Net fee and commission income	92.4	0.7	93.1
Equity-accounted companies	(1.1)	—	(1.1)
TOTAL INCOME	**408.5**	**19.3**	**427.8**
Labour costs	(51.3)	(4.1)	(55.4)
Administrative expenses	(17.9)	(3.0)	(20.9)
OPERATING COSTS	**(69.2)**	**(7.1)**	**(76.3)**
Loan loss provisions	(40.2)	(7.8)	(48.0)
Provisions for other financial assets	(73.2)	—	(73.2)
PROFIT (LOSS) BEFORE TAX	**225.9**	**4.4**	**230.3**
Income tax for the period	(80.4)	(2.2)	(82.6)
Minority interest	—	(1.1)	(1.1)
NET PROFIT	**145.5**	**1.1**	**146.6**
Cost/income ratio %	16.9	36.8	17.8
Other financial assets	20,186.8	55.0	20,241.8
Loans and advances to customers	21,232.6	4,775.7	26,008.3
of which to Group companies	*3,427.4*	—	*3,427.4*
New loans	—	294.2	—
No. of staff	642	211	853

Corporate and Investment Banking 30 September 2008	Wholesale	Leasing	Total
	€m	€m	€m
Net interest income	76.3	17.6	93.9
Net trading income	162.7	—	162.7
Net fee and commission income	54.2	1.3	55.5
Equity-accounted companies	7.6	—	7.6
TOTAL INCOME	**300.8**	**18.9**	**319.7**
Labour costs	(45.5)	(4.7)	(50.2)
Administrative expenses	(18.3)	(3.0)	(21.3)
OPERATING COSTS	**(63.8)**	**(7.7)**	**(71.5)**
Loan loss provisions	(2.2)	(3.8)	(6.0)
Provisions for other financial assets	—	—	—
PROFIT (LOSS) BEFORE TAX	**234.8**	**7.4**	**242.2**
Income tax for the period	(36.4)	(3.6)	(40.0)
Minority interest	—	(2.0)	(2.0)
NET PROFIT	**198.4**	**1.8**	**200.2**
Cost/income ratio %	21.2	40.7	22.4
Other financial assets	12,844.5	105.9	12,950.4
Loans and advances to customers	23,392.7	4,853.6	28,246.3
of which to Group companies	*4,619.0*	—	*4,619.0*
New loans	—	443.6	—
No. of staff	622	236	858

Principal Investing

	30/9/08	30/6/09	30/9/09
	€m	€m	€m
Profit-and-loss figures			
Net interest income	(3.1)	(11.1)	(2.7)
Net trading income	—	0.2	—
Equity-accounted companies	88.0	(0.9)	54.5
TOTAL INCOME	**84.9**	**(11.8)**	**51.8**
Labour costs	(1.3)	(4.6)	(1.4)
Administrative expenses	(0.7)	(2.2)	(0.7)
OPERATING COSTS	**(2.0)**	**(6.8)**	**(2.1)**
Provisions for other financial assets	—	(241.0)	—
PROFIT (LOSS) BEFORE TAX	**82.9**	**(259.6)**	**49.7**
Income tax for the period	3.2	23.3	(0.1)
NET PROFIT	**86.1**	**(236.3)**	**49.6**

	30/9/08	30/6/09	30/9/09
	€m	€m	€m
AFS securities	62.2	122.2	121.5
Equity investments	2,634.6	2,175.5	2,282.6

The share of the investee companies' profits for the period attributable to the Group fell by 38.1%, from €88m to €54.5m, representing the balance between profits of €58.9m earned by Generali (€80.6m) and a loss of €3.5m incurred by RCS MediaGroup (compared with an €8m profit this time last year).

