MEDIOBANCA

Interim Report

for the six months ended 31 December 2013

MEDIOBANCA

LIMITED COMPANY
SHARE CAPITAL € 430,564,606
HEAD OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY

REGISTERED AS A BANK
PARENT COMPANY OF THE MEDIOBANCA BANKING GROUP

Interim Report

for the six months ended 31 December 2013

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

BOARD OF DIRECTORS

			Term expires
*	Renato Pagliaro	Chairman	2014
	Dieter Rampl	Deputy Chairman	2014
	Marco Tronchetti Provera	»	2014
*	Alberto Nagel	Chief Executive Officer	2014
*	Francesco Saverio Vinci	General Manager	2014
	Tarak Ben Ammar	Director	2014
	Gilberto Benetton	»	2014
	Pier Silvio Berlusconi	»	2014
	Roberto Bertazzoni	»	2014
*	Angelo Caso’	»	2014
*	Maurizio Cereda	»	2014
	Christian Collin	»	2014
	Alessandro Decio	»	2014
*	Massimo Di Carlo	»	2014
	Bruno Ermolli	»	2014
	Giorgio Guazzaloca	»	2014
	Anne Marie Idrac	»	2014
*	Vanessa Labérenne	»	2014
	Elisabetta Magistretti	»	2014
	Alberto Pecci	»	2014
	Carlo Pesenti	»	2014
*	Eric Strutz	»	2014

* Member of Executive Committee

STATUTORY AUDIT COMMITTEE

Natale Freddi	Chairman	2014
Maurizia Angelo Comneno	Standing Auditor	2014
Gabriele Villa	» »	2014
Mario Busso	Alternate Auditor	2014
Guido Croci	» »	2014

* * *

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

CONTENTS

REVIEW OF
GROUP OPERATIONS

REVIEW OF GROUP OPERATIONS

The Mediobanca Group earned a profit of €304.7m in the six months under review, up sharply on the €123.8m posted at this stage last year, following a positive contribution from the equity investment portfolio, which added €245.4m (compared with a €33.4m loss twelve months previously). Revenues totalled €742.2m (31/12/13: €828.4m), reflecting a 3.4% increase in net interest income and flat fees, but penalized at the same time by a modest contribution from treasury activities (€16.7m, compared with €111.8m last year). The various income items performed as follows:

– net interest income was up 3.4%, from €517.7m to €535.1m, bearing out the trends witnessed in the last quarters, with the increase in retail and consumer banking offset in part by the reduction in wholesale banking, which reflects lower profitability on loans as a result of the need to retain substantial liquidity;

– net fee and commission income declined from €201m to €192.1m year-on-year, but showed a decent recovery quarter-on-quarter, with €107.7m earned in the second (compared with €84.4m in the first); the overall result was impacted by the weak investment banking performance;

– the result from treasury activity reflects weak fixed-income trading, affected by the low volatility and the low interest rate levels;

– the contribution from the equity-accounted companies increased from €85.8m to €131.1m, due to the good performance posted by Assicurazioni Generali.

Operating costs fell by 1.5%, from €375.6m to €370m, due to the reduction in labour costs (which were down 7.9%).

Loan loss provisions rose by 29.7%, from €232.8m to €302m. These involve corporate and private banking as to €82.3m (€47.5m), retail and consumer banking as to €200.5m (€173.5m), and leasing as to €19.7m (€11.7m). The increase reflects the ongoing difficulties encountered by corporates and households, writeoffs and disposals in the corporate segment, as well as the objective of maintaining an adequate coverage ratio for non-performing loans (overall 46%), *inter alia* in view of the new classifications required under the ECB's Asset Quality Review process.

Equity disposals during the six months under review generated net gains of €152.2m, €67.2m of which as part of the Telco transaction (involving disposal of €90m of the shareholders' loan at fair value, in exchange for Telefonica subsequently sold on the market); while a further €38.6m derived from the disposal of Gemina/Atlantia shares on the market.

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

CIB delivered a profit of €28.1m, down sharply on the €135.2m posted last year, due to the reduction in revenues from wholesale banking (which declined from €333.9m to €207.3m), chiefly due to the reduction in treasury income (€4.2m, compared with €104.4m last year) and net interest income (down 9.4%); conversely, the profit earned from private banking activity grew from €21.9m to €27.5m.

RCB showed a profit of €39.8m (€28.1m), on higher revenues (up 8.5%, from €425.3 to €461.6m) and despite the increase in loan loss provisions, which climbed from €173.5m to €200.5m and which, from this year, are tax-deductible for IRAP purposes.

PI reported a €245.4m profit (compared with a €33.4m loss last year), due to the higher contribution from equity-accounted companies (up from €85.1m to €128.2m), and gains on disposals totalling €151.2m which derive from sales made during the six months.

The Corporate Centre shows a loss of €12m (€8.6m), on income of €25.4m (€36.8m), chiefly due to leasing, and costs totalling €27m (€37.8m), €12.2m (€11.9m) of which are attributable to Mediobanca S.p.A.

Turning to the balance-sheet aggregates, at the reporting date these showed an increase in funding, from €51.3bn to €53.3bn, attributable to both the debt security component (up from €25.9bn to €26.8bn) and to CheBanca! retail deposits (which rose from €11.9bn to €13.3bn). The reduction in loans and advances to customers (down from €33.5bn to €32.3bn) and in banking book bonds (down from €12bn to €10.4bn) drove growth in net treasury assets, from €8.2bn to €13.3bn. Assets under management in private banking increased, from €13.8bn to €14.6bn.

The Group's capital ratios – calculated according to the methodology in force as at 31 December 2013, known as Basel 2.5 – showed further improvement, with the core tier 1 ratio at 11.94% and the total capital ratio at 15.94%.

* * *

Significant events that took place during the six months include:

– approval by the Board of Directors of the governing bodies' self- assessment process required under the instructions issued by the Bank of Italy on 11 January 2012, and the requirement of certain directors to qualify as independent as defined by Article 148, para. 3 of Italian legislative decree 58/98 and by the Code of Conduct in respect of listed companies;

– the appointment of Stefano Marsaglia as Executive Chairman of Corporate and Investment Banking, to work alongside the Chief Executive Officer as Co-Head of the CIB area;

– strengthening of the Group's operations in Turkey, in advisory and M&A business, with Tayfun Bayazit appointed as Chairman and Senior Advisor;

– disposal of equity stakes in accordance with the Bank's 2014/16 business plan: sales worth approx. €512m, yielding gains totalling €151.2m;

– completion of a voluntary buyback offer on senior unsecured bonds falling due between 2014 and 2015, for a total outlay of €378m;

– confirmation by Standard and Poor's of the BBB rating assigned to Mediobanca (aligned with the sovereign risk for Italy), with negative outlook.

Consolidated financial statements*

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(€m)

	6 mths to 31/12/12	12 mths to 30/6/13	6 mths to 31/12/13	Chg. (%)
Profit-and-loss data				
Net interest income	517.7	1,028.0	535.1	3.4
Net treasury income [1]	111.8	196.8	16.7	-85.1
Net fee and commission income	201.0	409.7	192.1	-4.4
Equity-accounted companies	85.8	(9.5)	131.1	52.8
Total income	**916.3**	**1,625.0**	**875.0**	**-4.5**
Labour costs	(194.4)	(384.0)	(179.0)	-7.9
Administrative expenses	(181.2)	(372.9)	(191.0)	5.4
Operating costs	**(375.6)**	**(756.9)**	**(370.0)**	**-1.5**
Gains (losses) on AFS, HTM and L&R	(9.9)	20.1	152.5	n.m.
Loan loss provisions	(232.8)	(506.5)	(302.0)	29.7
Provisions for financial assets	(89.5)	(404.2)	(23.3)	-74.0
Other profits (losses)	—	(4.8)	—	n.m.
Profit before tax	**208.5**	**(27.3)**	**332.2**	**59.3**
Income tax for the period	(85.7)	(156.8)	(30.3)	-64.6
Minority interest	1.0	4.3	2.8	n.m.
Net profit	**123.8**	**(179.8)**	**304.7**	n.m.

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

[1] Net treasury income includes dealing profits and gains realized on the AFS and HTM fixed-income security portfolios; the previous figures have been restated accordingly.

RESTATED BALANCE SHEET

(€m)

	31/12/12	30/6/13	31/12/13
Assets			
Treasury funds	9,105.2	8,199.7	13,346.0
AFS securities	11,735.6	11,489.8	9,672.7
of which: fixed-income	*10,639.9*	*9,967.1*	*8,259.6*
equities	*1,082.2*	*1,507.8*	*1,401.9*
Fixed financial assets (HTM & LR)	2,366.3	2,053.5	2,137.1
Loans and advances to customers	34,142.0	33,455.4	32,272.0
Equity investments	3,284.0	2,586.9	2,649.2
Tangible and intangible assets	715.0	707.7	703.2
Other assets	1,142.4	1,247.3	1,214.8
of which: tax assets	*869.3*	*896.1*	*856.5*
Total assets	62,490.5	59,740.3	61,995.0
Liabilities and net equity			
Funding	53,970.5	51,287.8	53,262.3
of which: debt securities in issue	*28,070.8*	*25,856.4*	*26,842.3*
retail deposits	*12,258.6*	*11,874.2*	*13,288.4*
Other liabilities	1,177.9	1,312.1	1,125.7
of which: tax liabilities	*538.5*	*608.0*	*476.1*
Provisions	187.6	192.2	189.9
Net equity	7,030.7	7,128.0	7,112.4
of which: share capital	*430.6*	*430.6*	*430.6*
reserves	*6,491.7*	*6,589.9*	*6,576.0*
minority interest	*108.4*	*107.5*	*105.8*
Profit for the period	123.8	(179.8)	304.7
Total liabilities and net equity	62,490.5	59,740.3	61,995.0
Tier 1 capital	*6,472.5*	*6,153.2*	*6,319.6*
Regulatory capital	*8,066.7*	*8,155.4*	*8,436.1*
Tier 1 capital/RWAs	*11.84%*	*11.75%*	*11.94%*
Regulatory capital/RWAs	*14.76%*	*15.57%*	*15.94%*
No. of shares in issues (millions)	*861.1*	*861.1*	*861.1*

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

(€m)

31 December 2013	Corporate & Private Banking	Principal Investing	Retail & Consumer Banking	Corporate center	Group
Profit-and-loss data					
Net interest income	140.4	—	376.5	22.5	535.1
Net treasury income	7.8	4.6	0.4	—	16.7
Net fee and commission income	124.1	—	84.7	2.9	192.1
Equity-accounted companies	—	128.2	—	—	131.1
Total income	**272.3**	**132.8**	**461.6**	**25.4**	**875.0**
Labour costs	(91.5)	(4.4)	(73.7)	(15.8)	(179.0)
Administrative expenses	(60.0)	(0.8)	(135.0)	(11.2)	(191.0)
Operating costs	**(151.5)**	**(5.2)**	**(208.7)**	**(27.0)**	**(370.0)**
Gain (losses) on disposal of AFS shares	5.3	151.2	—	—	152.5
Loan loss provisions	(82.3)	—	(200.5)	(19.7)	(302.0)
Provisions for financial assets	(2.2)	(21.7)	—	—	(23.3)
Other profits (losses)	—	—	(2.0)	2.1	—
Profit before tax	**41.6**	**257.1**	**50.4**	**(19.2)**	**332.2**
Income tax for the period	(13.5)	(11.7)	(10.6)	4.4	(30.3)
Minority interest	—	—	—	2.8	2.8
Net profit	**28.1**	**245.4**	**39.8**	**(12.0)**	**304.7**
Cost/income ratio (%)	55.6%	3.9%	45.2%	106.3%	42.3%
Balance-sheet figures					
Treasury funds	14,707.1	—	10,392.8	135.9	13,346.0
AFS securities	7,914.0	1,388.8	691.5	—	9,672.7
Fixed financial assets (HTM & LR)	5,104.9	—	1,772.0	—	2,137.1
Equity investments	—	2,556.8	—	—	2,649.2
Loans and advances to customers	24,534.2	—	13,902.3	3,201.2	32,272.0
of which: to Group companies	*8,898.1*	*n.m.*	*n.m.*	*n.m.*	*n.m.*
Funding	(50,320.8)	—	(25,824.5)	(3,241.6)	(53,262.3)
Risk-weighted assets	35,092.9	4,149.5	10,758.7	2,918.1	52,919.2
No. of staff	979 *	—	2,358	300	3,513

* Includes 124 staff employed by Banca Esperia pro-forma, not included in the Group total.

Notes:
1) Divisions comprise:
- *CIB (Corporate and investment banking)*: comprises wholesale banking (WSB), which includes lending, structured finance and investment banking activity, and private banking (PB), which includes Compagnie Monégasque de Banque, Spafid and Prudentia, 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, Cofactor, 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 (€3.4m as at 31 December 2013, and €2.5m as at 31 December 2012 respectively).

(€m)

31 December 2012	Corporate & Private Banking	Principal Investing	Retail & Consumer Banking	Corporate center	Group
Profit-and-loss data					
Net interest income	151.5	—	342.8	23.3	517.7
Net treasury income	111.6	2.8	(0.3)	—	111.8
Net fee and commission income	136.2	—	82.8	13.5	201.0
Equity-accounted companies	—	85.1	—	—	85.8
Total income	**399.3**	**87.9**	**425.3**	**36.8**	**916.3**
Labour costs	(110.0)	(4.8)	(73.4)	(18.9)	(194.4)
Administrative expenses	(60.6)	(0.8)	(125.5)	(18.9)	(181.2)
Operating costs	**(170.6)**	**(5.6)**	**(198.9)**	**(37.8)**	**(375.6)**
Gain (losses) on disposal of AFS shares	8.8	(13.4)	—	—	(9.9)
Loan loss provisions	(47.5)	—	(173.5)	(11.7)	(232.8)
Provisions for financial assets	8.5	(101.1)	—	—	(89.5)
Other profits (losses)	(1.1)	—	—	—	—
Profit before tax	**197.4**	**(32.2)**	**52.9**	**(12.7)**	**208.5**
Income tax for the period	(62.2)	(1.2)	(24.8)	3.1	(85.7)
Minority interest	—	—	—	1.0	1.0
Net profit	**135.2**	**(33.4)**	**28.1**	**(8.6)**	**123.8**
Cost/income ratio (%)	42.7	6.4	46.8	102.7	41.0
Balance-sheet data					
Treasury funds	11,495.1	—	9,154.0	125.4	9,105.2
AFS securities	10,027.1	1,069.3	884.5	—	11,735.6
Fixed financial assets (HTM & LR)	4,057.3	—	2,085.6	—	2,366.4
Equity investments	—	3,193.7	—	—	3,284.0
Loans and advances to customers	27,260.5	—	13,447.2	3,780.9	34,142.0
of which: to Group companies	*8,758.4*	*n.m.*	*n.m.*	*n.m.*	*n.m.*
Funding	(51,310.6)	—	(24,571.1)	(3,770.4)	(53,970.5)
Risk-weighted assets	36,265.9	4,545.1	10,337.8	3,517,9	54,666.7
No. of employees	981 *	—	2,326	313	3,493

* Includes 127 staff employed by Banca Esperia pro-forma, not included in the Group total.

Balance sheet

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

Funding – this item grew by 3.8%, from €51.3bn to €53.3bn, helped by the increase in debt securities (from €25.9bn to €26.8bn, with new issuance totalling €3.3bn) and in CheBanca! retail deposits (which rose from €11.9bn to €13.3bn). A €500m tranche of the LTRO was also repaid to the ECB during the six months under review. The debt securities fund-raising programme for the year is almost complete.

	30/6/13		31/12/13		Chg.
	(€m)	%	(€m)	%	
Debt securities	25,856.4	50%	26,842.3	50%	3.8%
CheBanca! retail funding	11,874.2	23%	13,288.4	25%	11.9%
Interbank funds	2,718.3	5%	2,650.5	5%	-2.5%
LTROs	7,500.0	15%	7,000.0	13%	-6.7%
Other funds	3,338.9	7%	3,481.1	7%	4.3%
Total funding	**51,287.8**	**100%**	**53,262.3**	**100%**	**3.8%**

Loans and advances to customers – the 3.5% reduction in this item was due to wholesale lending (down 7.1%) and leasing (down 7.3%), reflecting the reduced demand from corporate as well as early repayments totalling approx. €3bn. Retail and consumer lending, by contrast, both increased, by 1.2% and 1.7% respectively. Net non-performing loans grew by 2.4%, from €989.2m to €1,013.4m, in retail and consumer business particularly, and increased from 2.9% of total loans to 3.1%; on prudential grounds the coverage ratio has been increased from 45% to 46%. Net bad loans totalled €287.6m (€262.7m), and account for 0.89% (0.78%) of the total loan book, with a coverage ratio of 67% (66%).

	30/6/13		31/12/13		Chg.
	(€m)	%	(€m)	%	
Wholesale banking	15,505.2	47%	14,409.1	45%	-7.1%
Private banking	803.0	2%	759.7	2%	-5.4%
Consumer	9,427.7	28%	9,583.5	30%	1.7%
Retail banking	4,266.5	13%	4,318.8	13%	1.2%
Leasing	3,453.0	10%	3,200.9	10%	-7.3%
Total loans and advances to customers	**33,455.4**	**100%**	**32,272.0**	**100%**	**-3.5%**

	30/6/13		31/12/13		Chg.
	(€m)	%	(€m)	%	
Wholesale banking	254.6	26%	196.3	19%	-22.9%
Private banking	9.9	1%	2.9	0%	-70.7%
Consumer	368.7	37%	399.4	40%	8.3%
Retail banking	121.9	12%	137.7	14%	13.0%
Leasing	234.1	24%	277.1	27%	18.4%
Total net non-performing loans	**989.2**	**100%**	**1,013.4**	**100%**	**2.4%**
– of which: bad loans	*262.7*		*287.6*		*9.5%*

At the reporting date there were a total of six significant exposures to groups of customers (including market risk and equity investments), i.e. above 10% of regulatory capital (two fewer than at 30 June 2013), corresponding to a gross exposure almost one-quarter lower than six months previously, at €10,079.1m (€12,043.5m).

Equity investments – these increased from €2,586.9m to €2,649.2m, due to the value of the Assicurazioni Generali investment rising from €2,460.7m to €2,534.5m, following profits for the period totalling €130.8m, and downward changes to the valuation reserve totalling €57m. The Burgo investment (22.13% stake, carried at a book value of €19m as at 30 June 2013) has been written down on a prudential basis. Banca Esperia (50%) and Athena (24.27%) rose to €92.3m and €21.7m respectively, following profits for the period.

	% of share capital	30/6/13	31/12/13
Assicurazioni Generali	13.24	2.460.7	2.534.5
Banca Esperia	50.0	86.7	92.3
Burgo Group	22.13	19.0	—
Athena Private Equity	24.27	19.8	21.7
Fidia	25.0	0.7	0.7
Total investments		**2,586.9**	**2,649.2**

Based on prices as at 31 December 2013, the Assicurazioni Generali investment reflects a surplus of market over book value totalling €989.7m (approx. €920m based on current prices and holdings).

Fixed financial assets – the slight increase in this item, from €2,053.5m to €2,137.1m, regards certain corporate bonds (€73.1m); while the movements in financial bonds offset the redemptions for the period (€110m). The portfolio shows an unrealized gain as at end-December totalling €81.6m (€47.8m).

	30/6/13		31/12/13		Chg.
	(€m)	%	(€m)	%	
Financial assets held to maturity	1,447.8	71%	1,480.9	69%	2.3%
Unlisted debt securities (stated at cost)	605.7	29%	656.2	31%	8.3%
Total fixed financial assets	**2,053.5**	**100%**	**2,137.1**	**100%**	**4.1%**

	30/6/13		31/12/13		Chg.
	(€m)	%	(€m)	%	
Italian government securities	359.9	18%	360.9	17%	0.3%
Other government securities	1,230.2	60%	1,279.6	60%	4.0%
- of which: Italian	*442.6*	*22%*	*422.3*	*20%*	*-4.6%*
Corporate bonds	463.4	22%	496.6	23%	7.2%
Total debt securities	**2,053.5**	**100%**	**2,137.1**	**100%**	**4.1%**

AFS securities – this item declined from €11,489.8m to €9,672.7m, due to disposals for the period totalling €2.2bn (net), which affected both segments. On the fixed-income side, the portfolio of Italian government securities fell from €7.2bn to €5.2bn – in part offset by trading buys – in favour of other sovereign issuers. On the equity side the disposals continued, in particular Gemina and Saks (approx. €310m based on values as at 30 June 2013) in addition to the disposal of the Telco shareholders' loan, which was exchanged for Telefonica shares worth a total of €94.9m, themselves recently sold on the market. Overall the transaction generated profits totalling €67.2m. The additions were chiefly the result of subscribing to rights issues implemented by RCS MediaGroup (€60.8m) and Prelios (€3m), and of capital calls on private equity funds (€4m).

	30/6/13		31/12/13		Chg.
	(€m)	%	(€m)	%	
Debt securities	9,967.1	87%	8.259.6	85%	-17.1%
Equities	1,507.8	13%	1,401.9	15%	-7.0%
Others	14.9	—	11.2	—	-24.8%
Total AFS securities	**11,489.8**	**100%**	**9,672.7**	**100%**	**-15.8%**

	Percentage shareholding*	Book value	Adjustments to fair value	Charges to P&L	Total AFS reserve
LISTED EQUITIES					
Pirelli & C.	4.61 – 4.49	275.8	80.8	—	80.8
Cashes UCI		131.7	5.5	—	15.6
Atlantia	0.71	95.3	23.3	—	26.8
RCS MediaGroup	13.92	78.1	5.0	—	5.0
Italmobiliare	9.5 – 5.47	51.7	17.1	—	17.1
Other listed equities		55.8	2.0	(0.2)	8.6
Total listed equities		**688.4**	**133.7**	**(0.2)**	**153.9**
UNLISTED EQUITIES					
Sintonia S.p.A.	5.94	343.6	40.7	—	40.7
Telco [1]	7.34	95.2	51.5	—	51.5
Edipower	5.13	60.2	—	—	—
Santè S.A.	9.92	30.0	—	(0.8)	—
Other unlisted equities		184.5	1.8	(2.1)	19.2
Total unlisted equities		**713.5**	**94.0**	**(2.9)**	**111.4**
Total equities		**1,401.9**	**227.7**	**(3.1)**	**265.3**

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

[1] Includes loan subscribed for pro rata by Telco shareholders.

	30/6/13			31/12/13		
	Book value	**%**	**AFS reserve**	**Book value**	**%**	**AFS reserve**
Italian government securities	7,193.8	72%	41.2	5,215.8	63%	62.2
Other government securities	114.4	1%	2.4	490.5	6%	2.1
Financial bonds	2,111.1	21%	11.1	2,017.1	24%	35.4
- of which: Italian	*1,180.5*	*12%*	*(5.1)*	*1,257.4*	*15%*	*8.9*
Corporate bonds	547.8	6%	37.1	536.2	7%	31.9
Total debt securities	**9,967.1**	**100%**	**91.8**	**8,259.6**	**100%**	**131.6**

The valuation increased again, for both segments, closing at just under €400m, €265.3m of which in respect of equities and €131.6m of bonds.

Treasury assets – these rose from €8,199.7m to €13,346m, as a result of the movements described above. New applications of funds chiefly involve money market assets (up €4.2bn) and Italian government securities (€952.2m).

	30/6/13		31/12/13		Chg.
	(€m)	%	(€m)	%	
Debt securities	3,507.6	43%	4,438.2	33%	26.5%
Equities	1,068.2	13%	1,107.1	8%	3.6%
Derivative contract valuations	(460.3)	-6%	(472.7)	-3%	2.7%
Others (cash, repos, time deposits)	4,084.2	50%	8,273.4	62%	n.m.
Total net treasury assets	**8,199.7**	**100%**	**13,346.0**	**100%**	**62.8%**

	30/6/13		31/12/13	
	(€m)	%	(€m)	%
Italian government securities	166.1	5%	1,118.3	25%
German government securities	1,343.5	38%	1,187.1	27%
Other government securities	605.3	17%	514.4	12%
Financial bonds	1,199.2	34%	1,335.3	30%
- of which: Italian	*749.0*	*21%*	*577.9*	*13%*
Corporate bonds	193.5	6%	283.1	6%
Total debt securities	**3,507.6**	**100%**	**4,438.2**	**100%**

Tangible and intangible assets – the reduction in this item, from €707.7m to €703.3m, reflects the depreciation and amortization charges for the period (€18.8m), which, with the exception of the intangible assets (down from €46.4m to €42.4m), were offset by new investments. Goodwill and brands continue to be held at book values of €365.9m and €6.3m respectively, without showing any evidence of impairment.

	30/6/13		31/12/13		Chg.
	(€m)	%	(€m)	%	
Land and properties	256.9	36%	256.2	36%	-0.2%
- of which: core	*196.5*	*28%*	*197.0*	*28%*	*0.3%*
Other tangible assets	38.5	5%	38.7	6%	0.5%
Goodwill	365.9	52%	365.9	52%	—
Other intangible assets	46.4	7%	42.4	6%	-8.6%
Total tangible and intangible assets	**707.7**	**100%**	**703.2**	**100%**	**-0.6%**

Provisions – this item fell from €192.2m to €189.9m, due to withdrawals from the provision for liabilities and charges (€4m).

	30/6/13 (€m)	31/12/13 (€m)	Chg.
Provisions for risks and charges	164.5	161.4	-1.9%
TFR	27.7	28.5	2.9%
of which: staff severance provision discount	(1.1)	(1.0)	-9.1%
Total provisions	**192.2**	**189.9**	**-1.2%**

Net equity – net equity increased by €470.6m, or 6.9%, as a result of the profit for the period (€304.7m) and improvement in the valuation reserves which were up €198.9m, in particular the AFS reserves.

	30/6/13 (€m)	31/12/13 (€m)	Chg.
Share capital	430.6	430.6	—
Other reserves	6,280.5	6,067.7	-3.4%
Valuation reserves	309.4	508.3	64.3%
- of which: AFS securities	*144.6*	*339.5*	n.m.
cash flow hedges	*(81.3)*	*(65.2)*	*-19.8%*
equity investments	*232.6*	*219.9*	*-5.5%*
Profit for the period	(179.8)	304.7	n.m.
Total Group net equity	**6,840.7**	**7,311.3**	**6.9%**

Of the AFS reserve, €265.3m refers to the equity component (up despite writebacks totalling €47.2m in connection with the disposals) and €141.8m to bonds and other securities (€62.2m of which in respect of Italian government securities), net of the tax effect totalling €67.6m.

	30/6/13 (€m)	31/12/13 (€m)	Chg.
Equities	78.6	265.3	n.m.
Bonds and other debt securities	103.1	141.8	37.5%
Tax effect	(37.1)	(67.6)	82.2%
Total AFS reserve	**144.6**	**339.5**	**n.m.**

Profit and loss account

Net interest income – this item rose by 3.4%, from €517.7m to €535.1m, continuing the trend seen in the last two quarters (€270.5m and €265m); the positive performance in consumer finance (up 13.1%) in terms of volumes and returns, offset the 9.4% reduction in wholesale banking, which reflects the increased cost of funding, the lower lending volumes as well as reduced profitability levels owing to the substantial liquidity.

(€m)

	31/12/12	31/12/13	Chg.
Wholesale banking	130.4	118.2	-9.4%
Private banking	21.1	22.2	5.2%
Consumer	270.6	306.1	13.1%
Retail banking	72.2	70.4	-2.5%
Others (including intercompany accounts)	23.4	18.2	-22.2%
Net interest income	**517.7**	**535.1**	**3.4%**

Net treasury income – this item includes dealing profits, plus the result of trading involving the AFS and HTM fixed-income portfolios. The reduction reflects the performance of the fixed-income segment, which was impacted by low volatility and the declining market interest rate trend, partly offset by gains realized on banking book disposals; while the contribution from equity trading was positive, more than doubling from €20.5m to €54.5m.

(€m)

	31/12/12	31/12/13	Chg.
Dividends	2.9	4.6	58.6%
Fixed-income trading profit	88.4	(42.4)	n.m.
Equity trading profit	20.5	54.5	n.m.
Net treasury income	**111.8**	**16.7**	**-85.1%**

Net fee and commission income – the 4.4% reduction in fee income was due to the reduced contribution from wholesale banking (down 14.4%), primarily reflecting the weakness on advisory markets and on the capital market during the first quarter. The reduction in consumer revenues (down 4.6%) deriving from credit recovery and sales of insurance policies reflect the market trend, which was bucked, however, by private banking and retail operations, which rose by 5.7% and 83.1% respectively, with the latter boosted by the healthy performance in sales of financial products.

(€m)

	31/12/12	31/12/13	Chg.
Wholesale banking	99.2	84.9	-14.4%
Private banking	37.1	39.2	5.7%
Consumer	76.3	72.8	-4.6%
Retail banking	6.5	11.9	83.1%
Others (including intercompany accounts)	(18.1)	(16.7)	-7.7%
Net fee and commission income	**201.0**	**192.1**	**-4.4%**

Equity-accounted companies – this item recorded an improvement from last year, from €85.8m to €131.1m, due to positive contributions from Assicurazioni Generali (up from €75.6m to €130.8m), Banca Esperia (up from €0.8m to €2.9m), and Athena (from a €2.4m loss to a €1.8m profit). Burgo, by contrast, showed operating losses totalling €4.4m.

Operating costs – these fell by 1.5%, helped by a further, 7.9% reduction in labour costs only partly offset by the rise in administrative expenses (up 7.5%), reflecting increased credit recovery costs in retail banking (up €2m), higher data processing expenses (up €4.5m), and new growth initiatives in the consumer and retail divisions.

(€m)

	31/12/12	31/12/13	Chg.
Labour costs	194.4	179.0	-7.9%
of which: directors	*3.9*	*3.9*	—
stock option and performance share schemes	*7.8*	*5.2*	*-33.3%*
Sundry operating costs and expenses	181.2	191.0	5.4%
of which: depreciation and amortization	*20.8*	*18.8*	*-9.6%*
administrative expenses	*159.1*	*171.1*	*7.5%*
Operating costs	**375.6**	**370.0**	**-1.5%**

(€m)

	31/12/12	31/12/13	Chg.
Legal, tax and professional services	14.1	14.5	2.8%
Credit recovery activities	15.7	17.7	12.7%
Marketing and communication	26.2	28.8	9.9%
Rent and property maintenance	17.9	19.0	6.1%
EDP	17.2	21.7	26.2%
Financial information subscriptions	13.4	13.8	3.–%
Bank services, collection and payment commissions	10.7	8.9	-16.8%
Operating expenses	24.6	27.2	10.6%
Other labour costs	9.3	8.6	-7.5%
Other costs	4.9	4.1	-16.3%
Direct and indirect taxes	5.1	6.8	33.3%
Total administrative expenses	**159.1**	**171.1**	**7.5%**

Gains and losses on disposals of AFS securities – these regard the disposals already referred to, chiefly Telco (€67.2m), Gemina/Atlantia (€38.6m) and Saks (€28.9m).

Loan loss provisions – the 29.7% rise in loan loss provisions, from €232.8m to €302m, involved all segments: wholesale banking (€84.9m, vs €46.5m) reflects losses arising on disposal and writeoffs of certain positions as well as the increasing coverage ratio (from 39% to 42%); while consumer finance and mortgage lending (up from €162.8m to €186m and from €10.8m to €14.5m respectively) reflect the continuing difficulties being encountered by households in meeting their obligations promptly. Provisions for leasing increased from €11.7m to €19.7m, due to an 18.4% rise in gross non-performing loans, on an unchanged coverage ratio (28%). By contrast, the reduction in the number of sub-standard positions in private banking generated a writeback to the profit and loss account of €3.2m. The cost of risk therefore rose from 132 bps to 184 bps, with a coverage ratio up from 45% to 46%, *inter alia* reflecting the new classifications required under the ECB's Asset Quality Review process.

