MEDIOBANCA

Quarterly review of operations

(30 September 2015)

MEDIOBANCA

LIMITED COMPANY
SHARE CAPITAL € 433,686,380.50
HEAD OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY

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

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The Mediobanca Group earned a net profit of €244.3m in the three months under review, representing a sharp increase on the €160m reported at the same stage last year, as a result of the €87.7m gain made on tendering the Pirelli investment under the terms of the public tender offer for that company, and a good quarterly performance posted by Assicurazioni Generali, adding €82.8m (30/9/14: €55m). Despite a substantial, 13.3% increase in net interest income, the profit earned from banking activities fell from €105.1m to €63.4m, due to the performance in wholesale banking, which delivered a €16.8m profit compared with €73.5m last year, reflecting the pronounced market volatility and offset only in part by the increase in retail and consumer banking (which added €41.8m, against €23.5m last year). Revenues for the three months declined by 3.5%, from €525.4m to €507.1m, with the main income items performing as follows:

– net interest income rose 13.3%, from €267.1m to €302.5m, reflecting growth in all segments, due to higher volumes on a reducing cost of funding;

– net treasury income amounted to €26.2m (€55.6m), reflecting the less positive market performance in general, and also the absence of substantial gains on foreign exchange trading (€5.6m, compared with €33.1m last year);

– net fee and commission income totalled €95.8m, also down on the €147.2m reported twelve months previously, a result which was boosted by an improved market trend;

– the higher profits earned by Assicurazioni Generali increased the contribution from the equity-accounted companies from €55.5m to €82.6m.

Operating costs rose 6.1%, from €185.4m to €196.8m, split equally between labour costs (up 6.3%) and overheads (up 6%), reflecting the full implementation of the new operational structure.

Loan loss provisions fell by 4.2%, from €120.5m to €115.4m, with the cost of risk at 141 bps (157 bps). The coverage ratios remained stable at 53%.

Gains on securities portfolio management chiefly derived from sale of the stake in Pirelli (€87.7m). Writedowns of €3.5m for the period (€6.6m) represent adjustments to reflect current fair value.

Turning now to the individual areas of activity:

Corporate and private banking delivered a €24.5m net profit, down on the €84.2m posted last year, but better than the €8.3m recorded in the previous quarter. Compared to last year there were improvements in both net interest income (up 8.3%) and loan loss provisions (down 22.8%), against reductions in trading income (down from €50.5m to €21.7m) and fee income (down from €112.3m to €64.7m).

Retail and consumer banking reflects a net profit of €41.8m (€23.5m), on 10.2% growth in revenues with costs virtually unchanged (down 0.3%). Loan loss provisions edged down from €101.8m to €101.1m, expressing the lower cost of risk (which fell from 283 bps to 258 bps).

Principal investing saw a more than threefold rise in profits, from €53.3m to €180.6m, due to the Pirelli gain (€87.7m) and the increased contribution from Assicurazioni Generali (up from €55m to €82.8m).

The corporate centre (which includes leasing) showed a €2.9m loss (€2.6m), on revenues – chiefly from leasing operations – of €15.6m (€13.8m), and costs totalling €15m (€12.1m), €7.5m (€6m) of which in respect of Mediobanca S.p.A. The net profit earned from leasing improved from €0.5m to €1.4m.

Total assets grew from €53.2bn to €54.5bn: the increase in funding, from €42.7bn to €44.2bn, helped the Bank increase its liquidity position (treasury assets rose from €4.9bn to €7.2bn. At the same time there were reductions in AFS securities (from €8.1bn to €7.8bn), loans and advance to customers (from €32.9bn to €32.5bn), and equity investments (from €3.4bn to €3.2bn). Debt securities rose from €19.7bn to €20.6bn, as did and retail deposits (from €9.6bn to €10.5bn). Assets under management in private banking decreased from €16.6bn to €15.8bn, chiefly due to the market effect; conversely, the CheBanca! retail component rose from €2.9bn to €3.1bn.

The Group's capital ratios as at 30 September 2015, based on the phase-in regime and including the profit for the quarter, remain at high levels: the Common Equity Tier 1 ratio stood at 12.45 % (30/6/15: 11.98%) and the total capital ratio at 15.30% (14.91%). The fully-phased ratios (i.e. with full application of CRR – in particular the right to include the whole AFS reserve in the CET1 calculation – and the Assicurazioni Generali investment weighted at 370%) rise to 13.34% for the CET1 ratio and 15.78% for the total capital ratio respectively.

* * *

Significant events that took place during the three months under review include the following:

- the entire stake in Pirelli was tendered under the terms of the public tender offer made by Marco Polo Industrial Holding;
- finalization of the debt restructuring agreement for Burgo Group (pursuant to Article 67 of the Italian bankruptcy law), resulting in the previous exposure (€496.5m) being converted into: equity instruments worth €130.4m, entailing merely rights protecting the creditors' position; a €65.2m convertible bond; and a residual loan of €300.9m expiring in 2022. As previously, the new instruments have been written off entirely against the existing provisions;
- execution of an agreement to acquire Cairn Capital Group Ltd, the London-based asset management and credit advisory specialist, with closing anticipated in early 2016 once the requisite clearances have been obtained;
- the appointment of Philippe Dufournier (formerly Head of Global Finance for the EMEA area in Nomura) as Head of Lending and Structured Finance in the CIB area, reporting directly to the two Co-Heads of division.

Consolidated financial statements *

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(€m)

	3 mths ended 30/9/14	12 mths ended 30/6/15	3 mths ended 30/9/15	Chg. (%)
Profit-and-loss data				
Net interest income	267.1	1,142.5	302.5	13.3
Treasury income	55.6	207.1	26.2	-52.9
Net fee and commission income	147.2	471.8	95.8	-34.9
Equity-accounted companies	55.5	224.0	82.6	48.8
Total income	**525.4**	**2,045.4**	**507.1**	**-3.5**
Labour costs	(92.3)	(419.3)	(98.1)	6.3
Administrative expenses	(93.1)	(427.9)	(98.7)	6.0
Operating costs	**(185.4)**	**(847.2)**	**(196.8)**	**6.1**
Gains (losses) on AFS, HTM and L&R	4.5	125.6	88.5	n.m.
Loan loss provisions	(120.5)	(532.7)	(115.4)	-4.2
Provisions for financial assets	(6.6)	(20.4)	(3.5)	-47.0
Other profits (losses)	—	(13.6)	—	n.m.
Profit before tax	**217.4**	**757.1**	**279.9**	**28.7**
Income tax for the period	(56.9)	(164.2)	(34.5)	-39.4
Minority interest	(0.5)	(3.1)	(1.1)	n.m.
Net profit	**160.0**	**589.8**	**244.3**	**52.7**

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

RESTATED BALANCE SHEET

(€m)

	30/9/14	30/6/15	30/9/15
Assets			
Treasury funds	8,076.1	4,920.3	7,186.2
AFS securities	7,290.9	8,063.1	7,750.5
of which: fixed-income	*6,119.8*	*6,950.5*	*6,767.4*
equities	*1,159.9*	*1,081.1*	*935.1*
Fixed financial assets (HTM & LR)	2,075.2	1,793.9	1,788.7
Loans and advances to customers	31,025.6	32,889.6	32,546.9
Equity investments	3,017.4	3,411.4	3,163.5
Tangible and intangible assets	717.8	718.9	714.9
Other assets	1,378.0	1,411.9	1,346.3
of which: tax assets	*1,063.4*	*954.2*	*932.8*
Total assets	**53,581.0**	**53,209.1**	**54,497.0**
Liabilities and net equity			
Funding	43,967.2	42,711.3	44,216.1
of which: debt securities in issue	*21,082.6*	*19,671.1*	*20,560.7*
retail deposits	*11,272.3*	*9,634.8*	*10,542.1*
Other liabilities	1,394.2	1,446.1	1,520.9
of which: tax liabilities	*610.1*	*625.0*	*647.6*
Provisions	196.6	184.6	182.0
Net equity	7,863.0	8,277.3	8,333.7
of which: share capital	*430.8*	*433.6*	*433.7*
reserves	*7,326.3*	*7,735.7*	*7,791.0*
minority interest	*104.6*	*108.0*	*109.0*
Profit for the period	160.0	589.8	244.3
Total liabilities and net equity	**53,581.0**	**53,209.1**	**54,497.0**
Tier 1 capital	*6,485.4*	*7,137.5*	*7,346.0*
Regulatory capital	*8,174.1*	*8,882.6*	*9,029.0*
Tier 1 capital/risk-weighted assets	*11.0%*	*11.98%*	*12.45%*
Regulatory capital/risk-weighted assets	*13.86%*	*14.91%*	*15.30%*
No. of shares in issue (millions)	*861.5*	*867.2*	*867.4*