Retail and private banking

	3 mths to 30/9/08	12 mths to 30/6/09	3 mths to 30/9/09	Y.o.Y. chg.
	€m	€m	€m	%
Profit-and-loss figures				
Net interest income	132.8	494.9	119.4	–10.1
Net trading income	1.9	31.7	28.2	n.m.
Net fee and commission income	63.5	239.8	59.6	–6.1
Equity-accounted companies	0.1	(0.2)	(0.1)	n.m.
TOTAL INCOME	**198.3**	**766.2**	**207.1**	**+4.4**
Labour costs	(39.5)	(163.0)	(41.8)	+5.8
Administrative expenses	(54.0)	(294.4)	(70.8)	+31.1
OPERATING COSTS	**(93.5)**	**(457.4)**	**(112.6)**	**+20.4**
Loan loss provisions	(69.9)	(324.7)	(92.9)	+32.9
Provisions for other financial assets	—	(7.5)	(0.3)	n.m.
Other gains (losses)	—	(0.1)	5.5	n.m.
PROFIT (LOSS) BEFORE TAX	**34.9**	**(23.5)**	**6.8**	**–80.5**
Income tax for the period	(10.2)	34.5	(3.5)	–65.7
Minority interest	—	—	—	n.m.
NET PROFIT	**24.7**	**11.0**	**3.3**	**–86.6**
Cost/income ratio %	22.4	59.7	54.4	

	30/9/08	30/6/09	30/9/09
	€m	€m	€m
Treasury funds	1,598.1	3,226.7	3,367.6
AFS securities	1,115.6	2,732.5	2,966.2
Fixed assets (HTM & LR)	0.8	1,021.7	1,021.6
Equity investments	0.4	0.6	0.5
Loans and advances to customers	12,169.2	12,140.0	12,048.2
Funding	(14,020.1)	(18,334.4)	(18,620.8)

This division earned a profit of €3.3m during the three months, considerably less than the €24.7m reported last year, due to higher loan loss provisions of €92.9m (€69.9m), higher start-up costs for CheBanca! (up from €23.6m to €38.7m), and a reduced contribution from private banking totalling €11.8m (€17.6m).

Total income increased by 4.4%, from €198.3m to €207.1m, as gains of €28.2m on the securities portfolio offset the slowdown in net interest income, which fell 10.1%, from €132.8m to €119.4m, and net fee and commission income (down 6.1%, from €63.5m to €59.6m). Loan loss provisions rose by 32.9%, from €69.9m last year to €92.9m, but were 6.6% lower than in the fourth quarter of the last financial year.

Turning now to the individual sectors, consumer credit showed a reduction in net profit to €3m, from €18m last year, despite total income holding up well at €152m (as against €149m). This was due to higher writedowns, which totalled €87.2m (€65m), and which are not tax-deductible for IRAP purposes. The balance of cash management (i.e. net interest income plus net trading income) on retail operations shows an increase from €12m to €27.8m, due to €25.2m in gains on disposals of securities; after loan loss provisions of €5.7m (€4.9m), a net loss of €11.5m was incurred, slightly higher than the €10.9m reported last year, and appreciably better than the €34.2m reported in the fourth quarter of the last financial year. The contribution from private banking fell from €17.6m to €11.8m, following a reduction in total income from €35.7m to €25.8m – chiefly attributable to Compagnie Monégasque de Banque, which generated €18.2m in revenues, compared to €26.5m one year previously, reflecting a sharp reduction in net interest income (which more than halved to €6.2m) – despite and a one-off gain of €5.5m.

As for the balance-sheet data, loans and advances to customers declined from €12.1bn to €12bn, €8bn of which from consumer credit and €3.3bn from mortgage lending; CheBanca! customer deposits rose from €6.2bn to €7.3bn; and assets under management on a discretionary/non-discretionary basis increased to €13.1bn (€12.4bn), €8.1bn (€8.1bn) of which for CMB and €5bn (€4.3bn) for Banca Esperia.