(€m)

	31/12/12	31/12/13	Chg.
Wholesale banking	46.5	84.9	82.6%
Private banking	1.0	(3.2)	n.m.
Consumer	162.8	186.1	14.3%
Retail banking	10.8	14.5	34.3%
Other	11.7	19.7	68.4%
Loan loss provisions	**232.8**	**302**	**29.7%**
Cost of risk (bps)	**132**	**184**	**39.4%**

Provisions for other financial assets – these include the €18.6m writedown to the Burgo investment, the €1.9m writedown of an unlisted investment to zero, and the customary adjustments of share values to reflect stock market prices and current NAV.

(€m)

	31/12/12	31/12/13	Chg.
Equity investments	(95.0)	(18.6)	-80.4%
Shares	(6.1)	(3.2)	-47.5%
Bonds	12.2	0.2	n.m.
Others	(0.6)	(1.7)	—
Total	**(89.5)**	**(23.3)**	**-74.0%**

Income tax – with pre-tax profit showing a sharp improvement compared to last year, the reduction in income tax from €85.7m to €30.3m reflects the fact that the majority of the Group's taxable income consists of profits on investments subject to reduced taxation under the PEX regime, plus the additional benefit of being able to deduct customer loan loss provisions for IRAP tax purposes.

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

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

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

CORPORATE AND PRIVATE BANKING (WHOLESALE BANKING AND PRIVATE BANKING)

(€m)

	31/12/12	30/6/13	31/12/13	Y.o.Y. chg.
Profit-and-loss data				
Net interest income	151.5	287.6	140.4	-7.3
Net treasury income	111.6	198.9	7.8	n.m.
Net fee and commission income	136.2	268.0	124.1	-8.9
Total income	**399.3**	**754.5**	**272.3**	**-31.8**
Labour costs	(110.0)	(209.6)	(91.5)	-16.8
Administrative expenses	(60.6)	(125.0)	(60.0)	-1.0
Operating costs	**(170.6)**	**(334.6)**	**(151.5)**	**-11.2**
Gain (losses) on disposal of AFS shares	8.8	16.7	5.3	-39.8
Loan loss provisions	(47.5)	(121.5)	(82.3)	73.3
Provisions for financial assets	8.5	15.2	(2.2)	—
Other profits (losses)	(1.1)	(4.7)	—	—
Profit before tax	**197.4**	**325.6**	**41.6**	**-78.9**
Income tax for the period	(62.2)	(122.4)	(13.5)	-78.3
Net profit	**135.2**	**203.2**	**28.1**	**-79.2**
Cost/income ratio (%)	42.7	44.3	55.6	

	31/12/12	30/6/13	31/12/13
Balance-sheet data			
Treasury funds	11,495.1	10,111.2	14,707.1
AFS securities	10,027.1	9,408.4	7,914.0
Fixed financial assets (HTM & LR)	4,057.3	5,017.4	5,104.9
Loans and advances to customers	27,260.5	25,802.9	24,534.2
of which: to Group companies	*8,758.4*	*9,047.2*	*8,898.1*
Funding	(51,310.6)	(49,018.0)	(50,320.8)

This division showed a net profit of €28.1m for the six months, down sharply from the €135.2m profit posted last year, due to the widespread downturn in revenues (down 31.8%), in particular net treasury income, which declined to just €7.8m compared with last year's total of €111.6m. The substantial increase in loan loss provisions should also be noted, which rose from €47.5m to €82.3m, although €40.9m of these were non-recurring.

The increase in treasury assets, from €10.1bn to €14.7bn, reflects the growth in funding (from €49bn to €50.3bn) and the reduction in loans and advances to customers (net of intercompany loans), from €16.8bn to €15.6bn, and in securities (from €14.4bn to €13bn).

WHOLESALE BANKING

				(€m)
	31/12/12	**30/6/13**	**31/12/13**	**Chg.**
Net interest income	130.4	246.9	118.2	-9.4
Net treasury income	104.4	185.0	4.2	n.m.
Net fee and commission income	99.1	197.6	84.9	-14.3
Total income	**333.9**	**629.5**	**207.3**	**-37.9**
Labour costs	(81.1)	(154.6)	(66.6)	-17.9
Administrative expenses	(44.4)	(92.5)	(43.7)	-1.6
Operating costs	**(125.5)**	**(247.1)**	**(110.3)**	**-12.1**
Loan loss provisions	(46.5)	(120.1)	(84.9)	82.6
Provisions for financial assets	12.2	19.1	—	n.m.
Profit before tax	**174.1**	**281.4**	**12.1**	**n.m.**
Income tax for the period	(60.8)	(119.3)	(11.5)	-81.1
Net profit	**113.3**	**162.1**	**0.6**	**n.m.**
Cost/income ratio (%)	37.6	39.3	53.2	

	31/12/12	**30/6/13**	**31/12/13**
Balance-sheet data			
Treasury funds	10,809.9	9,252.9	13,832.7
AFS securities	9,459.6	8,825.5	7,266.3
Fixed financial assets (HTM & LR)	4,050.4	5,004.3	5,091.8
Loans and advances to customers	25,992.0	24,549.5	23,306.4
of which: to Group companies	*8,758.4*	*9,047.2*	*8,898.1*
Funding	(49,267.9)	(46,883.4)	(47,892.1)
No. of employees	642	636	638

Wholesale activity, which as from this year includes only investment banking among the banking activities, delivered a small profit of €0.6m, reflecting the sharp, 37.9% reduction in revenues affecting all segments:

– net interest income fell by 9.4%, from €130.4m to €118.2m, due to the combined effect of the negative differential on margins on lending rates and the increased cost of funding, as a result of the high cost of refinancing faced by Italian banks;

– treasury activity, which includes gains on the fixed-income banking book, showed a reduced profit of €4.2m (€104.4m), reflecting the profile of the short-term investments; the equity component's contribution was positive, at €54.5m (€23.4m);

– net fee and commission income fell from €99.1m to €84.9m, due to the weakness of the advisory market and the capital market in the first quarter; business picked up gradually in the second quarter, contributing €52.5m in the three months;

– costs fell by 12.1%, from €125.5m to €110.3m, driven by a €14.5m reduction in the variable labour cost component;

– loan loss provisions doubled, from €46.5m to €84.9m, due to writeoffs and disposals of individual items, and to the coverage ratios being strengthened on impaired positions (from 39% to 42%).

Funding rose by 2.2%, from €46.9bn to €47.9bn, driven by higher debt securities and by CheBanca! retail deposits, and despite early repayment of a €500m tranche on the LTRO to the ECB. During the period under review there were new issues worth €3.3bn, against redemptions totalling €2.5bn, €828m of which via buybacks on the market.

	30/6/13		31/12/13		Chg.
	(€m)	%	(€m)	%	
Debt securities	27,554.2	60%	28,561.9	60%	3.7%
Interbank funding	10,529.4	22%	10,947.9	23%	4.0%
- of which: CheBanca!, intercompany	*9,660.6*	*21%*	*10,361.5*	*22%*	*7.3%*
LTROs	7,500.0	16%	7,000.0	15%	-6.7%
Other funding	1,299.8	2%	1,382.3	2%	6.3%
Total funding	**46,883.4**	**100%**	**47,892.1**	**100%**	**2.2%**

Loans and advances to corporates (excluding Group companies) fell from €15.5bn to €14.4bn, due to early repayments totalling approx. €1bn, generally refinanced on bond markets, alongside a reduced demand for credit; exposures remain concentrated on the Italian domestic market (61%) and those countries where Mediobanca has its own branches (28%). Non-performing items (i.e. bad loans, sub-standard, restructured and items more than 90 days overdue) fell from €254.6m to €196.3m, net of provisions for adjustment totalling €144.8m (€159.9m); such items represent 1.4% (1.6%) of the total loan book. The coverage ratio rose from 39% to 42%.

	30/6/13		31/12/13	
	(€m)	%	(€m)	%
Italy	9,776.4	63%	8,857.7	61%
France	1,378.0	9%	1,521.9	11%
Germany	819.9	5%	921.3	6%
U.K.	637.8	4%	796.8	5%
Spain	1,101.1	7%	701.0	5%
Other non-resident customers	1,789.3	12%	1,609.6	12%
Total loans and advances to customers	**15,502.5**	**100%**	**14,408.3**	**100%**

Banking book bonds declined by 10.6%, from €13.8bn to €12.4bn, due to the reduced exposure to Italian government securities (down from €6.6bn to €4.9bn), which was chiefly absorbed by investments in other EU sovereign debt instruments.

	30/6/13		31/12/13		Chg.
	(€m)	%	(€m)	%	
Debt securities AFS	8,825.5	64%	7,266.3	59%	-17.7%
Securities held to maturity	1,434.1	10%	1,467.2	12%	2.3%
Unlisted debt securities (stated at cost)	3,570.2	26%	3,624.6	29%	1.5%
Total fixed financial assets	**13,829.8**	**100%**	**12,358.1**	**100%**	**-10.6%**

	30/6/13			31/12/13		
	Book value	%	AFS reserve	Book value	%	AFS reserve
Italian government securities	6,647.6	48%	53.6	4,896.4	40%	60.7
Other government securities	94.7	1%	2.2	456.5	4%	1.8
Financial bonds	5,970.4	43%	5.9	5,872.1	48%	32
- of which: Italian	*4,591.0*	*33%*	*(5.5)*	*4,462.6*	*36%*	*7.6*
Corporate bonds	1,117.1	8%	43.6	1,133.1	8%	35.8
Total debt securities	**13,829.8**	**100%**	**105.3**	**12,358.1**	**100%**	**130.3**

The increased funding and reduced banking book uses led to an increase in treasury assets, which rose from €9.3m to €13.8bn, and which were invested in the money market (up from €5.8bn to €9.3bn), and in Italian government securities (up from €166.9m to €1,118.3m).

	30/6/13		31/12/13		Chg.
	(€m)	%	(€m)	%	
Debt securities	2,837.4	31%	3,813.5	28%	34.4%
Equities	1,034.7	11%	1,105.2	8%	6.8%
Derivative contract valuations	(375.9)	-4%	(410.0)	-4%	9.1%
Others (repos, time deposits, derivatives etc.)	5,756.7	62%	9,324.0	68%	62.0%
Total net treasury assets	**9,252.9**	**100%**	**13,832.7**	**100%**	**49.5%**

* * *

In the past eighteen months, the European M&A market has been marked by a slowdown in activity, with an 18% reduction in volumes. The slowdown has been particularly pronounced in Spain (where a 60% contraction has been recorded), France (48%), and Italy (22%). Conversely there has been a recovery in equity capital market business (deals worth €134bn, compared with €93bn), in France and Spain in particular.

This unfavourable market scenario in the countries where Mediobanca operates led to M&A fees declining from €24.7m to €14m, despite our involvement as advisor in some of the leading domestic and cross-border deals during the period, notably the agreement with Total for an international consortium (consisting of Snam, Singapore Sovereign Fund and EDF) to acquire TIGF (*Transport et Infrastructures Gaz France*), the disposal of non-strategic assets by Assicurazioni Generali, the sale of Rhiag, the Italian market leader in distribution of automotive components, by private equity fund Alpha, assistance provided to French group Safran which is interested in acquiring the Italian aerospace company Avio. The Bank has also provided debt advisory services to Itinere, one of the leading Spanish infrastructure groups, and acted as strategic advisor to Spanish banking group NCG Banco SA.

Equity capital market fees, meanwhile, were stable at €15m, despite the higher number of deals (ten mandates, as opposed to four), in particular Barclays, Moncler (IPO), Telecom Italia, Beni Stabili, and the ACS convertible bond. Debt capital market activities generated approx. €10m (€11.8m) in fees during the six months, with senior roles in over twenty bond issues, including those by Enel, Autostrade per l'Italia, IREN and Monte Paschi, involving a total amount of €10.1bn.

PRIVATE BANKING

(€m)

	31/12/12	30/6/13	31/12/13	Chg.(%)
Net interest income	21.1	40.7	22.2	5.2
Net treasury income	7.2	13.9	3.6	-50.0
Net fee and commission income	37.1	70.4	39.2	5.7
Total income	**65.4**	**125.0**	**65.0**	**-0.6**
Labour costs	(28.9)	(55.0)	(24.9)	-13.8
Administrative expenses	(16.2)	(32.5)	(16.3)	0.6
Operating costs	**(45.1)**	**(87.5)**	**(41.2)**	**-8.6**
Gain (losses) on disposal of AFS shares	8.8	16.7	5.3	-39.8
Loan loss provisions	(1.0)	(1.4)	2.6	n.m.
Provisions for financial assets	(3.7)	(3.9)	(2.2)	-40.5
Other profits (losses)	(1.1)	(4.7)	—	n.m.
Profit before tax	**23.3**	**44.2**	**29.5**	**26.6**
Income tax for the period	(1.4)	(3.1)	(2.0)	42.9
Net profit	**21.9**	**41.1**	**27.5**	**25.6**
Cost/income ratio (%)	69.0	70.0	63.4	

	31/12/12	30/6/13	31/12/13
Balance-sheet data			
Treasury funds	685.2	858.3	874.4
AFS securities	567.5	582.9	647.7
Fixed financial assets (HTM & LR)	6.9	13.1	13.1
Loans and advances to customers	1,268.5	1,252.9	1,227.8
Funding	(2,042.7)	(2,134.6)	(2,428.7)
Assets under management	13,465.1	13,771.5	14,641.0
Securities held on a fiduciary basis	1,481.9	1,357.7	1,434.5
No. of employees	339	344	341

Private banking recorded a €27.5m profit (€21.9m), reflecting: revenues down slightly, from €65.4m to €65m, on fee income recovering to €39.2m (€37.1m); a reduction in costs, from €45.1m to €41.2m, labour costs in particular; a positive contribution from the banking book securities, which added €3.7m, and the loan book (which showed net writebacks of €2.6m). Assets under management on a discretionary and non-discretionary basis in the six months under review totalled €14.6bn (30/6/13: €13.8bn), €7bn (€6.7bn) of which with CMB and €7.6bn (€7.1bn) with Banca Esperia.

PRINCIPAL INVESTING (EQUITY INVESTMENT PORTFOLIO)

(€m)

	31/12/12	30/6/13	31/12/13	Chg.(%)
Profit-and-loss data				
Net treasury income	2.8	17.9	4.6	64.3
Equity-accounted companies	85.1	(10.0)	128.2	50.6
Total income	**87.9**	**7.9**	**132.8**	**51.1**
Labour costs	(4.8)	(9.6)	(4.4)	-8.3
Administrative expenses	(0.8)	(1.6)	(0.8)	—
Operating costs	**(5.6)**	**(11.2)**	**(5.2)**	**-7.1**
Gain (losses) on disposal of AFS shares	(13.4)	16.7	151.2	n.m.
Provisions for financial assets	(101.1)	(422.3)	(21.7)	-78.5
Profit before tax	**(32.2)**	**(408.9)**	**257.1**	**n.m.**
Income tax for the period	(1.2)	1.8	(11.7)	n.m.
Net profit	**(33.4)**	**(407.1)**	**245.4**	**n.m.**

	31/12/12	30/6/13	31/12/13
AFS securities	1,069.3	1,493.8	1,388.8
Equity investments	3,193.7	2,500.1	2,556.8

Principal investing recorded a profit of €245.4m, compared with a €33.4m loss last year, due to the increased profits earned by Assicurazioni Generali (up from €75.6m to €130.8m), gains on disposals (€151.2m, compared with €13.4m in losses), and lower adjustments (down from €101.1m to €21.7m). The profits for the period include €67.2m in respect of the Telco bond disposal, €38.6m from the sale of the Gemina/Atlantia shares, and €28.9m on Saks.

RETAIL AND CONSUMER BANKING (FINANCIAL SERVICES TO HOUSEHOLDS)

(€m)

	31/12/12	30/6/13	31/12/13	(%)
Profit-and-loss data				
Net interest income	342.8	696.5	376.5	9.8
Net treasury income	(0.3)	(15.8)	0.4	n.m.
Net fee and commission income	82.8	173.4	84.7	2.3
Total income	**425.3**	**854.1**	**461.6**	**8.5**
Labour costs	(73.4)	(148.7)	(73.7)	0.4
Administrative expenses	(125.5)	(255.4)	(135.0)	7.6
Operating costs	**(198.9)**	**(404.1)**	**(208.7)**	**4.9**
Loan loss provisions	(173.5)	(360.1)	(200.5)	15.6
Other profits (losses)	—	(0.5)	(2.0)	n.m.
Profit before tax	**52.9**	**89.4**	**50.4**	**-4.7**
Income tax for the period	(24.8)	(46.6)	(10.6)	-57.3
Net profit	**28.1**	**42.8**	**39.8**	**41.6**
Cost/income ratio (%)	46.8	47.3	45.2	

	31/12/12	30/6/13	31/12/13
Balance-sheet data			
Treasury funds	9,154.0	9,028.4	10,392.8
AFS securities	884.5	871.8	691.5
Fixed financial assets (HTM & LR)	2,085.6	1,747.0	1,772.0
Loans and advances to customers	13,447.2	13,694.2	13,902.3
Funding	(24,571.1)	(24,384.2)	(25,824.5)

This division earned a profit of €39.8m in the six months under review, representing a significant improvement on the €28.1m profit delivered the same time last year, with 8.5% growth in revenues offsetting the increases in operating costs (up 4.9%) and risk (up 15.6%). The tax benefit deriving from loan loss provisions being deductible for IRAP purposes should also be noted.

CONSUMER CREDIT

(€m)

	31/12/12	30/6/13	31/12/13	Chg.(%)
Net interest income	270.6	554.6	306.1	13.1
Net fee and commission income	76.3	158.6	72.8	-4.6
Total income	**346.9**	**713.2**	**378.9**	**9.2**
Labour costs	(43.3)	(88.2)	(44.1)	1.8
Administrative expenses	(83.1)	(171.4)	(88.7)	6.7
Operating costs	**(126.4)**	**(259.6)**	**(132.8)**	**5.1**
Loan loss provisions	(162.7)	(335.0)	(186.0)	14.3
Profit before tax	**57.8**	**118.6**	**60.1**	**4.0**
Income tax for the period	(21.8)	(48.0)	(10.0)	-54.1
Net profit	**36.0**	**70.6**	**50.1**	**39.2**
Cost/income ratio (%)	36.4	36.4	35.0	

	31/12/12	30/6/13	31/12/13
Balance-sheet data			
Treasury funds	393.3	429.5	346.9
AFS securities	63.7	60.2	104.4
Fixed financial assets (HTM & LR)	0.7	0.7	0.6
Loans and advances to customers	9,174.2	9,427.7	9,583.5
Funding	(9,053.6)	(9,301.7)	(9,413.9)
New loans	2,338.6	5,006.5	2,511.7
No. of branches	158	163	158
No. of employees	1,412	1,435	1,459

Consumer credit operations posted a €50.1m profit for the six months, appreciably higher than the €36m reported last year, reflecting, among other things, the fact that loan loss provisions are now tax-deductible for IRAP purposes.

The 9.2% increase in revenues, from €346.9m to €378.9m, reflects the growth in net interest income (up 13.1%), which was boosted by the reduced cost of funding. Operating costs were up 5.1%, reflecting higher credit recovery charges (up from €15.7m to €17.7m) and investments incurred in respect of the CompassPay platform. The growth in loan loss provisions (from €162.7m to €186m) drove the cost of risk up from 354 bps to 385 bps, to cover the 9% rise in non-performing loans, with the coverage ratio increasing from 56% to 58%. New loans for the period totalled €2,511.7m, up 7.4% on the €2,338.6m disbursed in the previous six months, despite the market downturn. The increase was concentrated in automotive products (up 6.4%) and salary-backed finance (up 54.8%). Loans and advances to customers outstanding as at 31 December 2013 were up 1.7%, from €9,427.7m to €9,583.5m. Net non-performing loans (i.e. bad loans, sub-standard, restructured and items more than 90 days overdue) rose from €368.7m to €399.4m, and represent 4.2% (4%) of the total loan book.

RETAIL BANKING

(€m)

	31/12/12	30/6/13	31/12/13	Chg.(%)
Net interest income	72.2	141.9	70.4	-2.5
Net treasury income	(0.3)	(15.8)	0.4	n.m.
Net fee and commission income	6.5	14.8	11.9	83.1
Total income	**78.4**	**140.9**	**82.7**	**5.5**
Labour costs	(30.1)	(60.5)	(29.6)	-1.7
Administrative expenses	(42.4)	(84.0)	(46.3)	9.2
Operating costs	**(72.5)**	**(144.5)**	**(75.9)**	**4.7**
Loan loss provisions	(10.8)	(25.1)	(14.5)	34.3
Other profits (losses)	—	(0.5)	(2.0)	—
Profit before tax	**(4.9)**	**(29.2)**	**(9.7)**	**—**
Income tax for the period	(3.0)	1.4	(0.6)	-80.0
Net profit	**(7.9)**	**(27.8)**	**(10.3)**	**30.4**
Cost/income ratio (%)	92.5	102.6	91.8	

	31/12/12	30/6/13	31/12/13
Balance-sheet data			
Treasury funds	8,760.7	8,598.9	10,045.9
AFS securities	820.8	811.6	587.1
Fixed financial assets (HTM & LR)	2,084.9	1,746.4	1,771.4
Loans and advances to customers	4,273.0	4,266.5	4,318.8
Retail funding	(12,258.6)	(11,874.2)	(13,288.4)
New loans	126.0	289.0	222.6
No. of branches	44	45	45
No. of employees	914	911	899

Retail banking showed a net loss of €10.3m, higher than the €7.9m reported last year. The 5.5% increase in revenues, from €78.4m to €82.7m, reflects higher bond placement fees of €6.8m (€2.4m), but was offset by a 7.5% rise in operating costs (which rose from €72.5m to €75.9m) – due to the seasonal nature of the advertising campaigns – and by higher loan loss provisions totalling €14.5m (€10.8m) due to an increase in bad debts. Mortgage loans were up 1.2%, from €4,266.5m to €4,318.8m, with new loans for the period virtually double those recorded last year (at €222.6m, compared with €126m twelve months previously. Non-performing loans (i.e. bad loans, sub-standard, restructured and items more than 90 days overdue) rose from €121.9m to €137.8m, and represent 3.2% (2.9%) of total loans, with the coverage rate unchanged at 47%. Retail funding stood at €13,288.4m, up 11.9% on the balance-sheet date (€11,874.2m). In addition, there was also a total of €993m (€718m) in indirect funding, which includes €600m in Mediobanca bonds, approx. half of which were placed during the six months under review(equal to 10% of the Group's new debt security issuance).

LEASING

(€m)

	31/12/12	30/6/13	31/12/13	Chg.(%)
Net interest income	23.4	46.5	22.6	-3.4
Net fee and commission income	0.5	5.8	(0.5)	n.m.
Total income	**23.9**	**52.3**	**22.1**	**-7.5**
Labour costs	(8.7)	(16.8)	(7.7)	-11.5
Administrative expenses	(6.6)	(13.6)	(6.0)	-9.1
Operating costs	**(15.3)**	**(30.4)**	**(13.7)**	**-10.5**
Loan loss provisions	(11.7)	(25.3)	(19.7)	68.4
Other profits (losses)	—	(4.4)	2.1	—
Profit before tax	**(3.1)**	**(7.8)**	**(9.2)**	**n.m.**
Income tax for the period	0.4	1.3	1.8	n.m.
Minority interest	1.0	4.3	2.8	n.m.
Net profit	**(1.7)**	**(2.2)**	**(4.6)**	**n.m.**
Cost/Income ratio (%)	64.0	58.1	62.0	

	31/12/12	30/6/13	31/12/13
Balance-sheet data			
Treasury funds	125.1	117.3	134.9
Loans and advances to customers	3,780.9	3,453.4	3,201.2
Funding	(3,735.9)	(3,454.3)	(3,202.7)
New loans	126.2	250.4	158.0
No. of employees	169	160	149

Leasing operations reflect a loss of €4.6m (€1.7m) for the six months, due to the increase in loan adjustments (from €11.7m to €19.7m) attributable to the 18.4% rise in gross non-performing loans, with the coverage ratio stable at 28%. The reduction in revenues, from €23.9m to €22.1m, was more than offset by the fall in operating costs (from €15.3m to €13.7m) and by non-recurring gains (€2.1m). Customer accounts fell by €3,453.4m to €3,201.2m during the six months under review, with new loans recovering slightly (from €126.2m to €158m).

Review of Group company performances

MEDIOBANCA

RESTATED PROFIT AND LOSS ACCOUNT *

(€m)

	31/12/12	30/6/13	31/12/13	Chg. (%)
Net interest income	119.2	227.3	105.6	-11.4
Net treasury income [1]	109.6	199.8	9.1	n.m.
Net fee and commission income	98.4	197.1	83.5	-15.1
Equity-accounted companies	—	49.1	0.1	n.m.
Total income	**327.2**	**673.3**	**198.3**	**-39.4**
Labour costs	(92.6)	(177.3)	(77.6)	-16.2
Administrative expenses	(47.5)	(100.3)	(49.2)	3.6
Operating costs	**(140.1)**	**(277.6)**	**(126.8)**	**-9.5**
Gain (losses) on disposal of AFS shares	(13.3)	16.6	151.3	n.m.
Loan loss provisions	(46.5)	(119.1)	(82.6)	77.6
Provisions for financial assets	6.0	(214.0)	(3.1)	n.m.
Impairment charges to equity investments	(99.5)	(244.9)	(19.0)	-80.9
Other profits (losses)	—	35.7	—	n.m.
Profit before tax	**33.8**	**(130.0)**	**118.1**	**n.m.**
Income tax for the period	(55.0)	(105.0)	(17.0)	-69.1
Net profit	**(21.2)**	**(235.0)**	**101.1**	**n.m.**

* 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.

[1] Net treasury income includes dealing profits and gains realized on the AFS and HTM fixed-income security portfolios; the previous figures have therefore been restated accordingly.

RESTATED BALANCE SHEET *

(€m)

	31/12/12	30/6/13	31/12/13
Assets			
Treasury funds	10,408.3	9,138.6	13,721.6
AFS securities	10,528.9	10,319.3	8,655.1
Fixed financial assets (HTM & LR)	4,050.4	5,004.3	5,091.8
Loans and advances to customers	24,673.0	23,003.6	21,694.9
Equity investments	3,283.7	2,717.6	2,699.0
Tangible and intangible assets	133.6	131.9	131.2
Other assets	332.2	419.3	317.6
Total assets	**53,410.1**	**50,734.6**	**52,311.2**
Liabilities and net equity			
Funding	47,991.0	45,369.3	46,805.0
Other liabilities	603.8	712.6	562.9
Provisions	161.1	160.5	160.0
Net equity	4,675.4	4,727.2	4,682.2
Profit for the period	(21.2)	(235.0)	101.1
Total liabilities and net equity	**53,410.1**	**50,734.6**	**52,311.2**

For the six months ended 31 December 2013, Mediobanca reported a net profit of €101.1m, compared with a €21.2m loss last year, as a result of gains realized on disposals of AFS equities totalling €151.3m, which offset the reduction in revenues (from €327.2m to €198.3m):

– net interest income fell by 11.4%, from €119.2m to €105.6m, chiefly due to the reduced profitability of assets reflecting the Bank's substantial liquidity position;

– treasury income (which includes gains realized on AFS and HTM debt securities) declined from €109.6m to €9.1m, on account of a negative performance in fixed-income trading, which delivered €6.9m (€27.4m);

– net fee and commission income fell 15.1% to reach €83.5m (€98.4m), due to the reduced contribution from M&A and capital market activity in the first quarter in particular.

* 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.

The 9.5% reduction in operating costs, from €140.1m to €126.8m, reflects lower labour costs (which were down €15m) due to fewer funds being set aside in respect of the variable remuneration component, and was only partly offset by the €1.7m rise in other administrative expenses.

The disposal of AFS equities generated gains of €151.3m (compared with €13.3m in losses last year), and chiefly involved the Telco sale, along with investments in Gemina (now Atlantia) and Saks.

Loan loss provisions totalled €82.6m, higher than the €46.5m set aside last year, and higher than in recent quarters, partly as a result of disposals and writeoffs, as well as the new classifications required under the ECB's Asset Quality Review process; in addition, €22.1m was set aside to cover writedowns to investments and AFS shares, €19m of which in respect of Burgo.

With regard to the main balance-sheet items:

– funding, including the CheBanca! channel, rose by €1,435.7m, from €45,369.3m to €46,805m; new bond placements amounting to €3.2bn offset redemptions and buybacks totalling €2.3bn and repayment of a €500m tranche of the LTRO to the ECB;

	30/6/13		31/12/13		Chg.
	(€m)	%	(€m)	%	
Debt securities	26,905.6	59%	27,935.9	60%	3.8%
Interbank funding	10,560.0	23%	11,256.7	24%	6.6%
- of which: CheBanca!, intercompany	*9,660.6*	*21%*	*10,361.5*	*22%*	*7.3%*
LTROs	7,500.0	17%	7,000.0	15%	-6.7%
Other funding	403.7	1%	612.4	1%	51.7%
Total funding	**45,369.3**	**100%**	**46,805.0**	**100%**	**3.2%**

– loans and advances to customers were down 5.7%, from €23,003.6m to €21,694.9m, with the share accounted for by Group companies remaining stable, at €9,855.1m (€9,821.2m);

	30/6/13		31/12/13		Chg.
	(€m)	%	(€m)	%	
Corporate customers	13,182.4	57.3%	11,839.8	54.6%	-10.2%
Group companies	9,821.2	42.7%	9,855.1	45.4%	0.3%
Total loans and advances to customers	**23,003.6**	**100.0%**	**21,694.9**	**100.0%**	**-5.7%**
– of which: non-performing loans	*181.2*	*0.8%*	*180.7*	*0.8%*	*-0.3%*

– equity investments and AFS shares decreased from €4,211.4m to €4,087.8m, due to disposals (resulting in €494m being derecognized) and adjustments (€22.1m) for the period which were partly offset by new investments totalling €68.7m and upward adjustments to reflect fair value for the AFS portfolio (€227.3m); based on the stock market price recorded on 30 December 2013, the Assicurazioni Generali investment reflects an unrealized gain of €2,409.6m (€2.3bn based on current prices);

	% of share capital	30/6/13	31 /12/13
Associates			
Assicurazioni Generali	13.24	1,114.6	1,114.6
Banca Esperia	50.0	54.3	54.3
Burgo Group	22.13	19.0	0.0
Athena Private Equity	24.27	19.8	19.8
Fidia	25.0	0.6	0.6
Total associates		1,208.3	1,189.3
Total subsidiaries		1,509.3	1,509.7
Total equity investments		**2,717.6**	**2,699.0**
Total equity Available For Sale		**1,493.8**	**1,388.8**
TOTAL		**4,211.4**	**4,087.8**

– debt securities declined from €13,829.8m to €12,358.1m, in particular as a result of disposals of Italian government securities held as available for sale, which now total €4,548.6m (compared with €6,300.7m);

	30/6/13		31/12/13		Chg.
	(€m)	%	(€m)	%	
Debt securities AFS	8,825.5	64%	7,266.3	59%	-17.7%
Securities held to maturity	1,434.1	10%	1,467.2	12%	2.3%
Unlisted debt securities (stated at cost)	3,570.2	26%	3,624.6	29%	1.5%
Total fixed financial assets	**13,829.8**	**100%**	**12,358.1**	**100%**	**-10.6%**

– treasury assets totalled €13,721.6m (€9,138.6m), and include intra-group positions amounting to €2,033.4m (€2,917.9m);

	30/6/13		31/12/13		Chg.
	(€m)	%	(€m)	%	
Debt securities	2,898.4	32%	3,836.8	28%	32.4%
Equities	924.5	10%	1,105.0	8%	19.5%
Derivative contract valuations	(387.9)	-4%	(418.8)	-3%	8.0%
Others (cash, repos, time deposits)	5,703.6	62%	9,198.6	67%	61.3%
Total net treasury assets	**9,138.6**	**100%**	**13,721.6**	**100%**	**50.1%**

– the Bank’s net equity rose from €4,492.2m to €4,783.3m, as a result of the profit for the period (€101.1m) and the increase in the AFS securities reserve.

