



MEDIOBANCA

**Mediobanca
Board of Directors' Meeting**

Milan, 19 February 2014



Interim financial statements as at 31/12/13 approved

Net profit for the six months doubled to €305m

Equity investments worth €500m sold, yielding €150m gains

CT1 ratio 11.9%

- ◆ In the six months under review, with the economic scenario still difficult and increasing attention being paid to asset quality (AQR), the Mediobanca Group doubled its net profit to €305m (31/12/12: €124m), while strengthening both capital (CT1: 11.9%) and non-performing loans¹ coverage ratios (now 46%)
- ◆ The balance sheet shows:
 - ◆ Funding up 4% to €53.3bn: with new funding of approx. €5bn, the annual programme of issuance is almost complete, with a balanced and extended maturity profile for the bonds
 - ◆ Loans and advances to customers down 4%, to €32.3bn - despite substantial new business (RCB up 11%, to €2.7bn, and CIB drawn loans up to €2bn) - due to early repayments of corporate loans
 - ◆ Disposals of equity investments worth €512m, generating gains of €152m
 - ◆ Treasury assets up 8%, to €25.2bn, representing approx. 40% of total assets
 - ◆ B2.5 CT1 ratio up to 11.9% (30/6/13: 11.7%)
- ◆ The profit and loss account shows:
 - ◆ Net interest income up 3%, to €535m, due to positive diversification between retail (RCB up 10% to €377m) and corporate business (CIB down 7% to €140m)
 - ◆ Fee income recovering in 2Q, with €108m added (vs €84m in Q1), due to upturn in capital market activity
 - ◆ Net treasury income modest, at €17m (€112m), but offset by increased contribution from PI (€245m, compared with a €33m loss last year), boosted by equity disposals and higher profits from Ass. Generali
 - ◆ Costs down for the third year running, by 1%; labour costs in particular (down 8%)
 - ◆ Cost of risk up to 184 bps, due to ongoing difficulties facing corporates and households, and disposal of certain corporate positions, as well as higher NPLs coverage (now 46%)
- ◆ Strengthening of banking activity continues, in line with the 2014-16 Strategic Plan:
 - ◆ CIB: Stefano Marsaglia appointed Co-Head of CIB and Tayfun Bayazit as Chairman of Turkish business
 - ◆ Compass: commercial agreement with MPS (approx. 2,300 branches), creating largest “indirect” distribution agreement via bank branches (over 7,500)
 - ◆ CheBanca!: asset management platform launched

¹ Including all categories of non-performing assets (bad loans, sub-standard, restructured, overdue).



With Renato PAGLIARO in the chair, the Directors of Mediobanca approved the Group's financial statements for the six months ended 31 December 2013, as illustrated by Chief Executive Officer Alberto NAGEL.

Consolidated results

In the six months under review, with the economic scenario still difficult and increasing attention being paid to asset quality, the Mediobanca Group doubled its net profits to €304.7m (31/12/12: €123.8m), while strengthening its capital structure, including coverage of non-performing loans.

On the balance-sheet side:

- ◆ funding rose by €2bn during the six months under review to reach €53.3bn, following €3.3bn in bond issuance and higher CheBanca! retail deposits (up from €11.9bn to €13.3bn). During the same period the Group repaid €500m of its LTRO and redeemed €2.5bn of bonds (including buybacks), thus further reducing the bonds falling due in 2014/15 in favour of longer maturities;
- ◆ the Group's lendings fell by 4%, to €32.3bn - despite strong growth in new loans both in CIB (€3bn credit lines for the six months, equal to the total FY 2013 figure, €2bn of which drawn) and in RCB (new business up 11% to €2.7bn, of which consumer credit up 7% to €2.5bn) - due to early repayment of certain corporate positions. As a result of the a desire to reduce the bulk risk, both the average size of new deals and loan concentration showed reductions. Credit quality remains high, with NPLs accounting for 3.1% of total loans and the coverage ratio up to 46%;
- ◆ on the equity side, the investment disposal process continued, with stakes worth a total of €512m sold, realizing gains of €152m. The disposals chiefly involved, as far as the listed stocks are concerned, the Gemina and Saks stakes (approx. €310m, based on book values recorded at 30 June 2013), and to a lesser degree, RCS MediaGroup; while among the unlisted securities the main deal was 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);
- ◆ financial assets (i.e. treasury, HTM and AFS securities) rose from €21.7bn to €25.2bn, due in particular to the liquidity component (up from €4.1bn to €8.3bn), whereas Italian government securities decreased from €7.7bn to €6.7bn;
- ◆ the Core Tier 1 ratio (Basel 2.5) rose to 11.9% (30/6/13: 11.7%).

