



MEDIOBANCA

MEDIOBANCA  
BOARD OF DIRECTORS' MEETING

**Milan, 3 August 2017**



MEDIOBANCA

## **Financial statements for twelve months ended 30/6/17 approved**

**FY 2016/17 results show strong growth and enhanced business profile  
in terms of exposure to fee-based, capital-light, highly specialized and  
profitable businesses**

**In accordance with 2016/19 Plan guidance, first results achieved in  
developing new Wealth Management platform and further improving CIB and  
Consumer positioning/profitability**

**Revenues up 7% to record level of €2,196m**

**Net profit up 24%, to €750m**

**Dividend per share up 37%, to €0.37**

**ROTE up from 7% to 9%, highest of all banks under ECB supervision**

**All divisions delivered higher results**

**WM posted 43% increases in TFAs (€60bn), revenues (€460m), and profit (€55m), and  
accounts for 40% of the fee income and 20% of the revenues at Group level**

**CIB and Consumer each contributed profits of more than €250m**

**Principal Investing boosted by high contribution from Assicurazioni Generali (up 3% to  
€264m) and further equity disposals of approx. €340m (generating €162m in profits)**

**Asset quality improved further**

**Texas ratio down from 15% to 13%**

**Cost of risk down 37 bps to 87 bps**

**NPLs/bad loans declining in absolute terms and as % of total loan book**

**Coverage ratios higher (for NPLs 55%, bad loans 70%, performing assets 1.1%)**

**Capital ratios stronger**

**despite the acquisitions, deductions and higher payout (up from 38% to 43%)  
due to careful RWA management and robust earnings generation**

**CET1 ratio 13.3% (12.1%)**

**Total capital 16.9% (15.3%)**

**Leverage ratio stable at 9.5%**

- ◆ **The Mediobanca Group delivered a 24% increase in net profit in the twelve months ended 30 June 2017, from €605m to €750m, and a 16% increase in gross operating profit, from €736m to €855m, on the back of a strong performance by revenues and the ongoing reduction in the cost of risk at all business lines. The main income items performed as follows:**

- ◆ **Revenues were up 7%, to €2,196m**, with all items posting growth. **Net interest income rose by 7%**, to €1,288m, reflecting **diversified growth sources** (from the substantial improvement in consumer credit ("Consumer"), to the growth in size of Wealth Management ("WM"), to the recovery in treasury income in 2H); **net fee and commission income was up 16%**, to €523m, as a result of the higher contribution from **Wealth Management** (up 51%, to €203m), and **growth in Corporate & Investment Banking** ("CIB", up 10%, to €250m). Including the new acquisitions (Barclays, Cairn Capital and, as from 4Q, Banca Esperia at 100%), **WM produces almost 40% of the Group's fee income**;
- ◆ **Loan loss provisions fell by 24%**, from €419m to €317m, and the **cost of risk now stands at 87 bps** (124 bps), **far better than the targets set in the Plan**; asset quality performance was positive in all divisions, in particular Wholesale Banking ("WB"), where the cost of risk was virtually nil, and Consumer (down from 332 bps to 243 bps); **the coverage ratios were higher for NPLs (55%), bad loans (70%), and performing assets (1.1% at Group level, 2.6% for Consumer)**; while the **Texas ratio**<sup>1</sup> stood at 13%;
- ◆ **Gross operating profit, net of the cost of risk, was up 16%**, from €736m to €855m;
- ◆ **Net profit rose by 24%, to €750m, and the ROTE**<sup>(2)</sup> **from 7% to 9%**, including:
  - **€160m in net gains on the disposals of half the Atlantia stake** (1.3%, €110m), **5% of Koenig & Bauer** (€28m) and **3% of Italmobiliare** (€22m);
  - **€89m in contributions to banking system funds**, €50m of which by way of one-off contribution to the Single Resolution Fund, and €8m in voluntary contributions to the Deposit Guarantee Fund;
  - **€15m in income deriving from the Barclays acquisition** (PPA);
- ◆ **The capital ratios** as at 30 June 2017 reflect further strengthening and are now at the **highest levels since the crisis. MB stands out as one of the most solid banks in Europe without having implemented any capital increases for more than twenty years. The ratios were boosted by strong earnings generation and the ongoing RWA optimization and are still calculated entirely by using the standard method** (the AIRB models are due to be introduced for the corporate segment during the next financial year):
  - **CET1: 13.3% phased-in, 13.5% fully phased**;<sup>3</sup>
  - **Total capital: 16.9% phased-in, 17.1% fully phased**
- ◆ The dividend proposed for the year is **€0.37 per share, 37% higher** than the €0.27 paid last year, with the **payout ratio up from 38% to 43%**
- ◆ **The fourth quarter, which delivered a net profit of €136m, reflects a strong industrial performance affected by one-off charges which reduced the result by some €40m.**

**The strong industrial performance** is reflected in net interest income up 4% Q.o.Q., TFAs of €60bn (the increase being due to Banca Esperia being fully consolidated), cost of risk down 43 bps Y.o.Y. to 73 bps, and 20 bps of CET1 created despite the Banca Esperia acquisition (which had an approx. minus 20 bps impact).

<sup>1</sup> Texas ratio: net NPLs/Common Equity Capital (CET1)

<sup>2</sup> ROTE: net profit/average tangible equity (K<sub>1</sub>). K<sub>1</sub>= Net equity less goodwill less other intangible assets.

<sup>3</sup> Full application of the CRR rules – in particular the right to include the entire AFS reserve in the calculation of CET1 – and the Assicurazioni Generali investment being weighted at 370%.

The €136m net profit **includes one-off charges**, including:

- ◆ €23m in lower fee income due to booking the fees payable in respect of certain Consumer products distributed by third-party networks following renewal of long term contracts;
  - ◆ €18m in integration/restructuring costs, for Banca Esperia (€15m, or 18% of the cost base) and SelmaBipiemme Leasing (€3m)
  - ◆ €8m in voluntary contributions to the Deposit Guarantee Fund.
- ◆ **In the twelve months the Mediobanca Group has seen profits improve at all its divisions and has laid the foundations for growth in line with the targets set in the Plan:**
- ◆ **CIB: net profit €254m (up 14% Y.o.Y.), ROAC 11% (10%)**
    - ◆ **Wholesale Banking:** domestic leadership strengthened, positioning in Southern Europe improved; organizational structure revised; remuneration policies aligned with objectives in terms of capital absorption and profitability; mid-corporate product/service offering model launched in synergy with private banking; RWAs optimization process ongoing (market risk reduction completed in FY 2016/17), AIRB models validation expected in the course of the next financial year)
    - ◆ **Specialty Finance:** visibility in factoring and contribution from credit management significantly increased, leveraging on market opportunities
  - ◆ **Consumer/Compass: record net profit €258m (up 68% Y.o.Y.), ROAC 25% (17%)**
    - ◆ Position as a leading domestic operator confirmed, by volumes and profits
    - ◆ **Validity of value-driven approach confirmed**, leading to sustainable growth in net interest income and risk control
    - ◆ Priority given to growth in **direct channels**, long-term distribution agreements which account for some 60% of personal loans now renewed
    - ◆ **Optimal risk management** as a result of effective scoring credit recovery systems
  - ◆ **Wealth Management: total financial assets (TFAs) of €60bn (up 43% Y.o.Y.), revenues of €460m (up 38% Y.o.Y., now supplying 20% of the Group turnover), net profit €55m (up 45% Y.o.Y.). ROAC stable at 9%**
    - ◆ **CheBanca!**: doubled in size due to the acquisition of Barclays' Italian operations completed in August 2016, with 141 branches and 800,000 clients integrated, and since end-May 2017 managed via a single IT system; new commercial platform launched; cost and revenue synergies expected as from the next financial year; FAs network launched, while the results of the new proprietary WM platform should become visible;
    - ◆ **Banca Esperia:** 100% control acquired in April 2017, integration process launched and restructuring expenses charged; merger into Mediobanca S.p.A. expected to be completed in autumn 2017 and division to be renamed Mediobanca Private Banking, client coverage via integrated private banking-mid corporate product/service offering;
    - ◆ **Spafid/CMB:** recent minor acquisitions have increased critical mass and fee base, with the objective of establishing itself as the family office of choice for the Italian market;
    - ◆ **Cairn:** launch of three new funds (RE, Subfin, Loans) and two new CLOs; distribution in the process of being strengthened.