	30/6/13	31/12/13	Chg.
	(€m)		
Share capital	430.6	430.6	—
Other reserves	4,161.9	3,932.1	-5.5%
Valuation reserves	134.7	319.5	n.m.
- of which: AFS securities	*137.3*	*322.4*	*n.m.*
cash flow hedge	*(12.7)*	*(13.0)*	*2.4%*
Profit for the period	(235.0)	101.1	n.m.
Total net equity	**4,492.2**	**4,783.3**	**6.5%**

* * *

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

Company	Percentage shareholding *	Business line	Total income	Operating costs	Provisions	Profit for the period
MB Sec. USA	100%	WSB	1.1	(1.2)	—	—
Mediobanca International	100%	WSB	16.5	(2.3)	(2.3)	9.6
Prominvestment (in liquidation)	100%	WSB	0.2	(0.4)	n.m.	(0.2)
Prudentia	100%	PB	1.5	(1.2)	—	0.2
Spafid	100%	PB	2.2	(1.4)	—	0.5
CMB	100%	PB	44.9	(22.2)	1.6	26.0
Banca Esperia	50%	PB	36.8	(33.3)	(1.2)	6.8
CheBanca! S.p.A.	100%	Retail	82.1	(75.7)	(14.5)	(10.4)
Compass S.p.A.	100%	Consumer	341.7	(120.9)	(181.8)	37.1
Futuro S.p.A.	100%	Consumer	12.9	(5.0)	(0.8)	4.1
Creditech S.p.A.	100%	Consumer	7.3	(4.8)	—	1.4
Cofactor S.p.A.	100%	Consumer	8.5	(4.1)	(3.5)	0.5
Compass RE S.A.	100%	Consumer	11.4	(0.2)	—	7.4
SelmaBPM	60%	Leasing	9.8	(9.3)	(14.0)	(8.7)
Palladio Leasing	60%	Leasing	9.9	(3.6)	(6.1)	—
Teleleasing S.p.A. (in liquidation)	48%	Leasing	3.4	(1.7)	0.4	1.2
R&S	100%	Other	1.0	(0.9)	—	—
Mediobanca Innovation Services	100%	Other	12.0	(11.4)	—	0.2

Company	Total assets	Loans and advances to customers	Total net equity	No. of employees
MB Sec. USA	3.8	n.m.	1.3	4
Mediobanca International	3,601.4	2,945.3	245.8	5
Prominvestment (in liquidation)	5.1	4.3	(2.2)	6
Prudentia	3.6	n.m.	2.4	17
Spafid	35.4	n.m.	32.8	16
CMB	2,396.7	759.7	608.7	194
Banca Esperia	1,695.1	937.0	175.0	—
CheBanca! S.p.A.	16,907.5	4,318.8	263.3	905
Compass S.p.A.	9,673.9	8,348.2	1,141.9	1,236
Futuro S.p.A.	1,064.0	1,043.2	36.7	66
Creditech S.p.A.	34.0	n.m.	27.0	95
Cofactor S.p.A.	193.9	192.6	36.9	56
Compass RE S.A.	188.6	n.m.	41.3	—
SelmaBPM	1,937.2	1,597.9	78.8	97
Palladio Leasing	1,459.8	1,430.5	107.9	60
Teleleasing S.p.A. (in liquidation)	175.3	172.8	103.9	2
R&S	0.9	n.m.	0.1	14
Mediobanca Innovation Services	53.3	n.m.	3.1	78

With regard to the draft consolidated accounts of Compagnie Monégasque de Banque and Banca Esperia as at 31 December 2013:

– *Compagnie Monégasque de Banque*: this company earned a profit of €44.3m (€44.7m last year, net of non-recurring items totalling €3m), with net fee and net interest income up from €38.2m to €44.8m and from €21.8m to €26m respectively, to offset the reduced treasury income (which declined from €32.3m to €15.9m). Loans and advances to customers fell during the period, to €760.7m (€842.6m), while securities rose to €1,144.5m (€991.5m), on higher deposits of €1,565.8m (€1,339.4m). Assets managed on a discretionary and non-discretionary basis amounted to €7bn (€6.6bn).

– *Banca Esperia S.p.A.*: — this company earned a net profit of €6.3m, up on the €5.1m posted the previous year. Total revenues fell from €90.4m to €87.8m, due to a reduction in net fee and commission income (down from €59.6m to €47.5m, due to a reduction in performance fees) offset by proprietary portfolio management (which added €21.6m, compared with €15.2m last year) and by the increase in net interest income (from €15.5m to €18.8m) due to the increase in loans and advances to customers (which were up from €852.4m to €936.3m) and AFS assets totalling €626.4m (€471.9m). Loan loss provisions of €1.3m were reported for the period, along with lower administrative costs totalling €5.9m, and provisions for risks and charges amounting to €7.3m. Assets under management rose from €13.8bn to €15.3bn.

Other information

Related party disclosure

Financial accounts outstanding as at 31 December 2013 between companies forming part of the Mediobanca Group and related parties, and transactions undertaken between such parties during the financial year, are illustrated in Part H of the notes to the accounts, along with all the information required in terms of transparency pursuant to Consob resolution 17221 issued on 12 March 2010.

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

Article 36 of Consob's market regulations

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

Principal risks facing the Group

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

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

Research

R&S – Ricerche and Studi – produced the thirty-eighth edition of its Annual Directory, which includes analysis of leading Italian listed companies, the eighteenth edition of its survey of global multinationals, the sixth update to its survey of European banks based on interim data, and continued with its publication of the quarterly survey of blue chip companies' results in conjunction with Italian daily newspaper *Il Sole 24 Ore*. It also collaborated with the *Fondazione Ugo La Malfa* on a study of industrial companies in southern Italy.

Tax disputes

As at 31 December 2013 the Mediobanca Group had a total of 29 cases pending, in respect of higher tax worth a notified amount of €106.1m, plus interest and fines:

- 16 claims in respect of allegedly non-existent leasing transactions, involving higher tax worth a notified amount of €35.7m (€31.8m by way of VAT and €3.8m of IRES/IRAP); €24.2m of this amount involves leases on yachts, while the remainder involves real estate and brands;
- 2 claims regarding the deductibility of the losses arising on the non-recourse disposal of receivables by Compass in the 2006/07 and 2007/08 financial years, involving higher tax worth a notified amount of €64.3m; the outcome of the first-degree ruling on the claim relating to the 2006/07 financial year was in favour of Compass;
- 4 claims in respect of the application of withholding and registration tax upon the disbursement of loans to Italian companies by Mediobanca, involving higher tax worth a notified amount of €4.2m (all of which can be reclaimed from the customers and half of which has already been collected);

– 7 claims in respect of other items, involving higher tax worth a notified amount of €1.9m.

The companies concerned have appealed against all the above rulings in the conviction that their actions were correct. For this reason no amounts have been set aside to the provision for risks and charges, including in view of how the legal process is progressing, and the indemnity clauses contained in the agreements with the customers regarding the withholding and registration taxes.

Litigation pending

The main claims pending against Mediobanca regard the Bank's alleged failure, jointly with other parties, to launch a full takeover bid for La Fondiaria in 2002; two cases were closed during the six months under review, the first in an out-of-court settlement and the second with the respective counterparties waiving their claims. The situation in respect of the other claims pending, which involve a total amount of approx. €80m plus interest is now as follows:

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

The other cases pending are as follows:

– Mediobanca and four other parties have been ordered to pay the aggregate sum of €73m in damages for their alleged failure to launch a compulsory takeover bid for Impregilo on the grounds that they were shareholders acting in concert; the claim has been withdrawn by the plaintiff and the case has therefore been closed.
– Mediobanca has been cited by Centrobanca, which has received a request for damages totalling €134m, in connection with the Burani group bankruptcies, for its alleged role as advisor on the takeover bid concerned. Mediobanca

has appeared before the court and has pleaded not guilty, on the grounds that its activity as advisor consisted exclusively of preparing one analysis (defined as “Discussion material”) on behalf of Burani Designer Holding NV, regarding the principal impact of the takeover bid in financial terms.

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

Outlook

Estimates for the current financial year continue to be affected by the weak economic scenario, in both Italy and Europe. Against this backdrop, the Group’s targets of reducing exposure to equity investments and less profitable applications of treasury assets stated in the three-year plan are confirmed for the full year, while it is less certain that the objectives in terms of loans and advances to corporate customers will be met. On the earnings side, investment banking is expected to pick up, as is net interest income, driven by growth in retail operations, while trading is expected to remain weak and the cost of risk higher.

Reconciliation of shareholders' equity and net profit

(€'000)

	Shareholders' equity	Net profit (loss)
Balance at 31/12 as per Mediobanca S.p.A. accounts	4,682,161	101,139
Net surplus over book value for consolidated companies	14,674	71,642
Other adjustments and restatements on consolidation, including the effects of accounting for companies on an equity basis	2,309,754	131,960
Dividends received during the period	—	—
TOTAL	7,006,589	304,741

Milan, 19 February 2014

THE BOARD OF DIRECTORS

CONSOLIDATED
FINANCIAL STATEMENTS

Consolidated Balance Sheet

(€'000)

Assets		31/12/13		30/6/13
10. Cash and cash equivalents		276,638		28,842
20. Financial assets held for trading		13,680,231		13,047,073
40. Financial assets available for sale		9,672,697		11,489,762
50. Financial assets held to maturity		1,480,893		1,447,817
60. Due from banks		4,589,946		4,854,958
70. Due from customers		40,136,443		36,413,851
80. Hedging derivatives		944,928		1,105,948
100. Equity investments		2,649,187		2,586,899
120. Property, plant and equipment		294,785		295,420
130. Intangible assets		408,408		412,320
of which:				
goodwill	*365,934*		*365,934*	
140. Tax assets:		856,421		896,292
a) current	*228,252*		*246,846*	
b) advance	*628,169*		*649,446*	
of which L. 214/2011	*472,725*		*447,576*	
160. Other assets		293,947		262,124
TOTAL ASSETS		**75,284,524**		**72,841,306**

(€'000)

Liabilities and net equity		31/12/13		30/6/13
10. Due to banks		11,356,165		12,366,182
20. Due to customers		18,945,963		16,175,810
30. Debt securities in issue		27,453,831		26,695,279
40. Trading liabilities		8,446,667		8,850,000
60. Hedging derivatives		375,610		336,419
80. Tax liabilities:		476,065		608,041
a) current	*116,598*		*267,504*	
b) deferred	*359,467*		*340,537*	
100. Other liabilities		501,639		551,815
110. Staff severance indemnity provision		28,515		27,701
120. Provisions:		161,412		164,523
b) other provisions	*161,412*		*164,523*	
130. Insurance reserve		121,505		117,405
140. Revaluation reserves *		508,346		310,344
170. Reserves *		4,146,768		4,373,282
180. Share premium reserve		2,120,143		2,120,143
190. Share capital		430,565		430,565
200. Treasury shares		(199,233)		(213,844)
210. Minority interest		105,822		107,466
220. Profit for the period		304,741		(179,825)
TOTAL LIABILITIES AND NET EQUITY		**75,284,524**		**72,841,306**

* The balance sheet incorporates the effects of restatements made pursuant to application of the new IAS 19 compared with the financial statements published as at 30 June 2013.

Consolidated profit and loss account

(€'000)

Item		31/12/13		30/6/13		31/12/12
10. Interest and similar income		1,255,364		2,726,732		1,454,994
20. Interest expense and similar charges		(738,118)		(1,660,404)		(922,449)
30. Net interest income		**517,246**		**1,066,328**		**532,545**
40. Fee and commission income		171,992		354,201		179,076
50. Fee and commission expense		(23,756)		(46,152)		(24,265)
60. Net fee and commission income		**148,236**		**308,049**		**154,811**
70. Dividends and similar income		24,409		46,371		8,206
80. Net trading income		(13,508)		41,892		66,823
90. Net hedging income (expense)		(1,274)		4,074		4,316
100. Gain (loss) on disposal/repurchase of:		178,684		90,979		8,686
a) loans and advances	*(338)*		*5,962*		*6,275*	
b) AFS securities	*183,045*		*40,726*		*(11,377)*	
c) financial assets held to maturity	*(1,865)*		*1,311*		*478*	
d) financial liabilities	*(2,158)*		*42,980*		*13,310*	
120. Total income		**853,793**		**1,557,693**		**775,387**
130. Adjustments for impairment to:		(306,677)		(721,416)		(227,291)
a) loans and advances	*(298,102)*		*(510,040)*		*(235,411)*	
b) AFS securities	*(4,678)*		*(214,886)*		*5,478*	
c) financial assets held to maturity	*152*		*304*		*158*	
d) financial liabilities	*(4,049)*		*3,206*		*2,484*	
140. Net income from financial operations		**547,116**		**836,277**		**548,096**
150. Premiums earned (net)		18,460		32,011		15,161
160. Other income (net) from insurance activities		(8,816)		(15,325)		(7,463)
170. Net profit from financial and insurance activities		**556,760**		**852,963**		**555,794**
180. Administrative expenses:		(373,372)		(774,557)		(374,956)
a) personnel costs	*(179,037)*		*(388,356)*		*(194,416)*	
b) other administrative expenses	*(194,335)*		*(386,201)*		*(180,540)*	
190. Net transfers to provisions		928		(3,239)		(1,224)
200. Net adjustments to tangible assets		(8,968)		(19,131)		(9,718)
210. Net adjustments to intangible assets		(9,869)		(22,036)		(11,146)
220. Other operating income (expense)		54,344		138,058		58,885
230. Operating costs		**(336,937)**		**(680,905)**		**(338,159)**
240. Gain (loss) on equity investments		112,457		(198,873)		(9,192)
270. Gain (loss) on disposal of investments in:		(56)		(502)		2
a) property	*—*		*(8)*		*—*	
b) other assets	*(56)*		*(494)*		*2*	
280. Profit (loss) on ordinary activities before tax		**332,224**		**(27,317)**		**208,445**
290. Income tax for the year on ordinary activities		(30,321)		(156,774)		(85,675)
300. Profit (loss) on ordinary activities after tax		**301,903**		**(184,091)**		**122,770**
320. Net profit (loss) for the period		**301,903**		**(184,091)**		**122,770**
330. Net profit (loss) for the period attributable to minorities		2,838		4,266		1,026
340. Net profit (loss) for the period attributable to Mediobanca		**304,741**		**(179,825)**		**123,796**

Comprehensive Consolidated Profit and Loss Account

Headings		31/12/13	30/6/13*
10.	Gain (loss) for the period	301,903	122,770
	Other income items net of tax not taken through profit and loss account	**26,258**	**(3,240)**
20.	Property, plant and equipment	—	—
30.	Intangible assets	—	—
40.	Actuarial gains (losses) on defined-benefit pension schemes	(222)	(3,240)
50.	Non-current assets being sold	—	—
60.	Share of valuation reserves for equity-accounted companies	26,480	—
	Other income items net of tax taken through profit and loss account	**172,937**	**455,925**
70.	Foreign investment hedges	—	—
80.	Exchange rate differences	—	—
90.	Cash flow hedges	17,219	(6,213)
100.	AFS securities	194,914	335,862
110.	Non-current assets being sold	—	—
120.	Share of valuation reserves for equity-accounted companies	(39,196)	126,276
130.	Total other income items net of tax	199,195	452,685
140.	Aggregate profit (Heading 10 + Heading 110)	501,098	575,455
150.	Overall consolidated profit attrubutable to minorities	(1,644)	(998)
160.	Overall consolidated profit attributable to Mediobanca	502,742	576,453

* Compared to the financial statements approved for the year ended 30 June 2013, the effects of the application of IAS 19 have been recorded by reclassifying €0.9m from the reserves to the valuation reserve; by contrast, no changes have been made to the profit and loss account for the first six months of the 2012/13 financial year, because such effects are relatively insignificant.

Statement of changes to consolidated net equity

(€'000)

	Previously reported balance at 30/6/13	Allocation of profit for previous period: Reserves	Allocation of profit for previous period: Dividends and other fund applications	Changes to reserves	Transactions involving net equity: New shares issued	Transactions involving net equity: Treasury shares acquired	Transactions involving net equity: Extra-ordinary dividend payouts	Transactions involving net equity: Changes to equity instruments	Transactions involving net equity: Treasury shares derivates	Transactions involving net equity: Stock options [1]	Transactions involving net equity: Changes to equity investments	Overall consolidated profit 13/14	Total net equity at 31/12/13	Net equity attributable to the group at 31/12/13	Net equity attributable to the minorities at 31/12/13
Share capital:	455,513	—	—	—	—	—	—	—	—	—	—	—	455,513	430,565	24,948
a) ordinary shares	455,513	—	—	—	—	—	—	—	—	—	—	—	455,513	430,565	24,948
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,127,359	—	—	—	—	—	—	—	—	—	—	—	2,127,359	2,120,143	7,216
Reserves:	4,456,590	(184,091)	—	(51,932)	—	—	—	—	—	5,243	—	—	4,225,810	4,146,768	79,042
a) retained earnings	4,370,812	(184,091)	—	(37,321)	—	—	—	—	—	—	—	—	4,149,931	4,070,889	79,042
b) others	85,778	—	—	(14,611)	—	—	—	—	—	5,243	—	—	75,879	75,879	—
Valuation reserves*	306,605	—	—	—	—	—	—	—	—	—	—	199,195	505,800	508,346	(2,546)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(213,844)	—	—	14,611	—	—	—	—	—	—	—	—	(199,233)	(199,233)	—
Profit (loss) for the period	(184,091)	184,091	—	—		—	—	—	—	—	—	301,903	301,903	304,741	(2,838)
Total net equity	6,948,132	—	—	(37,321)	—	—	—	—	—	5,243	—	501,098	7,417,152	X	X
Net equity attributable to the group	6,840,666	—	—	(37,321)	—	—	—	—	—	5,243	—	502,742	X	7,311,330	X
Net equity attributable to minorities	107,466	—	—	—	—	—	—	—	—	—	—	(1,644)	X	X	105,822

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

* Compared to the financial statements approved for the year ended 30 June 2013, the effects of the application of IAS 19 have been recorded by reclassifying €0.9m from the reserves to the valuation reserve; by contrast, no changes have been made to the profit and loss account for the first six months of the 2012/13 financial year, because such effects are relatively insignificant.

Statement of changes to consolidated net equity

(€'000)

	Previously reported balance at 30/6/12	Allocation of profit for previous period: Reserves	Allocation of profit for previous period: Dividends and other fund applications	Changes to reserves: Changes to reserves	Changes to reserves – Transactions involving net equity: New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury shares derivates	Stock options [1]	Changes to equity investments	Overall consolidated profit 12/13	Total net equity at 31/12/12	Net equity attributable to the group at 31/12/12	Net equity attributable to the minorities at 31/12/12
Share capital:	455,513	—	—	—	—	—	—	—	—	—	—	—	455,513	430,565	24,948
a) ordinary shares	455,513	—	—	—	—	—	—	—	—	—	—	—	455,513	430,565	24,948
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,127,359	—	—	—	—	—	—	—	—	—	—	—	2,127,359	2,120,143	7,216
Reserves:	4,497,437	80,359	(42,206)	4,563	—	—	—	—	—	7,718	—	—	4,547,871	4,464,521	83,350
a) retained earnings	4,428,515	80,359	(42,206)	4,563	—	—	—	—	—	—	—	—	4,471,231	4,387,881	83,350
b) others	68,922	—	—	—	—	—	—	—	—	7,718	—	—	76,640	76,640	—
Valuation reserves*	(337,899)	—	—	—	—	—	—	—	—	—	—	452,685	114,786	120,881	(6,095)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(213,844)	—	—	—	—	—	—	—	—	—	—	—	(213,844)	(213,844)	—
Profit (loss) for the period	80,359	(80,359)		—	—	—	—	—	—	—	—	122,770	122,770	123,796	(1,026)
Total net equity	6,608,925	—	(42,206)	4,563	—	—	—	—	—	7,718	—	575,455	7,154,455	X	X
Net equity attributable to the group	6,499,534	—	(42,206)	4,563	—	—	—	—	—	7,718	—	576,453	7,046,062	7,046,062	X
Net equity attributable to minorities	109,391	—	—	—	—	—	—	—	—	—	—	(998)	X	X	108,393

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

* Compared to the financial statements approved for the year ended 30 June 2013, the effects of the application of IAS 19 have been recorded by reclassifying €0.9m from the reserves to the valuation reserve; by contrast, no changes have been made to the profit and loss account for the first six months of the 2012/13 financial year, because such effects are relatively insignificant.

Consolidated cash flow statement direct method

	Amounts	
	31/12/13	31/12/12
A. Cash flow from operating activities		
1. Operating activities	**284,200**	**(165,910)**
- interest received	2,075,614	2,166,894
- interest paid	(1,519,727)	(1,741,014)
- dividends and similar income	51,881	20,860
- net fees and commission income	71,264	95,428
- cash payments to employees	(165,774)	(168,756)
- net premium income	24,354	27,086
- other premium from insurance activities	60,726	(38,463)
- other expenses paid	(785,330)	(1,023,270)
- other income received	495,212	518,958
- income taxes paid	(24,020)	(23,633)
- net expense/income from groups of assets being sold	—	—
2. Cash generated/absorbed by financial assets	**(996,066)**	**2,935,886**
- financial assets held for trading	(624,082)	876,508
- financial assets recognized at fair value	—	—
- AFS securities	2,236,001	(760,730)
- due from customers	(3,310,904)	2,764,735
- due from banks: on demand	782,066	1,498,608
- due from banks: other	(24,326)	(1,413,554)
- other assets	(54,821)	(29,681)
3. Cash generated/absorbed by financial liabilities	**1,010,715**	**(2,717,918)**
- due to banks: on demand	(180,737)	(172,375)
- due to banks: other	(1,304,674)	299,433
- due to customers	2,193,705	265,518
- debt securities	670,051	(2,593,840)
- trading liabilities	(264,111)	(491,525)
- financial liabilities assets recognized at fair value	—	—
- other liabilities	(103,519)	(25,129)
Net cash flow (outflow) from operating activities	**298,850**	**52,058**
B. Investment activities		
1. Cash generated from	**86,367**	**7,117**
- disposals of shareholdings	—	—
- dividends received in respect of equity investments	—	—
- disposals/redemptions of financial assets held to maturity	86,243	6,336
- disposals of tangible assets	124	5
- disposals of intangible assets	—	776
- disposals of subsidiaries or business units	—	—
2. Cash absorbed by	**(137,420)**	**(11,199)**
- acquisitions of shareholdings	(430)	—
- acquisitions of held-to-maturity investments	(122,612)	(915)
- acquisitions of tangible assets	(8,421)	(6,182)
- acquisitions of intangible assets	(5,957)	(4,102)
- acquisitions of subsidiaries or business units	—	—
- Net cash flow (outflow) from investment/servicing of finance	**(51,053)**	**(4,082)**
C. Funding activities		
- issuance/acquisition of treasury shares	—	—
- issuance/acquisitions of equity instruments	—	—
- dividends payout and other applications of funds	—	(42,206)
Net cash flow (outflow) from funding activities	**—**	**(42,206)**
NET CASH FLOW (OUTFLOW) DURING PERIOD	**247,796**	**5,770**

Reconciliation of movements in cash flow during period under review

	Amounts	
	31/12/13	31/12/12
Cash and cash equivalents: balance at start of period	28,842	29,741
Total cash flow (ouflow) during period	247,796	5,770
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at end of period	276,638	35,511

NOTES TO THE ACCOUNTS

NOTES TO THE ACCOUNTS

Part A - Accounting Policies

A.1 – General

SECTION 1

Statement of conformity with IAS/IFRS

The Mediobanca Group's interim consolidated financial statements for the period ended 31 December 2013 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 (second update released on 21 January 2014). The condensed interim report has been drawn up in conformity with IAS 34 on interim financial reporting.

SECTION 2

General principles

These consolidated financial statements comprise:

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

All the statements have been drawn up in conformity with the general principles provided for under IAS and the accounting policies illustrated in

Part A.2, and show data for the period under review compared with that for the previous financial year in the case of balance-sheet figures or the corresponding period of the previous financial year for profit-and-loss data.

On 1 July 2013 the new IFRS 13 (Fair value measurement) and a revised version of IAS 19 (Employee benefits) came into force. The former combines all the guidelines previously released in the various accounting standards regarding the determination of fair value, and introduces certain clarifications regarding the fair value of derivative contracts linked to counterparties (credit value adjustment, or VA) and to Mediobanca (debt value adjustment, or DVA). The latter, meanwhile, requires actuarial gains or losses to be recorded in a specific net equity reserve, so that such items affect only other comprehensive income (OCI) rather than the profit and loss account.

SECTION 3

Area and methods of consolidation

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

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

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

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

Legend

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

[2] Effective and potential voting rights in ordinary AGMs.
* Non-operative company.

SECTION 4

Events subsequent to the reporting date

Since the reporting date, no events have taken place that would cause the results presented in the consolidated report for the year ended 31 December 2013 to require adjustment. For a description of the most significant events since the reporting date, please refer to the relevant section in the Review of Operations.

A merger process has been launched between Group companies Cofactor S.p.A. and Creditech S.p.A., which is subject to approval by the respective companies' shareholders in annual general meetings to be held in the next few weeks, and which should become effective in statutory terms starting from 30 June 2014.

A.2 – Significant accounting policies

Financial assets held for trading

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

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

After initial recognition they continue to be measured at fair value, which for listed instruments is calculated on the basis of market prices ruling at the reporting date (Level 1 assets). If no market prices are available, other valuation models are used (Level 2 assets) based on market-derived data, e.g. valuations of listed instruments with similar features, discounted cash flow analysis, option price calculation methods, or valuations used in comparable transactions[1], or alternatively valuations based on internal estimates (Level 3 assets). Equities and linked derivatives for which it is not possible to reliably determine fair value using the methods described above are stated at cost (these too qualify as Level 3 assets)[2]. If the assets suffer impairment, they are written down to their current value.

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

AFS securities

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

AFS assets are initially recognized at fair value, which includes transaction costs and income directly attributable to them. Thereafter they continue to be measured at fair value. Changes in fair value are recognized in a separate net equity reserve, which is then eliminated against the corresponding item in the profit and loss account as and when an asset is disposed of or impairment is recognized. Fair value is measured on the same principles as described for trading instruments. Equities for which it is not possible to reliably determine fair value are stated at cost. For debt securities included in this category the value of amortized cost is also recognized against the corresponding item in the profit and loss account.

Assets are subjected to impairment tests at annual and interim reporting dates. If there is evidence of a long-term reduction in the value of the asset concerned, this is recognized in the profit and loss account on the basis of market prices in the case of listed instruments, and of estimated future cash flows discounted according to the original effective interest rate in the case of unlisted securities. For shares, in particular, the criteria used to determine impairment are a reduction in fair value of over one half or for longer than

[1] Prudentially adjusted to reflect the illiquidity of some market data and other risks related to specific transactions (e.g. reputational risk, replacement risk, etc.)

[2] Cf. information on fair value on p. 108.

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 [3].

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.

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

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.

Equity investments

This heading consists of investments in:

- associates, which are equity-accounted. Associates are defined as companies in which at least 20% of the voting rights are held, and those in which the size of the investment is sufficient to ensure an influence in the governance of the investee company;
- jointly-controlled companies, which are also equity-accounted;
- other investments of negligible value, which are recognized at cost.

Where there is objective evidence that the value of an investment may be impaired, estimates are made of its current value using market prices if possible, and of the present value of estimated cash flows generated by the investment, including its terminal value. Where the value thus calculated is lower than the asset's carrying amount, the difference is taken through the profit and loss account.

Property, plant and equipment

This heading comprises land, core and investment properties, plant, furniture, fittings, equipment and assets used under the terms of finance leases, despite the fact that such assets remain the legal property of the lessor rather than the lessee.

Assets held for investment purposes refer to investments in real estate, if any (whether owned or acquired under leases), which are not core to the Group's main activities and/or are chiefly leased out to third parties.

These are stated at historical cost, which in addition to the purchase price, includes any ancillary charges directly resulting from their acquisition and/or usage. Extraordinary maintenance charges are reflected by increasing the asset's value, while ordinary maintenance charges are recorded in the profit and loss account.

Fixed assets are depreciated over the length of their useful life on a straight-line basis, with the exception of land, which is not depreciated on the grounds that it has unlimited useful life. Properties built on land owned by the Group are recorded separately, on the basis of valuations prepared by independent experts.

At annual and interim reporting dates, where there is objective evidence that the value of an asset may be impaired, its carrying amount is compared to its current value, which is defined as the higher of its fair value net of any sales costs and its related value of use, and adjustments, if any, are recognized through the profit and loss account. If the reasons which gave rise to the loss in value cease to apply, the adjustment is written back to earnings with the proviso that the amount credited may not exceed the value which the asset would have had net of depreciation, which is calculated assuming no impairment took place.

Intangible assets

These chiefly comprise goodwill and long-term computer software applications.

Goodwill may be recognized where this is representative of the investee company's ability to generate future income. At annual and interim reporting dates assets are tested for impairment, which is calculated as the difference between the initial recognition value of the goodwill and its realizable value, the latter being equal to the higher of the fair value of the cash-generating unit concerned net of any sales costs and its assumed value of use. Any adjustments are taken through the profit and loss account.

Other intangible assets are recognized at cost, adjusted to reflect ancillary charges only where it is likely that future earnings will derive from the asset and the cost of the asset itself may be reliably determined. Otherwise the cost of the asset is booked to the profit and loss account in the year in which the expense was incurred.

The cost of intangible assets is amortized on the straight-line basis over the useful life of the asset concerned. If useful life is not determinable the cost of the asset is not amortized, but the value at which it is initially recognized is tested for impairment on a regular basis.

At annual and interim reporting dates, where there is evidence of impairment the realizable value of the asset is estimated, and the impairment is recognized in the profit and loss account as the difference between the carrying amount and the recoverable value of the asset concerned.

Derecognition of assets

Financial assets are derecognized as and when the Group is no longer entitled to receive cash flows deriving from them, or when they are sold and the related risks and benefits are transferred accordingly. Tangible and intangible assets are derecognized upon disposal, or when an asset is permanently retired from use and no further earnings are expected to derive from it.

Assets or groups of assets which are sold continue to be recognized if the risks and benefits associated with them (in the relevant technical form) continue to be attributable to the Group. A corresponding amount is then entered as a liability to offset any amounts received (as *Other amounts receivable or Repos*).

The main forms of activity currently carried out by the Group which do not require underlying assets to be derecognized are the securitization of receivables, repo trading and securities lending.

