MEDIOBANCA

Quarterly review of operations

(31 March 2015)

MEDIOBANCA

LIMITED COMPANY
SHARE CAPITAL € 432,127,630.5
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 GROUP OPERATIONS
31 MARCH 2015

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The Mediobanca Group's results for the nine months reflect a net profit of €465.6m, higher than the €395.3m recorded last year, driven by a healthy performance in banking operations, in which the net profit of €228.2m was three times higher, offsetting the lower contribution from principal investing of €233.2m (€340.4m). The results reflect a positive third quarter in particular for banking activity, delivering a net profit of almost €100m, helped by the €106.1m profit from principal investing consisting mostly of gains on disposals. Revenues for the nine months reflect growth of 19.5%, from €1,268.4m to €1,515.6m, with the main income items performing as follows:

- net interest income was up 3.8%, from €809.2m to €839.9m, on a 9.7% increase in consumer business, from €465.4m to €510.4m; while the 8.3% reduction in net interest income generated from wholesale banking, from €174.5m to €160m, still represents a recovery from the 11.7% decline reported for the first six months;
- net treasury income rose to €181.4m, due to the higher share and bond market prices, and to the favourable trend in forex positions;
- net fee and commission income was up 31.3%, from €275m to €361m, driven by wholesale banking in particular (up 59.6%); retail fees were up 8%, on growth in sales of asset management products;
- the contribution from the equity-accounted companies fell from €174.7m to €133.3m, due to a reduced contribution from Assicurazioni Generali for the quarter, of €10.8m (€42.9m).

Operating costs were up 7.3%, from €563m to €603.9m, reflecting the expansion of the business in terms of volumes and geographies, and also the higher provisions to cover the variable component of labour costs for wholesale banking staff.

Loan loss provisions declined from €460.2m to €410m, €56.5m (€133.5m) of which in corporate and private banking, €342m (€299m) in retail and consumer banking, and €12.4m (€28.2m) in leasing. This performance reflects the fact that no corporate loans were reclassified as non-performing in the third quarter, and also reflects the improvement in consumer and retail banking. The cost of risk for the nine months thus fell from 122 bps to 57 bps for corporate lending (partly as a result of €19m in writebacks), from 386 bps to 374 bps for consumer lending (not including the €40m in non-recurring adjustments to the portfolio of performing assets taken in the half-yearly accounts), from 113 bps to 57 bps for leasing, and from 65 bps to 43 bps for retail banking. The coverage ratio for non-performing items has been increased further at the consolidated level, from 51% to 53%, while the ratio for performing consumer loans was kept at 1.2%.

Securities portfolio management yielded gains of €117.5m (€221.3m), deriving from gains realized during the third quarter on listed equities (€23.3m) and repayment of the Telco shareholders' loan at the nominal amount (€78m), against writedowns totalling €13.1m (€26.2m), basically in line with December 2014 levels.

Turning now to the individual areas of activity:

Corporate and private banking reported a net profit of €184.6m, up sharply on last year (€18m), with 60.6% growth in revenues driven by fees and trading income, plus lower loan loss provisions of €56.5m (€133.5m).

Retail and consumer banking showed a net profit of €52.8m (€57.2m), reflecting 6.9% growth in revenues, from €698.1m to €746.5m, driven in particular by net interest income (up 7.2%) and fees and commissions (up 5.9%), with costs relatively stable (up 3.3%, from €316.1m to €326.6m).

Principal investing saw profits fall from €340.4m to €233.2m, due to lower gains of €116.5m (€219.8m) and a reduced contribution from Assicurazioni Generali of €133.7m (€173.7m).

The corporate centre (including leasing) showed a €9.2m loss (€16.6m). Leasing operations reflected a €2m profit (compared with a €5.5m loss last year), on revenues of €40.3m (€34.7m) and loan loss provisions of €12.4m (€28.2m). Costs incurred in respect of Mediobanca S.p.A. were stable at €18m (€18.2m).

The increase in total assets, from €52.4bn to €52.9bn, reflects the recovery in customer lending, with loans and advances up from €31.8bn to €32.3bn, and the increase in AFS securities (from €6.9bn to €7.6bn), due in part to the recovery in fair values. Funding was down slightly, from €43bn to €42.8bn, with the decline more pronounced on the retail side (down from €10.9bn to €10.1bn), as a result of the planned conversion of direct funding into assets under management (€1.7bn, vs €1.2bn), while treasury assets also fell, from €6.5bn to €6bn. Assets under management in private banking rose from €15.2bn to €16.7bn.

The Group's main capital ratios, taking into account the phase-in period and estimated pay-out, have strengthened further and remain at high levels: the common equity tier 1 ratio (CET1) stood at 11.58% (31/12/14: 11%), and the total capital ratio at 14.39% (13.94%).

* * *

Significant events that took place in the third quarter include:

– strengthening of the Bank's international branches, with the appointments of Emmanuel Moulin as Deputy Head and Jean-René Fourtou as senior advisor for France and Benelux, and Felipe de Grado as Managing Director for international equity capital market activities;

– Mediobanca being awarded a BBB+ rating by Fitch on 16 April 2015, with stable outlook, reflecting the Group's adequate capitalization and risk control profile, as well as its intrinsic solidity due to its strong position in Italy in specialized business segments such as investment banking and consumer credit.

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 and the comprehensive profit and loss account.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(€m)

	9 mths to 31/3/14	6 mths to 30/6/14	9 mths to 31/3/15	Y.o.Y.Chg (%)
Profit-and-loss data				**(%)**
Net interest income	809.2	547.9	839.9	3.8
Treasury income	9.5	82.8	181.4	n.m.
Net fee and commission income	275.0	260.3	361.0	31.3
Equity-accounted companies	174.7	123.2	133.3	-23.7
Total income	**1,268.4**	**1,014.2**	**1,515.6**	**19.5**
Labour costs	(273.6)	(192.9)	(299.5)	9.5
Administrative expenses	(289.4)	(199.5)	(304.4)	5.2
Operating costs	**(563.0)**	**(392.4)**	**(603.9)**	**7.3**
Gains (losses) on disposal of AFS shares	221.3	15.9	117.5	-46.9
Loan loss provisions	(460.2)	(300.7)	(410.0)	-10.9
Provisions for financial assets	(26.2)	(11.3)	(13.2)	-49.6
Other profits (losses)	(3.2)	—	—	n.m.
Profit before tax	**437.1**	**325.7**	**606.0**	**38.6**
Income tax for the period	(44.9)	(64.1)	(138.3)	n.m.
Minority interest	3.1	(1.0)	(2.1)	n.m.
Net profit	**395.3**	**260.6**	**465.6**	**17.8**

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

RESTATED BALANCE SHEET

(€m)

	30/6/14	31/12/14	31/3/15
Assets			
Treasury funds	9,323.8	6,543.7	6,006.4
AFS securities	8,418.5	6,859.7	7,627.2
of which: fixed-income	*7,152.9*	*5,767.6*	*6,265.2*
equities	*1,254.6*	*1,080.7*	*1,350.0*
Fixed financial assets (HTM & LR)	2,046.3	2,000.4	1,756.8
Loans and advances to customers	30,552.1	31,847.3	32,278.8
Equity investments	2,871.4	3,071.0	3,160.8
Tangible and intangible assets	715.4	716.5	716.4
Other assets	1,493.4	1,311.9	1,308.4
of which: tax assets	*1,069.9*	*1,028.8*	*904.4*
Total assets	**55,420.9**	**52,350.5**	**52,854.8**
Liabilities and net equity			
Funding	45,834.0	42,968.7	42,831.7
of which: debt securities in issue	*22,617.7*	*20,243.4*	*19,766.8*
retail deposits	*11,481.6*	*10,866.9*	*10,060.3*
Other liabilities	1,449.2	1,110.8	1,293.6
of which: tax liabilities	*596.2*	*488.2*	*611.6*
Provisions	195.0	195.1	196.5
Net equity	7,477.9	7,815.3	8,067.4
of which: share capital	*430.7*	*431.8*	*432.5*
reserves	*6,942.7*	*7,278.6*	*7,529.0*
minority interest	*104.5*	*104.9*	*105.9*
Profit for the period	464.8	260.6	465.6
Total liabilities and net equity	**55,420.9**	**52,350.5**	**52,854.8**
Tier 1 capital	*6,506.7*	*6,513.4*	*7,034.7*
Regulatory capital	*8,082.9*	*8,250.3*	*8,743.6*
Tier 1 capital/RWAs	*11.08%*	*11.0%*	*11.58%*
Regulatory capital/RWAs	*13.76%*	*13.94%*	*14.39%*
No. of shares in issues (millions)	*861.4*	*863.7*	*864.9*

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

(€m)

