MEDIOBANCA

Mediobanca
Board of Directors' meeting

Milan, 9 February 2018

Financial statements for six months ended 31/12/17 approved

Eighteen months from the launch of the Strategic Plan the Mediobanca Group confirms the validity of the direction undertaken, demonstrating its high capability in terms of growth, quality and sustainability of results

1H 2017/18 a record half-year by revenues, GOP and net profit

Revenues up 9%, to €1,170m,
with net interest income up 6% and fees up 23%
GOP[1] up 23% to €523m
Net profit up 14% to €476m
ROTE up to 11%

Higher assets under management (AUM/AUA up €1.5bn in six months) and lending volumes (retail up 11% to €22bn, CIB loans up 1% to €15bn)

Mediobanca among the leading banks in Europe for credit quality, low risk profile and capital solidity

SREP: min. CET1 confirmed at 7.6%
Texas ratio 13% - Gross NPLs 4.8% of total loans
CET1 ratio 14.3% pro forma[2]

No material impact from introduction of new regulations

(NPL addendum, IFRS 9, Basel IV, EBA guidelines, etc.)

Validation granted to use AIRB models for corporate segment

RWAs €5bn lower as a result, with benefits sustainable over time

Dividend payout guidance revised up 40-50% (from 40%)

All divisions delivering growth, ROAC increasing

Consumer: biggest contributor to the Group, net profit up 30% to €160m - ROAC 30%
WM accelerating, now accounting for 25% of consolidated revenues[3] - ROAC 12%
CIB: reduced capital absorption, increasing weight of Specialty Finance - ROAC 13%
PI: stake disposals continuing – ROAC 13%
HF: liquidity management optimization (LCR down to approx. 190%), loss cut by 43%

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[1] Gross operating profit net of loan loss provisions.
[2] Pro forma with AIRB impact; validation of the AIRB model for corporate segment will be effective from 31 March 2018.
[3] Including the contribution of RAM AI pro forma.

MEDIOBANCA

1. **In the first half of the 2017/18 financial year, the Mediobanca Group reported an increase of 14%in net profit, from €418m to €476m, and of 23% in gross operating profit (from €425m to €523m), due to the positive trend in revenues and the continuing reduction in the cost of risk.** The main income items performed as follows:

   - **Revenues were up 9% to €1,170m,** with all items posting growth. **Net interest income rose by 6%** (to €672m), on the back of good performances in Consumer Credit (up 6%) and Specialty Finance (up 40%), plus the growth in size at Wealth Management (including as a result of acquisitions; up 8%); **net fee and commission income was up 23%**, to €291m, as a result of the higher contribution from **Wealth Management** (up 35%, to €122m) and **growth in CIB** (up 9%, to €117m); **net trading income also rose 34%**, to €85m;

   - **Loan loss provisions fell by 38%**, from €184m to €113m, and the **cost of risk halved to 58 bps** (102 bps); asset quality performance was positive in all divisions, in particular WB, which continues to benefit from writebacks (€37m), while Consumer Banking remained at the low levels seen in recent quarters (204 bps); **NPLs were down both in absolute terms (by 4% Y.o.Y. gross and 5% Y.o.Y. net) and as a percentage of total loans (from 5.3% to 4.8% gross and from 2.5% to 2.3% net).** The coverage ratio was stable at 55% for NPLs and rose to 72% for bad loans); meanwhile, the **Texas ratio**[4] declined to 13%;

   - **Gross operating profit, net of the cost of risk, was up 23%,** from €425m to €523m;

   - **Net profit rose by 14% to €476m,** reflecting:

     – **€94m in net gains** realized primarily on disposal of remaining shares in Atlantia still held (1.35%);

     – **€10m in contributions to the banking system funds** (versus €55m last year), chiefly in connection with the recapitalization of the Cesena, Rimini and San Miniato *casse di risparmio* ahead of their disposal;

   - **The capital ratios**[5] as at 31 December 2017 remain at high levels, despite **reflecting the increased deduction of the Assicurazioni Generali investment (equal to approx. 40 bps) in order to comply with the concentration limits. The ratios do not as yet reflect the AIRB models for the corporate segment,** validation for which was obtained on 1 February 2018 and will become effective from 31 March 2018, **entailing an approx. €5bn reduction in RWAs and an approx. 140 bps increase in CET1**:

     - **CET1: 12.9% phased in, 12.9% fully-phased;**
     - **CET1 pro forma including AIRB: 14.3% phased in, 14.4% fully-phased**
     - **Total capital: 16.2% phased in, 16.4% fully-phased**
     - **Total capital pro forma including AIRB:18.0% phased in; 18.2% fully-phased**

   - The capital solidity and low risk profile are reflected in the ECB's decision to assign Mediobanca a **minimum SREP ratio for 2018 of 7.6% for the CET1 ratio (phase-in) and of 11.1% for the total capital ratio**. These levels position Mediobanca as one of the leading European banks and are substantially lower than the capital ratios actually reported.

   - Dividend payout guidance revised up 40-50% (from 40%)

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[4] Texas ratio: net NPLs/Common Equity Capital (CET1).

[5] "Fully-phased": with 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 concentration limit for Assicurazioni Generali reduces to 20% due to the limit versus related parties being met (down from the previous 25% concentration limit for large risks).

2. **2Q FY 2017-18 has seen an increase in both net interest and fee income, acceleration in the wealth management business, and optimization of treasury management. Net profit came in at €175m, lower than the €301m posted in 1Q solely as a result of the absence of significant equity stake disposals, plus the reduced (non-recurring) contribution of Assicurazioni Generali. The main income items performed as follows:**

   - **Net interest income rose by 3% Q.o.Q.** to €340m, driven by a good performance in consumer credit (up 2%) and the recovery by the Holding Functions (where net interest expense was virtually halved) as a result of the liquidity optimization drive (LCR down from 256% to 190%) and the ongoing reduction in the cost of funding;
   - **Net fees and commissions rose by 23%** to €153m, on a higher contribution from **Wealth Management** (up 18% to €66m) and **growth in CIB** (up 19% to €63m); **wealth management activities gained momentum** in the second quarter, **with an approx. €1.2bn increase in AUM (from €30.3bn to €31.5bn), €0.4bn of which from the affluent & premier segment and €0.8bn from the private & asset management segment;**
   - Net trading income was up 21%, from €39m to €47m;
   - **Loan loss provisions remained at the low levels seen in 1Q: for the sixth quarter in a row, CIB posted net writebacks following repayment of certain positions; gross and net NPLs also reduced further**;
   - **Net profit totalled around €175m, due to lower non-operating income** (compared with the approx. €90m gains on disposals in 1Q), and **the reduced contribution from Assicurazioni Generali** (from €90m to €31m) as a result of the losses incurred on the disposal of the company's Dutch business;

3. **All divisions showed healthy growth and delivered increasing ROAC**

   - <u>**Wealth Management**</u>**: growth gaining momentum, ROAC 12%**
     - **Organic growth in AUM/AUA of €1.5bn in the six months, to €31.5bn; revenues up 19% to €256m**, which rises further to around €280m if the RAM acquisition is included; in which case the **WM division's contribution to Group revenues climbs to 25%;**
     - **Affluent/CheBanca!**: the Barclays' integration process is now complete, with 32 branch closures and the planned reduction in headcount (106 in the last quarter and more than 200 in the last twelve months). The six months under review have seen the foundations laid for future growth, with the recruitment of the **head of the FAs network** and the addition of **90 new advisors (for a total of approx. 160 at end-December 2017);** AUM/AUA rose by **€0.5bn** in the six months, to €7.6bn;
     - **MB Private Banking**: the merger of Banca Esperia into Mediobanca S.p.A. was completed in December 2017, with the business **renamed Mediobanca Private Banking, the organizational structure reshaped** and **the launch of an integrated private-investment banking** product offering: the project has been well received by clients and fund managers, with **AUM/AUA up €0.7bn** in the six months (to €14.4bn);
     - **Asset management: product factories in the process of being strengthened, with new heads recruited** – for Mediobanca SGR (domestic platform) and MAAM (non-domestic alternative asset management platform) – and the **acquisition of alternative fund manager RAM**, a Swiss operator specializing in systematic equity and credit fund management, with AUM of approx. €4bn, revenues of €50m, and net earnings of €17m. **The acquisition will allow a product/channel platform to be consolidated** which is **complementary** to that of Cairn Capital (€3bn in AUM

chiefly in illiquid credit products), and will mark significant **growth in the alternative segment and in Group fees (approx. 10% on an annual basis)**; meanwhile, Cairn posted AUM growth of €0.3bn for the six months (to €2.8bn).