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

(€m)

3 mths ended 30/9/15	Corporate & Private banking	Principal Investing	Retail & Consumer Banking	Corporate center	Group
Profit-and-loss data					
Net interest income	61.2	—	226.1	13.9	302.5
Treasury income	21.7	5.8	—	—	26.2
Net fee and commission income	64.7	—	38.9	1.7	95.8
Equity-accounted companies	—	82.8	—	—	82.6
Total income	**147.6**	**88.6**	**265.0**	**15.6**	**507.1**
Labour costs	(50.3)	(1.9)	(40.1)	(7.4)	(98.1)
Administrative expenses	(36.4)	(0.4)	(62.3)	(7.6)	(98.7)
Operating costs	**(86.7)**	**(2.3)**	**(102.4)**	**(15.0)**	**(196.8)**
Gain (losses) on disposal of AFS shares	0.3	88.2	—	—	88.5
Loan loss provisions	(11.2)	—	(101.1)	(3.1)	(115.4)
Provisions for financial assets	(1.4)	(2.2)	—	—	(3.5)
Other profits (losses)	—	—	—	—	—
Profit before tax	**48.6**	**172.3**	**61.5**	**(2.5)**	**279.9**
Income tax for the period	(24.1)	8.3	(19.7)	0.7	(34.5)
Minority interest	—	—	—	(1.1)	(1.1)
Net profit	**24.5**	**180.6**	**41.8**	**(2.9)**	**244.3**
Cost/Income ratio (%)	58.7	2.6	38.6	96.2	38.8
Balance-sheet figures					
Treasury funds	7,665.3	0.6	8,743.6	128.2	7,186.2
AFS securities	6,421.7	925.7	645.0	—	7,750.5
Fixed financial assets (HTM & LR)	5,123.4	—	367.3	—	1,788.7
Equity investments	—	3,068.9	—	—	3,163.5
Loans and advances to customers	24,569.6	—	15,783.2	2,709.6	32,546.9
of which: to Group companies	*10,014.5*	*n.m.*	*n.m.*	*n.m.*	*n.m.*
Funding	(40,676.9)	—	(24,460.7)	(2,739.1)	(44,216.1)
Risk-weighted assets	33,032.5	11,337.6	12,277.0	2,356.4	59,003.5
No. of staff	1,052 *	—	2,506	420	3,844

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

Notes:

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

2) Sum of divisional data differs from Group total due to:
   - Banca Esperia being consolidated pro-rata (50%) rather than equity-accounted;
   - adjustments/differences arising on consolidation between business areas (€0.3m as at 30 September 2015 and €1.6m as at 30 September 2014).

(€m)

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

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

Balance sheet

The main balance-sheet items, of which Mediobanca S.p.A. contributes around 50%, showed the following trends for the three months under review (comparative data as at 30 June 2015):

Funding – this item rose from €42.7bn to €44.2bn, due to new issuance up €1.1bn (€317m of which in the form of subordinated lower tier 2 bonds) and a €907.2m increase in CheBanca! retail deposits, boosted by the recent promotion for six-month tied deposits that closed in August. The other forms of funding were virtually unchanged.

	30/6/15		30/9/15		Chg.
	(€m)	%	(€m)	%	
Debt securities	19,671.1	46%	20,560.7	47%	4.5%
CheBanca! retail funding	9,634.8	23%	10,542.0	24%	9.4%
Interbank funds	3,836.5	9%	3,699.6	8%	-3.6%
LTROs	5,478.0	13%	5,478.0	12%	—
Other funds	4,090.9	9%	3,935.8	9%	-3.8%
Total funding	**42,711.3**	**100%**	**44,216.1**	**100%**	**3.5%**

Loans and advances to customers – the slight, 1% reduction in this item involved chiefly loans in wholesale banking, which were down 4.3%, as a result of the approx. €1bn in early redemptions. Conversely, both consumer finance and factoring showed increases, the former up 1.4% and the latter up 14% (with accounts outstanding near €600m), and also mortgage lending in retail banking (up 2.6%). Non-performing items showed a slight, 1.7% decrease for the quarter, due to a reduction in consumer finance accounts entering this category, with coverage ratios virtually stable at 53%; the percentage of the loan book accounted for by non-performing items remained at 3.5%.

	30/6/15		30/9/15		Chg.
	(€m)	%	(€m)	%	
Wholesale Banking	13,704.4	42%	13,109.6	40%	-4.3%
Private Banking	912.4	3%	945.7	3%	3.6%
Consumer	10,906.3	33%	11,056.2	34%	1.4%
Retail Banking	4,605.8	14%	4,726.0	15%	2.6%
Leasing	2,760.7	8%	2,709.4	8%	-1.9%
Total loans and advances to customers	**32,889.6**	**100%**	**32,546.9**	**100%**	**-1.0%**

	30/6/15		30/9/15		Chg.
	(€m)	%	(€m)	%	
Wholesale Banking	426.8	37%	418.8	37%	-1.9%
Private Banking	3.2	0%	2.7	0%	-15.6%
Consumer	302.4	27%	288.4	26%	-4.6%
Retail Banking	150.1	13%	154.9	14%	3.2%
Leasing	269.8	23%	268.1	23%	-0.6%
Total net non performing loans	**1,152.3**	**100%**	**1,132.9**	**100%**	**-1.7%**
– of which: bad loans	*258.9*		*258.8*		—

Equity investments – the fall in this item, from €3,411.4m to €3,163.5m, reflects the €331.5m reduction in the Assicurazioni Generali valuation reserve booked by the company at end-June, only part offset by profits for the quarter (€82.8m). The Fidia investment was also wound up, with €0.5m collected as part of the final allocation.

	% share capital	30/6/15	30/9/15
Assicurazioni Generali	13.24	3,311.7	3,063.1
Banca Esperia	50.0	93.3	94.5
Burgo Group	22.13	—	—
Athena Private Equity	24.27	5.9	5.9
Fidia	25.0	0.5	—
Total Investments		**3,411.4**	**3,163.5**

Based on stock market prices as at 30 September 2015, the Assicurazioni Generali investment reflected an unrealized gain of €308.6m.

Fixed financial assets – these remained virtually stable, declining from €1,793.9m to €1,788.7m, following €32m in purchases added to the HTM portfolio, offset by an equivalent amount (€35m) in redemptions. This portfolio showed an unrealized gain of €88.7m (€108.2m) based on prices at end-September.

	30/6/15		30/9/15		Chg.
	(€m)	%	(€m)	%	
Financial assets held to maturity	1,311.7	73%	1,332.9	75%	1.6%
Unlisted debt securities (stated at cost)	482.2	27%	455.8	25%	-5.5%
Total fixed financial assets	**1,793.9**	**100%**	**1,788.7**	**100%**	**-0.3%**

AFS securities – this portfolio declined from €8,063.1m to €7,750.5m, due to reductions in the equity and bond portfolios, trends which have characterized recent quarters; while four new funds recently launched by Compagnie Monégasque de Banque for its own private banking clients have been subscribed to in a total amount of approx. €20m.

	30/6/15		30/9/15		Chg.
	(€m)	%	(€m)	%	
Debt securities	6,950.5	86%	6,767.4	87%	-2.6%
Equities	1,081.1	14%	935.1	12%	-13.5%
Others	31.5	—	48.0	1%	52.4%
Total AFS securities	**8,063.1**	**100%**	**7,750.5**	**100%**	**-3.9%**

On the fixed-income side, there were redemptions totalling €162.2m, on Italian government securities and bonds issued by financials, most of which were not renewed. The €4.3m gains came from profit-taking on sales of corporate bonds.

On the equity side, the Pirelli shares were tendered under the terms of the PTO (€215.4m), and there were other disposals and redemptions of investments in private equity funds totalling €16.2m. The increases refer chiefly to fair value adjustments in respect of Atlantia (€63.3m) and Italmobiliare (€26.2m). During the three months under review writedowns were charged to the holdings in RCS MediaGroup (€1.3m) and to real estate funds (€1m, largely offset by dividends collected.

	30/6/15			30/9/15		
	Book value	% ord.	Total AFS reserve	Book value	% ord.	Total AFS reserve
Atlantia	495.7	2.71	192.8	559.0	2.71	256.1
Pirelli & C.	217.4	3.02	89.7	—	—	—
Italmobiliare	54.1	9.5	19.6	80.4	9.5	45.8
RCS MediaGroup	36.9	6.2	6.5	29.1	6.2	—
Other listed companies	38.3	—	11.1	45.4	—	18.5
Edipower	55.1	5.13	—	55.1	5.13	—
Other unlisted companies	183.6	—	39.7	166.1	—	38.5
Total equities	**1,081.1**		**359.4**	**935.1**		**358.9**

Treasury assets – the increase in this item, from €4,920.3m to €7,186.2m, reflects the reduction in banking book applications in view of the higher funding to increase liquidity. The €1.8bn increase in equities is largely financed short-term by stock lending transactions.