- ◆ **Principal Investing: net profit €422m (up 13% Y.o.Y.). ROAC 17% (19%)**
  - ◆ Assicurazioni Generali investment (13%) contributed €264m (up 3% Y.o.Y.)
  - ◆ AFS stake disposals of approx. €340m, yielding gains totalling €162m.

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With Renato PAGLIARO in the Chair, the Directors of Mediobanca approved the Group's financial statements for the twelve months ended 30 June 2017, as illustrated by Chief Executive Officer Alberto NAGEL.

## Consolidated results

In the twelve months ended 30 June 2017, the Mediobanca Group delivered **a 24% increase in net profit**, from €605m to €750m, and **a 16% increase in gross operating profit** (from €736m to €855m), **on a strong performance by revenues and an ongoing reduction in the cost of risk for all business lines.**

Group revenues rose by 7.3%, from €2,046.6m to €2,195.6m, despite the difficult market conditions with markedly declining credit spreads and short-term interest rates stable in negative territory. The main income items performing as follows:

- ◆ The increase in net interest income (up 6.7%, from €1,206.7m to €1,287.8m) reflects growth of 9.5% in Consumer (from €746.9m to €818.1m) and 31% in Wealth Management (from €186.4m to €244.1m, largely due to the former Barclays' business unit's operations being consolidated for ten months), and more than offsets the negative performance by Holding Functions (net interest expense of €76.3m, compared with €33.3m last year) which nonetheless showed an improvement in 4Q;
- ◆ Net treasury income declined from €133.1m to €121.3m, on lower AFS dividends of €17m (€29.2m, due to the smaller size of the portfolio), and a reduced contribution from CIB fixed-income trading of €48.9m (€64.7m);
- ◆ Net fee and commission income rose by 16.1%, from €450.1m to €522.6m, as a result of higher contributions from CheBanca! (from €43.4m to €68.9m, including €22.5m from Barclays), Specialty Finance (from €20m to €42.5m), Cairn Capital (from €8.9m to €27.5m), and Banca Esperia (up €18m, the company being fully consolidated as from 4Q); Wholesale Banking was flat at €207.4m, while Consumer fees were down slightly at €118.1m (€126.1m), due to commissions of €23m being charged in respect of certain Consumer products distributed by third-party networks following renewal of long term contracts;
- ◆ The profit earned by the equity-accounted companies, now almost entirely accounted for by Assicurazioni Generali, rose from €256.7m to €263.9m.

Operating costs rose by 14.8%, from €891.9m to €1,023.7m, almost entirely due to the newly-consolidated entities; on a like-for-like basis overheads would have increased by some 2%, mainly labour costs.

Loan loss provisions fell by 24.4%, from €418.9m to €316.7m, reflecting the widespread improvement in the loan book risk profile, in Consumer in particular (where provisioning declined from €354.4m to €276.2m) and Wholesale Banking (where €15m was written back, compared with €28.5m in adjustments taken last year. The cost of risk thus fell from 124 bps to 87 bps, with coverage ratios remaining at high levels: for non-performing assets at 54.6% and for performing assets at 1.1%.

Net gains on the securities portfolio rose from €124.2m to €168.6m, and include gains realized on the sale of half the Bank's investment in Atlantia (€110.4m) and the Koenig & Bauer shares (€28m), along with a gain on disposal of 2.8% of Italmobiliare realized in acceptance of the terms of the public tender offer (€22.2m); provisions for other financial assets more than halved, from €19.4m to €7.9m, split equally between banking book securities and equities.

Other items of €101.9m (€104.3m) refer chiefly to a €49.6m one-off contribution to the Single Resolution Fund to support Banca delle Marche, Banca Popolare dell'Etruria, Cassa di Risparmio di Chieti, and Cassa di Risparmio di Ferrara; €25.3m in ordinary contributions to the Single Resolution Fund; €13m as the compulsory contribution to the Deposit Guarantee Scheme (DGS) for 2016 and 1H 2017; €24.9m in expenses booked in settlement of the yacht leading tax dispute (the provision has now been reduced to virtually zero, following a withdrawal from the parent company's risks provision of €15m and the share attributable to third parties); €19m in integration/restructuring costs (€14.9m of which in respect of the Banca Esperia integration and €2.7m for the SelmaBipiemme reorganization). The acquisition of the Barclays business unit generated a net gain of €15.2m.

Turning to the **balance-sheet data**, total assets were up slightly on the figure reported at end-June 2016, from €69.8bn to €70.4bn, and reflect the following performances:

- ◆ **Loans and advances to customers** rose from €34.7bn to €38.2bn due to consolidation of the mortgage loans acquired from Barclays (€2.5bn) and Banca Esperia (€0.9bn); the flows for the year show growth in Consumer Banking (€755.1m) and Specialty Finance (€770m, €686m of which in factoring) and a reduction in Wholesale Banking (from €14.3bn to €12.8bn), due to increasing selectivity on returns and to early redemptions (over €2.6bn). Net NPLs remained at very low levels, and declined still further as a percentage of the total loan book, from 2.7% to just 2.5%, with the coverage ratio edging up from 54.3% to 54.6%. The increase in non-performing mortgages (from €148.5m to €180.6m) chiefly reflects the former Barclays positions, with €26.9m in overdue and unlikely-to-pay accounts. Net bad loans generated by the Group's activities declined to €156.8m (€184.6m) and represent 0.41% (0.53%) of the total loan book. The item does not include the NPL portfolios acquired by MBCredit Solutions, which increased during the twelve months from €70.5m to €134.8m.
- ◆ **Funding** increased from €46.7bn to €49.1bn, due to the contributions from the former Barclays' business unit (€2.9bn) and Banca Esperia (€1.5bn), which took retail and private banking deposits to €13.4bn and €4.5bn respectively: together they account for 36% of the consolidated funding. The other funding forms were down slightly, with the exception of ECB funds, which rose from €5bn to €5.9bn (including €250m from Banca Esperia). New debt security issuance of approx. €3bn was made during the twelve months, €350m of which Tier 2, against redemptions and market repurchases totalling €4.2bn, including €218.4m in the partial buyback of two subordinated Tier 2 issues; the heading also includes bonds issued by Banca Esperia (€170m);
- ◆ **Banking book bonds** declined from €9.9bn to €8.4bn, in conjunction with the increase in net treasury assets from €5.5bn to €7.3bn, €1.3bn of which with the ECB;
- ◆ **TFAs in Wealth Management**, including retail funding, rose from €42.2bn to €59.9bn (with Banca Esperia 100%-consolidated); AUM/AUA climbed to €30bn, split between private Banking (€22.9bn) and the affluent & premier segment (CheBanca!; €7.1bn).

**The Group's capital ratios** at 30 June 2017, taking into account the phase-in period, the proposed dividend of €0.37 per share, and the reduction in RWAs, still show an impressive strengthening. The Common Equity Tier 1 ratio improved from 12.08% to 13.31%, and the total capital ratio improved from 15.27% to 16.85%. RWAs declined from €53.9bn to €52.7bn, on lower CIB volumes, and the lower market risk component which absorbed the growth by CheBanca!, Consumer and Specialty Finance. The Assicurazioni Generali investment was

deducted up to approximately one-third of its book value, in order to ensure compliance with the concentration limit. The fully-phased ratios (i.e. full application of the CRR rules, in particular the right to include the AFS reserve in the calculation of CET1, and the Assicurazioni Generali investment being weighted at 370%) rose to 13.54% (CET1 ratio) and to 17.11% (total capital ratio). The **liquidity ratios** remain comfortably above the regulatory limits.

## Divisional results

The 2016-19 three-year Plan introduced a new segmentation of the Group's businesses, in five divisions:

- ◆ **Corporate & Investment Banking (CIB)**: this division brings together all services provided to corporate clients in the following areas: **Wholesale Banking** (lending, advisory, capital markets activity and proprietary trading); and **Specialty Finance** (factoring and credit management, including NPL portfolios);
- ◆ **Consumer Banking (CB)**: this division provides retail clients with the full range of consumer credit products, ranging from personal and special-purpose loans to salary-backed finance (Compass and Futuro);
- ◆ **Wealth Management (WM)**: this division brings together all activities addressed to **private clients and high net worth individuals** (Compagnie Monégasque de Banque, Banca Esperia and Spafid) and asset management services provided to **affluent & premier** customers (CheBanca!); the division also includes Cairn Capital (**alternative AM**);
- ◆ **Principal Investing (PI)**: this division brings together the Group's portfolio of equity investments and holdings, including the stake in Assicurazioni Generali;
- ◆ **Holding Functions** (formerly the Corporate Centre): this division houses the Group's Treasury and ALM activities (which previously were included in the CIB division); it also includes all costs relating to Group staffing and management functions, most of which were also previously allocated to CIB, and continues to include the leasing operations.