- **Consumer/Compass: record results, with net profit at €160m (up 30% Y.o.Y.) and ROAC at 30%; this segment is now the Group's biggest contributor in terms of revenues and earnings**
  - The growth rate in lending stood at approx. 8% Y.o.Y., driven by the performance of the direct, indirect and digital channels, with margins resilient. The new ECB measures on NPLs represent a growth opportunity for Compass, given that the company is already aligned with the new provisioning criteria.
- **CIB: lower capital absorption, higher fees; ROAC at 13% (15% factoring in AIRB)**
  - **Wholesale Banking: healthy growth in fee-based activities** on a higher number of deals, confirming the Bank's leadership position in Italy and its good positioning in Southern Europe; **while asset quality improved further**. Here too opportunities should arise from the new ECB measures on NPLs (in advisory, capital markets and credit management) and the introduction of the AIRB models for the corporate credit portfolio. Risk density falls from 100% to around 60% of the corporate portfolio validated using the AIRB models (driving an approx. €5bn reduction in RWAs).
  - **Specialty Finance**: **positive momentum continuing** with revenues of €56m in the six months under review (up 33% Y.o.Y.); acceleration in the growth of MBCredit Solutions in the NPLs segment (with a gross amount of €1.4bn and a net amount of €133m acquired during the six months).
- **Principal Investing: disposals continuing – ROAC at 13%**; net profits totalled €205m (down 15% Y.o.Y.) due to the reduced contribution of Assicurazioni Generali as a result of the loss incurred on the sale of its Dutch business. Equity stake sales continued in the six months, totalling €250m and yielding €94m in gains. The market value of the investments was stable at €3.6bn, with that of the Generali stake rising from €2.9bn to €3.1bn.
- **Holding Functions: net losses decreased from €123m to €70m**, following the significant recovery in net interest income (as a result of effective asset and liability optimization, with the LCR reducing to around 190%) and the lower cost of funding, plus reduced contributions to the banking system resolution funds (some €44m less than last year).

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With Renato PAGLIARO in the Chair, the Directors of Mediobanca approved the Group's individual and consolidated financial statements for the six months ended 31 December 2017, as illustrated by Chief Executive Officer Alberto NAGEL.

Consolidated results

The Mediobanca Group reported a net profit of €476.3m in the six months under review, up 14% on the €418.2m posted last year, reflecting improvement by all the business divisions and the ongoing consolidation of the acquisitions made in Wealth Management.[6]

[6] The six-months results for this year include the Mediobanca Private Banking division, comprising the former Banca Esperia activities, whereas the CheBanca! results also include the former Barclays volumes for the whole period, as opposed to just four months last year.

Total revenues were up 9.1%, from €1,072.4m to €1,169.9m, as follows:

- Net interest income rose by 5.7%, from €635.6m to €672.1m, reflecting a higher contribution from Consumer Banking of €432.3m (€408.4m), and a better performance from treasury management, which, while still negative, saw net interest expense decrease from €70.6m last year to €47.4m, due to the lower cost of funding and optimized liquidity management; the reduction in net interest income generated by Wholesale Banking (from to €132m to €106m) was in part offset by the performances in Specialty Finance (up from €21.4m to €30m) and Wealth Management (up from €117.5m to €126.7m);

- Net fee and commission income totalled €291.2m, a sharp improvement on the €236.8m posted last year, due to higher business volumes as a result *inter alia* of the expanded scope of Wealth Management operations; the increase in fees earned from Specialty Finance (from €20.2m to €26.5m) reflects the higher income collected on the NPLs portfolio, most of which is non-recurring;

- The contribution from the Assicurazioni Generali stake and the other equity investments fell from €136.2m to €121.2m, on a poorer second-half performance by Generali (€31.4m) reflecting the charges taken by the company at end-September 2018 (due to losses upon disposals).

At the same time, the 15.1% increase in operating costs, from €463.5m to €533.6m. reflects the expanded scope of consolidation (net of the Banca Esperia and Barclays effects, the increase would have been 3.7%), the enhancement of operating and control structures, *inter alia* to support the growth in volumes (new distribution channels and IT platforms), plus the Banca Esperia integration costs (with the merger becoming effective in operating terms on 1 December 2017).

Loan loss provisions fell by 38.4%, from €183.7m to €113.2m, due to further improvement in the loan book risk profile, in Consumer Banking in particular (where provisioning declined from €159m to €121.6m), and Wholesale Banking (where a net amount of €36.5m was written back, almost 90% of which deriving from repayments on non-performing loans). The cost of risk fell to 58 bps, representing further improvement both on this time last year (102 bps) and the balance-sheet date (87 bps).

Net gains on the securities portfolio declined from €121.7m to €94.4m, and largely consist of the €89m gain realized on disposal of the Atlantia stake.

Earnings for the six months also reflect a €10.4m payment to the FITD deposit protection fund (€5.4m of which by way of the ordinary DGS contribution for 2017, plus a one-off, €5m payment under the terms of the voluntary scheme) and writedowns to AFS securities totalling €2.8m, after the holding in Cassa di Risparmio di Cesena was written off in return for asset-backed securities.

Turning to the **balance-sheet data**, total assets rose from €70.4bn to €72.1bn, on higher lending volumes, while liquidity and cost of funding optimization efforts continued. Compared to 30 June 2017:

- **Loans and advances to customers rose by 3.7%**, with high levels in all segments and Wholesale Banking in particular (up 4.7%, from €12.8bn to €13.4bn) and Specialty Finance (up 23.6%, from €1.6bn to €2bn). Growth in mortgage lending continued, up 2.6%, from €7.5bn to €7.7bn, despite the continuing trend towards subrogations, and consumer finance exceeded €12bn (up 3%). There was an increase in new business in all principal segments in the six months: Wholesale Banking (up 26.7%, to €3,843m), Consumer Banking (up 7.1%, to €3,346.3m), Specialty Finance (up 39.4%, to €2,547.8m, in particular in factoring), and mortgage lending (up 30.4%, to €694.5m). Net NPLs fell from €940.5bn to €892.3m, due to fewer additions, disposals in Consumer Banking and repayments in Wholesale Banking; and in relative terms decreased from 2.5% of the total loan book to 2.3%, with the coverage ratio slightly higher at 55% (54.6%). Net bad loans stood at €143.3m and account for 0.4% of the total loan book (basically unchanged). The item does not include the NPL portfolios acquired by MBCredit Solutions, for which the stock rose from €134.8m in the six months to €267.7m due to the acquisitions of retail unsecured portfolios.

- **Funding fell from €49.1bn to €47.4bn**, and chiefly reflects repayment of the first T-LTRO (€1.5bn) and only partial renewal of bonds expiring, with a view to optimizing liquidity and reducing the cost of funding. New debt securities issuance totalled €2.3bn, including a €750m covered bond, against redemptions of €2.7bn. The slight reduction in CheBanca! retail banking deposits (from €13.4bn to €13.1bn), was offset by the higher deposits from private banking of €5.1bn (€4.5bn).

- **Banking book bonds declined from €8.4bn to €7.6bn**, due to the reduction in holdings in Italian sovereign debt (from €3.3bn to €2.7bn). The exposure to sovereign debt in general remained stable at 67% but reflects the **ongoing increase in non-Italian European sovereign debt securities to approx. 48% of the portfolio**. **Net treasury assets too reduced from €7.3bn to €5.1bn** due to **lower deposits with the ECB** (down from €1.3bn to €0.2bn);

- TFAs in Wealth Management, including retail deposits, decreased from €59.9bn to €58.4bn, due to certain low-profit AUC Cairn Capital mandates being wound up; while **AUM/AUA rose to €1.5bn for the six months**, from €30bn to €31.5bn, split between Private Banking with €23.9bn (€22.9bn) and the CheBanca! Affluent & Premier segment with €7.6bn (€7.1bn).