	30/6/15		30/9/15		Chg.
	(€m)	%	(€m)	%	
Debt securities	2,931.7	60%	2,841.2	40%	-3.1%
Equities	879.6	18%	2,659.2	37%	n.m.
Derivative contract valuations	(571.5)	-12%	(370.6)	-5%	-35.2%
Stock lending	81.6	2%	(2,002.4)	-28%	n.m.
Others (cash, repos, time deposits)	1,598.9	32%	4,058.8	56%	n.m.
Total net treasury assets	**4,920.3**	**100%**	**7,186.2**	**100%**	**46.1%**

Tangible and intangible assets – the reduction in this item regards all segments and reflects depreciation and amortization charges for the quarter (€9.4m).

	30/6/15		30/9/15		Chg.
	(€m)	%	(€m)	%	
Land and properties	265	37%	263.6	37%	-0.5%
- of which: core	*192.1*	*27%*	*191.5*	*27%*	*-0.3%*
Other tangible assets	43.5	6%	43.2	6%	-0.7%
Goodwill	374.1	52%	374.1	52%	—
Other intangible assets	36.3	5%	34	5%	-6.3%
Total tangible and intangible assets	**718.9**	**100%**	**714.9**	**100%**	**-0.6%**

Provisions – this item decreased by €2.6m, following withdrawals of €2.1m and lower actuarial valuations of the staff severance indemnity provision.

	30/6/15		30/9/15		Chg.
	(€m)	%	(€m)	%	
Provisions for risks and charges	157,9	86%	155,8	86%	-1,3%
Staff severance indemnity provision	26,7	14%	26,2	14%	-1,9%
of which: staff severance provision discount	*0,4*	*0%*	*-0,1*	—	*n.m.*
Total provisions	**184,6**	**100%**	**182,–**	**100%**	**-1,4%**

Net equity – net equity fell by €289.9m, despite the €244.3m profit for the period, due to a reduction of €321.2m in the share valuation reserves, in particular for Assicurazioni Generali (down from €1,013.8m to €684.5m), calculated based on values reported at 30 June 2015. Share capital increased from €433.6m to €433.7m following the exercise of 175,000 stock options for a total value of €1.1m, including the share premium.

(€m)

	30/6/15	30/9/15	Chg.
Share capital	433.6	433.7	—
Other reserves	6,300.1	6,676.8	6.0%
Valuation reserves	1,435.5	1,114.3	-22.4%
- of which: AFS securities	*432.6*	*436.0*	*0.8%*
cash flow hedges	*(19.8)*	*(18.0)*	*-9.1%*
equity investments	*1,014.3*	*687.5*	*-32.2%*
Profit for the period	589.8	244.3	-59%
Total Group net equity	**8,759.0**	**8,469.1**	**-3.3%**

The AFS reserve involves equities as to €358.9m, and bonds and other debt securities as to €153.6m (€97.6m of which Italian government securities), net of the €76.5m tax effect.

(€m)

	30/6/15	30/9/15	Chg.
Equities	359.4	358.9	-0.1%
Bonds and other debt securities	145.2	153.6	5.8%
- of which: Italian	73.9	*97.6*	*32.1%*
Tax effect	(72.0)	(76.5)	6.3%
Total AFS reserve	**432.6**	**436.0**	**0.8%**

Profit and loss account

Net interest income – there was a 13.3% increase in net interest income, from €267.1m to €302.5m, involving all segments, and in line with the trend seen last year. Consumer finance in particular saw net interest income rise 13.9% (2.2% quarter-on-quarter). The performance in wholesale banking was less even, being affected by the repricing of assets: net interest income for the three months was thus 10.4% higher than at September 2014, but down 9.2% quarter-on-quarter.

(€m)

	3 mths ended 30/9/14	3 mths ended 30/9/15	Chg.
Wholesale banking	47.3	52.2	10.4%
Private banking	9.2	9.0	-2.2%
Consumer	164.9	187.8	13.9%
Retail banking	33.2	38.3	15.4%
Others (including intercompany accounts)	12.5	15.2	21.6%
Net interest income	**267.1**	**302.5**	**13.3%**

Net treasury income – this area again made a positive contribution, adding €26.2m, albeit less than half the €55.6m posted last year, reflecting the less favourable market trends on the one hand, and the greater stability of the positions in foreign currency on the other (which added just €5.6m, compared with €33.1m last year). The banking book contribution (AFS and HTM) fell from €15.1m to €5.9m.

(€m)

	3 mths ended 30/9/14	3 mths ended 30/9/15	Chg.
Dividends	6.7	5.8	-13.4%
Fixed-income trading profit	40.0	15.9	-60.3%
Equity trading profit	8.9	4.5	-49.0%
Net trading income	**55.6**	**26.2**	**-52.9%**

Net fee and commission income – the 34.9% year-on-year reduction in fee income reflects the slowdown in capital market activities for the three months. For the other segments, the trends seen in recent years continued: growth in the fees earned from private banking (from €17m to €18.8m) and retail banking (from €4.1m to €9.2m), partly offset by the reduction in those earned from consumer business (from €38.1m to €29.7m). The twofold increase in retail banking fees in particular is due to the higher volumes in asset management and insurance business.

(€m)

	3 mths ended 30/9/14	3 mths ended 30/9/15	Chg.
Wholesale Banking	95.3	45.9	-51.8%
Private Banking	17.0	18.8	10.6%
Consumer	38.1	29.7	-22.0%
Retail Banking	4.1	9.2	n.m.
Others (including intercompany accounts)	(7.3)	(7.8)	6.8%
Net fee and commission income	**147.2**	**95.8**	**-34.9%**

Operating costs – the increase in this item, from €185.4m to €196.8m, reflects the growth in headcount in corporate, consumer and retail banking, and in central services. Administrative expenses also rose due to costs linked to projects to develop the franchise in the treasury, risk management and asset management areas and because of the higher volumes in consumer finance; this growth was in part mitigated by lower spending on marketing and advertising.

(€m)

	3 mths ended 30/9/14	3 mths ended 30/9/15	Chg.
Labour costs	92.3	98.1	6.3%
of which: directors	*2.0*	*2.2*	*10.0%*
stock option and performance share schemes	*2.4*	*2.1*	*-12.5%*
Sundry operating costs and expenses	93.1	98.7	6.0%
of which: depreciation and amortization	*9.6*	*9.4*	*-2.1%*
administrative expenses	*83.0*	*88.9*	*7.1%*
Operating costs	**185.4**	**196.8**	**6.1%**

(€m)

	3 mths ended 30/9/14	3 mths ended 30/9/15	Chg.
Legal, tax and professional services	6.2	9.6	54.8%
Credit recovery activities	10.7	10.3	-3.7%
Marketing and communication	12.1	9.2	-24.0%
Rent and property maintenance	8.6	9.2	7.0%
EDP	12.5	14.4	15.2%
Financial information subscriptions	6.6	7.6	15.2%
Bank services, collection and payment commissions	4.6	4.6	—
Operating expenses	12.6	12.3	-2.4%
Other labour costs	4.9	5.0	2.0%
Other costs	2.1	2.9	38.1%
Direct and indirect taxes	2.1	3.8	81.0%
Total administrative expenses	**83.0**	**88.9**	**7.1%**

Loan loss provisions – these fell by 4.2%, bringing the cost of risk to 141 bps (compared with 157 bps twelve months previously). The provisions for consumer finance were stable at €96.8m (€96m) despite the higher coverage ratio of 71% (68%). Improvements were recorded in the other segments, however, in particular retail banking (provisions down from €5.8m to €4.3m, with the cost of risk 37 bps and on coverage ratios unchanged at 48%) and leasing (provisions down from €4.3m to €3.1m, with the cost of risk 45 bps and a coverage ratio of 30%).