### 1. **Corporate & Investment banking: net profit up 14% to €254m, ROAC up from 10% to 11%**

Corporate and Investment Banking reported a net profit of €253.9m (30/6/16: €222.8m), on a 1.7% increase in revenues, with the cost/income ratio virtually stable and lower loan loss provisions and writedowns to securities totalling €11m (compared with €34.5m last year). Both segments showed an improvement in profits: Wholesale Banking from €206.8m to €232.3m, and Specialty Finance from €16m to €21.6m.

The actions provided for in the 2016-19 Plan were launched during the twelve months under review:

- ◆ **Wholesale banking**: further strengthening of Mediobanca's leadership position in Italy (M&A, ECM, cash equity) and improvement of its position in other geographies (the Bank ranks second for announced M&A deals in Spain/Portugal, fourth for ECM in Southern Europe (Italy, Spain, Portugal and Greece));<sup>4</sup> organizational structure revised with new responsibilities; remuneration policies aligned with objectives in terms of capital absorption and profitability; mid-corporate product/service offering model launched in synergy with private banking; RWAs optimization process launched (market risk reduction

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<sup>4</sup> Source: for M&A Thomson Reuters – deals announced from 1 January 2017 to 18 July 2017; for ECM Dealogic –deals from July 2016 to June 17; for cash equity Extel survey: MB securities named top domestic brokerage for third year running.

completed in FY 2016/17), AIRB models validation expected in the course of the current financial year);

- ◆ **Specialty Finance:** entities operating in factoring and credit management became companies (MB Facta, formerly part of Creditech) or changed names (MBCredit Solutions, formerly Creditech); the new entities' operations grew and increased in visibility: MBFacta is one of the top ten factoring companies in Italy, NPL portfolios with a GBV of €1bn acquired by MBCredit Solutions during the twelve months.

### 1.1. **Wholesale Banking: net profit up 12% to €232m, ROAC 11% (10%)**

The Wholesale Banking division reported net profit up 12.3% for the twelve months, from €206.8m to €232.3m, helped by writebacks to loans and securities totalling €11.9m (compared with writedowns of €28.5m last year). Revenues were down 3.3%, from €568.2m to €549.5m, with operating costs flat at €211.9m. The main income items performed as follows:

- ◆ Net interest income fell by 5.9%, from €264.1m to €248.6 m, due to the combined effect of lower volumes and profitability in corporate lending, which was only partly offset by the lower cost of funding;
- ◆ Net treasury income was basically flat at €93.5m, with the improved performance in equity trading (€44.6m, compared with €31.5m last year) offsetting the reduction posted in fixed-income trading (4Q in particular).
- ◆ Net fee and commission income was virtually flat at €207.4m, despite the volatility affecting the market and a first half-year in which business volumes were low on the Bank's reference markets; equity capital market activity in particular was helped by some significant deals, with offset the reductions in advisory and M&A business (in line with the rest of the market).

Operating costs were more or less unchanged, at €211.9m (€211.5m), despite some major projects related to the introduction of internal models for credit risk and the new regulations. The fall in labour costs reflects the reduction in line with the trend in revenues.

Financial assets (loans and receivables/banking book securities) show net writebacks of €11.9m, reflecting the balance between €15m in writebacks on the loan book, in connection with the risk improvement (€5m of which in respect of NPLs and €11m for performing assets), and €3.1m in provisions for securities.

Loans and advances to customers were down almost 10%, from €14.3bn to €12.8bn, on new loans of €4.5bn and repayments totalling €5.9bn, €2.6bn of which were early redemptions. It is worth noting that positions worth some €400m were refinanced at the end of the financial year under review but the deals themselves were completed only at the start of the new financial year. NPLs reduced from €379m to €372.5m. This item involves only unlikely-to-pay positions, accounts for 2.9% of the loan book, and has a coverage ratio of 50%.

### 1.2. **Specialty Finance: net profit up 35% to €22m, ROAC 16%**

Specialty Finance delivered a strong increase in profits for the twelve months, from €16m to €21.6m, €8m of which in factoring and €13.6m in credit and NPL portfolio management. The 52.1% increase in revenues, from €56.8m to €86.4m, was driven by net interest income (up 19.6%, from €36.8m to €44m) and net fee and commission income, which more than doubled (from €20m to €42.5m). NPL business in particular was the main contributor, on the back of the



net interest income generated and amounts collected being higher than anticipated (€17.6m).

At the same time operating costs rose by 25.4%, from €28.3m to €35.5m, due to the increase in recovery costs for the NPL portfolio linked to the growth in volumes (which were €5m higher).

Provisions for financial instruments, which rose from €6m to €22.9m, consist of €7.2m in respect of the NPL portfolio and €15.8m in respect of factoring (chiefly the "instalment" segment), €3.4m of which for performing accounts to align the expected loss over a time horizon of twelve months.

Loans and advances to customers virtually doubled, from €871m to €1,641m, split between factoring (up from €800.6m to €1,506.3m) and NPL management (up from €70.5m to €134.8m). In the twelve months the turnover from factoring business doubled, from €1.9bn to €3.8bn, while €1.4bn of gross non-performing loans was acquired. Net NPLs amounted to €149.1m, and include €135m of NPLs acquired by MBCredit Solutions (€71m as at 30 June 2016) and €14.4m in factoring accounts (€10.1m).

## **2. Consumer Banking: record net profit of €258m (up 68%), the best result ever; ROAC 25% (17%)**

Compass confirmed its position at the top of the Italian consumer credit market as measured by volumes (ranking among the top three operators by new loans, with an Assofin market share of over 11%) and profits.

The validity of a value-based approach has enabled sustainable growth in net interest income and profits over time, while ensuring risk profile remains solid.

In line with the Plan, priority has been given this year to sales via direct channels (with 166 branches spread across Italian territory), while major distribution agreements with third-party banks have been renewed: the FY 2016/17 results reflect fee income lower by €23m due to commissions being charged in connection with the renewal of long-term distribution agreements which generate some 60% of the personal loans disbursed by Compass via third-party banking networks.

A record net profit of €258.2m was earned in the twelve months (30/6/16: €153.8m), on 7.2% growth in revenues (from €873m to €936.2m) and a 22.1% reduction in loan loss provisions. The top line in particular was boosted by 9.5% growth in net interest income, from €746.9m to €818.1m, driven by higher average volumes (up 6.4%) and resilient margins; fee income was down slightly, by 6.3%, due to the items related to development of the distribution network for the next three years having been brought forward. Operating costs grew by 2.2%, from €274m to €279.9m, exclusively due to labour costs, which were up 6.1% as a result of the higher staff numbers and the payment of certain performance bonuses. Loan loss provisions declined by 22.1%, from €354.4m to €276.2m, reflecting a cost of risk of 243 bps, far below expectations and the 332 bps seen last year, and bearing out the further improvement in the risk profile. The coverage ratio for NPLs was virtually unchanged, at 71.2% (72.8%), while the ratio for performing items rose from 2% to 2.6%.

Loans and advances to customers rose in the twelve months from €10,995.2m to €11,750.3m, on new loans of €6,638.1m (up 7.1% versus last year). Non-performing loans rose from €175.7m to €189.6m but in relative terms were unchanged, accounting for 1.6% of the total loan book.