- The Group's capital ratios[7] as at 31 December 2017, remain at high levels albeit lower than at 30 June 2017 due to **the higher deduction of the Assicurazioni Generali stake in order to comply with the concentration limit set at 20% (25%) as from 31 December 2017 (approx. 40 bps less CET1)**. The ratios below have been calculated using the standard methodology only, and do not factor in the benefits deriving from the introduction of the AIRB models for the corporate portfolio:

  - Phase-in: Common Equity Tier 1 ratio 12.9%, total capital ratio 16.2%;

  - Fully-phased: Common Equity Tier 1 ratio 12.9%, total capital ratio 16.4%.

- On 1 February 2018, Mediobanca received **authorization from the European Central Bank to adopt the AIRB method in order to measure the capital requirements for credit risk on the corporate portfolio**. The new models will accordingly be applied to the **corporate segment** and gradually extended to the other business segments in due course. For 31 March 2018 **saving in terms of RWAs of around €5bn are estimated** (with the **risk density** for corporate exposures weighted **at approx. 60%)**, confirming the high quality of the Bank's lending processes, which have always been one of Mediobanca's distinctive features. **The impact on CET1 will translate to an increase in the region of 140 bps**, which will allow the Group's already high capital solidity levels to be strengthened further, and foster more robust growth in line with the three-year strategic plan objectives.

[7] "Fully-phased": with 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 concentration limit for Assicurazioni Generali reduces to 20% due to the limit versus related parties being met (down from the previous 25% concentration limit for large risks).

- The ECB has also decided, following the outcome of the SREP 2018 process, to confirm last year's capital requirements for the Mediobanca Group. In particular: **the minimum CET1 ratio has been set at 7.625%, including the Pillar 2 requirement ("P2R") of 1.25%, while the minimum Total Capital ratio has been set at 11.125%.** These ratios are higher than last year (7% and 10.5% respectively), due solely to the capital conservation buffer being increased for the transitional period (1.25% in 2017, 1.875% in 2018, and 2.50% in 2019). The requirements are among the best at European level, and reflect the Mediobanca Group's strong risk coverage and capital solidity even in stressed conditions.

Divisional results

The 2016-19 three-year plan has introduced a segmentation of the Group's businesses into five divisions:

- **Wealth Management (WM)**: this division brings together all activities addressed to private clients and high net worth individuals (Compagnie Monégasque de Banque, Mediobanca Private Banking – formerly Banca Esperia – and Spafid) and asset management services provided to affluent & premier customers (CheBanca!); the division also includes product companies Cairn Capital, RAM (acquisition due to be completed by end-June 2018), Mediobanca SGR and Mediobanca Management Company;

- **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);

- **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);

- **Principal Investing (PI)**: this division brings together the Group's portfolio of equity investments and holdings, including the stake in Assicurazioni Generali;

- **Holding Functions (HF)**: this division houses the Group's Treasury and ALM activities; it also includes all costs relating to the Group's central functions, and the leasing operations.

1. <u>Wealth Management</u>: platform construction accelerating, now visible with revenues of approx. €256m (22% of Group total, 25% including RAM) and €31.5bn in AUM; ROAC 12%

Construction of the Wealth Management platform picked up speed during the six months:

- **Affluent/CheBanca!:** the rationalization process following the Barclays acquisition is now complete, with 32 branch closures and the reduction in headcount (106 in the six months, and more than 200 in the last twelve). The foundations have also been laid for future growth with the recruitment of the head of the FAs network and the addition of approx. 90 new advisors (rising to a total of approx. 160); AUM increased during the six months, from €7.1bn to €7.6bn, with the majority of the increase concentrated in 2Q;

- **MB Private Banking**: the merger of Banca Esperia into Mediobanca S.p.A. was completed in December 2017, with the business renamed Mediobanca Private Banking;

following the organizational reshaping, client coverage has become operative, with an integrated private/investment banking product offering; the central and treasury functions have been transferred to the Holding Functions division, and the fiduciary activities spun off to Spafid; AUM increased from €22.9bn to €23.9bn in the six months;

- **Asset Management**: the product factories are in the process of being strengthened, with new heads of Mediobanca SGR (domestic platform) and MAAM (non-domestic alternative asset management platform) recruited. In the MAAM segment, the acquisition of RAM was announced in November 2017. RAM is a specialist systematic equity funds manager, with AUM of €4bn, revenues of €50m, and net profits of €17m, and its product/channels platform is complementary to that of Cairn (which has AUM of €3bn mainly in illiquid credit products).

Wealth Management posted profits of €36.2m, higher than the €23.7m recorded last year (net of the €25.1m in income deriving from the Barclays acquisition); the increase in scope of this division (which now includes the former Barclays and Banca Esperia operations, as well as the acquisitions by Spafid) was reflected in higher revenues of €255.5m (€214.3m) and higher operating costs of €200.6m (€170.7m). CheBanca! contributed profits of €15.9m (€4m not including the one-off gain referred to above), whereas Private Banking (including Spafid and Cairn Capital) delivered a net profit of €20.3m (€19.7m);

Total Financial Assets (TFAs[8]) amounted to €58.4bn; while AUM/AUA totalled €31.5bn, up €1.5bn in the six months, split between Private Banking (€23.9bn, compared with €22.9bn) and the CheBanca! affluent & premier segment (€7.6bn as against €7.1bn).

1.1. Affluent & Premier (CheBanca!): rationalization phase now complete, AUM up €0.5bn in the six months, with distribution enhanced

During the six months, CheBanca! delivered a net profit of €15.9m, higher than the €4m (excluding the one-off PPA income deriving from the Barclays transaction) posted last year, on higher volumes (the former Barclays' business unit last year was consolidated for four months only, as opposed to the full six), with the cost base remaining under control:

- Revenues were up 9.1%, from €131.7m to €143.7m, driven by a higher contribution from fees, on growing net interest income which rose by 6.6% reflecting the ongoing reduction in the cost of funding (the average rate fell from 0.61% to 0.39% during the six months), and the higher average volumes. Fee income climbed by 16.8% to €36.8m, adding €20.6m in the second quarter, due to the increase in indirect funding (€487m compared with €86m in the first quarter);

- Operating costs rose by 3.2%, from €110.9m to €114.5m, but on a like-for-like basis were down 8.4% due to a reduction in labour costs (with 106 staff leaving as a result of redundancies, voluntary and otherwise), and factoring in the first benefits of integrating the platform which allow the financial advisors' project to be expensed (costs of €3m linked to support and IT activities incurred in respect of the 90 new FAs added).

Direct funding reduced slightly during the six months, from €13,353.3m to €13,078.4m, while indirect funding increased from €7,079m to €7,566m. Loans and advances to customers also increased, from €7,513.2m to €7,710m, on higher new loans of €694.5m (€532.6m) and fewer subrogations. Non-performing assets declined from €180.6m to €172.8m, and represent 2.2% of the loan book with a coverage ratio of 50.4% (47.8%). Bad loans stood at €98.6m (or 1.3% of the total), and were covered as to 59.3% (56.4%).

[8] TFAs= Total Financial Assets: deposits + AUM/AUA + assets under custody.

1.2. Private Banking & Asset Management: AUM up €1bn in the six months following launch of MB Private Banking last December

The increase in the net profit earned by this division, from €19.7m to €20.3m, was helped by the full consolidation of Mediobanca Private Banking (formerly Banca Esperia, owned as to 50% until April 2017). At the operating level GOP was up 12.5%, from €23.2m to €26.1m.

Revenues climbed by 35.4%, from €82.6m to €111.8m, and by 6.1% if the Banca Esperia contribution is recognized pro forma: net interest income was up 14.9% (from €17.5m to €20.1m), treasury income increased, from €6.4m to €6.8m; net fee and commission income rose strongly, by 44.6%, from €58.7m to €84.9m, split between Mediobanca Private Banking and its fund management companies with €40.1m, CMB with €25.1m (€22.4m), Cairn Capital with €9.8m (€11.7m), and Spafid with €9.9m (€5.3m).