(€m)

	3 mths ended 30/9/14	3 mths ended 30/9/15	Chg.
Wholesale banking	14.5	11.2	-22.8%
Private banking	—	—	n.m.
Consumer	96.0	96.8	0.8%
of which: factoring	*1.7*	*2.9*	*70.6%*
Retail banking	5.8	4.3	-25.9%
Other	4.2	3.1	-26.2%
Loan loss provisions	**120.5**	**115.4**	**-4.2%**
Cost of risk (bps)	**157**	**141**	**-10.2%**

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

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

CORPORATE AND PRIVATE BANKING (WHOLESALE BANKING AND PRIVATE BANKING)

(€m)

	30/9/14	30/6/15	30/9/15	Y.o.Y. chg.
Profit-and-loss data				
Net interest income	56.5	251.2	61.2	8.3
Treasury income	50.5	181.9	21.7	-57.0
Net fee and commission income	112.3	342.9	64.7	-42.4
Total income	**219.3**	**776.0**	**147.6**	**-32.7**
Labour costs	(48.5)	(230.3)	(50.3)	3.7
Administrative expenses	(30.9)	(154.8)	(36.4)	17.8
Operating costs	**(79.4)**	**(385.1)**	**(86.7)**	**9.2**
Gain (losses) on disposal of AFS shares	0.8	2.6	0.3	-62.5
Loan loss provisions	(14.5)	(74.9)	(11.2)	-22.8
Provisions for financial assets	(0.2)	0.4	(1.4)	n.m.
Other profits (losses)	—	(2.7)	—	n.m.
Profit before tax	**126.0**	**316.3**	**48.6**	**-61.4**
Income tax for the period	(41.8)	(123.4)	(24.1)	-42.3
Net profit	**84.2**	**192.9**	**24.5**	**-70.9**
Cost/Income ratio (%)	36.2	49.6	58.7	
Balance-sheet data				
Treasury funds	8,257.7	5,090.4	7,665.3	
AFS securities	5,711.2	6,603.7	6,421.7	
Fixed financial assets (HTM & LR)	5,042.3	5,133.7	5,123.4	
Loans and advances to customers	24,359.5	25,121.0	24,569.6	
of which: to Group companies	*10,290.0*	*10,015.2*	*10,014.5*	
Funding	(40,875.6)	(39,033.5)	(40,676.9)	

This division earned a net profit of €24.5m in the three months, a substantial reduction on the €84.2m posted last year, which in turn reflected a hefty contribution from treasury operations (€50.5m, compared with €21.7m this year) and capital market fees (€58.4m, compared with €13.2m this year). Revenues therefore fell by 32.7%, despite an 8.3% increase in net interest income, while the 9.2% increase in operating costs was only partly offset by the 22.8% reduction in loan loss provisions. Overall, wholesale banking contributed a profit of €16.8m (€73.5m) and private banking a profit of €7.7m (€10.7m).

Wholesale Banking

				(€m)
	30/9/14	**30/6/15**	**30/9/15**	**Chg. (%)**
Profit-and-loss data				
Net interest income	47.3	217.5	52.2	10.4
Treasury income	46.0	166.8	18.3	(60.2)
Net fee and commission income	95.3	259.3	45.9	(51.8)
Total income	**188.6**	**643.6**	**116.4**	**(38.3)**
Labour costs	(35.7)	(173.6)	(36.6)	2.5
Administrative expenses	(22.9)	(119.5)	(27.0)	17.9
Operating costs	**(58.6)**	**(293.1)**	**(63.6)**	**8.5**
Loan loss provisions	(14.5)	(74.0)	(11.2)	(22.8)
Provisions for financial assets	(0.2)	0.5	(1.2)	n.m.
Profit before tax	**115.3**	**277.0**	**40.4**	**(65.0)**
Income tax for the period	(41.8)	(120.0)	(23.6)	(43.5)
Net profit	**73.5**	**157.0**	**16.8**	**(77.1)**
Cost/Income ratio (%)	31.1	45.5	54.6	
Balance-sheet data				
Treasury funds	7,221.8	3,488.0	5,934.6	
AFS securities	4,991.9	5,831.2	5,798.4	
Fixed financial assets (HTM & LR)	5,031.0	4,946.3	4,927.3	
Loans and advances to customers	23,112.3	23,719.6	23,124.1	
of which: to Group companies	*10,290.0*	*10,015.2*	*10,014.5*	
Funding	(38,377.0)	(35,863.6)	(37,479.7)	
No. of staff	620	654	668	

Wholesale banking returned a €16.8m profit for the quarter, impacted by lower revenues (down 38.3%) and higher operating costs (up 8.5%). In particular:

– net interest income rose 10.4%, from €47.3m to €52.2m, boosted by the recovery in business volumes which began in the second half of last year; the quarter-on-quarter reduction (down from €57m) was due to the increasing repricing of assets;

– net trading income of €18.3m, split between the various segments, was down on the €46m reported last year; fixed-income trading returned €13.8m (€37.1m); while equity trading returned €4.5m (€8.9m);

– net fee and commission income halved from €95.3m to €45.9m, on a reduced contribution from capital market deals;

– the 8.5% rise in operating costs, from €58.6m to €63.6m, reflects the higher headcount compared to last year and non-recurring costs linked to specific projects;

– loan loss provisions fell from €14.5m to €11.2m, on account of the lack of new non-performing items, with the quality of the performing loan book stable; the coverage ratio for wholesale banking operations fell from 54% to 47%, solely as a result of the writeoff of the share of the Burgo loan which was converted into equity (€130.4m).

Total assets rose by almost €2bn: in particular, most of the increase in funding (from €35.9bn to €37.5bn), which itself came mostly from CheBanca! (€8.5bn, compared with €6.7bn) with the other items basically stable, was invested in treasury assets (€5.9bn, compared with €3.5bn). Loans to customers remained basically unchanged, as the reduction in loans to corporate customers was offset by those to Group companies.

Loans by geographical area	30/6/15		30/9/15		Chg.
	(€m)	%	(€m)	%	
Italy	6,729.5	49%	7,003.4	53%	4.1%
France	1,837.3	13%	1,398.8	11%	-23.9%
Spain	951.6	7%	565.8	4%	-40.5%
Germany	782.9	6%	940.4	7%	20.1%
UK	394.3	3%	431.2	3%	9.4%
Other non-resident customers	3,008.8	22%	2,770.0	22%	-7.9%
Total loans and advances to customers	**13,704.4**	**100%**	**13,109.6**	**100%**	**-4.3%**

Funding	30/6/15		30/9/15		Chg.
	(€m)	%	(€m)	%	
Debt securities	20,579.9	57%	20,587.0	55%	—
Interbank funding	8,026.9	22%	9,819.1	26%	22.3%
- of which: intercompany	*6,742.9*	*19%*	*8,456.1*	*23%*	*25.4%*
T-LTRO/LTRO	5,478.0	15%	5,478.0	15%	—
Securitizations and other funds	1,778.8	6%	1,595.6	4%	-10.3%
Total funding	**35,863.6**	**100%**	**37,479.7**	**100%**	**4.5%**

Fixed financial assets	30/6/15		30/9/15		Chg.
	(€m)	%	(€m)	%	
AFS debt securities	5,831.2	54%	5,798.4	54%	-0.6%
Financial assets held to maturity	1,302.8	12%	1,323.2	12%	1.6%
Unlisted debt securities (stated at cost)	3,643.5	34%	3,604.1	34%	-1.1%
Total fixed and AFS securities	**10,777.5**	**100%**	**10,725.7**	**100%**	**-0.5%**

Net treasury assets	30/6/15		30/9/15		Chg.
	(€m)	%	(€m)	%	
Debt securities	2,030.1	58%	1,945.1	33%	-4.2%
Equities	876.1	25%	2,654.5	45%	n.m.
Derivative contract valuations	(555.3)	-16%	(353.3)	-6%	-36.4%
Stock lending	81.6	2%	(2,002.4)	-34%	n.m.
Others (repos, time deposits, derivatives etc.)	1,055.5	30%	3,690.7	62%	n.m.
Total net treasury assets	**3,488.0**	**100%**	**5,934.6**	**100%**	**70.1%**

* * *

Private Banking

				(€m)
	30/9/14	**30/6/15**	**30/9/15**	**Chg. (%)**
Profit-and-loss data				
Net interest income	9.2	33.7	9.0	-2.2
Treasury income	4.5	15.1	3.4	-24.4
Net fee and commission income	17.0	83.6	18.8	10.6
Total income	**30.7**	**132.4**	**31.2**	**1.6**
Labour costs	(12.8)	(56.7)	(13.7)	7.0
Administrative expenses	(8.0)	(35.3)	(9.4)	17.5
Operating costs	**(20.8)**	**(92.0)**	**(23.1)**	**11.1**
Gain (losses) on disposal of AFS shares	0.8	2.6	0.3	-62.5
Loan loss provisions	—	(0.9)	—	n.m.
Provisions for financial assets	—	(0.1)	(0.2)	n.m.
Other profits (losses)	—	(2.7)	—	n.m.
Profit before tax	**10.7**	**39.3**	**8.2**	**-23.4**
Income tax for the period	—	(3.4)	(0.5)	n.m.
Net profit	**10.7**	**35.9**	**7.7**	**-28.0**
Cost/Income ratio (%)	67.8	69.5	74.0	
Balance-sheet data				
Treasury funds	1,035.9	1,602.4	1,730.7	
AFS securities	719.3	772.5	623.3	
Fixed financial assets (HTM & LR)	11.3	187.4	196.1	
Loans and advances to customers	1,247.2	1,401.4	1,445.5	
Funding	(2,498.6)	(3,169.9)	(3,197.2)	
Assets under management	15,443.1	16,578.9	15,819.8	
Securities held on a fiduciary basis	2,150.3	2,168.1	2,863.5	
No. of staff	358	380	384	

Private banking delivered a profit of €7.7m (30/9/14: €10.7m), with the growth in operating costs (from €20.8m to €23.1m) marginally outstripping that in revenues (from €30.7m to €31.2m) which were impacted by the reduction in net interest income (from €9.2m to €9m) and net treasury income (from €4.5m to €3.4m). Assets under management on a discretionary and/or non-discretionary basis at the reporting date had fallen from €16.6bn to €15.8bn, solely as a result of the market effect, €7.5bn (€7.8bn) of which for CMB and €8.3bn (€8.8bn) for Banca Esperia.