On the earnings side, the Group earned a net profit of €304.7m in the six months, 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), deriving from the equity disposals referred to above and a higher contribution from Assicurazioni Generali. Banking revenues of €742.2m (€828.4m) reflect 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 assets due also to the substantial liquidity;



- ◆ net fee and commission income declined from €201m to €192.1m year-on-year, but recovered quarter-on-quarter, with €107.7m earned in the second (compared with €84.4m in the first) due to the upturn in capital market activity;
- ◆ the result from treasury activity reflects weak fixed-income trading, affected by the low volatility and the low interest rate levels; while the contribution from equity trading more than doubled, from €20.5m to €54.5m;
- ◆ the contribution from the equity-accounted companies increased from €85.8m to €131.1m, due to the higher contribution from 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%) only partly offset by the rise in administrative expenses (up 5.4%), 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.

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, disposals in the corporate segment, as well as the objective of maintaining an adequate coverage ratio for NPLs (overall 46%), *inter alia* in view of the new classifications required under the ECB's Asset Quality Review process. The cost of risk therefore rose from 132 bps to 184 bps.

Equity disposals during the six months under review generated net gains of €152.5m, €67.2m of which as part of the Telco transaction (involving disposal of €90m of the shareholders' loan at nominal 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.

Income tax reduced from €85.7m to €30.3m, due to profits on investments being 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.

Divisional results

Wholesale banking: corporate activity recovering, NPLs reducing

Wholesale activity delivered a small profit of €0.6m, reflecting the 37.9% reduction in revenues due to the ongoing weakness of investment banking activities, on the Italian domestic market particularly, as well as to Mediobanca's decision to continue with its policy of giving priority to prudent asset allocation. On the plus side, in the six months NPLs fell from 1.6% to 1.4% of total loans, partly as a result of the coverage ratios increasing (from 39% to 42%) and a recovery in fee income in the last quarter driven by capital market activity. The main income items performed as follows:

- ◆ 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, due to the reduction in both the fixed and variable labour costs components (€14.5m);



- ◆ loan loss provisions doubled, from €46.5m to €84.9m, due to disposals and to the coverage ratios being strengthened for NPLs (from 39% to 42%).

Turning now to the main business areas:

- ◆ despite the increased activity (with new loans - drawn and undrawn - worth €3bn in the six months, equal to the entire total for FY 2013), 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. 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%.
- ◆ M&A activity saw the Bank involved 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 (Italian market leader in the 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 showed a recovery in the second quarter, with a higher number of deals (ten mandates, as opposed to four), in particular Barclays, Moncler (IPO), Telecom Italia, Beni Stabili, and the ACS convertible bond. On the debt capital market side Mediobanca took senior roles in over twenty bond issues, including those by Enel, Autostrade per l'Italia, IREN and Monte Paschi, involving a total amount of over €10.1bn.

Private banking: profit up 26% due to lower costs

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 at the end of the six months totalled €14.6bn (30/6/13: €13.8bn), €7bn (€6.7bn) of which with CMB and €7.6bn (€7.1bn) with Banca Esperia.

Consumer credit: net profit up to €50m; Compass-MPS commercial agreement signed

Consumer credit operations posted a €50.1m profit for the six months, considerably higher than the €36m reported last year, reflecting, among other things, the fact that loan loss provisions are now tax-deductible for IRAP purposes. Profit before tax was up 4% in any case, to €60m, reflecting the healthy trend in lending margins which more than offset the higher cost of risk in the households segment.