31 March 2015	Corporate & Private Banking	Principal Investing	Retail & Consumer Banking	Corporate Centre	Group
Profit-and-loss data					
Net interest income	185.3	—	612.4	40.1	839.9
Treasury income	176.3	10.4	0.2	—	181.4
Net fee and commission income	261.2	—	133.9	7.0	361.0
Equity-accounted companies	—	133.7	—	—	133.3
Total income	**622.8**	**144.1**	**746.5**	**47.1**	**1,515.6**
Labour costs	(160.8)	(6.7)	(115.5)	(25.3)	(299.5)
Administrative expenses	(108.1)	(1.5)	(211.1)	(17.6)	(304.4)
Operating costs	**(268.9)**	**(8.2)**	**(326.6)**	**(42.9)**	**(603.9)**
Gain (losses) on disposal of AFS shares	1.3	116.5	—	—	117.5
Loan loss provisions	(56.5)	—	(342.0)	(12.4)	(410.0)
Provisions for financial assets	0.4	(13.6)	—	—	(13.2)
Other profits (losses)	(2.7)	—	—	—	—
Profit before tax	**296.4**	**238.8**	**77.9**	**(8.2)**	**606.0**
Income tax for the period	(111.8)	(5.6)	(25.1)	1.1	(138.3)
Minority interest	—	—	—	(2.1)	(2.1)
Net profit	**184.6**	**233.2**	**52.8**	**(9.2)**	**465.6**
Cost/income ratio (%)	43.2	5.7	43.8	91.1	39.8
Balance-sheet figures					
Treasury funds	6,029.0	—	7,472.8	132.4	6,006.4
AFS securities	5,896.1	1,340.7	690.5	—	7,627.2
Fixed financial assets (HTM & LR)	4,902.5	—	1,255.9	—	1,756.8
Equity investments	—	3,063.4	—	—	3,160.8
Loans and advances to customers	25,029.8	—	15,125.6	2,813.8	32,278.8
of which: to Group companies	*10,282.7*	*n.m.*	*n.m.*	*n.m.*	*n.m.*
Funding	(39,274.0)	—	(20,458.6)	(2,849.6)	(42,831.7)
Risk-weighted assets	34,751.8	11,908.4	11,663.1	2,419.8	60,743.1
No. of staff	1,009 *	—	2,429	388	3,690

* Includes 136 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 (€4.2m as at 31/3/15 and €4.1m as at 31/3/14).

(€m)

31 March 2014	Corporate & Private Banking	Principal Investing	Retail & Consumer Banking	Corporate Centre	Group
Profit-and-loss data					
Net interest income	205.5	—	571.3	34.6	809.2
Treasury income	0.8	7.0	0.4	(0.1)	9.5
Net fee and commission income	181.5	—	126.4	5.3	275.0
Equity-accounted companies	—	171.1	—	—	174.7
Total income	**387.8**	**178.1**	**698.1**	**39.8**	**1,268.4**
Labour costs	(140.8)	(6.6)	(110.8)	(24.0)	(273.6)
Administrative expenses	(90.8)	(1.3)	(205.3)	(16.9)	(289.4)
Operating costs	**(231.6)**	**(7.9)**	**(316.1)**	**(40.9)**	**(563.0)**
Gain (losses) on disposal of AFS shares	8.9	219.8	—	—	221.3
Loan loss provisions	(133.5)	—	(299.0)	(28.2)	(460.2)
Provisions for financial assets	(4.6)	(24.6)	—	—	(26.2)
Other profits (losses)	—	—	(5.3)	2.1	(3.2)
Profit before tax	**27.0**	**365.4**	**77.7**	**(27.2)**	**437.1**
Income tax for the period	(9.0)	(25.0)	(20.5)	7.5	(44.9)
Minority interest	—	—	—	3.1	3.1
Net profit	**18.0**	**340.4**	**57.2**	**(16.6)**	**395.3**
Cost/income ratio (%)	59.7	4.4	45.3	n.m.	44.4
Balance-sheet figures					
Treasury funds	11,091.0	—	8,933.2	118.9	9,679.4
AFS securities	6,696.9	1,256.2	698.4	—	8,331.1
Fixed financial assets (HTM & LR)	5,140.1	—	1,784.2	—	2,173.1
Equity investments	—	2,612.5	—	—	2,708.4
Loans and advances to customers	24,340.8	—	14,109.7	3,105.6	32,294.3
of which: to Group companies	*8,804.4*	*n.m.*	*n.m.*	*n.m.*	*n.m.*
Funding	(45,105.3)	—	(24,465.9)	(3,098.4)	(48,071.4)
Risk-weighted assets	33,941.2	10,914.5	11,041.4	2,519.5	58,416.7
No. of employees	971 *	—	2,345	347	3,539

* 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 50%, showed the following trends for the period under review (comparative data as at 31 December 2014):

Funding – this item fell slightly, from €43bn to €42.8bn, due to the reductions in CheBanca! retail funding (from €10.9bn to €10.1bn) and debt securities (down €476.6m, on repayments totalling €600m for the three months), the majority of which were offset by increased recourse to the interbank channel. A €4.5bn loan was taken out on 25 March 2015, as part of the T-LTRO scheme, fully replacing the previous LTRO facility.

	31/12/14		31/3/15		Chg (%)
	(€m)	%	(€m)	%	
Debt securities	20,243.4	47%	19,766.8	46%	-2.4%
CheBanca! retail funding	10,866.9	25%	10,060.3	23%	-7.4%
Interbank funds	3,118.2	7%	4,103.5	10%	31.6%
LTROs	5,078.0	12%	5,078.0	12%	—
Other funds	3,662.2	9%	3,823.1	9%	4.4%
Total funding	**42,968.7**	**100%**	**42,831.7**	**100%**	**-0.3%**

Loans and advances to customers – the upward trend continued here with a 1.4% rise, involving all segments: wholesale banking up 1.9%; consumer finance up 1.3%; mortgage lending up 1.2%, with €1.5bn, €1.5bn and €178m disbursed during the three quarters respectively. Conversely, non-performing items declined in the three months, from €1,219.6m to €1,173.2m, in particular in wholesale banking (down 6%) and consumer finance (down 2%). The percentage of the loan book accounted for by such items fell from 3.8% to 3.6%, with the coverage ratio up from 51% to 53%.

	31/12/14		31/3/15		Chg (%)
	(€m)	%	(€m)	%	
Wholesale banking	13,177.5	41%	13,424.4	42%	1.9%
Private banking	843.4	3%	915.2	3%	8.5%
Consumer	10,495.6	33%	10,631.6	33%	1.3%
Retail banking	4,438.9	14%	4,494.0	14%	1.2%
Leasing	2,891.9	9%	2,813.6	9%	-2.7%
Total loans and advances to customers	**31,847.3**	**100%**	**32,278.8**	**100%**	**1.4%**

	31/12/14		31/3/15		Chg (%)
	(€m)	%	(€m)	%	
Wholesale banking	473.9	39%	445.4	38%	-6.0%
Private banking	3.2	0%	3.2	0%	n.m.
Consumer	311.6	26%	305.3	26%	-2.0%
Retail banking	146.2	12%	148.7	13%	1.7%
Leasing	284.7	23%	270.6	23%	-5.0%
Total net non performing loans	**1,219.6**	**100%**	**1,173.2**	**100%**	**-3.8%**
– of which: bad loans	*270.4*		*265.3*		*-1.9%*

Equity investments – these rose from €3,071m to €3,160.8m, due to an increase in the book values of Assicurazioni Generali and Banca Esperia linked to profits for the quarter (€10.8m) and reserves (€77.6m).

	% share capital	31/12/14	31/3/15
Assicurazioni Generali	13.24	2,968.8	3,057.2
Banca Esperia	50.0	95.8	97.2
Burgo Group	22.13	—	—
Athena Private Equity	24.27	5.7	5.7
Fidia	25.0	0.7	0.7
Total investments		**3,071.0**	**3,160.8**

Based on prices as at 31 March 2015, the Assicurazioni Generali investment reflects a surplus of market over book value totalling €716.5m (approx. €540m based on current prices).

Fixed financial assets – these declined from €2,000.4m to €1,756.8m, due largely to redemptions for the period. This portfolio showed an unrealized gain of €141.2m (€133.7m) based on prices at end-March.

	31/12/14		31/3/15		Chg (%)
	(€m)	%	(€m)	%	
Financial assets held to maturity	1,612.1	81%	1,372.6	78%	-14.9%
Unlisted debt securities (stated at cost)	388.3	19%	384.2	22%	-1.1%
Total fixed financial assets	**2,000.4**	**100%**	**1,756.8**	**100%**	**-12.2%**

	31/12/14		31/3/15		Chg (%)
	(€m)	%	(€m)	%	
Italian government securities	358.8	18%	359.3	20%	0.1%
Other government securities	977.4	49%	779.1	44%	-20.3%
- of which: Italian	*425.7*	*21%*	*415.8*	*24%*	*-2.3%*
Corporate bonds	664.2	33%	618.4	35%	-6.9%
Total debt securities	**2,000.4**	**100%**	**1,756.8**	**100%**	**-12.2%**

AFS securities – this portfolio grew from €6,859.7m to €7,627.2m due to net purchases in the fixed-income segment worth €420.9m, in Italian government securities in particular, and the increase in current stock market prices (chiefly Sintonia, Pirelli and Italmobiliare).