Principal Investing (equity investment portfolio)

(€m)

	30/9/14	30/6/15	30/9/15	Y.o.Y. chg.
Profit-and-loss data				
Treasury income	6.7	29.6	5.8	-13.4
Equity-accounted companies	55.0	223.9	82.8	50.5
Total income	**61.7**	**253.5**	**88.6**	**43.6**
Labour costs	(2.3)	(9.0)	(1.9)	-17.4
Administrative expenses	(0.5)	(2.0)	(0.4)	-20.0
Operating costs	**(2.8)**	**(11.0)**	**(2.3)**	**-17.9**
Gain (losses) on disposal of AFS shares	4.0	123.4	88.2	n.m.
Provisions for financial assets	(6.5)	(20.8)	(2.2)	-66.2
Profit before tax	**56.4**	**345.1**	**172.3**	**n.m.**
Income tax for the period	(3.1)	(9.7)	8.3	n.m.
Net profit	**53.3**	**335.4**	**180.6**	**n.m.**
AFS securities	1,148.8	1,071.5	925.7	
Equity investments	2,920.7	3,318.1	3,068.9	

This division delivered a profit for the three months of €180.6m (30/9/14: €53.3m), reflecting the €87.7m gain on the Pirelli disposal, plus the increased contribution from Assicurazioni Generali (up from €55m to €82.8m). The writedowns chiefly involved RCS MediaGroup (€1.3m).

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Retail and consumer banking (financial services to households)

(€m)

	30/9/14	30/6/15	30/9/15	Y.o.Y. chg.
Profit-and-loss data				
Net interest income	198.1	833.2	226.1	14.1
Treasury income	0.1	0.2	—	n.m.
Net fee and commission income	42.2	174.6	38.9	-7.8
Total income	**240.4**	**1,008.0**	**265.0**	**10.2**
Labour costs	(36.2)	(157.6)	(40.1)	10.8
Administrative expenses	(66.5)	(290.6)	(62.3)	-6.3
Operating costs	**(102.7)**	**(448.2)**	**(102.4)**	**-0.3**
Loan loss provisions	(101.8)	(443.4)	(101.1)	-0.7
Profit before tax	**35.9**	**116.4**	**61.5**	**71.3**
Income tax for the period	(12.4)	(36.0)	(19.7)	58.9
Net profit	**23.5**	**80.4**	**41.8**	**77.9**
Cost/Income ratio (%)	42.7	44.5	38.6	
Balance-sheet data				
Treasury funds	8,779.9	7,248.8	8,743.6	
AFS securities	698.5	700.1	645.0	
Fixed financial assets (HTM & LR)	1,238.7	1,264.5	367.3	
Loans and advances to customers	14,490.2	15,512.1	15,783.2	
Funding	(21,088.8)	(23,730.9)	(24,460.7)	

This division reported a net profit of €41.8m (30/9/14: €23.5m), the increase being due to the good performance by consumer credit which added €36.1m (€24.5m), a higher contribution from Creditech (€3.5m, versus €3.3m), and CheBanca! returning to profit with €2.2m. In general terms revenues were up 10.2%, with operating costs unchanged and loan loss provisions decreasing slightly by 0.7%.

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Consumer Banking

	30/9/14	30/6/15	30/9/15	(€m) Y.o.Y. chg.
Profit-and-loss data				
Net interest income	164.9	694.1	187.8	13.9
Treasury income	—	0.2	—	n.m.
Net fee and commission income	38.1	147.0	29.7	-22.0
Total income	**203.0**	**841.3**	**217.5**	**7.1**
Labour costs	(22.2)	(96.6)	(23.8)	7.2
Administrative expenses	(43.9)	(191.0)	(39.2)	-10.7
Operating costs	**(66.1)**	**(287.6)**	**(63.0)**	**-4.7**
Loan loss provisions	(96.0)	(423.0)	(96.8)	0.8
Profit before tax	**40.9**	**130.7**	**57.7**	**41.1**
Income tax for the period	(13.1)	(36.7)	(18.1)	38.2
Net profit	**27.8**	**94.0**	**39.6**	**42.4**
Cost/Income ratio (%)	32.6	34.2	29.0	
Balance-sheet data				
Treasury funds	271.6	612.6	522.2	
AFS securities	103.7	87.9	83.1	
Fixed financial assets (HTM & LR)	0.6	0.9	0.6	
Loans and advances to customers	10,082.6	10,906.3	11,056.2	
Funding	(9,816.5)	(10,884.4)	(10,873.5)	
New loans	1,439.9	6,235.3	1,490.8	
No. of branches	158	164	164	
No. of staff	1,488	1,540	1,554	

A net profit of €39.6m was earned for the three months, the best result for the past two years, with revenues up 7.1% on last year, from €203m to €217.5m, driven by net interest income of €187.8m (€164.9m) which was boosted by the lower cost of funding with the return on loans stable. The 7.2% increase in labour costs reflects the full effects of last year's recruitment and was more than offset by the 10.7% reduction in overheads. Higher loan loss provisions involved Creditech (up from €1.7m to €2.9m), while the provisioning for consumer credit remained stable at €93.9m (€94.3m), with the overall cost of risk declining from 385 bps to 353 bps and a coverage ratio for non-performing items up from 68% to 71%. The growth in customer lending continued, exceeding €11bn during the twelve months under review, with consumer credit contributing €10,457.5m (30/6/15: €10,382.1m) and factoring €598.8m (€524.2m).

Retail Banking

	30/9/14	30/6/15	30/9/15	(€m) Y.o.Y. chg.
Profit-and-loss data				
Net interest income	33.2	139.1	38.3	15.4
Treasury income	0.1	—	—	n.m.
Net fee and commission income	4.1	27.6	9.2	n.m.
Total income	**37.4**	**166.7**	**47.5**	**27.0**
Labour costs	(14.0)	(61.0)	(16.3)	*16.4*
Administrative expenses	(22.6)	(99.6)	(23.1)	2.2
Operating costs	**(36.6)**	**(160.6)**	**(39.4)**	**7.7**
Loan loss provisions	(5.8)	(20.4)	(4.3)	-25.9
Profit before tax	**(5.0)**	**(14.3)**	**3.8**	**n.m.**
Income tax for the period	0.7	0.7	(1.6)	n.m.
Net profit	**(4.3)**	**(13.6)**	**2.2**	**n.m.**
Cost/Income ratio (%)	97.9	96.3	82.9	

Balance-sheet data			
Treasury funds	8,508.3	6,636.2	8,221.4
AFS securities	594.8	612.2	561.9
Fixed financial assets (HTM & LR)	1,238.1	1,263.6	366.7
Loans and advances to customers	4,407.6	4,605.8	4,727.0
Retail funding	(11,272.3)	(9,634.8)	(10,542.1)
New loans	137.1	656.3	248.8
No. of branches	58	57	57
No. of employees	887	941	952

Retail banking earned a net profit of €2.2m in the three months, on 27% growth in revenues, with net interest income up 15.4% and fees doubling from €4.1m to €9.2m due to higher assets under management on a discretionary and non-discretionary basis of €3,099m (30/9/14: €1,770.3m). Operating costs were up 7.7%, with labour costs in particular up 16.4% due to enhancement of the distribution structure. Loan loss provisions declined, from €5.8m to €4.3m, with the cost of risk at 37 bps (53 bps last year) and a coverage ratio of 48% (unchanged). Retail funding for the three months grew from €9,634.8m to €10,542.1m, as a result of the promotional campaign for six-month tied deposits which ended on 31 August 2015: current accounts increased from €2,011.8m to €2,085.1m, while deposit accounts rose from €7,623m to €8,457m. Loans and advances outstanding grew from €4,605.8m to €4,727m, with mortgage finance disbursed almost doubling, from €137.1m to €248.8m.