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 and the increase in loan margins. 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), against a backdrop of ongoing financial difficulties facing households, drove the cost of risk up from 354 bps to 385 bps, to cover the 9% rise in NPLs, 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 reported 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. Non-performing items (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.

At the start of February 2014 an agreement was signed for Compass loans to be distributed in the over 2,300 branches of the Monte dei Paschi di Siena banking group. By virtue of this new agreement, Compass, which has entered into partnership arrangements with over 50 Italian banks over the years, has seen its distribution capacity strengthened further, with some 7,500 branches now served throughout Italy.

Retail banking: CheBanca! direct funding up 12%, to €13.3bn, AUM up 38% to €1.0bn; asset management distribution platform launched

The 5.5% increase in revenues, from €78.4m to €82.7m, reflects higher bond placement fees of €6.8m (€2.4m), offset by a 4.7% rise in operating costs (which grew 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 items (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). The cost of direct funding is gradually reducing.

In line with the Strategic Plan objectives, which envisage diversification of the CheBanca! forms of funding and use of more innovative remote channels, at the start of January 2014 a new asset management platform became operative, offering over 1,800 funds operated by the leading asset managers on competitive and transparent terms. In the first month of operations CheBanca! placed investment products worth €50m, acquiring 2,000 new customers of whom 20% via the internet channel.

Principal investing: €245m profit, current market value of equity investment portfolio up to €4.9bn (up 15% since June 2013)

In accordance with the guidelines contained in the 2014-16 Strategic Plan, this division now brings together all the Group's equity investments classified as available for sale and marked to market, plus those which are equity-accounted (including Assicurazioni Generali and Burgo).

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.

The book value of the equity investments was stable at €4.1bn, despite the disposals, because of the increase in the market value of the equities held as available for sale. The current value of the securities portfolio is €4.9bn (30/6/13: €4.3bn), with unrealized gains on the Assicurazioni Generali investment worth approx. €1bn.



Mediobanca S.p.A.

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;
- ◆ net 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 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, 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 those of the 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 of individual items, as well as the new classifications required under the ECB's Asset Quality Review process.

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Restated consolidated profit and loss accounts

Mediobanca Group (€m)	6 mths	6 mths	Y.o.Y. chg. %
	31/12/12	31/12/13	
Net interest income	517.7	535.1	3.4%
Net treasury income	111.8	16.7	-85.1%
Net fee and commission income	201.0	192.1	-4.4%
Equity-accounted companies	85.8	131.1	52.8%
Total income	916.3	875.0	-4.5%
Labour costs	(194.4)	(179.0)	-7.9%
Administrative expenses	(181.2)	(191.0)	5.4%
Operating costs	(375.6)	(370.0)	-1.5%
Gains (losses) on AFS, HTM & LR	(9.9)	152.5	n.m.
Loan loss provisions	(232.8)	(302.0)	29.7%
Provisions for other financial assets	(89.5)	(23.3)	-74.0%
Other income (losses)	0.0	0.0	n.m.
Profit before tax	208.5	332.2	59.3%
Income tax for the period	(85.7)	(30.3)	-64.6%
Minority interest	1.0	2.8	n.m.
Net profit	123.8	304.7	n.m.

Quarterly profit and loss accounts

Mediobanca Group (€m)	FY 12/13				FY 13/14	
	I Q	II Q	III Q	IV Q	I Q	II Q
	30/9/12	31/12/12	31/3/13	30/6/13	30/9/13	31/12/13
Net interest income	259.0	258.7	245.7	264.6	270.5	264.6
Net treasury income	63.5	48.3	94.9	(9.9)	2.9	13.8
Net commission income	103.8	97.2	99.2	109.5	84.4	107.7
Equity-accounted companies	28.1	57.7	(156.8)	61.5	64.1	67.0
Total income	454.4	461.9	283.0	425.7	421.9	453.1
Labour costs	(94.0)	(100.4)	(97.2)	(92.4)	(85.1)	(93.9)
Administrative expenses	(79.7)	(101.5)	(88.7)	(103.0)	(83.5)	(107.5)
Operating costs	(173.7)	(201.9)	(185.9)	(195.4)	(168.6)	(201.4)
Gains (losses) on AFS equity	(6.1)	(3.8)	(1.1)	31.1	79.9	72.6
Loan loss provisions	(111.4)	(121.4)	(130.9)	(142.8)	(128.9)	(173.1)
Provisions for other fin. assets	(1.4)	(88.1)	0.7	(315.4)	(1.0)	(22.3)
Other income (losses)	0.0	0.0	0.0	(4.8)	0.0	0.0
Profit before tax	161.8	46.7	(34.2)	(201.6)	203.3	128.9
Income tax for the period	(53.3)	(32.4)	(53.2)	(17.9)	(32.0)	1.7
Minority interest	0.5	0.5	0.8	2.5	(0.1)	2.9
Net profit	109.0	14.8	(86.6)	(217.0)	171.2	133.5