**3. Wealth Management: development of a visible, profitable platform now launched. TFAs €60bn (up 46% Y.o.Y.), revenues €459m (up 38% Y.o.Y., now generating 20% of the Group's total income), and net profit €55m (up 45% Y.o.Y.). ROAC stable at 9%.**

Development of the Wealth Management platform has been given impetus by consolidation of the recent acquisitions:

- ◆ **CheBanca!: definitive transformation to wealth manager focused on Italian affluent & premier customer segment:** the company has doubled in size with the Barclays acquisition in August 2016, adding 141 branches and 800,000 clients which since end-May 2017 have been managed via a single IT system. A new commercial platform has been designed with a product offering which targets clients in the affluent-premier segments. Cost and revenue synergies should come onstream starting from next year, as a result of the rationalization and integration processes, with 33 branches to close and reductions in headcount (110 staff to leave, in addition to the 127 voluntary redundancies in FY 2016-17), the costs of which are fully covered by the provisions already made. Development of the FAs network is underway, with an estimated 100 hirings per annum (against the current total of 70), while the new proprietary wealth management platform should become visible;
- ◆ **MB Private Banking: development of a private banking service offering for Italian HNWI clients, integrated coverage with CIB mid-corporate launched:** Mediobanca acquired 100% ownership of Banca Esperia in April 2017, and has launched the integration process having already booked the restructuring costs; the merger of Banca Esperia into Mediobanca S.p.A. is expected to be completed this autumn, with the business to be renamed Mediobanca Private Banking; client coverage with an integrated private banking-mid-corporate offering will then become fully operative;
- ◆ **Spafid/CMB building scale:** both companies have made targeted acquisitions with a view to building critical mass and fee base; CMB has acquired a business unit from CFM Indosuez Wealth (a Crédit Agricole group company based in Monaco). Spafid, meanwhile, has acquired the Information Services Professional Solutions division (ISPS), a leader in the financial information segment, from the London Stock Exchange group;
- ◆ **Cairn: development of products and distribution:** Cairn, an asset manager specializing in structured credit products, has launched three new funds (RE, subfin and loans) and two new CLOs with the support of Mediobanca; distribution is in the process of being enhanced.

Wealth Management reported a net profit of €55m, higher than last year (€38m) due to the expanded area of consolidation: the higher total revenues of €459.5m (€334.1m) reflect the contribution of the Barclays business unit (€83.8m), Cairn's operations being consolidated for the full twelve months rather than six, and Banca Esperia being 100%-consolidated rather than 50% for 4Q. Costs reflect the same trend, totalling €376.3m (€75.2m attributable to the former Barclays' operations), compared with €268.4m. The bottom line includes the €15.2m gain which emerged on the Barclays' acquisition, almost entirely offset by the Banca Esperia integration expenses of €14.9m. CheBanca! reported a net profit of €26.9m (€8.5m), whereas private banking saw profits reduce from €29.5m to €28.1m, reflecting the charges mentioned above.

Total Financial Assets (TFAs<sup>5</sup>) increased from €42.2bn to €59.9bn, due to organic growth of approx. €4bn, plus the acquisitions which added some €14bn (€6bn for Barclays, €8bn for

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<sup>5</sup> TFA= Total Financial Assets: deposits + AUM/AUA + assets under custody.

Banca Esperia); AUM/AUA totalled €30bn, split between private banking (€22.9bn) and the CheBanca! affluent & premier segment (€7.1bn).

The ROAC posted by this division, adjusted for non-recurring items, was stable at 9%.

### **3.1. Affluent & premier (CheBanca!): Barclays' activities now integrated; TFA up 39% to €20.4bn, revenues up 43% to €275m, net profit three times higher at €27m.**

CheBanca! delivered a net profit of €26.9m (€8.5m), the sharp year-on-year increase being due to the acquisition of Barclays' Italian operations.

Revenues climbed 42.7%, from €192.4m to €274.6m, with the new business unit contributing €83.8m; net interest income was up 37.8% at €205.3m, due to higher volumes and the lower cost of funding, while fee income was nearly 60% higher (up from €43.4m to €68.9m) on growth in indirect funding. At the same time operating costs rose by 46%, from €162.3m to €237.0m, due basically to Barclays (€75.2m). Provisions for financial assets rose from €16.6m to €19.4m, in line with the higher mortgage lending volumes. The bottom line was boosted by €15.2m of non-recurring income in connection with the Barclays acquisition; integration was completed in May, with the acquired activities migrating to the CheBanca! platform.

Direct funding rose from €10.7bn to €13.4bn, and indirect funding from €3.9bn to €7.1bn: both segments benefited from the Barclays transaction, which added €2.9bn to the former and €2.8bn to the latter. Loans and advances to customers also increased, from €5.1bn to €7.5bn, with Barclays adding €2,459.6m (22,885 mortgages), on new loans for the twelve months of €1,240.9m (up 15.5%) in part offset by subrogations. Non-performing items rose from €148.5m to €180.6m; virtually the whole increase is attributable to Barclays with €27.1m in overdue or likely-to-default positions; the coverage ratio stood at 47.8%, down slightly since last year (49.2%).

### **3.2. Private Banking: 100% control of Banca Esperia acquired. TFAs up sharply, by 43% (to €39.4bn), revenues up 30% to €185m, and gross operating profit up 26% to €45m; net profit down 5% to €28m after booking €17m in one-off charges. ROAC 16%**

Private banking<sup>6</sup> delivered a net profit for the twelve months of €28.1m, 4.7% lower than the €29.5m posted last year solely on account of higher one-off expenses of €17.2m (€5.4m) attributable to the Banca Esperia integration ahead of its merger into Mediobanca. At the operating level GOP was up 26.1%, from €35.6m to €44.9m.

The 30.5% increase in revenues, from €141.7m to €184.9m, was helped by Banca Esperia being fully consolidated for the fourth quarter and by Cairn Capital's results being included for the twelve months (as opposed to six last year). Net interest income was up 3.7%, from €37.4m to €38.8m, most of which was offset by the reduction in net treasury income (from €13.1m to €11.9m). Fees and commissions were up 47.1%, from €91.2m to €134.2m, with increasing contributions from all areas, in particular Cairn (up €18.6m, €5.8m of which in performance fees) and Spafid (up €5.2m, €3.9m of which from the corporate services provided following the minor acquisitions). At the same time operating costs were up 31.3%, from €106.1m to €139.3m (€48.7m on a like-for-like basis).

Cairn Capital's contribution consisted of revenues of €28m and costs of €24.6m, whereas CMB made a net profit of €36.8m, after revenues of €89.4m, costs of €51.8m, gains on AFS investments totalling €7m, and tax of €6.6m. Banca Esperia (consolidated pro rata for nine months at 50% and for three months at 100%) posted an €11.2m loss, on revenues of €53.7m,

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<sup>6</sup> Scope includes Compagnie Monégasque de Banque, Banca Esperia (fully consolidated as from 4Q, consolidated pro rata at 50% for the previous three quarters), Spafid and Cairn Capital (Alternative AM).

€47.7m in operating costs, and non-recurring provisions of €17.7m. Spafid, which performs fiduciary business and corporate services) added revenues of €14m and a net profit of €2.1m.

Assets under management/administration in the twelve months rose from €13.5bn to €22.9bn, split between CMB with €6.7bn (€5.3bn), Banca Esperia with €13.7bn (€6bn taking account of the full integration) and Cairn Capital with €2.5bn (€2.1bn). Securities under custody rose from €10.7bn to €12.1bn,, due to growth by Spafid (€4.4bn, as against €3bn) and Banca Esperia (€3.6bn fully consolidated, as against €1.6bn).

#### **4. Principal Investing: net profit up 13% to €422m, ROAC 17%; disposals ongoing**

This division, which brings together all the Group's equity investments, saw further significant reduction in AFS securities, in line with the three-year Plan; the investment in Assicurazioni Generali was unchanged at 13%, but is due to be reduced to 10% in the course of the three years.

The AFS shares declined from €851.9m to €659.5m following sales of €336.7m (yielding gains of €161.6m) involving half the Atlantia stake (1.35%), 5.1% of Koenig & Bauer, and 2.8% of Italmobiliare following the buyback launched by the company. During the twelve months under review there were also redemptions of private equity funds totalling €29.9m, new investments in seed capital by Cairn for a total of €50.6m, and fair value increases amounting to €93.7m.

The book value of the Assicurazioni Generali investment decreased from €3,091.8m to €2,997.5m, on profit for the period totalling €263.6m, and negative equity adjustments of €357.9m (chiefly due to the valuation reserves) net of the dividend collected (€162.2m).

Accordingly, the net profit earned by this division rose to €422.1m (30/6/16: €373.2m), reflecting the €161.6m gains on disposal of AFS shares (€119.8m) and the contribution of Assicurazioni Generali (up from €255m to €263.6m).

#### **5. Holding functions: €242m loss due to high liquidity in a negative interest rate scenario, one-off charges of over €90m as a result of contributions to banking system funds, and non-recurring costs booked in connection with leasing (refocusing process with reduction in costs (down 12%) and net NPLs (down 27%).**

The Holding Functions division includes the Group's Treasury and ALM operations, with the objective of optimizing funding and liquidity management on a consolidated basis. It also includes the costs of the central functions and Group management, with the intention of managing the increase in size efficiently. The division also includes the leasing businesses, which are currently being refocused.