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

Retail and Private Banking 30 September 2009	Consumer credit	Retail banking	Private banking	Total
	€m	€m	€m	€m
Net interest income	110.2	2.6	6.6	119.4
Net trading income	—	25.2	3.0	28.2
Net fee and commission income	41.9	1.5	16.2	59.6
Equity-accounted companies	(0.1)	—	—	(0.1)
TOTAL INCOME	**152.0**	**29.3**	**25.8**	**207.1**
Labour costs	(18.7)	(11.2)	(11.9)	(41.8)
Administrative expenses	(36.1)	(27.5)	(7.2)	(70.8)
OPERATING COSTS	**(54.8)**	**(38.7)**	**(19.1)**	**(112.6)**
Loan loss provisions	(87.2)	(5.7)	—	(92.9)
Provisions for other financial assets	—	—	(0.3)	(0.3)
Other gains (losses)	—	—	5.5	5.5
PROFIT (LOSS) BEFORE TAX	**10.0**	**(15.1)**	**11.9**	**6.8**
Income tax for the period	(7.0)	3.6	(0.1)	(3.5)
NET PROFIT	**3.0**	**(11.5)**	**11.8**	**3.3**
Cost/income ratio %	36.1	n.m.	74.0	54.4
Equity investments	0.5	—	—	0.5
Other financial assets	424.8	4,931.0	1,999.6	7,355.4
Loans and advances to customers	8,047.3	3,320.3	680.6	12,048.2
New loans	883.2	213.7	—	1,096.9
No. of branches	146	55	—	201
No. of staff	1,283	783	344	2,410

Retail and Private Banking 30 September 2008	Consumer credit	Retail banking	Private banking	Total
	€m	€m	€m	€m
Net interest income	106.1	12.0	14.7	132.8
Net trading income	(0.6)	—	2.5	1.9
Net fee and commission income	43.4	1.6	18.5	63.5
Equity-accounted companies	0.1	—	—	0.1
TOTAL INCOME	**149.0**	**13.6**	**35.7**	**198.3**
Labour costs	(20.3)	(8.2)	(11.0)	(39.5)
Administrative expenses	(32.0)	(15.4)	(6.6)	(54.0)
OPERATING COSTS	**(52.3)**	**(23.6)**	**(17.6)**	**(93.5)**
Loan loss provisions	(65.0)	(4.9)	—	(69.9)
Provisions for other financial assets	—	—	—	—
Other gains (losses)	—	—	—	—
PROFIT (LOSS) BEFORE TAX	**31.7**	**(14.9)**	**18.1**	**34.9**
Income tax for the period	(13.7)	4.0	(0.5)	(10.2)
NET PROFIT	**18.0**	**(10.9)**	**17.6**	**24.7**
Cost/income ratio %	0.4	1.7	0.5	22.4
Equity investments	0.3	—	0.1	0.4
Other financial assets	291.6	52.5	2,370.4	2,714.5
Loans and advances to customers	8,413.0	2,868.0	888.0	12,169.2
New loans	1,028.1	216.2	—	1,244.3
No. of branches	167	41	—	208
No. of staff	1,432	515	325	2,272

Private Banking 30 September 2009	CMB	Banca Esperia 50%	Other	Total PB
	€m	€m	€m	€m
Net interest income	6.2	0.3	0.1	6.6
Net trading income	2.6	0.2	0.2	3.0
Net fee and commission income	9.4	5.3	1.5	16.2
TOTAL INCOME	**18.2**	**5.8**	**1.8**	**25.8**
Labour costs	(6.8)	(3.9)	(1.2)	(11.9)
Administrative expenses	(4.8)	(2.0)	(0.4)	(7.2)
OPERATING COSTS	**(11.6)**	**(5.9)**	**(1.6)**	**(19.1)**
Provisions for other financial assets	(0.3)	—	—	(0.3)
Other gains (losses)	5.4	—	0.1	5.5
PROFIT (LOSS) BEFORE TAX	**11.7**	**(0.1)**	**0.3**	**11.9**
Income tax for the period	—	—	(0.1)	(0.1)
NET PROFIT	**11.7**	**(0.1)**	**0.2**	**11.8**
Assets under management	8,135.0	4,955.0	—	13,090.0
Securities held on a fiduciary basis	N/A	N/A	1,064.0	1,064.0

Private Banking 30 September 2008	CMB	Banca Esperia 48.5%	Other	Total PB
	€m	€m	€m	€m
Net interest income	13.8	0.9	—	14.7
Net trading income	2.3	0.1	0.1	2.5
Net fee and commission income	10.4	6.7	1.4	18.5
TOTAL INCOME	**26.5**	**7.7**	**1.5**	**35.7**
Labour costs	(5.8)	(4.4)	(0.8)	(11.0)
Administrative expenses	(4.0)	(2.2)	(0.4)	(6.6)
OPERATING COSTS	**(9.8)**	**(6.6)**	**(1.2)**	**(17.6)**
Provisions for other financial assets	—	—	—	—
Other gains (losses)	—	—	—	—
PROFIT (LOSS) BEFORE TAX	**16.7**	**1.1**	**0.3**	**18.1**
Income tax for the period	—	(0.4)	(0.1)	(0.5)
NET PROFIT	**16.7**	**0.7**	**0.2**	**17.6**
Assets under managment	8,220.0	5,204.5	—	13,424.5
Securities held on a fiduciary basis	N/A	N/A	1,313.6	1,313.6