Restated balance sheet

Mediobanca Group (€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
<i>of which: fixed income</i>	10,639.9	9,967.1	8,259.6
<i>equities</i>	1,082.2	1,507.8	1,401.9
Fixed 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
<i>of which: tax assets</i>	869.3	896.1	856.5
Total assets	62,490.5	59,740.3	61,995.0
Liabilities			
Funding	53,970.5	51,287.8	53,262.3
<i>of which: debt securities in issue</i>	28,070.8	25,856.4	26,842.3
<i>retail deposits</i>	12,258.6	11,874.2	13,288.4
Other liabilities	1,177.9	1,312.1	1,125.7
<i>of which: tax liabilities</i>	538.5	608.0	476.1
Provisions	187.6	192.2	189.9
Net equity	7,030.7	7,128.0	7,112.4
<i>of which: share capital</i>	430.6	430.6	430.6
<i>reserves</i>	6,491.7	6,589.9	6,576.0
<i>minority interest</i>	108.4	107.5	105.8
Profit for the period	123.8	(179.8)	304.7
Total liabilities	62,490.5	59,740.3	61,995.0
Core tier 1 capital	6,472.5	6,153.2	6,319.6
Total capital	8,066.7	8,155.4	8,436.1
RWAs	54,666.7	52,372.1	52,919.2

Ratios (%) and per share data (€)

Mediobanca Group (€m)	31/12/12	30/6/13	31/12/13
Total assets/net equity	8.9	8.4	8.7
Loans/deposits	0.6	0.7	0.6
Core tier 1 ratio	11.8	11.7	11.9
Regulatory capital/RWAs	14.8	15.6	15.9
S&P rating	BBB+	BBB+	BBB
Cost/income ratio	41.0	46.6	42.3
Bad loans (<i>sofferenze</i>) /loans	0.7	0.8	0.9
EPS (€)	0.14	(0.21)	0.35
BVPS (€)	8.0	8.2	8.1
No. of shares outstanding (millions)	861.1	861.1	861.1



Profit-and-loss figures/balance-sheet data by division

6 mths to 31/12/13 (€m)	Corporate & Private Banking	Principal Investing	Retail & Consumer Banking	Corporate Centre	Group
Net interest income	140.4	0.0	376.5	22.5	535.1
Net treasury income	7.8	4.6	0.4	0.0	16.7
Net fee and commission income	124.1	0.0	84.7	2.9	192.1
Equity-accounted companies	0.0	128.2	0.0	0.0	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)
Gains (losses) on AFS equity	5.3	151.2	0.0	0.0	152.5
Loan loss provisions	(82.3)	0.0	(200.5)	(19.7)	(302.0)
Provisions for other financial assets	(2.2)	(21.7)	0.0	0.0	(23.3)
Other income (losses)	0.0	0.0	(2.0)	2.1	0.0
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	0.0	0.0	0.0	2.8	2.8
Net profit	28.1	245.4	39.8	(12.0)	304.7
Treasury funds	14,707.1	0.0	10,392.8	135.9	13,346.0
AFS securities	7,914.0	1,388.8	691.5	0.0	9,672.7
Fixed assets (HTM & LR)	5,104.9	0.0	1,772.0	0.0	2,137.1
Equity investments	0.0	2,556.8	0.0	0.0	2,649.2
Loans and advances to customers	24,534.2	0.0	13,902.3	3,201.2	32,272.0
<i>of which to Group companies</i>	8,898.1	n.m.	n.m.	n.m.	n.m.
Funding	(50,320.8)	0.0	(25,824.5)	(3,241.6)	(53,262.3)
RWAs	35,092.9	4,149.5	10,758.7	2,918.1	52,919.2
No. of staff	979*	n.m.	2,358	300	3,513