Leasing

				(€m)
	30/9/14	**30/6/15**	**30/9/15**	**Y.o.Y. chg.**
Profit-and-loss data				
Net interest income	12.3	55.0	13.9	13.0
Treasury income	—	(0.1)	—	n.m.
Net fee and commission income	(0.3)	0.3	(0.7)	n.m.
Total income	**12.0**	**55.2**	**13.2**	**10.0**
Labour costs	(3.3)	(14.2)	(3.3)	—
Administrative expenses	(2.6)	(14.8)	(3.1)	19.2
Operating costs	**(5.9)**	**(29.0)**	**(6.4)**	**8.5**
Loan loss provisions	(4.3)	(15.3)	(3.1)	-27.9
Profit before tax	**1.8**	**10.9**	**3.7**	**n.m.**
Income tax for the period	(0.8)	(4.5)	(1.2)	50.0
Minority interest	(0.5)	(3.1)	(1.1)	n.m.
Net profit	**0.5**	**3.3**	**1.4**	**n.m.**
Cost/Income ratio (%)	49.2	52.5	48.5	

Balance-sheet data			
Treasury funds	110.1	138.2	127.7
Loans and advances to customers	2,939.8	2,760.8	2,709.6
Funding	(2,909.9)	(2,775.5)	(2,720.2)
New loans	120.7	480.0	121.9
No. of employees	146	144	142

Leasing operations recorded a net profit of €1.4m in the three months, representing a slight improvement on the €0.5m reported last year due to the 10% growth in revenues, from €12m to €13.2m, and loan loss provisions reducing, from €4.3m to €3.1m. Net interest income in particular was up 13%, due to the cheaper cost of funding with returns on the portfolio stable. Leases outstanding at the reporting date declined from €2,760.8m to €2,709.6m, with new finance for the period totalling €121.9m (basically unchanged); net non-performing items declined from €269.8m to €268.1m, with a coverage ratio of 30%.

Outlook

Estimates for the current financial year remain conditional upon a macroeconomic scenario showing a modest upturn in Europe but at the same time also persistent weakness in the economies of emerging countries, along with the related volatility on financial markets. Against this backdrop, the Group sees net interest income remaining resilient, driven by consumer and retail banking, and the cost of risk improving. Operating costs are expected to rise in line with the planned projects.

Milan, 27 October 2015

THE BOARD OF DIRECTORS

ACCOUNTING POLICIES

Accounting policies

A.1 – General policies

SECTION 1

Statement of conformity with IAS/IFRS

The balance sheet and profit and loss account for the period ended 30 September 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 update issued on 22 December 2014); this report has also been drawn up in accordance with the provisions contained in Article 154-ter of Italian Legislative Decree 58/98 (the Italian consolidated finance act).

SECTION 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.

Based on the combined provisions of FRS 10 "Consolidated financial statements", IFRS 11 "Joint arrangements" and IFRS 12 "Disclosure of interests in other entities", the Group has proceeded to consolidate its subsidiaries on a line-by-line basis, and its associates and joint arrangements using the net equity method.

During the three months under review, Palladio was merged into SelmaBipiemme, with effect from 1 July 2015.

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

Name		Registered office	Type of relationship[1]	Shareholding		% voting rights[2]
				Investor company	% interest	
A.	COMPANIES INCLUDED IN AREA OF CONSOLIDATION					
A.1	*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	100.00	100.00
3.	SPAFID S.P.A	Milan	1	A.1.1	100.00	100.00
4.	SPAFID CONNECT S.P.A.	Milan	1	A.1.3	100.00*	70.00
5.	MEDIOBANCA INNOVATION SERVICES - S.C.P.A..	Milan	1	A.1.1	100.00	100.00
6.	COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A.M.	Monte Carlo	1	A.1.1	100.00	100.00
7.	C.M.G. COMPAGNIE MONEGASQUE DE GESTION S.A.M.	Monte Carlo	1	A.1.6	99.89	99.89
8.	SMEF SOCIETE MONEGASQUE DES ETUDES FINANCIERE S.A.M.	Monte Carlo	1	A.1.6	99.96	99.96
9.	CMB ASSET MANAGEMENT S.A.M.	Monte Carlo	1	A.1.6	99.30	99.30
10.	CMB WEALTH MANAGEMENT LIMITED	London	1	A.1.6	100.00	100.00
11.	MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.	Luxembourg	1	A.1.1	99.00	99.00
			1	A.1.12	1.00	1.00
12.	COMPASS S.P.A.	Milan	1	A.1.1	100.00	100.00
13.	CHEBANCA! S.P.A.	Milan	1	A.1.1	100.00	100.00
14.	CREDITECH S.P.A.	Milan	1	A.1.12	100.00	100.00
15.	SELMABIPIEMME LEASING S.P.A.	Milan	1	A.1.1	60.00	60.00
16.	TELELEASING S.P.A. - IN LIQUIDATION	Milan	1	A.1.15	80.00	80.00
17.	RICERCHE E STUDI S.P.A.	Milan	1	A.1.1	100.00	100.00
18.	MEDIOBANCA SECURITIES USA LLC	New York	1	A.1.1	100.00	100.00
19.	CONSORTIUM S.R.L.	Milan	1	A.1.1	100.00	100.00
20.	QUARZO S.R.L.	Milan	1	A.1.12	90.00	90.00
21.	QUARZO LEASE S.R.L.	Milan	1	A.1.15	90.00	90.00
22.	FUTURO S.P.A	Milan	1	A.1.12	100.00	100.00
23.	QUARZO CQS S.R.L.	Milan	1	A.1.22	90.00	90.00
24.	MEDIOBANCA COVERED BOND S.R.L.	Milan	1	A.1.13	90.00	90.00
25.	COMPASS RE (LUXEMBOURG) S.A.	Luxembourg	1	A.1.12	100.00	100.00
26.	MEDIOBANCA INTERNATIONAL IMMOBILIERE S. A R.L.	Luxembourg	1	A.1.11	100.00	100.00
27.	MB ADVISORY KURUMSAL DANISMANLIK HIZMETLERI ANONIM SIRKETI	Istanbul	1	A.1.1	100.00	100.00
28.	MB MESSICO S.A. C.V.	Bosques De Las Lomas	1	A.1.1	100.00	100.00
29.	TELCO MB S.R.L.	Milan	1	A.1.1	100.00	100.00
30.	SINTO MB S.R.L.	Milan	1	A.1.1	100.00	100.00

Legend

* Taking into account the put and call option exercisable as from the fifth anniversary of the execution date of the transaction.

1 Type of relationship:
1 = majority of voting rights in ordinary AGMs.
2 = dominant influence in ordinary AGMs.

2 Effective and potential voting rights in ordinary AGMs.

2. Considerations and significant assumptions used to determine consolidation area

The area of consolidation is defined on the basis of IFRS 10, "Consolidated financial statements", which provides that control occurs when the following three conditions apply:

(a) when the investor has power over the investee, defined as having substantive rights over the investee's relevant activities;

(b) when the investor has exposure, or rights, to variable returns from its involvement with the investee;

(c) when the investor has the ability to exert power over the investee to affect the amount of the variable returns.

Subsidiaries are consolidated on the line-by-line basis, which means that the carrying amount of the parent's investment and its share of the subsidiary's equity after minorities 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.

Investments in associates and joint arrangements are consolidated using the equity method. Associates are companies which are subject to dominant influence, a concept which is defined as the power to participate in activities which are significant for the company without having control of it. Dominant influence is assumed to exist in cases where one company holds at least 20% of the voting rights of another. In establishing whether or not dominant influence exists, account is also taken of potential rights, rights still to be exercised pursuant to options, warrants or conversion rights embedded in financial instruments; consideration is also given to issues of ownership structure, e.g. voting rights owned by other investors, etc.

The definition of joint arrangements used is that provided in IFRS 11, which involves the twofold requirement of the existence of a contractual arrangement and that such an arrangement must provide joint control to two or more parties.

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. This value is also reduced if the investee company distributes dividends. The profit made or loss incurred by the investee company is recorded in the profit and loss account, as are any long-term reductions in value or reversals.

3. *Investments in subsidiaries with significant minority interests*

Nothing to report.

4. *Significant restrictions*

The Group considers that no restrictions currently in force, under the terms of its Articles of Association, shareholders' agreements or external regulations, would prevent it or otherwise limit its ability to access its assets or settle its liabilities.