* * *

Outlook

Based on the results for the three months under review, the guidance issued in the annual report for the year ended 30 June 2009 is confirmed. Total income from banking activity should see similar levels to those reported last year, while both the contribution from equity-accounted companies and operating costs are expected to increase, and loan loss provisions will remain high. The values of the securities and equity investment portfolios will obviously remain closely linked to stock market performances. Save in the event of unforeseeable circumstances, net profit is still expected to increase.

Milan, 28 October 2009

THE BOARD OF DIRECTORS

ACCOUNTING POLICIES

Section 1

Statement of conformity with IAS/IFRS

The Mediobanca Group's consolidated financial statements for the period ended 30 September 2009 have, as required by Italian Legislative Decree 38/05, been drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), which were adopted by the European Commission in accordance with the procedure laid down in Article 6 of regulation CE 1606/02 issued by the European Council and Commission on 19 July 2002. Adoption of the new accounting standards with respect to financial reporting by banks was governed by Bank of Italy circular no. 262 issued on 22 December 2005.

Section 2

Area and methods of consolidation

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

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

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

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

		Registered office	Type of relation-ship[1]	Shareholding		% voting rights[2]
				Investee company	% interest	
A.	COMPANIES INCLUDED IN AREA OF CONSOLIDATION					
A.1	*Line-by-line*					
1.	MEDIOBANCA - Banca di Credito Finanziario S.p.A.	Milan	1	—	—	—
2.	PROMINVESTMENT S.p.A. -in liquidation	Rome	1	A.1.1	100.00	100.00
3.	PRUDENTIA FIDUCIARIA S.p.A	Milan	1	A.1.1	100.00	100.00
4.	SETECI - Società Consortile per l'Elaborazione, Trasmissione dati, *Engineering* e Consulenza Informatica S.c.p.A.	Milan	1	A.1.1	100.00	100.00
5.	SPAFID S.p.A.	Milan	1	A.1.1	100.00	100.00
6.	TECHNOSTART S.p.A. -in liquidation	Milan	1	A.1.1	69.00	69.00
7.	COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A.M.	Monte Carlo	1	A.1.1	100.00	100.00
8.	C.M.I. COMPAGNIE MONEGASQUE IMMOBILIERE SCI	Monte Carlo	1	A.1.7	99.94	99.94
				A.1.8	0.06	0.06
9.	C.M.G. COMPAGNIE MONEGASQUE DE GESTION S.A.M.	Monte Carlo	1	A.1.7	99.95	99.95
10.	SMEF SOCIETE MONEGASQUE DES ETUDES FINANCIERE S.A.M.	Monte Carlo	1	A.1.7	99.96	99.96
11.	CMB ASSET MANANGEMENT S.A.M.	Monte Carlo	1	A.1.7	99.50	99.50
12.	MONOECI SOCIETE CIVILE IMMOBILIERE	Monte Carlo	1	A.1.7	99.00	99.00
				A.1.9	1.00	1.00
13.	MOULINS 700 S.A.M.	Monte Carlo	1	A.1.8	99.80	99,80
14.	CMB BANQUE PRIVÈE (Suisse) S.A.	Lugano	1	A.1.7	100.00	100.00
15.	MEDIOBANCA INTERNATIONAL (Luxembourg) S.A.	Luxembourg	1	A.1.1	99.00	99.00
			1	A.1.16	1.00	1.00
16.	COMPASS S.p.A.	Milan	1	A.1.1	100.00	100.00
17.	CHEBANCA! S.p.A.	Milan	1	A.1.16	100.00	100.00
18.	COFACTOR S.p.A.	Milan	1	A.1.16	100.00	100.00
19.	SELMABIPIEMME LEASING S.p.A.	Milan	1	A.1.16	60.00	60.00
20.	PALLADIO LEASING S.p.A.	Vicenza	1	A.1.19	95.00	100.00
				A.1.20	5.00	
21.	TELELEASING S.p.A.	Milan	1	A.1.19	80.00	80.00
22.	SADE FINANZIARIA - INTERSOMER S.r.l.	Milan	1	A.1.1	100.00	100.00
23.	RICERCHE E STUDI S.p.A.	Milan	1	A.1.1	100.00	100.00
24.	CREDITECH S.p.A.	Milan	1	A.1.16	100.00	100.00
25.	MEDIOBANCA SECURITIES USA LLC	New York	1	A.1.1	100.00	100.00
26.	CONSORTIUM S.r.l.	Milan	1	A.1.1	100.00	100.00
27.	QUARZO S.r.l.	Milan	1	A.1.16	90.00	90.00
28.	QUARZO LEASE S.r.l.	Milan	1	A.1.19	90.00	90.00
29.	FUTURO S.P.A.	Milan	1	A.1.16	100.00	100.00
30.	JUMP S.r.l.	Milan	4	A.1.16	—	—
31.	MB COVERED BOND S.r.l.	Milan	1	A.1.17	90.00	90.00