At the same time operating costs were up 44%, from €59.8m to €86.1m; but the increase is limited to 10% net of the Banca Esperia effect, and chiefly reflects the IT systems' enhancement plus certain non-recurring labour cost items.

By individual company, CMB contributed a net profit of €14.8m, on revenues of €47.8m, costs totalling €30.2m, and tax of €3.4m; Mediobanca Private Banking and its fund management companies delivered a bottom line of €6.2m, on revenues totalling €44.3m and costs of €35.2m; Cairn Capital posted revenues of €10m and costs of €9.7m; and Spafid (fiduciary business and corporate services) posted revenues of €9.9m and costs of €9.5m.

AUM and AUA in the twelve months amounted to €23.9bn, an increase of approx. €1bn in the six months, split as follows: CMB, stable at €6.7bn; Mediobanca Private Banking and its product factories, €14.4bn (€13.7bn); and Cairn Capital, €2.8bn (€2.5bn). Securities under custody fell from €12.1bn to €8.9bn, after certain Cairn legacy positions under long-term advice were wound up as planned (now totalling €0.5bn, as opposed to €4bn), plus the reduction posted by Mediobanca Private Banking and the product factories[9] (from €3.6bn to €3.1bn), most of which was offset by the higher volumes of €5.2bn posted by Spafid (€4.4bn).

A partnership was announced with RAM Active Investments SA in November 2017 (the deal is expected to close by end-June 2018 with clearance to be received from the relevant authorities), with a view to strengthening the Mediobanca Alternative Asset Management platform; RAM, established in 2007 and headquartered in Geneva, is one of the leading European systematic fund managers, offering a wide range of products and distribution complementary to that of Cairn Capital. RAM has AUM of approx. €4bn, revenues of approx. €50m, and net profits of around €17m. The agreement provides for the initial acquisition of a 69% stake, with management retaining an interest and continuing to work for the company for at least ten years; the Reyl group, which is an historical shareholder and institutional investor in RAM, will retain a minority interest of 7.5% in the company. It is estimated that the deal will entail a net absorption of some 30 bps of CET 1, factoring the put and call options and seed capital into the valuation, with payment 50% in cash and 50% in Mediobanca shares, and should help increase fees by 30% at the Private Banking division level and by 10% for the Mediobanca Group as a whole.

2. Consumer credit: record quarter, with net profit up 30% to €160m, and ROAC up from 23% to 30%. Potential new business opportunities arising from introduction of new ECB rules on non-performing loan coverage

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[9] Mediobanca SGR and Mediobanca Management Company.

In a gradually normalizing market scenario, Compass delivered an excellent six-month performance, with robust growth in new loans supported by the distribution channels being strengthened, resilient margins, and the cost of risk reducing. Asset quality has remained consistently at the highest international standards, due to the policy of regular sales of NPLs, while the provisioning policy is already aligned with the criteria recently introduced for European banks by the ECB.

Indeed, the new measures could create new business opportunities for Compass (more selective credit offering, reduced pressure on margins, increased opportunities for distribution agreements).

Compass reported a net profit of €159.5m for the six months, higher than the €122.7m reported last year, on 3.7% growth in revenues (from €475.6m to €493.1m), flat costs, and lower loan loss provisions (down 23.5%). The second-quarter profit of €79.4m, despite the increase in commissions payable (due to *rappel* paid for exceeding sales quotas), confirmed the first-quarter performance (€80.1m). Growth of 5.9% in net interest income (from €408.4m to €432.3m) reflects the 5.8% increase in volumes, on resilient margins; whereas the 9.5% reduction in fees is linked to the distribution agreement renewals. Operating costs were virtually stable at €137m, with the cost/income ratio declining to 28%. Loan loss provisions decreased by 23.5%, from €159m to €121.6m, at a cost of risk of 204 bps, representing further improvement on the figure recorded at the balance-sheet date (243 bps).

The increase in loans and advances to customers also continued in the six months, to €12,097.5m (€11,750.3m), on new loans for the period totalling €3,346.3m (up 7.1%, from €3,125.8m) concentrated in personal loans and credit cards. Non-performing loans remain at historically low levels, totalling €189.4m (or 1.6% of the loan book), reflecting a coverage ratio of 71.8% (basically unchanged). Bad loans came to €13.3m, representing 0.1% of the loan book (unchanged) with a coverage ratio of 93.3%. The process of selling non-performing accounts outside the Group continued during the six months, for a total of €97.5m.

3. Corporate & Investment Banking: more diversified, lower capital absorption, ROAC up from 11% to 13% (15% with AIRB model)

Corporate and Investment Banking delivered an increase in net profit from €126.2m to €146.1m, helped by an improved performance in Wholesale Banking which posted a bottom line of €131.1m (€113.9m), due largely to higher fees and to writebacks, plus the good performance in Specialty Finance (up from €12.3m to €15m) on higher volumes in factoring as well as the NPL portfolios acquired.

3.1. Wholesale Banking: higher fees, net profit up 15% to €131m

In 2017 Mediobanca confirmed its position of leadership on the domestic market and has gained visibility at the European level as well:

- M&A: Mediobanca was involved in virtually all the significant deals announced (involving an aggregate amount of some €68bn with a market share of 62%), with a significant presence in cross-border transactions. Mediobanca ranked thirteenth in Europe (twelfth in France and twelfth also in Spain);
- ECM: fourteen deals completed for an aggregate amount of some €17bn;
- DCM: increasing involvement in domestic deals (one of the top three Italian operators) and in international public and private transactions.

The net profit earned by Wholesale Banking was up 15.1% in the six months, from €113.9m to €131.1m, as a result of the outstanding asset quality which translated to declining net interest income on the one hand, but also to writebacks totalling €37.4m on the other (compared with writedowns of €1.5m last year), mostly deriving from repayments of corporate positions already covered. The main income items performed as follows:

- Net interest income recorded a decrease of 19.7%, from €132m to €106m, due to lower margins on loans and despite the 26.7% increase in new loans, attributable to the generalized tightening of credit spreads and the priority given to safeguarding the quality of the portfolio;

- Net treasury income was up 19.9% to €64.6m (€53.9m), following positive contributions from both segments: equity trading added €29.5m (€21.7m), and fixed-income trading €35.1m (€32.2m). The result was boosted by the recovery in client-driven business by the capital market solutions team and proprietary dealing involving the trading book;

- Net fee and commission income was up 3.7%, from €86.8m to €90m, driven by strong contributions from equity and debt capital market activities; there was a slight reduction in advisory fees compared to the same period last year, from €32.4m to €29.3m, bearing in mind that last year the majority of the fees were concentrated in the first six months;

- Operating costs rose slightly, from €97m to €101.8m, chiefly as a result of the variable staff remuneration component, along with certain internal reorganization costs. Administrative expenses overall were stable, with project-related costs lower than last year offsetting the rise in IT expenses.

Loans and advances to customers rose by 4.7%, from €12.8bn to €13.4bn, on a 26.7% increase in new loans to €3.8bn. The domestic Italian share of the loan book was cut to just under half. Net non-performing loans in Wholesale Banking fell from €372m to €355m, due to repayments of certain exposures already classified and covered, and involve only unlikely-to-pay positions.

3.2. Specialty Finance: positive momentum continuing

The positive momentum in this segment continues, with appealing growth rates in both factoring and NPL portfolio management:

- Loans and advances to customers grew by 23.6%, from €1,641m to €2,028.7m. Ordinary factoring saw growth (€1,466,6m, as against €1,199.4m last year), whereas instalment factoring was down slightly, at €294.4m (€306.9m). NPLs were also acquired on a non-recourse basis during the period under review for a consideration of €146.8m (with a nominal value of €1,460.2m), over 60% of which in the retail unsecured segment in which the company traditionally operates;

- Revenues were up 35.3%, from €41.7m to €56.4m: net interest income posted an increase of 40.2%, chiefly attributable to the higher NPL volumes (up from €4.6m to €11.8m); net fee and commission income rose from €20.2m to €26.5m, and includes €14.8m in income deriving from higher collections on the NPL portfolio (€7.7m).