Conversely, items received as part of deposit bank activity, the return on which is collected in the form of a commission, are not recorded, as the related risks and benefits continue to accrue entirely to the end-investor.

Payables, debt securities in issue and subordinated liabilities

These include the items *Due to banks*, *Due to customers* and *Debt securities in issue* less any shares bought back. Amounts payable by the lessee under the terms of finance leasing transactions are also included.

Initial recognition takes place when funds raised are collected or debt securities are issued, and occurs at fair value, which is equal to the amount collected net of transaction costs incurred directly or indirectly in connection with the liability concerned. Thereafter liabilities are stated at amortized cost on the basis of the original effective interest rate, with the exception of short-term liabilities which continue to be stated at the original amount collected.

Derivatives embedded in structured bonds are stripped out from the underlying contract and recognized at fair value. Subsequent changes in fair value are recognized through the profit and loss account.

Financial liabilities are derecognized upon expiry or repayment, even if buybacks of previously issued bonds are involved. The difference between the liabilities' carrying value and the amount paid to repurchase them is recorded through the profit and loss account.

The sale of treasury shares over the market following a buyback (even in the form of repos and securities lending transactions) is treated as a new issue. The new sale price is recorded as a liability without passing through the profit and loss account.

Trading liabilities

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

Staff severance indemnity provision

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

As from 1 July 2013, meanwhile, actuarial gains or losses have to be recorded in a specific net equity reserve, that is, in the comprehensive profit and loss account (Other Comprehensive Income, or OCI) as required by the new version of IAS 19 (Employee benefits; IAS 19, Revised) approved by the IASB on 16 June 2011 and incorporated into European law under EU Regulations 475/12 [4].

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.

[4] This item may therefore no longer be recorded as a component of labour costs (the policy previously adopted by the Group).

Provisions for liabilities and charges

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

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

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

Foreign currency transactions

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

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

Tax assets and liabilities

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

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

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

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

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

Stock options and performance shares

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

Treasury shares

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

Dividends and commissions

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

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

Related parties

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

a) individuals or entities which directly or indirectly:
   1. are subject to joint control by Mediobanca;
   2. hold an interest in Mediobanca which allows them to exert a significant influence over Mediobanca; the scope of this definition includes parties to the Mediobanca shareholders' agreement with interests of over 5% of the company's share capital, along with the entitlement to appoint at least one member of the Board of Directors, and the entities controlled by them;

b) associate companies, joint ventures and entities controlled by them [5];

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

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

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

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

[5] Also includes Telco and RCS MediaGroup.

Part A.3 - Information on Fair Value

A.3.1 Transfers between portfolios

A.3.1.1 Reclassified financial assets: book value, fair value and effects on overall profitability

(€'000)

Type of instrument	Transferred from	Transferred to	Book value at 31/12/13	Fair value at 31/12/13	Additions to P&L if assets not transferred (pre-tax)		Additions to P&L made during the year (pre-tax)	
					Valuation	Other	Valuation	Other
Debt securities [1] (ABS)	Financial assets held for trading	Due from customers	141,619	140,827	12,954	1,032	—	1,032
Debt securities [1] (ABS)	AFS securities	Due from customers	29,646	30,079	3,271	368	—	368
Debt securities [2]	AFS securities	Financial assets held to maturity	405,614	432,571	4,453	9,903	—	9,903
Total			576,879	603,477	20,678	11,303	—	11,303

[1] Made during FY 08/09.

[2] Made during FY 10/11.

A.3.2 Fair value ranking

A.3.2.1 Asset portfolios by fair value ranking value

(€'000)

Financial assets/Liabilities measured at fair value	**31/12/13**			**30/6/13**			
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	
1. Financial assets held for trading	8,060,693	4,647,144	972,394 (1)	6,689,339	5,507,732	850,002	1
2. Financial assets recognized at fair value	—	—	—	—	—	—	
3. AFS securities	8,110,527	706,980	855,190 (2)	9,589,715	1,039,783	860,264	2
4. Hedge derivatives	—	944,928	—	—	1,105,948	—	
Total	16,171,220	6,299,052	1,827,584	16,279,054	7,653,463	1,710,266	
1. Financial liabilities held for trading	(3,364,509)	(3,868,820)	(1,213,338) (1)	(3,601,877)	(4,202,961)	(1,045,162)	1
2. Financial liabilities recognized at fair value	—	—	—	—	—	—	
3. Hedge derivatives	—	(375,610)	—	—	(336,419)	—	
Total	(3,364,509)	(4,244,430)	(1,213,338)	(3,601,877)	(4,539,380)	(1,045,162)	

[1] Includes market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€317m at 31/12/13 and €234.3m at 30/6/13) as well as options traded (€613.1m and €563.4m respectively), the values of which are recorded as both assets and liabilities for the same amount.

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

A.3.2.2 Annual changes in financial assets recognized at fair value (level 3 assets)

(€'000)

	FINANCIAL ASSETS			
	Held for trading [1]	**Recognized at fair value**	**AFS** [2]	**Hedges**
1. Balance at start of period	52,264	—	860,264	—
2. Additions	45,799	—	188,790	—
2.1 Purchases	44,715	—	13,735	—
2.2 Profits recognized in:	1,078	—	162,231	—
2.2.1 profit and loss	1,078	—	61,695	—
- of which, gains	367	—	—	—
2.2.2 net equity	X	X	100,536	—
2.3 Transfers from other levels	—	—	11,313	—
2.4 Other additions	6	—	1,510	—
3. Reductions	55,758	—	193,863	—
3.1 Disposals	28,863	—	183,794	—
3.2 Redemptions	5,688	—	—	—
3.3 Losses recognized in:	21,115	—	10,069	—
3.3.1 profit and loss	21,115	—	9,203	—
- of which, losses	21,115	—	4,724	—
3.3.2 net equity	X	X	866	—
3.4 Transfers to other levels	—	—	—	—
3.5 Other reductions	92	—	—	—
4. Balance at end of period	42,305	—	855,191	—

[1] Includes market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€317m at 31/12/13 and €234.3m at 30/6/13) as well as options traded (€613.1m and €563.4m respectively), the values of which are recorded as both assets and liabilities for the same amount.

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

All instruments whose valuation requires substantial input not based on observable market data are classified as level 3 instruments. This category therefore includes, for example, unlisted shares/funds/warrants, illiquid ABS, basket options (the implicit correlation for which is not available on the market), equity options with illiquid volatility (i.e. those with outstanding duration of more than two years), and bond options (apart from those with the *Bund* as the underlying instrument). The valuation models which reflect a fine-tuning in the parameters used ("model reserve") currently involve only two types of contract (digital options and fund options), with an aggregate reserve of €1.3m.

A.3.2.3 Annual changes in financial liabilities recognized at fair value (level 3 liabilities)

(€'000)

	FINANCIAL LIABILITIES		
	Held for trading [1] [2]	**Recognized at fair value**	**Hedges**
1. Balance at start of period	250,829	—	—
2. Additions	69,630	—	—
2.1 Issues	56,332	—	—
2.2 Losses recognized in:	13,298	—	—
2.2.1 profit and loss	13,298	—	—
- of which, losses	13,298	—	—
2.2.2 net equity	X	X	—
2.3 Transfers from other levels	—	—	—
2.4 Other additions	—	—	—
3. Reductions [2]	37,209	—	—
3.1 Redemptions	797	—	—
3.2 Buybacks	—	—	—
3.3 Profits recognized in:	36,412	—	—
3.3.1 profit and loss	36,412	—	—
- of which, gains	36,412	—	—
3.3.2 net equity	X	X	—
3.4 Transfers to other levels	—	—	—
3.5 Other reductions	—	—	—
4. Balance at end of period	283,250	—	—

[1] Includes market value of options covering those attached to bond issues by Mediobanca and Mediobanca International (€317m at 31/12/13 and €234.3m at 30/6/13) as well as options traded (€613.1m and €563.4m respectively), the values of which are recorded as both assets and liabilities for the same amount.

[2] The amount of the new issues is due almost entirely to movements in options with listed indexes forming part of delta hedging strategies, exposure to which is represented as both an asset and a liability.

Part B - Notes to consolidated balance sheet *

Assets

SECTION 1

Heading 10: Cash and cash equivalents

1.1 Cash and cash equivalents

	31/12/13	30/6/13
a) Cash	38,582	26,707
b) Demand deposits held at central banks	238,056	2,135
Total	276,638	28,842

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

SECTION 2

Heading 20: Financial assets held for trading

2.1 Financial assets held for trading: composition

Derivative products	31/12/13			30/6/13		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	5,767,842	623,697	—	4,015,282	1,343,050	1
1.1 Structured	53,756	81,580	—	41,276	106,896	—
1.2 Other debt securities	5,714,086	542,117	—	3,974,006	1,236,154	1
2. Equities [1]	1,043,765	212	6,679	1,037,078	—	15,343
3. UCITS units	124,745	—	6,856	105,187	26,328	6,947
4. Loans and advances	—	160,930	—	—	81,512	—
4.1 Repos	—	—	—	—	—	—
4.2 Others	—	160,930	—	—	81,512	—
Total A	6,936,352	784,839	13,535	5,157,547	1,450,890	22,291
B. Derivative products						
1. Financial derivatives	476,990	3,750,192	958,859	871,461	3,933,290	827,711
1.1 Trading	476,990	3,574,079	636,157 [2]	871,461	3,745,030	578,386 [2]
1.2 Linked to fair value options	—	—	—	—	—	—
1.3 Others	—	176,113	322,702 [3]	—	188,260	249,325 [3]
2. Credit derivatives	647,351	112,113	—	660,331	123,552	—
2.1 Trading	647,351	112,113	—	660,331	123,552	—
2.2 Linked to fair value options	—	—	—	—	—	—
2.3 Others	—	—	—	—	—	—
Total B	1,124,341	3,862,305	958,859	1,531,792	4,056,842	827,711
Total (A+B)	8,060,693	4,647,144	972,394	6,689,339	5,507,732	850,002

[1] Equities as at 31/12/13 include shares committed in securities lending transactions totalling €3,857,000 (30/6/13: €139,622,000).

[2] Respectively €613,115,000 and €563,420,000 in respect of options traded, with the equivalent amount being recorded as trading liabilities.

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

2.3 Financial assets held for trading: movements during the period

	Debt securities	Equities	UCITS units	Loans and advances	Total
A. Balance at start of period	5,358,333	1,052,421	138,462	81,512	6,630,728
B. Additions	17,363,116	3,196,854	102,745	155,196	20,817,911
B.1 Acquisitions	17,170,479	2,978,918	99,583	153,569	20,402,549
B.2 Increases in fair value	72,649	127,568	3,098	900	204,215
B.3 Other additions	119,988	90,368	64	727	211,147
C. Reductions	16,329,910	3,198,619	109,606	75,778	19,713,913
C.1 Disposals	15,820,982	3,109,619	109,132	74,632	19,114,365
C.2 Redemptions	427,932	—	—	602	428,534
C.3 Reductions in fair value	42,038	8,787	82	—	50,907
C.4 Transfers to other portfolios	—	—	—	—	—
C.5 Other reductions	38,958	80,213	392	544	120,107
D. Balance at end of period	6,391,539	1,050,656	131,601	160,930	7,734,726

SECTION 4

Heading 40: Available for sale (AFS) securities

4.1 AFS securities: composition

Item/value	31/12/13			30/6/13		
	Level 1	Level 2	Level 3*	Level 1	Level 2	Level 3*
1. Debt securities	7,553,824	705,800	—	8,938,677	1,028,470	—
1.1 Structured	—	—	—	—	—	—
1.2 Other debt securities	7,553,824	705,800	—	8,938,677	1,028,470	—
2. Equities	556,703	798	737,128	650,672	643	753,553
2.1 Recognized at fair value	556,703	798	737,076	650,672	643	753,501
2.2 Recognized at cost	—	—	52	—	—	52
3. UCITS units	—	382	118,062	366	10,670	106,711
4. Loans and advances	—	—	—	—	—	—
Total	8,110,527	706,980	855,190	9,589,715	1,039,783	860,264

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

4.4 AFS securities: movements during the period

	Debt securities	Equities	UCITS units	Loans and advances	Total
A. Balance at start of period	9,967,147	1,404,868	117,747	—	11,489,762
B. Additions	3,026,096	505,573	14,977	—	3,546,646
B.1 Acquisitions	2,908,257	159,596	12,904	—	3,080,757
B.2 Increases in fair value	75,913	228,605	1,840	—	306,358
B.3 Writebacks	—	—	—	—	—
- recognized in profit and loss account	—	X	—	—	—
- recognized in net equity	—	—	—	—	—
B.4 Transfers from other asset classes	—	—	—	—	—
B.5 Other additions	41,926	117,372	233	—	159,531
C. Reductions	4,733,619	615,812	14,280	—	5,363,711
C.1 Disposals	1,984,654	606,881	11,345	—	2,602,880
C.2 Redemptions	2,713,878	—	—	—	2,713,878
C.3 Reductions in fair value	22,455	1,639	860	—	24,954
C.4 Writedowns due to impairment	—	2,813	2,075	—	4,888
- taken to profit and loss account	—	2,813	1,865	—	4,678
- taken to net equity	—	—	210	—	210
C.5 Transfers to other asset classes	—	—	—	—	—
C.6 Other reductions	12,632	4,479	—	—	17,111
D. Balance at end of period	8,259,624	1,294,629	118,444	—	9,672,697

SECTION 5

Heading 50: Financial assets held to maturity

5.1 Financial assets held to maturity: composition

Type of transactions/ group components	31/12/13				30/6/13			
	Book value	Fair value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	1,480,893	1,536,046	17,003	12,579	1,447,817	1,495,852	7,396	12,226
1.1 Structured	—	—	—	—	—	—	—	—
1.2 Other debt securities	1,480,893	1,536,046	17,003	12,579	1,447,817	1,495,852	7,396	12,226
2. Loans and advances	—	—	—	—	—	—	—	—
Total	1,480,893	1,536,046	17,003	12,579	1,447,817	1,495,852	7,396	12,226

5.4 Assets held to maturity: movements during the period

	Debt securities	Loans and advances	Total
A. Balance at start of period	1,447,817	—	1,447,817
B. Additions	125,458	—	125,457
B.1 Acquisitions	122,612	—	122,612
B.2 Writebacks	370	—	370
B.3 Transfers from other asset classes	—	—	—
B.4 Other additions	2,476	—	2,475
C. Reductions	92,382	—	92,381
C.1 Disposal	23,313	—	23,312
C.2 Redemptions	62,930	—	62,930
C.3 Value adjustments	218	—	218
C.4 Transfers to other asset classes	—	—	—
C.5 Other reductions	5,921	—	5,921
D. Balance at end of period	1,480,893	—	1,480,893

SECTION 6

Heading 60 - Due from banks

6.1 Due from banks: composition

Type of transactions/value	31/12/13				30/6/13			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from central banks	155,731	—	155,731	—	77,843	—	77,843	—
1. Term deposits	—	—	—	—	—	—	—	—
2. Compulsory reserves	155,731	—	155,731	—	77,843	—	77,843	—
3. Amounts due under repo agreements	—	—	—	—	—	—	—	—
4. Other amounts due	—	—	—	—	—	—	—	—
B. Due from banks	4,434,215	—	4,337,615	72,628	4,777,115	—	4,243,076	447,679
1. Receivables	4,434,215	—	4,337,615	72,628	4,777,115	—	4,243,076	447,679
1.1 Current accounts and demand deposits	2,821,636	—	2,821,636	—	2,749,533	—	2,749,533	—
1.2 Term deposits	30,097	—	—	30,097	30,097	—	—	30,097
1.3 Other receivables:	1,582,482	—	1,515,979	42,531	1,997,485	—	1,493,543	417,582
- amounts due under repo agreements	928,327	—	928,327	—	893,024	—	893,024	—
- amounts due under finance leases	4,188	—	—	4,188	4,371	—	—	4,371
- other amounts due	649,967	—	587,652	38,343	1,100,090	—	600,519	413,211
2. Debt securities	—	—	—	—	—	—	—	—
4.1 structured	—	—	—	—	—	—	—	—
4.2 other debt securities	—	—	—	—	—	—	—	—
Total book value	4,589,946	—	4,493,346	72,628	4,854,958	—	4,320,919	447,679

SECTION 7

Heading 70: Due from customers

7.1 Due from customers: composition

Type of transactions/ amounts	31/12/13						30/6/13					
	Book value			*Fair Value*			Book value			*Fair Value*		
	Performing	Impaired		Level 1	Level 2	Level 3	Performing	Impaired		Level 1	Level 2	Level 3
		Acquired	Others					Acquired	Others			
1. Current accounts	226,904	—	41	—	226,945	—	201,648	—	34	—	201,682	—
2. Repos [1]	6,018,747	—	—	—	6,018,747	—	2,115,338	—	—	—	2,115,338	—
3. Mortgages	18,274,348	—	334,015	—	8,453,812	9,481,805	18,370,309	—	376,462	—	6,167,683	12,086,299
4. Credit cards, personal loans and salary-backed finance	9,096,969	89,442	308,370	—	—	9,494,781	9,029,571	92,310	275,275	—	—	9,397,156
5. Finance leases	2,918,985	—	275,295	—	—	3,194,280	3,214,082	—	232,359	—	—	3,446,441
6. Factoring	102,673	—	477	—	—	103,150	38,792	—	—	—	—	38,792
7. Other loans	1,828,134	—	5,795	—	1,386,900	447,028	1,849,229	—	12,747	—	846,160	1,015,816
8. Debt securities	656,248	—	—	—	14,658	639,195	605,695	—	—	—	15,480	559,396
8.1 Structured instruments	—	—	—	—	—	—	—	—	—	—	—	—
8.2 Other debt securities	656,248	—	—	—	14,658	639,195	605,695	—	—	—	15,480	559,396
Total (book value)	39,123,008	89,442	923,993	—	16,101,062	23,360,239	35,424,664	92,310	896,877	—	9,346,343	26,543,900

[1] Figure as at 31 December 2013 includes transactions with Cassa di Compensazione e Garanzia involving €5.3bn.

SECTION 8

Heading 80: Hedging derivatives

8.1 Hedging derivatives: by hedge type and level

	31/12/13			Notional value	30/6/13			Notional value
	Fair value				Fair value			
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivates	—	944,928	—	18,864,526	—	1,105,948	—	19,637,292
1) Fair value	—	944,928	—	18,864,526	—	1,105,948	—	19,637,292
2) Cash flow	—	—	—	—	—	—	—	—
3) Non-Italian investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	944,928	—	18,864,526	—	1,105,948	—	19,637,292

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

Operations/type of hedging	Fair value hedges						Cash flow hedges		Non-Italian investments
	Specific					General	Specific	General	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. AFS securities	—	—	—	—	—	X	—	X	X
2. Loans and advances	102	—	—	X	—	X	—	X	X
3. Financial assets held to maturity	X	—	—	X	—	X	—	X	X
4. Portfolio	X	X	X	X	X	—	X	—	X
5. Non-Italian investments	—	—	—	—	—	X	—	X	—
Total assets	102	—	—	—	—	—	—	—	—
1. Financial liabilities	944,826	—	—	X	—	X	—	X	X
2. Portfolio	X	X	X	X	X	—	X	—	X
Total liabilities	944,826	—	—	X	—	—	—	—	X
1. Estimated transactions	X	X	X	X	X	X	—	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	—	X	—	—

SECTION 10

Heading 100: Equity investments

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

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

Legend:

[1] Joint control.

[2] Subject to significant influence.

[3] Exclusively controlled and not consolidated.

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

Name	Book value	Fair value
B. Jointly - controlled companies (IAS 31)		
1. Banca Esperia S.p.A.	92,321[1]	—
C. Companies subject to significant influence (IAS 28)		
1. Fidia SGR S.p.A. (in liquidation)	615	—
2. Athena Private Equity S.A.	21,692	—
3. Burgo Group S.p.A.	—	—
4. Assicurazioni Generali S.p.A.	2,534,478	3,524,226
Other minor investments	81	—
Total	2,649,187	—

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

The Burgo Group investment has been written down on a prudential basis (with a €18.6m charge to the profit and loss account), in the light of the ongoing difficulties being encountered by the sector and the economic trend generally.

SECTION 12

Heading 120: Property, plant and equipment

12.1 Tangible assets stated at cost

Assets/value	31/12/13	30/6/13
1. Assets owned by the Group	235,610	235,041
a) land	84,883	84,883
b) buildings	112,130	111,658
c) furniture	13,128	14,447
d) electronic equipment	11,644	10,186
e) other assets	13,825	13,867
2. Assets acquired under finance leases	19	—
a) land	—	—
b) buildings	19	—
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	—	—
Total	235,629	235,041

During the period there were acquisitions and improvements totalling €8,421,000 and depreciation charges amounting to €7,742,000.

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

Assets/value	31/12/13	30/6/13
1. Assets owned bt the group	59,157	60,379
a) loan recovery activity	32,703	33,723
b) other assets	26,454	26,656
-lands	20,350	20,350
-buildings	6,104	6,306
2. Assets acquired under finance leases	—	—
a) lands	—	—
b) buildings	—	—
Total	59,157	60,379

During the period under review depreciation charges totalling €1,226,000 were recorded, while the assets reflect a fair value of €107.8m.

SECTION 13

Heading 130: Intangible assets

13.1 Intangible assets

Assets/ amounts	31/12/13		30/6/13	
	Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life
A.1 Goodwill	X	365,934	X	365,934
A.1.1 attributable to the Group	X	365,934	X	365,934
A.1.2 attributable to third parties	X	—	X	—
A.2 Other intangible assets	36,174	6,300	40,086	6,300
A.2.1 Recognized at cost:	36,174	6,300	40,086	6,300
a) intangible assets generated internally	—	—	—	—
b) other assets	36,174	6,300	40,086	6,300
A.2.2 Recognized at fair value:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
Total	36,174	372,234	40,086	372,234

During the period there were acquisitions totalling €5,957,000 and amortization charges amounting to €9,869,000.

SECTION 14

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

14.1 Advance tax assets: composition

	31/12/13	30/6/13
Corporate income tax (IRES)	572,558	598,194
Regional production tax (IRAP)	55,611	51,252
Total	628,169	649,446

14.2 Deferred tax liabilities: composition

	31/12/13	30/6/13
Corporate income tax (IRES)	334,259	325,848
Regional production tax (IRAP)	25,208	14,689
Total	359,467	340,537

14.3 Changes in advance tax during the period

	31/12/13	30/6/13
1. Opening balance	586,572	528,382
2. Additions	93,838	112,860
2.1 Advance tax originating during the period	93,838	112,860
a) for previous years	809	708
b) due to changes in accounting policies	—	—
c) amounts written back	1	53
d) other additions	93,028	112,099
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	90,310	54,670
3.1 Advance tax reversed during the period	88,794	46,541
a) reclassifications	86,949	46,069
b) amounts written off as unrecoverable	—	—
c) due to changes in accounting policies	—	—
d) other	1,845	472
3.2 Reductions in tax rates	—	—
3.3 Other reductions	1,516	8,129
a) amounts converted into tax credits pursuant to Italian Law 214/11	1,442	8,082
b) other reductions	74	47
4. Balance at end of period	590,100	586,572

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

	31/12/13	30/6/13
1. Balance at start of period	447,576	413,266
2. Increases	74,013	74,221
3. Reductions	48,864	39,911
3.1 Transfers	47,172	31,860
3.2 Conversion to tax credit deriving from	1,434	8,034
a) operating loss for the period	—	—
b) tax losses	1,434	8,034
3.3 Other reductions	258	17
4. Balance at end of period	472,725	447,576

14.4 Changes in deferred tax during the period

	31/12/13	30/6/13
1. Opening balance	284,339	274,814
2. Additions	4,488	10,483
2.1 Deferred tax originating during period	3,641	8,994
a) relating to previous years	—	16
b) due to changes in accounting policies	—	—
c) others	3,641	8,978
2.2 New taxes or increases in tax rates	—	13
2.3 Other additions	847	1,476
3. Reductions	479	958
3.1 Deferred tax reversed during period	365	823
a) reclassifications	361	531
b) due to changes in accounting policies	—	—
c) others	4	292
3.2 Reductions in tax rates	—	—
3.3 Other reductions	114	135
4. Balance at end of period	288,348	284,339

14.5 Changes in advance tax during the period [1]

	31/12/13	30/6/13
1. Opening balance	62,874	209,106
2. Additions	10,817	31,751
2.1 Advance tax originating during period	10,817	31,751
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	10,817	31,751
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	35,622	177,983
3.1 Advance tax reversed during period	35,622	177,983
a) reclassifications	30,050	140,076
b) writedowns of non-recoverable items	—	—
c) due to changes in accounting policies	—	—
d) others	5,572	37,907
3.2 Reductions in tax rates	—	—
3.3 Other reductions	—	—
4. Balance at end of period	38,069	62,874

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

14.6 Changes in deferred tax during the period [1]

	31/12/13	30/6/13
1. Opening balance	56,198	21,304
2. Additions	70,765	56,058
2.1 Deferred tax originating during period	70,765	56,058
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	70,765	56,058
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	—
3. Reductions	55,844	21,164
3.1 Advance tax reversed during the period	55,844	21,146
a) reclassifications	55,690	21,041
b) due to changes in accounting policies	—	—
c) others	154	105
3.2 Reductions in tax rates	—	—
3.3 Other reductions	—	18
4. Balance at end of period	71,119	56,198

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

SECTION 16

Heading 160: Other assets

16.1 Other assets: composition

	31/12/13	30/6/13
1. Gold, silver and precious metals	695	695
2. Accrued income other than capitalized income from financial assets	9,305	8,234
3. Trade receivables or invoices to be issued	90,531	57,975
4. Amounts due from tax revenue authorities (not recorded under Heading 140)	106,875	103,349
5. Other items	86,539	91,871
- bills for collection	10,810	13,030
- amounts due in respect of premiums, grants, indemnities and other items in respect of lending transactions	44,453	55,884
- futures and other securities transactions	—	—
- advance payments on deposit commissions	11,765	7,043
- other items in transit	12,857	9,753
- downpayments made on derivative contracts	—	—
- sundry other items	6,654	6,161
6. Adjustment arising on consolidation	2	—
Total	293,947	262,124

Liabilities

SECTION 1

Heading 10: Due to banks

1.1 Due to banks: composition

Type of transaction/amounts	31/12/13	30/6/13
1. Due to central banks	7,096,369	7,586,807
2. Due to banks	4,259,796	4,779,375
2.1 Current accounts and demand deposits	1,668,694	2,425,824
2.2 Term deposits	14,503	—
2.3 Borrowings	2,550,277	2,336,799
2.3.1 Reverse repos	298,092	40,359
2.3.2 Others	2,252,185	2,296,440
2.4 Liabilities in respect of assets sold but not derecognized	—	—
2.5 Other amounts due	26,322	16,752
Total	11,356,165	12,366,182
Fair Value - level 1	—	—
Fair Value - level 2	11,356,165	12,366,182
Fair Value - level 3	—	—
Total fair value	11,356,165	12,366,182

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

Subordinated liabilities included under the heading Due to banks amount to €43,382,000, and refer to amounts payable by Linea to its former shareholders.

SECTION 2

Heading 20: Due to customers

2.1 Due to customers: composition

Type of transaction/amounts	31/12/13	30/6/13
1. Current accounts and demand deposits	3,765,387	3,449,989
2. Term deposits	11,495,930	10,220,714
3. Borrowings	3,684,516	2,504,941
3.1 Reverse repos	2,089,350	784,740
3.2 others	1,595,166	1,720,201
4. Liabilities in respect of assets sold but not derecognized	—	—
5. Other amounts due	130	166
Total	18,945,963	16,175,810
Fair Value - level 1	—	—
Fair Value - level 2	18,945,963	16,175,810
Fair Value - level 3	—	—
Total fair value	*18,945,963*	*16,175,810*

SECTION 3

Heading 30: Debt securities in issue

3.1 Debt securities in issue: composition

Type of transaction/ amounts	31/12/13				30/6/13			
	Book value	*Fair value* *			Book value	*Fair value* *		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Listed securities								
1. bonds	27,440,621	1,680,266	26,101,190	—	26,680,386	1,808,540	25,276,319	—
1.1 structured	10,988,024	455,717	10,714,041	—	11,348,926	492,551	11,033,346	—
1.2 others	16,452,597	1,224,549	15,387,149	—	15,331,460	1,315,989	14,242,973	—
2. other securities	13,210	—	—	13,210	14,893	—	—	14,893
2.1 structured	—	—	—	—	—	—	—	—
2.2 others	13,210	—	—	13,210	14,893	—	—	14,893
Total	27,453,831	1,680,266	26,101,190	13,210	26,695,279	1,808,540	25,276,319	14,893

* The fair values are shown net of Mediobanca Issuer risk; if this item is included, the fair value at 31 december 2013 would show a gain of €273,5m (30/6/13: €201m).

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

Issue	31/12/13		
	ISIN code	Nominal value	Book value
MB *Lower Tier II Fixed/Floating Rate Notes 2018 (GBP)*	XS0270002669	23,344	27,968
MB Secondo Atto 5% 2020 *Lower Tier* 2	IT0004645542	749,642	820,899
MB Quarto Atto a Tasso Variabile 2021 *Lower Tier* 2	IT0004720436	497,722	491,146
MB CARATTERE 5,75% 2023 *Lower Tier* 2	IT0004917842	498,484	505,220
Total subordinated debt securities			1,845,233

SECTION 4

Heading 40: Trading liabilities

4.1 Trading liabilities: composition

Type of transaction/ amounts	31/12/13					30/6/13				
	Nominal value	*Fair value*			*Fair Value* *	Nominal value	*Fair value*			*Fair Value* *
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Cash liabilities										
1. Due to banks	1,034,445	1,124,099	—	—	1,124,099	994,209	1,007,172	—	—	1,007,172
2. Due to customers	832,197	904,322	72	—	904,394	953,761	966,197	—	—	966,197
3. Debt securities	—	—	—	—	X	—	—	—	—	X
3.1 Bonds	—	—	—	—	X	—	—	—	—	X
3.1.1 Structured	—	—	—	—	X	—	—	—	—	X
3.1.2 Other	—	—	—	—	X	—	—	—	—	X
3.2 Other securities	—	—	—	—	X	—	—	—	—	X
3.2.1 Structured	—	—	—	—	X	—	—	—	—	X
3.2.2 Other	—	—	—	—	X	—	—	—	—	X
Total A	1,866,642	2,028,421	72	—	2,028,493	1,947,970	1,973,369	—	—	1,973,369
B. Derivative products										
1. Financial derivatives	X	670,812	3,437,647	1,213,338	X	X	971,695	3,803,955	1,045,162	X
1.1 Trading	X	670,812	3,261,274	860,894 [1]	X	X	971,695	3,615,742	791,614 [1]	X
1.2 Linked to fair value options	X	—	—	—	X	X	—	—	—	X
1.3 Other	X	—	176,373	352,444 [2]	X	X	—	188,213	253,548 [2]	X
2. Credit derivatives	X	665,276	431,101	—	X	X	656,813	399,006	—	X
2.1 Trading	X	665,276	431,101	—	X	X	656,813	399,006	—	X
2.2 Linked to fair value options	X	—	—	—	X	X	—	—	—	X
2.3 Other	X	—	—	—	X	X	—	—	—	X
Total B	X	1,336,088	3,868,748	1,213,338	X	X	1,628,508	4,202,961	1,045,162	X
Total (A+B)	X	3,364,509	3,868,820	1,213,338	X	X	3,601,877	4,202,961	1,045,162	X

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

[1] Respectively €613,115,000 and €563,420,000 in respect of options traded, matching the amount recorded among assets held for trading.