	31/12/14		31/3/15		Chg (%)
	(€m)	%	(€m)	%	
Debt securities	5,767.6	84%	6,265.2	82%	8.6%
Equities	1,080.7	16%	1,350.0	18%	24.9%
Others	11.4	—	12.0	—	5.3%
Total AFS securities	**6,859.7**	**100%**	**7,627.2**	**100%**	**11.2%**

	31/12/14			31/3/15		
	Book value	%	AFS reserve	Book value	%	AFS reserve
Pirelli & C.	220.5	4.13	45.5	222.0	3.02	94.3
RCS MediaGroup	30.5	6.2	—	37.0	6.2	6.5
Italmobiliare	39.6	9.5	5.0	64.2	9.5	29.6
Other listed equities	35.1		3.2	37.6		10.1
Sintonia S.p.A.	415.8	5.94	112.9	537.9	5.94	235.0
Telco	122.5	7.34	78.9	240.8	7.34	6.4 *
Edipower	57.3	5.13	—	57.3	5.13	—
Other unlisted equities	159.4		29.3	153.2		32.2
Total equities	**1,080.7**		**274.8**	**1,350.0**		**414.1**

* net of negative cashflow reserve totalling €46.7m.

On the equity side, the portfolio rationalization exercise continued during the three months, with the partial disposal of the Pirelli stake and the sale of other listed equities worth €74.9m. The increase in the book value of the Telco investment reflects the repayment of the bank loan and previous shareholders' loan at maturity for the nominal amount, pending completion of the demerger. Repayment of the shareholders' loan referred to above (€121m) led to a reversal of €78m, following the writedown charged in June 2013.

The valuation reserve was boosted by the upturn on markets, and rose from €457m to €634.2m despite disposals for the period.

	31/12/14			31/3/15		
	Book value	%	AFS reserve	Book value	%	AFS reserve
Italian government securities	3,759.6	65%	82.1	4,110.5	66%	110.6
Other government securities	34.0	1%	1.4	185.3	3%	1.1
Financial bonds	1,346.5	23%	61.6	1,338.3	21%	65.7
- of which: Italian	*711.5*	*12%*	*35.3*	*712.4*	*11%*	*38.2*
Corporate bonds	627.5	11%	37.1	631.1	10%	42.7
Total debt securities	**5,767.6**	**100%**	**182.2**	**6,265.2**	**100%**	**220.1**

Treasury assets – the reduction in this item, from €6,543.7m to €6,006.4m, reflects the €1.3bn reduction in money market assets in favour of banking book assets (lendings and securities, and the €1.6bn increase in debt securities on disposals of equities worth €569m).

	31/12/14		31/3/15		Chg (%)
	(€m)	%	(€m)	%	
Debt securities	2,451.4	37%	4,058.8	68%	65.6%
Equities	2,339.3	36%	1,770.2	29%	-24.3%
Derivative contract valuations	(675.7)	-10%	(950.4)	-16%	40.7%
Others (cash, repos, time deposits)	2,428.7	37%	1,127.8	19%	-53.6%
Total net treasury assets	**6,543.7**	**100%**	**6,006.4**	**100%**	**-8.2%**

	31/12/14		31/3/15	
	(€m)	%	(€m)	%
Italian government securities	142.6	6%	1,068.7	26%
German government securities	398.6	16%	483.2	12%
Other government securities	366.9	15%	268.6	7%
Financial bonds	1,151.4	47%	1,554.9	38%
- of which: Italian	*589.0*	*24%*	*656.9*	*16%*
Corporate bonds	391.9	16%	683.4	17%
Total debt securities	**2,451.4**	**100%**	**4,058.8**	**100%**

Net equity – net equity increased by €456.1m, or 5.7%, reflecting the profit for the quarter (€205m) and an increase in the valuation reserves of €248.5m, due in particular to the increase in AFS securities (€200.7m). The share capital increased from €431.8m to €432.5m, following the exercise of 1,232,500 stock options in an amount of €8.1m, including the share premium reserve.

(€m)

	31/12/14	31/3/15	Chg (%)
Share capital	431.8	432.5	0.2%
Other reserves	6,297.6	6.299.5	n.m.
Valuation reserves	981.0	1.229.5	25.3%
- of which: AFS securities	*386.4*	*585.3*	*51.5%*
cash flow hedges	*(33.9)*	*(71.2)*	*n.m.*
equity investments	*621.4*	*709.3*	*14.1%*
Profit for the period	260.6	465.6	78.7%
Total Group net equity	**7,971.0**	**8,427.1**	**5.7%**

The AFS reserve involves equities as to €460.8m and bonds and other securities as to €229.2m (€110.6m Italian government securities), net of the €104.7m tax effect.

(€m)

	31/12/14	31/3/15	Chg (%)
Equities	274.8	460.8	67.7%
Bonds and other debt securities	191.0	229.2	20.0%
- of which: Italian	82.1	*110.6*	*34.7%*
Tax effect	(79.4)	(104.7)	31.9%
Total AFS reserve	**386.4**	**585.3**	**51.5%**

Profit and loss account

Net interest income – the upward trend in net interest income continued, rising 3.8%, in consumer lending especially, which climbed 9.7% on the back of higher business volumes, with returns holding up; wholesale banking showed signs of recovery, with a reduction of 8.3% as opposed to 11.7% in December, the improvement being due to the increase in loans and advances to customers.

(€m)

	31/12/14	31/3/15	Chg (%)
Wholesale banking	174.5	160.0	-8.3%
Private banking	31.0	25.3	-18.4%
Consumer	465.4	510.4	9.7%
Retail banking	105.9	102.0	-3.7%
Others (including intercompany accounts)	32.4	42.2	30.2%
Net interest income	**809.2**	**839.9**	**3.8%**

Net treasury income – the good performance by this item reflects the valuation of forex positions (€79.6m) and gains on trading involving the banking book (AFS and HTM securities) totalling €63.6m. The third quarter also saw the trading book recover, up €48.3m in the three months (net of the exchange rate effect), the increase distributed equally between fixed-income and equity trading.

(€m)

	31/12/14	31/3/15	Chg (%)
Dividends	7.0	10.4	48.6%
Fixed-income trading profit	(40.1)	114.2	n.m.
Equity trading profit	42.6	56.8	33.3%
Net treasury income	**9.5**	**181.4**	**n.m.**

Net fee and commission income – this item rose 31.3%, following a good performance by wholesale banking (up from €124.2m to €198.2m), involving all the main business segments and capital markets in particular (with fees up from €34.4m to €87.5m). The non-CIB areas all showed growth as well: private banking up 9.9%, consumer finance up 5.6% (on higher volumes), and retail banking up 8% (on higher AuM levels, which at 31 March 2015 had reached €1.7bn).

	31/3/14	31/3/15	Chg (%)
			(€m)
Wholesale banking	124.2	198.2	59.6%
Private banking	57.3	63.0	9.9%
Consumer	109.0	115.1	5.6%
Retail banking	17.4	18.8	8.0%
Others (including intercompany accounts)	(32.9)	(34.1)	3.6%
Net fee and commission income	**275.0**	**361.0**	**31.3%**

Operating costs – the 7.3% increase in this item reflects the growth in labour costs (up 9.5%, from €273.6m to €299.5m), due in particular to the increase in the wholesale banking variable remuneration component, as a result of the increase in profits; administrative expenses, meanwhile, showed a 5.5% rise, in line with the previous quarters, reflecting the expansion of the Group's business in terms of volumes and geographies.

	31/3/14	31/3/15	Chg (%)
			(€m)
Labour costs	273.6	299.5	9.5%
of which: directors	*5.9*	*5.9*	*n.m.*
stock option and performance share schemes	*8.3*	*7.6*	*-8.4%*
Sundry operating costs and expenses	289.4	304.4	5.2%
of which: depreciation and amortization	*28.1*	*28.7*	*2.1%*
administrative expenses	*259.7*	*274.1*	*5.5%*
Operating costs	**563.0**	**603.9**	**7.3%**

	31/3/14	31/3/15	Chg (%)
			(€m)
Legal, tax and professional services	22.6	25.5	12.8%
Credit recovery activities	28.2	32.1	13.8%
Marketing and communication	45.2	41.0	-9.3%
Rent and property maintenance	28.0	28.0	n.m.
EDP	32.7	43.1	31.8%
Financial information subscriptions	20.4	20.4	n.m.
Bank services, collection and payment commissions	13.2	13.5	2.3%
Operating expenses	38.9	38.0	-2.3%
Other labour costs	13.0	15.6	20.0%
Other costs	6.8	7.2	5.9%
Direct and indirect taxes	10.7	9.7	-9.3%
Total administrative expenses	**259.7**	**274.1**	**5.5%**

Loan loss provisions – the reduction in this item reflects the overall improvement in risk profile, as well as writebacks of €19m plus the absence of any new non-performing items in the wholesale segment. Net of the one-off provisioning for Compass performing loans (€40m), the cost of risk comes in at 157 bps, down sharply on the 187 bps observed at end-December (167 bps).