- Operating costs were up 28.9%, from €15.2m to €19.6m, reflecting the increase in credit recovery costs due to the higher volumes. Labour costs were basically flat, despite the increase in the headcount from 216 to 236 staff;

- Loan loss provisions rose from €10.7m to €14.6m, €6.9m of which in relation to factoring and €7.7m to the NPLs portfolio. The latter were almost entirely attributable to prudential provisioning in respect of the most-recently acquired portfolios in order to neutralize the extra amounts collected normally recorded in the first months of processing;

- Net profit rose to €15m (€12.3m), split between factoring (€6.8m, compared with €4.7m) and credit management/NPL portfolios (€8.2m, as against €7.6m)

At the reporting date, net NPLs amounted to €280.6m (up 88% on the figure at the balance-sheet date), almost all of which accounted for by the NPL portfolios acquired (€267.7m), 80% of which refers to the retail unsecured segment.

4.1 Principal Investing: NAV growing, equity stake disposals ongoing

This division, which brings together all the Group's equity investments, saw further significant reduction in AFS securities (from €659.5m to €439.5m), after disposals totalling €250.1m (mainly Atlantia), €20m in repayments by private equity funds, and investments amounting to €9.5m (Cairn seed capital in an amount of €7.9m).

The book value of the Assicurazioni Generali investment increased from €2,997.5m to €3,146m, as a result of profit for the period (€120.6m) and adjustments to equity (€28m, including €38.1m attributable to the valuation reserves).

The lower net profit earned by this division compared to last year of €205m (€242m) is due chiefly to the lower gains on AFS disposals of €93.8m (€118.9m) and the reduced contribution from the Assicurazioni Generali stake (down from €134.7m to €120.6m), with the company's 3Q performance in particular reflecting the loss incurred on the disposal of its Dutch business.

5. Holding functions: losses halved to €70m, effective liquidity optimization process; leasing operations profitable

The Holding Functions division virtually halved last year's €122.6m loss to €70.2m, helped by the reduced contributions to the resolution funds (€10.4m, compared with €54.5m last year), and the gradual improvement in net interest income (net interest expense totalled €26.4m this year, compared with €47.1m twelve months earlier), reflecting the lower cost of funding and optimized liquidity management. Conversely, operating costs rose by 14.8% (from €70.5m to €80.9m), due to the expanded scope in terms of central costs following the Banca Esperia merger and costs in connection with one-off projects.

The division comprises:

- Group Treasury and ALM, which delivered a loss of €36.3m, considerably better than the €59.5m loss posted last year, driven by the performance in net interest expense (which decreased from €70.6m to €47.4m), reflecting more effective liquidity management and the ongoing reduction in the cost of funding. Overall the unit disbursed funding of €38.9bn (€40.6bn), €32.6bn (€31.4bn) of which was distributed to the various divisions, €6.5bn (€7.6bn) invested in banking book securities, and €1.4bn (€2.2bn) in net treasury assets;

- Leasing delivered a stable net profit of €2.6m, on lower loan loss provisions of €4.9m (€6.3m) offsetting the slight decline in revenues (from €24.5m to €24.1m) and rising costs (up from €11.1m to €13m), most of which were non-recurring. Accounts outstanding at the reporting date decreased from €2,273.5m to €2,176.1m, on new business for the six months of €192m (€213m). Net non-performing assets fell from €169m to €157.4m, and account for 7.2% of total loans with a coverage ratio of 32.2% (33.8%); while bad loans totalled €31m (€35.8m) and account for 1.4% of total loans, with a coverage ratio of 51.7% (51.8%).

Mediobanca S.p.A.

The parent company Mediobanca S.p.A. earned a net profit of €153.3m in the six months, significantly higher than the €96.3m recorded last year, in part due to the effect of the Banca Esperia merger and the absence of contributions to the bank resolution fund (€42.6m). Revenues were up 33.8%, from €190.6m to €255m, with all income streams delivering positive performances: net interest income climbed by 18.7%, from €40.1m to €47.6m, net treasury income rose 26.6%, from €61.3m to €77.6m, and fee and commission income increased by 39.7%, from €89.2m to €124.6m, with positive contributions from both Wholesale and Private Banking. Gains realized on disposal of AFS shares totalled €93.8m (€118.9m). Conversely, operating costs climbed by 29.7% due to the merger referred to (up 10.9% like-for-like), while the loan book reflected net writebacks of €36.1m (€2m), the majority of which attributable to amounts collected on corporate non-performing positions.

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The Board of Directors has also revised the Bank's Internal Dealing regulations (available on the Mediobanca website), adopted in compliance with EU Regulation 596/14. The revision involved in particular the introduction of automatic selling systems (cd sell to cover) of the performance shares received according to remuneration system and of specific "window periods" in which senior management members are allowed to exercise stock options or trade in Mediobanca shares, in line with best international practice in this area.

Accordingly, the Chief Executive Officer and General Manager, who hold 350,000 and 250,000 residual stock options awarded to them respectively on 2 August 2010 at a price of €6.537 per share and expiring on 1 August 2018, informed the Board of Directors that in the next fifteen open market days/window period, they will exercise the stock options awarded to them, and will reinvest the entire gain they make from such exercise in Mediobanca shares. Notice of these transactions will be provided in due course in compliance with the regulations in force on internal dealing.

Milan, 9 February 2018

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MEDIOBANCA

1. Restated consolidated profit and loss accounts

Mediobanca Group (€m)	6 mths 31/12/2016	6 mths 31/12/2017	Chg. (%)
Net interest income	635.6	672.1	5.7%
Net treasury income	63.8	85.4	33.9%
Net fee and commission income	236.8	291.2	23.0%
Equity-accounted companies	136.2	121.2	-11.0%
Total income	**1,072.4**	**1,169.9**	**9.1%**
Labour costs	(231.1)	(271.0)	17.3%
Administrative expenses	(232.4)	(262.6)	13.0%
Operating costs	**(463.5)**	**(533.6)**	**15.1%**
Gains (losses) on AFS, HTM & LR	121.7	94.4	-22.4%
Loan loss provisions	(183.7)	(113.2)	-38.4%
Provisions for other financial assets	(7.9)	(0.4)	-94.9%
Other income (losses)	(26.2)	(10.4)	-60.3%
Profit before tax	**512.8**	**606.7**	**18.3%**
Income tax for the period	(92.9)	(128.6)	38.4%
Minority interest	(1.7)	(1.8)	5.9%
Net profit	**418.2**	**476.3**	**13.9%**

2. Quarterly profit and loss accounts

Mediobanca Group	FY 16/17				FY 17/18	
(€m)	I Q 30/09/2016	II Q 31/12/2016	III Q 31/03/2017	IV Q 30/06/2017	I Q 30/09/2017	II Q 31/12/2017
Net interest income	314.2	321.4	319.5	332.7	331.7	340.4
Net treasury income	31.8	32.0	41.6	15.9	38.7	46.7
Net fee and commission income	106.0	130.8	165.1	120.7	138.3	152.9
Equity-accounted companies	78.1	58.1	58.2	69.5	89.7	31.5
Total income	**530.1**	**542.3**	**584.4**	**538.8**	**598.4**	**571.5**
Labour costs	(107.3)	(123.8)	(132.5)	(152.4)	(129.9)	(141.1)
Administrative expenses	(105.3)	(127.1)	(126.9)	(148.4)	(125.8)	(136.8)
Operating costs	**(212.6)**	**(250.9)**	**(259.4)**	**(300.8)**	**(255.7)**	**(277.9)**
Gains (losses) on disposal of AFS shares	112.0	9.7	19.8	27.1	89.4	5.0
Loan loss provisions	(90.6)	(93.1)	(64.4)	(68.6)	(54.6)	(58.6)
Provisions for other financial assets	(5.9)	(2.0)	1.8	(1.8)	(1.3)	0.9
Other income (losses)	(4.8)	(21.4)	(29.7)	(46.0)	(5.1)	(5.3)
Profit before tax	**328.2**	**184.6**	**252.5**	**148.7**	**371.1**	**235.6**
Income tax for the period	(56.7)	(36.2)	(56.0)	(22.8)	(69.1)	(59.5)
Minority interest	(0.8)	(0.9)	(0.8)	10.4	(1.1)	(0.7)
Net profit	**270.7**	**147.5**	**195.7**	**136.3**	**300.9**	**175.4**