Legend

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

[2] Effective and potential voting rights in ordinary AGMs

Section 3

Significant accounting policies

Financial assets held for trading

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

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

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

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

AFS securities

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

AFS assets comprise equities held for non-trading purposes which do not qualify as controlling interests, investments in associates or jointly-controlled operations.

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 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. In particular, the criteria for measuring impairment for shares are a reduction in fair value of more than one third, or a reduction versus the initial recognition value of more than eighteen months. 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.

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 objective evidence of impairment, including those involving counterparties in countries deemed to be at risk, are subject to collective tests. Loans are grouped on the basis of similar credit risk characteristics, and the related loss percentages are estimated at the impairment date on the basis of historical series of internal and external data. Collective value adjustments are credited or charged to the profit and loss account, as appropriate. At each annual and interim reporting date, any writedowns or writebacks are remeasured on a differentiated basis with respect to the entire portfolio of loans deemed to be performing at that date.

Leasing

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

Hedges

There are two types of hedge:

– fair value hedges, which are intended to offset the exposure of recognized assets and liabilities to changes in their fair value;

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

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

Hedge derivatives are recognized at fair value as follows:

– changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset, where a difference between the two emerges as a result of the partial ineffectiveness of the hedge;

- the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in net equity, while the gain or loss deriving from the ineffective portion is recognized through the profit and loss account only as and when, with reference to the hedged item, the change in cash flow to be offset crystallizes.

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

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

Equity investments

This heading consists of investments in:

- subsidiaries;
- associates, 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;
- other investments of negligible value.

All of these categories are stated 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 continue to be attributable to the Group. A corresponding amount is then entered as a liability to offset any amounts received.

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 the end-investor in full.

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 is treated as a new issue. The new sale price is recorded as a liability without passing through the profit and loss account.

Trading liabilities

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

Staff severance indemnity provision

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

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

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

Provisions for liabilities and charges

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

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

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

Foreign currency transactions

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

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

Tax assets and liabilities

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

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

The stock option scheme operated on behalf of Group staff members and Directors is treated as a component of labour costs. The fair value of the options is measured and recognized in net equity at the grant date using an 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.

CONSOLIDATED BALANCE SHEET (IAS/IFRS-compliant)