(€m)

	31/3/14	31/3/15	Chg (%)
Wholesale banking	136.2	55.6	-59.2%
Private banking	(3.2)	—	n.m.
Consumer	278.0	327.7	17.9%
Retail banking	21.0	14.3	-31.9%
Other	28.2	12.4	-56.0%
Loan loss provisions	**460.2**	**410.0**	**-10.9%**
Cost of risk (bps)	**187**	**174** *	**-6.9%**

* 157 bps net of one-off provisions for Compass performing loans.

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

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

CORPORATE AND PRIVATE BANKING (WHOLESALE BANKING AND PRIVATE BANKING)

(€m)

	31/3/14	31/12/14	31/3/15	Chg (%)
Profit-and-loss data				
Net interest income	205.5	121.6	185.3	-9.8
Treasury income	0.8	79.3	176.3	n.m.
Net fee and commission income	181.5	190.6	261.2	43.9
Total income	**387.8**	**391.5**	**622.8**	**60.6**
Labour costs	(140.8)	(101.6)	(160.8)	14.2
Administrative expenses	(90.8)	(69.6)	(108.1)	19.1
Operating costs	**(231.6)**	**(171.2)**	**(268.9)**	**16.1**
Gain (losses) on disposal of AFS shares	8.9	1.0	1.3	-85.4
Loan loss provisions	(133.5)	(49.0)	(56.5)	-57.7
Provisions for financial assets	(4.6)	0.2	0.4	n.m.
Other profits (losses)	—	—	(2.7)	n.m.
Profit before tax	**27.0**	**172.5**	**296.4**	**n.m.**
Income tax for the period	(9.0)	(55.1)	(111.8)	n.m.
Net profit	**18.0**	**117.4**	**184.6**	**n.m.**
Cost/income ratio (%)	59.7	43.7	43.2	

	30/6/14	31/12/14	31/3/15
Balance-sheet data			
Treasury funds	10,721.6	6,807.0	6,029.0
AFS securities	6,812.7	5,369.1	5,896.1
Fixed financial assets (HTM & LR)	5,013.9	4,967.5	4,902.5
Loans and advances to customers	22,853.0	25,158.4	25,029.8
of which: to Group companies	*9,114.1*	*10,679.3*	*10,282.7*
Funding	(42,968.4)	(39,918.3)	(39,274.0)

Wholesale banking

				(€m)
	31/3/14	**31/12/14**	**31/3/15**	**Chg (%)**
Profit-and-loss data				
Net interest income	174.5	104.4	160.0	-8.3
Treasury income	(7.7)	69.4	162.8	n.m.
Net fee and commission income	124.2	151.3	198.2	59.6
Total income	**291.0**	**325.1**	**521.0**	**79.0**
Labour costs	(103.4)	(74.2)	(119.6)	15.7
Administrative expenses	(66.4)	(51.0)	(80.6)	21.4
Operating costs	**(169.8)**	**(125.2)**	**(200.2)**	**17.9**
Loan loss provisions	(136.2)	(48.4)	(55.6)	-59.2
Provisions for financial assets	—	0.3	0.6	n.m.
Profit before tax	**(15.0)**	**151.8**	**265.8**	**n.m.**
Income tax for the period	(5.7)	(53.2)	(108.3)	n.m.
Net profit	**(20.7)**	**98.6**	**157.5**	**n.m.**
Cost/income ratio (%)	58.4	38.5	38.4	

	30/6/14	**31/12/14**	**31/3/15**
Balance-sheet data			
Treasury funds	9,851.2	5,596.4	4,299.2
AFS securities	6,058.9	4,705.0	5,169.4
Fixed financial assets (HTM & LR)	5,000.8	4,958.0	4,714.4
Loans and advances to customers	21,591.5	23,856.7	23,707.1
of which: to Group companies	*9,114.1*	*10,679.3*	*10,282.7*
Funding	(40,522.2)	(37,209.0)	(36,096.6)
No. of employees	639	621	640

This division earned a net profit of €157.5m in the nine months under review, compared with a €20.7m loss at the same stage last year. The result reflects a 79% increase in revenues, from €291m to €521m, and a 59.2% reduction in loan loss provisions, from €136.2m to €55.6m, helped by reversals totalling €19m.

The main revenue items performed as follows:

– net interest income declined 8.3%, which nonetheless represents a recovery compared to previous quarters, driven by higher average volumes and lower funding costs;

– treasury income soared, with €93.4m added in the third quarter alone, linked mostly to the trading book;

– net fee and commission income climbed by 59.6%, the increase involving all business sectors.

On the balance-sheet side, there was a slight rise in loans to corporates and AFS investments (government securities in particular), while the decline in funding, from €37.2m to €36.1m, reflects lower CheBanca! intercompany deposits of €7.3bn (€8.2bn) matched by a reduction in treasury applications to equities and money market assets (from €5.6bn to €4.3bn).

	31/12/14		31/3/15		Chg (%)
	(€m)	%	(€m)	%	
Italy	6,829.2	52%	7,160.5	53%	4.9%
France	1,346.8	10%	1,539.6	11%	14.3%
Germany	1,200.8	9%	835.3	6%	-30.4%
U.K.	703.5	5%	415.7	3%	-40.9%
Spain	866.7	7%	827.1	6%	-4.6%
Other non-resident customers	2.230.4	17%	2,646.2	20%	18.6%
Total loans and advances to customers	**13,177.4**	**100%**	**13,424.4**	**100%**	**1.9%**

	31/12/14		31/3/15		Chg (%)
	(€m)	%	(€m)	%	
Debt securities	21,426.4	57%	21,183.0	59%	-1.1%
Interbank funding	8,868.5	24%	8,379.4	23%	-5.5%
- of which: CheBanca!, intercompany	*8,191.0*	*22%*	*7,338.6*	*20%*	*-10.4%*
LTROs	5,078.0	14%	5,078.0	14%	n.m.
Securitizations and other funds	1,836.1	5%	1,456.1	4%	-20.7%
Total funding	**37,209.0**	**100%**	**36,096.5**	**100%**	**-3.0%**

	31/12/14		31/3/15		Chg (%)
	(€m)	%	(€m)	%	
Debt securities AFS	4,705.0	48%	5,169.4	52%	9.9%
Securities held to maturity	1,601.8	17%	1,362.4	14%	-14.9%
Unlisted debt securities (stated at cost)	3,356.3	35%	3,352.0	34%	-0.1%
Total fixed financial assets	**9,663.1**	**100%**	**9,883.8**	**100%**	**2.3%**

	31/12/14			31/3/15		
	Book Value	%	AFS Reserve	Book Value	%	AFS Reserve
Italian government securities	3,434.5	36%	72.7	3,783.8	38%	101.4
Other government securities	17.0	0%	1.1	166.1	2%	0.7
Financial bonds	4,959.9	51%	55.2	4,746.5	48%	58.4
- of which: Italian	*4,065.9*	*42%*	*32.0*	*4,057.3*	*41%*	*34.4*
Corporate bonds	1,251.7	13%	38.3	1,187.4	12%	43.5
Total debt securities	**9,663.1**	**100%**	**167.3**	**9,883.8**	**100%**	**204.0**

	31/12/14		31/3/15		Chg (%)
	(€m)	%	(€m)	%	
Cash and liquid assets	106.4	2%	258.6	6%	n.m.
Debt securities	1,478.8	26%	2,915.4	68%	n.m.
Equities	2,330.3	42%	1,762.0	41%	-24.4%
Derivative contract valuatins	(646.3)	-12%	(927.2)	-22%	43.5%
Other (repos, time deposit, derivatives etc.)	2,327.2	42%	290.3	7%	-87.5%
Total net treasury assets	**5,596.4**	**100%**	**4,299.1**	**100%**	**-23.2%**