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

SECTION 6

Heading 60: Hedging derivatives

6.1 Hedging derivatives: by type of product/underlying asset

Items/amounts	31/12/13 Fair value			Nominal value	30/6/13 Fair value			Nominal value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	375,610	—	9,409,899	—	336,419	—	7,632,787
1) Fair value	—	344,056	—	9,029,899	—	303,299	—	7,000,287
2) Cash flow	—	31,554	—	380,000	—	33,120	—	632,500
3) Non-Italian investments	—	—	—	—	—	—	—	—
B. Financial derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	375,610	—	9,409,899	—	336,419	—	7,632,787

6.2 Hedging derivatives: by portfolio hedged/hedge type

Operations/type of hedging	Fair value hedges						Cash flow hedges		Non-Italian investments
	Specific					General	Specific	General	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk				
1. AFS securities	—	—	—	—	—	X	—	X	X
2. Loans and advances	11,519	—	—	X	—	X	—	X	X
3. Financial assets held to maturity	X	—	—	X	—	X	—	X	X
4. Portfolio	X	X	X	X	X	—	X	—	X
5. Other operations	—	—	—	—	—	X	—	X	—
Total assets	11,519	—	—	—	—	—	—	—	—
1. Financial liabilities	332,537	—	—	X	—	X	31,554	X	X
2. Portfolio	X	X	X	X	X	—	X	—	X
Total liabilities	332,537	—	—	X	—	—	31,554	—	X
1. Expected transactions	X	X	X	X	X	X	—	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	—	X	—	—

SECTION 8

Heading 80 - Deferred liabilities

Please see asset section 14.

SECTION 10

Heading 100: Other liabilities

10.1 Other liabilities: composition

	31/12/13	30/6/13
1. Payment agreements (IFRS 2)	—	9
2. Impaired endorsements	17,144	13,764
3. Working capital payables and invoices pending receipt	212,344	190,910
4. Amounts due to revenue authorities	73,778	113,713
5. Amounts due to staff	94,116	127,796
6. Other items:	104,257	105,620
- bills for collection	26,914	25,563
- coupons and dividends pending collection	2,219	2,217
- available sums payable to third parties	36,096	22,730
- premiums, grants and other items in respect of lending transactions	19,932	32,129
- credit notes to be issued	14,302	16,935
- other	4,794	6,046
7. Adjustments upon consolidation	—	3
Total	501,639	551,815

SECTION 11

Heading 110: Staff severance indemnity provision

11.1 Staff severance indemnity provision: changes during the period

	31/12/13	30/6/13
A. Balance at start of period	27,701	24,652
B. Additions	6,511	14,281
B.1 Transfers during period	6,164	8,882
B.2 Other additions	347	5,399
C. Reductions	5,697	11,232
C.1 Indemnities paid out	777	2,045
C.2 Other reductions[1]	4,920	9,187
D. Balance at end of period	28,515	27,701

[1] Includes €3,325,000 in transfers to external, defined contribution pension schemes (30/6/13: €7,110,000).

SECTION 12

Heading 120: Provisions

12.1 Provisions: composition

Item/amounts	31/12/13	30/6/13
1. Company post-employment benefit provision	—	—
2. Other provisions	161,412	164,523
2.1 litigation	4,374	3,931
2.2 staff-related	183	3,288
2.3 other	156,855	157,304
Total	161,412	164,523

12.2 Provisions: movements during the period

Item/amounts	Post-employment benefit provision	Litigation	Charges relating to staff	Other provisions	Total
A. Balance at start of period	—	3,931	3,288	157,304	164,523
B. Additions	—	740	—	479	1,219
B.1 Transfers during period	—	740	—	479	1,219
B.2 Changes due to passing of time	—	—	—	—	—
B.3 Additions due to changes in discount rate	—	—	—	—	—
B.4 Other additions	—	—	—	—	—
C. Reductions	—	297	3,105	928	4,330
C.1 Transfers during period	—	297	958	928	2,183
C.2 Reductions due to changes in discount rate	—	—	—	—	—
C.3 Other reductions	—	—	2,147	—	2,147
D. Balance at end of period	—	4,374	183	156,855	161,412

SECTION 13

Heading 130: Technical reserves

13.1 Technical reserves: composition

	Direct business	Indirect business	31/12/13	30/6/13
A. Non-life business				
A1. Reserves for premiums	—	110,161	110,161	107,019
A2. Reserves for claims	—	11,344	11,344	10,386
A3. Other reserves	—	—	—	—
B. Life business				
B.1 Mathematical reserves	—	—	—	—
B.2 Reserves for sums to be paid out	—	—	—	—
B.3 Other reserves	—	—	—	—
C. Technical reserves where risk of investment is borne by insured parties				
C1. Reserves for contracts in which performance is related to investment funds and market indexes	—	—	—	—
C2. Reserves deriving from pension fund management	—	—	—	—
D. Total technical reserves	—	121,505	121,505	117,405

13.2 Technical reserves: movements during the year

	31/12/13	30/6/13
A. Non-life business		
Balance at start of period	117,405	99,282
Combinations involving group companies	—	—
Changes to reserves (+/-)	4,100	18,123
Other additions	—	—
Balance at end of period	121,505	117,405
B. Life business and other reserves		
Balance at start of period	—	—
Combinations involving group companies	—	—
Changes due to premiums	—	—
Changes due to sums to be paid out	—	—
Changes due to payments	—	—
Changes due to incomes and other bonuses recognized to insured parties (+/-)	—	—
Changes to other technical reserves (+/-)	—	—
Other reductions	—	—
Balance at end of period	—	—
C. Total technical reserves	121,505	117,405

SECTION 15

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

15.1 Group capital: composition

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

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

Item/type	Ordinary
A. Shares in issue at start of period	861,129,212
– entirely unrestricted	861,129,212
– with restrictions	—
A.1 Treasury shares (-)	(17,010,000)
A.2 Shares in issue: balance at start of period	844,119,212
B. Additions	1,164,586
B.1 New share issuance as a result of:	—
– rights issues	—
- business combinations	—
- bond conversions	—
- exercise of warrants	—
- others	—
– bonus issues	—
- to staff members	—
- to Board members	—
- others	—
B.2 Treasury share disposals	—
B.3 Other additions	1,164,586
C. Reductions	—
C.1 Cancellations	—
C.2 Treasury share buybacks	—
C.3 Disposals of businesses	—
C.4 Other reductions	—
D. Shares in issue: balance at end of period	845,283,798
D.1 Add: treasury shares	15,845,414
D.2 Shares in issue at end of period	861,129,212
– entirely unrestricted	861,129,212
– with restrictions	—

15.4 Profit reserves: other information

Item	31/12/13	30/6/13
1. Legal reserve	86,113	86,113
2. Statutory reserves	1,077,282	1,077,282
3. Treasury shares	199,233	213,844
4. Others	2,784,140	2,996,197
Total	4,146,768	4,373,436

SECTION 16

Heading 210: Net equity attributable to minorities

16.1 Net equity attributable to minorities: composition

Item/amounts	31/12/13	30/6/13
1. Share capital	24,948	24,948
2. Share premium reserve	7,216	7,216
3. Reserves	79,042	83,350
4. Treasury shares	—	—
5. Valuation reserves[1]	(2,546)	(3,782)
6. Equity instruments	—	—
7. Profit (loss) for the period attributable to minorities	(2,838)	(4,266)
Total	105,822	107,466

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

Other information

1. Guarantees and commitments

Transactions	31/12/13	30/6/13
1. Financial guarantees given to:	250,466	216,478
a) Banks	43,109	34,527
b) Customers	207,357	181,951
2. Commercial guarantees given to:	286	286
a) Banks	—	—
b) Customers	286	286
3. Irrevocable commitments to lend funds to:	13,979,716	10,124,430
a) Banks	192,920	167,258
i) specific	192,920	167,258
ii) standby basis	—	—
b) Customers	13,786,796	9,957,172
i) specific	11,321,073	8,334,066
ii) standby basis	2,465,723	1,623,106
4. Commitments underlying credit derivatives: hedge sales [1]	42,559,592	44,607,719
5. Assets pledged as collateral for customer obligations	—	—
6. Other commitments	2,554,256	5,713,610
Total	59,344,316	60,662,523

[1] Includes transactions fully matched by hedge buys (€39,822,522,000 and €41,113,241,000 respectively).

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

Type of service	31/12/13	30/6/13
1. Securities traded on behalf of customers	11,183,138	29,831,725
a) Purchases	4,563,363	13,491,101
1. settled	4,540,401	13,393,630
2. pending settlement	22,962	97,471
b) Disposals	6,619,775	16,340,624
1. settled	6,596,813	16,243,153
2. pending settlement	22,962	97,471
2. Asset management	3,219,000	3,245,000
a) individuals	892,000	861,000
b) groups	2,327,000	2,384,000
3. Securities under custody/managed on a non-discretionary basis	46,548,544	54,675,354
a) customers' securities held on deposit: in connection with the Bank's activity as deposit bank (not including asset management)	4,423,740	7,367,483
1. securities issued by bank drawing up financial statements	728,963	2,504,283
2. other securities	3,694,777	4,863,200
b) other customers' securities held on deposit (not including asset management): others	7,319,198	6,751,314
1. securities issued by bank drawing up financial statements	34	34
2. other securities	7,319,164	6,751,280
c) customers' securities held on deposit with customers	7,543,589	10,856,772
d) own securities held on deposit with customers	27,262,017	29,699,785
4. Other transactions	—	—

Part C - Notes to consolidated profit and loss account

SECTION 1

Headings 10 and 20: Net interest income

1.1 Interest and similar income: composition

Line items/technical forms	Debt securities	Loans and advances	Other transactions	6 mths ended 31/12/13	6 mths ended 31/12/12
1. Financial assets held for trading	46,740	1,073	—	47,813	62,239
2. Financial assets recognized at fair value	—	—	—	—	—
3. AFS securities	132,982	—	—	132,982	154,357
4. Financial assets held to maturity	34,868	—	—	34,868	38,696
5. Due from banks	—	25,130	—	25,130	73,604
6. Due from customers	7,207	755,660	—	762,867	794,581
7. Hedge derivatives	X	X	250,605	250,605	330,405
8. Other assets	X	X	1,099	1,099	1,112
Total	221,797	781,863	251,704	1,255,364	1,454,994

1.4 Interest expense and similar charges: composition

Line items/technical forms	Accounts payable	Securities	Other liabilities	6 mths ended 31/12/13	6 mths ended 31/12/12
1. Due to central banks	(16,767)	X	—	(16,767)	(29,560)
2. Due to banks	(19,140)	X	—	(19,140)	(24,540)
3. Due to customers	(191,599)	X	—	(191,599)	(214,517)
4. Debt securities in issue	—	(510,612)	—	(510,612)	(623,693)
5. Trading liabilities	X	—	—	—	—
6. Financial liabilities recognized at fair value	—	—	—	—	—
7. Other liabilities	X	X	—	—	(7)
8. Hedging derivatives	X	X	—	—	—
Total	(227,506)	(510,612)	—	(738,118)	(892,317)

SECTION 2

Headings 40 and 50: Net fee and commission income

2.1 Fee and commission income: composition

Type of service/sectors	6 mths ended 31/12/13	6 mths ended 31/12/12
a) guarantees given	1,118	872
b) credit derivatives	—	—
c) management, trading and advisory services:	85,318	80,745
1. securities trading	3,781	3,320
2. foreign currency trading	—	—
3. asset management	3,747	4,212
3.1 individuals	3,747	4,212
3.2 groups	—	—
4. securities under custody and non-discretionary management	4,328	3,299
5. deposit bank services	—	537
6. securities placement	28,521	30,361
7. procurement of orders	3,998	3,064
8. advisory services	—	—
8.1 investment advisory services	—	—
8.2 structured finance advisory services	—	—
9. agency fees	40,943	35,952
9.1 asset management	13,736	10,693
9.1.1 individuals	13,736	10,693
9.1.2 groups	—	—
9.2 insurance products	27,207	25,223
9.3 other products	—	36
d) collection and payment services	7,742	7,456
e) securitization services	—	—
f) factoring services	—	—
g) tax collection and receipt services	—	—
h) multilateral trading systems activity	—	—
i) current account keeping and management	531	529
j) other services	77,283	89,474
Total	171,992	179,076

2.2 Fee and commission expense: composition

Services/amounts	6 mths ended 31/12/13	6 mths ended 31/12/12
a) guarantees received	(6)	—
b) credit derivatives	(133)	—
c) management and trading services:	(3,951)	(5,942)
1. securities trading	(2,027)	(2,258)
2. foreign currency trading	—	—
3. asset management:	—	—
3.1 proprietary	—	—
3.2 on behalf of customers	—	—
4. securities under custody/held on a non-discretionary basis	(1,323)	(1,374)
5. securities placement	(601)	(2,310)
6. door-to-door sales of securities, products and services	—	—
d) collection and payment services	(3,239)	(3,250)
e) other services	(16,427)	(15,073)
Total	(23,756)	(24,265)

SECTION 3

Heading 70: Dividends and similar income

3.1 Dividends and similar income: composition

Line items/income	6 mths ended 31/12/13		6 mths ended 31/12/12	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	19,786	—	5,360	—
B. AFS securities	4,623	—	2,846	—
C. Financial assets recognized at fair value	—	—	—	—
D. Equity investments	—	X	—	X
Total	24,409	—	8,206	—

SECTION 4

Heading 80: Net trading income

4.1 Net trading income: composition

Transactions/income elements	Gains (A)	Dealing profits (B)	Value reductions (C)	Dealing losses (D)	Net trading income [(A+B)-(C+D)]
1. Trading assets	219,766	133,586	(74,966)	(77,474)	200,912
1.1 Debt securities	88,839	40,906	(66,060)	(42,494)	21,191
1.2 Equities	126,967	91,503	(8,787)	(33,922)	175,761
1.3 UCITS units	2,885	859	(81)	(1,058)	2,605
1.4 Loans and advances	1,075	318	(38)	—	1,355
1.5 Others	—	—	—	—	—
2. Trading liabities	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—
2.2 Debts	—	—	—	—	—
2.3 Others	—	—	—	—	—
3. Other assets and liabilities: differences arising on exchange rates	X	X	X	X	(9,212)
4. Derivative products	2,715,850	1,501,525	(2,877,406)	(1,565,810)	(205,208)
4.1 Financial derivatives:	2,213,934	1,116,252	(2,320,608)	(1,182,456)	(152,245)
– debt securities and interest rates [1]	710,667	222,646	(709,501)	(236,010)	(12,198)
– equities and stock market indexes	1,419,014	888,170	(1,577,284)	(946,446)	(216,546)
– foreign currency and gold	X	X	X	X	20,633
– others	84,253	5,436	(33,823)	—	55,866
4.2 Credit derivatives	501,916	385,273	(556,798)	(383,354)	(52,963)
Total	2,935,616	1,635,111	(2,952,372)	(1,643,284)	(13,508)

[1] Of which €20,864,000 in positive margins on interest rate derivatives (31/12/12: minus €19,170,000).

SECTION 5

Heading 90: Net hedging income (expense)

5.1 Net hedging income (expense): composition

Income elements/amounts	6 mths ended 31/12/13	6 mths ended 31/12/12
A. Income from:		
A.1 Fair value hedge derivatives	129,421	213,464
A.2 Financial assets hedged (fair value)	24,149	2,742
A.3 Financial liabilities hedged (fair value)	176,688	147,057
A.4 Cash flow hedge derivatives	—	—
A.5 Assets and liabilities in foreign currencies	—	—
Total hedging income (A)	330,258	363,263
B. Expense related to:		
B.1 Fair value hedge derivatives	(236,493)	(113,219)
B.2 Financial assets hedged (fair value)	(51,948)	(1,278)
B.3 Financial liabilities hedged (fair value)	(42,973)	(244,416)
B.4 Cash flow hedge derivatives	(118)	(34)
B.5 Assets and liabilities in foreign currencies	—	—
Total hedging expense (B)	(331,532)	(358,947)
Net hedging income (A–B)	(1,274)	4,316

SECTION 6

Heading 100: Gains (losses) on disposals/repurchases

6.1 Gains (losses) on disposals/repurchases: composition

6 mths ended 31/12/12	6 mths ended 31/12/13			6 mths ended 31/12/12		
	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
Financial assets						
1. Due from banks	—	—	—	—	(32)	(32)
2. Due from customers	640	(978)	(338)	15,777	(9,470)	6,307
3. AFS securities	198,957	(15,912)	183,045	10,747	(22,124)	(11,377)
3.1 Debt securities	41,898	(11,433)	30,465	7,114	(8,530)	(1,416)
3.2 Equities	156,685	(4,479)	152,206	3,623	(13,594)	(9,971)
3.3 UCITS units	374	—	374	10	—	10
3.4 Loans and advances	—	—	—	—	—	—
4. Financial assets held to maturity	45	(1,910)	(1,865)	478	—	478
Total assets	199,642	(18,800)	180,842	27,002	(31,626)	(4,624)
Financial liabilities						
1. Due to banks	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—
3. Debt securities in issue	20	(2,178)	(2,158)	13,545	(235)	13,310
Total liabilities	20	(2,178)	(2,158)	13,545	(235)	13,310

SECTION 8

Heading 130: Adjustments for impairment

8.1 Adjustments for impairment: composition

Transactions/income elements	Value adjustments			Reversals				6 mths ended 31/12/13	6 mths ended 31/12/12
	Specific		Collective	Specific		Collective			
	Writeoffs	Others		A	B	A	B		
A. Amounts due from banks	(37,093)	—	(118)	—	—	—	32	(37,179)	349
- Loans	(37,093)	—	(118)	—	—	—	32	(37,179)	349
- Debt securities	—	—	—	—	—	—	—	—	—
B. Amounts due from customers	(30,041)	(297,537)	(52,453)	1,925	100,439	—	16,744	(260,923)	(235,760)
Impaired assets acquired	(2,612)	(1,210)	X	—	734	—	X	(3,088)	—
- Loans	(2,612)	(1,210)	X	—	734	—	X	(3,088)	—
- Debt securities	—	—	X	—	—	—	X	—	—
Other receivables	(27,429)	(296,327)	(52,453)	1,925	99,705	—	16,744	(257,835)	(235,760)
- Loans	(27,429)	(296,327)	(52,453)	1,925	99,705	—	16,744	(257,835)	(235,760)
- Debt securities	—	—	—	—	—	—	—	—	—
C. Total	(67,134)	(297,537)	(52,571)	1,925	100,439	—	16,776	(298,102)	(235,411)

Legend

A = interest

B = other amounts recovered.

8.2 Net adjustments for impairment to AFS securities: composition

Transactions/income elements	Value adjustments		Amounts recovered		6 mths ended 31/12/13	6 mths ended 31/12/12
	Specific		Specific			
	Writeoffs	Others	A	B		
A. Debt securities	—	—	—	—	—	12,168
B. Equities	—	(2,813)	X	X	(2,813)	(6,121)
C. UCITS units	—	(1,865)	X	—	(1,865)	(569)
D. Loans and advances to banks	—	—	—	—	—	—
E. Loans and advances to customers	—	—	—	—	—	—
F. Total	—	(4,678)	—	—	(4,678)	5,478

Legend

A = interest

B = other amounts recovered.

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

Transactions/income elements	Value adjustments			Amounts recovered				6 mths ended 31/12/13	6 mths ended 31/12/12
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Debt securities	—	—	(218)	—	—	239	131	152	158
B. Loans and advances to banks	—	—	—	—	—	—	—	—	—
C. Loans and advances to customers	—	—	—	—	—	—	—	—	—
D. Total	—	—	(218)	—	—	239	131	152	158

Legend

A = interest

B = other amounts recovered.

8.4 Net adjustments for impairment to other financial transactions: composition

Transactions/income-linked components	Value adjustments			Amounts recovered				6 mths ended 31/12/13	6 mths ended 31/12/12
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Guarantees given	—	—	(489)	—	64	—	—	(425)	(334)
B. Credit derivatives	—	—	—	—	—	—	—	—	—
C. Commitments	—	(744)	(3,115)	—	221	—	14	(3,624)	2,818
D. Other transactions	—	—	—	—	—	—	—	—	—
E. Total	—	(744)	(3,604)	—	285	—	14	(4,049)	2,484

Legend

A = interest

B = other amounts recovered.

SECTION 9

Heading 150: Net premium income

9.1 Net premium income: composition

Premium income from insurance operations	Direct business	Indirect business	6 mths ended 31/12/13	6 mths ended 31/12/12
A. Life business				
A.1 Gross premiums written (+)	—	—	—	—
A.2 Premiums ceded to reinsurers (-)	—	X	—	—
A.3 Total	—	—	—	—
B. Non-life business				
B.1 Gross premiums written (+)	—	21,602	21,602	23,814
B.2 Premiums ceded to reinsurers (-)	—	X	—	—
B.3 Changes in gross amount of reserve for premiums (+/-)	—	(3,142)	(3,142)	(8,653)
B.4 Changes in reserve for premiums payable by reinsurers (- /+)	—	—	—	—
B.5 Total	—	18,460	18,460	15,161
D. Total net premium income	—	18,460	18,460	15,161

SECTION 10

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

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

Items	6 mths ended 31/12/13	6 mths ended 31/12/12
1. Net change in technical reserves	—	—
2. Claims paid out during the year	(5,901)	(4,975)
3. Other income (expenses) from insurance operations	(2,915)	(2,488)
Total	(8,816)	(7,463)

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

Claims expenses	**6 mths ended 31/12/13**	**6 mths ended 31/12/12**
Life business: expenses for claims net of amounts ceded to reinsurers		
A. Amounts paid	—	—
A.1 Gross annual amount	—	—
A.2 (-) Share payable by reinsurers	—	—
B. Changes to reserve due to sums to be paid	—	—
B.1 Gross annual amount	—	—
B.2 (-) Share payable by reinsurers	—	—
Total claims life business	—	—
Non-life business: expenses for claims net of amounts recovered and ceded to reinsurers		
C. Amounts paid	(4,943)	(1,838)
C.1 Gross annual amount	(4,943)	(1,838)
C.2 (-) Share payable by reinsurers	—	—
D. Changes to amounts recovered net of shares payable by reinsurers	—	—
E. Changes to reserve for claims	(958)	(3,137)
E.1 Gross annual amount	(958)	(3,137)
E.2 Share payable by reinsurers	—	—
Total claims non-life business	(5,901)	(4,975)

SECTION 11

Heading 180: Administrative expenses

11.1 Personnel costs: composition

Type of expense/sectors	6 mths ended 31/12/13	6 mths ended 31/12/12
1. Employees	(172,078)	(184,699)
a) wages and salaries	(120,505)	(127,346)
b) social security contributions	(30,471)	(30,172)
c) severance indemnities	—	—
d) pension contributions	—	—
e) transfers to severance indemnity provisions	(5,789)	(7,710)
f) transfers to post-employment and similar benefits provisions:	—	—
– defined benefit	—	—
– defined contribution	—	—
g) amounts paid to external complementary pension schemes:	(5,470)	(5,347)
– defined benefit	(5,470)	(5,347)
– defined contribution	—	—
h) expenses incurred in connection with share payment schemes	(5,242)	(7,809)
– stock options	(521)	(2,672)
– performance shares	(4,721)	(5,137)
i) other staff benefits	(4,662)	(6,315)
2. Other staff	(2,653)	(3,638)
3. Board members	(3,941)	(3,876)
4. Expenses incurred in connection with staff retiring	(365)	(2,203)
Total	(179,037)	(194,416)

11.2 Average number of staff by category

	6 mths ended 31/12/13	6 mths ended 31/12/12
Employees:		
a) Senior executives	198	195
b) Excutives	1,192	1,183
c) Other employees	2,085	2,086
Other staff	189	210
Total	3,664	3,674

11.5 Other administrative expenses: composition

	6 mths ended 31/12/13	6 mths ended 31/12/12
OTHER ADMINISTRATIVE EXPENSES		
– legal, tax and professional services	(14,599)	(14,185)
– loan recovery activity	(22,832)	(22,398)
– marketing and communications	(28,776)	(26,177)
– property	(19,024)	(17,947)
– EDP	(21,669)	(17,202)
– info-provider	(13,837)	(13,364)
– bank charges, collection and payment fees	(8,914)	(10,698)
– operating expenses	(27,169)	(24,565)
– other staff expenses	(8,623)	(9,319)
– other costs	(6,120)	(4,576)
– indirect and other taxes	(22,772)	(20,109)
Total other administrative expenses	(194,335)	(180,540)

SECTION 12

Heading 190: Net transfers to provisions

12.1 Net transfers to provisions: composition

	6 mths ended 31/12/13	6 mths ended 31/12/12
PROVISIONS SET ASIDE TO HEDGE:		
– certain or probable risks and commitments[1]	928	(1,224)
Total net tranfers to provisions	928	(1,224)

[1] Includes the effect of discounting such items.

SECTION 13

Heading 200: Net adjustments to tangible assets

13.1 Net adjustments to tangible assets: composition

Assets/income elements	Depreciation (a)	Value adjustments for impairment (b)	Amounts recovered (c)	Net result (a+b-c)
A. Tangible assets				
A.1 Owned	(8,968)	—	—	(8,968)
– core	(7,742)	—	—	(7,742)
– for investment purposes	(1,226)	—	—	(1,226)
A.2 Acquired under finance leases	—	—	—	—
– core	—	—	—	—
– for investment purposes	—	—	—	—
Total	(8,968)	—	—	(8,968)

SECTION 14

Heading 210: Net adjustments to intangible assets

14.1 Net adjustments to intangible assets: composition

Assets/income elements	Amortization (a)	Value adjustments for impairment (b)	Amounts recovered (c)	Net result (a+b-c)
A. Intangible assets				
A.1 Owned	(9,869)	—	—	(9,869)
– software	(5,532)	—	—	(5,532)
– other	(4,337)	—	—	(4,337)
A.2 Acquired under finance leases	—	—	—	—
Total	(9,869)	—	—	(9,869)

SECTION 15

Heading 220: Other operating income (expense)

15.1 Other operating expense: composition

Income-based components/values	6 mths ended 31/12/13	6 mths ended 31/12/12
a) Leasing activity	(9,630)	(11,128)
b) Sundry costs and expenses	(1,795)	(6,674)
Total	(11,425)	(17,802)

15.2 Other operating income: composition

Income-based components/values	6 mths ended 31/12/13	6 mths ended 31/12/12
a) Amounts recovered from customers	22,929	23,903
b) Leasing activity	8,947	11,236
c) Other income	33,893	41,548
Total	65,769	76,687

SECTION 16

Heading 240: Gains (losses) on equity investments

16.1 Gains (losses) on equity investments: composition

Income-based components/values	6 mths ended 31/12/13	6 mths ended 31/12/12
1. Jointly-controlled companies		
A. Income	—	—
1. Revaluations	—	—
2. Gains on disposals	—	—
3. Amounts recovered	—	—
4. Other increases	—	—
B. Expenses	—	—
1. Writedowns	—	—
2. Adjustments for impairment	—	—
3. Losses from disposals	—	—
4. Other reductions	—	—
Net income	—	—
2. Companies subject to significant influence		
A. Income	135,456	107,079
1. Revaluations	135,456	107,079
2. Gains on disposals	—	—
3. Amounts recovered	—	—
4. Other increases	—	—
B. Expenses	(22,999)	(116,271)
1. Writedowns	(4,386)	(21,254)
2. Adjustments for impairment	(18,613)	(95,017)
3. Losses from disposals	—	—
4. Other reductions	—	—
Net income	112,457	(9,192)
Total	112,457	(9,192)

SECTION 19

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

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

Income elements/sectors	6 mths ended 31/12/13	6 mths ended 31/12/12
A. Properties	—	—
– gains on disposals	—	—
– losses on disposals	—	—
B. Other assets	(56)	2
– gains on disposals	3	2
– losses on disposals	(59)	—
Net gain (loss)	(56)	2

SECTION 20

Heading 290: Income tax on ordinary activities

20.1 Income tax on ordinary activities: composition

Income elements/sectors	6 mths ended 31/12/13	6 mths ended 31/12/12
1. Current taxes	(31,984)	(97,953)
2. Changes in current taxes for previous financial years	(13)	(1,338)
3. Reductions in current tax for the period	91	123
3bis. Reduction in current tax for the year due to tax credits under Italian Law 214/11	5,555	—
4. Changes in advance tax	(646)	15,409
5. Changes in deferred tax	(3,324)	(1,916)
6. Income tax for the year	(30,321)	(85,675)

SECTION 24

Earnings per share

24.1 Average number of ordinary shares on a diluted basis

	6 mths ended 31/12/13	6 mths ended 31/12/12
Net profit	304,741	123,796
Avg. no. of shares in issue	844,315,419	844,119,212
Avg. no. of potentially diluted shares	46,351,338	47,425,494
Avg. no. of diluted shares	890,666,757	891,544,706
Earnings per share	0.361	0.15
Earnings per share, diluted	0.342	0.14

Part E - Information on risks and related hedging policies

SECTION 1

Banking Group risks

1.1 CREDIT RISK

QUALITATIVE INFORMATION

Description of risk governance organization

The Mediobanca Group has equipped itself with a risk governance and control system which is split between the various organizational units involved, to ensure that the major risks to which the Group itself is or might be exposed are managed in optimal fashion, and at the same time to ensure that its operations are consistent with its risk propensity as defined in the Internal Capital Adequacy Assessment Process (ICAAP) report, as required by Bank of Italy Circular 263 - Title III.

The risk management process involves, with different roles and responsibilities, the Group's governing bodies (Board of Directors and Executive Committee) and controlling bodies (Control and Risks Committee and Statutory Audit Committee), as well as the various operating units of both Mediobanca S.p.A. and the other Group companies.

The main units involved in controlling risks are as follows:

– Risk Management;
– Head of Company Financial Reporting;
– Compliance;
– Group Audit.

The Risk Management unit supervises the functioning of the Bank's risk system, defining the appropriate methodologies for measuring the set of risks, current and future, in accordance with the regulatory provisions as well as the Bank's own operational choices, monitoring the performances of the risks and checking that the limits established for the various business lines are complied with. The risk management process, presided over by the Chief Risk Officer who reports directly to the Chief Executive Officer, is carried out via the following units: Enterprise Risk Management, which contributes to the development of policies to manage risk and to quantify risk appetite; Credit Risk Management, responsible for executing credit risk analysis and assigning internal ratings to counterparties; Market Risk Management, which defines the methodologies and metrics for measuring risks in the Financial Markets division; and Operational Risk Management, responsible for developing and maintaining systems to measure and manage operational risks.

The Head of Company Financial Reporting puts in place adequate administrative and accounting procedures for the preparation of the Bank's statutory and consolidated financial statement and every other form of financial communication. He is also head of the ALM and Liquidity unit, which monitors future trends in net interest income and the Group's liquidity situation, reporting on these issues to the ALM Committee.

The Compliance unit, within the regulatory scope defined by the Internal Compliance documents, is responsible for controlling and managing compliance reputational risks, in accordance with the relevant provisions in force. The Compliance unit also houses the Anti-Money-Laundering unit, which is responsible for checking on a continuous basis the company's procedures for preventing and tackling breach of the regulations on money-laundering and terrorist financing.

The Group Audit unit performs internal auditing activities for the entire Group, in accordance with the provisions in respect of "internal control systems" as set down in the "Supervisory Instructions for Banks", the "Supervisory Instructions for Financial Intermediaries registered in the Special Register" and in the "Combined Consob – Bank of Italy Regulations".