	Assets	IAS-compliant 30/9/08	IAS-compliant 30/6/09	IAS-compliant 30/9/09
10.	Cash and cash equivalents	27.5	20.7	26.1
20.	Financial assets held for trading	12,417.0	13,137.6	14,860.0
30.	Financial assets recognized at fair value	—	—	—
40.	AFS securities	3,330.4	6,653.4	7,341.6
50.	Financial assets held to maturity	582.4	574.4	578.4
60.	Due from banks	8,006.7	5,001.7	5,230.8
	of which:			
	other trading items	*6,718.8*	*3,936.1*	*4,209.7*
	fixed financial assets	—	*198.1*	*199.7*
	other items	*0.8*	*1.6*	*5.0*
70.	Due from customers	38,759.1	42,390.0	38,973.4
	of which:			
	other trading items	*3,665.5*	*7,072.2*	*4,235.2*
	fixed financial assets	*390.6*	*785.0*	*755.9*
	other items	*456.7*	*82.2*	*93.3*
80.	Hedge derivatives	1,164.6	1,744.6	1,811.0
	of which:			
	funding hedge derivatives	*1,032.1*	*1,669.6*	*1,800.2*
	lending hedge derivatives	*2.5*	*2.6*	*0.5*
90.	Value adjustments to financial assets subject to general hedging	—	—	—
100.	Equity investments	2,810.1	2,638.5	2,749.0
110.	Total reinsurers' share of technical reserves	—	—	—
120.	Property, plant and equipment	312.7	317.5	315.9
130.	Intangible assets	439.8	446.7	444.9
	of which: *goodwill*	*404.3*	*365.9*	*365.9*
140.	Tax assets	546.6	830.1	803.1
	a) current	*219.0*	*291.4*	*293.4*
	b) advance	*327.6*	*538.7*	*509.7*
150.	Other non-current and Group assets being sold	—	—	—
160.	Other assets	140.7	135.3	131.5
	of which:			
	other trading items	*0.3*	*20.1*	*17.8*
	TOTAL ASSETS	**68,537.6**	**73,890.5**	**73,265.7**

The balance sheet provided on page 8 reflects the following restatements:

- *Treasury funds* comprises 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, which chiefly consist of repos, interbank accounts and margins on derivatives;
- *Funding* comprises the balances shown under liability headings 10 and 20 (net of the amounts restated under other headings), plus the relevant amounts in respect of hedge derivatives;
- *Loans and advances to customers* comprise asset headings 60 and 70 (net of the amounts restated under other headings), the relevant amounts of asset heading 80 and liability heading 60 (hedge derivatives), plus the relevant share of liability heading 100.

	Liabilities and net equity	IAS-compliant 30/9/08	IAS-compliant 30/6/09	IAS-compliant 30/9/09
10.	Due to banks	15,070.5	11,410.2	10,083.5
	of which:			
	other trading items	*6,342.2*	*5,170.9*	*4,416.1*
	other liabilities	*0.9*	*0.6*	*0.4*
20.	Due to customers	6,697.4	13,148.2	13,236.3
	of which:			
	other trading items	*2,096.5*	*2,834.9*	*2,070.4*
	other liabilities	*10.6*	*8.0*	*12.2*
30.	Debt securities in issue	32,606.9	37,416.2	36,895.9
40.	Trading liabilities	3,567.7	3,427.4	4,250.9
50.	Liabilities recognized at fair value	—	—	—
60.	Hedge derivatives	2,410.9	1,332.2	1,109.4
	of which:			
	funding hedge derivatives	*2,381.1*	*1,121.2*	*897.6*
	lending hedge derivatives	*10.8*	*32.7*	*24.0*
70.	Value adjustments to financial liabilities subject to general hedging	—	—	—
80.	Tax liabilities	732.8	653.7	755.1
	a) current	*355.4*	*306.4*	*393.3*
	b) deferred	*377.4*	*347.3*	*361.8*
90.	Liabilities in respect of Group assets being sold	—	—	—
100.	Other liabilities	997.4	505.0	487.9
	of which:			
	loans and receivables	*17.0*	*53.2*	*66.1*
110.	Staff severance indemnity provision	29.3	28.9	26.5
120.	Provisions	179.3	159.4	156.4
	a) post-retirement and similar benefits	—	—	—
	b) other provisions	*179.3*	*159.4*	*156.4*
130.	Technical reserves	—	—	—
140.	Valuation reserves	(160.1)	(163.3)	31.8
150.	Shares with right of withdrawal	—	—	—
160.	Equity instruments	—	—	—
170.	Reserves	3,643.3	3,530.7	3,591.5
180.	Share premium reserve	2,140.0	2,140.0	2,119.5
190.	Share capital	410.0	410.0	430.5
200.	Treasury shares	(213.8)	(213.8)	(213.8)
210.	Net equity attributable to minorities	116.1	103.3	103.7
220.	Profit (loss) for the period	309.9	2.4	200.6
	TOTAL LIABILITIES AND NET EQUITY	**68,537.6**	**73,890.5**	**73,265.7**