Private banking

	31/3/14	31/12/14	31/3/15	(€m) Chg (%)
Profit-and-loss data				
Net interest income	31.0	17.2	25.3	-18.4
Treasury income	8.5	9.9	13.5	58.8
Net fee and commission income	57.3	39.3	63.0	9.9
Total income	**96.8**	**66.4**	**101.8**	**5.2**
Labour costs	(37.4)	(27.4)	(41.2)	10.2
Administrative expenses	(24.4)	(18.6)	(27.5)	12.7
Operating costs	**(61.8)**	**(46.0)**	**(68.7)**	**11.2**
Gain (losses) on disposal of AFS shares	8.9	1.0	1.3	-85.4
Loan loss provisions	2.7	(0.6)	(0.9)	n.m.
Provisions for financial assets	(4.6)	(0.1)	(0.2)	n.m.
Other profits (losses)	—	—	(2.7)	n.m.
Profit before tax	**42.0**	**20.7**	**30.6**	**-27.1**
Income tax for the period	(3.3)	(1.9)	(3.5)	6.1
Net profit	**38.7**	**18.8**	**27.1**	**-30.0**
Cost/income ratio (%)	63.8	69.3	67.5	

	30/6/14	31/12/14	31/3/15
Balance-sheet data			
Treasury funds	870.4	1,210.6	1,729.8
AFS securities	753.8	664.1	726.7
Fixed financial assets (HTM & LR)	131.1	9.5	188.1
Loans and advances to customers	1,261.5	1,301.7	1,322.7
Funding	(2,416.2)	(2,709.3)	(3,177.4)
Assets under management	15,035.5	15,185.6	16,666.0
Securities held on a fiduciary basis	1,420.3	2,094.5	2,153.2
No. of employees	347	361	369

Private banking delivered a net profit of €27.1m (€38.7m), down on last year due to lower gains on disposals of AFS securities totalling €1.3m (€8.9m), and the absence of writebacks on loans. Revenues were up 5.2%, despite net interest income declining by 18.4%, on 9.9% growth in fee income and a 58.8% increase in net treasury income. The 11.2% rise in costs is due to the €2.1m transfer to the provision for risks and charges made during the first six months, plus extraordinary provisions of €2.7m set aside in respect of Banca Esperia tax charges. Assets under management on a discretionary and/or non-discretionary basis at the reporting date totalled €16.7bn (31/12/14: €15.2bn), €7.7bn (€7.2bn) of which for CMB and €9bn (€8bn) for Banca Esperia.

Principal investing (equity investment portfolio)

(€m)

	31/3/14	31/12/14	31/3/15	Chg (%)
Profit-and-loss data				
Treasury income	7.0	7.1	10.4	48.6
Equity-accounted companies	171.1	122.9	133.7	-21.9
Total income	**178.1**	**130.0**	**144.1**	**-19.1**
Labour costs	(6.6)	(4.5)	(6.7)	1.5
Administrative expenses	(1.3)	(1.4)	(1.5)	15.4
Operating costs	**(7.9)**	**(5.9)**	**(8.2)**	**3.8**
Gain (losses) on disposal of AFS shares	219.8	15.3	116.5	-47.0
Provisions for financial assets	(24.6)	(11.7)	(13.6)	-44.7
Profit before tax	**365.4**	**127.7**	**238.8**	**-34.6**
Income tax for the period	(25.0)	(0.7)	(5.6)	-77.6
Net profit	**340.4**	**127.0**	**233.2**	**-31.5**

	30/6/14	31/12/14	31/3/15
AFS securities	1,242.6	1,070.1	1,340.7
Equity investments	2,775.2	2,975.2	3,063.4

This division delivered a net profit of €233.2m for the nine months (31/3/14: €340.4m), reflecting the reduced contribution from Assicurazioni Generali (down from €173.7m to €133.7m), its profits virtually halving from €219.8m to €116.5m. The reduction in Assicurazioni Generali's profits for the third quarter in particular (which totalled €10.8m, as against €42.9m last year) was offset by the profit gained on repayment of the Telco loan (€78m, the amount corresponding to the writedown charged in June 2013), and from the gains realized on the disposal of the 1.1% stake in Pirelli (€17.1m) and other listed equities (€6.2m).

Retail and consumer banking (financial services to households)

				(€m)
	31/3/14	**31/12/14**	**31/3/15**	**Chg (%)**
Profit-and-loss data				
Net interest income	571.3	400.4	612.4	7.2
Treasury income	0.4	—	0.2	-50.0
Net fee and commission income	126.4	87.7	133.9	5.9
Total income	**698.1**	**488.1**	**746.5**	**6.9**
Labour costs	(110.8)	(76.3)	(115.5)	4.2
Administrative expenses	(205.3)	(138.2)	(211.1)	2.8
Operating costs	**(316.1)**	**(214.5)**	**(326.6)**	**3.3**
Loan loss provisions	(299.0)	(243.2)	(342.0)	14.4
Other profits (losses)	(5.3)	—	—	n.m.
Profit before tax	**77.7**	**30.4**	**77.9**	**0.3**
Income tax for the period	(20.5)	(7.6)	(25.1)	22.4
Net profit	**57.2**	**22.8**	**52.8**	**-7.7**
Cost/income ratio (%)	45.3	43.9	43.8	

	30/6/14	**31/12/14**	**31/3/15**
Balance-sheet data			
Treasury funds	8,753.9	8,475.8	7,472.8
AFS securities	697.4	693.6	690.5
Fixed financial assets (HTM & LR)	1,528.2	1,247.5	1,255.9
Loans and advances to customers	14,269.5	14,934.5	15,125.6
Funding	(21,142.3)	(24,446.5)	(23,549.9)

Consumer banking

				(€m)
	31/3/14	**31/12/14**	**31/3/15**	**Chg (%)**
Profit-and-loss data				
Net interest income	465.4	333.9	510.4	9.7
Treasury income	—	—	0.2	n.m.
Net fee and commission income	109.0	78.3	115.1	5.6
Total income	**574.4**	**412.3**	**625.7**	**8.9**
Labour costs	(66.5)	(47.2)	(71.1)	6.9
Administrative expenses	(132.9)	(92.2)	(140.0)	5.3
Operating costs	**(199.4)**	**(139.4)**	**(211.1)**	**5.9**
Loan loss provisions	(278.0)	(232.8)	(327.7)	17.9
Profit before tax	**97.0**	**40.1**	**86.9**	**-10.4**
Income tax for the period	(21.2)	(9.1)	(25.2)	18.9
Net profit	**75.8**	**31.0**	**61.7**	**-18.6**
Cost/income ratio (%)	34.7	33.8	33.7	

	30/6/14	**31/12/14**	**31/3/15**
Balance-sheet data			
Treasury funds	270.4	349.7	360.0
AFS securities	102.3	99.6	96.0
Fixed financial assets (HTM & LR)	0.8	0.9	0.7
Loans and advances to customers	9,876.9	10,495.6	10,631.6
Funding	(9,660.7)	(10,312.9)	(10,398.3)
New loans	5,284.6	2,940.7	4,397.0
No. of branches	158	160	163
No. of employees	1,479	1,492	1.516

Consumer banking delivered a profit for the nine months of €61.7m, down on the €75.8m reported last year, due to the prudential, one-off provisioning for performing assets taken to the half-yearly accounts (€40m). Net of this item, the pre-tax profit earned by this area would have risen 30.8%, from €97m to €126.9m. Revenues were up 8.9%, from €574.4m to €625.7m, driven by a 9.7% rise in net interest income and a 5.6% increase in net fee and commission income. The 17.9% rise in loan loss provisioning reflects the transfers in respect of performing items referred to above; net of this, the cost of risk would fall from 426 bps to 374 bps (386 bps), with the coverage ratio up from 67% to 69%.

Loans and advances to customers outstanding as at 31 March 2015 were up 1.3%, from €10,495.6m to €10,631.6m, with new loans rising from €3,874.3m to €4,397m. Non-performing accounts declined from €311.6m to €305.3m, and represent 2.9% (3%) of the total loan book.