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3. Restated balance sheet

Mediobanca Group (€m)	31/12/2016	30/06/2017	31/12/2017
Assets			
Financial assets held for trading	10,335.7	7,833.9	10,105.0
Treasury financial assets	10,236.1	9,435.1	8,540.7
AFS equities	697.6	786.1	498.3
Banking book securities	8,272.7	8,357.7	7,605.7
Customer loans	37,598.3	38,190.9	39,612.4
Corporate	*14,207.8*	*12,840.0*	*13,438.3*
Specialty Finance	*1,150.0*	*1,641.0*	*2,028.7*
Consumer credit	*11,244.9*	*11,750.3*	*12,097.5*
Mortgages	*7,441.5*	*7,513.2*	*7,710.0*
Private banking	*1,191.9*	*2,172.9*	*2,161.8*
Leasing	*2,362.2*	*2,273.5*	*2,176.1*
Equity investments	3,441.1	3,036.5	3,185.7
Tangible and intangible assets	787.8	857.8	855.9
Other assets	2,105.6	1,947.5	1,686.0
Total assets	**73,474.9**	**70,445.5**	**72,089.7**
Liabilities			
Funding	49,665.3	49,120.6	47,382.5
MB bonds	*19,666.8*	*19,301.5*	*18,802.8*
Retail deposits	*13,841.8*	*13,353.3*	*13,078.4*
Private Banking deposits	*3,557.1*	*4,482.0*	*5,088.1*
ECB	*6,511.0*	*5,854.1*	*4,344.6*
Banks and other	*6,088.6*	*6,129.7*	*6,068.6*
Treasury financial liabilities	5,337.4	4,037.2	6,870.2
Financial liabilities held for trading	7,413.3	5,920.6	6,699.5
Other liabilities	1,654.1	1,919.9	1,609.3
Provisions	261.8	255.6	219.9
Net equity	9,143.0	9,191.6	9,308.3
Minority interest	*91.8*	*82.7*	*84.9*
Profit for the period	*418.2*	*750.2*	*476.3*
Total liabilities	**73,474.9**	**70,445.5**	**72,089.7**
CET 1 capital	6,602.8	7,017.3	6,718.7
Total capital	8,468.9	8,879.0	8,462.8
RWA	53,791.5	52,708.2	52,109.2

4. Consolidated shareholders' equity

Net equity (€m)	31/12/2016	30/06/2017	31/12/2017
Share capital	436.4	440.6	442.0
Other reserves	7,034.2	7,046.7	7,479.4
Valuation reserves	1,162.4	871.4	825.8
- of which: AFS securities	*295.3*	*319.4*	*203.6*
cash flow hedge	*(17.8)*	*(44.3)*	*(10.4)*
equity investments	*886.8*	*598.6*	*637.0*
Minority interest	91.8	82.7	84.9
Profit for the period	418.2	750.2	476.3
Total Group net equity	**9,143.0**	**9,191.6**	**9,308.4**

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Ratios (%) and per share data (€)

Mediobanca Group	31/12/2016	30/06/2017	31/12/2017
Total assets / Net equity	8.0	7.7	7.7
Loans / Funding	0.8	0.8	0.8
CET1 ratio1	12.3	13.3	12.9
Total capital1	15.7	16.9	16.2
S&P Rating	BBB-	BBB-	BBB
Fitch Rating	BBB+	BBB	BBB
Cost / Income	43.2	46.6	45.6
Bad Loans (sofferenze)/Loans ratio (%)	0.4	0.4	0.4
EPS	0.48	0.85	0.54
BVPS	10.5	10.0	10.4
DPS		0.37	
No. shares (m)	872.8	881.2	884.1

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

6m – Dec. 17 (€m)	CIB	Consumer	WM	PI	Holding Functions	Group
Net interest income	136.0	432.3	126.7	(3.6)	(24.6)	672.1
Net treasury income	64.5	0.0	7.1	6.5	4.9	85.4
Net fee and commission income	116.5	60.8	121.7	0.0	8.6	291.2
Equity-accounted companies	0.0	0.0	0.0	121.2	0.0	121.2
Total income	**317.0**	**493.1**	**255.5**	**124.1**	**(11.1)**	**1,169.9**
Labour costs	(66.7)	(47.4)	(95.0)	(1.8)	(60.1)	(271.0)
Administrative expenses	(54.7)	(89.6)	(105.6)	(0.5)	(20.8)	(262.6)
Operating costs	**(121.4)**	**(137.0)**	**(200.6)**	**(2.3)**	**(80.9)**	**(533.6)**
Gains (losses) on disposal of AFS shares	0.0	0.0	0.6	93.8	0.0	94.4
Loan loss provisions	21.9	(121.6)	(8.5)	0.0	(4.9)	(113.2)
Provisions for other financial assets	0.9	0.0	0.0	(0.5)	(0.8)	(0.4)
Other income (losses)	0.0	0.0	0.0	0.0	(10.5)	(10.4)
Profit before tax	**218.4**	**234.5**	**47.0**	**215.1**	**(108.2)**	**606.7**
Income tax for the period	(72.3)	(75.0)	(10.8)	(10.1)	39.8	(128.6)
Minority interest	0.0	0.0	0.0	0.0	(1.8)	(1.8)
Net profit	**146.1**	**159.5**	**36.2**	**205.0**	**(70.2)**	**476.3**
Loans and advances to Customers	15,467.0	12,097.5	9,871.8	0.0	2,176.1	39,612.4
RWAs	24,863.5	11,668.5	5,668.2	5,976.1	3,932.9	52,109.2
No. of staff	577	1,417	1,821	12	862	4,689

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

6m – Dec. 16 (€m)	CIB	Consumer	WM	PI	Holding Functions	Group
Net interest income	153.4	408.4	117.5	(3.6)	(47.1)	635.6
Net treasury income	54.0	0.0	6.6	6.8	(0.3)	63.8
Net fee and commission income	107.0	67.2	90.2	0.0	9.1	236.8
Equity-accounted companies	0.0	0.0	0.0	134.7	0.0	136.2
Total income	**314.4**	**475.6**	**214.3**	**137.9**	**(38.3)**	**1,072.4**
Labour costs	(61.7)	(45.5)	(83.0)	(1.6)	(50.2)	(231.1)
Administrative expenses	(50.5)	(91.3)	(87.7)	(0.3)	(20.3)	(232.4)
Operating costs	**(112.2)**	**(136.8)**	**(170.7)**	**(1.9)**	**(70.5)**	**(463.5)**
Gains (losses) on disposal of AFS shares	0.0	0.0	3.1	118.9	0.0	121.7
Loan loss provisions	(9.1)	(159.0)	(9.8)	0.0	(6.3)	(183.7)
Provisions for other financial assets	(3.1)	0.0	(1.1)	(0.9)	(3.0)	(7.9)
Other income (losses)	0.0	0.0	27.3	0.0	(56.3)	(26.2)
Profit before tax	**190.0**	**179.8**	**63.1**	**254.0**	**(174.4)**	**512.8**
Income tax for the period	(63.8)	(57.1)	(14.3)	(12.0)	53.5	(92.9)
Minority interest	0.0	0.0	0.0	0.0	(1.7)	(1.7)
Net profit	**126.2**	**122.7**	**48.8**	**242.0**	**(122.6)**	**418.2**
Loans and advances to Customers	15,357.8	11,244.9	9,104.9	0.0	2,362.7	37,598.3
RWAs	24,825.8	11,387.0	5,432.8	7,243.0	4,902.9	53,791.5
No. of staff	579	1,402	1,951*	11	769	4,565

* Including 147 staff of Banca Esperia, not included in Group total.