The Group also considers that no rights are in force to protect the interest of minority or third parties.

5. *Other information*

The reporting date for the consolidated financial statements is the date on which the parent company's financial year ends. In cases where Group companies have reporting periods ending on different dates, these companies are consolidated based on financial and earnings situations prepared as at the reporting date for the consolidated financial statements.

The financial statements of all subsidiaries have been drawn up based on the same accounting principles used at Group level.

Associates which have reporting periods ending on different dates compared to the Group prepare a pro forma accounting situation as at the consolidated reporting date, or alternatively send a statement relative to a previous date as long as it is not more than three months previously (i.e. for these consolidated financial statements, 31 March 2105); such an arrangement is permitted (IAS 28, par. 24-25), provided that account is taken of any significant transactions or events which take place between this date and the consolidated reporting date.

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 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

[1] See the Mediobanca Group's Annual Report for the year ended 30 June 2015, Part A4 – Information on fair value, pp. 98-108 for further details.

trading instruments. Equities for which it is not possible to reliably determine fair value are stated at cost. For debt securities included in this category the value of amortized cost is also recognized against the corresponding item in the profit and loss account.

Assets are subjected to impairment tests at annual and interim reporting dates. If there is evidence of a long-term reduction in the value of the asset concerned, this is recognized in the profit and loss account on the basis of market prices in the case of listed instruments, and of estimated future cash flows discounted according to the original effective interest rate in the case of unlisted securities. For shares, in particular, the criteria used to determine impairment are a reduction in fair value of over 30% or for longer than twenty-four months, compared to the initial recognition value. If the reasons for which the loss was recorded subsequently cease to apply, the impairment is written back to the profit and loss account for debt securities to and net equity for shares.

Financial assets held to maturity

These comprise debt securities with fixed or otherwise determinable payments and fixed maturities which the Group's management has the positive intention and ability to hold to maturity.

Such assets are initially recognized at fair value, which is calculated as at the settlement date and includes any transaction costs or income directly attributable to them. Following their initial recognition they are measured at amortized cost using the effective interest method. Differences between the initial recognition value and the amount receivable at maturity are booked to the profit and loss account pro-rata.

Assets are tested for impairment at annual and interim reporting dates. If there is evidence of a long-term reduction in the value of the asset concerned, this is recognized in the profit and loss account on the basis of market prices in the case of listed instruments, and of estimated future cash flows discounted according to the original effective interest rate in the case of unlisted securities. If the reasons which brought about the loss of value subsequently cease to apply, the impairment is written back to the profit and loss account up to the value of amortized cost.

Loans and receivables

These comprise loans to customers and banks which provide for fixed or otherwise determinable payments that are not quoted in an active market and which cannot therefore be classified as available for sale. Repos and receivables due in respect of finance leasing transactions are also included, as are illiquid and/or unlisted fixed securities.

Loans and receivables are booked on disbursement at a value equal to the amount drawn plus (less) any income (expenses) directly attributable to individual transactions and determinable from the outset despite being payable at a later date. The item does not, however, include costs subject to separate repayment by the borrower, or which may otherwise be accounted for as ordinary internal administrative costs. Repos and reverse repos are booked as funding or lending transactions for the spot amount received or paid. Non-performing loans acquired are booked at amortized cost on the basis of an internal rate of return calculated using estimates of expected recoverable amounts.

Loans and receivables are stated at amortized cost, i.e. initial values adjusted upwards or downwards to reflect: repayments of principal, amounts written down/back, and the difference between amounts drawn at disbursement and repayable at maturity amortized on the basis of the effective interest rate. The latter is defined as the rate of interest which renders the discounted value of future cash flows deriving from the loan or receivable by way of principal and interest equal to the initial recognition value of the loan or receivable.

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

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

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

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

Leasing

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

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

[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, with the effects taken through the profit and loss account.

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. Where the reasons for the loss of value cease to apply, due to an event which takes place subsequent to the date on which the value reduction is recorded, writebacks are credited up to the amount of the impairment charges previously recorded.

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.

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

Foreign currency transactions

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

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

Tax assets and liabilities

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

Advance tax assets are recognized in the balance sheet based on the likelihood of their being recovered.

Deferred tax liabilities are recognized in the balance sheet with the exception of tax-suspended reserves, if the size of the reserves available already subjected to taxation is such that it may be reasonably assumed that no transactions will be carried out on the Group's own initiative that might lead to their being taxed.

Deferred tax arising upon business combinations is recognized when this is likely to result in a charge for one of the companies concerned.

Tax assets and liabilities are adjusted as and when changes occur in the regulatory framework or in applicable tax rates, *inter alia* to cover charges that might arise in connection with inspections by or disputes with the tax revenue authorities.

Stock options and performance shares

The stock option and performance share schemes operated on behalf of Group staff members and collaborators are treated as a component of labour costs. The fair value of the instruments is measured and recognized in net equity at the grant date using a share/option pricing method adjusted to reflect historical series for previous financial years. The value thus determined is taken to the profit and loss account pro-rata to the vesting period for the individual awards.

Treasury shares

These are deducted from net equity, and any gains/losses realized on disposal are recognized in net equity.

Dividends and commissions

These are recognized as and when they are realized, provided there is reasonable likelihood that future benefits will accrue.

Fees included in amortized cost for purposes of calculating the effective interest rate are not included, but are recorded under *Net interest income*.

Related parties

In accordance with IAS 24, related parties are defined as:

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

b) associate companies, joint ventures and entities controlled by them;

c) management with strategic responsibilities, that is, individuals with powers and responsibilities, directly or indirectly, for the planning, direction and control of the parent company's activities, including the members of the Board of Directors and Statutory Audit Committee;

d) entities controlled or jointly controlled by one or more of the individuals listed under the foregoing letter c);

e) close family members of the individuals referred to in letter c) above, that is, individuals who may be expected to influence them or be influenced by them in their relations with Mediobanca (this category includes partners, children, partners' children, dependents and partners' dependents) as well as any entities controlled, jointly controlled or otherwise associated with such individuals;

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

g) transactions involving vehicle companies, even if these are not directly attributable to related parties but the benefits from them still accrue to related parties.

CONSOLIDATED FINANCIAL STATEMENTS

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

	Assets	IAS-compliant 30/9/14	IAS-compliant 30/6/15	Total IAS 30/9/15
10.	Cash and cash equivalents	43.1	49.0	164.5
20.	Financial assets held for trading	13,232.0	11,860.8	12,697.6
30.	Financial assets recognized at fair value	—	—	—
40.	AFS securities	7,290.9	8,063.1	7,750.5
50.	Financial assets held to maturity	1,686.4	1,311.7	1,332.8
60.	Due from banks	6,282.4	6,078.3	5,527.9
	of which:			
	other trading items	*5,475.7*	*4,955.3*	*4,349.3*
	securities	—	—	—
	other items	*3.4*	*25.8*	*25.9*
70.	Due from customers	34,361.2	37,122.5	36,564.2
	of which:			
	other trading items	*3,632.3*	*4,773.3*	*4,627.8*
	securities	*388.8*	*482.2*	*455.8*
	other items	*46.7*	*54.0*	*53.2*
80.	Hedging derivatives	960.1	754.9	786.3
	of which:			
	funding hedge derivatives	*960.0*	*737.2*	*775.1*
	lending hedge derivatives	—	*17.4*	*10.8*
90.	Value adjustments to financial assets subject to general hedging	—	—	—
100.	Equity investments	3,017.4	3,411.4	3,163.5
110.	Total reinsurers' share of technical reserves	—	—	—
120.	Property, plant and equipment	305.6	308.6	306.8
130.	Intangible assets	412.2	410.3	408.1
	of which:			
	goodwill	*369.9*	*374.1*	*374.1*
140.	Tax assets	1,063.4	954.2	932.8
	a) current	*399.5*	*218.6*	*210.9*
	b) advance	*663.9*	*735.7*	*721.9*
150.	Other non-current and Group assets being sold	—	—	—
160.	Other assets	271.6	385.8	345.9
	of which:			
	other trading items	*7.0*	*8.3*	*11.7*
	Total assets	**68,926.3**	**70,710.6**	**69,980.9**

* Figures in €m.

The balance sheet provided on p. 9 reflects the following restatements:
- *Treasury funds* comprise asset headings 10 and 20 and liability heading 40, plus the "other trading items" shown under asset headings 60, 70 and 160 and liability headings 10 and 20, with the latter chiefly consisting of repos, interbank accounts and margins on derivatives;
- *Funding* comprises the balances shown under liability headings 10, 20 and 30 (excluding amounts restated as trading items in respect of repos and interbank accounts), plus the relevant amounts in respect of hedging derivatives;
- *Loans and advances to customers* comprise asset headings 60 and 70 (excluding amounts restated as *Treasury funds*), the relevant amounts in respect of hedging derivatives shown under asset heading 80 and liability heading 60, and the impairment charges taken under liability heading 100.