Retail banking

(€m)

	31/3/14	31/12/14	31/3/15	Chg (%)
Profit-and-loss data				
Net interest income	105.9	66.5	102.0	-3.7
Treasury income	0.4	—	—	n.m.
Net fee and commission income	17.4	9.4	18.8	8.0
Total income	**123.7**	**75.9**	**120.8**	**-2.3**
Labour costs	(44.3)	(29.1)	(44.4)	*0.2*
Administrative expenses	(72.4)	(46.0)	(71.1)	-1.8
Operating costs	**(116.7)**	**(75.1)**	**(115.5)**	**-1.0**
Loan loss provisions	(21.0)	(10.4)	(14.3)	-31.9
Other profits (losses)	(5.3)	—	—	n.m.
Profit before tax	**(19.3)**	**(9.6)**	**(9.0)**	**-53.4**
Income tax for the period	0.7	1.5	0.1	-85.7
Net profit	**(18.6)**	**(8.1)**	**(8.9)**	**-52.2**
Cost/income ratio (%)	94.3	98.9	95.6	

	30/6/14	31/12/14	31/3/15
Balance-sheet data			
Treasury funds	8,483.5	8,126.1	7,112.8
AFS securities	595.1	594.0	594.5
Fixed financial assets (HTM & LR)	1,527.4	1,246.6	1,255.2
Loans and advances to customers	4,392.6	4,438.9	4,494.0
Retail funding	(11,481.6)	(10,866.9)	(10,060.3)
New loans	467.0	265.5	444.0
No. of branches	57	57	57
No. of employees	886	894	913

The €8.9m loss is less than half the €18.6m loss posted last year, with revenues more or less flat after the 8% rise in fees offset the 3.7% reduction in net interest income. Loan loss provisions were down from €21m to €14.3m, and there were no non-recurring charges like last year (when a €5.3m to the interbank deposit protection fund had to be made in connection with the Banca Tercas bail-out). Net fee and commission income for the quarter included €2.3m in fees earned from selling third-party funds. The earnings generated from sales of asset management and insurance products for the nine months totalled €5.9m, against AuM of €1.7bn at the reporting date. Retail funding declined from €10,866.9m to €10,060.3m, mostly offset by the rise in indirect funding (from €2,143m to €2,607.2m). Loans and advances to customers show a slight increase, from €4,438.9m to €4,494m, with new loans for the nine months of €444m (€333m). Non-performing items totalled €148.7m (€146.2m), and account for 3.3% of the total loan book (unchanged).

Leasing

	31/3/14	31/12/14	31/3/15	(€m) Chg (%)
Profit-and-loss data				
Net interest income	34.7	25.9	40.2	15.9
Treasury income	(0.1)	—	—	n.m.
Net fee and commission income	0.1	(0.1)	0.1	—
Total income	**34.7**	**25.8**	**40.3**	**16.1**
Labour costs	(11.4)	(6.9)	(10.6)	-7.0
Administrative expenses	(9.1)	(6.2)	(10.0)	9.9
Operating costs	**(20.5)**	**(13.1)**	**(20.6)**	**0.5**
Loan loss provisions	(28.2)	(8.9)	(12.4)	-56.0
Other profits (losses)	2.1	—	—	n.m.
Profit before tax	**(11.9)**	**3.8**	**7.3**	**n.m.**
Income tax for the period	3.3	(1.8)	(3.2)	n.m.
Minority interest	3.1	(1.0)	(2.1)	n.m.
Net profit	**(5.5)**	**1.0**	**2.0**	**n.m.**
Cost/income ratio (%)	59.1	50.8	51.1	

	30/6/14	31/12/14	31/3/15
Balance-sheet data			
Treasury funds	111.8	127.6	131.8
Loans and advances to customers	3,001.7	2,892.0	2,813.8
Funding	(2,994.6)	(2,903.8)	(2,831.4)
New loans	388.0	274.6	373.0
No. of employees	145	145	144

Leasing recorded a €2m profit for the period, a sharp improvement on the €5.5m loss posted last year reflecting: higher revenues of €40.3m (€34.7m), on higher net interest income boosted by the lower cost of funding, and loan loss provisions virtually halving from €28.2m to €12.4m, bringing the cost of risk back down to residual levels (57 bps). Accounts outstanding declined slightly, from €2,892m to €2,813.8m, despite the marginal increase in new business from €268m to €373m in the nine months. Non-performing items declined from €284.7m to €270.6m for the period, with a coverage ratio of 30% (29%) and representing 9.6% (9.8%) of the total accounts outstanding.

Review of group company performances

Mediobanca

RESTATED PROFIT AND LOSS ACCOUNT*

(€m)

	9 mths to 31/3/14	6 mths to 31/12/14	9 mths to 31/3/15	Chg (%) 3/14 - 3/15
Net interest income	155.7	87.9	136.0	(12.6)
Treasury income	(0.2)	78.2	175.5	n.m.
Net fee and commission income	122.5	149.9	193.8	58.2
Equity-accounted companies	0.1	—	—	n.m.
Total income	**278.1**	**316.0**	**505.4**	**81.7**
Labour costs	(119.9)	(85.1)	(135.6)	13.1
Administrative expenses	(74.5)	(56.3)	(86.8)	16.5
Operating costs	**(194.4)**	**(141.4)**	**(222.4)**	**14.4**
Gain (losses) on disposal of AFS shares	219.8	15.3	116.5	(47.0)
Loan loss provisions	(134.0)	(48.2)	(56.0)	(58.2)
Provisions for financial assets	(6.0)	(11.4)	(13.1)	n.m.
Impairment charges to equity investments	(19.0)	(2.1)	(2.1)	(88.9)
Profit before tax	**144.5**	**128.2**	**328.3**	**127.2**
Income tax for the period	(21.0)	(48.0)	(100.0)	n.m.
Net profit	**123.5**	**80.2**	**228.3**	**84.9**

* 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)

	30/6/14	31/12/14	31/3/15
Assets			
Treasury funds	9,599.5	5,675.7	4,251.3
AFS securities	7,301.5	5,775.1	6,510.1
Fixed financial assets (HTM & LR)	5,000.8	4,958.0	4,714.4
Loans and advances to customers	20,181.6	22,533.0	22,404.2
Equity investments	2,667.9	2,671.7	2,671.7
Tangible and intangible assets	133.4	133.4	133.9
Other assets	567.2	352.1	389.1
Total assets	**45,451.9**	**42,099.0**	**41,074.7**
Liabilities and net equity			
Funding	39,432.2	36,532.7	35,033.3
Other liabilities	864.6	545.5	707.9
Provisions	161.7	161.8	161.9
Net equity	4,827.5	4,778.8	4,943.3
Profit for the period	165.9	80.2	228.3
Total liabilities and net equity	**45,451.9**	**42,099.0**	**41,074.7**

* 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.

For the nine months ended 31 March 2015, Mediobanca reported a net profit of €228.3m (31/3/14: €123.5m), with revenues almost twice last year's levels (up 81.7%, from €278.1m to €505.4m), chiefly on higher treasury income (€175.5m); loan loss provisions fell heavily, from €134m to €56m, reflecting the absence of new sub-standard items, and writebacks totalling €19m in respect of positions repaid early at the nominal amount. Conversely, gains on AFS equities fell from €219.8m to €116.5m.

The following performances were reported:

– net interest income was down 12.6%, despite the higher volumes, due to the previous funding costs and to interest rates being at all-time lows and in some cases negative;

– a strong, 58.2% increase in net fee and commission income, due in particular to a robust performance in capital market activities (up from €34.4m to €87.5m);

– trading income rose from virtually zero last year to €175.5m, due to gains on forex trading (€77.8m), banking book disposals (€62.8m), and trading book valuations (€34.9m).

The 14.4% increase in operating costs, from €194.4m to €222.4m, reflects the higher labour costs (up €15.7m) as a result of the variable remuneration component, and the increase in other administrative expenses, up €12.3m due to strengthening the CIB platform.

With regard to the main balance-sheet items, in the three months under review there were reductions in debt securities (from €21.3bn to €20.8bn), CheBanca! retail deposits (from €8.2bn to €7.2bn) and net treasury assets (from €5.7bn to €4.3bn). Loans and advances to customers were virtually stable, edging down from €22.5bn to €22.4bn, with a 3.1% increase in loans to corporate customers; banking book securities rose from €9.7bn to €9.9bn.

	31/12/14		31/3/15		Chg (%)
	(€m)	%	(€m)	%	
Debt securities	21,348.5	58%	20,834.5	59%	-2.4%
Interbank funding	9,227.9	25%	8,315.4	24%	-9.9%
- of which: CheBanca!, intercompany	*8,191.0*	*22%*	*7,231.8*	*21%*	*-11.7%*
LTROs	5,078.0	14%	5,078.0	14%	–%
Other funding	878.3	3%	805.4	3%	-8.3%
Total funding	**36,532.7**	**100%**	**35,033.3**	**100%**	**-4.1%**

	31/12/14		31/3/15		Chg (%)
	(€m)	%	(€m)	%	
Corporate customers	10,323.4	46%	10,646.6	48%	3.1%
Group companies	12,209.6	54%	11,757.6	52%	-3.7%
Total loans and advances to customers	**22,533.0**	**100%**	**22,404.2**	**100%**	**-0.6%**
- of which: non performing loans	*464.0*	*2.1%*	*436.7*	*1.9%*	*n.m.*

	31/12/14		31/3/15		Chg (%)
	(€m)	%	(€m)	%	
Debt securities AFS	4,705.0	48%	5,169.4	52%	9.9%
Securities held to maturity	1,601.8	17%	1,362.4	14%	-14.9%
Unlisted debt securities (stated at cost)	3,356.2	35%	3,352.0	34%	-0.1%
Total fixed financial assets	**9,663.0**	**100%**	**9,883.8**	**100%**	**2.3%**