6. Corporate & Investment Banking

Corporate & Investment Banking (€m)	6 mths 31/12/2016	6 mths 31/12/2017	Chg. (%)
Net interest income	153.4	136.0	-11.3%
Net treasury income	54.0	64.5	19.4%
Net fee and commission income	107.0	116.5	8.9%
Equity-accounted companies	0.0	0.0	n.m.
Total income	**314.4**	**317.0**	**0.8%**
Labour costs	(61.7)	(66.7)	8.1%
Administrative expenses	(50.5)	(54.7)	8.3%
Operating costs	**(112.2)**	**(121.4)**	**8.2%**
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	(9.1)	21.9	n.m.
Provisions for other financial assets	(3.1)	0.9	n.m.
Other income (losses)	0.0	0.0	n.m.
Profit before tax	**190.0**	**218.4**	**14.9%**
Income tax for the period	(63.8)	(72.3)	13.3%
Minority interest	0.0	0.0	n.m.
Net profit	**126.2**	**146.1**	**15.8%**
Loans and advances to customers	15,357.8	15,467.0	0.7%
No. of staff	579	577	-0.3%
RWAs	24,825.8	24,863.5	0.2%
Cost/income ratio (%)	35.7%	38.3%	
Bad loans (*sofferenze*)/loans ratio (%)	0.0	0.0	

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6.1 Wholesale Banking

Wholesale banking (€m)	6 mths 31/12/2016	6 mths 31/12/2017	Chg. (%)
Net interest income	132.0	106.0	-19.7%
Net treasury income	53.9	64.6	19.9%
Net fee and commission income	86.8	90.0	3.7%
Equity-accounted companies	0.0	0.0	n.m.
Total income	**272.7**	**260.6**	**-4.4%**
Labour costs	(54.2)	(58.8)	8.5%
Administrative expenses	(42.8)	(43.0)	0.5%
Operating costs	**(97.0)**	**(101.8)**	**4.9%**
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	1.6	36.5	n.m.
Provisions for other financial assets	(3.1)	0.9	n.m.
Other income (losses)	0.0	0.0	n.m.
Profit before tax	**174.2**	**196.2**	**12.6%**
Income tax for the period	(60.3)	(65.1)	8.0%
Minority interest	0.0	0.0	n.m.
Net profit	**113.9**	**131.1**	**15.1%**
Loans and advances to customers	14,207.8	13,438.3	-5.4%
No. of staff	363	341	-6.1%
RWAs	23,707.4	22,817.0	-3.8%
Cost/income ratio (%)	35.6%	39.1%	
Bad loans (*sofferenze*)/loans ratio (%)	0.0	0.0	

6.2 Specialty Finance

Specialty Finance (€m)	6 mths 31/12/2016	6 mths 31/12/2017	Chg. (%)
Net interest income	21.4	30.0	40.2%
Net treasury income	0.1	(0.1)	n.m.
Net fee and commission income	20.2	26.5	31.2%
Equity-accounted companies	0.0	0.0	n.m.
Total income	**41.7**	**56.4**	**35.3%**
Labour costs	(7.5)	(7.9)	5.3%
Administrative expenses	(7.7)	(11.7)	51.9%
Operating costs	**(15.2)**	**(19.6)**	**28.9%**
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	(10.7)	(14.6)	36.4%
Provisions for other financial assets	0.0	0.0	n.m.
Other income (losses)	0.0	0.0	n.m.
Profit before tax	**15.8**	**22.2**	**40.5%**
Income tax for the period	(3.5)	(7.2)	n.m.
Minority interest	0.0	0.0	n.m.
Net profit	**12.3**	**15.0**	**22.0%**
Loans and advances to customers	1,150.0	2,028.7	76.4%
Of which factoring	*76.7*	*1,761.0*	n.m.
Of which credit management	*1,073.3*	*267.7*	n.m.
No. of staff	216	236	9.3%
RWAs	1,118.4	2,046.5	83.0%
Cost/income ratio (%)	36.5%	34.8%	
Bad loans (*sofferenze*)/loans ratio (%)	0.3	0.0	

7. Consumer Banking

Consumer Banking (€m)	6 mths 31/12/2016	6 mths 31/12/2017	Chg. (%)
Net interest income	408.4	432.3	5.9%
Net treasury income	0.0	0.0	n.m.
Net fee and commission income	67.2	60.8	-9.5%
Equity-accounted companies	0.0	0.0	n.m.
Total income	**475.6**	**493.1**	**3.7%**
Labour costs	(45.5)	(47.4)	4.2%
Administrative expenses	(91.3)	(89.6)	-1.9%
Operating costs	**(136.8)**	**(137.0)**	**0.1%**
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	(159.0)	(121.6)	-23.5%
Provisions for other financial assets	0.0	0.0	n.m.
Other income (losses)	0.0	0.0	n.m.
Profit before tax	**179.8**	**234.5**	**30.4%**
Income tax for the period	(57.1)	(75.0)	31.3%
Minority interest	0.0	0.0	n.m.
Net profit	**122.7**	**159.5**	**30.0%**
Loans and advances to customers	11,244.9	12,097.5	7.6%
New loans	3,125.8	3,346.3	7.1%
No. of branches	164	166	1.2%
No. of staff	1,402	1,417	1.1%
RWAs	11,387.0	11,668.5	2.5%
Cost/income ratio (%)	28.8%	27.8%	
Bad loans (*sofferenze*)/loans ratio (%)	0.1	0.1	

8. Wealth Management

Wealth Management (€m)	6 mths 31/12/2016	6 mths 31/12/2017	Chg. (%)
Net interest income	117.5	126.7	7.8%
Net treasury income	6.6	7.1	7.6%
Net fee and commission income	90.2	121.7	34.9%
Equity-accounted companies	0.0	0.0	n.m.
Total income	**214.3**	**255.5**	**19.2%**
Labour costs	(83.0)	(95.0)	14.5%
Administrative expenses	(87.7)	(105.6)	20.4%
Operating costs	**(170.7)**	**(200.6)**	**17.5%**
Gains (losses) on AFS equity	3.1	0.6	-80.6%
Loan loss provisions	(9.8)	(8.5)	-13.3%
Provisions for other financial assets	(1.1)	0.0	n.m.
Other income (losses)	27.3	0.0	n.m.
Profit before tax	**63.1**	**47.0**	**-25.5%**
Income tax for the period	(14.3)	(10.8)	-24.5%
Minority interest	0.0	0.0	n.m.
Net profit	**48.8**	**36.2**	**-25.8%**
Loans and advances to customers	9,104.9	9,871.8	8.4%
New loans	532.6	694.5	30.4%
Total Financial Assets (TFA)	50,586.2	58,403.9	15.5%
- AUM/AUA	21,326.9	31,499.0	47.7%
- Asset under custody	11,371.1	8,935.5	-21.4%
- Deposits	17,888.2	17,969.4	0.5%
No. of staff	1,951	1,821	-6.7%
RWAs	5,432.8	5,668.2	4.3%
Cost/income ratio (%)	79.7%	78.5%	
Bad loans (sofferenze)/loans ratio (%)	1.2	1.0	

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8.1 CheBanca!- Affluent/Premier

CheBanca! - Affluent/Premier (€m)	6 mths	6 mths	Chg. (%)
	31/12/2016	31/12/2017	
Net interest income	100.0	106.6	6.6%
Net treasury income	0.2	0.3	50.0%
Net fee and commission income	31.5	36.8	16.8%
Equity-accounted companies	0.0	0.0	n.m.
Total income	**131.7**	**143.7**	**9.1%**
Labour costs	(47.6)	(49.5)	4.0%
Administrative expenses	(63.3)	(65.0)	2.7%
Operating costs	**(110.9)**	**(114.5)**	**3.2%**
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	(9.5)	(8.3)	-12.6%
Provisions for other financial assets	(0.9)	0.0	n.m.
Other income (losses)	29.5	0.0	n.m.
Profit before tax	**39.9**	**20.9**	**-47,6%**
Income tax for the period	(10.8)	(5.0)	-53,7%
Minority interest	0.0	0.0	n.s.
Net profit	**29.1**	**15.9**	**-45,4%**
Loans and advances to customers	7,441.5	7,710.0	3.6%
New loans	532.6	694.5	30.4%
Total Financial Assets (TFA)	20,776.0	20,644.4	-0.6%
- AUM/AUA	6,934.2	7,566.0	9.1%
-Asset under custody	0.0	0.0	n.m.
- Deposits	13,841.8	13,078.4	-5.5%
No. of branches	143	109	
No. of staff	1,484	1,295	-12.7%
RWAs	3,503.0	3,684.2	5.2%
Cost/income ratio (%)	84.2%	79.7%	
Bad loans (*sofferenze*)/loans ratio (%)	1.4	1.3	