Following the introduction of the new regulations on internal control systems (Bank of Italy circular no. 263 issued on 27 December 2006 "New supervisory instructions for banks"– fifteenth update released on 2 July 2013), Mediobanca has launched a project to overhaul and adapt the existing internal controls system to the new regulatory requirements and definition of the Risk Appetite Framework.

Strategies and processes for managing relevant risks.

The Group has identified, based on its own operations and reference markets, the relevant risks to be submitted to specific assessment as part of the ICAAP reporting procedure.

Basel II project

In compliance with the Basel II New Capital Accord transposed into the Italian regulatory framework under Bank of Italy circular no. 263 issued on 27 December 2006 ("New regulations on capital requirements for banks"), the Mediobanca Group has set itself the objective of measuring credit risk using internal ratings.

A specific project has therefore been launched with a view to obtaining ratification by the Bank of Italy of the internal rating models to be used in calculating the capital requirements for credit risk. The internal rating models regard the following customer segments: Banks, Insurances, Large corporate, and Holding companies (customers mostly targeted by Mediobanca S.p.A.), Mid corporate and Small businesses (customers targeted mostly by the leasing companies) and Private individuals (targeted by Compass for consumer credit and CheBanca! for mortgage lending).

Given the above, the timeframe for submitting the application for the IRB system to be validated to the Bank of Italy is still being reviewed; and until the system has been validated, the Mediobanca Group will continue to use the standardized methodology it has adopted since 1 January 2008.

Corporate banking (Mediobanca)

The Group's internal system for managing, evaluating and controlling credit risk reflects its traditional policy based on a prudent and highly selective approach. Lending decisions are based on individual analysis, which builds on adequate and often extensive knowledge of the borrower's business, assets and management, as well as the macro-economic framework in which it operates. Where possible, covenants are incorporated into the terms and conditions of the loan (having regard *inter alia* to the maturity and average size of the facilities concerned) in order to provide for protection against impairment. Applications for finance are processed through the different operating levels, and, if successful, are submitted for approval to the relevant bodies, i.e. the Risks Committee and Executive Committee, depending on the amount required and the credit rating of the counterparty involved, including both internal and external ratings. Once the finance has been disbursed the account is monitored on an ongoing basis, via analysis of published financial statements and a series of other controls to ensure that the covenants have not been breached. Any deterioration in the risk profile of a loan is brought swiftly to the attention of the Bank's operating unit's management.

Leasing

Individual applications are processed using similar methods to those described above for corporate banking. Applications for leases below a predetermined limit received via banks with which Mediobanca has agreements in place are approved by the banks themselves, against written guarantees from them covering a portion of the risk. At SelmaBipiemme, applications for assets worth less than €75,000 are approved using a credit scoring system developed on the basis of historical series of data, tailored to both asset type and the counterparty's legal status (type of applicant company).

Sub-standard accounts are managed in a variety of ways which prioritize either recovery of the amount owed or the asset under lease, according to the specific risk profile of the account concerned. All non-performing, sub-standard and restructured accounts plus impaired, overdue exposures are tested analytically to establish the relative estimated loss against the value of the security provided and/or any other form of real or personal guarantees issued. Other performing accounts are measured individually on the basis of statistics.

Consumer credit (Compass)

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

From the first instance of non-payment, accounts are managed using the entire range of recovery procedures, including postal and telephone reminders, external recovery agents, etc. After six rate overdue instalments (or four in particular cases, such as credit cards), accounts are held to be officially in default, and the client is deemed to have lapsed from the time benefit allowed under Article 1186 of the Italian Civil Code. Between the ninth and the twelfth overdue instalment such accounts are usually sold to Cofactor or to other factoring companies for a percentage of the value of the principal outstanding, which reflects their estimated realizable value.

Mortgage lending (CheBanca!)

Mortgage applications are processed and approved centrally at head office. Approval depends partly on the outcome of a credit scoring system, which is largely determined through individual appraisal of the applicant's income and maximum borrowing levels, as well as the value of the property itself. Risks are monitored on a monthly basis, ensuring the company's loan book is regularly appraised in view of a wide range of indicators, such as amount, sales channel, loan-to-value, etc.

Irregular accounts are managed through monthly reports analysing the commercial, personal and financial aspects of the accounts in order to flag up promptly any potential problem areas using advanced early warning systems linked to public and private databases. Procedurally mortgage loans with four or more unpaid instalments are designated as sub-standard accounts, and generally after the eighth or ninth unpaid instalment become non-performing. Impaired accounts are managed, for out-of-court credit recovery procedures, by a dedicated organizational structure with the help of external collectors. If further signs of deterioration are noted, property enforcement procedures are instigated through external lawyers.

QUANTITATIVE INFORMATION

Credit Quality

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

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

Portfolio/quality	Banking Group					Other		Total
	Non-performing	Potential problem	Restructured	Overdue	Other assets	Overdue	Other assets	
1. Financial assets held for trading	—	—	—	—	12,563,348	—	—	12,563,348
2. AFS securities	—	—	—	—	8,443,422	—	96,005	8,539,427
3. Financial assets held to maturity	—	—	—	—	1,480,893	—	—	1,480,893
4. Due from banks[1]	—	—	—	—	4,555,311	—	33,403	4,588,714
5. Due from customers[2]	287,503	472,148	55,663	200,854	39,573,946	—	14,503	40,604,617
6. Financial assets recognized at fair value	—	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	944,928	—	—	944,928
Total at 31/12/13	287,503	472,148	55,663	200,854	67,561,848	—	143,911	68,721,927
Total at 31/12/12	262,744	298,838	236,804	191,832	65,253,996	—	139,463	66,383,677

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

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

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

Portfolio/quality	Impaired assets			Performing			Total
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
A. Banking group							
1. Financial assets held for trading	—	—	—	X	X	12,563,348	12,563,348
2. AFS securities	—	—	—	8,443,422	—	8,443,422	8,443,422
3. Financial assets held to maturity	—	—	—	1,491,599	(10,706)	1,480,893	1,480,893
4. Due from banks[1]	—	—	—	4,556,618	(1,307)	4,555,311	4,555,311
5. Due from customers[2]	1,815,558	(799,391)	1,016,167	39,879,921	(305,974)	39,573,947	40,590,114
6. Financial assets recognized at fair value	—	—	—	X	X	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	X	X	944,928	944,928
Total A	1,815,558	(799,391)	1,016,167	54,371,560	(317,987)	67,561,849	68,578,016
B. Others							
1. Financial assets held for trading	—	—	—	X	X	—	—
2. AFS securities	—	—	—	96,005	—	96,005	96,005
3. Financial assets held to maturity	—	—	—	—	—	—	—
4. Due from banks	—	—	—	33,403	—	33,403	33,403
5. Due from customers	—	—	—	14,503	—	14,503	14,503
6. Financial assets recognized at fair value	—	—	—	X	X	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	X	X	—	—
Total B	—	—	—	143,911	—	143,911	143,911
Total at 31/6/12	1,815,558	(799,391)	1,016,167	54,515,471	(317,987)	67,705,760	68,721,927
Total at 31/6/11	1,719,999	(729,781)	990,218	52,679,777	(339,111)	65,393,459	66,383,677

[1] The gross exposures include €12.6m versus Iranian counterparties, with unpaid instalments amounting to €470,000.

[2] The performing assets include €54.3m in unpaid instalments, corresponding to a gross exposure (i.e. including the share not yet overdue) of €642.9m (equal to 2% of the performing assets), of which €167.9m is attributable to leasing (5% of the performing loans in this segment), €279.8m to consumer credit (3%), and €144.4m to CheBanca! mortgage receivables (3%). Gross exposures being renegotiated under the terms of collective agreements amount to€20.9m, attributable to CheBanca! mortgages as to €17.7m and to consumer credit as to €3.2m.

Information on sovereign debt exposures

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

Portfolio/quality	Non performing loans				Performing			Total net exposure[1]
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	X	X	X	—	X	X	2,950,248	2,950,248
Italy	X	X	X	—	X	X	1,175,764	1,175,764
Germany	X	X	X	—	X	X	1,365,574	1,365,574
Spain	X	X	X	—	X	X	248,676	248,676
France	X	X	X	—	X	X	45,561	45,561
Turkey	X	X	X	—	X	X	41,443	41,443
Others	X	X	X	—	X	X	73,230	73,230
2.AFS securities	—	—	—	—	5,914,794	—	5,914,794	5,914,794
Italy	—	—	—	—	5,425,745	—	5,425,745	5,425,745
Spain	—	—	—	—	360,160	—	360,160	360,160
Germany	—	—	—	—	53,986	—	53,986	53,986
France	—	—	—	—	34,051	—	34,051	34,051
European Union	—	—	—	—	40,852	—	40,852	40,852
Financial assets held to maturity	—	—	—	—	361,507	—	361,507	361,507
Italy	—	—	—	—	360,906	—	360,906	360,906
Others	—	—	—	—	601	—	601	601
Total at 31/12/13	—	—	—	—	6,276,301	—	9,226,549	9,226,549

* Does not include financial and credit derivatives.

[1] The net exposure includes positions in securities (long and short) recognized at fair value (including the outstanding accrual) except for assets held to maturity which are stated at amortized cost, the implied fair value of which is €36.9m.

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

Portfolio/quality	Trading book[1]			Banking book[2]			
	Nominal value	Book value	Duration	Nominal vlaue	Book value	Fair value	Duration
Italy	1,105,751	1,175,764	4.30	5,685,544	5,786,651	5,810,655	1.52
Germany	1,339,194	1,365,574	2.91	51,500	53,986	53,986	0.22
Spain	250,000	248,676	0.51	360,000	360,160	360,160	0.61
France	44,370	45,561	0.04	34,148	34,051	34,051	1.95
Turkey	39,063	41,443	0.10	—	—	—	—
European Union	—	—	—	40,349	40,852	40,852	0.62
Others	64,982	73,230	—	8,416	601	13,521	—
Total at 31/12/13	2,843,360	2,950,248	—	6,179,957	6,276,301	6,313,225	—

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

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

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

Type of exposure/amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing	—	—	X	—
b) Potential problem	—	—	X	—
c) Restructured	—	—	X	—
d) Overdue	—	—	X	—
e) Other assets	7,109,091	X	(1,307)	7,107,784
Total A	7,109,091	—	(1,307)	7,107,784
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	—	—	X	—
b) Other assets[1]	60,417,036	X	(1)	60,417,035
Total B	60,417,036	—	(1)	60,417,035
Total (A + B)	67,526,127	—	(1,308)	67,524,819

[1] The balance as at 31/12/13 includes €39,822,522,000 in deals matched 100% by hedge buys.

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

Type of exposure/amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing	681,454	(393,951)	X	287,503
b) Potential problem	767,706	(295,558)	X	472,148
c) Restructured	102,468	(46,805)	X	55,663
d) Overdue	263,930	(63,076)	X	200,854
e) Other assets	53,875,171	X	(317,064)	53,558,107
Total A	55,690,729	(799,390)	(317,064)	54,574,275
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	8,103	(994)	X	7,109
b) Other assets	18,526,251	X	(16,400)	18,509,851
Total B	18,534,354	(994)	(16,400)	18,516,960
Total (A+B)	74,225,083	(800,384)	(333,464)	73,091,235

Bad loans include €89.4m in respect of Cofactor's activity (acquisitions of non-performing loans) with a nominal value of €2.5bn; of this amount, €60.8m, with a nominal book value of €1.7bn, involve assets acquired from other Group companies (mainly consumer credit).

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

Description/category	Non-performing	Potential problem	Restructured	Overdue
A. Gross exposure at start of period	601,040	532,615	320,626	265,718
of which: accounts sold but not derecognized	*10,750*	*21,337*	*4,959*	*21,941*
B. Additions	214,764	565,568	43,542	337,976
B.1 transfers from performing loans	7,540	300,236	22,256	323,842
B.2 transfers from other categories of impaired assets	196,568	256,873	9,228	6,384
B.3 other additions	10,656	8,459	12,058	7,750
C. Reductions	(134,350)	(297,912)	(261,700)	(339,128)
C.1 transfers to performing loans	(3,717)	(18,274)	(244,391)[1]	(41,313)
C.2 amounts written off	(6,524)	(4,989)	(6)	(104)
C.3 amounts collected	(32,196)	(31,577)	(11,601)	(22,125)
C.4 gains realized on disposals	(2,179)	(33,823)	—	(18,512)
C.4bis loss realized on disposal	(82,338)	(32,565)	—	(636)
C.5 transfers to other categories of impaired assets	(6,126)	(203,312)	(4,233)	(255,384)
C.6 other reductions	(1,270)	(5,937)	(1,469)	(1,690)
D. Gross exposure at end of period	681,454	767,706	102,468	263,930
of which: accounts sold but not derecognized	*18,648*	*24,270*	*3,728*	*23,630*

[1] Consists in particular of two corporate loans granted by Mediobanca S.p.A.

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

Description/category	Non-performing	Potential problem	Restructured	Overdue
A. Aggregate adjustments at start of period	(338,296)	(233,777)	(83,822)	(73,886)
of which: exposures sold but not derecognized	*(4,976)*	*(4,370)*	—	*(185)*
B. Additions	(172,942)	(209,836)	(3,303)	(49,124)
B.1 value adjustments	(64,485)	(159,565)	(877)	(48,576)
B.1.bis losses following disposals	(154)	(812)	—	—
B.2 transfers from other categories of impaired exposures	(107,741)	(48,693)	(2,420)	(546)
B.3 other increases	(562)	(766)	(6)	(2)
C. Reductions	117,287	148,055	40,320	59,934
C.1 writebacks to value adjustments	12,426	6,238	40,291	4,969
C.2 writebacks following collection	13,443	2,244	23	2,272
C.2.bis gains on disposals	—	—	—	—
C.3 writeoffs	86,773	31,364	6	2,151
C.4 transfers to other categories of impaired exposures	2,370	106,754	—	50,260
C.5 other reductions	2,275	1,455	—	282
D. Aggregate adjustments at end of period	(393,951)	(295,558)	(46,805)	(63,076)
of which: exposures sold but not derecognized	*(6,085)*	*(5,104)*	—	*(1,382)*

B. Loan distribution and concentration

B.4a Credit risk indicators

	31/12/13	30/6/13
a) Gross NPLs/total loans	1.57%	1.30%
b) Irregular items/cash exposures	3.29%	3.22%
c) Net NPLs/regulatory capital	3.41%	3.22%

B.4b Large risks

	31/12/13	30/6/13
a) Book value	10,079,150	12,043,542
b) Weighted value	9,706,687	10,869,923
c) No. of exposures	6	8
d) Large risks/regulatory capital	1.2	1.5

Leveraged finance transactions

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

As at 31 December 2013, commitments to deals of this nature amounted to €1,372.5m – slightly higher than the figure reported at the balance-sheet date (€1,239.7m) – and account for approx. 9% of the corporate, one-third of which in relation to domestic transactions, one deal with a US client, and the remainder deals within the confines of the Eurozone. The leveraged finance market picked up momentum during the six months under review, with repayments totalling €216m (including six deals being wound up) against increases of €349.1m (with eight new deals being opened).

C. Securitizations and asset disposals

C.1 Securitizations

QUALITATIVE INFORMATION

The Group owns a portfolio of securities deriving from securitizations by other issuers worth €265.4m, lower than the €272.8m recorded at 30 June 2013, after disposals and repayments totalling €42.9m and acquisitions of €33.7m. Of these, €13.9m involve collateralized loan obligations with investment-grade rating held as part of the trading portfolio, and €18.4m involves the subscription to the recent deal involving SME receivables implemented by SPV Berica. The implicit losses on the fixed portfolio declined from €27.6m to €11.6m.

The majority of the portfolio is valued on the based on prices supplied by financial information providers. The remainder, virtually all of which is held as part of the banking book, has been valued using fair value models.

The entire portfolio has a rating commensurate with securities of high credit standing issued by at least one of the leading agencies (Standard & Poor's, Moody's e Fitch)m and over 90% consists of senior-ranking securities, the remainder being accounted for by mezzanine (9%) and junior (1%) securities. More than half the portfolio is eligible for refinancing transactions with the European Central Bank.

The ABS market, like those for other credit products, benefited from a widespread search for yields by investors and expectations of less restrictive regulations on capital absorption with the advent of Basel III/Solvency 2, and improved conditions of acceptance as collateral for transactions with the European Central Bank. Securities backed by domestic real estate assets (which account for some 60% of those owned) were boosted by strong demand despite the ongoing difficulties being faced by the sector and the deterioration in the credit rating of certain issuers.

QUANTITATIVE INFORMATION

C.1.1 Banking Group – exposures deriving from securitizations by underlying asset

Type of underlying asset/exposures	Cash exposure[1]					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Using own underlying assets	—	—	—	—	—	—
a) Impaired	—	—	—	—	—	—
b) Other	—	—	—	—	—	—
B) Using customers' underlying assets	238,888	238,888	24,190	24,190	2,303	2,303
a) Impaired	53,969	53,969	—	—	—	—
b) Other	184,919	184,919	24,190	24,190	2,303	2,303

[1] No off-balance-sheet exposure.

C.1.3 Banking Group – exposures deriving from main customer securitizations by asset type/exposure

Type of securitized asset/exposure*	Cash exposures[1]					
	Senior		Mezzanine		Junior	
	Book value	Writedowns/ writebacks	Book v alue	Writedowns/ writebacks	Book value	Writedowns/ writebacks
A. Mortgage loans on Italian properties						
A.1 Velah 4 A2 IT0004102007	26,856	—	—	—	—	—
A.2 IMSER21(ST18)) 5.830 IT0003382972	—	—	18,217	—	—	—
A.3 BP MORTG-43 A2 ind IT0004215320	5,262	53	—	—	—	—
A.4 E-MAC XS0475282322	4,943	(26)	—	—	—	—
A.5 Other	5,468	9	5,973	28	2,303	52
TOTAL A MORTGAGE LOANS ON PROPERTIES	42,529	36	24,190	28	2,303	52
B. State-owned properties						
B.1 Fip Fund-23 A2 FRN IT0003872774	90,440	—	—	—	—	—
TOTAL B STATE-OWNED PROPERTIES	90,440	—	—	—	—	—
C. Other receivables						
C.1 ELM BB.V. FL XS0247902587	22,572	—	—	—	—	—
C.2 ENTASI 16/08/2016 IT0003142996	53,969	—	—	—	—	—
C.3 AVOCA CLO 16/01/2023 MTGE XS0272579763	13,872	—	—	—	—	—
C.4 BERICA PMI SRL 31/05/2057 MTGE IT0004941149	15,362	65				
C.5 Other	144	1	—	—	—	—
TOTAL D OTHER RECEIVABLES	105,919	66	—	—	—	—
TOTAL as at 31/12/13	238,888	102	24,190	28	2,303	52
TOTAL as at 30/6/13	243,668	345	24,470	713	4,709	317

[1] No off-balance-sheet exposure.

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

C.1.4 Banking Group – exposures to securitizations by asset/portfolio type

Exposure/portfolio	Held for trading	Recognized at fair value	Available for sale	Held to maturity	Loans and advances	31/12/13	30/06/13
1. Cash exposures	39,119	—	14,207	40,789	171,266	265,381	272,848
- Senior	30,843	—	14,207	22,572	171,266	238,888	243,669
- Mezzanine	5,973	—	—	18,217	—	24,190	24,470
- Junior	2,303	—	—	—	—	2,303	4,709
2. Off-balance-sheet exposures	—	—	—	—	—	—	—
- Senior	—	—	—	—	—	—	—
- Mezzanine	—	—	—	—	—	—	—
- Junior	—	—	—	—	—	—	—

C.1.7 Banking Group: servicing – collecting securitized receivables and redeeming securities issued by vehicle companies

Servicer	Vehicle company	Securitized assets 31/12/13		Receivables collected during the year		Percentage share of securities repaid 31/12/13					
						Senior		Mezzanine		Junior	
		Non performing	Performing	Non performing	Performing	Non performing loans	Performing loans	Non performing loans	Performing loans	Non performing loans	Performing loans
SelmaBPM Leasing	Quarzo Lease	19,680	254,412	929	36,537	—	33	—	—	—	—
SelmaBPM Leasing	Quarzo Lease	20,740	206,015	2,714	38,211	—	64	—	—	—	—
SelmaBPM Leasing	Quarzo Lease	17,287	240,554	1,728	49,216	—	26	—	—	—	—
Compass	Quarzo	52,933	3,560,180	11	855,573	—	100	—	100	77	23

C.3 Banking Group – covered bond issues

The first public issuance of covered bonds was made during the six months under review, with €1.6bn in CheBanca! mortgage receivables as the underlying instrument, in an amount of €750m, with a ten-year duration, 3.625% coupon and rated 'A', placed with institutional investors. The issue forms part of the €5bn, ten-year programme and replaces the existing €1.5bn programme fully subscribed for by Mediobanca for use as collateral in transactions with the European Central Bank.

1.2 BANKING GROUP – MARKET RISK

1.2.1 INTEREST RATE RISK AND PRICE RISK – TRADING BOOK

QUALITATIVE INFORMATION

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

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

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

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

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

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

The six months under review were characterized by a reduction in spreads

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

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

between Italy and Germany and by stock market prices recovering, with lower volatility levels than seen during the previous months, leading to a marked reduction in risks. The spread between the ten-year Italian BTP and its Bund equivalent in particular fell to a low of 220 basis point at end-December, with yields near to 4%.

The average VaR reading, including also the available-for-sale portfolio, benefited from these developments, falling from €66.7m to €34m, with the figure recorded at end-December had fallen to €20m.

The most pronounced reduction was recorded in the interest rate component, where the average figure declined from €57.6m to €17m, falling gradually from €40m in July to €10m at end-December. The reduction was seen in both types of risk: general, linked to government securities (down from €25m to €8m) and specific, related to corporate and financial bonds (down from €17m to €4m). The contribution from equities rose, from €11.6m to €21.2m, on account of the upturn in share prices partly offset by the disposals for the period (the high of over €35m recorded in July had decreased to €14m by end-December). The other risks (exchange rate, inflation and volatility) were all largely stable.

Table 1: Value at risk and expected shortfall of asset structure

Risk factors (€'000)	**6 mths to 31/12/13**				**6 mths to 31/12/12**
	31/12	**Min**	**Max**	**Avg.**	**Avg.**
Interest rates	10,204	9,003	43,401	16,976	57,637
- of which: specific risk	*3,732*	*3,732*	*16,934*	*8,419*	*19,644*
Share prices	14,106	14,106	35,650	21,212	11,564
Exchange rates	2,571	772	7,307	2,341	3,335
Inflation	1,105	869	3,005	1,458	1,083
Volatility	2,283	1,863	4,706	2,753	3,637
*Diversification effect **	*(10,300)*	*(6,992)*	*(18,584)*	*(10,677)*	*(10,556)*
TOTAL [1]	19,969	19,713	62,514	34,062	66,701
Expected Shortfall	59,166	55,340	111,879	77,659	115,445

* Due to mismatches between risk factors.

[1] For the columns headed "Min.", "Max." and "Avg." the VaR values have been recorded on different dates; hence it is not possible to make a sum of them, as with the data recorded at 31 December 2013.

The expected shortfall[3] also showed a substantial reduction, albeit smaller than that reflected by the VaR, decreasing from €115.4m to €77.1m, due in particular to directional positions on interest rates being wound up.

The VaR on the trading book showed a similar reduction to the one reflected by the aggregate figure, albeit at lower absolute levels: the average figure virtually halved, from €11.4m to €7.5m, with a low of €3.3m at the start of December. The largest reductions involved inflation (down from €1.3m to €0.3m), equities (down from €4.5m to €2m) and interest rates (down from €8.5m to €3.8m). The latter was boosted in particular by the decline in specific risk, which fell from €5.2m to €1.8m, due to the lower exposures to financial bonds. The contribution from volatility was more stable, due to the significant ongoing trading activity, in equity derivatives in particular.

Table 2: Value at risk and expected shortfall: trading book

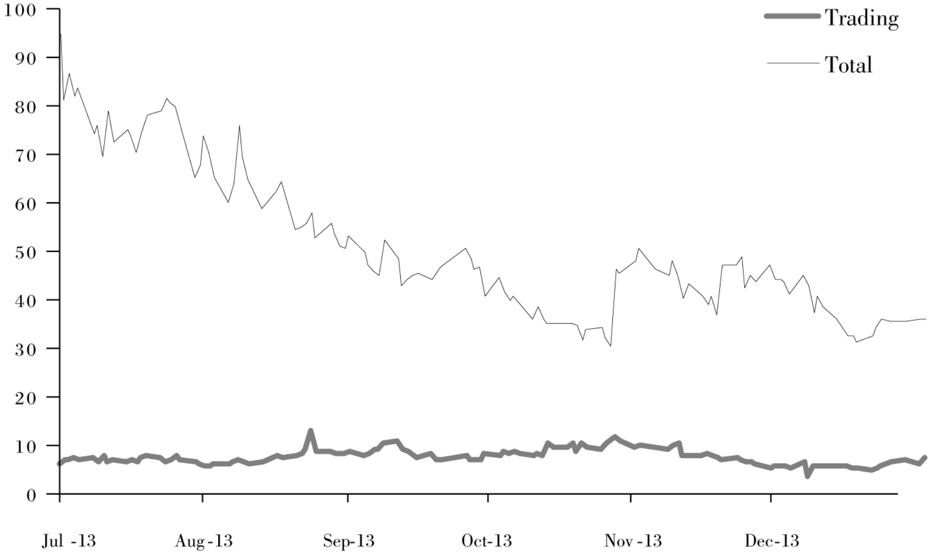
Risk factors (€'000)	**6 mths ended 31/12/13**				**6 mths ended 31/12/12**
	31/12	**Min**	**Max**	**Avg.**	**Avg.**
Interest rates	4,334	1,320	7,782	3,764	8,529
- of which: specific risk	*803*	*556*	*3,046*	*1,754*	*5,248*
Share prices	1,002	797	6,372	2,028	4,545
Exchange rates	5,033	176	5,480	3,553	4,931
Inflation	273	193	576	338	1,290
Volatility	2,354	2,203	4,677	3,183	3,641
*Diversification effect**	*(5,806)*	*(2,496)*	*(9,188)*	*(5,236)*	*(11,566)*
TOTAL	7,190	3,294	12,952	7,538	11,369
Expected Shortfall	16,777	9,137	21,855	14,395	20,266

* Due to mismatches between risk factors.

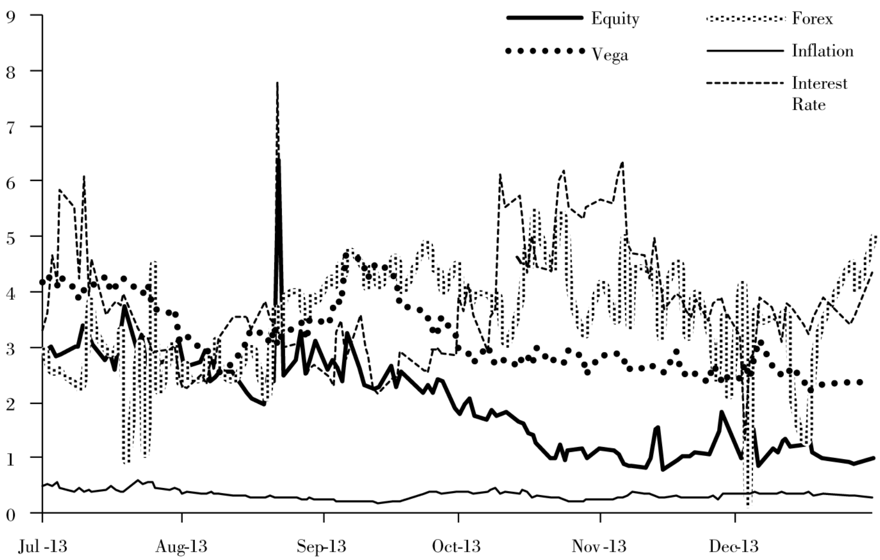
Compared to the aggregate data, the expected shortfall on the trading book showed a much more pronounced reduction, due in particular to the greater weight of exposures to exchange rates and volatility, both of which have suffered in recent years.

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

Trends in VaR



Trends in VaR constituents



The results of the daily back-testing based on calculations of theoretical profits and losses[4] confirm the effectiveness of VaR. For the aggregate portfolio including the AFS positions, the limits were breached on two occasions during the six months under review (in line with the theoretical level of 1% of the readings), once on the AFS equity portfolio (banking book) and once on an exchange rate trading position.

The trading portfolios of the other Group companies continue to be negligible. The most significant contributor after Mediobanca S.p.A. is Compagnie Monégasque de Banque, whose average VaR reading for the period, again based on a 99% confidence level, was €383,000, slightly higher than the €337,000 recorded last year, but still extremely low.

With reference to the sensitivity of net interest income, the trading book (Mediobanca S.p.A. only) as at 31 December 2013 showed a gain of €12m, in the event of a 100 bps rise in interest rates, and a loss of approx. €7.6m in the opposite scenario (100 bps reduction).

Data at 31/12/13 (€m)		**Trading Book**
Net interest income sensitivity	+ 100 bps	11.96
	- 100 bps	(7.56)
Discounted value of cash flows sensitivity	+ 100 bps	(95.13)
	- 100 bps	61.39

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

1.2.2 INTEREST RATE AND PRICE RISK – BANKING BOOK

QUALITATIVE INFORMATION

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

With reference to the Group's banking book positions as at 31 December 2013, in the event of interest rates rising net interest income would fall slightly, by approx. €5.3m, representing the difference between a €3.6m increase for Mediobanca S.p.A. and losses of €4.3m by Compass and CheBanca! which historically show greater exposure to fixed rates. In the event of interest rates falling, the €2.2m loss which Mediobanca would report would be more than offset by the gains that would be recorded by Compass (€3.1m) and CheBanca! (€1.1m). In the light of these trends, the Group's sensitivity to net interest income is substantially balanced.

A positive, 100 basis points shock to the discounted value of future cash flows on the Mediobanca banking book would generate an increase of €112.5m, reflecting the fact that the duration of the funding is longer than those of the loan and bond books. The opposite trend would be recorded by Compass and CheBanca, with losses of €27.4m and €148.6m respectively; while a reduction in interest rates would lead to a €71.4m loss for Mediobanca S.p.A. and gains for the consumer and retail divisions of €29.6m and €95.8m respectively.

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

Data at 31/12/13 (€m)		Banking Book		
		Mediobanca SpA	CheBanca!	Compass
Net interest income sensitivity	+ 100 bps	3.56	(4.28)	(4.59)
	- 100 bps	(2.17)	1.11	3.08
Discounted value of cash flows sensitivity	+ 100 bps	112.50	(148.65)	(27.35)
	- 100 bps	(71.42)	95.83	29.66

At Group level, the values obtained in both scenarios continue to remain within the limits set by both the monitoring regulations and operational controls, which are 7.5% (net interest income sensitivity (including trading book/ regulatory capital). The sensitivity of the economic value calculated with an upward and/or downward shock 200 bps – as required by the Bank of Italy's Supervisory Instructions (Standard Methodology, Title III, Annex C of Circular no. 263) – is still comfortably below 20% of the Group's regulatory capital.

Hedging

Hedges are intended to neutralize possible losses that may be incurred on a given asset or liability, due to the volatility of a certain financial risk factor (interest rate, exchange rate, credit or some other risk parameter), through the gains that may be realized on a hedge instrument which allow the changes in fair value or cash flows to be offset. For fair value hedges in particular, the Group seeks to minimize the financial risk on interest rates by bringing the entire interest-bearing exposure in line with Euribor (generally Euribor 3 months)[5].