	31/12/14		31/3/15		Chg (%)
	(€m)	%	(€m)	%	
Debt securities	1,507.0	27%	2,959.1	70%	96.4%
Equities	2,206.4	39%	1,620.3	38%	-26.6%
Derivative contract valuations	(521.1)	-9%	(792.3)	-19%	52.0%
Others (cash, repos, time deposit)	2,483.4	43%	464.2	11%	-81.3%
Total net treasury assets	**5,675.7**	**100%**	**4,251.3**	**100%**	**-25.1%**

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

Company	Percentage shareholding	Business line	Total income	Operating costs	Provisions	Profit for the period
Mediobanca International	100%	WSB	30.2	(4.4)	0.5	20.9
Compagnie Monégasque de Banque	100%	PB	60.4	(34.5)	(0.1)	27.6
Banca Esperia	50%	PB	70.7	(58.9)	(1.7)	(0.9)
Spafid	100%	PB	5.2	(3.8)	—	0.9
Compass	100%	Consumer	551.4	(189.9)	(317.2)	32.4
Futuro	100%	Consumer	24.5	(9.5)	(2.7)	7.5
Credtitech	100%	Consumer	34.5	(15.7)	(8.1)	8.1
Compass RE	100%	Consumer	20.2	(0.3)	—	13.9
CheBanca!	100%	Retail	120.7	(114.1)	(14.3)	(7.8)
Selma Bipiemme Leasing	60%	Leasing	18.1	(13.6)	(6.5)	(2.1)
Palladio Leasing	60%	Leasing	17.3	(5.8)	(6.3)	3.4
Teleleasing (in liquidation)	48%	Leasing	6.2	(2.3)	0.5	3.0
Mediobanca Innovation Services	100%	Other	33.2	(34.0)	—	(0.8)

Company	Percentage shareholding	Business line	Total assets	Loans and advances to customers	Total net equity	No of employees
Mediobanca International	100%	WSB	3,809.6	3,156.5	264.8	9
Compagnie Monégasque de Banque	100%	PB	3,230.0	915.2	661.6	194
Banca Esperia	50%	PB	1,581.4	814.9	191.7	136
Spafid	100%	PB	46.7	—	39.7	29
Compass	100%	Consumer	10,298.4	8,964.7	1,188.0	1,280
Futuro	100%	Consumer	1,250.7	1,206.3	48.9	72
Credtitech	100%	Consumer	488.3	460.9	71.0	169
Compass RE	100%	Consumer	225.5	—	60.5	1
CheBanca!	100%	Retail	13,613.5	4,494.0	241.2	913
Selma Bipiemme Leasing	60%	Leasing	1,708.4	1,414.9	61.8	84
Palladio Leasing	60%	Leasing	1,369.7	1,332.0	108.3	58
Teleleasing (in liquidation)	48%	Leasing	121.1	67.0	107.3	2
Mediobanca Innovation Services	100%	Other	69.6	—	37.5	150

The following performances in particular should be noted:

– on 26 March 2015, Banca Esperia approved its consolidated financial statements for 2014, reflecting a net profit of €1.8m, in line with the previous financial year (€1.9m), boosted by total income rising from €88.4m to €96.8m on higher fees of €62.6m (€48.2m), offset to some degree by lower contributions from the proprietary trading portfolio (€18.3m, compared with €23.6m last year) and net interest income (down from €16.2m to €12.5m). Loan loss provisions of €2m were set aside for the year, along with €5.5m in provisions for charges and expenses, and one-off expenses of €7.5m in connection with litigation. Assets under management increased from €15.3bn to €16.1bn;

– on 29 April 2015, Compagnie Monégasque de Banque approved its consolidated financial statements for 2014, reflecting a profit of €43.4m (€44.3m last year, after €3m in non-recurring gains). Total income rose from €83.9m to €89.3m, with the main income items all contributing: net interest income rose from €26m to €28.3m, net fee and commission income from €44.8m to €48m, and treasury income from €15.9m to €17.7m. Costs were also up, from €43.6m to €46.3m. Loans and advances to customers rose during the twelve months, from €760.7m to €844m, as did securities (from €1,144.5m to €1,582m), covered by higher funding of €1,865.3m (€1,565.8m). Assets under management on a discretionary/non-discretionary basis amounted to €7.2bn (€6.9bn).

Outlook

Estimates for the fourth quarter show the good performance in banking activity set to continue, with revenues driven by net interest income in consumer business and net fee and commission income in investment banking. The performance in treasury income obviously remains unpredictable. The cost of risk should continue to bear out the improving trend seen over the first nine months, while the increase in administrative costs should be in line with the previous quarters.

Milan, 7 May 2015

THE BOARD OF DIRECTORS

ACCOUNTING POLICIES

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 March 2015 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). This report has also been drawn up in conformity with the provisions of Article 154 *ter* of the Italian consolidated finance act (Italian legislative decree 58/98).

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.

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. MB Advisory Mexico *Sociedad Anonima de Capital Variable* has been set up to provide advisory services in Central America, as has Quarzo CQS Srl, a new SPV for securitizations involving Futuro receivables (from salary-backed finance operations).

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.	QUARZO CQS S.r.l.	Milan	1	A.1.21	90.0	90.0
23.	MEDIOBANCA COVERED BOND S.r.l.	Milan	1	A.1.11	90.0	90.0
24.	COMPASS RE (Luxembourg) S.A.	Luxembourg	1	A.1.10	100.0	100.0
25.	MEDIOBANCA INTERNATIONAL IMMOBILIERE S. a r.l.	Luxembourg	1	A.1.9	100.0	100.0
26.	MB ADVISORY KURUMSAL DANISMANLIK HIZMETLERI ANONIM SIRKETI	Istanbul	1	A.1.1	100.0	100.0
27.	MB MESSICO 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.

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*.

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

[1] See Part A4 – Information on fair value, pp. 84-95, of the interim accounts for the six months ended 31 December 2014 for further details.

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

AS 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]

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

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.

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 EE 475/12.[3]

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

Provisions for liabilities and charges

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

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).

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

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

Under IAS 24, related parties are defined as:

a) individuals or entities which directly or indirectly, are subject to joint control by Mediobanca, parties to the Mediobanca shareholders' agreement with interests syndicated to the agreement of over 2% of the company's share capital, and their respective subsidiaries and parent companies;

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, or associates of, 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 or jointly controlled by, or associates of, such individuals;

f) pension funds for employees of the parent company or any other entity related to it;

g) transactions involving SPVs, even if not directly attributable to related parties, the benefits of which nonetheless accrue to related parties.

[4] Including Telco.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet (IAS/IFRS-compliant)*

(€m)

	Assets	IAS-compliant 31/3/15	IAS-compliant 31/12/14	IAS-compliant 31/3/14
10.	Cash and cash equivalents	105.1	46.5	39.8
20.	Financial assets held for trading	14,300.0	13,626.8	13,671.2
30.	Financial assets recognized at fair value	—	—	—
40.	AFS securities	7,627.2	6,859.7	8,331.1
50.	Financial assets held to maturity	1,372.6	1,612.1	1,516.7
60.	Due from banks	7,164.7	5,864.8	5,593.9
	of which:			
	other trading items	*5,962.2*	*5,028.5*	*4,862.9*
	securities	—	—	—
	other items	*12.6*	*1.7*	*12.0*
70.	Due from customers	35,780.9	36,484.6	36,184.9
	of which:			
	other trading items	*4,225.8*	*4,992.7*	*3,863.9*
	securities	*384.2*	*388.3*	*656.5*
	other items	*40.0*	*42.7*	*64.2*
80.	Hedging derivatives	1,137.6	1,009.2	907.3
	of which:			
	funding hedge derivatives	*1,132.3*	*1,007.6*	*907.3*
	lending hedge derivatives	*5.4*	*1.6*	—
90.	Value adjustments to financial assets subject to general hedging	—	—	—
100.	Equity investments	3,160.8	3,071.0	2,708.4
110.	Total reinsurers' share of technical reserves	—	—	—
120.	Property, plant and equipment	305.6	304.6	295.2
130.	Intangible assets	410.8	411.9	410.3
	of which:			
	goodwill	*370.2*	*370.2*	*365.9*
140.	Tax assets	904.4	885.4	872.0
	a) current	*182.9*	*185.7*	*222.8*
	b) advance	*721.5*	*699.7*	*649.2*
150.	Other non-current and Group assets being sold	—	—	—
160.	Other assets	350.6	382.0	267.2
	of which:			
	other trading items	*4.4*	*1.6*	*5.2*
	Total assets	**72,620.3**	**70,558.6**	**70,798.0**

The balance sheet provided on p. 11 reflects the following restatements:

– *Treasury funds* comprise asset headings 10 and 20 and liability heading 40, plus the "other trading items" shown under asset headings 60, 70 and 160 and liability headings 10 and 20, with the latter chiefly consisting of repos, interbank accounts and margins on derivatives;

– *Funding* comprises the balances shown under liability headings 10, 20 and 30 (excluding amounts restated as trading items in respect of repos and interbank accounts), plus the relevant amounts in respect of hedging derivatives;

– *Loans and advances to customers* comprise asset headings 60 and 70 (excluding amounts restated as *Treasury funds*), the relevant amounts in respect of hedging derivatives shown under asset heading 80 and liability heading 60, and the impairment charges taken under liability heading 100.