CONSOLIDATED PROFIT AND LOSS ACCOUNT (IAS/IFRS-compliant)

		3 mths to 30/9/08	12 mths to 30/6/09	3 mths to 30/9/09
10.	Interest and similar income	824.8	3.051.1	719.4
20.	Interest and similar expense	(619.8)	(2.194.1)	(482.3)
30.	**Net interest income**	**205.0**	**857.0**	**237.1**
40.	Fee and commission income	106.1	483.6	133.2
50.	Fee and commission expense	(14.7)	(50.5)	(11.4)
60.	**Net fee and commission income**	**91.4**	**433.1**	**121.8**
70.	Dividends and similar income	5.5	41.0	5.6
80.	Net trading income	15.5	196.7	131.8
90.	Net hedging income (expense)	0.6	2.0	1.8
100.	Gain (loss) on disposal of:	159.8	186.1	104.0
	a) loans and receivables	—	—	—
	b) AFS securities	*158.4*	*175.0*	*98.4*
	c) financial assets held to maturity	*0.1*	*0.1*	—
	d) financial liabilities	*1.3*	*11.0*	*5.6*
120.	**Total income**	**477.8**	**1,715.9**	**602.1**
130.	Value adjustments for impairment to	(75.9)	(690.4)	(214.2)
	a) loans and receivables	*(76.4)*	*(476.3)*	*(117.1)*
	b) AFS securities	—	*(186.6)*	*(73.4)*
	c) financial assets held to maturity	*0.5*	*0.4*	*0.6*
	d) other financial assets	—	*(27.9)*	*(24.3)*
140.	**Net income from financial operations**	**401.9**	**1,025.5**	**387.9**
150.	Net premium income	—	—	—
160.	Income less expense from insurance operations	—	—	—
170.	**Net income from financial and insurance operations**	**401.9**	**1,025.5**	**387.9**
180.	Administrative expenses:	(161.4)	(748.5)	(182.6)
	a) labour costs	*(87.4)*	*(360.1)*	*(96.0)*
	b) other administrative expenses	*(74.0)*	*(388.4)*	*(86.6)*
190.	Net transfers to provisions for risks and liabilities	—	(0.7)	—
200.	Net adjustments to property, plant and equipment	(3.3)	(15.4)	(4.1)
210.	Net adjustments to intangible assets	(3.0)	(19.4)	(4.9)
	of which: goodwill	—	—	—
220.	Other operating income (expense)	28.1	132.7	37.9
230.	**Operating costs**	**(139.6)**	**(651.3)**	**(153.7)**
240.	Profit (loss) on equity-accounted companies	96.2	(283.5)	53.1
270.	Profit (loss) on disposal of investments	—	—	—
280.	**Pre-tax profit (loss) on ordinary activities**	**358.5**	**90.7**	**287.3**
290.	Income tax for the period on ordinary activities	(46.6)	(88.8)	(85.6)
300.	**Profit (loss) after tax on ordinary activities**	**311.9**	**1.9**	**201.7**
310.	Gain (loss) after tax on current assets being sold	—	—	—
320.	**Net profit (loss) for the period**	**311.9**	**1.9**	**201.7**
330.	Profit (loss) for the period attributable to minorities	(2.0)	0.5	(1.1)
340.	**Net profit (loss) for the period attributable to Mediobanca**	**309.9**	**2.4**	**200.6**

The profit and loss account shown on page 7 reflects the following restatements:

— *Net interest income* includes the totals reported under Heading 90 and margins on swaps reported under Heading 80 amounting to €12.9m, €0.9m and €23.5m, net of interest expense on securities lending transactions amounting to €1.1m, €0.9m and €0.2m accounted for as *Net trading income*;

— Amounts reported under Heading 220 have been treated as *Net fee and commission income*, save for redemptions/amounts recovered totalling €6.1m, €23.5m and €9.8m respectively which net operating costs;

— In addition to the items already stated, *Net trading income* includes dividends from trading and the gains (losses) on financial liabilities reported under Heading 100.

Declaration by Head of Company Financial Reporting

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

Head of
Company Financial Reporting

Massimo Bertolini