The division reported a loss of €241.8m, compared with €189.3m last year, with net interest expense of €76.3m (€33.3m) despite the recovery in 4Q (40% higher Q.o.Q.), reflecting the higher treasury management costs (repricing of securities held in the portfolios and higher short-term liquidity levels) in a negative short-term interest rate scenario. Operating costs were virtually unchanged at €166.2m (€162.2m), as were extraordinary expenses at €91m (€92.3m) linked to the contributions paid to the Single Resolution Fund and Deposit Guarantee Fund and to restructuring charges of approx. €3m. The overall impact of settlement of the yacht leasing tax dispute on the division's earnings is neutral: approx. €25m in non-deductible expenses, covered by withdrawals from the risks provision (€15m) and the share attributable to third parties (approx. €10m).

The various segments performed as follows:

- ◆ Group Treasury and ALM delivered a net loss of €112m, worse than the €83.3m loss posted last year, due to higher net interest expense (up from €86.3m to €123.6m), impacted by the higher liquidity levels (but reducing in the course of the year) and higher operating costs (up from €24.2m to €32.6m) due to strengthening of units and systems;
- ◆ Leasing reported a net loss of €11.9m, compared with a €4.6m net profit last year. Net of the tax loss the bottom line would have shown a €3.1m profit, still lower than last year due to the decrease in volumes which cut revenues by 12.5% (from €54.6m to €47.8m), and was only in part offset by the 12.2% reduction in operating costs (from €28.7m to €25.2m). Leases outstanding at the reporting date declined from €2,494.5m to €2,273.5m, with new finance stable at €418m (€416m); net non-performing accounts fell by 27%, from €230.1m to €169.0m, with the coverage ratio up from 32.1% to 33.8%.

## **Mediobanca S.p.A.**

Mediobanca S.p.A. earned a net profit of €318.3m in the twelve months, higher than the €288m recorded last year, despite the market scenario which reflected sharp reductions in credit spreads and short-term interest rates stably in negative territory, and impacting negatively on revenues (which were down 10.5%, from €642.5m to €574.8m), with costs up slightly.

The performance was boosted by gains on disposal of AFS shares (up from €141.4m to €161.6m), lower contributions to the Single Resolution Fund of €62.8m (€81.8m), and writebacks to the loan book totalling €13m (€29.5m in writedowns last year).

The various income items performed as follows:

- ◆ Net interest income was down 42.5%, from €147.2m to €84.6m, as a result of the combined effect of lower loans (corporate lending and banking book securities) and returns on assets;
- ◆ Net treasury income fell by 9.1%, from €127.9m to €116.3m, due to a lower contribution from fixed-income trading;
- ◆ Net fee and commission income was down slightly, by 4.4%, from €221.4m to €211.7m;
- ◆ Dividends on investments owned rose from €146m to €162.2m.

Operating costs were up 3.3%, from €337.3m to €348.3m, split equally between labour costs and administrative expenses.

On the balance-sheet side, total assets rose from €57bn to €57.9bn, solely as a result of intercompany items (€15.6bn, as against €12.3bn last year), offset by the CheBanca! (€10.7bn, compared with €8.6bn). Conversely, corporate lending and securities fell from €10.9bn to €9.6bn in the case of the former and from €11.7bn to €10.8bn in the case of the latter.

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At a Board meeting held today, the Directors of Mediobanca adopted a resolution to call an ordinary annual general meeting of shareholders to take place in a single session on 28 October 2017, with the following agenda:

- Financial statements as at 30 June 2017, Board of Directors' review of operations and other reports, reports by external auditors and Statutory Audit Committee; related resolutions;
- Appointment of Board of Directors for 2018-20 three-year period: establishment of number of Board members, appointments, and establishment of remuneration;
- Appointment of Statutory Audit Committee for 2018-20 three-year period: appointment of Committee members and Chairman and establishment of remuneration;
- Remuneration policies: cap on variable and fixed remuneration based on a ratio of 2:1; policies in the event of beneficiaries leaving office or ceasing to work for Mediobanca; staff remuneration policies;
- Increase in the fee payable to the external auditors for auditing the Company's financial statements for the 2017-21 period.

The notice of meeting and the documentation on the various items on the agenda will be published by the means and within the terms stipulated by the regulations in force.

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#### Shareholder remuneration

The Board adopted a resolution to submit a proposal to shareholders at the annual general meeting to be held on 28 October 2017 to pay a gross dividend of €0.37 per share. The amount will be paid on 22 November 2017, with the record date 21 November and the shares going ex-rights on 20 November.

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Milan, 3 August 2017

#### **Investor Relations**

Tel. no.: (0039) 02-8829.860/ 647

[jessica.spina@mediobanca.com](mailto:jessica.spina@mediobanca.com)

[luisa.demaria@mediobanca.com](mailto:luisa.demaria@mediobanca.com)

[matteo.carotta@mediobanca.com](mailto:matteo.carotta@mediobanca.com)

#### **Media Relations**

Tel. no.: (0039) 02-8829.627/ 319

[lorenza.pigozzi@mediobanca.com](mailto:lorenza.pigozzi@mediobanca.com)

[stefano.tassone@mediobanca.com](mailto:stefano.tassone@mediobanca.com)

[paola.salvatori@mediobanca.com](mailto:paola.salvatori@mediobanca.com)

## Restated consolidated profit and loss accounts

Mediobanca Group (€m)	12 mths	12 mths	Chg. (%)
	30/06/2016	30/06/2017	
Net interest income	1,206.7	1,287.8	6.7%
Net treasury income	133.1	121.3	-8.9%
Net fee and commission income	450.1	522.6	16.1%
Equity-accounted companies	256.7	263.9	2.8%
<b>Total income</b>	<b>2,046.6</b>	<b>2,195.6</b>	<b>7.3%</b>
Labour costs	(440.8)	(516.0)	17.1%
Administrative expenses	(451.1)	(507.7)	12.5%
<b>Operating costs</b>	<b>(891.9)</b>	<b>(1,023.7)</b>	<b>14.8%</b>
Gains (losses) on AFS, HTM & LR	124.2	168.6	35.7%
Loan loss provisions	(418.9)	(316.7)	-24.4%
Provisions for other financial assets	(19.4)	(7.9)	-59.3%
Other income (losses)	(104.3)	(101.9)	-2.3%
<b>Profit before tax</b>	<b>736.3</b>	<b>914.0</b>	<b>24.1%</b>
Income tax for the period	(128.7)	(171.7)	33.4%
Minority interest	(3.1)	7.9	n.m.
<b>Net profit</b>	<b>604.5</b>	<b>750.2</b>	<b>24.1%</b>

## Quarterly profit and loss accounts

Mediobanca Group (€m)	FY15/16				FY16/17			
	I Q	II Q	III Q	IV Q	I Q	II Q	III Q	IV Q
	30/09/15	31/12/15	31/03/16	30/06/16	30/09/16	31/12/16	31/03/17	30/06/17
Net interest income	302.5	301.8	301.4	301.0	314.2	321.4	319.5	332.7
Net treasury income	26.2	19.6	51.6	35.7	31.8	32.0	41.6	15.9
Net commission income	95.8	131.6	109.0	113.7	102.2	134.6	165.1	120.7
Equity-accounted companies	82.6	56.2	40.7	77.2	78.1	58.1	58.2	69.5
<b>Total income</b>	<b>507.1</b>	<b>509.2</b>	<b>502.7</b>	<b>527.6</b>	<b>526.3</b>	<b>546.1</b>	<b>584.4</b>	<b>538.8</b>
Labour costs	(98.1)	(111.6)	(110.1)	(121.0)	(107.3)	(123.8)	(132.5)	(152.4)
Administrative expenses	(98.7)	(111.4)	(112.8)	(128.2)	(105.3)	(127.1)	(126.9)	(148.4)
<b>Operating costs</b>	<b>(196.8)</b>	<b>(223.0)</b>	<b>(222.9)</b>	<b>(249.2)</b>	<b>(212.6)</b>	<b>(250.9)</b>	<b>(259.4)</b>	<b>(300.8)</b>
Gains (losses) on AFS equity	88.5	4.0	5.5	26.2	112.0	9.7	19.8	27.1
Loan loss provisions	(115.4)	(109.0)	(94.4)	(100.1)	(86.8)	(96.9)	(64.4)	(68.6)
Provisions for other fin. assets	(3.5)	(9.3)	(5.7)	(0.9)	(5.9)	(2.0)	1.8	(1.8)
Other income (losses)	0.0	(71.5)	(19.8)	(13.0)	(4.8)	(21.4)	(29.7)	(46.0)
<b>Profit before tax</b>	<b>279.9</b>	<b>100.4</b>	<b>165.4</b>	<b>190.6</b>	<b>328.2</b>	<b>184.6</b>	<b>252.5</b>	<b>148.7</b>
Income tax for the period	(34.5)	(22.7)	(42.9)	(28.6)	(56.7)	(36.2)	(56.0)	(22.8)
Minority interest	(1.1)	(0.9)	(1.2)	0.1	(0.8)	(0.9)	(0.8)	10.4
<b>Net profit</b>	<b>244.3</b>	<b>76.8</b>	<b>121.3</b>	<b>162.1</b>	<b>270.7</b>	<b>147.5</b>	<b>195.7</b>	<b>136.3</b>