(€m)

	Liabilities and net equity	IAS-compliant 31/3/15	IAS-compliant 31/12/14	IAS-compliant 31/3/14
10.	Due to banks	15,511.9	13,701.1	11,936.4
	of which:			
	other trading items	*6,328.9*	*5,437.1*	*2,621.9*
	other liabilities	*1.0*	*0.4*	*5.5*
20.	Due to customers	16,732.6	16,674.1	16,352.3
	of which:			
	other trading items	*2,840.8*	*2,203.4*	*1,103.9*
	other liabilities	*9.0*	*9.2*	*6.8*
30.	Debt securities	20,658.8	21,010.0	24,114.9
40.	Trading liabilities	9,421.5	9,511.9	9,037.8
50.	Liabilities recognized at fair value	—	—	—
60.	Hedging derivatives	342.8	297,.6	352.7
	of which:			
	funding hedge derivatives	*240.3*	*241.1*	*313.3*
	lending hedge derivatives	*23,8*	*28,6*	*7,9*
70.	Value adjustments to financial liabilities subject to general hedging	—	—	—
80.	Tax liabilities	611.6	488.2	537.7
	a) current	*223,7*	*128,9*	*166,7*
	b) deferred	*387,9*	*359,3*	*371,–*
90.	Liabilities in respect of Group assets being sold	—	—	—
100.	Other liabilities	487.6	480.6	531.6
	of which:			
	loan loss provisions	*18.3*	*19.6*	*17.2*
110.	Staff severance indemnity provision	*29.3*	*28.2*	*29.6*
120.	Provisions	167.2	166.8	160.3
	a) post-employment and similar benefits	—	—	—
	b) other provisions	*167.2*	*166.8*	*160.3*
130.	Technical reserves	124.0	124.1	122.9
140.	Valuation reserves	1,229.5	981.1	623.5
150.	Shares with right of withdrawal	—	—	—
160.	Equity instruments	—	—	—
170.	Reserves	4,368.0	4,373.4	4,146.4
180.	Share premium reserve	2,130.7	2,123.3	2,120.1
190.	Share capital	432.5	431.8	430.6
200.	Treasury shares	(199.2)	(199.2)	(199.2)
210.	Net equity attributable to minorities	105.9	104.9	105.2
220.	Profit (loss) for the year	465.6	260.6	395.3
	Total liabilities and net equity	**72,620.3**	**70,558.6**	**70,798.0**

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

(€m)

	Profit and loss account	31/3/15	31/12/14	31/3/14
10.	Interest and similar income	1,499.5	1,019.1	1,825.4
20.	Interest expense and similar charges	(663.8)	(478.0)	(1,038.7)
30.	**Net interest income**	**835.7**	**541.1**	**786.7**
40.	Fee and commission income	322.8	234.4	245.9
50.	Fee and commission expense	(38.8)	(26.3)	(37.0)
60.	**Net fee and commission income**	**284.0**	**208.1**	**208.9**
70.	Dividends and similar income	14.0	7.9	31.8
80.	Net trading income	114.8	43.2	(23.5)
90.	Net hedging income (expense)	—	0.4	(2.7)
100.	Gain (loss) on disposal of:	153.5	45.0	249.0
	a) loans and receivables	*(15.3)*	*(6.8)*	*(0.2)*
	b) AFS securities	*153.0*	*40.5*	*261.9*
	c) financial assets held to maturity	*22.4*	*14.7*	*(2.0)*
	d) other financial liabilities	*(6.6)*	*(3.4)*	*(10.7)*
120.	**Total income**	**1,402.0**	**845.7**	**1,250.2**
130.	Adjustments for impairment to:	(402.1)	(302.5)	(467.8)
	a) loans and receivables	*(390.1)*	*(290.7)*	*(454.4)*
	b) AFS securities	*(13.8)*	*(11.7)*	*(7.6)*
	c) financial assets held to maturity	*0.9*	*0.4*	*0.5*
	d) other financial liabilities	*0.9*	*(0.5)*	*(6.3)*
140.	**Net income from financial operations**	**999.9**	**543.2**	**782.4**
150.	Net premium income	31.1	20.7	28.0
160.	Income less expense from insurance operations	(13.7)	(8.7)	(14.0)
170.	**Net income from financial and insurance operations**	**1,017.3**	**555.2**	**796.4**
180.	Administrative expenses:	(623.6)	(392.0)	(590.0)
	a) personnel costs	*(299.5)*	*(193.0)*	*(273.0)*
	b) other administrative expenses	*(324.1)*	*(199.0)*	*(316.4)*
190.	Net transfers to provisions for liabilities and charges	(1.6)	(0.6)	0.6
200.	Net adjustments to property, plant and equipment	(14.1)	(9.5)	(13.5)
210.	Net adjustments to intangible assets	(14.6)	(10.0)	(14.6)
	of which: goodwill	—	—	—
220.	Other operating income (expenses)	109.4	59.4	102.1
230.	**Operating costs**	**(544.5)**	**(352.7)**	**(515.4)**
240.	Profit (loss) from equity-accounted companies	133.2	123.2	156.1
270.	Gain (loss) on disposal of investments	—	—	—
280.	**Profit (loss) before tax on ordinary activities**	**606.0**	**325.7**	**437.1**
290.	Income tax on ordinary activities for the year	(138.3)	(64.1)	(44.9)
300.	**Profit (loss) after tax on ordinary activities**	**467.7**	**261.6**	**392.2**
310.	Net gain (loss) on non-current assets being sold	—	—	—
320.	**Profit (loss) for the year**	**467.7**	**261.6**	**392.2**
330.	Profit (loss) for the year attributable to minorities	(2.1)	(1.0)	3.1
340.	**Net profit (loss) for the year attributable to Mediobanca**	**465.6**	**260.6**	**395.3**

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

– *Net interest income* includes the result of funding and lending hedging activity (minus €3m, €4.1m and €4.3m respectively), plus the margins on swaps reported under heading 80 (€20.9m as at 31 December 2013, negative as at 30 June 2013 and €22.6m and €19.2m as at 31 December 2012);

– amounts under Heading 220 have been restated as *Net fee and commission income*, save for amounts refunded/recovered totalling €21.3m, €56.9m and €21.9m respectively which net operating costs; the amounts stated under headings 150 and 160, net of fees payable in respect of securities lending transactions (minus €1.2m, minus €4.7m and minus €1.1m respectively, shown here under heading 80);

– net of or in addition to the items already stated, *Net trading income* also includes the amounts shown under headings 70 and 80, and the gains (losses) on disposal of financial liabilities reported under heading 100, amounting to €28.3m, €27.9m and €5.3m respectively;

– *provisions for other financial assets* include both the AFS securities and HTM financial assets accounted for here under heading 130, plus the net adjustments and effects of restatement of heading 240 (minus €18.6m as at 31 December 2013, minus €189.4m as at 30 June 2013, and €95m as at 31 December 2012).

– *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.

Consolidated comprehensive profit and loss account

(€m)

	Headings	31/3/15	31/3/14
10.	Gain (loss) for the period	467.7	392.2
	Other income items net of tax not taken through profit and loss account	**(97.0)**	**23.3**
20.	Property, plant and equipment	—	—
30.	Intangible assets	—	—
40.	Actuarial gains (losses) on defined-benefit pension schemes	(1.9)	(0.8)
50.	Non-current assets being sold	—	—
60.	Share of valuation reserves for equity-accounted companies	(95.1)	24.1
	Other income items net of tax taken through profit and loss account	**456.4**	**290.9**
70.	Foreign investment hedges	—	—
80.	Exchange rate differences	0.4	—
90.	Cash flow hedges	(22.4)	26.2
100.	AFS securities	100.5	268.3
110.	Non-current assets being sold	—	—
120.	Share of valuation reserves for equity-accounted companies	377.9	(3.6)
130.	**Total other income items net of tax**	**359.4**	**314.2**
140.	**Comprehensive income (item 10 + 130)**	**827.1**	**706.4**
150.	Overall consolidated profit attrubutable to minorities	1.4	(2.2)
160.	Overall consolidated profit attrubutable to Mediobanca	825.7	708.6

DECLARATION BY HEAD OF COMPANY FINANCIAL REPORTING

Declaration by Head of Company Financial Reporting

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

Head of Company
Financial Reporting

Massimo Bertolini

Mercurio GP - Milan