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8.2 Private Banking

Private Banking (€m)	6 mths 31/12/2016	6 mths 31/12/2017	Chg. (%)
Net interest income	17.5	20.1	14.9%
Net treasury income	6.4	6.8	6.3%
Net fee and commission income	58.7	84.9	44.6%
Equity-accounted companies	0.0	0.0	n.m.
Total income	**82.6**	**111.8**	**35.4%**
Labour costs	(35.4)	(45.5)	28.5%
Administrative expenses	(24.4)	(40.6)	66.4%
Operating costs	**(59.8)**	**(86.1)**	**44.0%**
Gains (losses) on AFS equity	3.1	0.6	-80.6%
Loan loss provisions	(0.3)	(0.2)	-33.0%
Provisions for other financial assets	(0.2)	0.0	n.m.
Other income (losses)	(2.2)	0.0	n.m.
Profit before tax	**23.2**	**26.1**	**12.5%**
Income tax for the period	(3.5)	(5.8)	65.7%
Minority interest	0.0	0.0	n.m.
Net profit	**19.7**	**20.3**	**3.0%**
Loans and advances to customers	1,663.4	2,161.8	30.0%
Total Financial Assets (TFA)	29,810.0	37,759.5	26.7%
-AUM/AUA	14,392.7	23,933.0	66.3%
- Asset under custody	11,371.1	8,935.5	-21.4%
-Deposits	4,046.2	4,891.0	20.9%
No. of staff	467	526	12.6%
RWA	1,929.8	1,984.0	2.8%
Cost/income ratio (%)	72.4%	77.0%	
Bad loans (*sofferenze*)/loans ratio (%)	0.0	0.0	

9. Principal Investing

PI (€m)	6 mths 31/12/2016	6 mths 31/12/2017	Chg. (%)
Net interest income	(3.6)	(3.6)	n.m.
Net treasury income	6.8	6.5	-4.4%
Net fee and commission income	0.0	0.0	n.m.
Equity-accounted companies	134.7	121.2	-10.0%
Total income	**137.9**	**124.1**	**-10.0%**
Labour costs	(1.6)	(1.8)	12.5%
Administrative expenses	(0.3)	(0.5)	66.7%
Operating costs	**(1.9)**	**(2.3)**	**21.1%**
Gains (losses) on AFS equity	118.9	93.8	-21.1%
Loan loss provisions	0.0	0.0	n.m.
Provisions for other financial assets	(0.9)	(0.5)	-44.4%
Other income (losses)	0.0	0.0	n.m.
Profit before tax	**254.0**	**215.1**	**-15.3%**
2Income tax for the period	(12.0)	(10.1)	-15.8%
Minority interest	0.0	0.0	n.m.
Net profit	**242.0**	**205.0**	**-15.3%**
AFS securities	640.4	439.5	-31.4%
Equity investments	3,346.1	3,185.7	-4.8%
RWA	7,243.0	5,976.1	-17.5%

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10. Holding Functions

Holding Functions (€m)	6 mths 31/12/2016	6 mths 31/12/2017	Chg. (%)
Net interest income	(47.1)	(24.6)	47.8%
Net treasury income	(0.3)	4.9	n.m.
Net fee and commission income	9.1	8.6	-5.5%
Equity-accounted companies	0.0	0.0	n.m.
Total income	**(38.3)**	**(11.1)**	**71.0%**
Labour costs	(50.2)	(60.1)	-19.7%
Administrative expenses	(20.3)	(20.8)	-2.5%
Operating costs	**(70.5)**	**(80.9)**	**-14.8%**
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	(6.3)	(4.9)	22.2%
Provisions for other financial assets	(3.0)	(0.8)	73.3%
Other income (losses)	(56.3)	(10.5)	81.3%
Profit before tax	**(174.4)**	**(108.2)**	**38.0%**
Income tax for the period	53.5	39.8	25.6%
Minority interest	(1.7)	(1.8)	-5.9%
Net profit	**(122.6)**	**(70.2)**	**42.7%**
Loans and advances to customers	2,362.7	2,176.1	-7.9%
Banking book securities	6,932.0	6,461.2	-6.8%
RWA	4,902.9	3,932.9	-19.8%
No. of staff	769	862	12.1%

11. Statement of comprehensive income

		6 mths	6 mths
		31/12/2016	31/12/2017
10,	**Gain (loss) for the period**	**420.0**	**478.1**
	Other income items net of tax without passing through profit and loss	**(42.7)**	**11.0**
20,	Property, plant and equipment	0.0	0.0
30,	Intangible assets	0.0	0.0
40,	Defined benefit schemes	0.2	(1.1)
50,	Non-current assets being sold	0.0	0.0
60,	Share of valuation reserves for equity-accounted companies	(42.9)	12.1
	Other income items net of tax passing through profit and loss	**60.9**	**(56.2)**
70,	Foreign investment hedges	0.0	0.0
80,	Exchange rate differences	(1.4)	(1.0)
90,	Cash flow hedges	(0.6)	34.3
100,	AFS securities	(87.6)	(115.8)
110,	Non-current assets being sold	0.0	0.0
120,	Share of valuation reserves attributable to equity-accounted companies	150.5	26.3
130,	**Total other income items net of tax**	**18.2**	**(45.2)**
140,	**Comprehensive income (Heading 10 + Heading 130)**	**438.2**	**432.9**
150,	Minority interest in consolidated comprehensive income	2.6	2.1
160,	**Consolidated comprehensive income attributable to Mediobanca S.p.A.**	**435.6**	**430.8**

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

Mediobanca S.p.A. (€ m)	6 mths 31/12/2016	6 mths 31/12/2017	Chg.%
Net interest income	40.1	47.6	18.7%
Net treasury income	61.3	77.6	26.6%
Net fee and commission income	89.2	124.6	39.7%
Dividends	0.0	5.2	n.m.
Total income	**190.6**	**255.0**	**33.8%**
Labour costs	(87.6)	(116.5)	33.0%
Administrative expenses	(66.3)	(83.1)	25.3%
Operating costs	**(153.9)**	**(199.6)**	**29.7%**
Gains (losses) on AFS equity & IAS 28	118.9	93.8	-21.1%
Loan loss provisions	2.0	36.1	n.m.
Provisions for other financial assets	(6.6)	2.4	n.m.
Impairments on stakes	(0.6)	0.0	n.m.
Other income (losses)	(42.6)	(0.4)	n.m.
Profit before tax	**107.8**	**187.3**	**73.7%**
Income tax for the period	(11.5)	(34.0)	n.m.
Net profit	**96.3**	**153.3**	**59.2%**

Mediobanca S.p.A. (€ m)	31/12/2016	30/06/2017	31/12/2017
Assets			
Financial assets held for trading	9,489.3	7,271.3	10,069.3
Treasury financial assets	10,934.3	10,031.8	9,532.3
AFS equities	640.4	659.5	454.5
Banking book securities	10,434.6	10,764.3	11,350.5
Customer loans	25,716.5	25,226.7	25,686.0
Equity investments	2,786.5	3,057.0	2,940.3
Tangible and intangible assets	132.0	132.2	160.1
Other assets	986.3	766.1	556.3
Total assets	**61,119.9**	**57,908.9**	**60,749.3**
Liabilities			
Funding	41,668.9	41,038.2	40,367.1
Treasury financial liabilities	5,753.6	4,451.3	7,634.3
Financial liabilities held for trading	7,299.4	5,859.2	6,753.0
Other liabilities	1,205.4	1,136.4	805.7
Provisions	136.8	105.7	107.8
Net equity	4,959.5	4,999.8	4,928.1
Profit for the period	96.3	318.3	153.3
Total liabilities	**61,119.9**	**57,908.9**	**60,749.3**

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

Emanuele Flappini