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



6 mths to 31/12/12 (€m)	Corporate & Private Banking	Principal Investing	Retail & Consumer Banking	Corporate Centre	Group
Net interest income	151.5	0.0	342.8	23.3	517.7
Net treasury income	111.6	2.8	(0.3)	0.0	111.8
Net fee and commission income	136.2	0.0	82.8	13.5	201.0
Equity-accounted companies	0.0	85.1	0.0	0.0	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)
Gains (losses) on AFS equity	8.8	(13.4)	0.0	0.0	(9.9)
Loan loss provisions	(47.5)	0.0	(173.5)	(11.7)	(232.8)
Provisions for other financial assets	8.5	(101.1)	0.0	0.0	(89.5)
Other income (losses)	(1.1)	0.0	0.0	0.0	0.0
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	0.0	0.0	0.0	1.0	1.0
Net profit	135.2	(33.4)	28.1	(8.6)	123.8
Treasury funds	11,495.1	0.0	9,154.0	125.4	9,105.2
AFS securities	10,027.1	1,069.3	884.5	0.0	11,735.6
Fixed assets (HTM & LR)	4,057.3	0.0	2,085.6	0.0	2,366.4
Equity investments	0.0	3,193.7	0.0	0.0	3,284.0
Loans and advances to customers	27,260.5	0.0	13,447.2	3,780.9	34,142.0
<i>of which to Group companies</i>	8,758.4	n.m.	n.m.	n.m.	n.m.
Funding	(51,310.6)	0.0	(24,571.1)	(3,770.4)	(53,970.5)
RWAs	36,265.9	4,545.1	10,337.8	3,517.9	54,666.7
No. of staff	981*	0	2,326	313	3,493

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



Corporate & Private Banking

CIB (€m)	6 mths	6 mths	Y.o.Y. chg. %
	31/12/12	31/12/13	
Net interest income	151.5	140.4	-7.3%
Net treasury income	111.6	7.8	n.m.
Net fee and commission income	136.2	124.1	-8.9%
Equity-accounted companies	0.0	0.0	n.m.
Total income	399.3	272.3	-31.8%
Labour costs	(110.0)	(91.5)	-16.8%
Administrative expenses	(60.6)	(60.0)	-1.0%
Operating costs	(170.6)	(151.5)	-11.2%
Gains (losses) on AFS equity	8.8	5.3	-39.8%
Loan loss provisions	(47.5)	(82.3)	73.3%
Provisions for other financial assets	8.5	(2.2)	n.m.
Other income (losses)	(1.1)	0.0	n.m.
Profit before tax	197.4	41.6	-78.9%
Income tax for the period	(62.2)	(13.5)	-78.3%
Minority interest	0.0	0.0	n.m.
Net profit	135.2	28.1	-79.2%
Treasury funds	11,495.1	14,707.1	27.9%
AFS securities	10,027.1	7,914.0	-21.1%
Fixed assets (HTM & LR)	4,057.3	5,104.9	25.8%
Equity investments	0.0	0.0	n.m.
Loans and advances to customers	27,260.5	24,534.2	-10.0%
<i>of which to Group companies</i>	8,758.4	8,898.1	1.6%
Funding	(51,310.6)	(50,320.8)	-1.9%
RWAs	36,265.9	35,092.9	-3.2%
No. of staff	981	979	-0.2%
Cost/income ratio (%)	42.7	55.8	
Bad loans (<i>sofferenze</i>)/loans ratio (%)	0.0	0.0	