## 1. Restated balance sheet

Mediobanca Group (€m)	30/06/2016	30/06/2017
<b>Assets</b>		
Financial assets held for trading	9,505.3	7,833.9
Treasury financial assets	8,407.9	9,435.1
AFS equities	914.3	786.1
Banking book securities	9,890.3	8,357.7
Customer loans	34,738.7	38,190.9
<i>Corporate</i>	14,254.1	12,840.0
<i>Specialty Finance</i>	871.0	1,641.0
<i>Consumer credit</i>	10,995.2	11,750.3
<i>Mortgages</i>	5,051.3	7,513.2
<i>Private banking</i>	1,072.6	2,172.9
<i>Leasing</i>	2,494.5	2,273.4
Equity investments	3,193.3	3,036.5
Tangible and intangible assets	757.8	857.8
Other assets	2,411.0	1,947.5
<b>Total assets</b>	<b>69,818.6</b>	<b>70,445.5</b>
<b>Liabilities</b>		
Funding	46,658.4	49,120.6
<i>MB bonds</i>	20,310.7	19,301.5
<i>Retail deposits</i>	10,724.1	13,353.3
<i>Private Banking deposits</i>	3,002.8	4,482.0
<i>ECB</i>	5,011.0	5,854.1
<i>Banks and other</i>	7,609.8	6,129.7
Treasury financial liabilities	5,254.7	4,037.2
Financial liabilities held for trading	7,141.5	5,920.6
Other liabilities	1,661.9	1,919.9
Provisions	180.3	255.6
Net equity	8,921.8	9,191.6
<i>Minority interest</i>	89.2	82.7
<i>Profit for the period</i>	604.5	750.2
<b>Total liabilities</b>	<b>69,818.6</b>	<b>70,445.5</b>
CET 1 capital <sup>1</sup>	6,504.8	7,017.3
Total capital <sup>1</sup>	8,227.2	8,879.0
RWA <sup>1</sup>	53,861.6	52,708.2



**Ratios (%) and per share data (€)**

Mediobanca Group	30/06/2016	31/03/2017
Total assets / Net equity	7.8	7.7
Loans / Funding	0.74	0.78
CET1 ratio <sup>1</sup>	12.1	13.3
Total capital <sup>1</sup>	15.3	16.9
S&P Rating	BBB-	BBB-
Fitch Rating	BBB+	BBB
Cost / Income	43.6	46.6
Bad Loans (sofferenze)/Loans ratio <sup>2</sup> (%)	0.5	0.4
EPS	0.69	0.85
BVPS	10.2	10.4
DPS	0.27	0.37
No. shares	871.0	881.2

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

12m – Jun. 17 (€m)	CIB	Consumer	WM	PI	Holding Functions	Group
Net interest income	292.6	818.1	244.1	(7.1)	(76.3)	1,287.8
Net treasury income	93.4	0.0	12.3	16.7	3.3	121.3
Net fee and commission income	249.9	118.1	203.1	0.0	16.5	522.6
Equity-accounted companies	0.0	0.0	0.0	263.6	0.0	263.9
<b>Total income</b>	<b>635.9</b>	<b>936.2</b>	<b>459.5</b>	<b>273.2</b>	<b>(56.5)</b>	<b>2,195.6</b>
Labour costs	(135.5)	(93.9)	(187.0)	(3.8)	(113.8)	(516.0)
Administrative expenses	(111.9)	(186.0)	(189.3)	(0.8)	(52.4)	(507.7)
<b>Operating costs</b>	<b>(247.4)</b>	<b>(279.9)</b>	<b>(376.3)</b>	<b>(4.6)</b>	<b>(166.2)</b>	<b>(1,023.7)</b>
Gains (losses) on disposal of AFS shares	0.0	0.0	7.6	161.6	0.0	168.6
Loan loss provisions	(7.9)	(276.2)	(20.0)	0.0	(12.0)	(316.7)
Provisions for other financial assets	(3.1)	0.0	(2.0)	(0.9)	(4.0)	(7.9)
Other income (losses)	0.0	0.0	(2.0)	0.0	(103.0)	(101.9)
<b>Profit before tax</b>	<b>377.5</b>	<b>380.1</b>	<b>66.8</b>	<b>429.3</b>	<b>(341.7)</b>	<b>914.0</b>
Income tax for the period	(123.6)	(121.9)	(11.8)	(7.2)	92.0	(171.7)
Minority interest	0.0	0.0	0.0	0.0	7.9	7.9
<b>Net profit</b>	<b>253.9</b>	<b>258.2</b>	<b>55.0</b>	<b>422.1</b>	<b>(241.8)</b>	<b>750.2</b>
Loans and advances to Customers	14,481.0	11,750.3	9,686.1	0.0	2,273.5	38,190.9
RWAs	23,104.2	11,782.7	5,790.6	7,714.9	4,315.8	52,708.2
No. of staff	590	1,405	2,023	11	769	4,798

12m – Jun. 16 (€m)	CIB	Consumer	WM	PI	Holding Functions	Group
Net interest income	300.9	746.9	186.4	0.0	(33.3)	1,206.7
Net treasury income	96.2	0.0	13.1	29.2	3.5	133.1
Net fee and commission income	227.9	126.1	134.6	0.0	23.3	450.1
Equity-accounted companies	0.0	0.0	0.0	255.0	0.0	256.7
<b>Total income</b>	<b>625.0</b>	<b>873.0</b>	<b>334.1</b>	<b>284.2</b>	<b>(6.5)</b>	<b>2,046.6</b>
Labour costs	(134.4)	(88.5)	(128.1)	(4.5)	(106.5)	(440.8)
Administrative expenses	(105.4)	(185.5)	(140.3)	(1.4)	(55.7)	(451.1)
<b>Operating costs</b>	<b>(239.8)</b>	<b>(274.0)</b>	<b>(268.4)</b>	<b>(5.9)</b>	<b>(162.2)</b>	<b>(891.9)</b>
Gains (losses) on disposal of AFS shares	0.0	0.0	4.5	119.8	0.0	124.2
Loan loss provisions	(34.5)	(354.4)	(16.6)	0.0	(13.4)	(418.9)
Provisions for other financial assets	0.0	0.0	(0.3)	(17.9)	(1.4)	(19.4)
Other income (losses)	(2.5)	(5.6)	(5.4)	0.0	(92.3)	(104.3)
<b>Profit before tax</b>	<b>348.2</b>	<b>239.0</b>	<b>47.9</b>	<b>380.2</b>	<b>(275.8)</b>	<b>736.3</b>
Income tax for the period	(125.4)	(85.2)	(9.9)	(7.0)	89.6	(128.7)
Minority interest	0.0	0.0	0.0	0.0	(3.1)	(3.1)
<b>Net profit</b>	<b>222.8</b>	<b>153.8</b>	<b>38.0</b>	<b>373.2</b>	<b>(189.3)</b>	<b>604.5</b>
Loans and advances to Customers	15,125.1	10,995.2	6,607.5	0.0	2,494.5	34,738.7
RWAs	27,229.7	11,28.4	4,356.1	6,756.3	4,271.1	53,861.6
No. of staff	579	1,401	1,432	11	752	4,036