B. Fair value hedges

Fair value hedges are used to neutralize exposure to interest rate or credit risk for particular asset or liability positions, via derivative contracts entered into with leading counterparties with high credit standings. All fixed-rate, zero

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

coupon and structured bond issues are fair-value hedged as to the interest rate component. With regard to the structured bonds in particular, if they do not show risks related to the main risk, the interest-rate component (hedge) is stripped out from the other risks represented in the trading book, and usually hedged by trades of the opposing sign.

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

C. Cash flow hedges

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

Cash flow hedges are also implemented by Mediobanca itself to cover the equity risk faced in connection with AFS shares, via forward contracts.

Counterparty risk

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

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

1.2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

A. General aspects, operating processes and measurement techniques

B. Hedging activity

Risks deriving from movements in exchange rates for all the Bank's positions (trading and banking books), are managed by the Financial Markets division. The degree of risk in this area is thus effectively represented by the respective VaR component as shown on p. 140.

During the six months under review the VaR was stable at between €3m and €4m, with a high recorded over the summer (due to long positions being taken on the main currencies as a general hedge of the securities and loans held in the portfolio) and a sharp fall at end-December. The average reading fell accordingly, from €3.2m to €2.3m.

QUANTITATIVE INFORMATION

1.2.4 DERIVATIVE PRODUCTS

A. Financial derivatives

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

Type of transaction	31/12/13		30/6/13	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	109,402,789	12,216,496	111,360,707	68,684,370
a) Options	60,000	9,192,500	5,887	56,849,325
b) Swaps	92,227,789	—	97,089,820	—
c) Forwards	—	—	—	—
d) Futures	—	3,023,996	—	11,835,045
e) Others	17,115,000	—	14,265,000	—
2. Equities and share indexes	24,625,803	12,059,364	27,901,604	29,840,092
a) Options	23,310,057	11,732,505	26,525,407	29,694,729
b) Swaps	1,315,746	—	1,376,197	—
c) Forwards	—	—	—	—
d) Futures	—	326,859	—	145,363
e) Others	—	—	—	—
3. Exchange rates and gold	9,184,690	—	8,993,545	—
a) Options	324,368	—	1,271,886	—
b) Swaps	2,311,626	—	1,881,230	—
c) Forwards	6,548,696	—	5,840,429	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	143,213,282	24,275,860	148,255,856	98,524,462
Average values	145,857,373	61,400,161	158,568,866	71,921,750

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

A.2.1 Hedge derivatives

Type of transaction	31/12/13		30/6/13	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	28,580,069	—	27,511,264	—
a) Options	—	—	—	—
b) Swaps	28,321,671	—	27,252,867	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	258,398	—	258,397	—
2. Equities and share indexes	27	—	2,436	—
a) Options	27	—	59	—
b) Swaps	—	—	—	—
c) Forwards	—	—	2,377	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and gold	14,632	—	15,289	—
a) Options	—	—	—	—
b) Swaps	14,632	—	15,289	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	28,594,728	—	27,528,989	—
Average values	28,074,644	—	29,702,791	—

A.2.2 Other derivatives

Type of transaction	31/12/13		30/6/13	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	537,251	—	537,251	—
a) Options	—	—	—	—
b) Swaps	537,251	—	537,251	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
2. Equities and share indexes	6,120,643	—	6,723,608	—
a) Options	6,120,643	—	6,723,608	—
b) Swaps	—	—	—	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
3. Exchange rates and gold	2,184	—	2,302	—
a) Options	—	—	—	—
b) Swaps	2,184	—	2,302	—
c) Forwards	—	—	—	—
d) Futures	—	—	—	—
e) Others	—	—	—	—
4. Commodities	—	—	—	—
5. Other assets	—	—	—	—
Total	6,660,078	—	7,263,161	—
Average values	6,696,086	—	7,631,974	—

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

Type of transactions	***Positive fair value***			
	31/12/13		**30/6/13**	
	Over the counter	**Central counterparties**	**Over the counter**	**Central counterparties**
A. Regulatory trading book	4,315,328	473,597	4,320,377	867,425
a) Options	1,419,334	456,143	1,315,270	853,684
b) Interest rate swaps	2,574,174	—	2,778,379	—
c) Cross currency swaps	79,900	—	59,329	—
d) Equity swaps	53,115	—	63,358	—
e) Forwards	188,805	—	104,041	—
f) Futures	—	17,454	—	13,741
g) Others	—	—	—	—
B. Banking book: hedge derivatives	1,154,896	—	1,298,768	—
a) Options	—	—	—	—
b) Interest rate swaps	1,001,647	—	1,129,576	—
c) Cross currency swaps	788	—	1,373	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	152,461	—	167,819	—
C. Banking book: other derivatives	146,437	—	144,996	—
a) Options	133,763	—	130,763	—
b) Interest rate swaps	12,674	—	14,233	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	5,616,661	473,597	5,764,141	867,425

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

Type of transactions	***Positive fair value***			
	31/12/13		**30/6/13**	
	Over the counter	**Central counterparties**	**Over the counter**	**Central counterparties**
A. Regulatory trading book	(4,161,022)	(667,645)	(4,414,620)	(968,447)
a) Options	(1,148,580)	(660,738)	(1,150,278)	(958,955)
b) Interest rate swaps	(2,671,754)	—	(2,955,097)	—
c) Cross currency swaps	(62,776)	—	(57,235)	—
d) Equity swaps	(85,335)	—	(147,017)	—
e) Forwards	(192,577)	—	(104,993)	—
f) Futures	—	(6,907)	—	(9,492)
g) Others	—	—	—	—
B. Banking book: hedge derivatives	(527,730)	—	(503,207)	(1)
a) Options	(152,466)	—	(167,843)	—
b) Interest rate swaps	(375,029)	—	(335,211)	—
c) Cross currency swaps	(235)	—	(150)	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	(3)	(1)
f) Futures	—	—	—	—
g) Others	—	—	—	—
C. Banking book: other derivatives	(303,164)	—	(177,176)	—
a) Options	(300,316)	—	(171,230)	—
b) Interest rate swaps	(2,848)	—	(5,946)	—
c) Cross currency swaps	—	—	—	—
d) Equity swaps	—	—	—	—
e) Forwards	—	—	—	—
f) Futures	—	—	—	—
g) Others	—	—	—	—
Total	(4,991,916)	(667,645)	(5,095,003)	(968,448)

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

Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	631,900	1,615,980	—	6,195,506	—
- positive fair value	—	—	21,062	60,802	—	187,857	—
- negative fair value	—	—	(7,877)	(13,312)	—	(313,121)	—
- future exposure	—	—	7,181	5,715	—	60,410	—
2. Equities and share indexes							
- notional value	—	—	1,075	383,775	46,579	498,295	—
- positive fair value	—	—	—	46,491	—	29,512	—
- negative fair value	—	—	—	—	—	(63,644)	—
- future exposure	—	—	65	23,051	4,064	27,232	—
3. Exchange rates and gold							
- notional value	—	—	16	155,680	—	308,332	1
- positive fair value	—	—	—	2,408	—	20,577	—
- negative fair value	—	—	—	(57)	—	(5,518)	—
- future exposure	—	—	—	6,444	—	16,272	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

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

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	83,140,901	16,132,975	1,242,194	443,333	—
- positive fair value	—	—	1,985,942	328,681	146,875	57,338	—
- negative fair value	—	—	(2,216,907)	(226,110)	—	—	—
2. Equities and share indexes							
- notional value	—	—	9,400,533	14,205,567	89,854	125	—
- positive fair value	—	—	502,339	679,367	—	—	—
- negative fair value	—	—	(340,089)	(721,200)	(16)	(3,393)	—
3. Exchange rates and gold							
- notional value	—	—	8,026,905	548,735	—	145,022	—
- positive fair value	—	—	211,420	34,657	—	—	—
- negative fair value	—	—	(232,159)	(2,519)	—	(15,098)	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

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

Contracts not forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	315,049	—	—	—	—
- positive fair value	—	—	153,601	—	—	—	—
- negative fair value	—	—	(8,952)	—	—	—	—
- future exposure	—	—	1,036	—	—	—	—
2. Equities and share indexes							
- notional value	—	—	—	—	—	—	27
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	(5)
- future exposure	—	—	—	—	—	—	2
3. Exchange rates and gold							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—

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

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional value	—	—	26,656,881	1,608,138	—	—	—
- positive fair value	—	—	956,625	43,880	—	—	—
- negative fair value	—	—	(508,740)	(9,798)	—	—	—
2. Equities and share indexes							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
3. Exchange rates and gold							
- notional value	—	—	14,632	—	—	—	—
- positive fair value	—	—	788	—	—	—	—
- negative fair value	—	—	(235)	—	—	—	—
4. Other assets							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

B. Credit derivatives

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

Transaction categories	**Regulatory trading book**		**Other transactions**	
	Individual assets	**Baskets**	**Individual assets**	**Baskets**
1. Hedge buys				
a) Credit default products	1,506,947	40,950,181	474,326	18,000
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total A at 31/12/13	1,506,947	40,950,181	474,326	18,000
Average values	1,712,399	41,709,599	401,859	22,450
Total A at 30/6/ 13	1,901,362	42,469,017	346,386	74,735
2. Hedge sales				
a) Credit default products	1,065,188	40,349,726	147,979	1,049,255
b) Credit spread products	—	—	—	—
c) Total rate of return swaps	—	—	—	—
d) Others	—	—	—	—
Total B at 31/12/13	1,065,188	40,349,726	147,979	1,049,255
Average values	1,165,575	41,223,521	105,817	1,061,609
Total B at 30/6/13	1,325,915	41,767,315	124,987	1,403,963

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

Portfolio/derivative instrument type	***Positive fair value***	
	31/12/13	**30/6/13**
A. Regulatory trading book	742,817	754,633
a) Credit default products	742,817	754,633
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
B. Banking book	22,171	28,349
a) Credit default products	22,171	28,349
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
Total	764,988	782,982

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

Portfolios/derivative instruments type	Negative fair value	
	31/12/13	30/6/13
A. Regulatory trading book	(721,272)	(699,513)
a) Credit default products	(721,272)	(699,513)
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
B. Banking book	(8,739)	(18,354)
a) Credit default products	(8,739)	(18,354)
b) Credit spread products	—	—
c) Total rate of returns swaps	—	—
d) Others	—	—
Total	(730,011)	(717,867)

B.4 OTC credit derivatives: gross positive and negative fair values by counterparty – contracts not forming part of netting arrangements

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
Regulatory trading book							
1. Hedge buys							
- notional value	—	—	—	50,000	—	50,000	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	(3,806)	—	(1,595)	—
- future exposure	—	—	—	2,500	—	2,500	—
2. Hedge sales							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
Banking book *							
1. Hedge buys							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
2. Hedge sales							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

* Derivatives embedded in bonds issued not included.

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

Contracts forming part of netting arrangements	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
Regulatory trading book							
1. Hedge buys							
- notional value	—	—	41,665,284	691,844	—	—	—
- positive fair value	—	—	40,808	1,096	—	—	—
- negative fair value	—	—	(666,419)	(10,805)	—	—	—
2. Hedge sales							
- notional value	—	—	41,108,986	305,928	—	—	—
- positive fair value	—	—	690,487	10,427	—	—	—
- negative fair value	—	—	(37,945)	(701)	—	—	—
Banking book *							
1. Hedge buys							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
2. Hedge sales							
- notional value	—	—	—	—	—	—	—
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—

* Derivatives embedded in bonds issued not included.

C. Credit and financial derivatives

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

	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial companies	Other counterparties
1) Financial derivatives bilateral agreements							
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
- net counterparty risk	—	—	—	—	—	—	—
2) Credit derivatives bilateral agreeements							
- positive fair value	—	—	—	—	—	—	—
- negative fair value	—	—	—	—	—	—	—
- future exposure	—	—	—	—	—	—	—
- net counterparty risk	—	—	—	—	—	—	—
3) "Cross product" agreements*							
- positive fair value	—	—	660,938	208,318	146,875	42,240	—
- negative fair value	—	—	(274,901)	(81,001)	(16)	(3,393)	—
- future exposure	—	—	665,419	317,639	13,183	8,345	—
- net counterparty risk	—	—	839,389	484,027	153,818	50,585	—

* Representing the sum of the positive fair value and the future exposure net of cash collateral received amounting to €535,140,000, €486,970,000 of which in respect of banks, €41,930,000 of financial companies and €6,240,000 of insurances; conversely, to cover negative fair value readings, cash collateral of €316,080,000 was paid in, €261,230,000 of which in respect of banks, €50,490,000 of financial companies, €1,210,000 of insurances, and €3,150,000 of non-financial companies.

1.3 BANKING GROUP: LIQUIDITY RISK

QUALITATIVE INFORMATION

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

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

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

In particular, monitoring operating liquidity management guarantees an adequate ratio between counterbalancing capacity (defined principally as cash and securities eligible for refinancing with the ECB available post-haircut) and net cash outflows as calculated in stress scenarios. Monitoring structural liquidity, meanwhile, analyses the maturity profiles for both assets and liabilities, checking that inflows cover 100% of outflows for maturities of more than one year, and at least 90% of outflows for maturities of more than five years.

In addition to the monitoring described above, the ALM Monitoring and Risk Management units carry out weekly stress tests, assuming certain extraordinary factors such as: a) drawdowns on committed lines granted to customers, b) reduction in the debt securities funding channel, and c) partial renewal of retail funding falling due.

The Group has also prepared a plan for managing the possibility of liquidity crises which identifies parties, responsibilities and reporting procedures for dealing with emergency situations (the contingency liquidity funding plan).

To this end, a dashboard has been developed which, in conjunction with the stress tests, provides a system of Early Warning Indicators (EWI). This dashboard is a useful instrument to help management to monitor those situations which could generate a deterioration in the Group's liquidity position deriving from external factors (e.g. market or sector) or from developments that are specific to the Group.

A steering committee monitors fortnightly both the Bank's liquidity and the sustainability of the business development on the Bank's asset structure.

During the six months under review, the retention of a substantial portfolio of securities has ensured that the balance of estimated net outflows has always been far below the counterbalance capacity, in both situations (i.e. normal business and stressed conditions): meaning that all the supervisory limits/thresholds set down in the Policy have been complied with.

As at 31 December 2013, the stock of bonds available for cash delivery to the ECB (net of haircuts) amounted to approx. €14.5bn (30/6/13: €13bn), while the liquidity reserves held with the ECB stood at around €8.4bn (€8.3bn), €1.2bn (€0.7bn) of which available in cash and not drawn, included in the stock referred to above.

The regulatory indicators provided for under Basel III, as defined in the new version dated January 2013, were complied with (LCR and NSFR >100%).

Following the issue of the new prudential regulations for banks (CRR/CRD IV), as from April 2014 new reporting will be introduced (with reference to data as at 31 March) introducing a short-term liquidity coverage ratio to be calculated monthly, and a simplified indicator (Stable Funding, or SF) for the medium term, once a quarter.

QUANTITATIVE INFORMATION

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

Items/maturities	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	5,031,205	3,999,066	1,124,841	4,267,384	4,308,139	3,722,247	5,523,823	22,951,862	9,375,612	53,247
A.1 Government securities	12,549	66,051	93,006	979,883	1,414,153	1,230,172	1,628,063	4,475,426	974,311	—
A.3 Other debt securities	1	—	85,117	300,890	415,934	561,859	605,909	1,973,143	1,551,720	—
A.4 UCITS units	—	—	—	—	—	—	—	—	—	32,090
A.5 Loans and advances	5,018,655	3,933,015	946,718	2,986,611	2,478,052	1,930,216	3,289,851	16,503,293	6,849,581	21,157
– to banks	2,319,177	134,940	11,958	170,415	733,437	29,004	158,954	417,486	126,129	4,908
– to customers	2,699,478	3,798,075	934,760	2,816,196	1,744,615	1,901,212	3,130,897	16,085,807	6,723,452	16,249
Cash liabilities	5,019,117	4,860,334	2,019,310	1,595,778	7,751,410	4,201,189	7,588,905	19,882,433	5,332,969	9,702
B.1 Deposits and currentaccounts	4,970,337	3,184,171	1,745,485	1,106,962	3,409,842	2,797,898	3,495,100	8,568,827	327,057	9,657
– to banks	1,663,127	457,666	1,026,727	2	61,335	9,096	36,257	7,368,557	279,112	2,891
– to customers	3,307,210	2,726,505	718,758	1,106,960	3,348,507	2,788,802	3,458,843	1,200,270	47,945	6,766
B.2 Debt securities	3,444	1,177	16,076	432,986	4,219,337	1,378,261	4,093,805	11,313,606	5,005,912	45
B.3 Other liabilities	45,336	1,674,986	257,749	55,830	122,231	25,030	—	—	—	—
Off-balance-sheet transactions	9,522,478	16,498,997	666,843	2,745,948	4,504,036	2,524,093	4,983,516	11,172,478	4,577,843	342
C.1 Financial derivatives with exchange of principal	—	11,842	—	1,267,724	1,927,671	156,387	285,642	164,190	189,000	—
– long positions	—	1,438	—	567,889	737,179	72,841	51,277	73,998	94,500	—
– short positions	—	10,404	—	699,835	1,190,492	83,546	234,365	90,192	94,500	—
C.2 Financial derivatives without principal exchange of	7,125,095	2,404	18,095	43,237	257,631	198,665	370,346	5,998	—	—
– long positions	3,679,796	506	13,665	20,720	199,751	113,106	228,846	736	—	—
– short positions	3,445,299	1,898	4,430	22,517	57,880	85,559	141,500	5,262	—	—
C.3 Deposits and loans for collection	—	9,076,942	610,415	1,144,590	1,604,173	976,404	2,284,829	4,997,580	2,092,023	—
– long positions	—	9,076,942	610,415	1,094,739	525,482	85,900	—	—	—	—
– short positions	—	—	—	49,851	1,078,691	890,504	2,284,829	4,997,580	2,092,023	—
C.4 Irrevocable commitments to disburse funds *	1,607,858	7,407,809	38,333	285,397	511,361	1,008,920	1,715,587	3,826,443	1,428,906	342
– long positions	13,357	102,003	23,333	285,397	511,361	1,008,920	1,715,587	3,826,443	1,428,906	171
– short positions	1,594,501	7,305,806	15,000	—	—	—	—	—	—	171
C.5 Financed guarantees issued	40,382	—	—	—	—	—	—	11,429	895	—
C.6 Financial guarantees received	—	—	—	—	—	—	—	—	—	—
C.7 Credit derivatives with exchange of principal	—	—	—	5,000	203,200	183,717	327,112	2,166,838	867,019	—
- long positions	—	—	—	—	35,500	23,859	84,506	1,130,710	601,869	—
- short positions	—	—	—	5,000	167,700	159,858	242,606	1,036,128	265,150	—
C.8 Credit derivatives without exchange of principal	749,143	—	—	—	—	—	—	—	—	—
- long positions	374,651	—	—	—	—	—	—	—	—	—
- short positions	374,492	—	—	—	—	—	—	—	—	—

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

Currency of denomination: US DOLLARS

Items/maturities	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	308,335	22,684	49,568	88,220	106,746	71,431	150,277	617,285	415,023	1,293
A.1 Government securities	—	—	8,050	4,555	8,338	2,813	22,394	29,046	117,118	—
A.3 Other debt securities	—	—	41,511	4,614	13,624	11,674	14,293	225,088	123,947	—
A.4 UCITS units	—	—	—	—	—	—	—	—	—	1,286
A.5 Loans and advances	308,335	22,684	7	79,051	84,784	56,944	113,590	363,151	173,958	7
– to banks	194,603	21,769	—	299	938	42,190	33,143	1,308	—	—
– to customers	113,732	915	7	78,752	83,846	14,754	80,447	361,843	173,958	7
Cash liabilities	517,361	40,884	9,063	26,930	93,866	13,500	15,153	222,304	42,812	6
B.1 Deposits and currentaccounts	517,357	40,884	9,063	26,670	92,660	3,986	5,541	—	35,142	6
– to banks	156,038	—	—	14,502	68,190	—	—	—	35,142	—
– to customers	361,319	40,884	9,063	12,168	24,470	3,986	5,541	—	—	6
B.2 Debt securities	4	—	—	260	1,206	9,514	9,612	222,304	7,670	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	1,431,408	2,265	277,187	77,559	193,606	252,405	638,795	1,415,980	382,858	—
C.1 Financial derivatives with exchange of principal	—	2,265	243,992	77,467	128,346	16,242	429,136	702,269	130,520	—
– long positions	—	2,206	242,542	74,989	29,729	16,242	87,783	—	—	—
– short positions	—	59	1,450	2,478	98,617	—	341,353	702,269	130,520	—
C.2 Financial derivatives without principal exchange of	382,110	—	150	92	—	187	972	—	—	—
– long positions	206,249	—	150	46	—	167	339	—	—	—
– short positions	175,861	—	—	46	—	20	633	—	—	—
C.3 Deposits and loans for collection	—	—	—	—	—	—	—	—	—	—
– long positions	—	—	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds *	397,231	—	—	—	—	60,093	54,383	237,435	45,319	—
– long positions	—	—	—	—	—	60,093	54,383	237,435	45,319	—
– short positions	397,231	—	—	—	—	—	—	—	—	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—
C.6 Financial guarantees received	—	—	—	—	—	—	—	—	—	—
C.7 Credit derivatives with exchange of principal	—	—	33,045	—	65,260	175,883	154,304	476,276	207,019	—
- long positions	—	—	33,045	—	39,881	54,383	64,934	211,014	152,636	—
- short positions	—	—	—	—	25,379	121,500	89,370	265,262	54,383	—
C.8 Credit derivatives without exchange of principal	652,067	—	—	—	—	—	—	—	—	—
- long positions	337,062	—	—	—	—	—	—	—	—	—
- short positions	315,005	—	—	—	—	—	—	—	—	—

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

Currency of denomination: OTHER

Items/maturities	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	71,096	208,226	8,285	157,231	59,026	30,398	14,013	303,754	27,661	41
A.1 Government securities	—	—	—	—	—	24,668	1,216	—	9,277	—
A.3 Other debt securities	—	—	—	35,027	18,473	24	206	2,577	3,264	—
A.4 UCITS units	—	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	71,096	208,226	8,285	122,204	40,553	5,706	12,591	301,177	15,120	41
– to banks	65,629	141,674	—	6	—	—	—	—	—	40
– to customers	5,467	66,552	8,285	122,198	40,553	5,706	12,591	301,177	15,120	1
Cash liabilities	151,950	11,994	4,620	23,213	9,733	14,191	1,940	243,391	—	—
B.1 Deposits and currentaccounts	151,950	11,994	4,514	23,213	9,733	6,946	1,034	—	—	—
– to banks	197	—	—	—	—	—	—	—	—	—
– to customers	151,753	11,994	4,514	23,213	9,733	6,946	1,034	—	—	—
B.2 Debt securities	—	—	106	—	—	7,245	906	243,391	—	—
B.3 Other liabilities	—	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	959,504	99,001	123,911	446,866	696,787	448,803	1,961,673	3,510,847	215,256	—
C.1 Financial derivatives with exchange of principal	—	79,306	123,111	431,459	696,045	422,046	1,944,221	3,232,266	185,269	—
– long positions	—	79,305	42,582	221,898	349,828	211,023	972,104	1,548,688	—	—
– short positions	—	1	80,529	209,561	346,217	211,023	972,117	1,683,578	185,269	—
C.2 Financial derivatives without principal exchange of	659,729	—	—	—	709	1,569	5,457	—	—	—
– long positions	330,990	—	—	—	336	1,259	3,059	—	—	—
– short positions	328,739	—	—	—	373	310	2,398	—	—	—
C.3 Deposits and loans for collection	—	—	—	—	—	—	—	—	—	—
– long positions	—	—	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	—	—
C.4 Irrevocable commitments to disburse funds *	272,534	19,695	800	15,407	33	—	—	206,613	29,987	—
– long positions	—	19,695	800	15,407	33	—	—	206,613	29,987	—
– short positions	272,534	—	—	—	—	—	—	—	—	—
C.5 Financed guarantees issued	—	—	—	—	—	—	—	—	—	—
C.6 Financial guarantees received	—	—	—	—	—	—	—	—	—	—
C.7 Credit derivatives with exchange of principal	—	—	—	—	—	25,188	11,995	71,968	—	—
- long positions	—	—	—	—	—	12,594	5,997	35,984	—	—
- short positions	—	—	—	—	—	12,594	5,998	35,984	—	—
C.8 Credit derivatives without exchange of principal	27,241	—	—	—	—	—	—	—	—	—
- long positions	14,821	—	—	—	—	—	—	—	—	—
- short positions	12,420	—	—	—	—	—	—	—	—	—

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

1.4 BANKING GROUP – OPERATIONAL RISKS

QUALITATIVE INFORMATION

Definition

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

Capital requirements for operational risk

Mediobanca has decided to adopt the Basic Indicator Approach (BIA) in order to calculate the capital requirement for covering operating risk, applying a margin of 15% to the average of the last three years' readings of total income. Based on this method of calculation, the capital requirement at the reporting date is the same as at 30 June 2013, i.e. €257.1m.

Risk mitigation

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

In accordance with the policy adopted by the Group for managing operational risks and in line with the principle of proportionality, the processes of identifying, assessing , collecting loss data on and mitigating operational risks are defined and implemented at the level of Mediobanca S.p.A. and the main Group companies.

Such processes involve liaising with the other bodies and persons responsible for controls, such as the head of company financial reporting and the Compliance and Group Audit unit, in accordance with their respective duties and responsibilities.

With reference to the possibility of losses caused by interruptions in operations or systems being unavailable, the Group has drawn up operating continuity and disaster recovery plans to ensure that activity can continue and to limit operating losses in the event of prolonged interruptions.

Legal risk: risks deriving from litigation pending

Apart from the claim pending against Mediobanca S.p.A. described on pp. 45-46, the Group faces no legal risk worthy of note.

1.5 BANKING GROUP – OTHER RISKS

QUALITATIVE INFORMATION

As part of the Internal Capital Adequacy Assessment Process (ICAAP) required by the regulations in force, the Group has identified the following types of risk as relevant (in addition to those discussed previously, i.e. credit risk, counterparty risk, market risk, interest rate risk, liquidity risk and operational risk):

– concentration risk, i.e. risk deriving from a concentration of exposures to individual counterparties or groups of counterparties ("single name concentration risk") or to counterparties operating in the same economic sector or which operate in the same business or belong to the same geographical area (geographical/sector concentration risk);

– strategic risk, both in the sense of risk deriving from current and future changes in profits/margins compared to estimated data, due to volatility in volumes or changes in customer behaviour (business risk), and of current and future risk of reductions in profits or capital deriving from disruption to business as a result of adopting new strategic choices, wrong management decisions or inadequate execution of decisions taken (pure strategic risk);

– compliance risk, i.e. the risk of incurring legal or administrative penalties, significant financial losses or damages to the Bank's reputation as a result of breaches of external laws and regulations or self-imposed regulations;

– reputational risk, i.e. the current and future risk of reductions in profits or capital deriving from a negative perception of the Bank's image by customers, counterparties, shareholders, investors or regulatory authorities;

– residual risk, i.e. the risk that the recognized techniques used by the Bank to mitigate credit risk should prove to be less effective than anticipated.

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

Part F - Information on consolidated capital

SECTION 1

Consolidated capital

B. Quantitative information

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

Net equity constituents	Banking group	Insurance companies	Other companies	Elisions/ adjustments upon-consolidation	Total
Share capital	455,513	—	—	—	455,513
Share premium	2,127,359	—	—	—	2,127,359
Reserves	4,225,810	15,000	821	(15,821)	4,225,810
Equity instruments	—	—	—	—	—
Treasury shares	(199,233)	—	—	—	(199,233)
Valaution reserves:	505,800	1,390	—	(1,390)	505,800
- AFS securities	335,847	1,390	—	2,255	339,492
- Property, plant and equipment	—	—	—	—	—
- Intangible assets	—	—	—	—	—
- Foreign investment hedges	—	—	—	—	—
- Cash flow hedges	(69,423)	—	—	—	(69,423)
- Exchange rate differences	—	—	—	—	—
- Non-current assets being sold	—	—	—	—	—
- Actuarial gains (losses) on defined-benefit pension schemes	768	—	—	—	768
- Share of valuation reserves represented by equity-accounted companies	223,546	—	—	(3,645)	219,901
- Special valuation laws	15,062	—	—	—	15,062
Gain (loss) for the period attributable to the Group/minorities	280,634	7,449	456	13,364	301,903
Total	7,395,883	23,839	1,277	(3,847)	7,417,152

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

B.2 AFS valuation reserves: composition

Assets/amounts	Banking group		Insurance companies		Other companies		Elisions/adjustments upon consolidation		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	102,018	(9,743)	1,269	(85)	—	—	929	—	104,216	(9,828)
2. Equities	230,718	(478)	—	—	—	—	—	—	230,718	(478)
3. OICR units	13,608	(70)	—	—	—	—	1,326	—	14,934	(70)
4. Loans and advances	—	—	—	—	—	—	—	—	—	—
Total at 31/12/13	346,344	(10,291)	1,269	(85)	—	—	2,255	—	349,868	(10,376)
Total at 30/6/13	174,983	(31,278)	1,385	(33)	—	—	930	(1,409)	177,298	(32,720)

B.3 AFS valuation reserves: movements during the period

	Debt securities	Equities	OICR units	Loans	Total
1. Opening balance	68,260	59,455	16,863	—	144,578
2. Additions	63,948	215,933	774	—	280,655
2.1 Increases in fair value	51,357	215,933	774	—	268,064
2.2 Negative reserves charged back to profit and loss as a result of	12,591	—	—	—	12,591
– impairment	—	—	—	—	—
– disposals	12,591	—	—	—	12,591
2.3 Other additions	—	—	—	—	—
3. Reductions	37,820	45,148	2,773	—	85,741
3.1 Reductions in fair value	16,260	7,724	2,423	—	26,406
3.2 Adjustments for impairment	—	—	209	—	209
3.3 Positive reserves credited back to profit and loss as a result of: disposals	21,560	37,424	141	—	59,125
3.4 Other reductions	—	—	—	—	—
4. Balance at end of period	94,388	230,240	14,864	—	339,492

SECTION 2

Regulatory and supervisory capital requirements for banks

Capital is the first and most important safeguard of a bank's stability. For this reason, the international and domestic supervisory bodies have established rigorous rules for calculating regulatory capital and the minimum capital requirements with which banks are bound to comply. Once a year the supervisory authorities carry out a supervisory review and evaluation process (SREP) which includes risk profiles and the systems and controls for governing them, setting the target capitalization for the Group and its international banking subsidiaries.

Since its inception one of the distinguishing features of the Mediobanca Group has been the solidity of its financial structure, with capital ratios that have been consistently and significantly higher than those required by the regulatory guidelines, as shown by the Internal Capital Adequacy Assessment Process (ICAAP) and the information disclosed to the public as required under Pillar III of Basel II, with the latter document published on the Bank's website at www.mediobanca.it. Based on the valuations carried out, the authorities considered the capital of the Group and its non-Italian banking subsidiary to be adequate to cover the risks contemplated under Pillar I and Pillar II.

2.1 Scope of application of regulations

Regulatory capital has been calculated on the basis of Bank of Italy circulars no. 263 issued on 27 December 2006 (fifteenth update 2 July 2013) and no. 155 (fifteenth update 19 March 2013) which transpose the new prudential guidelines for banks and banking groups introduced by the New Basel Capital Accord (Basel 2.5) into the Italian regulatory framework.