Wholesale Banking (€m)	6 mths	6 mths	Y.o.Y. chg. %
	31/12/12	31/12/13	
Net interest income	130.4	118.2	-9.4%
Net treasury income	104.4	4.2	n.m.
Net fee and commission income	99.1	84.9	-14.3%
Equity-accounted companies	0.0	0.0	n.m.
Total income	333.9	207.3	-37.9%
Labour costs	(81.1)	(66.6)	-17.9%
Administrative expenses	(44.4)	(43.7)	-1.6%
Operating costs	(125.5)	(110.3)	-12.1%
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	(46.5)	(84.9)	82.6%
Provisions for other financial assets	12.2	0.0	n.m.
Other income (losses)	0.0	0.0	n.m.
Profit before tax	174.1	12.1	n.m.
Income tax for the period	(60.8)	(11.5)	-81.1%
Minority interest	0.0	0.0	n.m.
Net profit	113.3	0.6	n.m.
Loans and advances to customers	25,992.0	23,306.4	-10.3%
<i>of which to Group companies</i>	8,758.4	8,898.1	1.6%
RWA	34,406.4	33,287.2	-3.3%
No. of staff	642	638	-0.6%
Cost/income ratio (%)	37.6	53.4	
Bad loans (<i>sofferenze</i>)/loans ratio (%)	0.0	0.0	



Private Banking (€m)	6 mths	6 mths	Y.o.Y. chg. %
	31/12/12	31/12/13	
Net interest income	21.1	22.2	5.2%
Net treasury income	7.2	3.6	-50.0%
Net fee and commission income	37.1	39.2	5.7%
Equity-accounted companies	0.0	0.0	n.m.
Total income	65.4	65.0	-0.6%
Labour costs	(28.9)	(24.9)	-13.8%
Administrative expenses	(16.2)	(16.3)	0.6%
Operating costs	(45.1)	(41.2)	-8.6%
Gains (losses) on AFS equity	8.8	5.3	-39.8%
Loan loss provisions	(1.0)	2.6	n.m.
Provisions for other financial assets	(3.7)	(2.2)	-40.5%
Other income (losses)	(1.1)	0.0	n.m.
Profit before tax	23.3	29.5	26.6%
Income tax for the period	(1.4)	(2.0)	42.9%
Minority interest	0.0	0.0	n.m.
Net profit	21.9	27.5	25.6%
Loans and advances to customers	1,268.5	1,227.8	-3.2%
RWA	1,859.5	1,805.7	-2.9%
AUM	13,465.1	14,641.0	8.7%
No. of staff	339	341	0.3%
Cost/income ratio (%)	69.0	63.4	
Bad loans (<i>sofferenze</i>)/loans ratio (%)	0.6	0.1	



Principal Investing

PI (€m)	6 mths	6 mths	Y.o.Y. chg. %
	31/12/12	31/12/13	
Net interest income	0.0	0.0	n.m.
Net treasury income	2.8	4.6	64.3%
Net fee and commission income	0.0	0.0	n.m.
Equity-accounted companies	85.1	128.2	50.6%
Total income	87.9	132.8	51.1%
Labour costs	(4.8)	(4.4)	-8.3%
Administrative expenses	(0.8)	(0.8)	0.0%
Operating costs	(5.6)	(5.2)	-7.1%
Gains (losses) on AFS equity	(13.4)	151.2	n.m.
Loan loss provisions	0.0	0.0	n.m.
Provisions for other financial assets	(101.1)	(21.7)	-78.5%
Other income (losses)	0.0	0.0	n.m.
Profit before tax	(32.2)	257.1	n.m.
Income tax for the period	(1.2)	(11.7)	n.m.
Minority interest	0.0	0.0	n.m.
Net profit	(33.4)	245.4	n.m.
AFS securities	1,069.3	1,388.8	29.9%
Equity investments	3,193.7	2,556.8	-19.9%
RWAs	4,545.1	4,149.5	-8.7%