#### 4. Corporate & Investment Banking

Corporate & Investment Banking (€m)	12 mths	12 mths	Chg. (%)
	30/06/2016	30/06/2017	
Net interest income	300.9	292.6	-2.8%
Net treasury income	96.2	93.4	-2.9%
Net fee and commission income	227.9	249.9	9.7%
Equity-accounted companies	0.0	0.0	n.m.
<b>Total income</b>	<b>625.0</b>	<b>635.9</b>	<b>1.7%</b>
Labour costs	(134.4)	(135.5)	0.8%
Administrative expenses	(105.4)	(111.9)	6.2%
<b>Operating costs</b>	<b>(239.8)</b>	<b>(247.4)</b>	<b>3.2%</b>
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	(34.5)	(7.9)	n.m.
Provisions for other financial assets	0.0	(3.1)	n.m.
Other income (losses)	(2.5)	0.0	n.m.
<b>Profit before tax</b>	<b>348.2</b>	<b>377.5</b>	<b>8.4%</b>
Income tax for the period	(125.4)	(123.6)	-1.4%
Minority interest	0.0	0.0	n.m.
<b>Net profit</b>	<b>222.8</b>	<b>253.9</b>	<b>14.0%</b>
Loans and advances to customers	15,125.1	14,481.0	-4.3%
No. of staff	579	590	1.9%
RWAs	27,229.7	23,104.2	-15.2%
Cost/income ratio (%)	38.4	38.9	
Bad loans ( <i>sofferenze</i> )/loans ratio (%)	-	-	

#### 4.1 Wholesale Banking

Wholesale banking (€m)	12 mths	12 mths	Chg. (%)
	30/06/2016	30/06/2017	
Net interest income	264.1	248.6	-5.9%
Net treasury income	96.2	93.5	-2.8%
Net fee and commission income	207.9	207.4	-0.2%
Equity-accounted companies	0.0	0.0	n.m.
<b>Total income</b>	<b>568.2</b>	<b>549.5</b>	<b>-3.3%</b>
Labour costs	(121.4)	(119.6)	-1.5%
Administrative expenses	(90.1)	(92.3)	2.4%
<b>Operating costs</b>	<b>(211.5)</b>	<b>(211.9)</b>	<b>0.2%</b>
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	(28.5)	15.0	n.m.
Provisions for other financial assets	0.0	(3.1)	n.m.
Other income (losses)	0.0	0.0	n.m.
<b>Profit before tax</b>	<b>328.2</b>	<b>349.5</b>	<b>6.5%</b>
Income tax for the period	(121.4)	(117.2)	-3.5%
Minority interest	0.0	0.0	n.m.
<b>Net profit</b>	<b>206.8</b>	<b>232.3</b>	<b>12.3%</b>
Loans and advances to customers	14,254.1	12,840.0	-9.9%
No. of staff	368	367	-0.3%
RWAs	26,305.3	21,499.7	-18.3%
Cost/income ratio (%)	37.2	38.6	
Bad loans ( <i>sofferenze</i> )/loans ratio (%)	-	-	

#### 4.2 Specialty Finance

Specialty Finance (€m)	12 mths	12 mths	Chg. (%)
	30/06/2016	30/06/2017	
Net interest income	36.8	44.0	19.6%
Net treasury income	0.0	(0.1)	n.m.
Net fee and commission income	20.0	42.5	n.m.
Equity-accounted companies	0.0	0.0	n.m.
<b>Total income</b>	<b>56.8</b>	<b>86.4</b>	<b>52.1%</b>
Labour costs	(13.0)	(15.9)	22.3%
Administrative expenses	(15.3)	(19.6)	28.1%
<b>Operating costs</b>	<b>(28.3)</b>	<b>(35.5)</b>	<b>25.4%</b>
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	(6.0)	(22.9)	n.m.
Provisions for other financial assets	0.0	0.0	n.m.
Other income (losses)	(2.5)	0.0	n.m.
<b>Profit before tax</b>	<b>20.0</b>	<b>28.0</b>	<b>40.0%</b>
Income tax for the period	(4.0)	(6.4)	60.0%
Minority interest	0.0	0.0	n.m.
<b>Net profit</b>	<b>16.0</b>	<b>21.6</b>	<b>35.0%</b>
Loans and advances to customers	871.0	1,641.0	88.4%
<i>di cui factoring</i>	800.5	1,506.3	88.2%
<i>di cui credit management</i>	70.5	134.8	91.2%
No. of staff	211	223	5.7%
RWAs	924.4	1,604.5	73.6%
Cost/income ratio (%)	49.8	41.1	
Bad loans ( <i>sofferenze</i> )/loans ratio (%)	0.3	-	

## 5. Consumer Banking

Consumer Banking (€m)	12 mths	12 mths	Chg. (%)
	30/06/2016	30/06/2017	
Net interest income	746.9	818.1	9.5%
Net treasury income	0.0	0.0	n.m.
Net fee and commission income	126.1	118.1	-6.3%
Equity-accounted companies	0.0	0.0	n.m.
<b>Total income</b>	<b>873.0</b>	<b>936.2</b>	<b>7.2%</b>
Labour costs	(88.5)	(93.9)	6.1%
Administrative expenses	(185.5)	(186.0)	0.3%
<b>Operating costs</b>	<b>(274.0)</b>	<b>(279.9)</b>	<b>2.2%</b>
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	(354.4)	(276.2)	-22.1%
Provisions for other financial assets	0.0	0.0	n.m.
Other income (losses)	(5.6)	0.0	n.m.
<b>Profit before tax</b>	<b>239.0</b>	<b>380.1</b>	<b>59.0%</b>
Income tax for the period	(85.2)	(121.9)	43.1%
Minority interest	0.0	0.0	n.m.
<b>Net profit</b>	<b>153.8</b>	<b>258.2</b>	<b>67.9%</b>
Loans and advances to customers	10,995.2	11,750.3	6.9%
New loans	6,197.8	6,638.1	7.1%
No. of branches	164	166	1.2%
No. of staff	1,401.0	1,405.0	0.3%
RWAs	11,248.4	11,782.7	4.8%
Cost/income ratio (%)	31.4	29.9	
Bad loans ( <i>sofferenze</i> )/loans ratio (%)	0.1	0.1	

## 6. Wealth Management

Wealth Management (€m)	12 mths	12 mths	Chg. (%)
	30/06/2016	30/06/2017	
Net interest income	186.4	244.1	31.0%
Net treasury income	13.1	12.3	-6.1%
Net fee and commission income	134.6	203.1	50.9%
Equity-accounted companies	0.0	0.0	n.m.
<b>Total income</b>	<b>334.1</b>	<b>459.5</b>	<b>37.5%</b>
Labour costs	(128.1)	(187.0)	46.0%
Administrative expenses	(140.3)	(189.3)	34.9%
<b>Operating costs</b>	<b>(268.4)</b>	<b>(376.3)</b>	<b>40.2%</b>
Gains (losses) on AFS equity	4.5	7.6	68.9%
Loan loss provisions	(16.6)	(20.0)	20.7%
Provisions for other financial assets	(0.3)	(2.0)	n.m.
Other income (losses)	(5.4)	(2.0)	-63.0%
<b>Profit before tax</b>	<b>47.9</b>	<b>66.8</b>	<b>39.5%</b>
Income tax for the period	(9.9)	(11.8)	19.2%
Minority interest	0.0	0.0	n.m.
<b>Net profit</b>	<b>38.0</b>	<b>55.0</b>	<b>44.7%</b>
Loans and advances to customers	6,607.5	9,686.1	46.6%
New loans	1,074.1	1,240.9	15.5%
Total Financial Assets (TFA)	42,209.2	59,867.0	41.8%
-AUM/AUA	17,403.2	30,005.4	72.4%
- Asset under custody	10,688.9	12,106.0	13.3%
-Deposits	14,117.1	17,755.6	25.8%
No. of staff	1,432	2,023	41.3%
RWAs	4,356.1	5,790.6	32.9%
Cost/income ratio (%)	80.3	81.9	
Bad loans (sofferenze)/loans ratio (%)	1.7	1.1	