The Group has opted for "full neutralization", whereby the valuation reserves for sovereign debt issued by EU member states and held as AFS financial assets can be neutralized for the purpose of calculating regulatory capital, as permitted by the Bank of Italy in its guidance issued on 18 May 2010 and confirmed, as from 1 January 2014, by Article 467 of the CRR, according to the methods laid down in Bank of Italy circular no. 285.

The new supervisory regulations known as CRR/CRD IV came into force on 1 January 2014. The regulations, which introduce stricter requirements in respect of holdings in insurance companies and indirect and synthetic financial investments, have been transposed into the Italian regulatory framework by Bank of Italy circulars no. 285 and 286 issued on 17 December 2013, which provide for a phase-in period. The Bank of Italy also admits the possibility, under certain conditions, to weight investments in insurance companies of under 15% rather than having to deduct them. Mediobanca intends to avail itself of this right in respect of its holding in Assicurazioni Generali. Certain issues remain to be clarified regarding the calculation of the ratios, in respect of which queries have been opened with the EBA.

2.2 Regulatory capital requirements for banks

A. Qualitative information

1. Tier 1 and tier 2 capital

Tier 1 capital consists of the share attributable to the Group and to minority shareholders of capital paid up and reserves, net of the loss for the period net of treasury shares (€199.2m), intangible assets (€57.9m), goodwill (€370.7m), plus 50% of the book value of the Bank's investments in banks and financial services companies and its subsidiary operating in the insurance industry (equal to €37.1m).

Tier 2 capital includes 50% of the positive reserves for AFS securities (€286.8m), which does not include the net gain of EU member states' government securities (minus €38.3m), reserves for property valuations (€15.1m), Tier 2 subordinated liabilities (€1,795m) and exchange rate differences (€56.7m), net of the additional share of the NAV of the investments (€37.1m).

B. Quantitative information

	31/12/13	30/6/13
A. Tier 1 capital prior to application of prudential filters	6,356,737	6,213,415
B. Tier 1 prudential filters:		
B.1 IAS/IFRS positive filters	—	—
B.2 IAS/IFRS negative filters	—	—
C. Tier 1 capital gross of items to be deducted	6,356,737	6,213,415
D. Items for deduction from Tier 1 capital	(37,099)	(60,230)
E. Total Tier 1 capital	6,319,638	6,153,185
F. Tier 2 capital prior to application of prudential filters	2,478,711	2,296,884
G. Tier 2 prudential filters:		
G.1 IAS/IFRS positive filters	—	—
G.2 IAS/IFRS negative filters	(325,146)	(234,457)
H. Tier 2 capital gross of items to be deducted	2,153,565	2,062,427
I. Items for deduction from Tier 2 capital	(37,099)	(60,230)
L. Total Tier 2 capital	2,116,466	2,002,197
M. Items for deduction from Total Tier 1 and Tier 2 capital	—	—
N. Regulatory capital	8,436,104	8,155,382
O. Total Tier 3 capital	—	—
P. Total regulatory capital including Tier 3	8,436,104	8,155,382

2.3 Capital adequacy

A. Qualitative information

As at 31 December 2013, the Group's tier 1 ratio, calculated as tier 1 capital as a percentage of risk-weighted assets, amounted to 11.94%, higher than the figure posted at 30 June 2013 (11.75%), chiefly due to the increase in capital as a result of the profit for the period, with risk-weighted assets up slightly (by €550m, €400m of which loans and €150m of which in respect of market risks); the total capital ratio was up by an equivalent amount, from 15.57% to 15.94%.

B. Quantitative information

Categories/amounts	Unweighted amounts		Weighted amounts/requirements	
	31/12/13	30/6/13	31/12/13	30/6/13
A. RISK ASSETS				
A.1 Credit and counterpart risk	65,571,683	65,930,757	42,991,394	42,594,197
1. Standard methodology	65,345,963	65,685,260	42,671,417	42,222,627
2. Internal rating methodology	—	—	—	—
2.1 Basic	—	—	—	—
2.2 Advanced	—	—	—	—
3. Securitization	225,720	245,497	319,977	371,570
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterpart risk			3,439,312	3,407,536
B.2 Market risk			537,161	525,166
1. Standard methodology			510,553	503,482
2. Internal models			—	—
3. Concentration risk			26,608	21,684
B.3 Operational risk			257,064	257,064
1. Basic Indicator Approach (BIA)			257,064	257,064
2. Standard methodology			—	—
3. Advanced methodology			—	—
B.4 Other prudential requirements			—	—
B.5 Other calculation elements			—	—
B.6 Total prudential requirements			4,233,537	4,189,766
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			52,919,213	52,372,075
C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			11.94%	11.75%
C.3 Regulatory capital/risk-weighted assets (total capital ratio)			15.94%	15.57%

Part H - Related party disclosure

1. Related party disclosure

Transactions with related parties are governed by the Bank's "Procedure in respect of transactions with related parties and their associates", which came into force in December 2012, in pursuance of Consob resolution no. 17221 issued on 12 March 2010 and the Bank of Italy's instructions in respect of "Risk assets and conflicts of interest with related parties" released on 15 December 2011; the procedure is available on the Bank's website at www.mediobanca.it.

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

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

1.1 Regular financial disclosure: most significant transactions

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

1.2 Quantitative information

The exposure (representing the sum of assets plus guarantees and commitments) declined from €3.9bn as at 30 June 2013 to €3.5bn, partly due to both Gemina and Pirelli exiting the scope of consideration (the former due to the disposal of the sale, the latter to the shareholders' agreement being wound up). Overall, accounts with related parties represent some 4.7% of the total asset aggregates and 3.7% of interest income (compared with 5.5% and 5% last year).

Situation as at 31 December 2013

(€m)

	Directors, statutory auditors and strategic management	Associates*	Other related parties	Total
Assets	1.0	1,903.6	1,029.7	2,934.3
of which: other assets	—	*687.3*	*324.2*	*1,011.5*
loans and advances	*1.0*	*1,216.3*	*705.5*	*1,922.8*
Liabilities	35.7	3.3	649.2	688.2
Guarantees and commitments	—	—	595.9	595.9
Interest income	—	32.6	15,0	47.6
Interest expense	(0.5)	—	(3.3)	(3.8)
Net fee income	—	12.9	2.4	15.3
Other income (costs)	(17.1) [1]	13.8	124.5	121.2

[1] Of which: short-term benefits amounting to €15.8m, stock options worth €0.1m and performance shares worth €0.4m. The figure includes those staff comprised in the aggregate "Strategic management" during the year.

* Includes accounts with Telco, RCS MediaGroup, Pirelli and Gemina.

Situation as at 30 June 2013

(€m)

	Directors, statutory auditors and strategic management	Associates*	Other related parties	Total
Assets	1.*0*	2,152.5	1,416.9	3,570.4
of which: other assets	—	*891.1*	*413.6*	*1,304.7*
loans and advances	*1.0*	*1,261.4*	*1,003.3*	*2,265.7*
Liabilities	28.1	3.6	474.0	505.7
Guarantees and commitments	—	5.8	308.9	314.7
Interest income	—	73.4	34.3	107.7
Interest expense	(1.*0*)	—	(4.2)	(5.2)
Net fee income	—	10.8	17.1	27.9
Other income (costs)	(30.4) [1]	39.8	97.2	106.6

[1] Of which: short-term benefits amounting to €28.5m, stock options worth €0.9m and performance shares worth €0.9m. The figure includes those staff comprised in the aggregate "Strategic management" during the year.

* Includes accounts with Telco, RCS MediaGroup, Pirelli and Gemina.

Part I - Share-based payment schemes

A. QUALITATIVE INFORMATION

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

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

Extraordinary general meeting held on	No. of shares approved	Awards expire on	Deadline for exercising options	No. of options and performing shares awarded
29 March 1999	3,130,000	30 July 2006	31 December 2011	3,130,000
30 July 2001	50,000,000	30 July 2006	1 July 2015	48,495,250
28 October 2004	15,000,000	28 October 2009	1 July 2020	13,340,000
of which to directors [1]	*4,000,000*	*28 October 2009*	*1 July 2020*	*3,375,000* [2]
27 October 2007	40,000,000	27 June 2012	1 July 2022	16,266,000
TOTAL STOCK OPTIONS	108,130,000	X	X	81,231,250
28 October 2010	20,000,000	X	X	8,199,709
TOTAL PERFORMANCE SHARES	20,000,000	X	X	8,199,709

[1] At a general meeting held on 27 June 2007, shareholders approved a proposal to grant stock options to Board members.

[2] 2,000,000 of which granted to one former director.

2. Description of stock option schemes

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

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

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

No stock options were awarded during the six months under review.

Mediobanca, along with Mediolanum, also participates in the stock option scheme operated by Banca Esperia for its staff (which will close definitively in December 2014), reserving a portion of its investment in the company for use in connection with this scheme.

3. Description of performance share scheme

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

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

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

On 27 September 2013, a total of 1,050,801 performance shares were awarded, which will be made available in tranches in November 2015 (up to 420,322), November 2016 (up to 420,322) and November 2017 (up to 210,157) considering the additional holding period of one year.

In November 2013 a total of 1,164,586 performance shares were exercised from the September 2012 schemes, via the delivery of an equivalent number of treasury shares.

B. QUANTITATIVE INFORMATION

1. Changes to stock option scheme during the period

	30 June 2013			31 December 2013 (six months)		
	No. of options	Avg. price	Avg. expiry	No. of options	Avg. price	Avg. expiry
A. Balance at start of period	40,642,000	9.86	October 2016	38,282,000	9.85	October 2016
B. Additions						
B.1 New issues	—	—	X	—	—	—
B.2 Other additions	—	—	X	—	—	—
C. Reductions						
C.1 Options cancelled	1,705,000	11.31	X	708,750	10.41	X
C.2 Options exercised	—	—	X	—	—	X
C.3 Options expired	—	—	X	—	—	X
C.4 Other reductions	655,000	6.54	X	390,000	6.48	X
D. Balance at end of period	38,282,000	9.85	October 2016	37,183,250	9.88	October 2016
E. Options exercisable as at reporting date	22,117,000	12.28	X	36,733,250	9.92	X

2. Changes to performance share scheme during the period

	30 June 2013		31 December 2013 (six months)	
	No. of performance shares	Avg. price	No. of performance shares	Avg. price
A. Balance at start of period	2,494,424	6.23	8,313,494	6.23
B. Additions				
B.1 New issues	5,861,494	3.32	1,050,801	4.61
B.2 Other eadditions	—	—	—	—
C. Reductions				
C.1 Options cancelled	—	—	—	—
C.2 Options exercised	—	—	1,164,586	6.31
C.3 Options expired	—	—	—	—
C.4 Other reductions	42,424	6.23	—	—
D. Balance at end of period	8,313,494	6.23	8,199,709	3.93
E. Performance shares exercisable as at reporting date	—	—	—	—

Part L - Segmental reporting

A. PRIMARY SEGMENTAL REPORTING

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

(€m)

Profit-and-loss data	Corporate & Private banking	Principal Investing	Retail & Private banking	Corporate center	Provisions [1]	Group
Net interest income	140.4	—	376.5	22.5	(4.3)	535.1
Treasury income	7.8	4.6	0.4	—	3.9	16.7
Net fee and commission income	124.1	—	84.7	2.9	(19.6)	192.1
Equity-accounted companies	—	128.2	—	—	2.9	131.1
TOTAL INCOME	**272.3**	**132.8**	**461.6**	**25.4**	**(17.1)**	**875.0**
Labour costs	(91.5)	(4.4)	(73.7)	(15.8)	6.4	(179.0)
Administrative expenses	(60.0)	(0.8)	(135.0)	(11.2)	16.0	(191.0)
OPERATING COSTS	**(151.5)**	**(5.2)**	**(208.7)**	**(27.0)**	**22.4**	**(370.0)**
Gain (losses) on disposal of AFS shares	5.3	151.2	—	—	(4.0)	152.5
Loan loss provisions	(82.3)	—	(200.5)	(19.7)	0.5	(302.0)
Provisions for financial assets	(2.2)	(21.7)	—	—	0.6	(23.3)
Other profits (losses)	—	—	(2.0)	2.1	(0.1)	—
PROFIT BEFORE TAX	**41.6**	**257.1**	**50.4**	**(19.2)**	**2.3**	**332.2**
Income tax for the period	(13.5)	(11.7)	(10.6)	4.4	1.1	(30.3)
Minority interest	—	—	—	2.8	—	2.8
NET PROFIT	**28.1**	**245.4**	**39.8**	**(12.0)**	**3.4**	**304.7**
Cost/Income ratio (%)	*55.6*	*3.9*	*45.2*	*n.m.*	*n.m.*	*42.3*

Divisions comprise:
– *CIB (Corporate and investment banking):* comprises wholesale banking (WSB)), which includes lending, structured finance and investment banking activity, and private banking (PB), which includes Compagnie Monégasque de Banque, Spafid and Prudentia, 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, Cofactor, Creditech and CheBanca!;
- *Corporate Centre:* brings together the other Group companies (including leasing) and certain centralized Group costs (including in respect of the Board of Directors).

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

A.2 Balance-sheet data by business segment

(€m)

Balance-sheet figures	**Corporate & Private banking**	**Principal Investing**	**Retail & Private banking**	**Corporate center**	**Provisions [1]**	**Group**
Treasury funds	14,707.1	—	10,392.8	135.9	(11,889.8)	13,346.0
AFS securities	7,914.0	1,388.8	691.5	—	(321.6)	9,672.7
Fixed financial assets (HTM & LR)	5,104.9	—	1,772.0	—	(4,739.8)	2,137.1
Equity investments	—	2,556.8	—	—	92.4	2,649.2
Loans and advances to customers	24,534.2	—	13,902.3	3,201.2	(9,365.7)	32,272.0
Funding	(50,320.8)	—	(25,824.5)	(3,241.6)	26,124.6	(53,262.3)

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

DECLARATION BY HEAD OF COMPANY FINANCIAL REPORTING

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

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

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

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

Milan, 19 February 2014

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

AUDITORS' REPORT

pwc

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

To the Shareholders of
Mediobanca SpA

1 We have reviewed the consolidated condensed interim financial statements of Mediobanca SpA and its subsidiaries (Group Mediobanca) as of 31 December 2013, which comprise the consolidated balance sheet, the consolidated profit and loss account, the comprehensive consolidates profit and loss account, the statement of changes to consolidated net equity, the consolidated cash flows statement and related explanatory notes. The directors of Mediobanca SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

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

The consolidated condensed interim financial statements present the corresponding prior year annual and consolidated condensed interim financial statements figures for comparative purposes. As disclosed in the explanatory notes to the consolidated condensed interim financial statements, the directors of Mediobanca SpA restated some of the corresponding figures included in the prior year annual and consolidated condensed interim financial statements. We audited the consolidated financial statements and reviewed the consolidated condensed interim financial statements and issued our reports thereon on 1 October 2013 and 27 February 2013, respectively. We have examined the methods used to restate the prior year corresponding figures and related disclosures set out in the explanatory notes for the purposes of preparing this report.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.812.000,00 i.v., C .F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Dante 7 Tel. 01029041 - **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43100 Viale Tanara 20/A Tel. 0521275911 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel.0458263001

www.pwc.com/it

3 Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of Group Mediobanca as of 31 December 2013 have not been prepared, in all material respects, in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union.

Milan, 21 February 2014

PricewaterhouseCoopers SpA

Signed by Marco Palumbo
(Partner)

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

ANNEXES

Consolidated balance sheet (IAS/IFRS-compliant)*

	Assets	IAS-compliant 31/12/13	IAS-compliant 30/6/13	IAS-compliant 31/12/12
10.	Cash and cash equivalents	276.6	28.8	35.5
20.	Financial assets held for trading	13,680.2	13,047.1	14,697.9
30.	Financial assets recognized at fair value	—	—	—
40.	AFS securities	9,672.7	11,489.8	11,735.6
50.	Financial assets held to maturity	1,480.9	1,447.8	1,722.6
60.	Due from banks	4,589.9	4,855.0	5,203.9
	of which:			
	other trading items	*3,947.8*	*3,783.3*	*3,980.5*
	securities	—	—	*30.0*
	other items	*3.0*	*5.4*	*11.8*
70.	Due from customers	40,136.4	36,413.9	39,477.2
	of which:			
	other trading items	*7,755.0*	*3,278.9*	*5,769.2*
	securities	*656.2*	*605.7*	*613.8*
	other items	*63.8*	*89.2*	*70.5*
80.	Hedging derivatives	944.9	1,105.9	1,688.4
	of which:			
	funding hedge derivatives	*944.8*	*1,105.9*	*1,688.4*
	lending hedge derivatives	*0.1*	—	—
90.	Value adjustments to financial assets subject to general hedging	—	—	—
100.	Equity investments	2,649.2	2,586.9	3,284.0
110.	Total reinsurers' share of technical reserves	—	—	—
120.	Property, plant and equipment	294.7	295.4	298.5
130.	Intangible assets	408.4	412.3	416.5
	of which:			
	goodwill	*365.9*	*365.9*	*365.9*
140.	Tax assets	856.5	896.3	869.3
	a) current	*228.3*	*246.8*	*223.5*
	b) advance	*628.1*	*649.4*	*645.8*
150.	Other non-current and Group assets being sold	—	—	—
160.	Other assets	293.9	262.1	207.2
	of which:			
	other trading items	*2.4*	*5.7*	*16.4*
	Total assets	**75,284.5**	**72,841.3**	**79,636.6**

* Figures in €m

The balance sheet provided on p. 24 reflects the following restatements:
- Treasury funds comprise asset headings 10 and 20 and liability heading 40, plus the "other trading items" shown under asset headings 60, 70 and 160 and liability headings 10 and 20, with the latter chiefly consisting of repos, interbank accounts and margins on derivatives;
- Funding comprises the balances shown under liability headings 10, 20 and 30 (excluding amounts restated as trading items in respect of repos and interbank accounts), plus the relevant amounts in respect of hedging derivatives;
- Loans and advances to customers comprise asset headings 60 and 70 (excluding amounts restated as Treasury funds), the relevant amounts in respect of hedging derivatives shown under asset heading 80 and liability heading 60, and the impairment charges taken under liability heading 100.

(€m)

	Liabilities and net equity	IAS-compliant 31/12/13	IAS-compliant 30/6/13	IAS-compliant 31/12/12
10.	Due to banks	11,356.1	12,366.2	13,168.6
	of which:			
	other trading items	*1,603.4*	*2,056.7*	*2,761.8*
	other liabilities	*5.9*	*4.4*	*17.5*
20.	Due to customers	18,946.0	16,175.8	17,505.2
	of which:			
	other trading items	*2,265.9*	*1,037.4*	*1,985.0*
	other liabilities	*6.9*	*12.1*	*9.8*
30.	Debt securities	27,453.8	26,695.3	29,513.3
40.	Trading liabilities	8,446.7	8,850.0	10,647.6
50.	Liabilities recognized at fair value	—	—	—
60.	Hedging derivatives	375.6	336.4	345.7
	of which:			
	funding hedge derivatives	*333.3*	*267.1*	*246.0*
	lending hedge derivatives	*11.5*	*37.2*	*48.8*
70.	Value adjustments to financial liabilities subject to general hedging	—	—	—
80.	Tax liabilities	476.1	608.0	538.5
	a) current	*116.6*	*267.5*	*188.6*
	b) deferred	*359.5*	*340.5*	*349.9*
90.	Liabilities in respect of Group assets being sold	—	—	—
100.	Other liabilities	501.7	551.8	464.6
	of which:			
	other trading items	—	—	—
	loan loss provisions	*17.1*	*13.8*	*14.5*
110.	Staff severance indemnity provision	28.5	27.7	26.8
120.	Provisions	161.4	164.5	160.8
	a) post-employment and similar benefits	—	—	—
	b) other provisions	*161.4*	*164.5*	*160.8*
130.	Technical reserves	121.5	117.4	111.1
140.	Valuation reserves	508.3	310.3	120.0
150.	Shares with right of withdrawal	—	—	—
160.	Equity instruments	—	—	—
170.	Reserves	4,146.8	4,373.2	4,465.4
180.	Share premium reserve	2,120.1	2,120.1	2,120.1
190.	Share capital	430.6	430.6	430.6
200.	Treasury shares	(199.2)	(213.8)	(213.8)
210.	Net equity attributable to minorities	105.8	107.5	108.4
220.	Profit (loss) for the year	304.7	(179.8)	123.8
	Total liabilities and net equity	**75,284.5**	**72,841.3**	**79,636.6**

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

(€m)

	Profit and loss account	12 mths to 31/12/13	12 mths to 30/6/13	12 mths to 31/12/12
10.	Interest and similar income	1,255.3	2,726.7	1,455.0
20.	Interest expense and similar charges	(738.1)	(1,660.4)	(922.5)
30.	**Net interest income**	**517.2**	**1,066.3**	**532.5**
40.	Fee and commission income	172.0	354.2	179.1
50.	Fee and commission expense	(23.8)	(46.2)	(24.3)
60.	**Net fee and commission income**	**148.2**	**308.0**	**154.8**
70.	Dividends and similar income	24.4	46.4	8.2
80.	Net trading income	(13.5)	41.9	66.9
90.	Net hedging income (expense)	(1.3)	4.1	4.3
100.	Gain (loss) on disposal of:	178.7	91.0	8.7
	a) loans and receivables	*(0.3)*	*6.0*	*6.3*
	b) AFS securities	*183.0*	*40.7*	*(11.4)*
	c) financial assets held to maturity	*(1.9)*	*1.3*	*0.5*
	d) other financial liabilities	*(2.1)*	*43.0*	*13.3*
120.	**Total income**	**853.7**	**1,557.7**	**775.4**
130.	Adjustments for impairment to:	(306.6)	(721.4)	(227.3)
	a) loans and receivables	*(298.1)*	*(510.0)*	*(235.4)*
	b) AFS securities	*(4.7)*	*(214.9)*	*5.5*
	c) financial assets held to maturity	*0.2*	*0.3*	*0.1*
	d) other financial liabilities	*(4.0)*	*3.2*	*2.5*
140.	**Net income from financial operations**	**547.1**	**836.3**	**548.1**
150.	Net premium income	18.4	32.0	15.2
160.	Income less expense from insurance operations	(8.8)	(15.3)	(7.5)
170.	**Net income from financial and insurance operations**	**556.7**	**853.0**	**555.8**
180.	Administrative expenses:	(373.3)	(774.6)	(375.0)
	a) personnel costs	*(179.0)*	*(388.4)*	*(194.4)*
	b) other administrative expenses	*(194.3)*	*(386.2)*	*(180.6)*
190.	Net transfers to provisions for liabilities and charges	0.9	(3.2)	(1.2)
200.	Net adjustments to property, plant and equipment	(9.0)	(19.1)	(9.7)
210.	Net adjustments to intangible assets	(9.8)	(22.0)	(11.1)
	of which: goodwill	—	—	—
220.	Other operating income (expenses)	54.3	138.0	58.9
230.	**Operating costs**	**(336.9)**	**(680.9)**	**(338.1)**
240.	Profit (loss) from equity-accounted companies	112.5	(198.9)	(9.2)
270.	Gain (loss) on disposal of investments	(0.1)	(0.5)	—
280.	**Profit (loss) before tax on ordinary activities**	**332.2**	**(27.3)**	**208.5**
290.	Income tax on ordinary activities for the year	(30.3)	(156.8)	(85.7)
300.	**Profit (loss) after tax on ordinary activities**	**301.9**	**(184.1)**	**122.8**
310.	Net gain (loss) on non-current assets being sold	—	—	—
320.	**Profit (loss) for the year**	**301.9**	**(184.1)**	**122.8**
330.	Profit (loss) for the year attributable to minorities	2.8	4.3	1.0
340.	**Net profit (loss) for the year attributable to Mediobanca**	**304.7**	**(179.8)**	**123.8**

* Figures in €m

The profit and loss account shown on p. 23 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).

Mediobanca S.p.A. balance sheet (IAS/IFRS-compliant)*

(€m)

	Assets	IAS-compliant 31/12/13	IAS-compliant 30/6/13	IAS-compliant 31/12/12
10.	Cash and cash equivalents	236.0	0.1	6.5
20.	Financial assets held for trading	12,995.3	12,419.1	14,332.0
40.	AFS securities	8,655.1	10,319.3	10,528.9
50.	Financial assets held to maturity	1,467.2	1,434.1	1,715.0
60.	Due from banks	9,013.3	9,752.0	10,277.4
	of which:			
	other trading items	*4,394.4*	*4,773.1*	*4,926.1*
	securities	—	—	*30*
	other items	*12.2*	*22.0*	*23.7*
70.	Due from customers	29,573.3	26,017.6	28,807.2
	of which:			
	other trading items	*8,756.7*	*4,156.4*	*6,928.0*
	securities	*3,624.6*	*3,570.2*	*2,305.4*
	other items	*31.7*	*94.9*	*44.4*
80.	Hedging derivatives	996.8	1,152.2	1,801.2
	of which:			
	funding hedge derivatives	*996.7*	*1,152.2*	*1,783.2*
	lending hedge derivatives	*0.1*	—	*18*
100.	Equity investments	2,699.0	2,717.6	3,283.7
120.	Property, plant and equipment	124.5	124.9	125.7
130.	Intangible assets	6.7	7.0	8.0
140.	Tax assets	218.6	268.9	242.4
	a) current	*105.2*	*123.7*	*102.9*
	b) advance	*113.4*	*145.2*	*139.5*
150.	Other assets	54.9	33.5	21.8
	Total assets	**66,040.7**	**64,246.3**	**71,149.8**

* Figures in €m

The balance sheet provided on p. 38 reflects the following restatements:
- *Treasury funds* comprise asset headings 10 and 20 and liability heading 40, plus the "other trading items" shown under asset headings 60, 70 and 160 and liability headings 10 and 20, with the latter chiefly consisting of repos, interbank accounts and margins on derivatives;
- *Funding* comprises the balances shown under liability headings 10, 20 and 30 (excluding amounts restated as trading items in respect of repos and interbank accounts), plus the relevant amounts in respect of hedging derivatives;
- *Loans and advances to customers* comprise asset headings 60 and 70 (excluding amounts restated as Treasury funds), the relevant amounts in respect of hedging derivatives shown under asset heading 80 and liability heading 60, and the impairment charges taken under liability heading 100.

(€m)

	Liabilities and net equity	IAS-compliant 31/12/13	IAS-compliant 30/6/13	IAS-compliant 31/12/12
10.	Due to banks	20,555.0	20,620.5	21,536.6
	of which:			
	other trading items	*2,013.3*	*2,464.6*	*3,166.9*
	other liabilities	*7.1*	*9.1*	*17.9*
20.	Due to customers	2,565.8	1,262.1	2,404.5
	of which:			
	other trading items	*2,190.1*	*888.0*	*1,955.9*
	other liabilities	*41.3*	*57.3*	*27.9*
30.	Debt securities	28,416.6	27,582.3	30,524.3
40.	Trading liabilities	8,455.0	8,856.8	10,660.8
60.	Hedging derivatives	549.7	533.1	559.3
	of which:			
	funding hedge derivatives	*516.1*	*475.6*	*477.5*
	lending hedge derivatives	*11.5*	*37.2*	*48.8*
80.	Tax liabilities	382.1	503.6	430.8
	a) current	*78.5*	*213.7*	*130.5*
	b) deferred	*303.6*	*289.9*	*300.3*
100.	Other liabilities	173.3	235.1	218.1
	of which:			
	adjustments to L & R	*2.4*	*0.8*	*0.7*
	other trading items	*60.6*	*112.1*	*123.4*
110.	Staff severance indemnity provision	9.3	9.5	9.1
120.	Provisions	150.7	151.0	152.0
	a) post-employment and similar benefits	—	—	—
	b) other provisions	*150.7*	*151.0*	*152.0*
130.	Valuation reserves	319.4	134.8	91.6
160.	Reserves	2,010.8	2,255.2	2,246.6
170.	Share premium reserve	2,120.1	2,120.1	2,120.1
180.	Share capital	430.6	430.6	430.6
190.	Treasury shares (–)	(198.8)	(213.4)	(213.4)
200.	Profit (loss) for the period	101.1	(235.0)	(21.2)
	Total liabilities and net equity	**66,040.7**	**64,246.3**	**71,149.8**

Mediobanca S.p.A. Profit and loss account (IAS/IFRS-compliant)*

(€m)

	Profit and loss account	31/12/13	30/6/13	31/12/12
10.	Interest and similar income	815.6	1.879.0	980.0
20.	Interest expense and similar charges	(759.0)	(1.701.3)	(889.5)
30.	**Net interest income**	**56.6**	**177.7**	**90.5**
40.	Fee and commission income	82.1	194.8	101.4
50.	Fee and commission expense	(6.1)	(19.7)	(10.1)
60.	**Net fee and commission income**	**76.0**	**175.1**	**91.3**
70.	Dividends and similar income	24.5	95.4	8.2
80.	Net trading income	9.8	120.4	109.0
90.	Net hedging income (expense)	(0.9)	2.0	2.3
100.	Gain (loss) on disposal of:	177.4	102.0	6.5
	a) loans and receivables	*(0.3)*	*6.0*	*6.3*
	b) AFS securities	*180.9*	*38.3*	*(13.2)*
	c) financial assets held to maturity	*(1.9)*	*1.3*	*0.5*
	d) other financial liabilities	*(1.3)*	*56.4*	*12.9*
120.	**Total income**	**343.4**	**672.6**	**307.8**
130.	Adjustments for impairment to:	(85.7)	(333.1)	(40.5)
	a) loans and receivables	*(91.9)*	*(86.9)*	*(31.0)*
	b) AFS securities	*(3.1)*	*(214.0)*	*6.0*
	c) financial assets held to maturity	—	—	—
	d) other financial liabilities	*9.3*	*(32.2)*	*(15.5)*
140.	**Net income from financial operations**	**257.7**	**339.5**	**267.3**
180.	Administrative expenses:	(123.1)	(268.1)	(135.6)
	a) personnel costs	*(77.6)*	*(177.3)*	*(92.6)*
	b) other administrative expenses	*(45.5)*	*(90.8)*	*(42.9)*
190.	Net transfers to provisions for liabilities and charges	—	—	(3.9)
200.	Net adjustments to property, plant and equipment	(1.9)	(3.7)	(1.8)
210.	Net adjustments to intangible assets	(2.9)	(8.7)	(4.5)
	of which: goodwill	—	—	—
220.	Other operating income (expenses)	7.4	20.2	11.8
230.	**Operating costs**	**(120.5)**	**(260.3)**	**(134.0)**
240.	Profit (loss) from equity investments	(19.0)	(209.2)	(99.5)
270.	Gain (loss) on disposal of investments	(0.1)	—	—
280.	**Profit (loss) before tax on ordinary activities**	**118.1**	**(130.0)**	**33.8**
290.	Income tax on ordinary activities for the year	(17.0)	(105.0)	(55.0)
300.	**Profit (loss) after tax on ordinary activities**	**101.1**	**(235.0)**	**(21.2)**
330.	**Net profit (loss) for the period**	**101.1**	**(235.0)**	**(21.2)**

* Figures in €m

The profit and loss account shown on p. 37 reflects the following restatements:
– Net interest income includes the result of funding and lending hedging activity (€0.9m, €3.9m and €2.3m respectively), plus the margins on swaps reported under heading 80 (€50m, €9.2m and €26.4m respectively);
– amounts under Heading 220 have been restated as *Net fee and commission income*, save for amounts refunded/recovered totalling €1.2m, €1.4m and €2m 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 €1.2m and minus €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 €27.4m, €28.9m and €6.9m respectively.

Mercurio GP - Milan