	Liabilities and net equity	IAS-compliant 30/9/14	IAS-compliant 30/6/15	Total IAS 30/9/15
10.	Due to banks	11,641.0	14,304.0	14,425.7
	of which:			
	other trading items	*3,338.7*	*4,986.7*	*5,244.6*
	other liabilities	*8.1*	*1.4*	*1.3*
20.	Due to customers	16,050.6	16,873.4	16,359.7
	of which:			
	other trading items	*1,448.2*	*3,140.6*	*1,874.2*
	other liabilities	*12.0*	*8.4*	*9.9*
30.	Debt securities	21,788.5	20,154.5	21,108.3
40.	Trading liabilities	9,527.1	8,598.9	7,545.8
50.	Liabilities recognized at fair value	—	—	—
60.	Hedging derivatives	338.1	291.2	268.1
	of which:			
	funding hedge derivatives	*254.2*	*253.9*	*227.6*
	lending hedge derivatives	*52.6*	*20.3*	*23.3*
70.	Value adjustments to financial liabilities subject to general hedging	—	—	—
80.	Tax liabilities	610.1	625.0	647.6
	a) current	*244.3*	*259.9*	*283.3*
	b) deferred	*365.8*	*365.1*	*364.3*
90.	Liabilities in respect of Group assets being sold	—	—	—
100.	Other liabilities	627.9	684.0	733.6
	of which:			
	other trading items	—	—	*0.2*
	loan loss provisions	*18.7*	*17.7*	*20.7*
110.	Staff severance indemnity provision	29.4	26.7	26.2
120.	Provisions	167.2	157.9	155.8
	a) post-employment and similar benefits	—	—	—
	b) other provisions	*167.2*	*157.9*	*155.8*
130.	Technical reserves	123.2	127.9	132.1
140.	Valuation reserves	933.2	1,435.5	1,114.1
150.	Shares with right of withdrawal	—	—	—
160.	Equity instruments	—	—	—
170.	Reserves	4,471.3	4,354.4	4,730.1
180.	Share premium reserve	2,122.4	2,144.5	2,145.5
190.	Share capital	430.8	433.6	433.7
200.	Treasury shares	(199.2)	(198.7)	(198.7)
210.	Net equity attributable to minorities	104.6	108.0	109.0
220.	Profit (loss) for the year	160.0	589.8	244.3
	Total liabilities and net equity	**68,926.3**	**70,710.6**	**69,980.9**

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

	Profit and loss account	30/9/14	30/6/15	30/9/15
10.	Interest and similar income	535.6	2,091.6	485.5
20.	Interest expense and similar charges	(273.4)	(949.1)	(182.2)
30.	**Net interest income**	**262.2**	**1,142.5**	**303.3**
40.	Fee and commission income	133.5	426.0	79.4
50.	Fee and commission expense	(13.0)	(59.7)	(15.7)
60.	**Net fee and commission income**	**120.5**	**366.3**	**63.7**
70.	Dividends and similar income	9.2	47.6	8.2
80.	Net trading income	33.9	98.9	11.4
90.	Net hedging income (expense)	0.6	(1.1)	0.4
100.	Gain (loss) on disposal of:	20.5	122.5	94.8
	a) loans and receivables	*1.2*	*(49.9)*	*1.9*
	b) AFS securities	*6.3*	*166.1*	*93.3*
	c) financial assets held to maturity	*11.1*	*19.9*	—
	d) other financial liabilities	*1.9*	*(13.6)*	*(0.4)*
120.	**Total income**	**446.9**	**1,776.7**	**481.8**
130.	Adjustments for impairment to:	(126.1)	(488.1)	(119.7)
	a) loans and receivables	*(116.1)*	*(469.5)*	*(113.4)*
	b) AFS securities	*(6.6)*	*(21.0)*	*(2.3)*
	c) financial assets held to maturity	—	*0.9*	*(1.0)*
	d) other financial liabilities	*(3.4)*	*1.4*	*(3.0)*
140.	**Net income from financial operations**	**320.8**	**1,288.6**	**362.1**
150.	Net premium income	10.2	42.0	11.1
160.	Income less expense from insurance operations	(4.4)	(17.8)	(4.2)
170.	**Net income from financial and insurance operations**	**326.6**	**1,312.8**	**369.0**
180.	Administrative expenses:	(184.6)	(874.6)	(195.6)
	a) personnel costs	*(92.3)*	*(419.3)*	*(98.1)*
	b) other administrative expenses	*(92.3)*	*(455.3)*	*(97.5)*
190.	Net transfers to provisions for liabilities and charges	(0.6)	(3.9)	(0.4)
200.	Net adjustments to property, plant and equipment	(4.8)	(19.2)	(4.8)
210.	Net adjustments to intangible assets	(4.8)	(23.7)	(4.5)
	of which: goodwill	—	—	—
220.	Other operating income (expenses)	30.0	141.7	33.6
230.	**Operating costs**	**(164.8)**	**(779.7)**	**(171.7)**
240.	Profit (loss) from equity-accounted companies	55.5	224.0	82.6
270.	Gain (loss) on disposal of investments	—	—	—
280.	**Profit (loss) before tax on ordinary activities**	**217.3**	**757.1**	**279.9**
290.	Income tax on ordinary activities for the year	(56.8)	(164.2)	(34.5)
300.	**Profit (loss) after tax on ordinary activities**	**160.5**	**592.9**	**245.4**
310.	Net gain (loss) on non-current assets being sold	—	—	—
320.	**Profit (loss) for the year**	**160.5**	**592.9**	**245.4**
330.	Profit (loss) for the year attributable to minorities	(0.5)	(3.1)	(1.1)
340.	**Net profit (loss) for the year attributable to Mediobanca**	**160.0**	**589.8**	**244.3**

* Figures in €m.

The profit and loss account shown on p. 8 reflects the following restatements:
- *Net interest income* includes the result of funding and lending hedging activity (minus €0.5m, €2.8m and minus €0.4m respectively), plus the margins on swaps reported under heading 80 (€0.8m, €0.2m and minus €1.2m respectively);
- amounts under Heading 220 have been restated as *Net fee and commission income*, save for amounts refunded/recovered totalling €8.5m, €58.9m and €8.5m respectively which net operating costs; the amounts stated under headings 150 and 160 have also been accounted for as *Net fee and commission income*, net of fees payable in respect of securities lending (minus €0.2m, minus €0.3m and €0.2m respectively), shown here as *Net treasury income*;
- *Net treasury income* also includes the amounts shown under headings 70 and 80, the gains (losses) on disposal of bonds (respectively €15.1m, €75.6m and €5.9m), as well as financial liabilities reported under heading 100 net of or in addition to the items already stated;
- *Provisions for other financial assets* include both the AFS securities and HTM financial assets accounted for here under heading 130 and the equity investments shown under heading 240;
- *Loan loss provisions* include the remainder of the amounts stated under heading 130 along with the value of losses arising on disposal of third-party receivables stated under heading 100 and amounting to minus €1.1m, minus €65m and €0.8m respectively.

Consolidated comprehensive profit and loss account

(€m)

		30/9/14	30/6/15	30/9/15
10.	Gain (loss) for the period	160.6	592.8	245.4
	Other income items net of tax without passing through profit and loss	**81.8**	**(126.0)**	**86.5**
20.	Property, plant and equipment	—	—	—
30.	Intangible assets	—	—	—
40.	Defined benefit schemes	(1.2)	0.5	0.5
50.	Non-current assets being sold	—	—	—
60.	Share of valuation reserves for equity-accounted companies	83.0	(126.5)	86.0
	Other income items net of tax passing through profit and loss	**(18.6)**	**692.2**	**(408.0)**
70.	Foreign investment hedges	—	—	—
80.	Exchange rate differences	0.2	0.1	(0.2)
90.	Cash flow hedges	3.0	30.0	1.6
100.	AFS securities	(47.6)	(52.2)	3.4
110.	Non-current assets being sold	—	—	—
120.	Share of valuation reserves attributable to equity-accounted companies	25.8	714.3	(412.8)
130.	**Total other income items net of tax**	**63.2**	**566.2**	**(321.5)**
140.	Comprehensive income (Heading 10 + Heading 130)	223.8	1.159.0	(76.1)
150.	Minority interest in consolidated comprehensive income	0.1	3.5	0.9
160.	Consolidated comprehensive income attributable to Mediobanca S.p.A	223.7	1.155.5	(77.0)

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