## 6.1 CheBanca!- Affluent/Premier

CheBanca! - Affluent/Première (€m)	12 mths	12 mths	Chg. (%)
	30/06/2016	30/06/2017	
Net interest income	149.0	205.3	37.8%
Net treasury income	0.0	0.4	n.m.
Net fee and commission income	43.4	68.9	58.8%
Equity-accounted companies	0.0	0.0	n.m.
<b>Total income</b>	<b>192.4</b>	<b>274.6</b>	<b>42.7%</b>
Labour costs	(64.9)	(101.5)	56.4%
Administrative expenses	(97.4)	(135.5)	39.1%
<b>Operating costs</b>	<b>(162.3)</b>	<b>(237.0)</b>	<b>46.0%</b>
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	(16.6)	(19.4)	16.9%
Provisions for other financial assets	0.0	(0.0)	n.m.
Other income (losses)	0.0	15.2	n.m.
<b>Profit before tax</b>	<b>13.5</b>	<b>33.4</b>	<b>n.m.</b>
Income tax for the period	(5.0)	(6.5)	30.0%
Minority interest	0.0	0.0	n.m.
<b>Net profit</b>	<b>8.5</b>	<b>26.9</b>	<b>n.m.</b>
Loans and advances to customers	5,051.3	7,513.2	48.7%
New loans	1,074.1	1,240.9	15.5%
Total Financial Assets (TFA)	14,661.9	20,432.3	39.4%
-AUM/AUA	3,937.8	7,079.0	79.8%
-Asset under custody	0.0	0.0	n.m.
-Deposits	10,724.1	13,353.3	24.5%
No. of branches	58	141	n.m.
No. of staff	981	1,401	42.8%
RWAs	2,512.3	3,498.9	39.3%
Cost/income ratio (%)	84.4	86.3	
Bad loans ( <i>sofferenze</i> )/loans ratio (%)	2.0	1.4	

## 6.2 Private Banking

Private Banking (€m)	12 mths	12 mths	Chg. (%)
	30/06/2016	30/06/2017	
Net interest income	37.4	38.8	3.7%
Net treasury income	13.1	11.9	-9.2%
Net fee and commission income	91.2	134.2	47.1%
Equity-accounted companies	0.0	0.0	n.m.
<b>Total income</b>	<b>141.7</b>	<b>184.9</b>	<b>30.5%</b>
Labour costs	(63.2)	(85.5)	35.3%
Administrative expenses	(42.9)	(53.8)	25.4%
<b>Operating costs</b>	<b>(106.1)</b>	<b>(139.3)</b>	<b>31.3%</b>
Gains (losses) on AFS equity	4.5	7.6	68.9%
Loan loss provisions	0.0	(0.7)	n.m.
Provisions for other financial assets	(0.3)	(1.9)	n.m.
Other income (losses)	(5.4)	(17.2)	n.m.
<b>Profit before tax</b>	<b>34.4</b>	<b>33.4</b>	<b>-2.9%</b>
Income tax for the period	(4.9)	(5.3)	8.2%
Minority interest	0.0	0.0	n.m.
<b>Net profit</b>	<b>29.5</b>	<b>28.1</b>	<b>-4.7%</b>
Loans and advances to customers	1,556.2	2,172.9	39.6%
Total Financial Assets (TFA)	27,547.2	39,434.7	43.0%
-AUM/AUA	13,465.2	22,926.4	70.3%
- Asset under custody	10,688.9	12,106.0	13.3%
-Deposits	3,393.1	4,402.3	29.7%
No. of staff	451	622	37.9%
RWA	1,843.8	2,291.7	24.3%
Cost/income ratio (%)	74.9	75.3	
Bad loans ( <i>sofferenze</i> )/loans ratio (%)	0.0	0.1	

## 7. Principal Investing

PI (€m)	12 mths	12 mths	Chg. (%)
	30/06/2016	30/06/2017	
Net interest income	0.0	(7.1)	n.m.
Net treasury income	29.2	16.7	-42.8%
Net fee and commission income	0.0	0.0	n.m.
Equity-accounted companies	255.0	263.6	3.4%
<b>Total income</b>	<b>284.2</b>	<b>273.2</b>	<b>-3.9%</b>
Labour costs	(4.5)	(3.8)	-15.6%
Administrative expenses	(1.4)	(0.8)	-42.9%
<b>Operating costs</b>	<b>(5.9)</b>	<b>(4.6)</b>	<b>-22.0%</b>
Gains (losses) on AFS equity	119.8	161.6	34.9%
Loan loss provisions	0.0	0.0	n.m.
Provisions for other financial assets	(17.9)	(0.9)	n.m.
Other income (losses)	0.0	0.0	n.m.
<b>Profit before tax</b>	<b>380.2</b>	<b>429.3</b>	<b>12.9%</b>
Income tax for the period	(7.0)	(7.2)	2.9%
Minority interest	0.0	0.0	n.m.
<b>Net profit</b>	<b>373.2</b>	<b>422.1</b>	<b>13.1%</b>
AFS securities	851.9	659.5	-22.6%
Equity investments	3,096.6	3,036.5	-1.9%
RWA	6,756.3	7,714.9	14.2%

## 8. Holding Functions

Holding Functions (€m)	12 mths	12 mths	Chg. (%)
	30/06/2016	30/06/2017	
Net interest income	(33.3)	(76.3)	n.m.
Net treasury income	3.5	3.3	-5.7%
Net fee and commission income	23.3	16.5	-29.2%
Equity-accounted companies	0.0	0.0	n.m.
<b>Total income</b>	<b>(6.5)</b>	<b>(56.5)</b>	<b>n.m.</b>
Labour costs	(106.5)	(113.8)	6.8%
Administrative expenses	(55.7)	(52.4)	-5.9%
<b>Operating costs</b>	<b>(162.2)</b>	<b>(166.2)</b>	<b>2.5%</b>
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	(13.4)	(12.0)	-10.4%
Provisions for other financial assets	(1.4)	(4.0)	n.m.
Other income (losses)	(92.3)	(103.0)	11.6%
<b>Profit before tax</b>	<b>(275.8)</b>	<b>(341.7)</b>	<b>23.9%</b>
Income tax for the period	89.6	92.0	2.7%
Minority interest	(3.1)	7.9	n.m.
<b>Net profit</b>	<b>(189.3)</b>	<b>(241.8)</b>	<b>27.7%</b>
Loans and advances to customers	2,494.5	2,273.7	-8.9%
Banking book securities	8,313.0	7,624.5	-8.3%
RWA	4,271.3	4,315.8	1.0%
No. of staff	752	769	2.3%



**Parent company's reclassified P&L and A&L**

Mediobanca S.p.A. (€ m)	12 mths	12 mths	Chg.%
	30/06/16	30/06/17	
Net interest income	147.2	84.6	-42.5%
Net treasury income	127.9	116.3	-9.1%
Net fee and commission income	221.4	211.7	-4.4%
Dividends	146.0	162.2	11.1%
<b>Total income</b>	<b>642.5</b>	<b>574.8</b>	<b>-10.5%</b>
Labour costs	(192.5)	(198.9)	3.3%
Administrative expenses	(144.8)	(149.4)	3.2%
<b>Operating costs</b>	<b>(337.3)</b>	<b>(348.3)</b>	<b>3.3%</b>
Gains (losses) on AFS equity & IAS 28	141.4	161.6	14.3%
Loan loss provisions	(29.5)	13.0	n.m.
Provisions for other financial assets	(19.3)	(4.1)	-78.8%
Impairments on stakes	(2.5)	(0.9)	-64.0%
Other income (losses)	(81.8)	(47.8)	-41.6%
<b>Profit before tax</b>	<b>313.5</b>	<b>348.3</b>	<b>11.1%</b>
Income tax for the period	(25.5)	(30.0)	17.6%
<b>Net profit</b>	<b>288.0</b>	<b>318.3</b>	<b>10.5%</b>

Mediobanca S.p.A. (€ m)	30/06/16	30/06/17
<b>Assets</b>		
Financial assets held for trading	8,535.2	7,271.3
Treasury financial assets	8,444.4	10,031.8
AFS equities	851.9	659.5
Banking book securities	11,735.1	10,764.3
Customer loans	23,238.8	25,226.7
Equity investments	2,687.7	3,057.0
Tangible and intangible assets	132.0	132.2
Other assets	1,382.3	766.1
<b>Total assets</b>	<b>57,007.4</b>	<b>57,908.9</b>
<b>Liabilities</b>		
Funding	37,468.2	41,038.2
Treasury financial liabilities	5,666.8	4,451.3
Financial liabilities held for trading	7,043.0	5,859.2
Altre passività	1,414.3	1,136.4
Other liabilities	139.9	105.7
Net equity	4,987.2	4,999.8
Profit for the period	288.0	318.3
<b>Total liabilities</b>	<b>57,007.4</b>	<b>57,908.9</b>

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