Retail & Consumer Banking

Retail & Consumer Banking (€m)	6 mths	6 mths	Y.o.Y. chg. %
	31/12/12	31/12/13	
Net interest income	342.8	376.5	9.8%
Net treasury income	(0.3)	0.4	n.m.
Net fee and commission income	82.8	84.7	2.3%
Equity-accounted companies	0.0	0.0	n.m.
Total income	425.3	461.6	8.5%
Labour costs	(73.4)	(73.7)	0.4%
Administrative expenses	(125.5)	(135.0)	7.6%
Operating costs	(198.9)	(208.7)	4.9%
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	(173.5)	(200.5)	15.6%
Provisions for other financial assets	0.0	0.0	n.m.
Other income (losses)	0.0	(2.0)	n.m.
Profit before tax	52.9	50.4	-4.7%
Income tax for the period	(24.8)	(10.6)	-57.3%
Minority interest	0.0	0.0	n.m.
Net profit	28.1	39.8	41.6%
Treasury funds	9,154.0	10,392.8	13.5%
AFS securities	884.5	691.5	-21.8%
Fixed assets (HTM & LR)	2,085.6	1,772.0	-15.0%
Equity investments	0.0	0.0	n.m.
Loans and advances to customers	13,447.2	13,902.3	3.4%
Funding	(24,571.1)	(25,824.5)	5.1%
RWAs	10,337.8	10,758.7	4.1%
No. of staff	2,326	2,358	1.4%
No. of branches	202	203	0.5%
Cost/income ratio (%)	46.8	45.2	
Bad loans (<i>sofferenze</i>)/loans ratio (%)	1.4	1.5	



Consumer credit (€m)	6 mths	6 mths	Y.o.Y. chg. %
	31/12/12	31/12/13	
Net interest income	270.6	306.1	13.1%
Net treasury income	0.0	0.0	n.m.
Net fee and commission income	76.3	72.8	-4.6%
Equity-accounted companies	0.0	0.0	n.m.
Total income	346.9	378.9	9.2%
Labour costs	(43.3)	(44.1)	1.8%
Administrative expenses	(83.1)	(88.7)	6.7%
Operating costs	(126.4)	(132.8)	5.1%
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	(162.7)	(186.0)	14.3%
Provisions for other financial assets	0.0	0.0	n.m.
Other income (losses)	0.0	0.0	n.m.
Profit before tax	57.8	60.1	4.0%
Income tax for the period	(21.8)	(10.0)	-54.1%
Minority interest	0.0	0.0	n.m.
Net profit	36.0	50.1	39.2%
Loans and advances to customers	9,174.2	9,583.5	4.5%
New loans	2,338.6	2,511.7	7.4%
RWAs	8,523.2	9,004.5	5.6%
No. of staff	1,412	1,459	3.3%
No. of branches	158	158	0.0%
Cost/income ratio (%)	36.4	35.0	
Bad loans (<i>sofferenze</i>)/loans ratio (%)	1.2	1.3	



Retail Banking (€m)	6 mths	6 mths	Y.o.Y. chg. %
	31/12/12	31/12/13	
Net interest income	72.2	70.4	-2.5%
Net treasury income	(0.3)	0.4	n.m.
Net fee and commission income	6.5	11.9	83.1%
Equity-accounted companies	0.0	0.0	n.m.
Total income	78.4	82.7	5.5%
Labour costs	(30.1)	(29.6)	-1.7%
Administrative expenses	(42.4)	(46.3)	9.2%
Operating costs	(72.5)	(75.9)	4.7%
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	(10.8)	(14.5)	34.3%
Provisions for other financial assets	0.0	0.0	n.m.
Other income (losses)	0.0	(2.0)	n.m.
Profit before tax	(4.9)	(9.7)	98.0%
Income tax for the period	(3.0)	(0.6)	-80.0%
Minority interest	0.0	0.0	n.m.
Net profit	(7.9)	(10.3)	30.4%
Loans and advances to customers	4,273.0	4,318.8	1.1%
New loans	126.0	222.6	76.7%
RWAs	1,814.6	1,754.2	-3.3%
No. of staff	914	899	-1.6%
No. of branches	44	45	2.3%
Cost/income ratio (%)	92.5	91.8	
Bad loans (<i>sofferenze</i>)/loans ratio (%)	1.8	2.1	

As required by Article 154-bis, paragraph 2 of Italian Legislative Decree 58/98, the undersigned hereby declares that the financial information contained in this document corresponds to that contained in the company's documents, account books and ledger entries.

Head of
Company Financial Reporting

Massimo Bertolini